Parallel Session Abstracts

12th Annual Conference of the International Corporate Governance Society

Date: Saturday, 03/Oct/2026

11:00am - 12:30pm

PS I.01: Corporate Purpose: Drivers and Consequences
Location: **A.436 Fonds Cogeco**
Session Chair: **Jose Rivas**, ITAM, Mexico

This paper has been recommended for the best paper award.
ID: 102 / PS I.01: 1
Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical), Full-paper (conceptual)
Keywords: corporate purpose, archival research, UK royal charters, machine learning, historical perspective

The Asking Price of Incorporation: State Leverage and the Evolution of Corporate Purpose

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This article advances a new perspective on corporate purpose, grounded in the institutional conditions under which corporate privileges are granted. Using a novel dataset of historical UK royal charters and a mixed-methods empirical strategy, the study shows that early corporations articulated specific, enforceable, and public-facing purpose clauses because incorporation was a scarce privilege that allowed the Crown to impose obligations as a “asking price” for the benefits of the corporate form. Machine-learning evidence demonstrates that clauses reflecting Crown leverage cluster systematically and decline over time as incorporation becomes more accessible. The findings reframe corporate purpose not merely as a normative contest among stakeholders but as the product of institutional bargaining at the point of corporate formation, offering a historical lens for contemporary purpose debates.

ID: 155 / PS I.01: 2
Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical)
Keywords: corporate purpose, financial performance, strategic management

Purpose Variation and Financial Performance

Frederik Hovmark Pedersen[1,2], Steen Thomsen[2]
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It has recently been proposed that corporations should be guided by a purpose to produce profitable solutions to problems of people and planet (Mayer, 2018, 2021, 2024). In this paper, we examine the relevance of this proposition by testing whether a corporate purpose is compatible with running a profitable business. We propose that a meaningful purpose in this sense needs to be both sufficiently specific to give direction to the company and sufficiently prosocial in the broad sense of providing solutions to the problems of people and planet. We hypothesise that a corporate purpose defined in this way can translate into superior financial performance through improved coordination and cooperation, whereas the effect of a generic private (non-social) purpose is likely to be indistinguishable from having no explicit purpose apart from a conventional, implicit focus on profits. We test these hypotheses on 420 of the 600 largest European firms over the 20-year period 2004-2023. Using fixed effects panel data analysis with standard controls, we find a positive association between a specific and prosocial purpose and firm value but a negative association between a generic and private purpose and corporate profitability. The findings indicate that a meaningful corporate purpose is compatible with running a profitable business and advantageous in the sense of ensuring better future prospects by for example mitigating business risks.

ID: 326 / PS I.01: 3
Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (conceptual)
Keywords: ownership, steward-ownership, corporate governance, corporate purpose

Rethinking Ownership for Purpose in an Unstable World

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Traditional ownership structures can be a constraint to the transitions and adaptations business firms need to make to navigate an age of instability and disruption. Agency theory and some of the core mechanisms in corporate governance offer a narrow frame for firms operating in a context of systemic challenges like climate change and accelerating political shifts. Some models of stakeholder stewardship have gone further to bring greater accountability to owners and shareholders while more recent work on steward ownership has again extended the scope. A growing literature on the purpose and performance of business firms offers a new lens for rethinking traditional ownership models to be fit for an unstable future. In this conceptual piece, we develop a framework to analyse existing models of ownership through four pillars of corporate purpose: effectiveness, materiality, accountability and robustness. Our analysis offers and more fine-grained view of the relationship between ownership and purpose revealing critical tensions in steward ownership. We explore these tensions and identify future avenues for research.

11:00am - 12:30pm

PS I.02: Board Leadership and Director Attributes

Location: **A.449 Melbourne**
Session Chair: **Seppo Ikäheimo**, Aalto University, Finland

This paper has been recommended for the best paper award.
ID: 289 / PS I.02: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: board of directors; corporate governance; gender diversity; optimal distinctiveness; director skills

Optimal Distinctiveness of Female Directors

Yo-Jud Cheng[1], Shelby Gai[2], Hui Sun[3]
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This study examines how the characteristics used to describe and evaluate individuals in elite organizational roles shift in response to broader societal change. Drawing on the concept of optimal distinctiveness, we argue that the balance between similarity and distinctiveness is not fixed, but instead socially constructed and contingent on the institutional environment. We investigate this dynamic in the context of corporate boards, focusing on how female directors are both characterized by firms and evaluated by investors. We propose that the MeToo movement constitutes a salient exogenous shock that reshaped expectations around gender and governance norms, thereby altering both organizational signaling and audience evaluation. Using a panel of Russell 3000 firms from 2015 to 2023, we analyze director skill disclosures in proxy statements and shareholder voting outcomes. We find that, following MeToo, boards increasingly revised their public disclosures to emphasize both skill similarity (alignment with the existing expertise of the board) and skill distinctiveness (skills that differentiate these directors from their peers) in their portrayals of female directors, consistent with a dual signaling strategy. At the same time, shareholder evaluation criteria shifted: for female directors, approval was more strongly associated with greater similarity to other directors' skills in the pre-MeToo period, but more strongly associated with greater distinctiveness in skills relative to others in the post-MeToo period. These findings suggest that optimal distinctiveness is a moving target shaped by evolving institutional expectations, with implications for research on signaling, evaluation, and governance in elite settings.

ID: 284 / PS I.02: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: women on boards; board chairs; board networks

"If I Were A Boy": An Explorative Analysis of Board Chairs

Sara De Masi[1], Agnieszka Słomka-Gołębiowska[2], Simona Zambelli[1], Andrea Paci[1]
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Women's growing presence on corporate boards signals progress in representation, yet relatively few reach the position of board chair. This study examines whether, holding observable qualifications and career characteristics constant, gender is associated with differential access to this board leadership role. We examine this question through an explorative analysis of the largest publicly listed firms in France, Spain, and Italy, three countries with similar corporate governance systems and relatively high shares of female board chairs. Using detailed data on directors' demographics, education, career trajectories, board experience, and network embeddedness, we identify recurring chair archetypes. Our findings show that male and female chairs preside over structurally different boards. Boards chaired by men are more densely interconnected and embedded in elite director networks, whereas boards chaired by women are more structurally open, with fewer interlocks and weaker historical cohesion. These results suggest that the chair role is not institutionally equivalent across boards and that persistent leadership inequality reflects structural differences in governance environments rather than individual deficits.

ID: 277 / PS I.02: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (conceptual)
Keywords: board chair, character, board meetings, director behavior

Board Chair Character and its Impact on Director Behaviour Through Character Activation and Contagion

Sara Murphy, Seemantini Pathak, Dusya Vera, Trevor Hunter
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We propose that board chair character shapes director behavior through character activation and contagion mechanisms. Drawing on leader character theory and meeting science, we offer propositions linking chair character dimensions to specific director behaviors. Board chairs govern through influence, shaping behavioral norms and interaction patterns throughout their boards. Character spreads through observation and mimicry during critical meeting moments in board meetings. Our framework reveals how "who the chair is" operates through behavioral channels, suggesting chair recruitment should assess character alongside competence and that effective facilitation requires both self-knowledge and situational awareness of which character dimensions a moment requires.

11:00am - 12:30pm

PS I.03: Ownership, Human Capital, and Corporate Behavior

Location: **C.403 Louis-R. Chênert**
Session Chair: **Francesca Cuomo**, Norwich Business School, United Kingdom

This paper has been recommended for the best paper award.
ID: 131 / PS I.03: 1 Track C: Ownership
Submission Type: Full-paper (empirical) *Keywords:* Human Capital Disclosure, Managerial Ownership, ESG-Linked Compensation, SEC Regulation

Human capital disclosure: Its association with the SEC Regulation S-K Amendment, managerial ownership, and ESG-linked compensation

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We investigate human capital disclosure, and its association with (i) the SEC's amendment to Regulation S-K mandating human capital disclosure, (ii) managerial ownership, and (iii) ESG-linked pay. Using a panel dataset of S&P 500 firms covering fiscal years 2010- 2023, we have three main findings. First, firms began improving their human capital disclosure following the concept release of the amendment of SEC Regulation S-K in 2016, with more pronounced increases observed after the 2020 implementation of the amendment. However, the increase in disclosure observed during the pre-implementation years is significantly lower in the cases of high labor intensity. Second, higher managerial ownership is associated with lower human capital disclosure. Third, we document that a positive association between disclosure and ESG-linked compensation exists, but only in the cases of health and safety and workforce turnover. Several robustness checks provide additional support to the tabulated findings.

This paper has been recommended for the best paper award.
ID: 250 / PS I.03: 2 Track C: Ownership
Submission Type: Full-paper (empirical)
Keywords: Employee ownership; Rent-sharing; Stacked difference-in-differences; UK; Business succession

Employee Ownership, Productivity, and Surplus Sharing: Evidence from UK Employee Ownership Trusts

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We provide the first systematic evidence on the financial performance consequences of UK Employee Ownership Trusts (EOTs), using a novel dataset of 218 EOT conversions matched to accounting data from Capital IQ. EOTs are a distinctive institutional vehicle in which a statutory trust acquires a trading company on behalf of its employees, typically financed through deferred consideration owed to the exiting owner. We organise our analysis around three hypotheses and implement a stacked difference-in-differences design that year-matches 330 entropy-balanced management buyout (MBO) firms as controls. First, EOT firms become substantially more productive and grow faster than year-matched MBO firms following conversion: labour productivity rises by approximately 5 per cent and revenue growth by approximately 8 percentage points per year. Second, the resulting surplus is shared with the two main stakeholders of the EOT structure: per-employee payroll costs rise by approximately 14 per cent relative to MBO controls (the workforce share) and the payout ratio rises by approximately 0.66 (the seller-financing share). Third, investment intensity is unchanged, indicating that the rent-sharing arrangement does not crowd out the operating company's capital programme. EBITDA margins are unchanged, indicating that the rent-sharing arrangement operates within the firm's productive capacity rather than at its expense. Together, the evidence supports a rent-sharing interpretation: EOT conversion generates genuine economic value through the alignment channel, and the value is distributed between the workforce and the seller while the operating base of the firm is preserved. The findings are robust to industry composition, pre-conversion reserve adequacy, an anticipation adjustment, weight-trimming sensitivity, and a within-EOT event-study analysis of distributions and are confirmed against a private-equity-acquired alternative control group in a complementary specification.

ID: 238 / PS I.03: 3 Track C: Ownership
Submission Type: Full-paper (empirical) *Keywords:* common ownership, reputation, gender diversity, award, scrutiny

Ownership-Linked Reputational Spillovers: Firm Responses to Public Recognition and Scrutiny under Common Ownership

Yujia Chen, Kurt Desender Universidad Carlos III, Madrid, Spain; yuchen@emp.uc3m.es

How do reputational signals experienced by one firm influence the behavior of other firms connected through common ownership? Prior research has primarily examined how common owners shape firm behavior through direct mechanisms such as stewardship, engagement, and monitoring. We argue that common ownership also generates ownership-linked reputational spillovers, whereby reputational gains and losses experienced by one portfolio firm influence the behavior of ownership-linked peers. We examine this argument in the context of gender diversity in Japan. Using selection into the Nadeshiko Brand as a positive reputational signal and publicly reported gender-inequality incidents as a negative reputational signal, we analyze how firms respond to reputational events experienced by peer firms connected through common ownership. Using data on Japanese listed firms from 2009 to 2023 and a staggered difference-in-differences design, we find that firms become more likely to publicly apply for the Nadeshiko Brand and increase female board representation following Nadeshiko recognition among ownership-linked peers. In contrast, firms become less likely to pursue public recognition following gender-inequality incidents experienced by ownership-linked peers while simultaneously increasing female board representation. Our findings identify ownership-linked reputational spillovers as an indirect channel through which common ownership shapes firm behavior and reveal that firms distinguish between public visibility and substantive governance adaptation when responding to positive and negative reputational signals.

11:00am - 12:30pm

PS I.04: Information, Reporting, and Financial Outcomes

Location: **C.406 Josée-Fiset**
Session Chair: **Raphael Duguay**, Yale, United States of America

This paper has been recommended for the best paper award.
ID: 218 / PS I.04: 1
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Municipal bonds, Informed trading, Credit ratings, Selective disclosure

Informed Trading of Municipal Securities

Christine Cuny[1], Raphael Duguay[2], Ken Li[3], Anya Nakhmurina[2], Edward Watts[2]
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Regulators have been concerned for many years about the leakage of credit-relevant information in the U.S. municipal securities market. To assess how widespread information leakage is in this market, we examine trading before the announcement of credit rating downgrades. Our findings reveal a marked increase in selling activity in the weeks leading up to a public downgrade announcement, particularly in the week before. This pattern is especially pronounced among institutional investors and in cases where such behavior is most likely to inflict economic harm. Moreover, the preannouncement trading is not fully explained by public information releases in the weeks leading up to the downgrade announcement and exists for unanticipated adverse credit events such as payment delinquencies, consistent with information leakage. Overall, our results highlight that the informational playing field is not level in this setting.

ID: 137 / PS I.04: 2
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Inclusive green growth; ESG performance; Social attention; Financing constraints

Inclusive Green Growth and Corporate ESG Performance: Evidence from Chinese Listed Companies

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Rapid urbanization and industrial expansion have intensified environmental pressures and social inequality, making inclusive green growth (IGG) central to sustainable development. Meanwhile, corporate environmental, social, and governance (ESG) performance has emerged as a key indicator of firms' sustainability. However, empirical evidence linking urban IGG to firm-level ESG outcomes remains limited. Using panel data on China's A-share listed firms and their registered prefecture-level cities from 2011 to 2021, we examine whether and how urban inclusive green growth shapes corporate ESG performance. We find that firms located in cities with stronger IGG exhibit significantly higher ESG performance. This effect is amplified by greater social attention and mitigated by financing constraints. Heterogeneity analyses show stronger effects among state-owned, capital- and technology-intensive, pollution-intensive, and manufacturing firms, as well as firms at more mature life-cycle stages. Further tests indicate that ESG improvements associated with IGG translate into higher total factor productivity, greater firm value, and enhanced green innovation. Overall, our findings identify inclusive green growth as an important macro-level driver of corporate sustainability and provide actionable policy insights for governments as well as practical guidance for firms in advancing sustainable and inclusive development.

ID: 149 / PS I.04: 3
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: misreporting, public guarantees, banking, borrower incentives, crisis

Misreporting and Guaranteed Loans

Daniel Dejuan-Bitria[1], Mircea Epure[2], Ozan Güler[3], Dmitry Khametshin[1]
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We investigate borrower misreporting in publicly guaranteed lending by exploiting the Spanish COVID-19 loan guarantee program. Combining administrative data on guaranteed-loan applications with the credit registry and firms' financial statements, we compare a firm's self-reported information across its repeated applications and against its annual accounts. We document pervasive within-firm inconsistencies in reported information. These discrepancies are concentrated among financially constrained firms and are unlikely to reflect random reporting noise. Higher reported values are associated with larger loan amounts. Finally, the effect of misreporting on loan outcomes weakens with the length of the bank–firm relationship.

11:00am - 12:30pm

PS I.05: Governance Structures and Corporate Social Behavior

Location: **C.412 Mallette**
Session Chair: **Till Talaulicar**, University of Erfurt, Germany

This paper has been recommended for the best paper award.
ID: 276 / PS I.05: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: business groups, board structure, internal corporate governance, agency conflict

INTERNAL CORPORATE GOVERNANCE AND THE STRUCTURE OF AFFILIATE BOARDS IN BUSINESS GROUPS

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This study examines how internal corporate governance shapes the board structure of affiliates in hierarchical business groups. Drawing on agency theory and the internal governance literature, which highlights the role of senior executives in disciplining the CEO through mutual monitoring and optimal sharing of executive responsibilities, we argue that the parent firm's board acts as a superior governance authority that transmits its preferences for board composition to its affiliates in order to control the parent–affiliate agency conflict. We further argue that this transmission is conditioned by the information asymmetries arising from institutional differences between the contexts of parent and affiliate. Using a large cross-national sample of 25,123 wholly-owned affiliates across 24 OECD countries, we find that the proportion of outside directors in an affiliate is positively related to that of the parent firm, consistent with a top-down internal governance logic. We also find that greater institutional distance between parent and affiliate increases the proportion of outside directors in the affiliate and attenuates the transmission of the parent's board structure. Instrumental variable analysis confirms a causal top-down influence from parent to affiliate board structure. These results are robust across wholly-owned and non-wholly-owned affiliates, and across different types of business group ownership and international diversification. Our findings contribute to the literatures on internal corporate governance, board structure, and the corporate governance of business groups, highlighting how the interplay between executive authority hierarchies and institutional context determines the design of affiliate boards.

ID: 176 / PS I.05: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: DEI (Diversity, Equity, and Inclusion), Corporate Governance, Market Reactions, Policy Rollbacks, Political Polarization

Corporate DEI Rollbacks: Market Reactions, Determinants, and the Role of Political Polarization

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The recent wave of DEI rollbacks created a unique natural experiment for analyzing market reactions and corporate behavior in response to socially charged policy reversals. We find that DEI enrollment announcements yield gradual positive abnormal returns, while retreat announcements trigger immediate but short-lived losses, highlighting market efficiency and the signaling value of DEI commitments. Political context, especially post-2024 U.S. election polarization, amplified negative reactions to retreats. We further show that larger, older firms with more diverse boards were less likely to reverse DEI policies, whereas companies in Republican-leaning states with male-dominated boards faced greater rollback pressure.

ID: 212 / PS I.05: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: State-owned enterprises, corporate philanthropy, CSR, legitimacy theory

SOEs and Corporate Philanthropy

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Corporate philanthropy is widely recognized as a legitimacy-seeking mechanism, yet how state ownership shapes philanthropic behavior under varying governance and macroeconomic conditions remains underexplored. Drawing on legitimacy theory and agency theory, this study examines how state-owned enterprises (SOEs) use charitable donations to maintain political and social legitimacy, and how institutional ownership and economic policy uncertainty moderate this relationship. Using a pooled sample of publicly listed firms in Taiwan from 2010 to 2023, we find that state ownership is positively associated with donation amounts among firms that already engage in philanthropic activity. However, SOEs are less likely than private firms to initiate donation behavior in the first place, suggesting a selective, politically driven approach to philanthropy rather than broad voluntary engagement. Institutional ownership is positively associated with both donation participation and donation levels, consistent with the view that institutional investors value the reputational and legitimacy benefits of corporate philanthropy. Notably, economic policy uncertainty weakens the positive relationship between state ownership and charitable giving, indicating that SOEs reallocate resources toward other state-mandated responsibilities during periods of heightened macroeconomic stress.

11:00am - 12:30pm

PS I.06: Institutions, Culture, and Corporate Governance

Location: **C.415 Pierre-Fitzgibbon**
Session Chair: **Jackie Di Vito**, HEC Montréal, Canada

ID: 157 / PS I.06: 1
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: Global North South, Wage Inequality, Family Firms

Heroes or Villains? Family Firms, Wage Inequality, and the Global South-North Divide

Rafel Crespi-Cladera[1], Ruth Aguilera[2], Kimberly Eddelston[3], Alfredo Martin-Oliver[4]
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Family firms dominate the global economy yet their role in addressing inequality, a pressing Grand Challenge, remains poorly understood, particularly when operating across borders. We examine whether family firms act as heroes or villains in mitigating wage inequality by analyzing 236,990 newly established foreign affiliates between 2012 and 2022. Using the wage gap between headquarters and affiliates as our measure of cross-border inequality, we find that positive wage gaps, where headquarters wages exceed host-country standards, generally lead to higher affiliate wages through wealth transfer mechanisms including rent sharing, wage anchoring, and practice transfer. Family firms exhibit significantly stronger responses to positive wage gaps than nonfamily firms, consistent with socioemotional wealth-driven reputation concerns and stakeholder engagement. However, this inequality-reducing behavior disappears for family firms from the Global South, particularly in South-South expansions. When Global South family firms establish affiliates in other developing countries, institutional voids in home countries, liability of origin, absent technology premiums, and institutional similarity combine to produce lower wages despite positive wage gaps. Our findings demonstrate that family firms' contributions to inequality reduction are contingent on institutional origins: Global North family firms act as heroes, while Global South family firms inadvertently perpetuate inequality in South-South contexts, highlighting the critical role of home-country institutions in shaping family firms' societal impact.

ID: 247 / PS I.06: 2
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: CEO power, democracy, national culture, corporate governance, institutional theory

Democracy, Culture, and the Limits of CEO Power

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This study examines whether and how democratic institutions constrain CEO power, and the conditions under which that constraint is effective. Using firm-level panel data from 1,604 publicly listed firms across 41 countries over the period 2012 to 2023, we construct a multidimensional CEO power index capturing structural, ownership-based, expert, and pay-related authority, and measure democracy using alternative indices from the Varieties of Democracy, Freedom House, and Polity IV datasets. Employing firm fixed-effects models and dynamic system GMM estimators to account for unobserved heterogeneity and the persistence of CEO power over time, our findings reveal three key results. First, democracy is associated with significantly lower CEO power overall, functioning as an external governance mechanism that raises the costs of managerial opportunism through transparency, media freedom, and institutional accountability. Second, this constraining effect is uneven across dimensions of power: democracy effectively disciplines structural, ownership-based, and expert authority but has a weaker and statistically insignificant relationship with pay-based CEO power suggesting that economic sources of executive authority are more resistant to political accountability than formal structural ones. Third, the disciplining role of democracy is strongly conditioned by national culture. Using Hofstede's six cultural dimensions, we show that democratic institutions are less effective in high power distance and masculine societies, but more effective in cultures that emphasise individual accountability, long-term orientation, and openness. These results suggests the limits of democracy as an external governance mechanism and underscore that translating political accountability into firm-level constraints on executive power depends critically on the informal institutional environment in which firms operate.

ID: 251 / PS I.06: 3
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: target transparency; target horizon; target difficulty

Target Transparency, Evaluation Horizon, and Target Difficulty: International Evidence

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In this study, we examine how target transparency and target horizon relate to the difficulty of targets adopted by firms. Using data from the World Bank Enterprise Survey covering 10,030 manufacturing firms across 85 countries and 24 industries between 2017 and 2022, we find that firms with more transparent targets and firms with longer target horizons tend to adopt more difficult targets. In addition, we find that the positive association between target horizon and difficulty is weaker when targets are more transparent, suggesting that transparency and horizon function as partial substitutes that support demanding performance standards. By documenting systematic relations among transparency, horizon, and difficulty, our study provides evidence that target difficulty reflects broader design choices about the informational and temporal context of performance evaluation. Our findings contribute to the management accounting literature by offering large-sample international evidence on how firms configure key elements of target-based control systems.

11:00am - 12:30pm

PS I.07: CEO Leadership and Top Management Dynamics

Location: **C.505 Aimé-Quintal**
Session Chair: **Taekjin Shin**, San Diego State University, United States of America

This paper has been recommended for the best paper award.
ID: 350 / PS I.07: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Interim CEOs, Succession planning, board decision-making

MORE THAN JUST A SUCCESSION PLANNING FAILURE: EXTERNAL CANDIDATE CHALLENGES AND INTERIM CEO APPOINTMENTS

Robert Langan
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Interim CEO appointments are increasingly common, yet little remains known about why boards choose them over permanent appointments. I argue that boards appoint interim CEOs not only when succession plans fail, but also when they face difficulties identifying and evaluating external candidates for the permanent role. These challenges create uncertainty about candidate fit, increasing the perceived value of an interim period. I further propose that this effect strengthens under two conditions. When the managerial demands of the CEO role are higher, identifying and evaluating external candidates becomes even more difficult. When board quality is lower, boards face greater information-processing and judgment constraints. Using CEO appointments in S&P 1500 firms from 2001–2016, I find empirical support.

ID: 285 / PS I.07: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: CEOs, gender diversity, TMTs, business education, imprinting

Relational Imprinting: CEO MBA Education and Gender Diversity in the Top Management Team

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We argue that CEOs' formative experiences can shape gender diversity in the upper echelons of organizations, focusing specifically on the role of graduate business education. Integrating imprinting theory with the relational theory of inequality, we theorize that the relational setting of MBA education can leave a lasting imprint on future executives' beliefs about gender roles and women's managerial competence. In particular, frequent contact, interaction, and collaboration with female classmates during MBA training may shape male students' subsequent propensity, as CEOs, to appoint women to the top management teams (TMTs). We further examine the temporal dynamics of imprinting by considering both imprint decay and the accumulation of multiple layers of imprints across executives' careers. Using data from male CEOs who attended U.S. MBA programs between 1975 and 2009, we find that CEOs who attended MBA programs that had a high proportion of female students are more likely to appoint female executives to the TMT in their current firm. We also find evidence consistent with imprinting decay and multiple layers of career-based imprinting over time. Our findings contribute to research about gender diversity in upper echelons and offer new insights into how business education shapes the composition of corporate leadership.

ID: 126 / PS I.07: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Female Leadership; Voice Effect; Disclosure Clarity; Narrative Readability; Gender Policy Reform; Corporate Disclosures

Female Leadership and Disclosure Clarity in an Era of Gender Policy Reforms

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This study examines whether top leadership gender influences the clarity of corporate narrative disclosures. Drawing on Voice Effect Theory and the United Kingdom's evolving gender-governance regime, it distinguishes between women in executive roles with substantive reporting authority and women serving as board chairs in oversight positions. Using FTSE 100 firm data from 2011 to 2021, we estimate ordinary least squares regressions with firm and year fixed effects and examine whether the Davies Review, the Hampton–Alexander Review, and the transition to the FTSE Women Leaders agenda altered the association between female leadership and disclosure clarity. The results show that firms led by female chief executives produce significantly more readable annual reports than firms led by male chief executives, whereas firms with a female board chair show no comparable reduction in narrative complexity. Additional policy tests indicate that the female-CEO readability effect persists across successive reform periods but is not significantly amplified after 2016 or during the post-2020 transition. Overall, the findings suggest that substantive executive authority, rather than symbolic oversight, is the leadership channel most consistently associated with clearer corporate disclosure. The policy implication is that gender-diversity reforms improve transparency when they support women's advancement into executive leadership more effectively.

11:00am - 12:30pm

PS I.08: Shareholder Voice

Location: **C.515 Guilford**
Session Chair: **Ankita Marwaha**, Aalto University, Finland

ID: 312 / PS I.08: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: shareholder voting, director elections, network centrality

Beyond connectedness: Network power and shareholder dissent

Yerzhan Tokbolat
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Using a comprehensive dataset of director election votes in UK listed firms between 2000 and 2022, we examine how director networks shape shareholder dissent. We find stronger opposition to directors embedded in powerful network positions, while roles associated with information collection or dissemination attract only lower or insignificant dissent. Exploiting the strengthening of the UK's Combined Code on Corporate Governance in 2010 as an exogenous shock to the salience of director re-elections, we show that these effects emerge once annual re-elections become routine. Governance reforms thus have the potential to activate shareholder scrutiny of informal, network-based influence. We also document systematic heterogeneity dissents across dimensions of compensation, director tenure, entrenchment, socioeconomic status, age, gender, and nationality.

ID: 332 / PS I.08: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: corporate social irresponsibility (CSiR), shareholder activism, managerial attention

Shifting Attention, Unequal Consequences: Shareholder Activism and Corporate Social Irresponsibility

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This study examines how different forms of shareholder activism influence corporate social irresponsibility (CSiR). Drawing on attention-based theory, we argue that wealth-oriented activism directs managerial attention toward financial and governance concerns, diverting attention away from preventing stakeholder harm and thereby increasing CSiR, whereas CSR-oriented activism redirects managerial attention toward stakeholder concerns and responsible conduct, thereby reducing CSiR. Using a 14-year panel of 721 S&P 500 firms, we find that wealth-oriented shareholder proposals significantly increase subsequent CSiR. Contrary to expectations, however, CSR-oriented proposals exhibit no systematic effect on CSiR. Further, we examine whether board sustainability committees and chief sustainability officers (CSOs) shape the effectiveness of CSR-oriented activism. We find some evidence that CSR-oriented shareholder proposals are more effective at reducing CSiR in firms with board sustainability committees, whereas we find no comparable effect for CSOs. Overall, our findings suggest that wealth-oriented activism may inadvertently exacerbate stakeholder harm, while CSR-oriented activism—despite its potential to improve corporate social responsibility—appears largely ineffective in curbing CSiR.

ID: 320 / PS I.08: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: retail investor, shareholder activism, green innovation, institutional logic, attention-based view

Clash of Logics: Retail Investor Voice on Corporate Green Innovation Persistence

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Research Question/Issue: This study aims to examine the activism of retail investors, an emerging group of corporate stakeholders. Specifically, we focus on how the voices of this group influence companies' commitments to green innovation.

Research Findings/Insights: Using panel data from Chinese listed companies between 2014 and 2021, we empirically confirm that retail investor voices exert a negative influence on the persistence of corporate green innovation. Drawing on institutional logic and the attention-based view, we argue that this occurs because retail investor voices amplify the influence of market logic on corporate attentional perspectives. This reduces the impact of state logic on firms' attentional engagement patterns, gradually decreasing their focus on the strategic issue of green innovation. By examining the moderating effects of local governments' environmental attention and performance gaps, we further validate this mechanism.

Theoretical/Academic Implications: By examining the impact of retail investor voice on the persistence of green innovation, this study advances the current understanding of how attention toward corporate green innovation activities evolves over time. In addition, this study deepens the understanding of how retail investors as a group perceive corporate sustainability issues. Furthermore, this study reveals the long-term impact of shareholder activism organized via social media on corporate strategic decisions.

Practitioner/Policy Implications: To advance the achievement of the Sustainable Development Goals, governments and businesses need to more clearly recognize the inherent conflict between the long-term orientation required by sustainability and the short-term orientation of investor interests and reconcile these contradictions through new tools.

11:00am - 12:30pm

PS I.09: Institutional Influences on Leadership and Governance

Location: **C.521 Helsinki**
Session Chair: **Ruth Sealy**, Henley Business School, United Kingdom

ID: 354 / PS I.09: 1 Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract), Proposal (conceptual)
Keywords: executive search firms, executive labor market, women candidates, demand and supply of women talent

BRINGING WOMEN TO EXECUTIVE SUITE: FRICTIONS IN EXECUTIVE LABOR MARKETS

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This paper examines executive search and recruitment processes in the context of increasing societal pressure for greater gender diversity in senior leadership. Our aim is to enhance understanding of the frictions in executive labor markets that slow women's advancement to senior management and executive roles. To this end, we integrate existing scholarly literature with qualitative data (15 semi-structured interviews) and quantitative information from executive search firms, identifying previously overlooked barriers that impede effective matching in these markets. We then analyze how these and other obstacles affect search and hiring costs, shape the behavior of key actors—particularly executive search firms—and influence the likelihood that women are appointed to senior management and executive positions.

ID: 252 / PS I.09: 2 Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract)
Keywords: Polycentric governance, Chair agency, boardroom diversity, decentralise governance, comparative case study

Board composition under polycentric governance: How macro-level institutional factors influence leadership and governance practices

Ruth Sealy[1], Johanne Grosvold[2]
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This paper considers how macro-level institutional factors shape governance and strategic leadership, at the micro-organisational level, by comparing intranational differences in how leadership and governance practices play out in the boardroom. . Analysis of 37 interviews with board Chairs of the same public sector service provider across three case-study sub-national regions (England, Wales and Norther-Ireland), reveal a context-specific understanding of how local institutional configurations influence leadership and governance. Our contributions extend understanding of polycentric governance and leadership agency, particularly in relation to diversity under conditions of constrained authority: 1).We shift the polycentric focus from multiple decision centres to control over decision-makers (board composition) as a key governance lever. Our typology of variation in the distribution of appointment authority across three cases demonstrates three conditions of polycentrism as networked, nested and constrained. 2). By demonstrating that Chair agency and strategy enactment is shaped by how authority is distributed rather than by role alone, we complement system-level accounts of polycentric governance with a practice-based analysis of leadership agency. 3). We reveal board composition not just as an outcome, but a means of controlling deliberative space.

ID: 283 / PS I.09: 3 Track D: External Governance
Submission Type: Proposal (abstract), Proposal (conceptual)
Keywords: Shadow governance; Stakeholder theory; Conflicts of interest; Board independence; Political-economic strategy

Managers´ newest challenge: Managing when the government is a shadow investor, director and regulator?

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Corporate governance scholarship has long treated the state as a background actor, a source of regulation, a secondary stakeholder, or at most a corrective force for market failure. This paper challenges that premise. We argue that government has repositioned itself as a primary governance actor by simultaneously occupying three roles within the firm: shadow investor, shadow director, and shadow regulator. This simultaneous occupation is not incidental but structural, and it creates governance distortions that existing frameworks were not designed to accommodate. Drawing on stakeholder and institutional theory, we theorize these roles as rooted in government's position as a powerful, value-laden institution whose alignment expectations now penetrate corporate decision-making at every level. Because business and society are deeply intertwined, managers can no longer treat strategic decisions as values-neutral. A corporation's stance on values-related issues, from product choices to workforce policies to public statements, now shapes its cost of capital, its reputational standing, and its vulnerability to government retribution. As a shadow investor, government exercises control without conventional voting rights, distorting shareholder accountability mechanisms and creating a controlled board dynamic. As a shadow director, it shapes board composition and behavior through political appointment rather than independent governance criteria, rendering boards symbolically compliant rather than substantively independent. As a shadow regulator, it deploys antitrust enforcement, export controls, licensing, and tariffs as instruments of strategic and political influence rather than neutral market correction. Recent cases involving Intel, Nvidia, General Motors, Indra, U.S. Steel, and Warner Brothers illustrate each of these dynamics in practice. Each role generates distinct conflicts of interest. We distinguish between actual conflicts, in which a party in a position of trust demonstrably fails its obligation; potential conflicts, arising from structural conditions that make failure possible even without demonstrated wrongdoing; and compound conflicts, in which an initial conflict is amplified across multiple parties and roles simultaneously. Taken together, the three shadow roles produce precisely this compound dynamic, placing boards and managers in positions where fiduciary duties to shareholders, obligations to the investing government, and broader societal responsibilities are in irresolvable tension. Our contribution is threefold. We extend stakeholder and institutional theory by theorizing government's emergent roles in corporate governance; we link each role to the specific conflicts of interest it generates and to established board duties of loyalty, care, and confidentiality; and we develop actionable frameworks for managers and boards navigating this environment. Managing effectively in this new landscape requires accepting that corporate strategy is no longer purely economic, it is political-economic, and that the most capable managers will not resist this reality but anticipate and shape it.

11:00am - 12:30pm

PS I.10: Incentives, Oversight, and Corporate Behavior

Location: **C.463 GardaWorld**
Session Chair: **Roy Shapira**, Reichman University, Israel

ID: 357 / PS I.10: 1
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Noncompetes; Labor mobility; Corporate misconduct

Workforce Mobility and Corporate Misconduct: The Governance Effects of Noncompete Agreements

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This paper examines how state-level enforceability of non-compete agreements (NCAs) affects corporate misconduct. Leveraging establishment-level data and within-firm variation in NCA exposure, we find that stricter enforcement significantly reduces misconduct, particularly in settings where labor turnover is more costly. Further analysis shows that NCAs restrict employee mobility and heighten unemployment risk, reinforcing their role in shaping workplace discipline and incentives. Together, these results uncover an unintended governance benefit of NCA enforceability and underscore the importance of workforce stability in mitigating misconducts.

ID: 349 / PS I.10: 2
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Share Repurchases, Financial Analysts, Earnings Management, External Governance

How Do Analysts Respond to Signals of Potential Earnings Management? Evidence from Forecast Revisions Following Disclosures of Share Repurchases.

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While the decoupling of formal policies from substantive practices is a foundational concept in organizational sociology, its application to modern financialized markets reveals a persistent theoretical gap. Existing sociological theory explains the diffusion of corporate stock repurchase programs as a product of symbolic policy adoption, allowing managers to signal shareholder alignment while resisting actual implementation. In theory, securities analysts do not enforce these payout policies because they believe them to be ineffective at improving company performance but also believe other analysts support the policies, called "pluralistic ignorance." Little research has investigated analysts' actual behavioral responses to actual share repurchase disclosure, however. Using a sample of US firms between 2006-2018, I employ logistic and quasibinomial fractional logit regression to analyze the probability of a negative forecast revision and the overall earnings revision breadth following earnings announcements. Consistent with existing sociological theory, analysts do appear to have a negative attitude towards at least some share repurchases under certain conditions. However, contrary to the pluralistic ignorance hypothesis, analysts do appear to penalize managers who over-use share repurchases. In these models, this appears to impact repurchases disclosed when earnings meet or exceed analyst estimates, suggesting that analysts may be effective at identifying earnings management.

ID: 344 / PS I.10: 3
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: CEO severance pay, Strategic risk taking, Mixed gambles, Option wealth, Behavioral agency, Compensation portfolio calculus

The compensation portfolio calculus: How severance pay and option wealth jointly shape CEO strategic risk taking

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Boards designing compensation packages to calibrate CEO strategic risk-taking face a fundamental challenge: the behavioral consequences of any single compensation element depend on the structural properties of the others it is combined with. We introduce the compensation portfolio calculus to theorize how executives cognitively integrate across structurally heterogeneous compensation elements — differing in temporal dynamism, conditionality, and certainty of payoff — when forming risk perceptions under uncertainty. Drawing on behavioral agency theory's mixed gambles logic, we examine how severance pay — a predominantly cash-based, contractually fixed element that is exclusively loss-frame and largely absent from behavioral research on strategic risk — influences CEO strategic risk taking directly, through interactions with prospective and current option wealth, and under varying levels of systematic risk that reshape the cognitive integration process. Analyzing 7,090 firm-year observations from 542 U.S. manufacturing firms over 19 years (2006–2024), we find that severance pay is positively associated with strategic risk taking. Prospective option wealth substitutes for severance pay's effect while current option wealth attenuates it, consistent with the non-additive interaction logic of the compensation portfolio calculus. These interaction effects weaken substantially under high systematic risk, as environmental uncertainty disrupts executives' ability to draw fine-grained cognitive distinctions between compensation elements — making compensation design simultaneously more powerful in its direct effects and less controllable in its interactive ones. Our findings advance behavioral agency theory by establishing that compensation elements interact non-additively in their effects on executive risk behavior.

3:00pm - 4:30pm

PS II.01: Governance in an Era of Geopolitical and Technological Uncertainty

Location: **A.436 Fonds Cogeco**
Session Chair: **Niels Hermes**, University of Groningen, Netherlands, The

This paper has been recommended for the best paper award.
ID: 207 / PS II.01: 1
Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical)
Keywords: Geopolitical risk, Political risk, Firm-level exposure, Stock returns, Asset pricing

Measuring Firm-Level Geopolitical Exposure

Mingjie Cao
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Existing research has developed important measures of aggregate geopolitical risk, but it remains difficult to assess which individual firms are most exposed when that risk rises during wars, trade disputes, or other geopolitical shocks. I develop GeoX, a market-implied measure of firm-level geopolitical exposure based on firms' historical excess-return sensitivities to news-based geopolitical shock series over 2015–2023. Firms receive higher GeoX scores when their returns respond more strongly to geopolitical shocks. GeoX identifies economically interpretable exposure patterns, especially among oil, gas, and drilling firms. In out-of-sample validation, high-GeoX firms earn lower excess returns over the 2023–2025 period and experience larger negative cumulative abnormal returns after the October 2023 Middle East shock. The evidence suggests that firm-level geopolitical exposure is measurable, distinct from aggregate geopolitical risk, and informative about cross-sectional return behavior.

ID: 125 / PS II.01: 2
Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical)
Keywords: Board Independence, CEO Duality, Corporate Scientific Publications, COVID-19 Crisis, Geopolitical Turmoil, Organizational Resilience.

Pre-crisis corporate science and organizational resilience: the role of CEO governance in times of turmoil

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This paper examines the role of a firm's pre-crisis scientific engagement, measured by the stock of corporate scientific publications, in shaping organizational resilience during periods of systemic disruption. Using the COVID-19 pandemic as a revelatory context marked by fragile supply chains, geopolitical tensions, and a retreat from globalism, we investigate how such engagement enhances resilience under uncertainty. We measure organizational resilience along two dimensions: stability, reflected in the severity of stock price declines, and flexibility, reflected in the speed of recovery to pre-crisis levels. Analyzing 679 R&D-active US listed firms, we find that pre-crisis scientific engagement acts as a strategic buffer, improving both stability and flexibility beyond the effects of R&D and patenting. We further show that these benefits depend on governance structures through two distinct pathways. Board independence provides an oversight mechanism ensuring the disciplined use of scientific assets, while CEO–Chairman duality enables an agility pathway by expanding managerial discretion and reducing procedural constraints. Overall, we demonstrate that corporate science constitutes a key source of strategic autonomy during systemic crises, particularly when supported by governance structures that enable either effective oversight or rapid strategic adaptation.

ID: 235 / PS II.01: 3
Track A: Purposeful Governance in a Changing World
Submission Type: Proposal (abstract)
Keywords: corporate purpose, analyst recommendations, corporate misconduct

Uniquely Purposeful: How a Unique Corporate Purpose Influences Analyst Reactions

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Our study examines whether markets discount firms whose corporate purpose deviates from industry norms due to information uncertainty and short-term analyst focus, and influences of perceived authenticity. We test our hypotheses on a S&P 500 sample (2013-2023), measuring purpose uniqueness using stakeholder focus in CEO's earnings conference call presentations. Contrary to our hypotheses, we find that firms with a more unique corporate purpose receive favorable analyst recommendations. The positive effect is strengthened when firms refrain from corporate misconduct, highlighting rewards for unique stakeholder orientations within industries. We broaden empirical corporate purpose research and explore the context dependence of purpose uniqueness.

3:00pm - 4:30pm

PS II.02: Social and Political Dynamics of Board Leadership

Location: **A.449 Melbourne**
Session Chair: **Ruth Sealy**, Henley Business School, United Kingdom
Parallel Session Supported by: Harold S. Geneen Charitable Trust

This paper has been recommended for the best paper award.
ID: 274 / PS II.02: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Director selection, stigma, social evaluations, social categorization theory, panel data

STIGMATIZED BUT NOT MARKED OFF: HOW STIGMA-BASED SOCIAL EVALUATIONS AFFECT DIRECTOR SELECTION

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Why do boards of firms operating in non-stigmatized domains sometimes appoint stigmatized directors? We use insights from social categorization theory and the stigma literature to explain why hiring firms' boards are generally less inclined to appoint stigmatized candidate directors, who are those affiliated with firms operating in stigmatized domains like alcohol, gambling, or tobacco. We theorize that these moral reservations diminish, however, when hiring boards are already in direct contact with directors with stigmatized affiliations, or when they have recently experienced a possibly stigmatizing event themselves. We test our hypotheses on a panel dataset of firms' director appointment decisions between 2008 and 2017. Our theory and findings suggest that stigma is an important factor to include in the ongoing conversations in the director selection literature.

This paper has been recommended for the best paper award.
ID: 202 / PS II.02: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Board of Directors, Strategic Leadership, TMT, Upper Echelons

Political Polarization in Strategic Leadership Systems and Strategic Paralysis

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Increasing political polarization among strategic leaders at the apex of corporations poses unique challenges for corporate strategy. Drawing on the strategic leadership system perspective, we examine whether ideological divergence among executives and directors undermines firms' ability to act on contested strategic issues and whether coordination routines affect this relationship. Using S&P 500 firms from 2011 to 2023, we find that political polarization within the leadership system is negatively associated with ESG performance, suggesting that divergent ideological priorities can produce strategic paralysis. We further find that board meeting attendance, an interdependent coordination routine that fosters interaction among strategic actors, attenuates this relationship. In contrast, board independence, an independent coordination routine that separates actors' roles and responsibilities, has no significant moderating effect. Our study provides insights into the growing risk of strategic paralysis and extends the strategy literature by emphasizing the increasingly bold strategies firms employ in response to polarization. We also contribute a system-level analysis of ideological divergence within corporations and the limits of coordination routines in averting strategic paralysis.

ID: 224 / PS II.02: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: self-regulation, CEO gender, government-owned enterprises, gender targets, accountability

Self-Regulation through Flexible Gender Targets with Mandatory Reporting: Influence of CEO Gender in the Context of Government-Owned Enterprises

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Corporatization through government-owned enterprises (GOEs) has considerable potential for public service provision but also creates far-reaching management challenges for GOEs. These challenges are particularly pronounced in the debate on gender equity and recent discussions highlight the potential of combining mandatory regulation with self-regulation to overcome them. To increase the representation of women in corporate executive positions, the German legislature introduced flexible gender targets with mandatory reporting (FGTs), which allow executive directors to determine non-binding gender targets they must disclose in the annual statement. FGTs can help organizations balance different values and address pertinent management challenges in the context of gender equity, yet evidence on their use and the role of top executives is scarce. Drawing on upper echelons theory and social role theory and panel data from 920 FGT observations of 188 German GOEs between 2015 and 2020, this study reveals that GOEs led by female CEOs are significantly less likely to be compliant with FGT reporting than GOEs led by male CEOs. Regarding the determination of FGT levels, GOEs led by female CEOs are significantly less influenced by the female employee share of the enterprise. According to the findings, female and male CEOs differ in how they balance and weigh up values and manage the shift from voluntary target determination to mandatory disclosure using FGTs. The study introduces FGTs as a promising governance innovation in the management debate and advances upper echelons theory and social role theory debates on the role of executive characteristics.

3:00pm - 4:30pm

PS II.03: Ownership Structures and Corporate Outcomes

Location: **C.403 Louis-R. Chênert**
Session Chair: **Konstantinos Stathopoulos**, Alliance Manchester Business School, United Kingdom

ID: 263 / PS II.03: 1
Track C: Ownership
Submission Type: Full-paper (empirical)
Keywords: CEO activism, controlling shareholders, ownership concentration, captured boards

Voice by proxy: How captured boards enable controlling shareholders to shape CEO activism

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CEO activism is typically understood as the expression of a CEO's personal ideology and values, portraying CEOs as autonomous political actors who use their positions to influence public discourse. We challenge this view by asking whether CEO activism reflects the CEO's own voice or the interests of controlling shareholders. We argue that in firms with concentrated ownership, board capture is a key governance mechanism through which controlling shareholders shape CEO activism. When boards are dominated by directors appointed by controlling shareholders, CEOs' public stances become a channel for shareholder "voice by proxy." We test this argument using a novel dataset of 46,416 LinkedIn posts from CEOs of 249 Brazilian listed firms between 2017 and 2024. Using Poisson Pseudo-Maximum Likelihood estimators with high-dimensional fixed effects, we find that ownership concentration alone reduces CEO activism, but when combined with board capture, it increases CEO activism, suggesting that captured boards enable forms of activism endorsed by controlling shareholders. We further examine heterogeneity related to political donations and CEO–shareholder ideological alignment and show that CEOs' personal ideology does not attenuate these effects. Our findings shift the understanding of CEO activism from an individual-level expression to a governance-driven phenomenon.

ID: 189 / PS II.03: 2
Track C: Ownership
Submission Type: Full-paper (empirical)
Keywords: institutional theory, boards, reputation, emerging contexts, Mexico.

GOVERNANCE & REPUTATION IN THE GLOBAL SOUTH

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Through the lens of institutional theory, we analyze the effects of family ownership, family in boards, family in management, executive committees and board independence on firm reputation. Using a sample of Mexican public firms from 2008 to 2024, we find that family ownership and board independence are positively related to reputation while having family members in board positions as well as the existence of executive committees negatively influence firm reputation.

ID: 385 / PS II.03: 3
Track C: Ownership
Submission Type: Proposal (abstract)
Keywords: family firms; non-family firms; productivity; property right theory; quantile regression

Productivity patterns in family and non-family firms under stability and crisis

Cristina Bettinelli[1], Clementina Bruno[2], Fabrizio Erbetta[2], Anna Menozzi[2]
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This study examines the effect of family and non-family ownership on the productivity of listed Italian firms during periods of economic crisis and stability. Using Total Factor Productivity as a comprehensive measure of firm performance and applying unconditional quantile regression, we expect that, during periods of economic growth or stability, family firms at the higher tail of the productivity distribution perform worse than non-family firms, whereas those at the lower tail outperform their non-family counterparts. During crisis and post-crisis periods performance does not worsen in family firms but it does in non-family firms, and even more in the most productive ones. The findings may be interpreted in light of the property rights theory, which emphasize how the exercise of use, appropriation, and transfer rights by family owners shapes the production process and productivity outcomes. Overall, the study aims to shed light on the longstanding debate over the comparative superiority of family versus non-family firms by revealing how family firms' attitudes toward the productive use of their resources change contingently on their relative performance position and on the hardships caused by economic crises.

3:00pm - 4:30pm

PS II.04: External Signals and Corporate Outcomes

Location: **C.406 Josée-Fiset**
Session Chair: **Marc Goergen**, IE Business School, IE University, Spain

This paper has been recommended for the best paper award.
ID: 271 / PS II.04: 1 Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Mergers and acquisitions, Proxy advisors, Shareholder voting, Acquisition performance

Are Proxy Advisors' Recommendations Informative About Mergers and Acquisitions?

Christoforos Andreou[1], Marc Goergen[2,3,4], Woon Sau Leung[5], Yun Lo[5], Jiaxiang Ye[5]
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We study the role of the largest proxy advisory firm, Institutional Shareholder Services (ISS), in mergers and acquisitions (M&As). ISS recommendations significantly influence shareholder voting, with stronger effects for M&A proposals than other management proposals. Negative recommendations are more likely for M&A proposals with weaker announcement returns, poorer governance, and higher integration risk. Consistent with an informational role, ISS-opposed deals have a higher likelihood of being withdrawn. Those deals that are approved by the shareholders exhibit lower long-run stock returns, particularly when information-processing costs are higher and market reactions are more favorable. These deals also show weaker post-merger operating performance. Overall, our evidence suggests that ISS recommendations are informative about M&A deal quality, highlighting their role as both information intermediaries and external monitors.

ID: 225 / PS II.04: 2 Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: CEO Awards, Air Pollution, Corporate Social Responsibility, Moral Licensing Theory

Moral Licensing at the Top: How CEO Awards Influence Corporate Pollution

Frederique Bouwman[1], Ivan Indriawan[2]
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This study examines how CEO reputation, boosted by receiving a prestigious award, influences corporate social responsibility (CSR) performance. Using a sample of 239 CEO awards in a US setting from 2005 to 2022, we analyse the impact of receiving a "superstar" status through CEO awards on firms' air pollution levels, a key measure of CSR. Employing both a fixed effects analysis, and a staggered difference-in differences design, we find that firms led by award-winning CEOs have significantly higher pollution of around 14 percent following the award. The effect is amplified when CEOs hold greater equity-based pay, suggesting a financial motive, as our data show that higher pollution is linked to stronger financial firm performance. These findings highlight how reputational capital can foster a form of licensing, showing that CEO moral credit may weaken corporate sustainability.

ID: 124 / PS II.04: 3 Track D: External Governance
Submission Type: Proposal (abstract), Proposal (conceptual)
Keywords: Corporate governance, Institutional corporate governance framework, Institutional internalization, Symbolic compliance, Configurational mechanisms

Paradigm and Mindset Shifts in Corporate Governance: An Integrated Institutional Analysis of Hong Kong's Listed Companies

Cho Wa Law[1,2], Chien-Po Liu[3], Chiung-Wei Lee[1], Chin-tarn Lee[1]
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Institutional theory predicts that when coercive, mimetic, and normative pressures align, firms should move beyond ceremonial compliance to internalize new corporate governance (CG) logics. Hong Kong's past decade of reforms and investor scrutiny, spanning HKEX Corporate Governance Code and Listing Rule changes, alignment with International Sustainability Standards Board (ISSB) climate standards, and strengthened stewardship expectations, poses a puzzle for that prediction: outcomes are heterogeneous. Many listed companies display symbolic adoption through codes, committees, and boilerplate disclosures, while a minority exhibit clear cognitive and behavioral change, including calculative routines, explicit risk appetites, and challenge-oriented board cultures. This proposal argues that the depth of internalization depends less on the intensity of pressure than on organizational configurations that channel, amplify, or block change. It specifies six interacting mechanisms—cross-domain complementarities; transitional substitution via assurance and RegTech; path dependence embedded in ownership and board structures; the quality rather than quantity of isomorphic exposure; cultural recalibration through professionalization and board evaluation; and crisis-triggered feedback and entrenchment—operating under five macro domains: legal, regulatory, market/investor, cultural, and ICT/data/assurance infrastructures. Situated within neo-institutionalism and informed by new institutional economics and comparative political economy, the study proposes a configurational revision to the pressure-to-internalization mapping. It introduces convergent, auditable indicators to distinguish symbolism from substance. Empirically, Hong Kong offers a hybrid setting, common-law architecture alongside relational governance norms and high founder control, coupled with global professional ecosystems and cross-listings, where strong external signals meet uneven absorption. Against the backdrop of paradigm shocks such as SOX and Dodd–Frank, which templated assurance and oversight globally, this study employs a multiple-case design of Hong Kong–listed companies, stratified by ownership, exposure, sector, and size. Data include elite interviews with directors, executives, and gatekeepers, as well as a longitudinal corpus of CG and sustainability disclosures from 2018 to 2025. Through within-case process tracing and cross-case synthesis, the study builds a typology linking mechanism configurations to internalization depth, extends gradual-change logics to the organizational level, and identifies practical levers for issuers, regulators, investors, and professional bodies in hybrid markets.

3:00pm - 4:30pm

PS II.05: Controversy, Credibility, and Corporate Consequences

Location: **C.412 Mallette**
Session Chair: **Till Talaulicar**, University of Erfurt, Germany

This paper has been recommended for the best paper award.
ID: 386 / PS II.05: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Flip-Flopping, Social Evaluations, CEO, Stakeholder Backlash, Strategic Leadership, Environmental Sustainability, Quasi-Experimental Design

AFTER THE BACKLASH: CEO FLIP-FLOPPING AND SOCIAL EVALUATIONS IN SUSTAINABILITY CONTROVERSIES

Marie-Ann Betschinger[1], Sebastian Hafenbrädl[2], Daniel Waeger[1], Alaric Bourgoin[1]
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In recent years, we have seen an increasing number of CEOs walking back their companies' sustainability commitments after experiencing public backlash against these commitments. However, whether such flip-flops affect CEOs' social evaluations and, if they do, in which direction, has not been studied yet. To address this lacuna, we have conducted a large, preregistered (N = 1502) survey-based vignette experiment with a representative Canadian sample. With this study, we address the following research questions: (1) Does flip-flopping on companies' sustainability commitments affect individuals' evaluations of CEOs and, if so, how? (2) How are individuals' evaluations of flip-flopping CEOs affected by their own preferences regarding the sustainability issue the CEOs are flip-flopping on? And (3), why do individuals form these evaluations? By addressing these research questions, we aim to contribute to the strategic leadership, institutional complexity, and environmental management literatures and to start forming an understanding of the effects of CEO flip-flopping in the area of corporate sustainability.

ID: 309 / PS II.05: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Non-CEO Insider Trading; CEO Insider Trading; Corporate Culture; Corporate Governance

The Fish Rots from the Head Down: CEO and Non-CEO Opportunistic Insider Trading

Thomas Chemmanur[1], Cheng Jiang[2], Lukai Yang[3], Jingyu Zhang[4]
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We examine how a CEO's opportunistic insider trades influence the subsequent opportunistic trading activities of non-CEO insiders within the same firm. We find that the CEO's trades encourage similar behavior among other insiders, providing both boldness and financial incentives. First, using a machine learning generated measure of corporate culture, we establish that the CEO's trades erode the firm's culture of integrity and embolden non-CEO insiders. Second, those insiders who follow the CEO's trades achieve superior stock returns. Our cross-sectional analysis reveals that the CEO's influence is more pronounced in firms with stronger corporate governance, where non-CEO insiders rely on the CEO's lead; in firms with weaker governance, non-CEO insiders engage in insider trading independently. Moreover, the spillover effect of CEO insider trading is stronger among non-CEO insiders who are organizationally closer to the CEO. We address endogeneity using an instrumental variable analysis and confirm the findings with robustness checks.

ID: 150 / PS II.05: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: corporate controversies, moral foundations, spillovers, market reactions, firm specificity

When Controversies Hurt or Help: How Event Morality and Specificity Drive Peer Market Reactions

Nahuel Depino-Besada[1], Ekin Ilseven[2], Mircea Epure[3]
1: UPF Barcelona School of Management and Universität Tübingen; 2: Católica Lisbon SBE, Universidade Católica Portuguesa; 3: Universitat Pompeu Fabra, Spain; mircea.epure@upf.edu

We examine how corporate controversies affect uninvolved industry peers by introducing a moral lens into spillover research. We theorize that event immorality triggers category-based condemnation, whereas event-firm specificity channels blame toward the focal firm and enables positive opportunity spillovers. Accordingly, we expect immorality (specificity) to worsen (improve) peers' market reactions, with firm specificity attenuating the negative effect of immorality. We confirm our predictions through event studies on 531 U.S. publicly listed firms (45,451 firm-day observations) and relying on dictionary-based analyses of 3,501 news pieces on corporate controversies. Additional analyses distinguish severity from immorality, and show that, consistent with a morality-based punishment mechanism, peer firms' CARs become more negative when a controversy's moral foundation content aligns with the local moral environment, for instance, with harm/unfairness effects concentrated in high-care/fairness and democrat-leaning states, and disloyalty/subversion/degradation effects concentrated in states with greater religious congregational presence. By shifting the analysis from the firm to the event level, we show that spillovers cannot be fully explained without accounting for factors such as immorality and specificity of controversies. Our findings also show that industries function as categorical judgment devices imbued with moral expectations, which can trigger industry-wide condemnations.

3:00pm - 4:30pm

PS II.06: Effectiveness and Limits of Governance

Location: **C.415 Pierre-Fitzgibbon**
Session Chair: **Zvi Singer**, HEC Montreal, Canada

ID: 121 / PS II.06: 1
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: Agency costs, monitoring costs, state-owned enterprises, North Korea, nighttime lights, international sanctions, asset diversion

Monitoring Costs and Agency Problems in Non-Market Economies: Evidence from Nighttime Light Data of North Korean State-Owned Enterprises

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Using a panel dataset comprising 1,028 state-owned enterprises over the period 2014 – 2023 in North Korea, this study investigates the relationship between monitoring effectiveness and agency costs in a non-market economy. Exploiting geographic distance from Pyongyang as a proxy for monitoring intensity and nighttime light data from Google Earth Engine as a measure of firm-level production, the analysis reveals that SOEs situated farther from the capital demonstrate lower production levels, indicating increased agency costs as monitoring effectiveness declines. Furthermore, this distance-related effect is most pronounced among firms in the fungible sector, suggesting that asset diversion, rather than diminished managerial effort, drives the observed outcomes. Lastly, international sanctions imposed in 2017 exacerbate the distance effect for fungible firms, consistent with the hypothesis that external pressures heighten the risk of asset diversion by weakening central government oversight through reduced resource allocation. These findings provide rare firm-level evidence on agency problems in command economies and offer new insights into the unintended consequences of economic sanctions on organizational behavior.

ID: 246 / PS II.06: 2
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: Corporate governance, firm value, country-specific index, commercial corporate governance ratings, governance variation

Corporate Governance Quality and the Valuation of Swiss Firms: Evidence from a Dynamic Governance Index

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This paper examines the governance-value relationship in Switzerland using a dynamic, country-specific governance index over the period 2009–2023. Firms in the best governance quintile are, on average, 34% more valuable than those in the worst quintile. Moreover, the impact of governance on firm value becomes stronger over the sample period. Among the different subcategories of the index, we find that board and management composition, capital structure and ownership, and sustainability and disclosure practices explain most of the governance premium. Exploiting within-firm variation in governance, we document a delayed market response to governance changes and larger, faster valuation decreases following governance deteriorations than valuation increases following governance improvements. The results provide evidence in favor of country-specific governance measures and offer an original analysis based on an established dynamic governance index. They also support a causal interpretation of the governance-value relationship based on within-firm governance variation.

ID: 135 / PS II.06: 3
Track F: Comparative Corporate Governance
Submission Type: Full-paper (empirical)
Keywords: Climate governance, Corporate climate commitments, Strategic alignment gap, Disclosure transparency, Institutional investors

Commitments without Implementation? The Strategic Alignment Gap in Corporate Climate Strategies

Rudresh Pandey
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Transnational climate governance has prompted firms to adopt increasingly ambitious climate commitments, yet substantial heterogeneity persists in the extent to which these commitments are translated into substantive implementation. This study examines how institutional environments shape the alignment between firms' climate commitments and their operational outcomes. Drawing on stakeholder and institutional theory, we argue that stronger institutional environments, coupled with heightened stakeholder expectations, intensify pressures on firms to adopt and signal alignment with global sustainability norms, thereby potentially widening the gap between commitments and implementation. Using firm-level data from the Climate Action 100+ Net Zero Company Benchmark for 170 publicly listed firms across 33 countries over the period 2021–2025, we investigate how institutional quality, climate policy stringency, disclosure transparency, and investor oversight shape this relationship. Our findings show that stronger institutional environments are associated with a larger alignment gap, as they encourage firms to adopt more ambitious climate commitments while implementation adjusts more gradually. However, stricter climate regulation, greater disclosure requirements, and higher institutional ownership reduce the gap by strengthening accountability and monitoring of corporate climate strategies. These findings provide important insights for policymakers, investors, and managers seeking to enhance the credibility and effectiveness of corporate climate strategies.

3:00pm - 4:30pm

PS II.07: Board Monitoring: Capacity, Constraints, and Perspectives

Location: **C.505 Aimé-Quintal**
Session Chair: **Vikash Sinha**, Aalto university school of business, Finland

ID: 215 / PS II.07: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: resource allocation, corporate governance, business groups, board of directors, opportunity costs

The Allocation of Scarce Governance Resources: Evidence From International Business Groups

Aleksandra Gregorič[1], Raquel Justo[2], Adrián L. Mérida[2], Bartolomé Pascual-Fuster[2]
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Parent companies in multibusiness firms must allocate scarce governance resources across heterogeneous units. We study this problem in international business groups, where trusted director appointments to foreign affiliate boards are costly and difficult to scale. We conceptualize trusted director deployment as a sequential allocation decision: parents first decide whether to appoint a trusted director and, conditional on appointment, whether to rely on parent-company directors (PCDs) or parent-network directors (PNDs). Using ORBIS data, we find that affiliate relevance increases appointment, whereas internal opportunity costs reduce it. Conditional on appointment, opportunity costs and contextual adjustment costs increase PND reliance. Contrary to agency-based predictions, strategically relevant affiliates rely more on PNDs, pointing to the value of sustained affiliate-specific engagement. These findings recast governance design as portfolio-level resource allocation.

ID: 216 / PS II.07: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Shareholder activism, Board of directors, Threat rigidity, Strategic change

Does Threat Backfire? How Activist Board Placements Constrain Firm Strategic Change

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This study examines how threat associated with activist board placements impacts firm strategic change. Drawing on threat-rigidity theory, we argue that increased activist threat constrains boards' strategic responsiveness rather than catalyzing adaptation. Using a sample of activist board appointments, we find that strategic change declines monotonically as threat levels increase. We further show that the commitment of activist-appointed directors shapes strategic change only under moderate threat, while their prior activist board experience becomes consequential only under extreme threat. These findings highlight the behavioral limits of board responsiveness under escalating activist pressure and advance a threat-based perspective on shareholder activism.

ID: 257 / PS II.07: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: academic research, practitioner, quantitative text analysis

ARE WE ON THE SAME PAGE? AN EXPLORATORY COMPARISON OF CORPORATE GOVERNANCE'S ACADEMIC AND PRACTITIONER LITERATURES

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Academics research emphasizes theory testing, rigor, and generalizable insights, whereas practitioners prioritize context-specific guidance and actionable practices. These divergent approaches contribute to perceptions about a longstanding research–practice gap. In corporate governance research, both literatures seek to improve organizational performance, yet persistent differences between them raise questions about alignment. This exploratory study examines the extent to which these perspectives converge by analyzing a custom-built dataset spanning practitioner outlets, corporate governance research in leading general management journals, and specialized academic journals focusing on corporate governance. Focusing on two foundational elements, board committees and key governance-related positions, it assesses whether these literatures prioritize similar structures and actors. Board committees including audit, compensation, and nominating, are widely recognized as essential governance structures that enable specialization, strengthen oversight, and enhance accountability. Governance processes are enacted through individuals occupying positions that vary in authority and involvement, including directors, board chairs, and senior executives such as CEOs and CFOs. By comparing the level of attention to these elements across literatures, this study provides an assessment of whether academic and practitioner communities are "on the same page," contributing to the debate on the relevance and impact of corporate governance scholarship.

3:00pm - 4:30pm

PS II.08: Board Interlocks: Value, Financing, and Director Busyness

Location: **C.515 Guilford**
Session Chair: **Taekjin Shin**, San Diego State University, United States of America

ID: 303 / PS II.08: 1 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: corporate governance, board busyness, overboarding, internal busyness, non-executive directors

Rethinking Board Busyness: The Role of Internal Leadership and Committee Responsibilities

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Research Question/Issue: Overboarding is an increasingly prominent concern among scholars, regulators and practitioners, reflecting growing scrutiny of the effectiveness and capacity of directors who hold multiple directorships. Departing from the predominant focus on directorship counts, this paper rethinks director busyness from an internal governance perspective by examining the accumulation of committee memberships, board chair roles and senior independent positions (SID) held by directors across their directorship portfolios. It investigates whether internal board busyness reflects overcommitment or governance resourcefulness in the UK context. Research Findings/Insights: Based on hand-collected UK governance data over a six-year period, we document a positive relationship between internal board busyness and firm performance. These findings are in line with the experience hypothesis and its resources-based rationale, whereby director busyness or accumulation of roles is reflective of greater human and social capital developed through broader professional networks, continuous exposure to updated governance knowledge and a larger repertoire of governance practices. Our analysis further shows that this positive association is more pronounced in firms with greater information quality. Theoretical/Academic Implications: This paper contributes to the busyness literature in three ways. First, it is strongly grounded in ongoing practice discussions, by translating recent concerns from regulators, governance reports, and proxy voting guidelines into a measurable academic construct – internal board busyness. Second, it documents novel evidence on the incidence and performance implications of internal board busyness, showing that director busyness is a multidimensional construct that extends beyond the number of listed directorships. Third, our positive results extend the busyness-experience theoretical underpinnings to an underexplored internal governance domain, providing a more complete framework for examining the busyness-performance relationship in the UK. Practitioner/Policy Implications: Our findings suggest that regulators, practitioners, and nomination committees should assess director busyness more holistically by accounting for the totality of directors' internal governance workload across their board portfolios, including committee memberships, board chair roles and SID positions. This requires firms to provide more informative disclosures about the internal governance roles their directors hold in their external appointments to support more nuanced overboarding assessments. This disclosure may reduce the risk of inadvertently misclassifying high-quality NEDs as overcommitted, excluding valuable contributions, or overlooking undisclosed internal busyness.

ID: 113 / PS II.08: 2 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: dividend announcement, religiosity, risk preferences, event-study, signaling.

Local Religiosity and the Pricing of Dividend Signals

Andres Mesa[2], Carmen Aranda[2], David Echeverry[2], Luiz Ricardo Kabbach de Castro[1]
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Do investors price dividend news differently across cultural environments? We study 239 dividend-increase announcements by U.S.-listed commercial banks (2010–2024) and link each bank's headquarters county to American Religion Data Archive measures of religiosity. Banks headquartered in more religious counties earn significantly smaller announcement-window abnormal returns. Denominational composition sharpens the pattern: CARs rise with the local Catholic-to-Protestant ratio, consistent with systematic differences in gambling aversion and investors' incentives to trade on payout signals. The results are robust to alternative event windows and abnormal-return models and remain after controlling for local political preferences and a broad set of managerial and board cultural proxies, including CEOs' religious educational exposure. Overall, we show that local culture shapes the pricing of dividend signals: identical payout news is priced with different intensity across local religious environments, consistent with religiosity shaping risk preferences and information-based trading.

ID: 128 / PS II.08: 3 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: agency conflict; busy directors; busyness hypothesis; excess cash; multiple directors; reputation hypothesis

Busy Boards and Corporate Excess Cash Holdings

Asad Ali Rind[1,2], Aitzaz Ahsan Alias Sarang[3], Qazi Ghulam Mustafa Qureshi[4]
1: South Champagne Business School, Y Schools, Troyes, France; 2: INTRARE, Université de Reims Champagne Ardenne, Reims, France; 3: School of Business Studies, Institute of Business Administration (IBA) Karachi, Karachi, Pakistan;
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Research Question/Issue: Cash holdings rose substantially to reach $6.9 trillion in 2022, and companies now hold approximately one dollar in cash for every five in assets. This trend highlights the importance of examining governance factors, particularly board busyness, in explaining excess cash holdings. We address the significant knowledge gap regarding board members' crucial role in shaping financial decisions, such as policies on excess cash. Research Findings/Insights: Using data from U.S. firms over 1999–2024, we document a robust positive relationship between busy boards and excess cash holdings. This effect is amplified in firms with weak investment opportunities, consistent with an agency-based explanation whereby excess cash accumulation arises when limited opportunities coincide with weakened monitoring. Both external monitoring mechanisms in the form of financial analyst coverage, institutional ownership, and hostile takeover exposure and internal mechanisms in the form of number of board meetings, women directors, and board tenure weaken the positive relationship between busy directors and excess cash holdings. Moreover, the interaction between busy directors and excess cash hoardings is linked with a decline in firm value. Theoretical/Academic Implications: Our study is grounded in two contrasting frameworks: the reputation hypothesis and the busyness hypothesis. The busyness hypothesis, rooted in agency theory, conjectures that busy directors may become distracted, leading to weaker governance and increased excess cash. In contrast, the reputation hypothesis posits that busy directors provide valuable experience and networks, enhancing firm performance and reducing excess cash holdings. Our findings support agency view, indicating that overburdened directors compromise on monitoring oversight and enhance agency risk of excess cash hoarding. Practitioner/Policy Implications: The results provide important implications for investors and policymakers. Firms with busier boards may accumulate cash beyond optimal levels, leading to increased agency risk. Investors must exercise diligence when assessing these firms for signs of ineffective cash management.

3:00pm - 4:30pm

PS II.09: Corporate Sustainability under Scrutiny

Location: **C.521 Helsinki**
Session Chair: **Margaret Fong**, HEC Montréal, Canada

ID: 183 / PS II.09: 1 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Environmental regulation; Mandatory Environmental disclosure; Green revenues; Misleading communication; Sustainability reporting

When Green Claims Meet Scrutiny: The Disciplinary Effect of Environmental Regulation on Corporate Green Revenues

Sushil Sainani[1], Chris Florackis[1], Omrane Guedhami[2], Sadok El Ghoul[3], Huseyin Temiz[1]
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We study how environmental regulation affects firms' green revenues, defined as the share derived from environmentally friendly products and services. Using the staggered adoption of environmental disclosure mandates across 36 countries, we document a decline in green revenues after regulation is introduced. The decline is concentrated among firms with prior misleading environmental claims and in settings where the scope for overstatement was greater. Additional tests indicate that the result reflects a classification correction rather than lower underlying green activity: green patenting and asset renewal do not decline, while benchmark-based measures of green revenue overstatement fall. We provide corroborative evidence from the EU Green Taxonomy Regulation (EU 2020/852), which offers a complementary setting with tighter classification rules for environmentally sustainable revenues. In the EU, average green revenues increase after the regulation, but firms with prior misleading environmental claims exhibit a relative decline under the tighter definitions. Taken together, the evidence indicates that environmental regulation strengthens the credibility of sustainability-related performance measures by disciplining the classification of revenues as green.

ID: 148 / PS II.09: 2 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Evaluative pressure, Media coverage, Unfavorable media evaluation, Corporate Social Responsibility (CSR), Internal actions, External actions, Misalignment

Unfavorable Media Evaluations and CSR Misalignment

Eduardo Schiehll[2], Ankita Marwaha[1]
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Drawing on a cost–benefit perspective of organizational responses to public pressure, we examine whether unfavorable media evaluations reshape how firms allocate effort between internal and external CSR actions. We argue that media evaluations embed competing forces of reputational threat and scrutiny intensity, which influence how managers assess alternative responses. Using panel data on S&P 1500 firms from 2010 to 2023, we examine how unfavorable media evaluations are associated with firms' internal and external actions and the misalignment between them. We find that unfavorable evaluations are linked to an overall contraction of CSR engagement, suggesting that firms retrench rather than expand CSR activities in response to negative public evaluations. This contraction is more pronounced for internal actions than for externally visible actions, resulting in greater misalignment. These patterns vary across contexts. Formal CSR oversight mitigates internal retrenchment, while the temporal distribution of media attention and structurally salient scrutiny limits selective reallocation across internal and external actions. Our findings provide new insight into heterogeneous organizational responses to public evaluative pressure and clarify how CSR misalignment can emerge as firms balance reputational threat and scrutiny intensity.

ID: 279 / PS II.09: 3 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Environmental expertise, supervisory board, institutional ownership, agency theory

Sustainability Signal or Substance? The Role of Institutional Ownership on Environmental Expertise on the Supervisory Board

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Due to rising awareness of corporate sustainability efforts, more firms appoint environmental experts to the supervisory board. Such experts fulfill two roles: As an internal governance mechanism, they can offer advice and monitor environmental strategies. Additionally, they can signal commitment to sustainability efforts to external stakeholders. We hypothesize that institutional investors have a greater interest in the firm's long-term sustainability, thus increasing the likelihood of having environmental experts on the supervisory board. Further, we expect firms with a higher share of institutional investors to be less likely to trade off female directors and environmental experts, indicating a more substantial instead of symbolic commitment to sustainability. Investigating firms listed on the German Prime Standard between 2010 and 2020, our findings corroborate our hypotheses. Specifically, we find a positive association between institutional ownership and environmental expertise on the supervisory board, and a decrease in the tendency for female directors to be symbolically appointed at the expense of environmental experts, the higher the share of institutional investors. Our results offer valuable insights into the role of institutional owners in the board's composition and thereby suggest a mechanism by which they may contribute to the firm's environmental performance.

3:00pm - 4:30pm

PS II.10: Activism, Voice, and Corporate Decisions

Location: **C.463 GardaWorld**
Session Chair: **Saori Sugeno**, University of Surrey, United Kingdom

This paper has been recommended for the best paper award.
ID: 143 / PS II.10: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Shareholder Activism, Corporate Governance, Corporate social performance (CSP), Sustainability

Shareholder Activism: The Power of Submissions and Withdrawals

Maria Ruiz-Castillo[1], Ruth Aguilera[2], J. Alberto Aragon-Correa[3], Nuria E. Hurtado-Torres[3]
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Socio-environmental shareholder activism has gained attention, even though many submitted shareholder proposals never make it to the annual meeting's vote, and when they do, often are rejected. Building on the Awareness-Motivation-Capability (AMC) framework, we develop an integrated perspective on how socio-environmental shareholder activism influences subsequent corporate social performance (CSP). Using a longitudinal dataset of S&P1500 firms, we find a positive relationship between shareholder proposals received and CSP. We also show that a higher proportion of withdrawn proposals is positively associated with CSP, suggesting that engagement processes matter beyond voting. These effects are stronger when firms possess greater internal capability. Our findings contribute to corporate governance and sustainability research by offering a nuanced understanding of the effectiveness of shareholder activism.

ID: 242 / PS II.10: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: voters; local information environment; managerial learning; capital allocation

Do voters inform managers' capital allocation decisions?

Vishal Baloria
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Politically engaged individuals actively follow news and are knowledgeable about the economy. As a result, they invest in local firms and have the potential to help managers extract information embedded in stock prices for firm investment decisions. We find evidence of greater managerial learning from stock prices among firms in U.S. counties with higher voter turnout. Managerial learning is greater during presidential election years and during periods of media attention on investment topics. Managerial learning occurs within counties with more household investors, among small firms with retail investors, and relates to information about government policies impacting firm operations, with respect to which voters have an information advantage over managers. Our study suggests that managers can acquire decision-relevant information from local constituents and use this information to make capital allocation decisions, consistent with real effects arising from spillover of politics into financial markets.

ID: 210 / PS II.10: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: hareholder activism; ESG aspirations; talk-walk gap; greenwashing; stakeholder accountability; private governance; corporate hypocrisy

Selective Monitoring: Activist Investors,ESG Aspirations, and the Talk-Walk Partition

Anh Do[1], Arbab Cheemas[2], Ruth Sagay[1]
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Shareholder activists have become important arbiters of corporate ESG claims, yet the ethics of activist ESG governance remain unresolved. The same intervention can enforce moral accountability by disciplining unsupported claims or suppress legitimate stakeholder-orientated ambition by reducing credible long-horizon commitments. We study this question on a panel of 18,400 firm-year observations of US-listed firms over 2003–2022, using the text-based ESGaspirations measure of Bams and van der Kroft (2022) as the primary outcome. Activist campaigns reduce ESG aspirations roughly sixty per cent more than they reduce delivered ESG performance, but the asymmetry is conditional rather than uniform. The aspirations decline and concentrate in firms whose pre-event claims were least supported by delivery; they attenuate rather than intensify under weakened public ESG oversight; they are broader and less firm-specific in high-visibility pollution-intensive industries; and they are concentrated in low-cost, non-blockholder accountability campaigns rather than in hedge fund or institutional blockholder campaigns. Three independent falsifications — on delivered ESG performance, green-patent filings, and real investment — confine the measurable effect to ESG commitment language rather than substantive corporate behaviour. We interpret the pattern through a conditional-accountability framework drawn from stakeholder theory, legitimacy theory, and the greenwashing literature: activist ESG governance is ethically conditional, and the talk-walk gap provides an ex-ante diagnostic for assessing whether a campaign is more likely to enhance accountability or to suppress credible commitment. A companion paper examines the earnings-management dimension of activist discipline.

Date: Sunday, 04/Oct/2026

9:00am - 10:30am

PS III.01: Corporate Purpose: Governance and Accountability

Location: **A.414 Adelaïde**
Session Chair: **Luminita Enache**, University of Calgary, Canada

ID: 134 / PS III.01: 1 Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (conceptual)
Keywords: Corporate governance; corporate purpose; governance mechanisms; institutional theory; stakeholder theory

Corporate Purpose and Governance: A Systematic Literature Review and Research Agenda

Felipe Rivera[2], Alvaro Lleó[2], Luiz Ricardo Kabbach de Castro[1]
1: Indiana University, USA; 2: Universidad de Navarra, Spain; lkabbach@iu.edu

Research Question/Issue: Corporate purpose has become a central governance question, yet research at the intersection of corporate purpose and corporate governance remains theoretically and methodologically fragmented. This article asks three questions: What theoretical perspectives explain the relationship between corporate governance and corporate purpose? What governance mechanisms have been studied as ways to strengthen the institutionalization of purpose in organizations? And what future research is needed to explain when governance makes purpose substantive rather than symbolic? Research Findings/Results: We review 70 peer-reviewed studies identified through a systematic review protocol. The literature is organized around three complementary theoretical logics—Institutional Theory, Stakeholder Theory, and Behavioral Theory—that operate at the institutional, organizational, and individual levels. Across these levels, the same pattern persists. The formal adoption of purpose-related governance mechanisms often diverges from the substantive integration of corporate purpose. Hard and soft law, market-based disciplines, boards, executive compensation, strategic planning, resource allocation, leadership, commitment, reputation, and director identity all matter, but none is sufficient in isolation. Purpose becomes substantive only when governance mechanisms are coupled to decision rights, incentives, and resource commitments, and when the actors who interpret those mechanisms treat purpose as a real decision premise rather than only a reputational signal. Theoretical Implications: Drawing upon prior literature, we synthesize existing research in an integrative framework of corporate purpose governance built around three propositions. First, micro-foundations explain why formally similar governance structures produce divergent outcomes regarding the institutionalization of corporate purpose. Second, governance mechanisms work as interdependent configurations rather than isolated mechanisms. Third, the institutionalization of corporate purpose is best understood as a dynamic process of enactment, feedback, and adaptation rather than a static structural condition. This framework advances the corporate governance literature by shifting attention from the adoption of purpose to the governance conditions that shape how purpose influences organizational decisions. Practical Implications: Organizations cannot institutionalize purpose through a single intervention such as a legal form, a revised board mandate, or an ESG-linked incentive plan. Effective purpose governance requires a coherent bundle of governance mechanisms in which external commitments, board processes, executive incentives, strategic priorities, and resource allocations reinforce one another over time. The review also clarifies where symbolic adoption is most likely and provides a structured agenda for future research on how boards and executives can make purpose more than an organizational statement.

ID: 258 / PS III.01: 2 Track A: Purposeful Governance in a Changing World
Submission Type: Proposal (conceptual)
Keywords: Carbon targets, science-based targets, science-based targets initiative, carbon disclosure project (CDP), carbon disclosure

From Promise to Proof: Board Governance and the Progression Toward Validated Science-Based Targets

Anne Seeh, Sarah Stachelscheid, Andreas Dutzi University of Siegen, Germany; annekathrin.seeh@uni-siegen.de

Corporate climate action and credible Greenhouse Gas (GHG) emission reduction targets have gained increasing importance following the Paris Agreement. This study investigates how climate-related financial risk exposure affects firms' progression from science-based target (SBT) setting toward externally validated targets under the Science Based Targets initiative (SBTi), and how board-level governance structures moderate this relationship. We argue that climate-related financial risk exposure increases firms' pressure to legitimize by committing to SBTs, while progression toward externally validated climate commitments depends on enabling board-level governance structures. Firms may publicly commit to SBTs and/or the SBTi in response to stakeholder pressure and legitimacy demands without necessarily possessing the organizational structures required to implement SBTs. The study contributes to the emerging literature on SBTs by integrating stakeholder and legitimacy theories to explain firms' progression across different stages of science-based emission reduction targets: (1) SBT setting, (2) formal SBTi commitment, and (3) externally validated SBT by the SBTi. Empirically, the study employs panel logit regression analyses using an unbalanced panel dataset of 3,620 European non-financial firms covering the period from 2019 to 2023, resulting in 7,494 firm-year observations. The findings aim to offer practical implications for regulators, investors, and practitioners by identifying board-level governance structures that enable successful progression toward externally validated science-based emission reduction targets.

ID: 174 / PS III.01: 3 Track A: Purposeful Governance in a Changing World
Submission Type: Proposal (conceptual)
Keywords: AI governance, board oversight, translational artifacts, risk-tiered assurance, configurational analysis

Translating Governance: How Governance Professionals Embed AI Lifecycle Oversight into Board Practice

Cho-Wa Law[1,2], Chien-Po Liu[3], To Shia[1], Chin-Tarn Lee[1]
1: National Sun Yat-sen University, Taiwan; 2: Ming Chuan University; 3: Chaoyang University of Technology; rcwlaw@live.com

Corporate governance (CG) scholarship offers rich accounts of how boards and committees set risk appetite and exercise oversight. However, it has paid less attention to the actors who operationalize oversight: governance professionals and board secretaries who translate the technical complexity of artificial intelligence (AI) into board-actionable evidence. Without these translational practices, AI lifecycle governance remains aspirational rather than institutionalized. This qualitative, proposition-guided multi-case study (N = 10–14 organizations) examines how governance professionals convert AI lifecycle risks into oversight artifacts—model inventories and criticality classifications, drift dashboards, escalation/decision logs, and validation coverage maps—and how the quality of these artifacts mediates between external pressures (regulatory, investor, audit/assurance, ratings) and substantive board decision-making. Data comprise 60–80 elite interviews, document analysis, and limited observation. Outputs include an empirically grounded operating model and maturity framework embedded in enterprise risk management (ERM), with sample artifacts for boards and assurance functions. Conceptually, the study extends board information-flow theory by specifying translational practice as a third dimension—alongside structure and process—that distinguishes symbolic from substantive AI oversight, and it articulates a mediation pathway by which external pressures influence board decisions through the artifacts curated by governance professionals. An optional, appendix-only vignette from a high-ambiguity context is included solely to illustrate boundary conditions; it is excluded from sampling, cross-case analysis, and configurational results and does not alter the core typology.

9:00am - 10:30am

PS III.02: Leadership, Accountability, and Corporate Risk

Location: **A.436 Fonds Cogeco**
Session Chair: **Christine Shropshire**, Arizona State University, United States of America

ID: 237 / PS III.02: 1 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Board age; climate change risk; regulatory risk; director labor market; environmental governance; board demographics

Board Age and Climate Change Risk: International Evidence

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We examine whether board age shapes firms' ability to manage climate-related risk. Using an international sample of 17,206 firm-year observations from 34 countries over 2003–2022, we find that firms with older boards exhibit significantly higher levels of climate change risk, as reflected in discussions of climate-related uncertainty during earnings conference calls. This relationship is concentrated in regulatory climate risk, suggesting that older boards face greater difficulty adapting to evolving environmental policies. To address endogeneity, we exploit exogenous variation in board age arising from directors' sudden deaths and show that reductions in board age lead to significant declines in climate-risk exposure. We further show that this effect operates through environmental governance. Firms with older boards are less likely to adopt governance mechanisms that facilitate regulatory adaptation, including sustainability committees, climate-linked executive incentives, and emissions-reduction targets. Consistent with weaker adaptation, these firms also exhibit higher direct emissions intensity and lower energy efficiency. Overall, our findings identify board age as a distinct governance characteristic that shapes firms' exposure to climate-related risk and highlight the role of boards' adaptive capacity in environmental governance.

ID: 133 / PS III.02: 2 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: carbon intensity, default risk, environmental governance, female leadership

From Green Talk to Green Walk: The Impact of Carbon Intensity on Default Risk and the Moderating Role of Female Leadership

Isabel Abinzano[1], Beatriz Martinez[1], Jannine Poletti-Hughes[2]
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This study investigates the impact of carbon intensity on a firm's probability of default, measured by the Black–Scholes–Merton model, and examines how this relationship is moderated by environmental governance and female leadership. Using a global dataset comprising 1,711 publicly listed companies across 48 countries for the period 2010–2022, we distinguish between two dimensions of environmental governance: environmental intention (strategic commitment) and environmental action (incentive-linked executive pay). Furthermore, we incorporate six granular dimensions of female leadership—including board representation and executive roles—to assess their role in mitigating financial risk.

Our results demonstrate that neither environmental intention nor action alone is sufficient to offset the default risk associated with high carbon intensity. Instead, a significant reduction in credit risk occurs only when these governance mechanisms are complemented by strong female leadership. The findings are more pronounced in the post-Paris Agreement era and in institutional environments characterized by high environmental resilience and gender equality. This research contributes to the corporate governance literature by highlighting that gender-inclusive leadership enhances the credibility and effectiveness of sustainability practices, ultimately strengthening firms' financial resilience in a transition toward a low-carbon economy.

ID: 145 / PS III.02: 3 Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical)
Keywords: Asymmetric ethical effects, Corporate fraud, Corporate governance, Digital maturity, Innovation intensity, Internal control quality, Strategic digital orientation

Asymmetric effects of strategic digital orientation on corporate fraud

Ammar R. M. Zahid[1], Irfan Haider Shakri[1], Haji Suleman Ali[1], Muhammad Jameel Hussain[2]
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Digital transformation is reshaping contemporary governance systems, yet its ethical consequences for organizational integrity remain unclear. This study examines how strategic digital orientation (SDO), a firm's strategic commitment to developing and integrating digital capabilities, affects corporate fraud. Using 34,320 firm-year observations of Chinese listed firms (2009–2022), we construct a multidimensional measure of SDO using textual analysis of management disclosures and estimate corporate fraud using complementary regulatory datasets. Using multiple analytical techniques, we document a robust asymmetric nonlinear relationship between SDO and corporate fraud. Fraud likelihood increases at low-to-intermediate levels of SDO, where technological opacity, accountability gaps, and governance lag create a "zone of ethical vulnerability." At higher levels of SDO, fraud declines as integrated systems, automated controls, and enhanced transparency strengthen monitoring and reduce managerial discretion. Moderation analyses show that internal control quality mitigates risk of fraud during low to intermediate levels of SDO and accelerates the transition to higher SDO and fraud benefits, whereas innovation intensity amplifies complexity and prolongs vulnerability. Mediation results reveal competitive effects, whereby SDO increases fraud directly while indirectly reducing it through improvements in audit quality and monitoring. By conceptualizing SDO-fraud link as a stage-dependent, this study challenges the prevailing assumption that digitalization uniformly enhances accountability. This research contributes to business ethics, corporate governance, and digital transformation research by demonstrating how digital technologies reshape accountability structures, redistribute moral responsibility, and generate dynamic patterns of misconduct risk over time.

9:00am - 10:30am

PS III.03: Investor Protection and Corporate Transparency

Location: **A.449 Melbourne**
Session Chair: **Jackie Di Vito**, HEC Montréal, Canada

ID: 139 / PS III.03: 1
Track C: Ownership
Submission Type: Full-paper (empirical)
Keywords: Agency Conflicts, Business Groups, Financial Reporting Quality, Ownership

Financial Reporting Quality Within Business Groups

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Using a sample of international affiliates of European business groups spanning 45 countries and the years 2015 to 2021, we study whether the financial reporting quality (FRQ) of affiliates emerges from the underlying conflict of interests between the Group´s controlling owners and the minority shareholders at both the parent firm and all affiliates within the Group. Our findings show that FRQ systematically responds to the incentives and the relative power of different types of owners within the Group: FRQ is higher in affiliates that the group does not wholly own, and in affiliates where the Group controlling owners hold lower economic stakes. Moreover, affiliates´ FRQ is significantly related to the FRQ of the parent company, consistent with the presence of a group-level policy concerning financial disclosure. This study contributes to the accounting and corporate governance literature by documenting systematic variations in affiliates´ FRQ, and providing theory and evidence on how affiliates´ FRQ is shaped by ownership incentives and intra-group agency conflicts, revealing how reporting practices emerge within complex business structures.

ID: 367 / PS III.03: 2
Track C: Ownership
Submission Type: Proposal (conceptual)
Keywords: Insider trading, 10b5-1 trades, strategic disclosure, disclosure shifting

Disclosure Shifting Around Rule 10b5-1 Trading Plan Trades

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This proposal examines whether corporate executives influence the timing of firm-initiated disclosures around trades executed under Rule 10b5-1 trading plans. Rule 10b5-1 was designed to permit insiders to pre-arrange trades when they are not aware of material nonpublic information, thereby allowing liquidity and diversification trades while preserving insider trading restrictions. However, prior research and recent SEC rulemaking raise concerns that planned trades may facilitate opportunistic trading. This study investigates one specific mechanism: disclosure shifting, defined as the strategic timing of firm news around planned trades to improve insiders' trading outcomes. Using 184,112 firm-trading-days from U.S. listed firms between 2000 and 2026 the study compares the firm-initiated news events in the five trading days before and after planned and unplanned insider trades. News days are classified as positive or negative when a disclosure is accompanied by a positive or negative abnormal return over the -1,+1window. The main empirical strategy estimates whether positive news, negative news, and net tone shift differently from the pre-trade to post-trade window for planned purchases, planned sales, and unplanned sales, using unplanned purchases as the baseline. The design also tests whether these patterns change after the SEC's 10b5-1 rule-change announcement. Expected contributions are to identify whether 10b5-1 trading profits reflect not only trade timing or plan design, but also insiders' influence over the firm disclosure environment.

ID: 355 / PS III.03: 3
Track F: Comparative Corporate Governance
Submission Type: Proposal (abstract)
Keywords: Cash Flow Sensitivity of Cash; Investor Protection, Financial Constraints, Cross-Country Studies, Switching Regressions

Cash Is King, but Creditors Hold the Crown: Investor Protection and the Cash Flow Sensitivity of Cash

Caio Vieira Rego[1], Paulo Renato Soares Terra[2]
1: HEC Paris, France; 2: FGV-EAESP, Brazil; paulo.terra@fgv.br

This research proposal adopts a comparative corporate governance perspective to examine whether cross-national differences in country-level investor protection alleviate the financial constraints firms face, as reflected in the cash flow sensitivity of cash (CFSC). Departing from the mainstream assumption that investor protection affects all stakeholders homogeneously, the project disaggregates protection into three dimensions: creditor protection, protection of minority shareholders against insiders, and protection of external investors against the issuance of bad securities. Rather than relying on conventional, error-prone proxies of financial constraint, the empirical strategy employs an endogenous switching regression with unknown sample separation to classify which firms, in which years, are financially constrained. The original unpublished study covered 27,471 firms across 393 industries in 42 countries over 2001–2015; the proposed project extends the sample window to 2001–2025, thereby spanning two major macro-financial episodes—the COVID-19 liquidity shock and the subsequent global tightening of monetary policy—that plausibly reshaped precautionary cash policies. The research asks two questions: whether higher investor protection reduces CFSC, and whether creditor protection is more effective than shareholder protection in relaxing constraints. Preliminary results from the 2001–2015 sample do not support the hypothesis that stronger investor protection uniformly lowers CFSC, but they do indicate that creditor protection reduces the propensity of constrained firms to save out of cash inflows more than shareholder protection does. The extended analysis will test the robustness and external validity of these patterns.

9:00am - 10:30am

PS III.04: Incentives, Institutions, and External Governance

Location: **A.451 Deloitte**
Session Chair: **Nicolas Sahuguet**, Hec Montreal, Canada

ID: 204 / PS III.04: 1
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: strategic risk-taking; executive compensation; variance decomposition; upper echelons; corporate governance

How much does compensation matter? Decomposing the sources of heterogeneity in strategic risk-taking

Anish Purkayastha[1], Markus Fitza[2]
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How much of the observed variation in strategic risk-taking is attributable to executive compensation, relative to CEO-specific, firm-level, and industry-level influences? Using variance decomposition across a panel of 10,342 firm-year observations from S&P 1500 manufacturing firms (2000–2024), we estimate restricted maximum-likelihood mixed-effects models that partition variance in strategic risk-taking across industry, firm, CEO, and year effects, treating four compensation dimensions — equity risk-bearing, prospective wealth, golden parachutes, and severance — as random CEO slopes. Firm-level characteristics explain 49–66% of total variance; the CEO random intercept explains 18–41%. By contrast, no compensation dimension exceeds 1.11% of variance across multiple models spanning the full sample, subperiods, industry subgroups, alternative lag horizons, and multiple compensation proxies. These findings reveal a fundamental governance lever problem: while executive pay structures are designed as primary mechanisms for shaping managerial risk preferences, persistent organizational and individual characteristics overwhelmingly dominate the variation boards seek to govern.

ID: 329 / PS III.04: 2
Track D: External Governance
Submission Type: Full-paper (conceptual)
Keywords: short-termism, ESG ratings, socially responsible investment, ratings

The Design and Business Models of Financial Ratings

Nicolas Sahuguet[1], Pierre Chaigneau[2]
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We study the corporate governance implications of information intermediaries. By

affecting firms' market valuations, intermediaries can strengthen implicit incentives for corporate insiders, but whether they do depends on who pays for their ratings. Investor-paid ratings maximize informativeness about firm fundamentals; firm-paid ratings bundle signals about fundamentals and corporate insiders' effort. When fundamental uncertainty is sufficiently high, firm-paid ratings achieve time horizon irrelevance: insiders exert the same effort as under commitment regardless of their exit horizon, which neutralizes short-termism. In liquid markets, investor-paid ratings dominate: bad information drives out good. Competition can worsen this distortion: the mere threat of entry distorts rating design and reduces effort. The framework sheds light on the funding of credit ratings, the narrow focus of venture capital, and the coexistence of investor-paid and firm-paid ESG information.

ID: 272 / PS III.04: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Board chairs, Corporate governance, Monitoring, Chair hospitalizations, Chair-CEO relations

Do Board Chairs Matter? Evidence from Hospitalization Events

Steffer Burkert[1], Aino Tenhiälä[2], Marc Goergen[2,3,4], Jukka Partanen[4]
1: LMU München; 2: IE Business School, IE University, Spain; 3: European Corporate Governance Institute; 4: University of Vaasa; marc.goergen@ie.edu

We examine board chairs' influence on firm performance. Prior research suggests that chairs matter, but causal inference is complicated by endogenous matching between firms, chairs, and CEOs. We address this challenge by exploiting plausibly exogenous shocks to chair functioning: hospitalizations due to external causes. Using matched Finnish administrative data (2000–2020) and firm–chair fixed effects, we compare firm performance within the same match in years with and without chair hospitalization. We find that board chairs matter: chair hospitalization is followed by a decline in operating performance. This effect is stronger when the chair and CEO exhibit greater overall demographic similarity (in age, education, and gender). We interpret these findings through a relational view of governance: chairs contribute not only through formal oversight, but also by sustaining information flows and coordination between management and the board. Greater chair–CEO similarity may facilitate disclosure and collaboration ex ante but also increases reliance on the chair as a relational bridge, making disruptions more costly. These results contribute to research on corporate governance by shifting attention from formal independence toward governance capacity and the relational foundations of board effectiveness.

9:00am - 10:30am

PS III.05: Oversight and Governance Capacity

Location: **C.403 Louis-R. Chênert**
Session Chair: **Seppo Ikäheimo**, Aalto University, Finland

ID: 105 / PS III.05: 1 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (conceptual)
Keywords: Corporate Governance, Compliance, Regulation, Corporate Law, Board Capacity, Board Agenda, Enforcement, Information Overload, Board Processes, Board Structure, Board Composition

Board Overload

Roy Shapira Harvard Law School's Program on Corporate Governance (Senior Fellow), Boston University Questrom School of Business (Mehrotra Visiting Professor), Reichman University (professor of law**);** roy.shapira@runi.ac.il

The board of directors plays a critical role in steering corporate behavior. Over the past two decades, regulators have increasingly required boards to oversee compliance on issues ranging from cybersecurity and anti-money laundering to climate risk. In isolation, each board involvement mandate makes sense, as it is intended to elevate a first-order issue to the highest levels of governance and ensure firm-wide buy-in. But taken together, these mandates create a problem of board overload. A typical board has ten members and meets eight times a year. Directors' time and attention are finite, as is space on the meeting agenda. As a result, there is a growing asymmetry between boards' expanded responsibilities and the structural limits on their capacity. Boards must constantly triage competing demands, often without clear guidance on how to prioritize. Understanding how boards make these choices, and which issues fall through the cracks, is one of the most urgent questions in corporate governance, with implications for both long-term corporate success and broader societal outcomes. This Article offers a comprehensive analysis of board overload and makes the following three contributions. First, the Article examines the causes of board overload. Drawing on original data on board and committee meetings, a systematic analysis of regulatory board involvement mandates, and practitioner surveys, we show that while directors' responsibilities have expanded dramatically, board size and meeting frequency have remained relatively fixed. Second, the Article evaluates the consequences of board overload. By interviewing board members and borrowing insights from decision-making literature, we identify two key effects. At the individual director level, overload leads to information fatigue, whereby even diligent and capable directors resort to heuristics and lose motivation to invest in learning unfamiliar issues. At the group level, overload distorts agenda-setting, causing boards to underinvest in long-term strategy and systemic risk. Finally, the Article offers concrete policy solutions. For regulators, our central proposal is to consider rolling back board involvement mandates. Regulators should focus on telling companies how to behave, rather than specifying who within the company should do what. Courts, for their part, should account for board overload by setting high materiality thresholds when interpreting oversight duties, and by liberally interpreting shareholder inspection rights doctrines.

ID: 191 / PS III.05: 2 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Internal auditing, Audit committee, Group judgment, Information processing, Competence trust, Risk oversight

Group Judgment on Risk Oversight by Internal Auditors and Audit Committees: An Information Processing and Trust-based Perspective

Vikash Sinha, Seppo Ikäheimo Aalto university school of business, Finland; vikash.sinha@aalto.fi, seppo.ikaheimo@aalto.fi

This study investigates how internal auditing (IA) and audit committee (AC) processes jointly influence risk oversight in firms. We conceptualize IA and AC processes as group judgment, where groups of individuals gather, elaborate, and share information to discharge their risk oversight duties. Drawing on the comparative analysis of two cases of large publicly listed Nordic firms, our study offers three contributions. First, building on the understanding of group decision-making from the external audit literature, we identify and elaborate on three group judgments that internal auditors (IAs) and ACs make on risk oversight: i) ex-ante judgment in annual and engagement planning, ii) ex-post judgment during audit closing, reporting, and follow-up, and iii) quality/review judgments by AC to scrutinize the IA reports on risk oversight create a feedback loop to refine group judgments by IAs. Second, we document the way internal auditors process information and build audit trails to safeguard themselves from criticism. Third, our results underscore the important role trust plays in information processing by IAs. More specifically, our results indicate that goodwill trust in IAs by AC members has no influence on the level of scrutiny by AC members, but competence trust in IAs by AC members can reduce the level of scrutiny. Additionally, goodwill trust in IAs by auditees and executives (top management) can help IAs preserve their independence by positioning themselves as business partners.

ID: 275 / PS III.05: 3 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (conceptual)
Keywords: Stakeholder engagement, Due Diligence, Corporate Law Reform, Social and environmental challenges

With a Little Help from my Stakeholders: Incorporating Due Diligence and Stakeholder Engagement in the Cbca to Meet the Upcoming Challenges

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Canadian corporations face significant social and environmental challenges in the coming years, with all the characteristics of a wicked problem: intricate causes and symptoms, unclear evolution, and conflicting interests among stakeholders. Governing responsibly through these challenges will prove complex. Does the Canadian Business Corporation Act (CBCA) provide directors with the necessary governance tools to do so? While it allows them to consider the environment, the long-term interests of the corporation and the interests of an indeterminate number of stakeholders, it doesn't provide them with guidance on how a "good corporate citizen" would resolve those conflicts, while respecting its duty to treat stakeholders fairly. Neither does jurisprudence. This article argues that the CBCA should be reformed in line with best business practices to better assist directors in discharging their fiduciary duties and addressing stakeholders' expectations. First, the CBCA should enhance directors' duty of care to incorporate risk-based human rights and environmental due diligence, including the identification, prevention and remediation of such risks. Second, the CBCA ought to institutionalize workers' and stakeholders' engagement. The creation of a Workers' and Stakeholders' Committee is thus argued to assist directors in performing due diligence on human rights and environmental issues, improve the quality of information on human rights and environmental risks, operationalize workers' and stakeholders' participation in corporate governance, and help directors balance conflicting interests.

9:00am - 10:30am

PS III.06: CEO Values, Traits, and Corporate Behavior

Location: **C.406 Josée-Fiset**
Session Chair: **Jana Oehmichen**, University of Mainz, Germany

ID: 240 / PS III.06: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Strategy uniqueness, pay duration, CEO, dispositional fear, personality

The Pursuit of Strategy Uniqueness: How CEO Pay Duration Encourages Fear-prone CEOs to Be Different

Miriam Heinzl, Michelle Weck, Jana Oehmichen
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Strategic uniqueness can generate long-term competitive advantage but entails substantial short-term risk. Such strategies may initially reduce firm value through legitimacy concerns and increase CEOs' personal exposure to failure. Using panel data from 349 firms between 2013 and 2022, we examine whether longer pay duration motivates CEOs to pursue strategic uniqueness despite these risks. We find that extended pay duration is positively associated with firms' engagement in unique strategies. Integrating insights from personality research, we further show that this effect is particularly pronounced for fear-prone CEOs, drawing on computer-aided text analysis (CATA) of more than 25,000 quarterly earnings calls. Implications of our findings are discussed.

ID: 226 / PS III.06: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Corporate Social Responsibility, Environmental Performance, Cultural Finance, Long-Term Orientation.

CEO Cultural Values and Environmental Performance: The Role of Heritage and Long-Term Orientation

Dennis Bams[1], Frederique Bouwman[1], Bart Frijns[2]
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This study examines how CEOs' deeply rooted cultural values shape corporate environmental performance. Based on U.S.-listed firms, we show that higher Long-Term Orientation characterizes CEOs whose cultural heritage is associated with stronger environmental outcomes that reflect credible performance, but not with environmental intentions that are more symbolic or signaling in nature. This contrast highlights how managerial discretion and decision ambiguity amplify the influence of personal values. The association is stronger when the CEO's connection to their cultural heritage is more pronounced, further supporting the idea that cultural values relate to managerial priorities under high discretion. These findings are robust to multiple specifications, including an instrumental variable, an alternative cultural construct, and the use of a different environmental performance measure. This study contributes to the literature by offering new insights into how cultural values shape complex corporate decision-making in a sustainability context, which requires balancing competing objectives.

ID: 353 / PS III.06: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: CEO activism, CEO political ideology, board vigilance, CEO-board relation, upper echelons

CEO Political Ideology and CEO Activism: The Role of Board Vigilance

Scarlet Lausen, Youngbin Joo
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There is growing interest in understanding the drivers of CEO sociopolitical activism. While existing research suggests a CEO's political ideology is the primary catalyst for such activism, many executives remain conspicuously silent on prominent social issues—even when their personal liberal values lean toward engagement. We address this puzzle by examining how corporate board vigilance influences a CEO's decision to speak out. Because CEO activism is a novel phenomenon with highly unpredictable material consequences, we propose that even highly vigilant boards lack the requisite expertise and experience to align such activism with firm value. Consequently, rather than merely monitoring executive conduct, vigilant boards favor strategic caution, actively disciplining CEOs to refrain from entering sociopolitical debates. Our analysis of Fortune 500 CEOs from 2015 to 2021 supports this theory. Our research contributes to the literatures on corporate governance and CEO activism by shedding light on the structural drivers of executive silence.

9:00am - 10:30am

PS III.07: Governance Actors and Strategic Choices

Location: **C.409 Gilles-Labbé**
Session Chair: **Krista Lewellyn**, Florida Southern College, United States of America

ID: 365 / PS III.07: 1 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: General counsel, sustainability, environmental performance, social performance

Do General Counsels Make a Difference in Corporate E&S Performance?

Md Reiazul Haque[2], Md Lutfur Rahman[1], Parvez Mia[3]
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This study examines whether the presence of a general counsel (GC) in a firm's top management team influences its environmental and social (E&S) performance. Although survey reports suggest that the role of the GC has evolved from legal adviser to strategic adviser, encompassing E&S strategies and governance, empirical evidence on whether GC participation in top management translates into improved E&S performance remains limited. Using a sample of 18,127 firm-year observations in the U.S., we find that firms with a GC exhibit significantly higher E&S performance than firms without one. Using variation in the timing of GC appointments across firms, our staggered difference-in-differences design provides causal evidence that E&S performance improves following GC appointments, and our key finding remains robust to instrumental variable estimation and matched sample analyses. We further show that GC presence increases the likelihood of establishing sustainability committees, and that firms exhibit the highest E&S performance when both a GC and a sustainability committee are present, indicating that GC contributes to enhanced E&S performance by promoting a dedicated governance team to manage sustainability. We also find that firms with GCs are significantly less likely to be involved in actual environmental and social violations. Overall, our results highlight the evolving strategic role of GCs beyond traditional legal advisory functions and identify them as a critical and previously underexplored driver of corporate sustainability.

ID: 362 / PS III.07: 2 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Board dynamics, Boardroom dominance, Corporate governance, Sustainable investment, Randomised controlled trial.

Does It Take a Dominant Voice to Go Green? Boardroom Dominance and Sustainable Investment Decisions

Simon Tièche[1], Didier Cossin[1], Shawn Cole[2], Michel Bourqui[3]
1: IMD Business School; 2: Harvard Business School; 3: Climanosco; simon.tieche@imd.org

Using 30 board simulations conducted with board members and executives participating in a program at IMD Business School, we randomly assign participants to boards and ask each board to recommend an allocation between a green project with zero carbon emissions and a brown project with positive emissions. We measure boardroom dominance using audio-based indicators of speaking concentration derived from meeting transcripts and relate these measures to the share allocated to the green project. We find that more dominant discussions are associated with significantly higher investment in the green project. Across specifications, dominance explains a meaningful share of the variation in sustainable allocation choices, and the results remain robust to controls for board composition. These findings suggest that sustainable investment decisions depend not only on board characteristics or ESG preferences, but also on how influence is exercised during deliberation. By combining a randomized controlled trial with objective measures of boardroom interaction, this study contributes to the literature on corporate governance and sustainability by opening the black box of board decision-making. The results also carry practical implications for boards seeking to strengthen climate-related strategic decisions.

ID: 170 / PS III.07: 3 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: CEO Duality, Corporate Spinoff, Impression Management, Conference Calls, Voluntary Communication Tone

Tone as a Window into Power: The Case of Corporate Spinoffs

Azadeh Babaghaderi[1], Sam Kolahgar[2], Harjeet Bhabra[3]
1: University of Windsor, Canada; 2: University of Prince Edward Island, Canada; 3: Saint Mary's University, Canada; azadeh.babaghaderi@uwindsor.ca

In this study, we examine how Chief Executive Officers exercise power through communication during major strategic restructuring. Using corporate spinoffs as the empirical setting, our analysis links CEO duality and optimistic tone in conference calls to long-term shareholder value. Corporate spinoffs provide a suitable context because they are internally planned restructuring initiatives that require only board approval, involve limited external visibility, and carry important implications for long-term value creation. Drawing on agency and stewardship perspectives, our study analyzes 197 U.S. corporate spinoff plans announced between 2002 and 2016. Our results show that firms led by dual CEOs experience weaker long-term shareholder wealth following spinoff announcements, particularly when CEOs adopt a highly optimistic communication tone during conference calls. Our findings are consistent with an impression management perspective, suggesting that under concentrated authority, highly optimistic voluntary communication is more likely to obscure strategic vulnerabilities than convey genuine confidence. Additional analyses further show that the likelihood of spinoff incompletion is higher in firms where dual-role CEOs use overly optimistic language at the time of the announcement. By linking governance structure to observable communication behavior and long-term outcomes, our study advances understanding of executive authority during opaque strategic decisions. Our results underscore the importance of interpreting optimistic managerial voluntary communication with caution in settings characterized by concentrated leadership authority and limited transparency and highlight the value of stronger oversight during major strategic initiatives.

9:00am - 10:30am

PS III.08: Board Attributes and Governance Outcomes

Location: **C.412 Mallette**
Session Chair: **Konstantinos Stathopoulos**, Alliance Manchester Business School, United Kingdom

This paper has been recommended for the best paper award.
ID: 140 / PS III.08: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: board of directors, gender diversity, signaling theory, analysts

GENDER PENALTY OR GENDER BONUS? THE DUAL EFFECTS OF BOARD GENDER DIVERSITY ON ANALYST RECOMMENDATIONS

Stephen Smulowitz, Malgorzata Smulowitz
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We examine how board gender diversity can lead to both negative and positive investor reactions. Drawing on signaling theory, we argue that board gender diversity is a signal that investors may interpret differently depending on the evaluation context. Specifically, we predict that underperforming firms with more women board members will receive harsher analyst recommendations (i.e., the "gender penalty"). This is because, when interpreting outcomes, investors attend to the intent dimension of the signal and attribute poor performance to perceived deviations from shareholder value maximization. In contrast, we predict that firms with higher R&D spending and more women directors will receive more favorable analyst recommendations (i.e., the "gender bonus"). This is because, when interpreting uncertain strategic investments, investors attend to the quality dimension of the signal and infer stronger governance and oversight of innovation spending. Using longitudinal data of 22,407 observations for 2,169 S&P 1500 companies from 1998 to 2022, we find robust support for our hypotheses. We contribute to signaling theory by showing that the same audience may assign different meanings to the same signal across evaluation contexts, and we offer guidance for firms navigating investor perceptions of board gender diversity.

ID: 278 / PS III.08: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract)
Keywords: character, nonprofit boards, board decision-making

Character-Driven Governance in Nonprofit Boards: A Qualitative Study of Systemic Barriers

Trevor Hunter, Sara Murphy, Dusya Vera, Seemantini Pathak
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Through interviews with eighteen nonprofit board directors from Canada, we examine how leader character manifests in governance and identify barriers to its application. Boards recognize character's importance yet systematically fail to apply it, creating risks for mission protection. Character manifests unevenly: communal dimensions (humanity, humility, transcendence, integrity, collaboration) are abundant while agentic dimensions (courage, accountability, justice, temperance) are less frequent. Judgment and drive are inconsistently practiced. Three systemic barriers disable character: competence-focused recruitment, cultures suppressing dissent, and absence of character development frameworks. We contribute to governance theory by demonstrating how character imbalances at the individual level create emergent board-level dysfunctions.

ID: 376 / PS III.08: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Corporate Governance, ESG, Corporate Reputation, Board of Directors, Mexico.

Board governance mechanisms and corporate reputation performance: The Mexican context

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The growing interest in the SDGs has been associated with the vital role companies must have in achieving and reframing the purpose of the corporation and expressing public commitment to delivering long-term value to all stakeholders, not only shareholders. Board governance mechanisms enhance corporate reputation by aligning management actions with stakeholder interests and signalling organizational legitimacy. The board of directors acts as the central corporate governance structure; their composition, independence, and structural integrity directly dictate how capital markets and the public evaluate a firms' credibility. This paper aims to analyse whether board governance mechanisms favour corporate reputation in a context characterized by a higher ownership concentration and a strong agency problem type II. Based on the resource dependence, signalling, and stakeholder theories, the general hypothesis is that a board of directors well governed motivates a higher level of corporate reputation from Mexican listed companies. A sample made up of 584 non-financial companies listed on the Mexican Stock Exchange (MSE) during the 2017-2022 period was studied. An econometric panel data analysis and Logit regressions are carried out to analyse the relationship between the study variables. Results evidence that the composition and functioning, the adoption of policies focused on ethics, the protection of minority shareholders rights, and the presence of a code of conduct increases the corporate reputation.

9:00am - 10:30am

PS III.09: Institutions, Oversight, and Stakeholder Responses

Location: **C.415 Pierre-Fitzgibbon**
Session Chair: **Margaret Fong**, HEC Montréal, Canada

This paper has been recommended for the best paper award.
ID: 223 / PS III.09: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Depositors, Imprinting, the S&L Crisis, Bank Run, Borrower Bankruptcy, Information Acquisition

Once Bitten, Twice Shy: S&L Crisis Experience and Depositor Reactions to Default News

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We investigate the long-lasting impact of a banking crisis on the subsequent behavior of depositors. Using a research design that exploits the heterogeneous exposure of U.S. counties to the Savings and Loan (S&L) crisis and within-bank, across-region variation in uninsured deposit rates, we show that depositors in counties that were exposed to the S&L crisis are more responsive to bank client defaults and more likely to withdraw deposits from the exposed branch, leading to an increase in deposit rates. Using EDGAR search data, we further document the heterogeneity in information acquisition by local residents due to their differing prior experiences in the S&L crisis. In cross-sectional analyses, we find that the responses of the depositors are more pronounced when (1) the default events are more salient, (2) the bankrupt client is a relationship borrower, (3) the focal bank is riskier, and (4) depositors have the financial sophistication to monitor banks. Our findings help understand heterogenous depositor behavior in banking crises by showing that prior exposure to a banking crisis makes depositors more sensitive to bank risk.

ID: 245 / PS III.09: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: hurdle rate, cost of capital, information quality, compliance costs, regulatory oversight

Capital Investment Thresholds Under Regulatory Oversight

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We examine how regulatory oversight shapes the hurdle rate wedge, the difference between managers' internal investment thresholds and the firm's cost of capital. Oversight can narrow the wedge by generating decision-relevant information or widen it by diverting managerial resources from internal investment evaluation. Comparing two regulators, the IRS, which requires documentation of transaction economics, and the SEC, which enforces GAAP and disclosure compliance, we find that IRS oversight narrows the wedge while SEC oversight widens it. Quasi-experimental tests support inferences. Additional analyses link these effects to internal information asymmetry and compliance capacity.

ID: 239 / PS III.09: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: workplace conflict, co-determination, sexual harassment, bullying

Worker Co-determination and the Labour-Market Consequences of Workplace Conflict

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Sexual harassment and bullying are pervasive features of modern labour markets and have well-documented consequences for workers' labour-market attachment. While a growing economic literature shows that sexual harassment leads to job separations and persistent labour-market scars, much less is known about whether organisational institutions can mitigate these effects or whether similar mechanisms operate for workplace bullying. This paper studies whether worker co-determination institutions attenuate workers' employer transitions following sexual harassment and bullying.

Using repeated cross-sectional survey data linked to comprehensive administrative employer-employee registers from Denmark, we implement a staggered event-study design to trace employer separation before and after reported mistreatment. We find that both sexual harassment and bullying are followed by sharp and persistent increases in employer separation. However, these mobility responses are substantially weaker in firms with cooperation committees or trade union representatives, whereas worker board representation does not exhibit a comparable moderating effect. The findings highlight the importance of operational worker representation institutions in mitigating the labour-market consequences of sexual harassment and bullying.

3:00pm - 4:30pm

PS IV.01: AI Governance: Oversight, Disclosure, and Accountability

Location: **A.414 Adelaïde**
Session Chair: **Marie-Ann Betschinger**, HEC Montréal, Canada

ID: 363 / PS IV.01: 1 Track A: Purposeful Governance in a Changing World
Submission Type: Full-paper (empirical)
Keywords: AI non-tech, governance, market reactions, investors

How Does the Stock Market Interpret Non-tech Firms' AI-related Disclosures?

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For non-technology firms, artificial intelligence-related (AI) developments promise greater efficiency and less risky cash flows but require costly investments and may exacerbate operational risk. We examine whether non-tech firms' AI disclosures in 10-K filings are associated with their cost of equity capital (COE). Controlling for AI talent demand as proxy for observable AI activity, we find that AI disclosures are associated with lower COE. This association is stronger when firm-level risk is higher and when tech-oriented institutional investors and mutual funds hold lower ownership stakes. We also use a quasi-natural experiment to address endogeneity concerns. Surprisingly, while 44% of business descriptions include AI-related disclosure, AI risk factor disclosure appears in only 18% of filings and it is not associated with COE. However, COE is lower when a firm's AI risk factor disclosure exceeds the level predicted by its AI opportunity disclosure, AI talent demand, and industry-average AI risk factor disclosure.

ID: 378 / PS IV.01: 2 Track A: Purposeful Governance in a Changing World
Submission Type: Proposal (abstract)
Keywords: Generative artificial intelligence, corporate governance, board decision-making, contested governance infrastructure, strategic oversight

Generative AI, Board Oversight, and Strategic Decision Legitimacy

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Generative artificial intelligence (GenAI) is increasingly being adopted across organizations to support information synthesis, strategic sensemaking, and decision-making. Yet its role in corporate governance is elusive, particularly within boards of directors, where strategic oversight is shaped by fiduciary responsibility, confidentiality, accountability, and established authority relations. This on-going study examines how corporate directors interpret, contest, and legitimize the use of GenAI in board-level strategic decision-making. Drawing on a qualitative, interpretive research design, the study so far is based on twenty-one semi-structured interviews with experienced directors serving on public, private, and government-owned boards, supplemented by field notes and corporate governance documents. Using an inductive-abductive analytical approach informed by grounded theory, the study identifies a persistent decision-support gap in contemporary boardrooms to try to explain an emerging phenomenon: why directors may see GenAI as useful but still hesitate to integrate it into board decision-making. Preliminary findings suggest that directors are not categorically opposed to GenAI. Rather, they view its adoption as contingent on five governance priorities: trust and reliability, confidentiality and fiduciary risk, dynamic scenario support, disciplined integration, and preserved accountability. These priorities indicate that board-level GenAI adoption is not simply a technical implementation challenge, but a legitimacy issue rooted in the redistribution of epistemic authority and the need to preserve human responsibility. The study introduces the concept of contested governance infrastructure to explain how GenAI becomes acceptable only when its use is embedded within existing governance norms, routines, and accountability structures. By conceptualizing GenAI as a sociotechnical infrastructure whose legitimacy must be negotiated, this research aims to contribute to the corporate governance, strategy, and human - AI collaboration literatures. It shows how emerging technologies may augment strategic oversight while also intensifying questions about authority, control, and accountability in board decision-making. As data collection remains ongoing, the analysis and findings will be refined as additional interviews are completed and theoretical saturation is approached.

ID: 388 / PS IV.01: 3 Track A: Purposeful Governance in a Changing World
Submission Type: Proposal (conceptual)
Keywords: Artificial Intelligence, Corporate Governance, Directors' Liability, Fiduciary Duty, Product Liability

Who Bears Responsibility for AI Harms? Reconstructing Directors' Liability in Canadian and Sri Lankan Corporate Laws

Senevirathne Mudiyanselage Anuruddika Gayathrie Senevirathne
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Artificial intelligence (AI), like the modern corporation, is not a natural phenomenon but a human-created construct that derives its legal significance from institutional design and regulatory recognition. Just as the doctrine of corporate legal personality established the corporation as a separate juridical entity capable of exercising rights and incurring obligations, AI introduces a further layer of constructed agency by enabling decision-making processes to be delegated to autonomous or semi-autonomous systems. While AI offers considerable gains in efficiency, accuracy, and predictive capability, its adaptive, opaque, and increasingly autonomous nature challenges foundational assumptions of corporate accountability and legal responsibility. Corporate governance regimes in both Canada and Sri Lanka are premised upon the expectation that human directors exercise meaningful oversight and control through fiduciary obligations, duties of care, and monitoring responsibilities. However, as AI systems assume a greater role in generating or influencing decisions with legal, financial, and societal consequences, significant questions arise regarding the allocation of liability for harms arising from algorithmic conduct, including discrimination, privacy infringements, regulatory non-compliance, and economic loss. This article examines the accountability gap emerging from the integration of AI into corporate governance. Through a comparative doctrinal and policy analysis of Canadian and Sri Lankan corporate and liability frameworks, it evaluates whether responsibility for AI-related harms should be grounded primarily in product liability principles applicable to developers and manufacturers, fiduciary duties owed by directors, or a hybrid model combining both approaches. It argues that neither framework, in isolation, provides an adequate basis for attributing responsibility. Instead, liability should be calibrated according to each actor's degree of control, foreseeability of harm, and capacity for risk management. Accordingly, the article advances an integrated model of algorithmic governance that aligns corporate fiduciary obligations with emerging AI accountability principles, thereby enhancing corporate oversight while promoting responsible innovation across both developed and emerging economies.

3:00pm - 4:30pm

PS IV.02: Power, Transparency, and Corporate Governance

Location: **A.436 Fonds Cogeco**
Session Chair: **Maria-Teresa Marchica**, University of Manchester - Alliance Manchester Business School, United Kingdom

ID: 262 / PS IV.02: 1 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: corporate governance; cross-national governance; managerial discretion; post-IPO durability; configurational analysis

IMPRINTED TO ENDURE: HOW DISCRETION-SHAPING CONFIGURATIONS AT IPO DRIVE DURABILITY AS A PUBLICLY TRADED FIRM

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Why do some firms endure as publicly traded entities for nearly two decades while others exit public markets within years of listings? We argue that corporate governance mechanisms, organizational conditions and institutional contexts at the time of the initial public offering (IPO) jointly shape discretion available to strategic leaders and thereby also the IPOs' capacity to navigate public equity markets over time. Drawing on imprinting theory and the managerial discretion literature, we examine how different configurations of governance mechanisms that strategic leaders establish at the IPO moment and organizational conditions produce long- and short-term public-firm survival across different institutional environments. Using fuzzy-set qualitative comparative analysis (fsQCA) on a sample of 648 IPO firms from 12 countries, we identify three distinct equifinal pathways to durability as a publicly traded firm, and four configurations associated with premature exit. Our findings show that post-IPO public firm survival depends not on universally optimal discretion mechanisms, but on the coherence between governance mechanisms, organizational conditions and the institutional environment in which it is embedded. In this way, our study contributes to research on managerial discretion, imprinting theory, IPO governance, and cross-national corporate governance, and responds to calls for configurational research on how governance mechanisms and organizational conditions function as complements and substitutes across diverse institutional landscapes.

ID: 364 / PS IV.02: 2 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Segment reporting, Earnings management, ASU 2023-07, Corporate governance, Mandatory disclosure

Do Enhanced Segment Disclosures Constrain Earnings Management?

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This study examines the impact of the new segment reporting rules in Accounting Standards Update (ASU) 2023-07 on firms' earnings management behavior. ASU 2023-07 is the most significant change to segment disclosure requirements in the U.S. since 1997. The key question is whether these increased disclosure requirements constrain opportunistic reporting, particularly segment-level information, or induce managers to substitute other earnings management channels such as accrual-based manipulation and real activities management. The study reports three main findings: Firms with more highly decoupled segment profit measures experience significantly higher abnormal accruals after ASU adoption; no similar increase in real earnings management is observed; and while classification shifting between operating and corporate/other segments continues, the incremental effect attributable to ASU 2023-07 is limited in the short run. These results together suggest that more segment disclosure changes the allocation, but not the elimination, of opportunistic reporting behavior. Regulators, investors, auditors, and standard setters need to understand the behavioral consequences of ASU 2023-07 in order to assess the effectiveness of the new reform. Prior research finds that firms exploit the managerial discretion in the predecessor standard, SFAS 131, to manipulate segment-level reporting, such as strategically choosing non-GAAP profitability metrics and shifting expenses or income across segments to mask performance. There was also an increase in regulatory attention to these activities, as evidenced by the large number of SEC comment letters addressing these concerns (Bakke, 2023). ASU 2023-07 directly addresses this discretion, requiring disclosures from almost all public companies. Yet it remains an open empirical question whether such transparency-enhancing regulation effectively disciplines managers or merely redirects their reporting incentives. Providing early causal evidence on this question is essential, as the findings carry direct implications for whether the current disclosure framework is sufficient or whether further regulatory refinements are warranted. To answer these questions, the study adopts a difference-in-differences research design and uses a sample of 11,372 firm-year observations from 1,952 U.S. multi-segment nonfinancial firms during the period 2010–2025. The main independent variable DECOUPLED is the deviation between the segment profit measure reported by a firm and GAAP earnings, similar to Gross et al. (2024). I estimate abnormal accruals using the Frankel and Sun (2018) model. The main specification regresses the absolute value of abnormal accruals on DECOUPLED, a POST-ASU indicator, and their interaction term, while controlling for firm characteristics, earnings management incentives, earnings management costs, and year and industry fixed effects. Complementary tests re-estimate the model with proxies for real earnings management following Roychowdhury (2006) and examine classification shifting between operating and corporate/other segments following Lail et al. (2014). Moreover, a governance analysis investigates the role of board independence, CEO duality, and institutional ownership in the firms' responses to the new disclosure requirements.

ID: 130 / PS IV.02: 3 Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Corporate general counsel, Managerial obfuscation, 10-K report readability

Corporate General Counsel and 10-K Report Readability

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We investigate whether the corporate general counsel being one of the five highest-paid management team members is associated with 10-K report readability. Our results indicate that the corporate general counsel's presence among the top-paid management team members is associated with reduced 10-K report readability. This finding holds across several robustness and endogeneity tests. The main inference remains unchanged whether the general counsel is appointed as a board member, serves as corporate secretary, or possesses accounting expertise. We also examine whether negative association between corporate general counsel being in top management and 10-K report readability is driven by managerial obfuscation or technical disclosure and find a positive impact of corporate general counsel on both components of 10-K report readability. Finally, we document that impact of corporate general counsel being in top management on 10-K report readability is subject to the level of information asymmetry and regulatory pressure. Taken together, these findings provide important implications for policymakers, regulators, investors, and top management teams.

3:00pm - 4:30pm

PS IV.03: Stakeholder Pressures and Corporate Responses

Location: **A.449 Melbourne**
Session Chair: **Roy Shapira**, Reichman University, Israel

ID: 338 / PS IV.03: 1 Track E: Corporate Governance and Stakeholders
Submission Type: Proposal (abstract)
Keywords: CEO activism, CEO gender, upper echelons, strategic leadership, female

Men Speak Up, Women Speak Out? The Role of Gender for CEO Activism

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This study examines how CEO gender shapes liberal CEO activism. We theorize coalition size as the gendered mechanism influencing perceived risk, arguing that female CEOs are more likely than male CEOs to engage in collective activism. We further propose that this relationship is strengthened by CEO celebrity and headquarter state liberalism, but weakened by industry dynamism. Analysis of Fortune 500 firms from 2015 to 2021 supports these predictions and reveals nuanced patterns in CEO activism. This research advances understanding of how leader characteristics interact with organizational and environmental conditions to shape corporate socio-political engagement.

ID: 339 / PS IV.03: 2 Track E: Corporate Governance and Stakeholders
Submission Type: Proposal (abstract)
Keywords: Keywords: Shari'ah Governance; Islamic Banking; Corporate Governance; Stakeholders; Grounded Theory

Line-Level Shari'ah Governance in Islamic Financial Institutions: Business Targets, Customer Pressure, and Embedded Shari'ah Controls

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Research Question/Issue: This study examines how Shari'ah governance is implemented at the line level in Islamic financial institutions. It asks how line-level actors implement Embedded Shari'ah Controls under competing pressures from business targets, customer demands, and Shari'ah governance mechanisms. Research Findings/Insights: Preliminary grounded theory analysis identifies "aptitude of line cadre" as the emerging core phenomenon. Aptitude refers to the practical capacity of branch managers, credit officers, and operational staff to balance business targets with Shari'ah compliance requirements. The findings suggest that compliance outcomes are shaped by the interaction between business targets, Embedded Shari'ah Controls, customer pressure, conventional banking background, Islamic banking expertise, Shari'ah audit, customer awareness, regional disparities, conversion friction, and FinTech-enabled compliance systems. These conditions produce different action/interaction strategies, including intentional omissions, unintentional omissions, camouflaging, procedural drift, reassurance of Embedded Shari'ah Controls, compliance automation, and instant financing. Theoretical/Academic Implications: The study contributes to corporate governance and stakeholder governance research by shifting attention from formal Shari'ah governance structures to implementation by line-level actors. It develops Embedded Shari'ah Controls as a concept for explaining how religious-legal governance becomes operationalized through procedures, documents, workflows, digital systems, and audit routines. It also shows how customers, Shari'ah auditors, line employees, management, and technology systems jointly shape governance outcomes. Practitioner/Policy Implications: The study suggests that Islamic banks and regulators should pay closer attention to branch-level implementation, staff training, Shari'ah audit intensity, customer education, and FinTech-enabled compliance controls.

ID: 331 / PS IV.03: 3 Track E: Corporate Governance and Stakeholders
Submission Type: Proposal (abstract)
Keywords: regulatory governance, stakeholder governance, SMEs, net zero, greenhouse gas emissions, local authorities

Regulatory Governance and SME Decarbonisation: Evidence from UK and Welsh Net-Zero Policy Interventions

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Regulatory governance is a central mechanism through which governments, regulators, and public financial institutions influence firms' environmental conduct and accelerate the transition to net zero. This study examines whether and how UK and Welsh net-zero policy interventions have shaped small and medium-sized enterprises' (SMEs) greenhouse gas (GHG) emissions in a multi-level governance setting. Drawing on regulatory, institutional, and stakeholder governance perspectives, we conceptualise climate policies as external governance mechanisms that alter firms' incentives, constraints, and stakeholder pressures. Using local-authority-level data on SME GHG emissions and economic activity across the UK between 2005 and 2020, we estimate panel fixed-effects models to assess the effects of major policy interventions, including the Climate Change Act 2008, the Well-being of Future Generations (Wales) Act 2015, the Environment (Wales) Act 2016, and Net Zero Plan 1 (Wales) 2019. The evidence indicates that regulatory interventions are associated with significant reductions in SME emissions, although their effects vary across policy design, timing, and governance level. In Wales, the Climate Change Act 2008, alongside the Energy Efficiency Scheme, is associated with reductions in SME GHG emissions ranging from 8.36% to 22.05%. Later Welsh-specific interventions are associated with further reductions of 3.63% to 6.10%, while Net Zero Plan 1 is associated with an estimated 6.89% reduction. The findings suggest that multi-level regulatory governance can influence corporate environmental outcomes beyond large listed firms, particularly when national legislation, devolved policy, local authority variation, and green finance stakeholders interact.

3:00pm - 4:30pm

PS IV.04: Incentives, Scrutiny, and Climate Governance

Location: **A.451 Deloitte**
Session Chair: **Steve Gove**, University of Vermont, United States of America

ID: 256 / PS IV.04: 1
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Media scrutiny; Climate-related discourse; Onsite toxic emissions; Reputational risk

Climate-related Discourse, External Scrutiny, and On-site Toxic Emission

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Using a sample of U.S. publicly listed firms from 2000 to 2024, we examine whether climate-related discourse in earnings conference calls (ECCs) translates into substantive environmental action under external scrutiny. We find that greater climate change exposure (CCE) is associated with approximately a 1.9% reduction in on-site toxic emissions. More importantly, this effect becomes stronger under heightened media scrutiny and environmental accountability pressures. Specifically, broader media coverage is associated with an additional 2% reduction in on-site toxic emissions, while more intensive media attention corresponds to an additional 1.3% reduction. Firms experiencing environmental incidents also exhibit stronger reductions in emissions associated with climate-related discourse. Additional analyses based on GHG intensity measures, entropy balancing, climate-policy shocks, and dynamic panel estimations provide broadly consistent evidence, highlighting the disciplinary role of media scrutiny, reputational pressure, and environmental accountability in translating climate-related discourse into measurable environmental improvements.

ID: 295 / PS IV.04: 2
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: Climate risk; CRISK; Carbon intensity; Decarbonization execution gap; Sustainability accounting

CEO Inside Debt and the Climate Risk of Financial Institutions

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Using the CRISK framework of Jung, Engle, and Berner (2025), we examine whether CEO inside debt holdings affect the climate risk exposure of U.S. financial institutions over 2006–2024. We document a positive association between CEO relative leverage and CRISK, reflecting the cross-sectional pattern that larger, more systemically important institutions both grant more inside debt and carry greater climate risk. Our central finding is that the Paris Agreement of 2015 fundamentally altered this relationship: the interaction between CEO inside debt and a post-Paris indicator is negative and significant, indicating that the positive baseline association reverses once climate transition risk becomes a material supervisory concern. The Paris break is particularly pronounced for commercial banks. Our findings contribute to the inside debt literature by identifying climate risk as a new domain of executive incentive effects, and to the climate finance literature by establishing executive compensation structure as a determinant of institutional climate risk exposure.

ID: 384 / PS IV.04: 3
Track D: External Governance
Submission Type: Full-paper (conceptual)
Keywords: executive remuneration, ESG-linked Pay, corporate ESG strategy, decoupling.

ESG Pay at Crossroads: Measuring Strategic Alignment in ESG-Linked Executive Remuneration

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Research Question: This study investigates to what extent do ESG-linked remuneration reflect substantive strategic alignment, as opposed to symbolic adoption.

Research Findings: Applying the ESG Strategic Incentive Alignment Index (ESG-SIAI) - a novel composite measure capturing strategic correspondence, metric specificity and remuneration weight, - to 1,680 firm-year observations from EURO STOXX 600 companies over 2022-2024, the study documents a fundamental paradox. ESG pay weights nearly doubled (from 6.37% to 11.04%), while average alignment scores improved only marginally (from 0.254 to 0.319). Formal adoption has systematically outpaced substantive coherence. A quadrant typology - Sustainability Leaders, Followers, Careless, and Apathetic - reveals that the Apathetic configuration remains the most prevalent across all three years, despite consecutive years of regulatory escalation under CSRD and SRD II.

Theoretical Implications: Drawing on Organised Hypocrisy Theory, and Goal-Setting Theory, the study theorises that coercive isomorphism from regulatory mandates drives rapid formal adoption of ESG pay without generating the internal governance capability required for strategic alignment -a form of means-ends decoupling. The paper further identifies strategic embeddedness as a necessary boundary condition for Goal-Setting Theory in multi-stakeholder governance settings, extending prior formulations that treat goal specificity and financial weight as sufficient.

Practitioner Implications: The findings indicate that boards, proxy advisors, and regulators should shift their benchmark from ESG pay presence to ESG pay design quality, using alignment diagnostics - such as the ESG-SIAI - to distinguish governance credibility from ceremonial compliance.

3:00pm - 4:30pm

PS IV.05: Institutions and Evolving Governance Systems

Location: **C.403 Louis-R. Chênert**
Session Chair: **Jackie Di Vito**, HEC Montréal, Canada

ID: 298 / PS IV.05: 1 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (conceptual)
Keywords: Decentralization, Decentralized governance, Socio-technical systems, algorithmic governance, Recursive power

Toward a Comparative Theory of Decentralized Governance: Authority, Information, and Coordination Across Social and Algorithmic Systems

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Decentralized governance has emerged across governmental, organizational, and computational systems as a means of optimizing decision-making under conditions of increasing complexity. Yet scholarship on decentralization remains fragmented across disciplines, resulting in divergent assumptions about how authority and information should be organized. This paper undertakes a cross-disciplinary interpretive synthesis of the literature to develop a comparative theory of decentralized governance across social and algorithmic systems. Drawing on a review of 1.251 publications, the study reveals recurring themes concerning ideological foundations, governance architectures, power relations, and mechanisms of coordination. The analysis reveals four higher-order insights. First, decentralized governance operates through two distinct logics: authority-first systems, in which decision-making structures information flows, and information-first systems, in which informational architectures structure decision-making. Second, decentralization does not eliminate power but redistributes it into new institutional, market, network, and computational forms. Third, governance is being reconfigured spatially and temporally, shifting from territorially bounded institutions toward informational infrastructures capable of continuous coordination. Finally, social and algorithmic governance are converging into hybrid forms rather than developing as separate trajectories. These findings provide a foundation for a comparative theory of decentralized governance that moves beyond disciplinary silos to build more integrated theories of decentralized governance systems.

ID: 322 / PS IV.05: 2 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Risk construction, institutional theory, ESG, sustainable finance, conceptual history

Organizational institutionalism and the construction of risks: The history of ESG into professional investment management

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How is a risk socially constructed by organizations? How is the construction of a risk organized? This paper draws on the organizational construction of risk to analyze the history of ESG. So far, research has identified framing, contestation and risk performance as organizational processes through which risk is constructed. Despite providing relevant insights, these processes are reactive, narrowly focused on the organizations directly exposed to the uncertainty and overlook diffusion processes. Moving the literature forward, this research mobilizes organizational institutionalism as a framework to explore the construction of ESG (Environmental, Social, and Governance) factors as risks for financial investments, in the context of professional investment management in the European Union and in the United States. Following a conceptual history methodology, four stages were found in the social construction of ESG between 2004 and 2026, marked by different institutionalization processes. The study contributes primarily by highlighting that the construction of risks depends on a sequence of different institutionalization processes to be socially constructed, beyond the actions of a one or a handful of actors as portrayed by extant research. It also identifies some additional key organizing processes for the construction of risk literature. Empirically, this article provides a history about ESG that clarifies the protection of investments as its primary justification, and not sustainable development.

ID: 171 / PS IV.05: 3 Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (conceptual)
Keywords: ESG-driven Divestiture, Stakeholder and Resource Pressure, Financial Performance, Firm Attributes, Industry Attributes

Unpacking ESG-driven Corporate Divestitures: A Review and Future Agenda

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Purpose This review synthesizes existing evidence on how environmental, social, and governance (ESG) pressures shape corporate asset divestiture decisions and how these restructuring actions affect financial and sustainability outcomes across different firm and industry contexts. Building on this synthesis, the study develops an integrated analytical framework and outlines directions for future research.

Design/methodology/approach The study draws on a systematic review of 38 peer-reviewed articles published up to May 2025 and indexed in the Web of Science and Scopus databases, conducted in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines.

Findings Stakeholder and resource related pressures jointly influence divestiture as a form of structural adjustment. Financial and ESG outcomes are moderated by industry and firm attributes such as governance, ownership structure, operational agility, financial flexibility, and regulatory environments.

Originality The study consolidates dispersed research across accounting, management, finance, and sustainability, filling the gap in conceptualizing the connection between ESG considerations and corporate asset divestiture in a comprehensive framework.

Implications Scholars can draw on our proposed research questions, which we organize along the theory, context, and methodology (TCM) framework, to guide future inquiry in this domain. Corporations should align divestiture with broader sustainability strategies, and investors should assess underlying restructuring intent and execution strategies. Divestiture can contribute to sustainability transitions but needs to be complemented by regulatory measures to ensure durable financial and ESG outcomes.

3:00pm - 4:30pm

PS IV.06: Spillovers Across Markets and Organizations

Location: **C.406 Josée-Fiset**
Session Chair: **Margaret Fong**, HEC Montréal, Canada

ID: 343 / PS IV.06: 1
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: whistleblowing, workplace safety, spillover effects, stakeholder management, intra-organizational dynamics

Whistleblowing Waves: Spillover Effects on Workplace Safety Across Regions

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Employee whistleblowing is important in shaping how organizations manage workplace safety, yet it leads to internal resource allocation challenges within firms. In this study, I investigate how these challenges affect firms' responses across different geographic locations, focusing on the spillover effects of employee whistleblowing. My findings reveal two distinct effects: localized amplification and geographic substitution. I find that whistleblowing leads to improved workplace safety at the site of the whistleblowing, a phenomenon I term "localized amplification"—where positive spillover effects are confined to other establishments within the same state. However, these benefits do not extend to establishments in other states. Instead, I observe "geographical deprivation," where firms enhance workplace safety in the state where the whistleblowing occurred but substitutes health and safety violations to other states. This action is largely driven by the strategic reallocation of resources; specifically, firms increase investment in hiring more health and safety-related positions and incur higher Selling, General, and Administrative (SG&A) costs in the state of the whistleblowing, while simultaneously decreasing these investments in other states. Additionally, this effect is more pronounced for establishments within the same industry as their parent firm. Our findings enhance the understanding of how internal resource allocation can lead to varied firm responses influenced by whistleblowing across a firm's locations, highlighting the complex dynamics of corporate conduct in response to stakeholder pressures.

ID: 382 / PS IV.06: 2
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Digital Privacy, Corporate Insider Trades, Corporate Governance

Financial Market Spillovers of Consumer Data Privacy Regulation: Evidence from Insider Trading

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As digital data become increasingly critical and pervasive in business operations, concerns over safeguarding consumer data privacy have prompted jurisdictions worldwide to enact data privacy legislation. This paper investigates whether and how such consumer regulations can have spillover effects on the financial markets, particularly insider trading activities. Using China's Personal Information Protection Law (PIPL) in 2021—which limits businesses' ability to access, process, and utilize customer digital data—as an empirical setting, we show that opportunistic insider selling drops sharply at firms that rely heavily on digital data after the implementation of PIPL. This effect emerges in the number, value, and profitability of insider sales. The deterrent effects of data privacy regulation are more pronounced in settings where outside investors were at a greater information disadvantage, corporate governance structures were weaker, and the firms face concurrent litigation events. Collectively, our findings reveal a perhaps unintended, but not inconsequential, externality of data privacy regulation: enhancing the fairness and integrity of financial markets.

ID: 383 / PS IV.06: 3
Track E: Corporate Governance and Stakeholders
Submission Type: Full-paper (empirical)
Keywords: Gender homophily; Female investors; Female fund managers; Identity-based trust; Capital allocation

Gender Homophily and Capital Allocation to Female Fund Managers: Evidence from Retail Investors in China

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Using proprietary account-level data on nearly 100,000 retail mutual fund investors in China, we examine whether female investors systematically favor female-managed funds. We document a strong and asymmetric pattern of gender homophily: female investors allocate significantly more capital to female-managed funds than male investors do, while no comparable pattern emerges for other investor–manager gender pairings. This preference is not driven by superior fund performance but is instead consistent with investment-style alignment and identity-based trust, particularly where gender equality and female representation are more salient. Exploiting exogenous changes in fund manager gender within a difference-in-differences framework, we show that female investors increase inflows following a switch from a male to a female manager. Further, female-to-female homophily dampens short-term flow–performance sensitivity. The findings suggest that identity-driven trust can generate a virtuous cycle that mitigates structural gender disadvantages in the industry without undermining economic performance, contributing to debates on ethics, inclusion, and efficiency in financial markets.

3:00pm - 4:30pm

PS IV.07: Beliefs, Communication, and Networks

Location: **C.409 Gilles-Labbé**
Session Chair: **Aleksandra Gregoric**, Copenhagen Business School, Denmark

ID: 261 / PS IV.07: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract)
Keywords: CEO communications, security analysts, information processing, behavioral decision-making

Fast Talk: CEO Speech Tempo as a Confidence Heuristic in Earnings Call Q&A

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Chief executive officers are evaluated not only by what they disclose, but also on their delivery. In earnings call question-and-answer sessions, security analysts process dense, uncertain, and time-sensitive information in real time, creating conditions under which heuristic cues may shape capital-market evaluations. Prior research on CEO communication has emphasized the volume and value of disclosure, focusing on how much managers say and the substantive or affective meaning of what they say. This paper introduces velocity as a distinct third dimension of CEO communication. I theorize that CEO speech tempo functions as a paralinguistic confidence heuristic. In case of elevated CEO speech tempo, analysts and investors may infer confidence and competence, even when the substantive content of the disclosure is held constant. Using a hand-collected corpus of 60,604 earnings call audio observations from 2014 to 2023, I measure CEO speech tempo during Q&A sessions with word-level automatic speech recognition timestamps and standardize tempo within CEO. Here, I show that elevated CEO speech tempo is positively associated with immediate cumulative abnormal returns around earnings calls and faster absorption of the call's information by the market, signalling heuristic processing. This is succeeded by analysts' downward revisions, indicating a correction through more deliberative processing. These findings extend research on executive communication by showing that noncontent features of verbal delivery can shape capital-market evaluations independently of disclosed information. More broadly, the study contributes to behavioral strategy by identifying speech tempo as a specific paralinguistic cue through which boundedly rational evaluators form judgments under cognitive constraint.

ID: 217 / PS IV.07: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract)
Keywords: Governance beliefs, Corporate governance practices, Director attributes, Microfoundations, Strategic Leadership

The Microfoundations of Directors' Governance Beliefs and Preferences for Corporate Governance Practices

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This study develops a microfoundational model of directors' governance beliefs and preferences for corporate governance practices. Building on Upper Echelons Theory, we argue that individual directors' attributes (cognitive and personality traits, values, and orientations) shape their governance beliefs (i.e., adherence to agency versus stewardship theory paradigms) and preferences for corporate governance practices. We are currently designing an extensive survey, including newly developed scales for governance beliefs and corporate governance practices preferences. Data will be collected from a broad sample of directors in the Netherlands. By identifying the microfoundations of governance beliefs, the study advances corporate governance and strategic leadership research.

ID: 313 / PS IV.07: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Proposal (abstract)
Keywords: board gender composition, director networks, ESG governance, peer effects, trust capital

With a little Help from Her Friends? Gendered Networks and ESG Governance

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A growing literature links board gender diversity to stronger sustainability performance. Yet the evidence is uneven. Gains are sometimes non-linear, they vary across contexts, and something beyond the sheer number of women appears to matter. We argue this variation stems from a relational dimension the literature has overlooked: female directors do not arrive as isolated demographic units but carry external inter-firm networks into the boardroom, and the gender composition of those networks shapes how diversity translates into sustainability action. We address this gap using a panel of S&P 500 firms from 2010–2023, leveraging peer ESG enforcement penalties as exogenous variation in the salience of sustainability risk. We identify an inverted-U relationship: firms whose female directors maintain a balanced blend of male and female peers improve their environmental performance following peer pressure, while those isolated in male networks or concentrated in female-female homophily see performance decline. Male directors' networks show no comparable pattern. This result extends critical-mass arguments from headcount to a previously unexamined relational dimension. The moderation operates entirely through long-standing female ties, amplifies when those ties reach peers at high-ESG firms, and disappears for newly-formed connections. This pattern is consistent with accumulated relational trust as the operative channel. Board gender diversity is therefore best understood as a relational strategic asset.

3:00pm - 4:30pm

PS IV.08: Auditor Capabilities and Governance

Location: **C.412 Mallette**
Session Chair: **Zvi Singer**, HEC Montreal, Canada

ID: 241 / PS IV.08: 1
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: industry specialist auditors, client layoffs, labor investment efficiency, moral costs, auditor retention

Industry Specialist Auditors and Client Labor Costs

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We examine the effects of industry specialist auditors on labor costs. In general, we find that industry specialist auditors are positively associated with labor investment efficiency. Focusing on a high labor cost situation, we find that the presence of an industry specialist auditor is positively associated with the likelihood of a subsequent client layoff, suggesting clients seek help from their auditors for operational decisions. The positive association is concentrated among client firms with longer-tenured CEOs, less geographic segments, and smaller audit committees, suggesting auditors play a more important role when client managers face higher moral costs and have fewer advisors to guide their operational decision-making. We observe weaker effects of industry specialist auditors on client layoffs during the COVID-19 pandemic, an exogenous macroeconomic event that decreased demand for industry-specific expertise supplied by auditors. We further find that clients are more likely to retain an industry specialist auditor after they have had a layoff. Collectively, our results provide evidence that industry specialist auditors can offer value beyond the financial statement audit by advising client managers regarding labor-related operational decision-making and clients reward the auditors.

ID: 377 / PS IV.08: 2
Track D: External Governance
Submission Type: Full-paper (empirical)
Keywords: non-CPA employees; audit quality; human capital; audit office support

Bloom where planted: Office-level support of non-CPA human capital and audit quality

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Motivated by the substantial yet often-overlooked role of non-CPA personnel in conducting audits, we examine whether office-level support for these employees is associated with audit quality. Exploiting China's institutional setting, we construct a novel office-level measure of non-CPA employee support—the number of years it takes them to pass the CPA qualification exams. We find that stronger support for non-CPA employees is associated with higher audit quality, as reflected in less aggressive reporting and more conservative audit opinions. These results are robust to alternative measures of employee support and audit quality. Cross-sectional analyses further show that the association is stronger when audit engagements require more engagement-level execution and weaker when audits rely more heavily on senior-level judgment and negotiation. Consistent with a human capital channel, the association is attenuated in offices with stronger alternative sources of expertise and oversight. Overall, our findings provide novel evidence that office-level investment in non-CPA personnel is positively associated with audit quality. By highlighting the role of non-CPA human capital, we extend the audit literature, offer practical implications for audit firms, and provide insights for regulators seeking to improve audit quality assessment and oversight.

ID: 347 / PS IV.08: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: board co-option, internal control weaknesses, SOX 404, audit

Co-opted Boards and Auditor-Assessed Internal Control Weaknesses

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This study examines whether board co-option is associated with auditor-assessed weaknesses in internal control over financial reporting. Co-opted directors are directors appointed after the incumbent chief executive officer assume office. We posit that co-opted boards provide less effective monitoring and, therefore, are associated with weaker internal control over financial reporting. Using internal control weakness disclosure under Section 404 of the Sarbanes-Oxley Act, we find that firms with more co-opted boards are more likely to receive an adverse auditor opinion of internal control effectiveness. Under audit oversight, managers also report a greater number of internal control weaknesses for these firms. We further find evidence supporting that this effect is due to detection, rather than disclosure of internal control weakness. Additional analyses indicate that the effect is driven by firms audited by Big 4 auditors. We also find the effect is stronger when the chief executive officer also chairs the board, and weaker when boards have greater gender diversity or longer average director tenure. Collectively, this study provides audit evidence that board co-option impairs board oversight of the financial reporting and internal control process.

3:00pm - 4:30pm

PS IV.09: Governance, Accountability, and Organizational Outcomes

Location: **C.415 Pierre-Fitzgibbon**
Session Chair: **Konstantinos Stathopoulos**, Alliance Manchester Business School, United Kingdom

ID: 293 / PS IV.09: 1
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: board interlocks; shared directors; bank loans; private firms; cost of debt; financial expertise; resource dependence; information asymmetry

Board Interlocks and Bank Loans: Evidence from Private Firms

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ID: 173 / PS IV.09: 2
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: Attribution theory; Executive turnover; Accounting restatements; Audit committee; Organizational accountability.

WHO GETS BLAMED? DISCLOSURE LANGUAGE, EXECUTIVE ROLE, AND THE ATTRIBUTION OF ACCOUNTABILITY FOLLOWING ACCOUNTING RESTATEMENTS

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ID: 219 / PS IV.09: 3
Track B: Board Dynamics and Strategic Leadership
Submission Type: Full-paper (empirical)
Keywords: board faultlines, board of directors, environmental performance, environmental innovation, GHG emissions

Board Faultlines and Substantive Carbon Governance: The Mediating Role of Environmental Innovation

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