Contemporary perspectives on ownership

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Agenda

- Why ownership matters (motivation & theory)
- Ownership structure & owner identity
- Measurement issues (what is observable)
- Identification strategy (where bias enters)
- Empirical strategies: match the question to the variation
- Outcomes

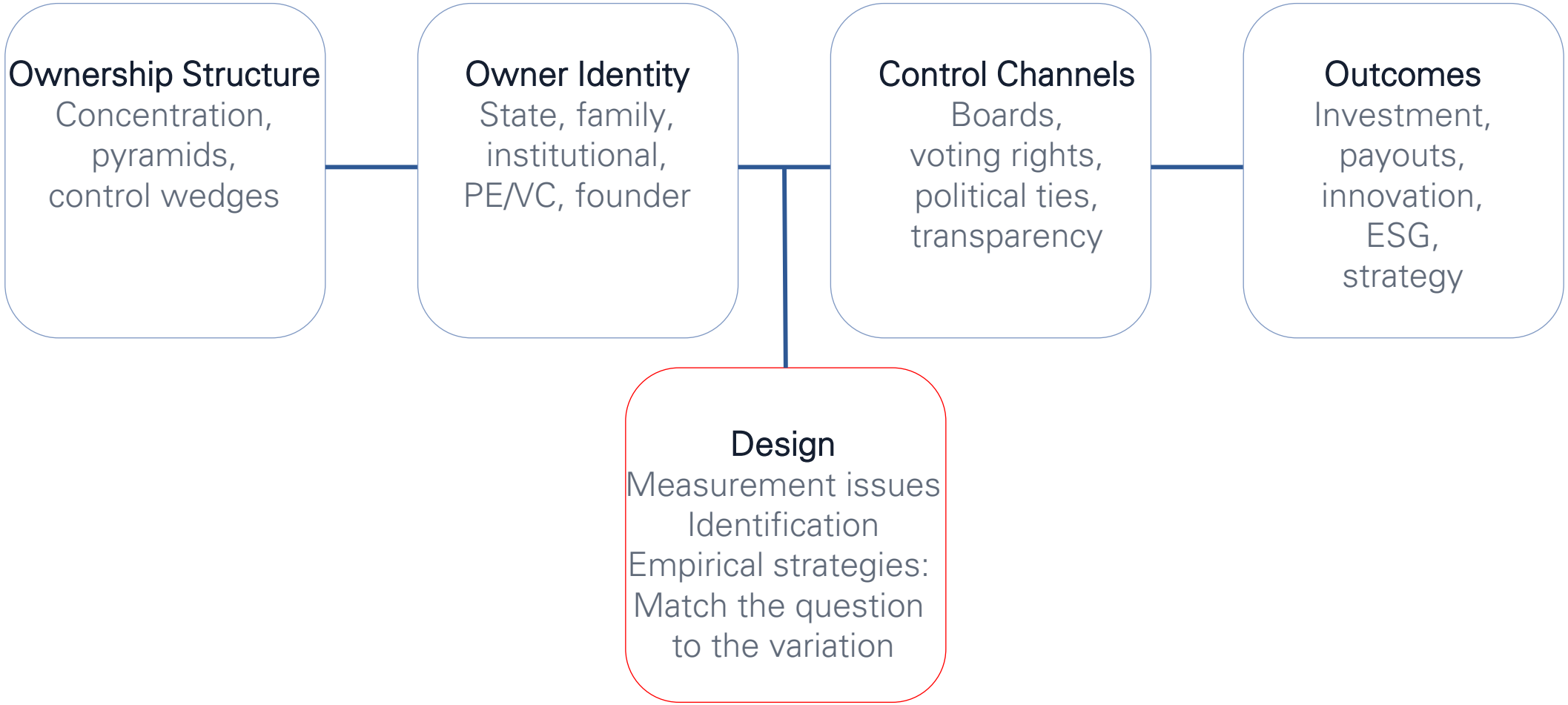
Why Ownership Still Matters in Economics

Ownership affects investment, payouts, innovation, productivity, internationalization, etc.

Owner identity matters because different owners have different incentives, horizons, constraints or non-financial objectives

The same ownership control/ governance mechanism can have different effects across legal and political systems

Organizing Framework for Ownership Research



Exercise 1: Define the Research Design

10-minute small-group exercise

1. Choose one ownership question
2. Define your empirical setting – data, unit of analysis
3. State the effect you want to estimate clearly
4. Explain what variation identifies the effect
5. Decide on your empirical strategy – (e.g., the treatment, the control, and the timing)

Exercise 1: Define the Research Design

10-minute small-group exercise

"We address the research question: *When and how is the power of owners used for resource provision versus resource extraction?* We approach this question empirically by examining the interaction effects of ownership and corporate governance practices related to transparency and disclosure (TD) on firm performance" (Grosman & Leiponen, 2018, JCE)

"...we analyze the **drivers of the variation in the characteristics of SWFs** across countries." (Cuervo-Cazurra, Grosman, & Wood, 2023, JIBP)

"This paper explores the idea that dividends reflect **short-term investor pressure** for payout over strategic capital investments"(Driver, Grosman, & Scaramozzino, 202, EM)

Core Theories

Agency theory:

- Jensen & Meckling (1976) - agency costs and ownership structure
- Shleifer & Vishny (1997; 1986) - large shareholders and corporate governance
- Young et al. (2008) - principal–principal conflict in concentrated ownership systems

Property rights / control rights:

- Grossman & Hart (1986); Hart & Moore (1990) – incomplete contracts, ownership as residual control rights

Law and finance / investor protection:

- La Porta et al. (1998, 2000) - legal origin and investor protection – cross-country variation

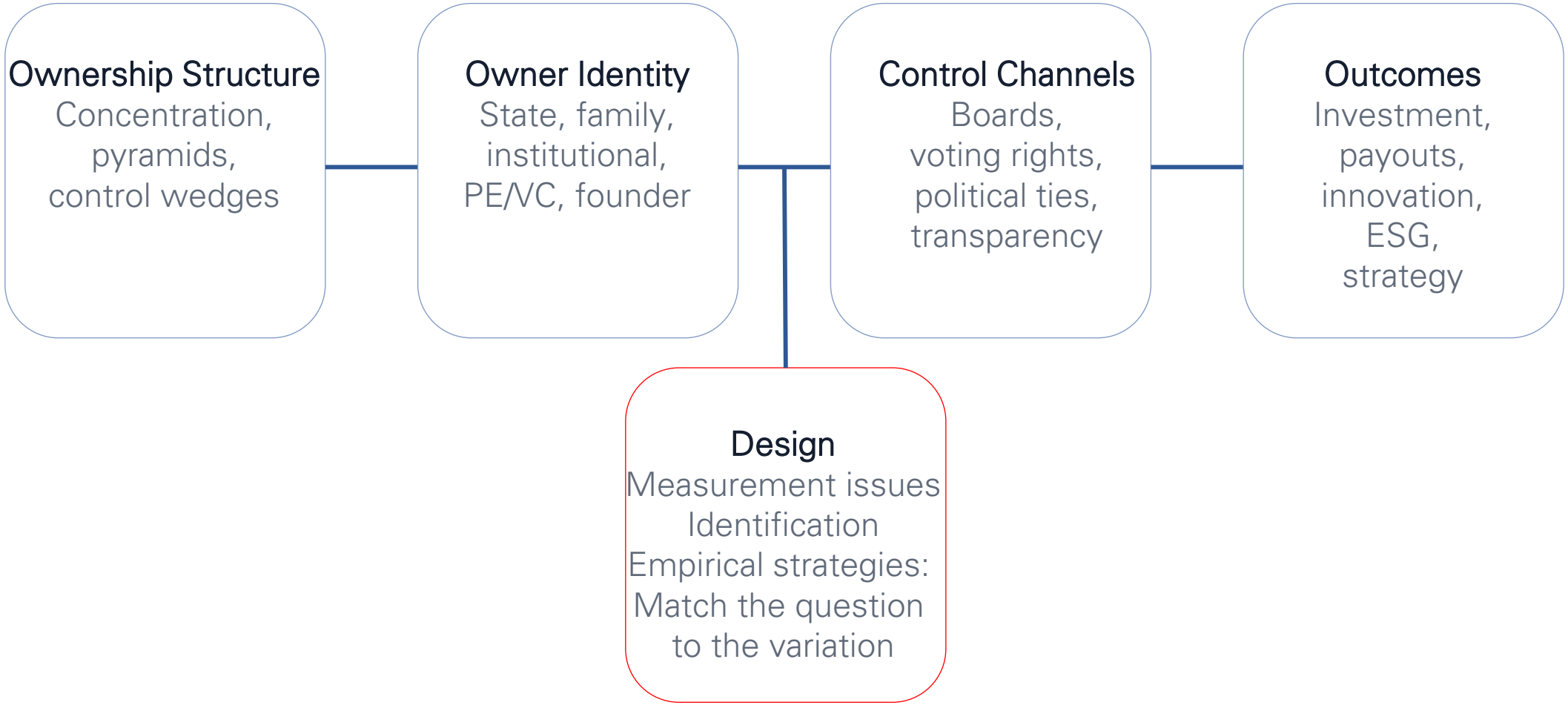
Political economy / state ownership:

- Megginson & Netter (2001); Musacchio & Lazzarini (2014) – privatization, state control
- Cuervo-Cazurra, Grosman & Megginson (2023) – SOEs, SWFs, and nonbusiness objective

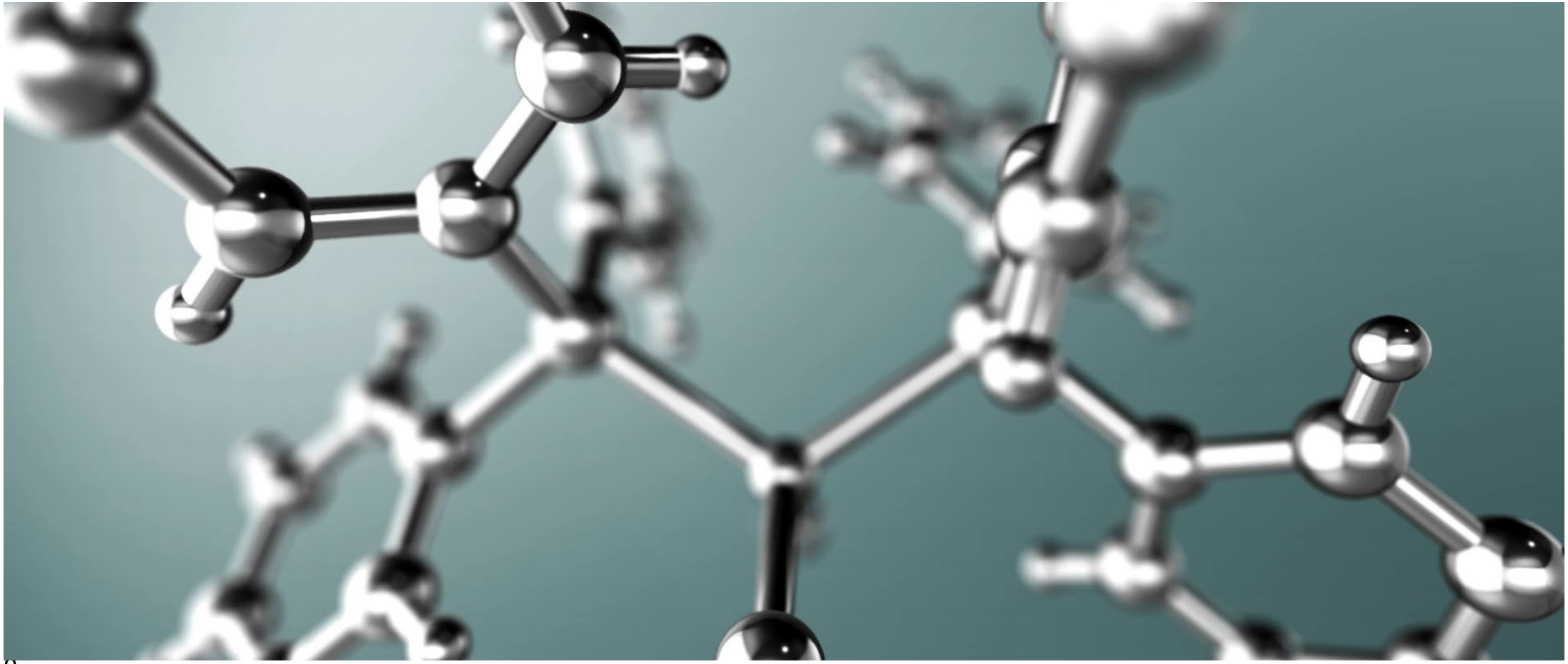
Resource dependence:

- Pfeffer & Salancik (1978); Hillman & Dalziel (2003) – boards as resource providers

Organizing Framework for Ownership Research



Ownership structure



What Is Actually Observable in Data?

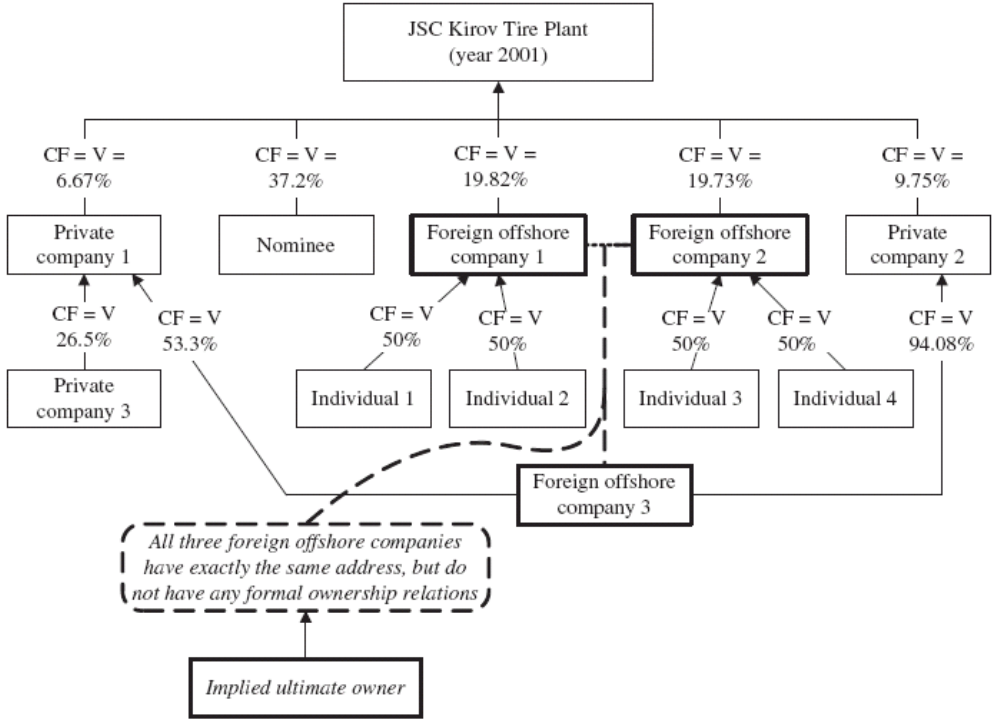
Ultimate ownership often requires manual tracing

Voting rights, control wedges (voting rights – cash-flow rights), and board appointments are often noisier than they appear

Ownership variables are not automatically “clean” because they come from commercial databases (state ownership, family ownership)

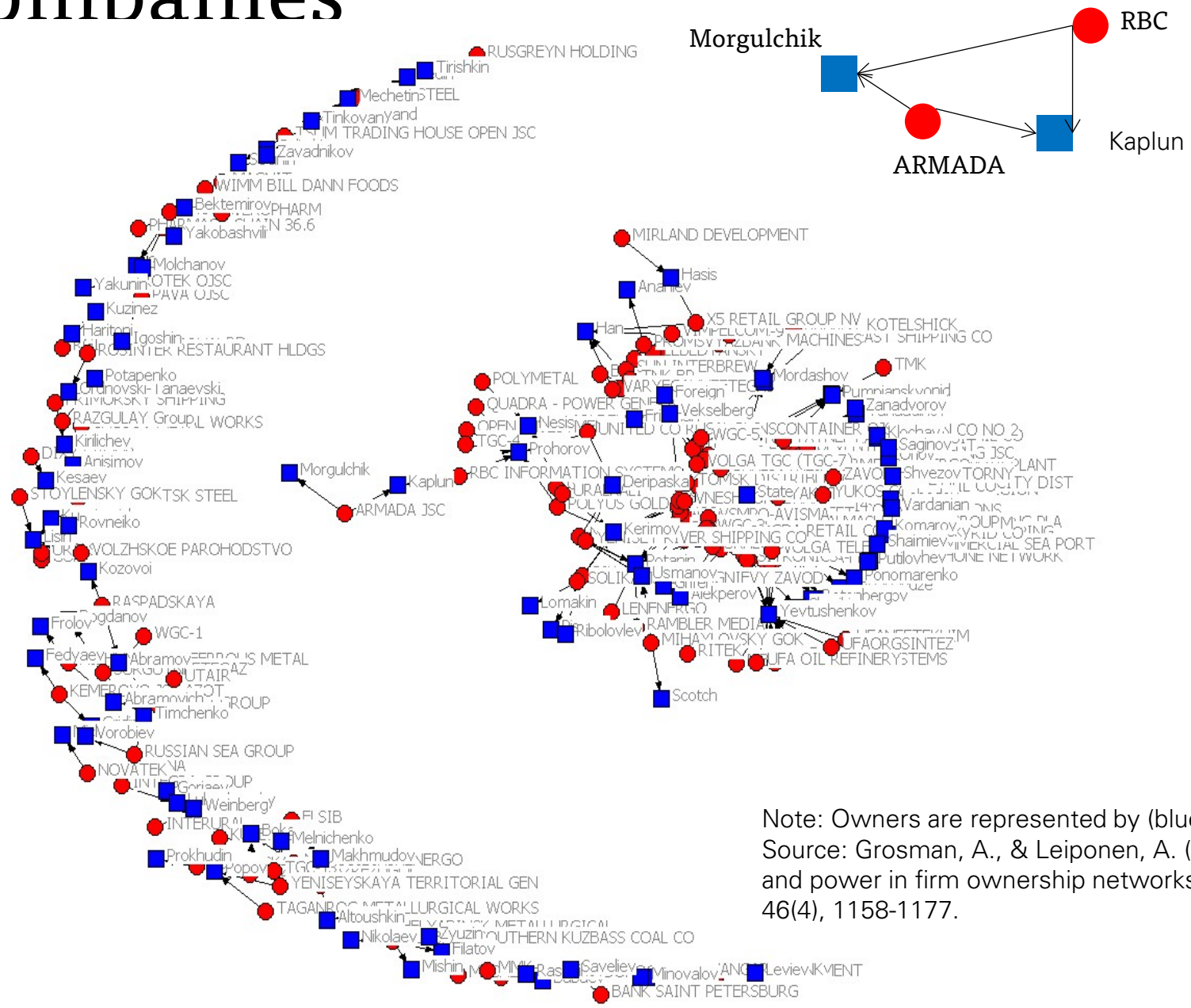
Tracing ultimate ownership (JCE, 2018): Corporate control in Russia

- Two types of predominant blockholders: wealthy private industrialists ("oligarchs") and the state
- The transparency of ultimate control structures is low
- Conflict between interests of majority and minority shareholders (*principal-principal agency* conflict)



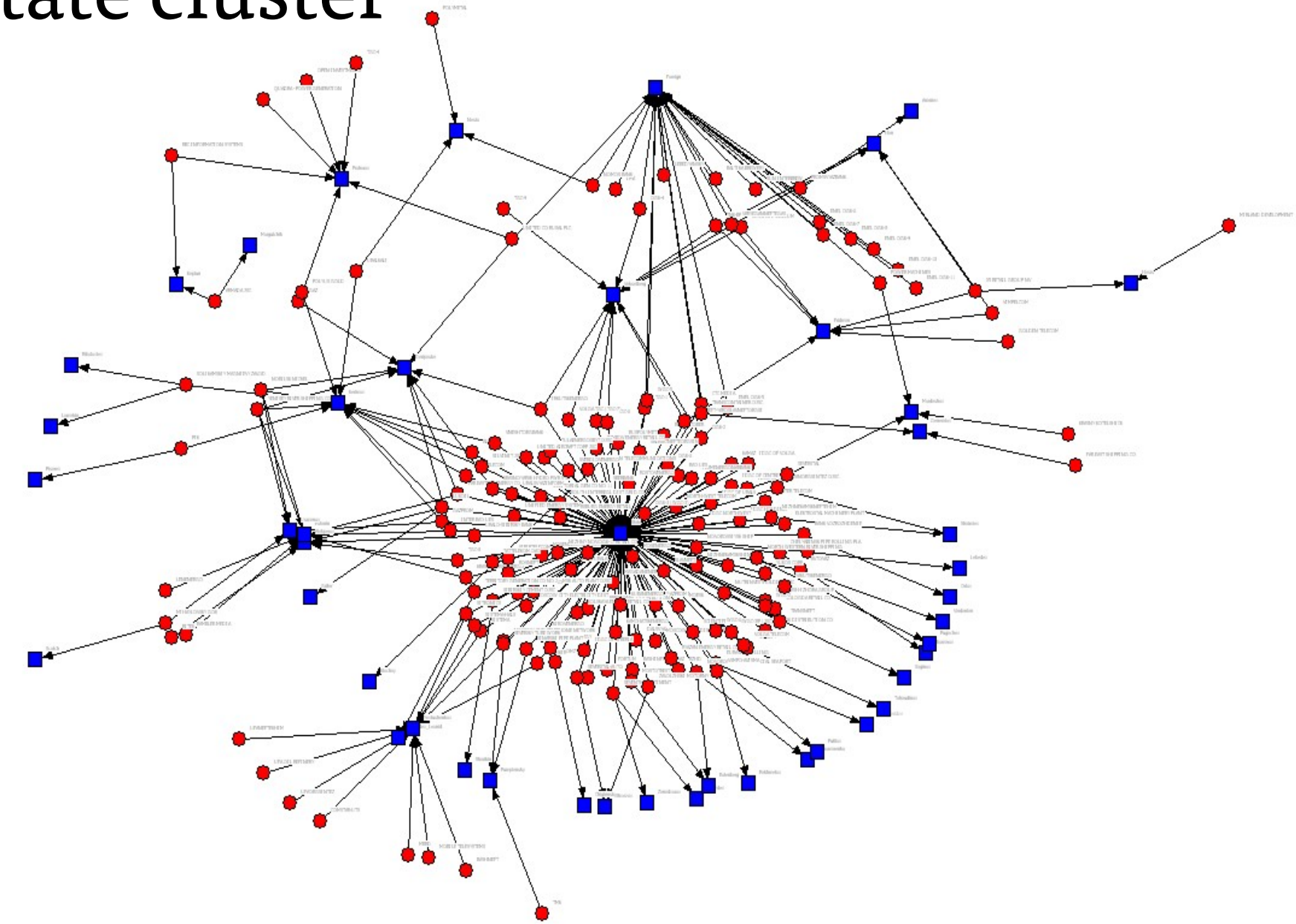
Who is monitoring the monitor?

Ownership networks of oligarch companies



Note: Owners are represented by (blue) squares, firms by (red) circles.
Source: Grosman, A., & Leiponen, A. (2018). Organizational transparency and power in firm ownership networks. Journal of Comparative Economics, 46(4), 1158-1177.

State cluster



Effect of ownership centrality

DV = $ln(Investment)_{it}$	Fixed effects Coef. (se)	GMM Coef. (se)
$ln(Investment_{i,t-1})$	0.36***	0.95***
	(0.07)	(0.05)
$\Delta ln(Sales_{i,t})$	0.33**	3.48***
	(0.12)	(0.93)
$\Delta ln(Sales_{i,t-1})$	0.33***	−0.18
	(0.08)	(0.16)
ect (Capital $Stock_{i,t-2}$-$Sales_{i,t-2}$)	−0.32**	−0.14+
	(0.12)	(0.08)
$ln(TD_{it})$*$central\_firms_i$	0.21	0.41
	(0.27)	(0.72)
$ln(TD_{it})$*$peripheral\_firms_i$	0.33+	1.04+
	(0.19)	(0.53)
Time Dummies 2002–2009	Yes	Yes
R^2	0.465	
Number of observations	399	399
Diff-Hansen test		4.40
Diff-Hansen (*p*)		0.623
AR(1)		−1.645
AR(1) (*p*)		0.0999
AR(2)		−1.222
AR(2) (*p*)		0.222

Grosman, A., & Leiponen, A. (2018). Organizational transparency and power in firm ownership networks. *Journal of Comparative Economics*, *46*(4), 1158-1177.

Identification Strategy: Where Bias Enters Ownership Research

Selection
Certain owners choose certain firms

Observed: Ownership → Outcome

Reverse Causality
Better firms attract certain owners

Omitted Variables
Politics, regulation, sector, shocks

Empirical Strategies: Match the Question to the Variation

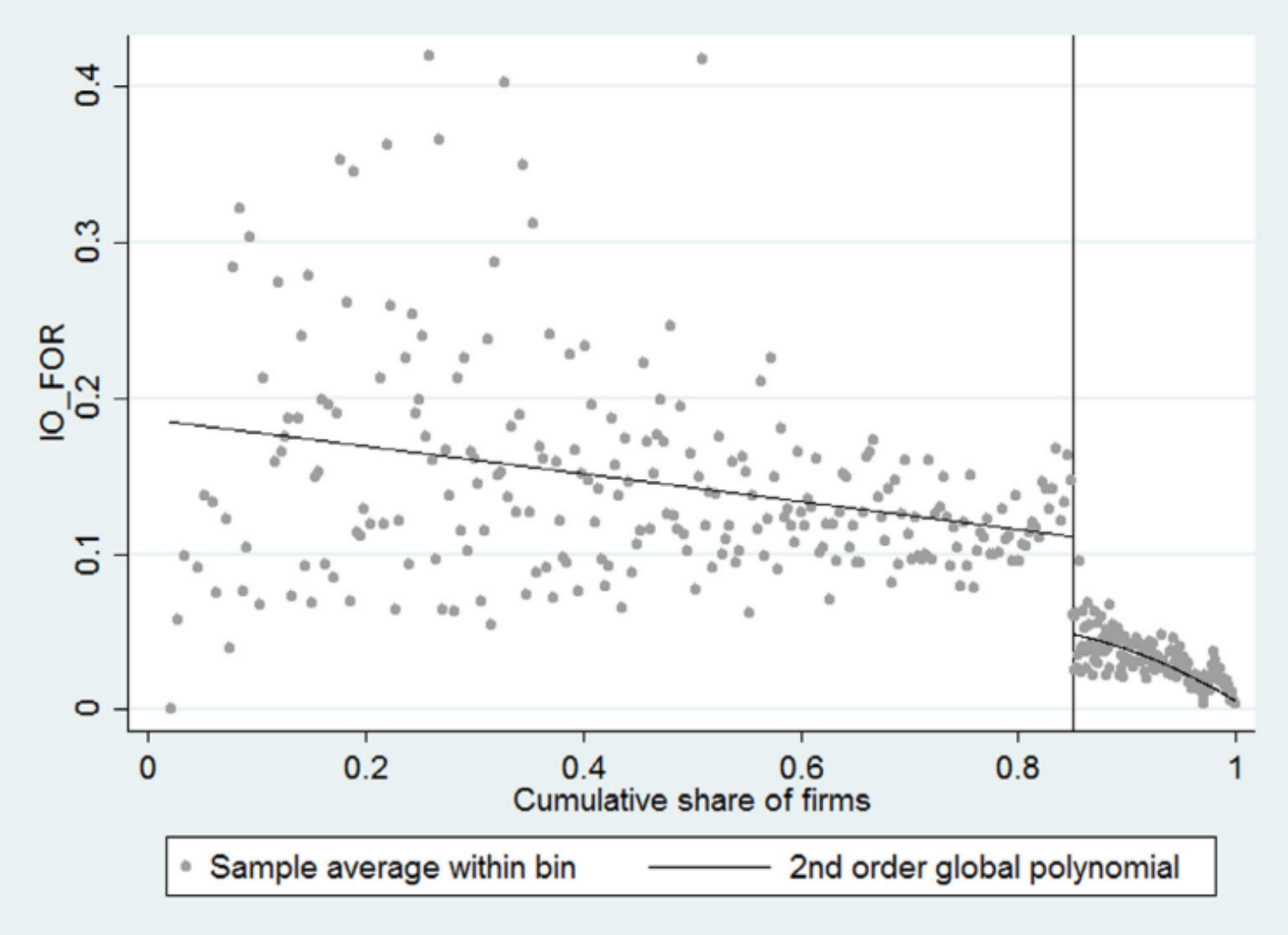
The method should follow the causal problem

Persistent differences	Panel FE / RE / multilevel
Shocks or ownership changes	DiD / event study / staggered timing
Sorting and selection	Matching / IV / reform-based identification
Hidden ownership structures	LLM/ Hand collection / network tracing / archival reconstruction

Empirical strategies: Exemplary papers

Panel FE/ IV 2SLS

- *Bena et al., JFE (2017):* Long term effects of foreign institutional ownership
- Firm FE to account for unobserved time-invariant firm endogeneity;
- IV approach (using 2SLS),
  - Inclusion of a firm's stock in the MSCI All Country World Index as an instrument for foreign institutional ownership to address reverse causality and measurement error concerns


IO_FOR
0
0.1
0.2
0.3
0.4
0
0.2
0.4
0.6
0.8
1
Cumulative share of firms
Sample average within bin
2nd order global polynomial

Empirical strategies: Exemplary papers

Panel FE/ IV 2SLS

- *Cuervo-Cazurra, Grosman & Wood (2023) – how government control, quality and size affect transparency of sovereign wealth funds*
- Firm FE (ordered probit) to account for unobserved time-invariant firm endogeneity;
- IV approach (using 2SLS),
  - Instrument 1 for size/ number of SWFs: the oil rents as a percentage of a country's gross domestic product
  - Instrument 2: the standardized values of individualism scores of each country (e.g., individualistic ways of welfare redistribution vs collectivistic)

Table 7 Instrumental variables analysis of the determinants of sovereign wealth funds' transparency

	Dependent variable: SWF Transparency								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of SWFs	− 0.193	− 0.048	0.029	− 0.193	− 0.048	0.029	− 0.193	− 0.048	0.029
	(0.217)	(0.068)	(0.061)	(0.217)	(0.068)	(0.061)	(0.210)	(0.052)	(0.050)
SWF assets under management	1.464	0.726**	0.016	1.464	0.726**	0.016	1.464	0.726***	0.016
	(1.260)	(0.318)	(0.236)	(1.260)	(0.318)	(0.236)	(1.273)	(0.269)	(0.192)
Government investment		0.134	0.144*		0.134	0.144*		0.134	0.144
		(0.091)	(0.077)		(0.091)	(0.077)		(0.098)	(0.090)
Government subsidies		− 0.249*	− 0.333**		− 0.249*	− 0.333**		− 0.249*	− 0.333**
		(0.147)	(0.129)		(0.147)	(0.129)		(0.134)	(0.149)
Government consumption		− 0.278	0.041		− 0.278	0.041		− 0.278**	0.041
		(0.175)	(0.145)		(0.175)	(0.145)		(0.128)	(0.149)
Government assets		− 1.176***	− 0.138		− 1.176***	− 0.138		− 1.176***	− 0.138
		(0.263)	(0.275)		(0.263)	(0.275)		(0.212)	(0.231)
Democracy	0.393**		0.233***	0.393**		0.233***	0.393**		0.233***
	(0.179)		(0.044)	(0.179)		(0.044)	(0.172)		(0.048)
Constant	1.260	11.041***	8.121***	1.260	11.041***	8.121***	1.260	11.041***	8.121***
	(5.022)	(0.952)	(1.119)	(5.022)	(0.952)	(1.119)	(5.067)	(0.728)	(1.058)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	270	235	235	270	235	235	270	235	235
χ^2	7.43***	7.69***	11.86***	7.43***	7.69***	11.86***	9.12***	14.49***	22.70***
Adjusted R^2	n.a.	0.1651	0.4034	n.a.	0.1651	0.4034	n.a.	0.1651	0.4034

Standard errors in parentheses

IV regressions, models 1–3 with a regression via 2SLS; models 4–6 regression using the LIML estimator; and models 7–9 regression via GMM using a heteroskedasticity-robust weight matrix; all requesting small-sample statistics. All variables lagged by 1 year. Instrumented variables: No of SWFs and AUM of SWFs. Instruments: Oil rents as a percentage of GDP; Individualism score, standardized (Hofstede)

***$p < 0.01$, **$p < 0.05$, *$p < 0.10$

Empirical Strategies: Exemplary papers

Propensity Score Matching

- Boubakri et al. (2020, JCF): state ownership and stock liquidity
- Using PSM, paired re-nationalized firms with firms from the private sector (according to all firm and country characteristics).
- The matched sample allows to consider how renationalization affects stock liquidity

Table 10
Re-nationalization and stock liquidity.

Dependent variable	*ZEROS*
RE-NATIONALIZATION	0.046**
	(2.542)
LOG MV	−0.009**
	(−2.356)
BM	0.036***
	(3.057)
STDRET	−0.225*
	(−1.663)
EM	−0.001
	(−0.822)
ANALYST	−0.001***
	(−3.646)
LOSS	0.050
	(1.452)
INTGAAP	−0.008
	(−1.615)
STOCK TURNOVER	−0.911***
	(−5.491)
LOG (PRICE)	−0.003**
	(−2.357)
LOG (TRADING DAYS)	0.001
	(0.131)
LISTED	0.401
	(1.384)
MEDIA	−0.001*
	(−1.748)
LGDPC	0.030***
	(3.671)
Constant	0.015
	(0.172)
Firm Fixed Effects	Yes
Year Fixed Effects	Yes
Observations	8024
Adjusted R^2	0.123

Empirical Strategies: Exemplary papers

Difference-in-Difference

- Anton et al. (2025, Management Science): Common ownership and innovation, where common ownership interacts with **two kinds of spillovers**:
  - **technology spillovers** (knowledge overlap)
  - **product-market spillovers** (business stealing / rivalry)
- DiD using - shocks to common ownership - BlackRock-Barclays Global Investors merger (2009) – affected common ownership of firms independent of firms' decision
- Treated firms
  - Firms in the top quartile of the implied increase in: common ownership × technology spillovers and common ownership × product-market spillovers.
- Control firms:
  - Firms in the bottom quartile of both

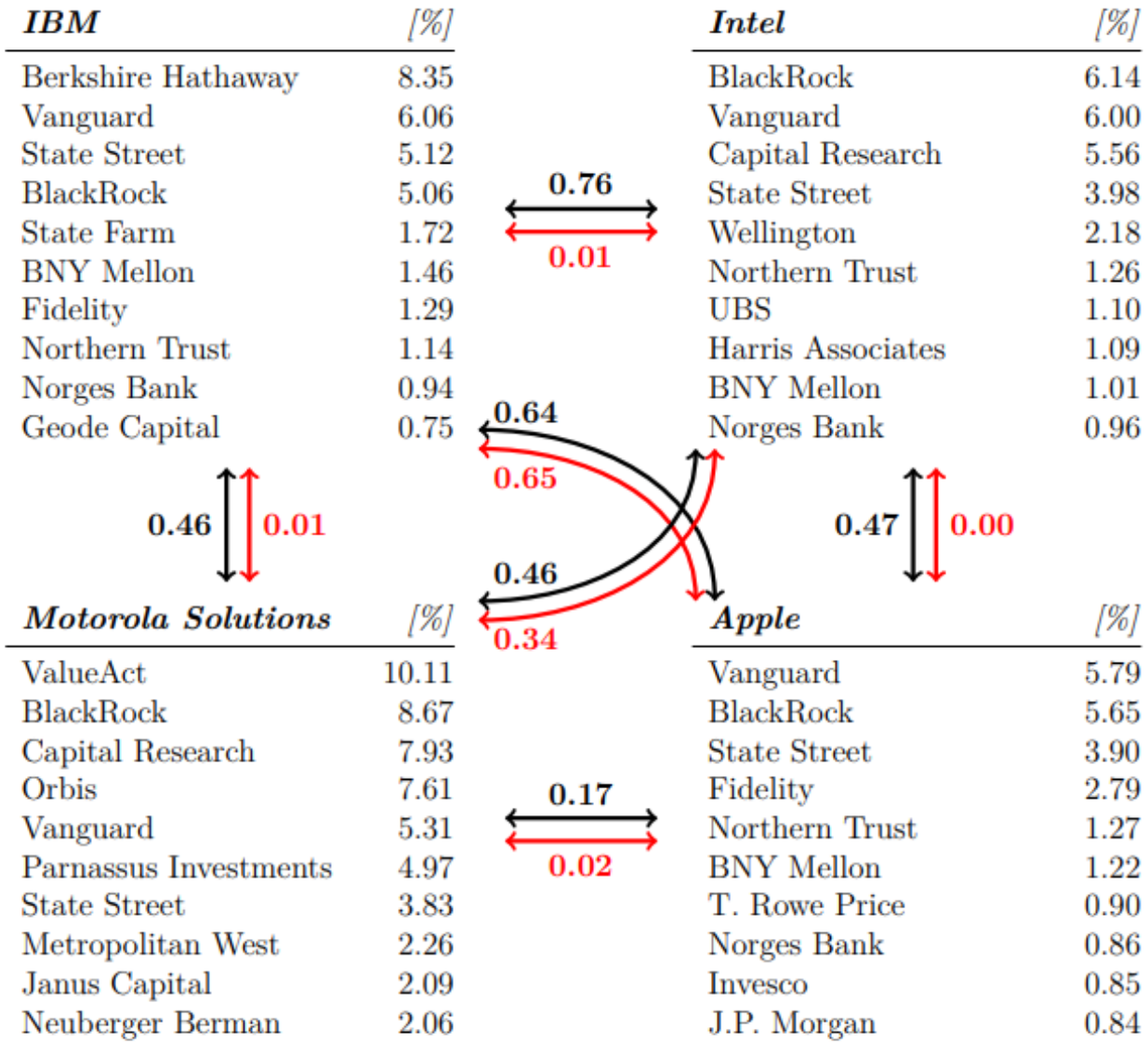


Table 1. Ownership holdings and technology & product market correlations of four high technology firms.
The table presents the ten largest owners and their ownership holdings in 2015 of the four technology companies (IBM, Intel, Motorola, and Apple) discussed in the text. The arrows between each of the company pairs depict the technology (black) and product market (red) correlations reported in Bloom et al. (2013).

Method	Method 1			Method 2		
	(1) *R&D*	(2) *TCW*	(3) *TSM*	(4) *R&D*	(5) *TCW*	(6) *TSM*
Post × *Treat* × *SPILLTECH*	0.00641	0.0555	0.515**	0.0107	0.194	0.620**
	(0.006)	(0.166)	(0.247)	(0.012)	(0.223)	(0.315)
Post × *Treat* × *SPILLHP*	-0.0139	0.187	-0.611*	-0.00492	0.0173	-0.0893
	(0.020)	(0.345)	(0.371)	(0.015)	(0.190)	(0.195)
Post × *Treat*	0.0900	-2.358	-0.403	-0.0582	-2.514	-6.858*
	(0.148)	(3.457)	(5.566)	(0.184)	(2.763)	(4.141)
Post		1.818	-0.453		1.924	6.869*
		(3.440)	(5.577)		(2.132)	(3.703)
Observations	2,837	2,468	2,468	2,533	2,409	2,409
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 6. Difference-in-Difference analysis for BLK-BGI Shock, Methods 1 and 2.

The table reports the difference in difference estimates using the BlackRock aquisition of BGI in 2008. In Method 1 (columns 1 to 3), treated firms are those in the top quartile of the implied change in common ownership, and control firms those in the bottom quartile. In Method 2 (columns 4 to 6), treated firms are those that are both in the top quartile of implied change in both *COSPILLTECH* and *COSPILLHP*. Untabulated controls include the double interactions, dummies, and all controls as of the year before the shock, alone and interacted with the post dummy.

Empirical Strategies: Emerging Techniques

- The adoption of Machine Learning in corporate governance/ finance has followed three primary pathways:
- (1) the construction of superior and novel financial indicators
- (2) the reduction of prediction errors in key financial contexts
- (3) the extension of traditional econometric approaches, particularly in causal inference and policy learning.

Cerulli and Ricci (forthcoming). Harnessing Machine Learning in corporate finance: State-of-the-art and new perspectives, in Wood, G. T., Grosman A., and Johan S. (Eds.) *The Oxford Handbook of Corporate Finance*

Empirical Strategies: Emerging Techniques

- Abis, S., & Lines, A. (2024). Broken promises, competition, and capital allocation in the mutual fund industry. Journal of Financial Economics, 162, 103948.
    - Construction of new measures (Strategy of mutual funds). K-means clustering algorithm to group "Principal Investment Strategy" (PIS) sections by textual similarity (Latent Dirichlet Allocation, LDA, as robustness).
- Aziz, S., Dowling, M., Hammami, H., & Piepenbrink, A. (2022). Machine learning in finance: A topic modeling approach. *European Financial Management*, *28*(3), 744-770.
- Cerulli, G. (2023). Fundamentals of supervised machine learning: With applications in Python, R, and Stata. Springer.
- Chernozhukov, V., Chetverikov, D., Demirer, M., Duflo, E., Hansen, C., Newey, W., & Robins, J. (2018). Double/debiased machine learning for treatment and structural parameters. The Econometrics Journal, 21(1), C1–C68.
- Bryan, G., Karlan, D., & Osman, A. (2024). Big loans to small businesses: Predicting winners and losers in an entrepreneurial lending experiment. American Economic Review, 114(9), 2825–2860.
    - Individual treatment effects enhance credit risk assessment by estimating the unique impact of lending terms on individual borrowers.
- Jin, Z. (2024). Business aspects in focus, investor underreaction and return predictability. *Journal of Corporate Finance*, *84*, 102525.
    - Unsupervised Latent Dirichlet Allocation (LDA) topic modelling methodology proposed by Blei et al. (2003), which does not require any pre-specified topics and measures the proportion of an earnings call devoted to each identified topic

Cerulli and Ricci (forthcoming). Harnessing Machine Learning in corporate finance: State-of-the-art and new perspectives, in Wood, G. T., Grosman A., and Johan S. (Eds.) *The Oxford Handbook of Corporate Finance*

Empirical Strategies: Emerging Techniques

- Amore et al. (2024) Using ML to identify and measure family influence on companies
- Develop a machine-learning–based measure of family influence ("familiness") that goes beyond equity ownership
- Use LLM (ChatGPT) to classify firms based on qualitative firm characteristics rather than solely cash-flow or voting rights
    - works for settings where families exert influence without large equity stakes (e.g., Japan – Toyota, Casio, Suzuki, civil-law countries)

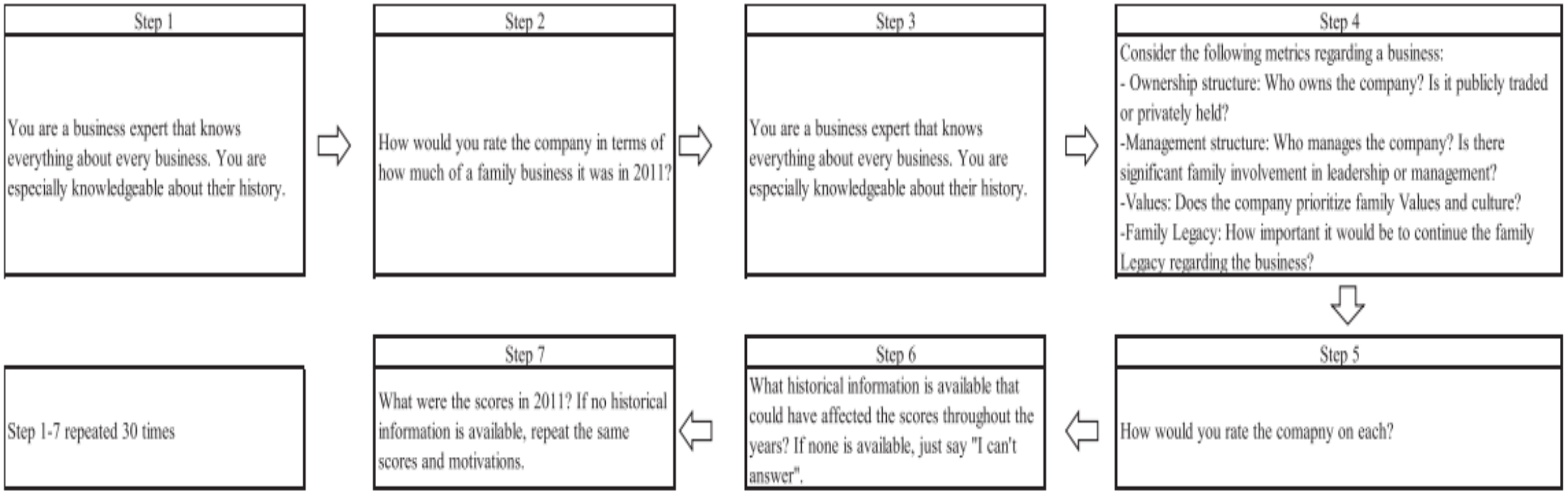


Fig. 1. Data collection process. Data were collected from June 27th to July 7th, 2023, using chat completions API in GPT 3.5 Turbo. Answers to each question were provided on a Likert scale (1–7).

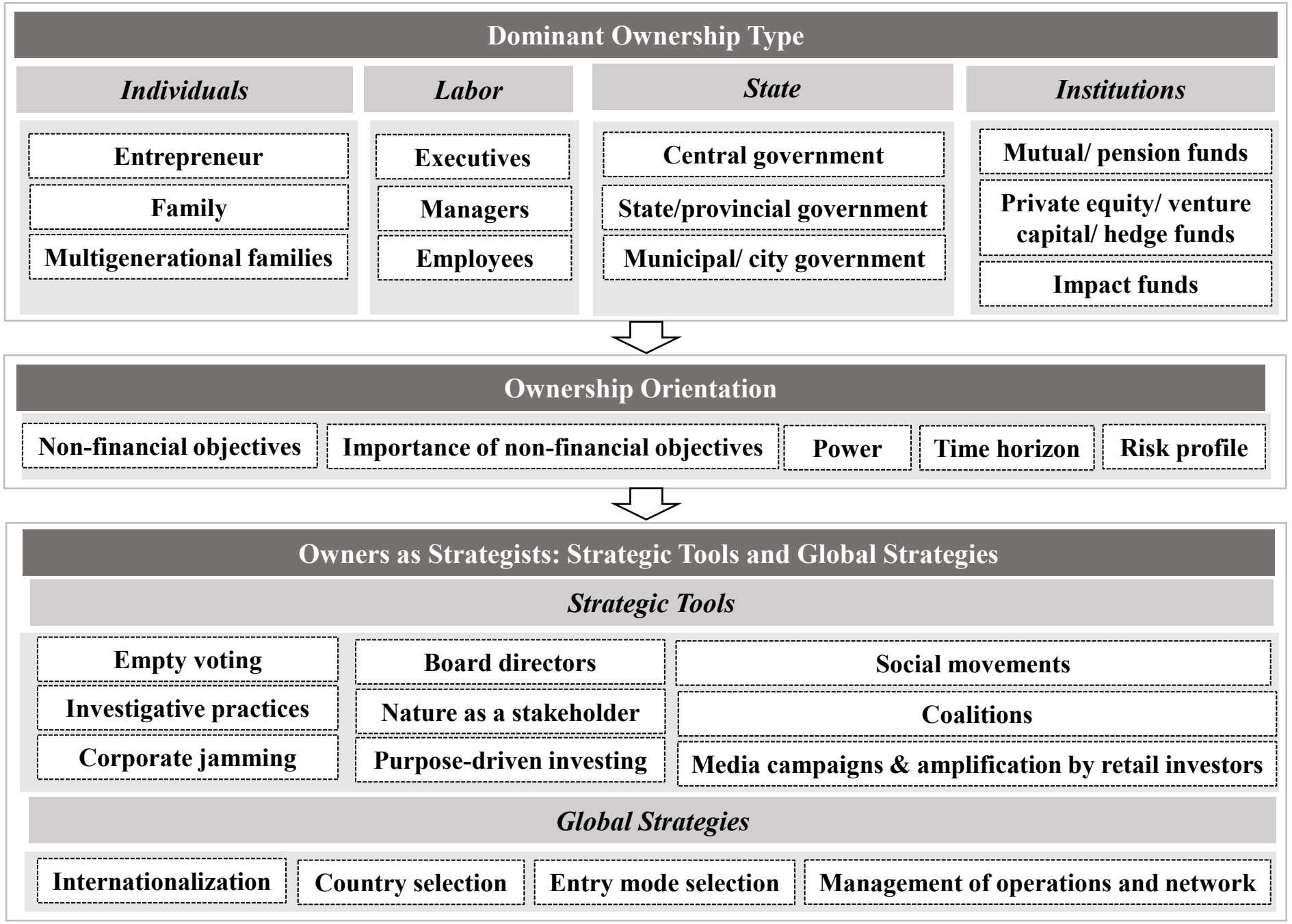
Data Sources: Open-Access to Proprietary

Open / lower-cost: annual reports, SEC/Companies House filings, registries, hand collection

Proprietary: Orbis, BoardEx, Refinitiv, Datastream, Compustat, Capital IQ, Factiva, WorldScope, Factset Lionshare, CSMAR,..

Context-specific: SWF datasets, privatization records, sanctions lists, ownership registries

Owner Identity



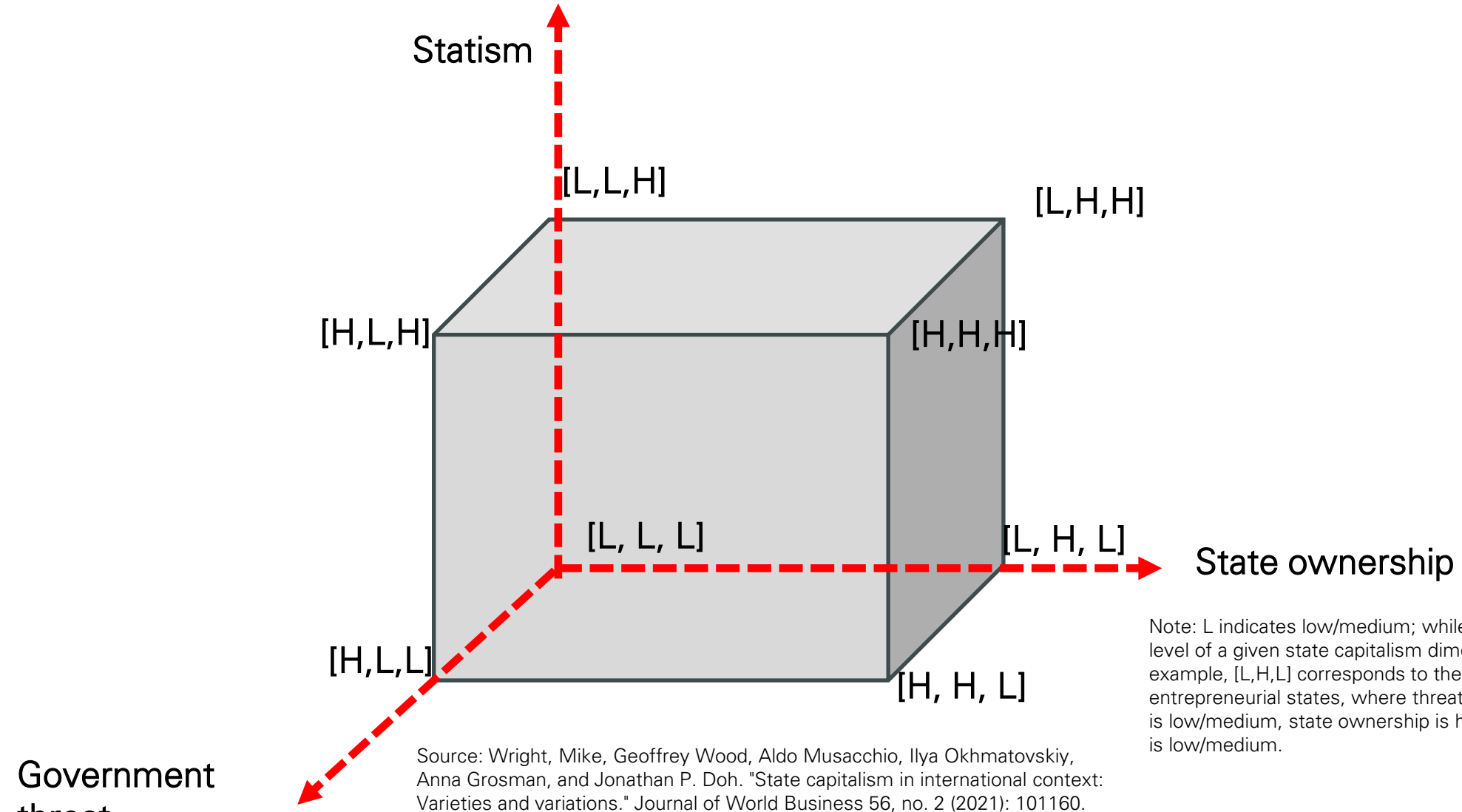
Cuervo-Cazurra, A., Grosman, A., Mol, M. J., & Wood, G. (2025). The impact of ownership on global strategy: Owner diversity and non-financial objectives. Global Strategy Journal.

Varieties and variations of state capitalism

- Wright et al. (2021) emphasize heterogeneity of state capitalism across countries
- State tools vary: ownership, finance, regulation, industrial policy, administrative capacity
- Implication: taxonomy of state capitalism based on three dimensions

Wright et al. (2021), JWB

Three dimensions of state capitalism



Source: Wright, Mike, Geoffrey Wood, Aldo Musacchio, Ilya Okhmatovskiy, Anna Grosman, and Jonathan P. Doh. "State capitalism in international context: Varieties and variations." Journal of World Business 56, no. 2 (2021): 101160.

Note: L indicates low/medium; while H indicates high level of a given state capitalism dimension. For example, [L,H,L] corresponds to the category of entrepreneurial states, where threat of government is low/medium, state ownership is high, and statism is low/medium.

Varieties of state capitalism

1	2	3	4	5	6	7	8
Inefficient interventionist states [H, L, L]	**Predatory statist states [H, H, H]**	**Crowding out entrepreneurial states [H, H. L]**	**Inefficient welfare states [H, L, H]**	**Market oriented states [L, L, L]**	**Welfare states [L, L, H]**	**Entrepreneurial states [L, H, L]**	**Efficient statist states [L, H, H]**
Gov Threat: Above median **State Own:** Low/Medium **Statism:** Low/Medium	**Gov Threat:** Above median **State Own:** High **Statism:** High	**Gov Threat**: Above median **State Own**: High **Statism:** Low/Medium	**Gov Threat:** Above median **State Own:** Low/Medium **Statism:** High	**Gov Threat:** Below median **State Own:** Low/Medium **Statism:** Low/Medium	**Gov Threat:** Below median **State Own:** Low/Medium **Statism:** High	**Gov Threat:** Below median **State Own:** High **Statism**: Low/Medium	**Gov Threat:** Below median **State Own:** High **Statism:** High
Argentina Bulgaria Colombia India Indonesia Italy Jordan Korea, South Lithuania Mexico Peru Philippines Poland Portugal Slovak Rep Turkey Ukraine	Greece	Brazil China Hungary Kazakhstan Russia South Africa Thailand Venezuela	Croatia Czech Rep. Slovenia	Australia Canada Chile Estonia Finland Hong Kong Ireland Israel Latvia New Zealand Spain Switzerland Taiwan United Kingdom United States	Austria Belgium Denmark France Germany Japan Luxembourg Netherlands Norway Sweden	Iceland Malaysia Qatar Singapore UAE	

Source: Categories created by the authors using factor analysis based on data from the Frazer Institute, World Bank and IMD (2014). Each category corresponds to a combination of three factors (Factor 1-Government threat to business; Factor 2-Extent of state ownership; and, Factor 3-Statism). The threshold values are median for Factor 1 (=0.14; with countries where Factor 1 < median categorized as non-threatening governments), the third quartile for Factor 2 (=0.5; with countries where Factor 2>third quartile categorized as high on state ownership) and the third quartile for Factor 3 (=0.66 with countries where Factor 3>third quartile categorized as high on statism).

State control and corporate governance in transition economies

- Grosman, Okhmatovskiy & Wright (2016, Corporate Governance: An International Review)
  - Review across 25 years of transition: state control evolves beyond majority ownership
  - Contribution: organizes competing theories predicting positive and negative effects of state control

Mechanisms of state control beyond ownership

State control through ownership
(majority/minority stakes)

State control through special rights
(golden shares, vetoes)

State control through personnel
(board/CEO appointments)

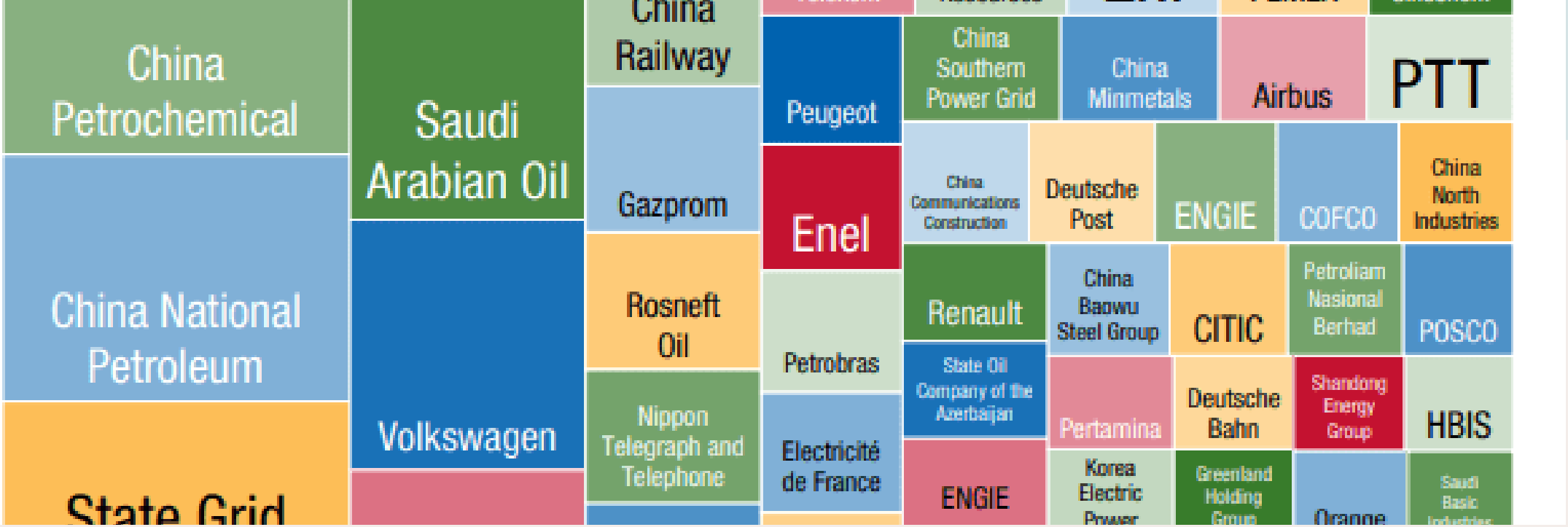
State control through informal channels
(party-state influence, resource dependence)

Grosman et al CGIR (2016)

TABLE 1
Positive and Negative Effects of State Control According to Different Theoretical Perspectives

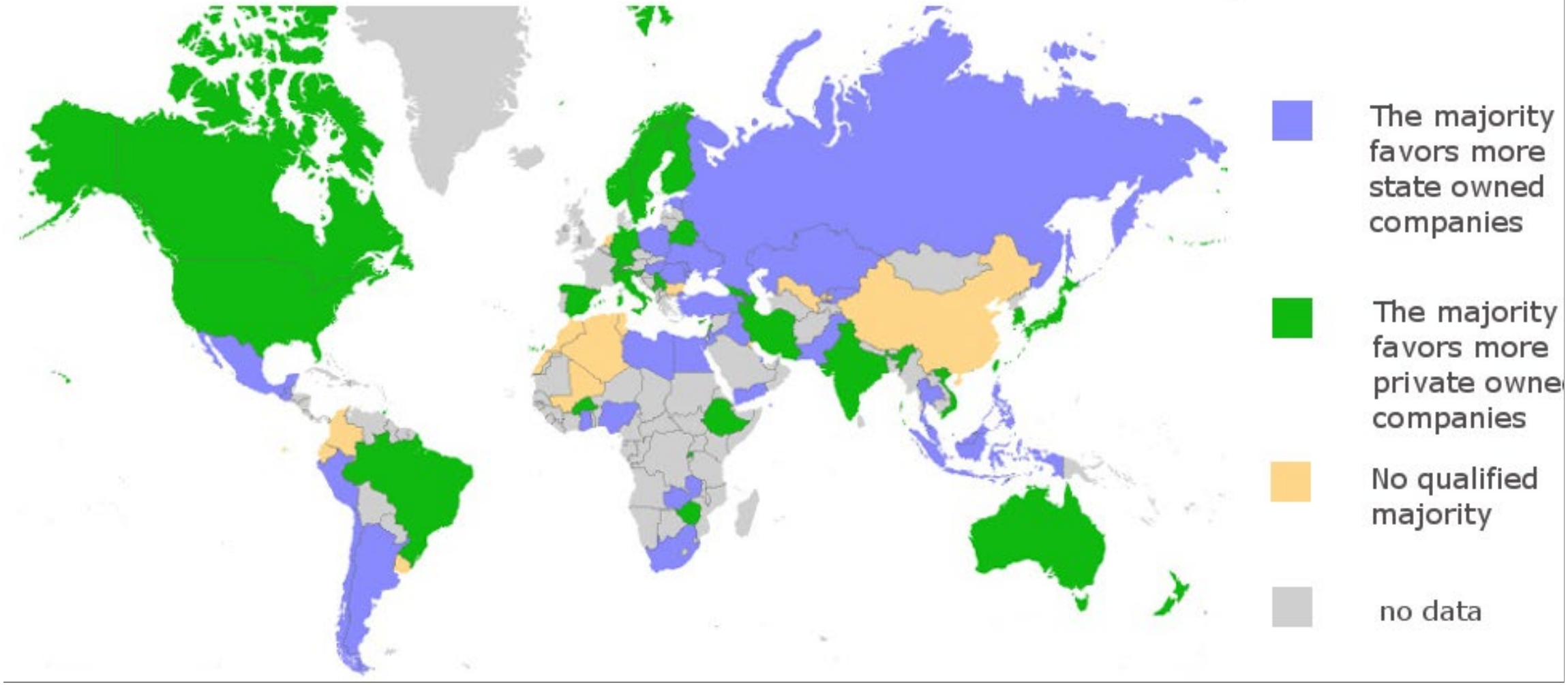
Theoretical perspective	Negative effects of state control	Forms of state control that can minimize its negative effects	Positive effects of state control	Forms of state control that can maximize its positive effects
Agency theory	State as principal provides weak monitoring. Not clear who acts as principal on behalf of state. Soft budget constraints create weak incentives for managers as agents.	Active state involvement in Corporate Governance (CG). Creation of asset management companies to manage state assets defines principal responsible for monitoring. Firms with partial state ownership benefit from diligent monitoring by private investors.	Under conditions of entrenched management and diffused ownership, state shareholders can exercise influence over management even with relatively small stake.	State ownership accompanied by CG mechanisms enabling effective control.
Transaction cost economics	State control increases costs of transacting by increasing risk that firm may not fulfill contract obligations due to politically motivated interference.	Partial state ownership gives private shareholders enough influence to prevent unilateral decision-making by state shareholders. Indirect state ownership isolates political actors from direct involvement in CG.	State control decreases costs of transacting by reducing risk of fraudulent behavior on behalf of firms.	State ownership accompanied by CG mechanisms enabling active involvement of state shareholders in monitoring.
Institutional theory	Performing simultaneously functions of regulator and owner of economic actors creates conflicts of interest.	Isolating state agencies acting as shareholders from state agencies acting as regulators.	State control solves some problems associated with institutional voids. State leverages control over firms when acting as "institutional entrepreneur."	State ownership accompanied by CG mechanisms enabling monitoring. Regulations enabling "institutional entrepreneurship" by state-controlled firms.

Grosman et al. (2016), CGIR



State-Owned Enterprises (SOEs) and Sovereign Wealth Funds (SWFs) control vast sums of capital, yet operate under a logic distinct from private corporations.

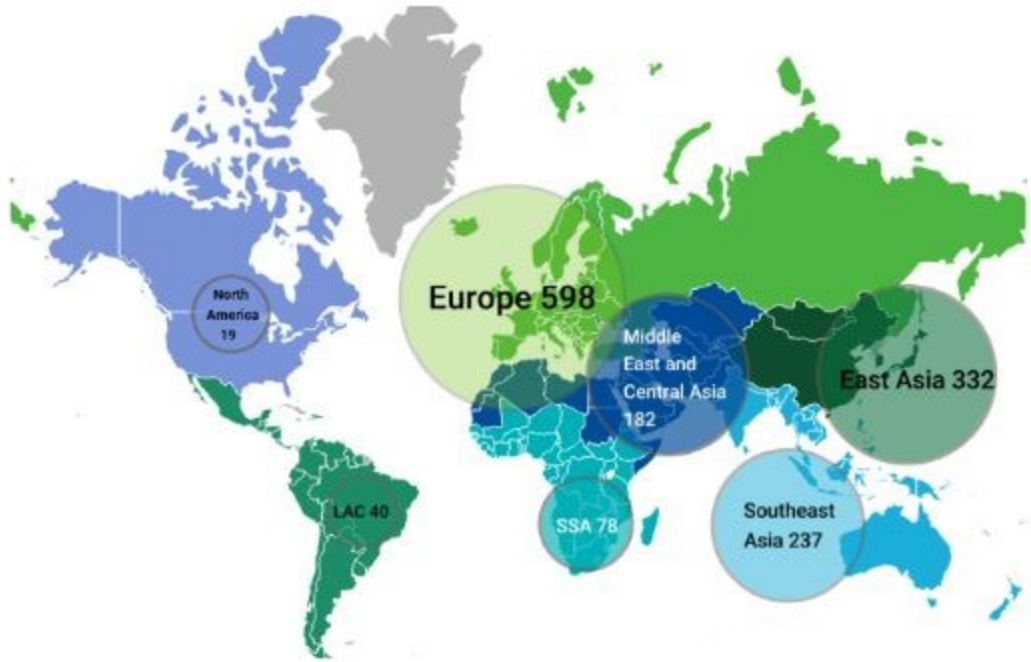
Private vs. State owned Companies



Global reach

Some state-owned enterprises are multinational companies operating around the world. The biggest ones account for 20 percent of the world's 2000 largest firms.

(Number of SOEs per region)



Source: UNCTAD; and IMF staff calculations.

Political ideology and relations determine state and firm strategies

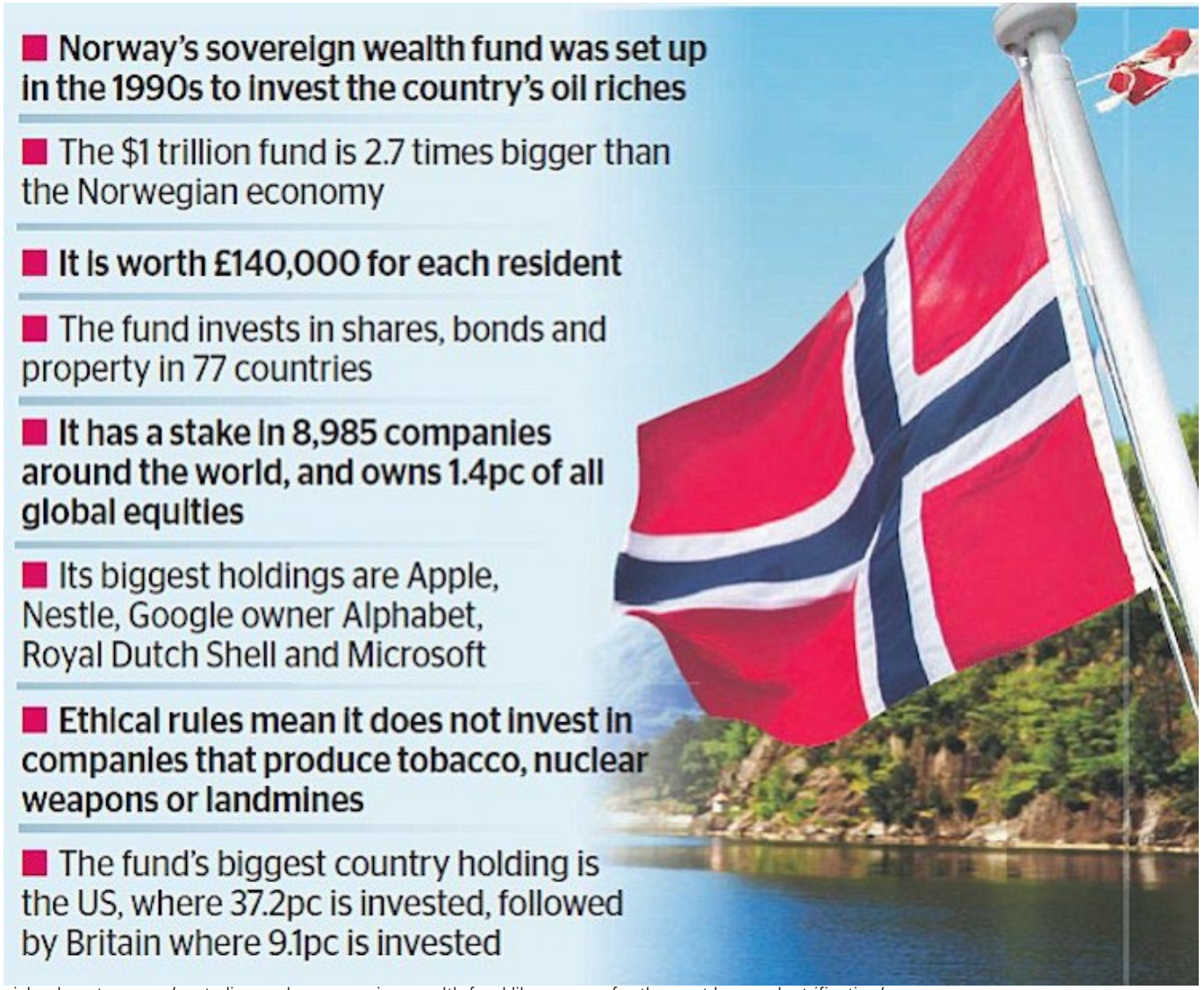
- State ownership strategies – depends on what is the flavor of the month (e.g., changes in the political regime, ideology, or leadership)
- 1990s-2010s: investments by Russian oligarchs, UK foray into Russian oil & gas
- 2010s: China investing in the UK
- 2014-ongoing: Sanctions against Russia and Russian oligarchs
- 2020-ongoing: Disengagement from joint interests with China (e.g., return of Hong Kong to China, surveillance/cybersecurity threat, buy out of China from Sizewell C nuclear power plant; stripping off Huawei 5G network)
- 2020-onward: Sovereign wealth funds invested a total of US$117.6 billion worth of assets, primarily from the Middle East (US$65.7 billion) (2005-2020)

Global power of sovereign wealth funds

Global Track	Funds	AuM ($b)
SWFs	153	10,363
PPFs	263	20,196
SWFs+PPFs	**416**	**30,559**

Source: https://globalswf.com/

LARGEST SWF

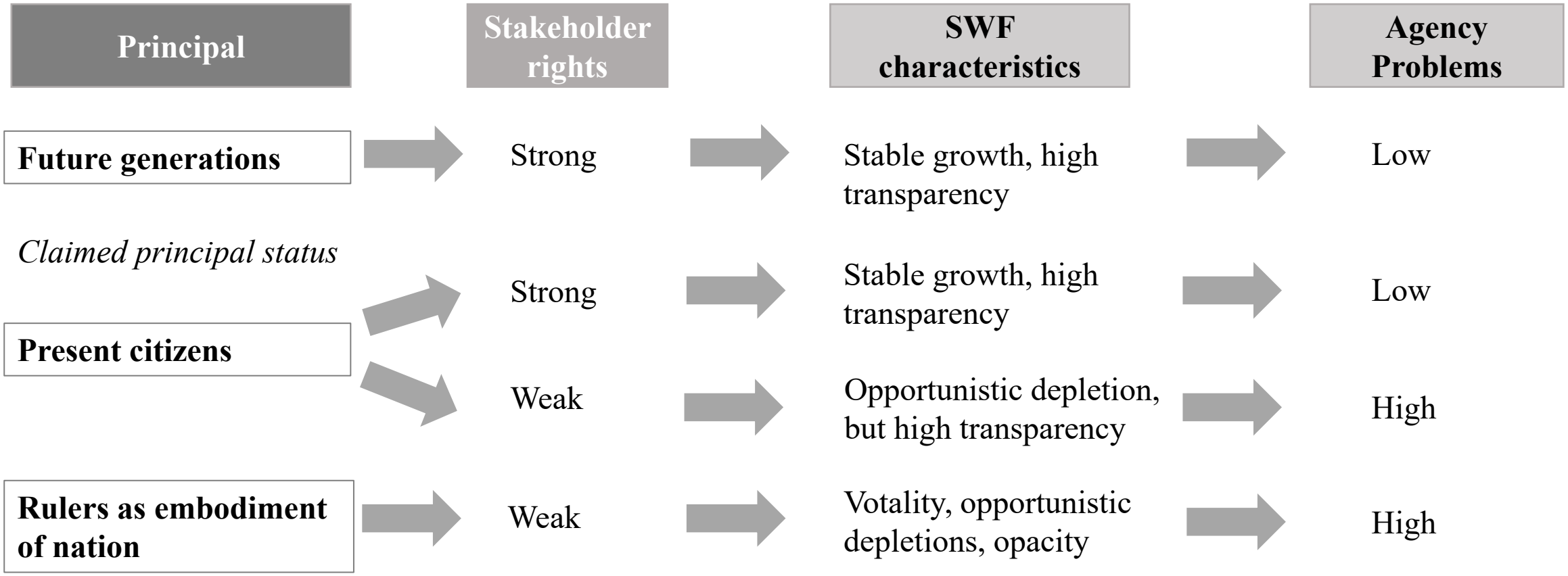


https://www.michaelwest.com.au/australia-needs-a-sovereign-wealth-fund-like-norway-for-the-next-boom-electrification/

Country-level, Agency and SWF Characteristics

The country-level governance characteristics affect the agency problems of SWFs:

- Citizen have little ability to replace politicians
- Rulers and politicians become de facto principals and can influence the behavior of SWFs



Source: Cuervo-Cazurra, A., Grosman, A., & Wood, G. T. (2023). Cross-country variations in sovereign wealth funds' transparency. Journal of International Business Policy, 1.

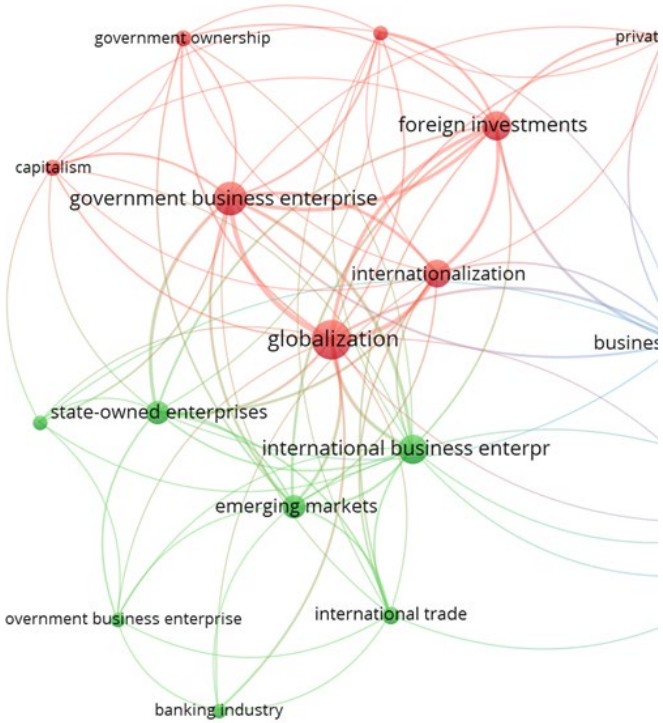
Empirical evidence

- Country-of-origin factors seem to impact SWF transparency and strategies
  - *More effective national institutions* may make it easier to enforce the rights of citizens as principals vis-à-vis fund managers and target firms abroad (but not always, cf. Alberta SWF or Australia's Future Fund and its exemption from Freedom of Information law)
  - *SWFs from predatory states* are more likely to be used by government officials (e.g., Saudi Arabia's PIF court case against Saad al-Jabri, former government official)
  - *SWFs from autocracies* may use SWF resources on buying diplomatic support through strategic investments (e.g., Qatar's QIA buying a stake in Istanbul's stock exchange from Turkey's SWF, and other assets)

Source: Cuervo-Cazurra, A., Grosman, A., & Wood, G. T. (2023). Cross-country variations in sovereign wealth funds' transparency. Journal of International Business Policy, 1. IM Division Best Paper in International Corporate Governance Award Finalist 2022

State ownership: Governments' nonbusiness objectives and discreet power

- Cuervo-Cazurra, Grosman & Megginson (2023, Journal of International Business Studies):
- State-owned firms and funds behave differently from private ones because they need to balance governments' **nonbusiness objectives and firms' business goals**
- States can exert influence without visible intervention
- Focus: how discreet power operates through SOEs and SWFs



Connections among the streams of literature analyzing state-owned multinationals and sovereign wealth funds.

Objective functions of private and state-owned internationalized businesses

	Shareholder objectives			Stakeholders' objectives				Government objectives	
	Profit Maximization	Optimization via shareholder activism	Corporate social responsibility	Sustainable/ ethical portfolio investment	Employment generation in the home country	Industrial policy and innovation in the home country	Protect inter-generational wealth in the home country	Diversification and stabilization of the home country	Diplomatic influence
Private multinational	✓✓✓	×	✓	×	×	×	×	×	×
Private fund with foreign investments	✓✓✓	✓✓	×	✓	×	×	×	×	×
State-owned multinational	✓	×	✓	×	✓✓	✓✓	×	×	✓✓
Sovereign wealth fund with foreign investments	✓	✓	×	✓✓	✓	✓	✓✓	✓✓	✓✓

Source: Grosman, A. A review of the internationalization of state-owned enterprises and sovereign wealth funds: Governments nonbusiness objectives and discreet power. Journal of International Business Studies, 2023, with A. Cuervo-Cazurra and W. L. Megginson

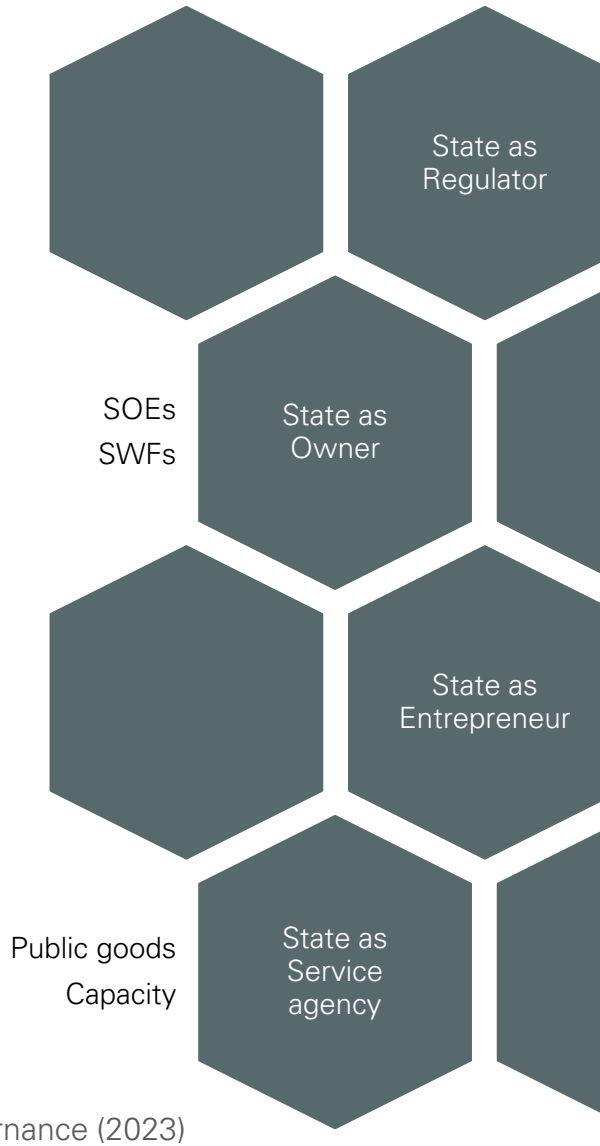
How government ownership affects foreign investments

Governments may use state-owned multinationals and sovereign wealth funds to nudge host country governments via their **discreet power** and the use of **four strategies** (recognition, values, development, and supremacy) to achieve it.

Four discreet power strategies in the context of internationalization

		Orientation	
		Inward	Outward
Goal	Social	RECOGNITION The government uses SOMNCs and SWFs to improve the country's recognition by other countries (*e.g., Qatar Investment Authority buying Turkey's Stock Exchange*)	VALUES The government uses SOMNCs and SWFs to spread its ethical and social values to other countries (*e.g., Norway's Government Pension Fund Global ethical and sustainable investments; Italian ENEL's push to develop sustainable power grids in emerging countries*)
	Economic	DEVELOPMENT The government uses SOMNCs and SWFs to facilitate the country's development (*e.g., Indian government mandating mineral-based state-owned firms to buy strategic lithium and cobalt assets overseas*)	SUPREMACY The government uses SOMNCs and SWFs to achieve supremacy in other countries *(e.g., when Russia's state-owned Gazprom invested in developing a pipeline to Germany that bypasses Ukraine)*

The state's roles in state capitalism framing



Grosman et al., Annals of Corporate Governance (2023)

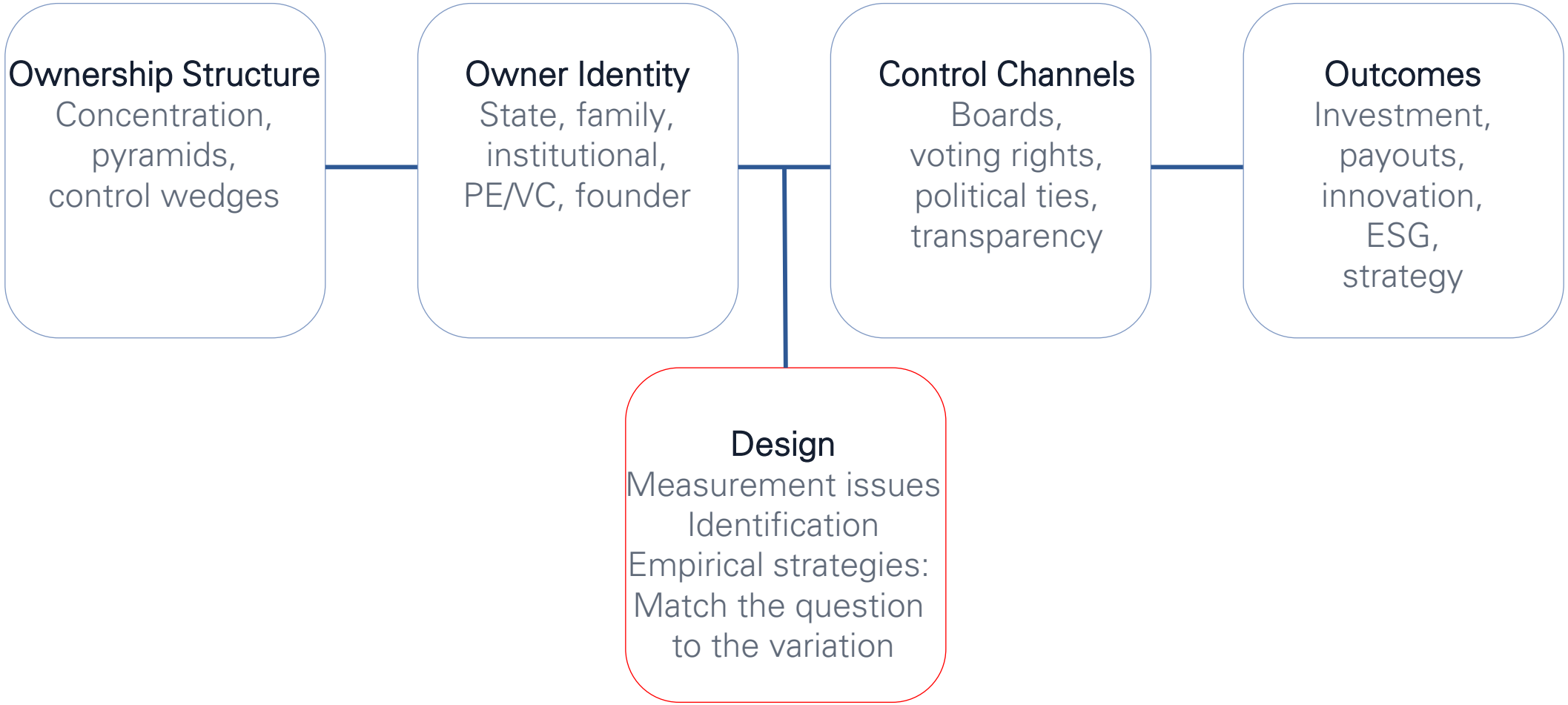
Measurement implications

- Move beyond a single ‘state ownership’ variable: capture tools + autonomy + capacity
- Measure regulation/enforcement and their complementarity with ownership
- Map governance processes (boards, disclosure, political ties) to state roles

Grosman et al. (2023), Annals

Control Channels

Organizing Framework for Ownership Research



Control channels – governance mechanisms

- Independent directors help to curb blockholder appropriation of firm wealth
  - The effect of independent directors depends on the type of blockholder, internationalization and listing exchange location
    - Less pronounced for oligarch-controlled groups than SOEs; heterogeneity of owners that leads to multiple roles of agents (independent directors)
    - More pronounced in cross-listed firms
    - More pronounced for MNEs

Oligarchs and State






Resources

Monitoring, resources, advice, accountability

Board of directors










Grosman, Anna, Ruth V. Aguilera, and Mike Wright. "Lost in translation? Corporate governance, independent boards and blockholder appropriation." Journal of World Business 54, no. 4 (2019): 258-272.

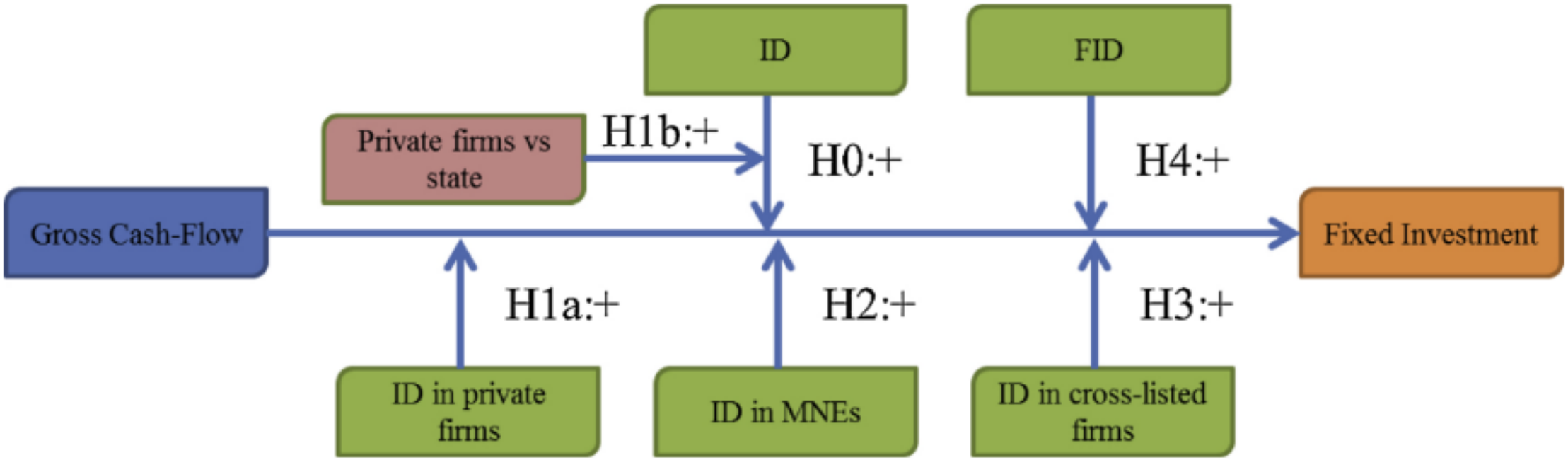


Fig. 1. Organizing Framework.

Grosman, Anna, Ruth V. Aguilera, and Mike Wright. "Lost in translation? Corporate governance, independent boards and blockholder appropriation." Journal of World Business 54, no. 4 (2019): 258-272.

Table 4
The moderating effect of independent directors on investment in private firms and SOEs.

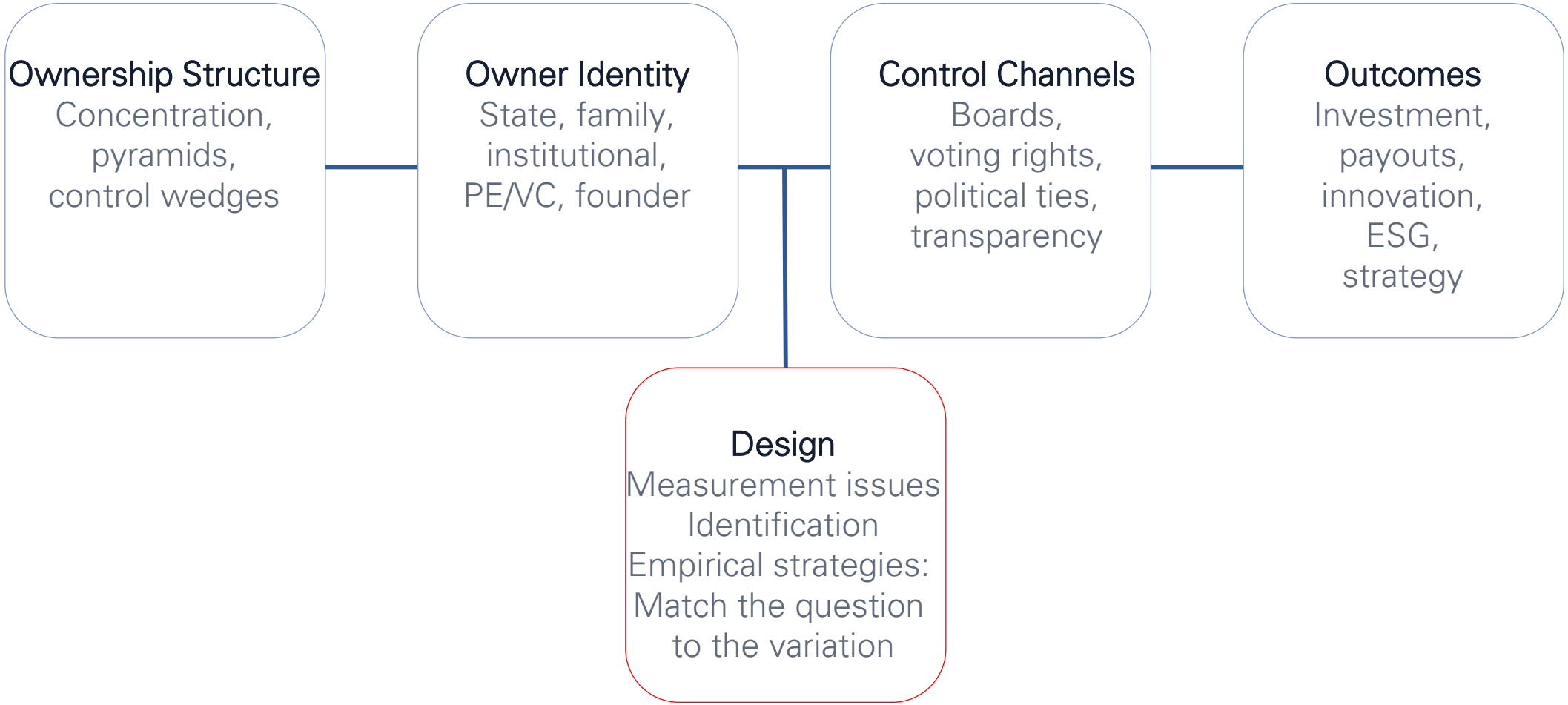
	(1) H1a FE	(2) H1a FE	(3) H1a GMM	(4) H1a GMM	(5) H1b FE	(6) H1b FE	(7) H1b GMM	(8) H1b GMM
GCF	-0.72+	-0.04	-0.06	-0.12				
	(0.37)	(0.12)	(0.14)	(0.16)				
GCF*ID Proportion	**2.64***	**0.68**	**0.86+**	**0.67**				
	(1.10)	(0.54)	(0.47)	(0.60)				
ID Proportion	-12.05**	-0.60	-8.36+	-6.61				
	(3.67)	(0.53)	(4.90)	(6.43)				
GCF*foreign*indep.					1.15**	1.38**	0.69***	0.48***
					(0.38)	(0.39)	(0.09)	(0.09)
GCF*foreign*insider							0.52***	0.00
							(0.09)	(0.00)
GCF*state*indep.					**0.46+**	**0.46***	**0.72*****	**0.52*****
					(0.24)	(0.18)	(0.10)	(0.10)
GCF*state*insider					-0.02	-0.18+	0.70***	0.49***
					(0.14)	(0.11)	(0.10)	(0.09)
GCF*private*indep.					**0.19+**	**0.07**	**0.71*****	**0.51*****
					(0.10)	(0.12)	(0.10)	(0.09)
GCF*private*insider					0.07	-0.59	0.68***	0.44***
					(0.14)	(0.51)	(0.09)	(0.08)
Investment, lagged	0.02	-0.14	0.41*	0.03	-0.05	0.07	-0.03	0.20***
	(0.16)	(0.11)	(0.17)	(0.48)	(0.08)	(0.09)	(0.10)	(0.05)
Debt	0.07**	0.01	0.02*	0.03+	0.03*	0.05**	0.05**	0.03*
	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)
Equity	0.03	0.01	-0.00	0.01	0.02*	0.03+	0.02*	0.03**
	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Tobin's Q	0.45***			0.26		0.18		0.11
	(0.11)			(0.16)		(0.18)		(0.07)
Observations	74	156	156	78	218	139	265	182
R-squared	0.549	0.260			0.242	0.377		
Number of firms	23	28	28	24	46	38	49	42
Wald Test for Joint Significance	0.0184	0.1506	0.0446	0.278	0.0057	0.0006	1.42e-09	0.000
Number of instruments			16	16			22	22
AR(1)			-2.175	-0.0854			-0.146	-1.762
P-Value AR(1)			0.0296	0.932			0.884	0.0780
AR(2)			-1.669	-0.551			-1.525	-1.007
P-Value AR(2)			0.0951	0.581			0.127	0.314
Hansen			0.0286	2.187			8.989	10.37
Hansen p-value			just identified	just identified			0.0112	0.00128

Note: Please refer to notes under Table 3.

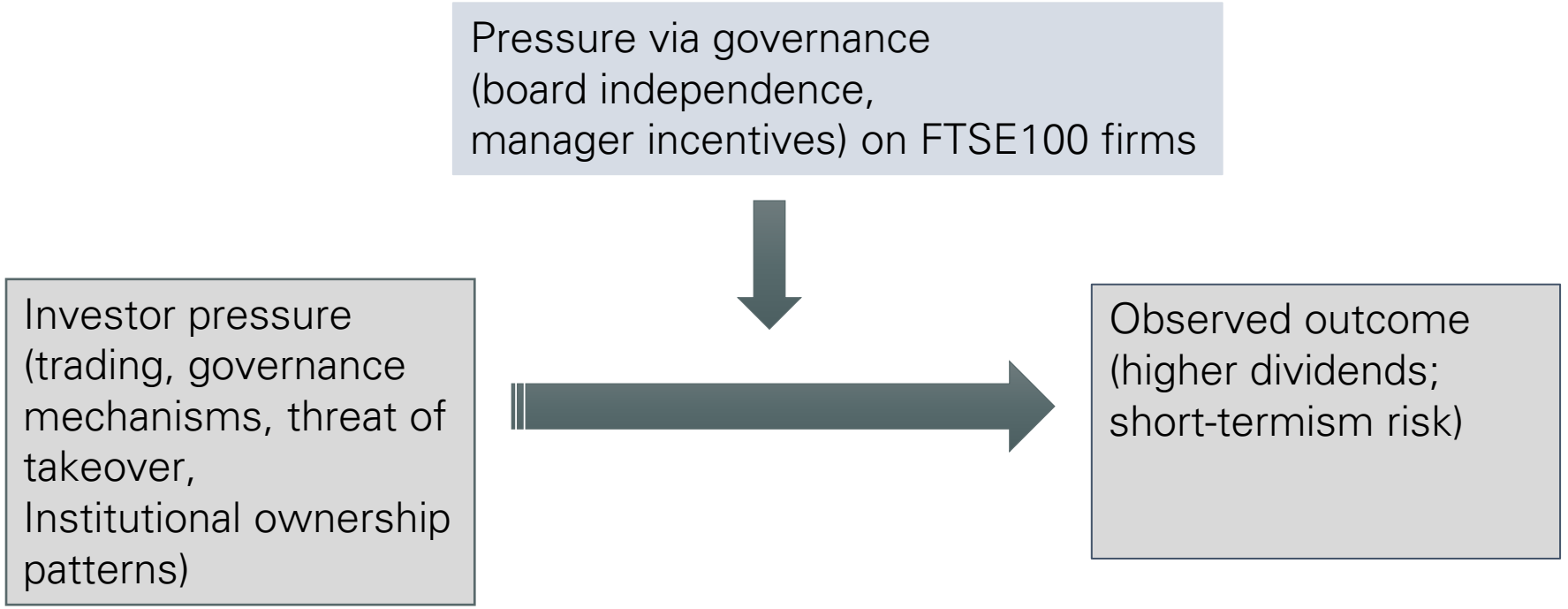
Grosman, Anna, Ruth V. Aguilera, and Mike Wright. "Lost in translation? Corporate governance, independent boards and blockholder appropriation." Journal of World Business 54, no. 4 (2019): 258-272.

Outcomes

Organizing Framework for Ownership Research



Channels of Investor Pressure



Driver, Grosman, and Scaramozzino, Economic Modelling (2020)

Mechanisms of Investor Pressure and Empirical Evidence

CHANNEL	MECHANISM	EMPIRICAL FINDING
Acquisition Activity	Fear of takeover prompts higher payouts to deter bids	Positive effect on dividends, significant at 1%
Corporate Governance	Independent directors and equity-based pay favor short-term returns	Both variables significant at 5%, mainly in FTSE 100 firms
Short-Term Trading	Increased share turnover heightens pressure to maintain share price	Dividend increases linked to trading spikes, significant at 0.1%

Table 5
Fixed effects. Hypotheses *HA* (fear of takeover) and *HB* (board independence and equity-based compensation).

DV	(i) DIVIDEND	(ii) DIVIDEND	(iii) DIVS	(iv) DIVIDEND	(v) DIVIDEND	(vi) DIVIDEND
EXPLANATORY VARIABLES						
Hypothesis HA						
ACQ				**0.008****	**0.006****	**0.008****
				(2.90)	**(2.99)**	**(2.84)**
Hypothesis HB						
INDRAT				–	**0.048**	–
					(0.23)	
INDRAT * FT100				–	**0.914***	–
					(2.07)	
EXRAT				–	–	**−0.040**
						(0.57)
EXRAT * FT100				–	–	**0.492***
						(2.45)
CONTROLS						
LDV		0.111***	0.162*	0.110***	0.109***	0.109***
		(9.36)	(1.98)	(9.27)	(8.73)	(8.75)
EA	0.735+	0.661	−0.004	0.601	0.430	0.465
	(1.84)	(1.41)	(0.92)	(1.30)	(0.96)	(1.02)
MBF	−0.003+	−0.116***	−0.0003+	−0.115***	−0.110***	−0.112***
	(1.79)	(4.70)	(1.66)	(4.61)	(4.26)	(4.37)
DAA	−0.043+	−0.048	−0.0003+	−0.049	−0.043	−0.036
	(1.75)	(1.52)	(1.78)	(1.56)	(1.37)	(1.15)
LEV	0.008	0.026	−0.002	0.052	−0.055	−0.053
	(0.04)	(0.14)	(1.31)	(0.28)	(0.31)	(0.29)
SIZE	0.009***	0.008***	0.000+	0.008***	0.007***	0.007***
	(12.98)	(9.90)	(1.76)	(9.87)	(8.83)	(8.90)
AGE	0.044***	0.028***	0.0001**	0.0028***	0.037***	0.037***
	(6.56)	(4.08)	(3.14)	(4.01)	(4.59)	(4.62)
PEER	2.818**	1.078	0.010	1.013	0.790	0.727
	(2.65)	(1.36)	(0.98)	(1.27)	(1.02)	(0.97)
FY12(sum of coefficients)	–	0.006***	0.000	0.006***	0.006***	0.006***
		(4.74)	(0.87)	(4.92)	(4.58)	(4.57)
Time dummies	YES	YES	YES	YES	YES	YES
No. obs.	3487	2697	2645	2697	2513	2501
R^2 within	0.327	0.462	0.125	0.464	0.458	0.458
F	57.16***	49.11***	8.63***	45.22***	30.05***	29.39***
Hausman	84.43***	390.93***	3103.95***	389.21***	459.57***	365.83***

Research Frontiers

Owner diversity and non-financial objectives

State ownership and hybrid governance

Ownership and climate / ESG outcomes

Ownership and geopolitics, sanctions, and industrial policy

Ownership and cross-country institutional heterogeneity

Exercise 2: Kill Your Neighbour’s Paper

10-minute discussion exercise

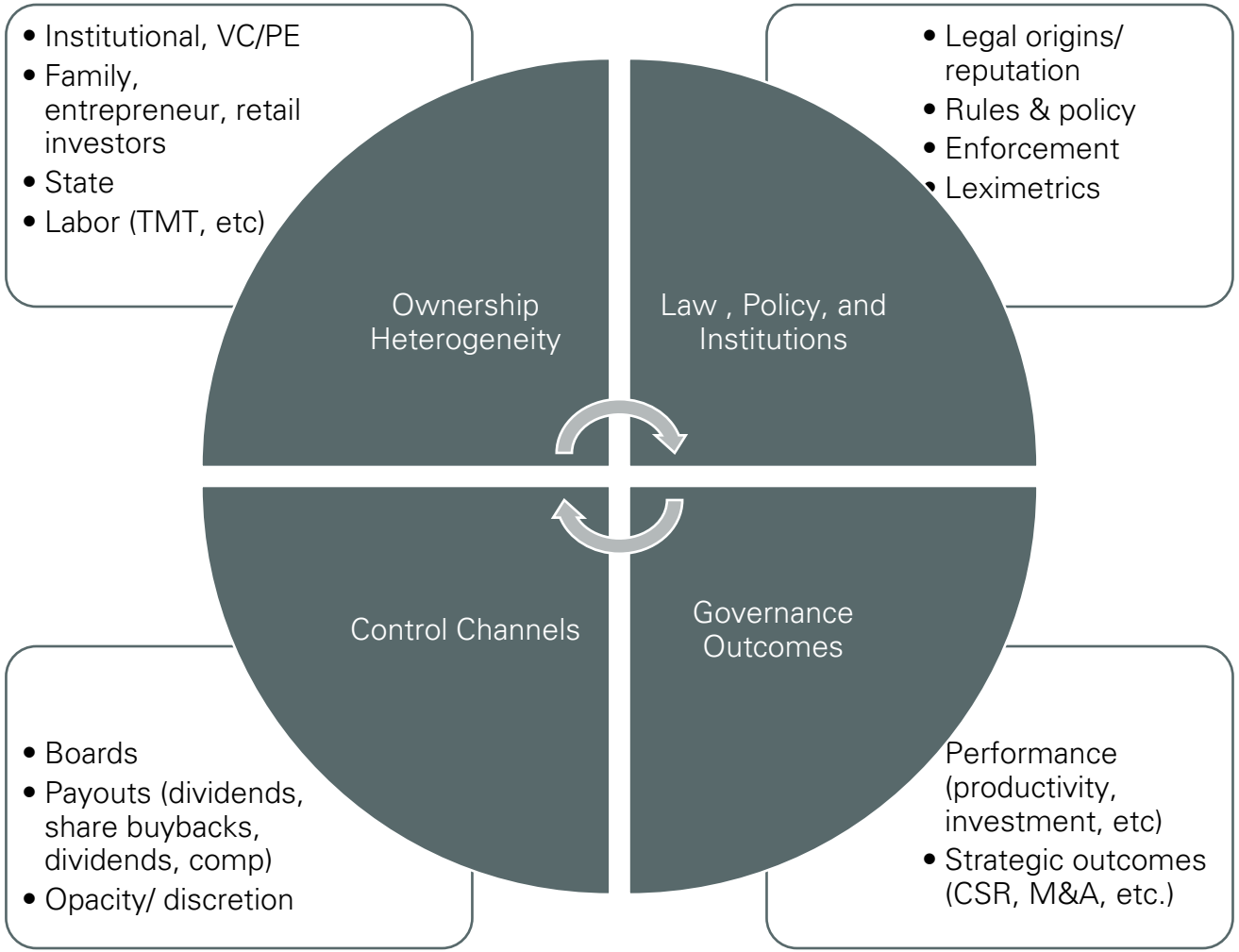
What is the biggest endogeneity problem?

What is the biggest measurement problem?

What is the toughest seminar objection they would get?

How would they redesign the paper to survive that objection?

Integrated corporate governance framework



Economic Modelling (2020); CGIR (2016); BJM (2022); JIBS (2023); Annals (2023)

Conclusion

Write your three main take-aways from the lecture here:

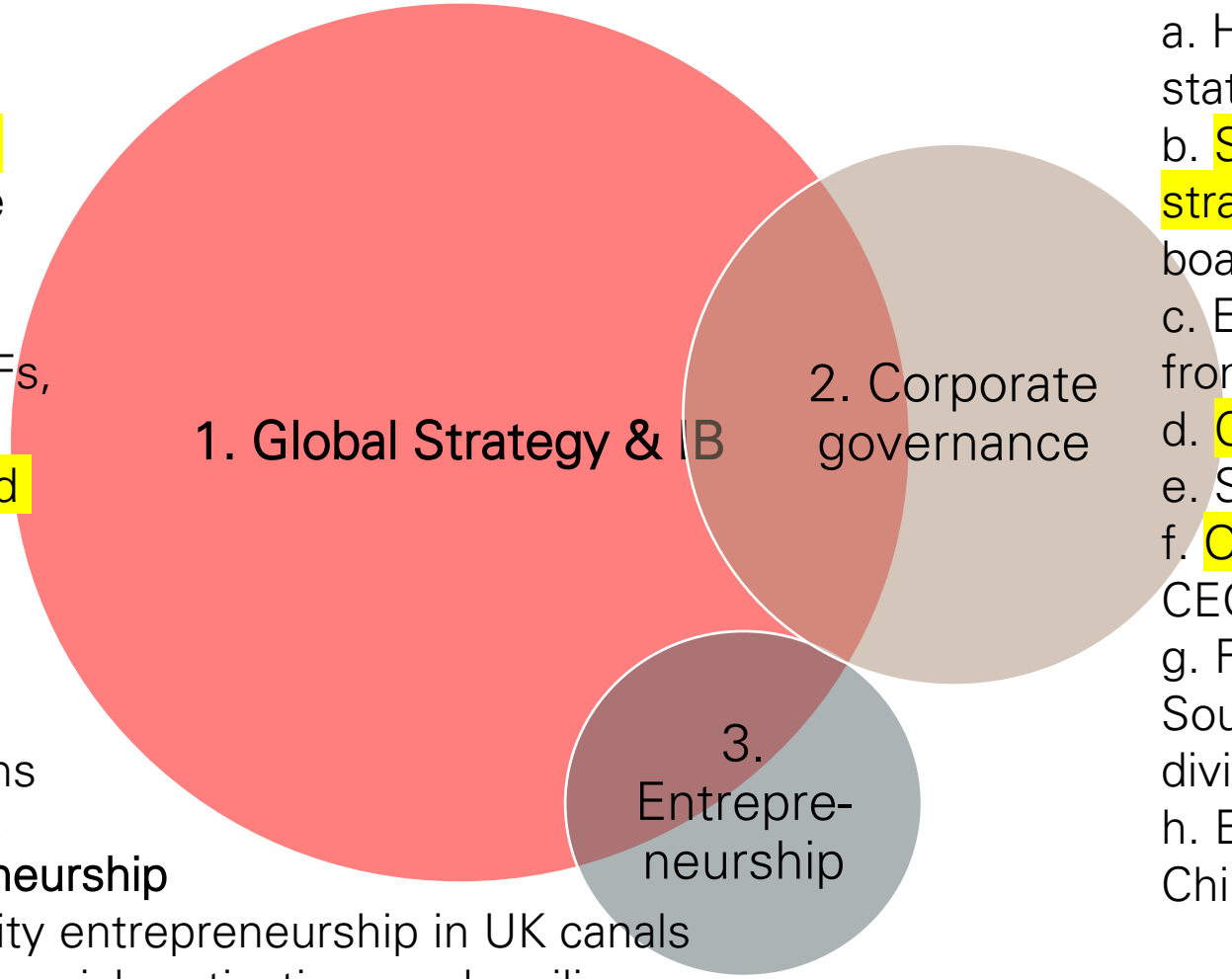
1.

2.

3.

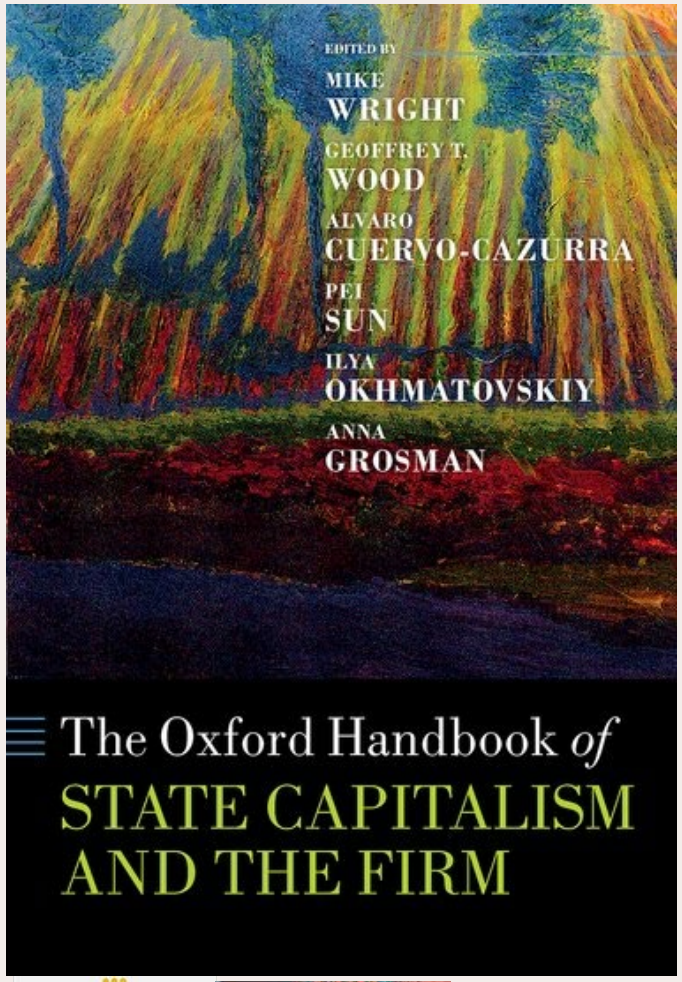
My research areas

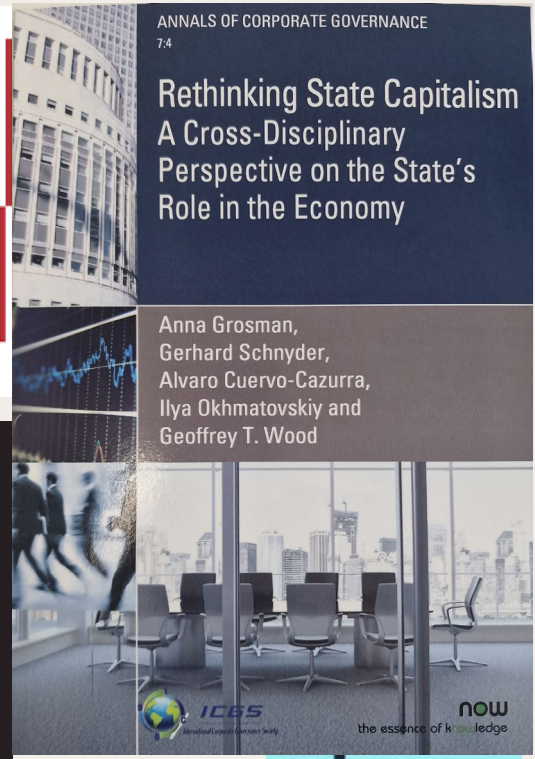
1. Global Strategy & IB
a. *State Capitalism* – Theory, hybrid organizational forms of state entities, and state role in innovation, tech, sustainability, industrial policy and finance (SWFs, CBDCs).
b. Global ownership and strategy
c. Political connections and disconnections
d. Parties and elections
e. International sanctions
f. Tax havens/ business policy



2. Corporate Governance
a. Hybridity of governance in state-owned enterprises
b. Strategizing in boards; strategic nonconformity and boards
c. Environmental implications from corporate governance
d. CEO turnover and growth
e. Stewardship in family firms
f. Organizational stigma and CEO pay/ performance
g. Research Fellowship for South African Federal Bank on dividend policy of SA firms
h. Executive compensation in China

3. Entrepreneurship
a. Community entrepreneurship in UK canals
b. Entrepreneurial motivations and resilience





THANK YOU AND STAY IN TOUCH:

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