



MISUM ACADEMIC INSIGHTS

NO. 2023-04, OCT 2023

ESTABLISHING AUTHORITY: SHAREHOLDER ENGAGEMENT ON CLIMATE CHANGE CONCERNS

BACKGROUND AND RESEARCH AIM



The involvement of shareholders in pressuring corporations to address environmental, social, and governance (ESG) concerns, within the broader context of challenges linked to climate change, has sparked extensive discussions. From one perspective, shareholders are portrayed as key actors in driving climate change by pressuring companies to prioritize short-term profits. However, there is a growing consensus among governments and institutional investors, such as pension funds, that shareholders possess substantial influence in steering capitalism toward a more sustainable trajectory. From this standpoint, shareholder engagement, a process in which shareholders via dialogue seek to influence corporate management to improve ESG performance, is viewed as a promising approach for redirecting corporate attention towards climate change issues.




Beneath these contrasting views on shareholder engagement lies a broader question about the authority of shareholders to speak about and act on climate change concerns within the constraints of financial capitalism. In order to induce a sought-after change in corporate policy or conduct, investors and their intermediaries need to somehow establish the authority to speak about climate change concerns. Given the time- and resource-intensive nature of engagement, many investors outsource the work to intermediary organizations that represent their collective interests. This study, therefore, investigates the process by which shareholders and their intermediaries establish such authority in shareholder engagement, and in turn, influence companies to improve their climate-related work.

RESEARCH FRAMEWORK

To study the communication process between a shareholder intermediary and target corporations, the “communication as constitutive of organizations” (CCO) perspective is employed. This perspective is broadly characterized by the idea that communication is not something that happens after organizations are formed, but instead, serves to form or constitute the organization. The perspective is used to study which arguments shareholder intermediaries use to convince corporations to take action on climate change concerns, and how those arguments get transformed through dialogue from matters of concern into matters of authority which inspire action.

RESEARCH METHODS

The study examined communication in a three-year engagement project carried out by a European engagement consultant ('the engager') on behalf of five European institutional investors and one country-wide association for responsible investment located in Europe, North America, and Asia. The engagement project required that the targeted corporations would set goals to cut their greenhouse emissions, disclose more information regarding their emissions, and adopt a clear strategy to mitigate climate change risks. Following an initial review of all documentation provided by the engager, along with follow-up interviews, the researchers looked to identify frequently invoked figures of speech, arguments and matters of concern within the emails, call transcripts, and reports. Frequently invoked arguments were categorized based on the main concern that was expressed, leading to three categories (labeled diplomat, advocate and coach), and used to analyze interaction patterns between the engager and the corporations.

		MATTER OF CONCERN	ROLE
	DIPLOMAT	Norms about ownership	Mediating different interests
	ADVOCATE	Compliance with regulation	Urging
	COACH	Cutting carbon emissions	Empowering

FINDINGS



The analysis found that the engager assumed different roles in the dialogue, which could be distinguished based on the arguments invoked and the matters of concern that were raised. These roles were akin to different personae that the engager assumed to convince target corporations to act on reducing carbon emissions. The metaphor of ventriloquism is used here to signify the idea that the engager as well as the target corporations constantly animate, or are animated by, different figures to make their case.

- As a diplomat, the engager aimed to represent institutional investors as ultimate owners of the corporation, and to mediate between the different interests of owners and management.
- As an advocate, the engager tried to urge corporations to be in compliance with the spirit of carbon emission regulations, including the Paris agreement.
- As a coach, the engager empowered target corporations to take real action on carbon reduction by providing knowledge and support.

Furthermore, it was found that corporations mirror these authoritative personae, leading to three pathways (Figure 1).

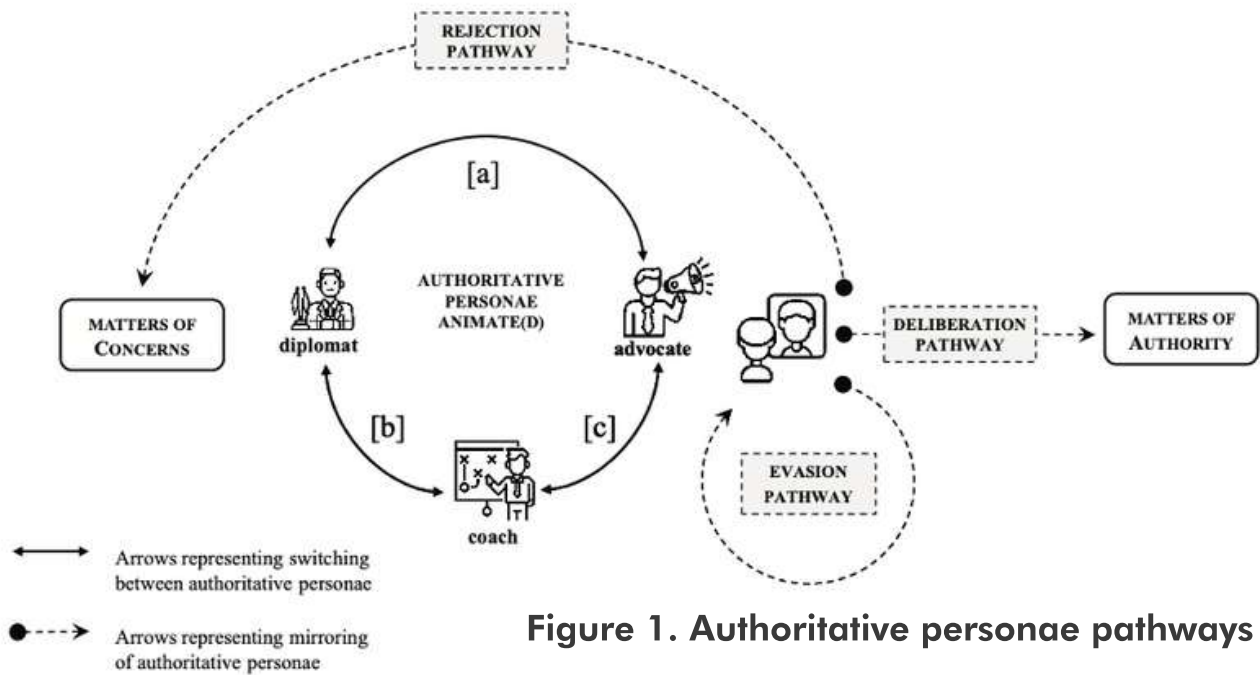


Figure 1. Authoritative personae pathways

DIPLOMAT ICON CREATED BY MONKIK; COACH ICON CREATED BY JUSTICON; PR ICON CREATED BY AFIAN ROCHMAH AFIF; REFLECTION ICON CREATED BY JUICY_FISH, ALL FROM WWW.FLATICON.COM.

Corporate representatives may (implicitly or explicitly) reject the arguments of the engager that the three personae draw on, and by extension, reject the relational authority that the engager is trying to establish. This means conversation remains centered around what the key concerns are, rather than what action can be taken. Notably, even when mirroring the arguments of the engager, corporate representative may also evade, by acknowledging the importance of concerns but not (yet) committing to move to the suggested course of action. Last, unequivocal acceptance of matters of concern by corporate representatives can provide a basis for deliberation on the exact course of action to be taken.

IMPLICATIONS FOR PRACTICE AND FUTURE RESEARCH



The framework used in this study provides a practical tool for systematically analyzing when and why the different response pathways (rejection, evasion, and deliberation) occur during specific engagement processes when communicating ESG related concerns. It encourages engagement practitioners and shareholder activists to take a deliberate and strategic approach to the communicative dynamics in engagement interaction.

ACADEMIC REFERENCE

Slager, R., Gond, Jean-Pascal., and Sjöström, E. (2023) 'Mirroring and switching authoritative personae: A ventriloquial analysis of shareholder engagement on carbon emissions.' Human Relations, 00(0), pp. 1-29. DOI: 10.1177/00187267231174700

The research project was funded by Vinnova, Sweden's innovation agency.