


Institutional Ownership Impact on Governance

Mireia Giné, IESE Business School

Big trends in ownership in the last 20 years around the globe

1. **US:** Big3 massive. The appearance of **Universal** owners.
2. **Europe:** Institutional have grown over time. **Families have diversified into institutional investors:** from industrial to financial portfolios.
3. **Asia:** Families still have a very strong hold. Local champions. **China gov.**
4. **Around the globe: Growth of ETF investing** (indexed & industry).
 - **Concentration high & rising** among top 5 owners.
 - **Overlap ownership is US centric**, but penetrating across globe via ETFs.
 - **Very large firms are unique** – becoming more homogeneous ownership.

- 
- I. Facts – Main shifts in ownership around the world.
 - II. Impact on Mechanisms Internal & External
– bridge academic knowledge with practice.
 - III. Concerns & What's next – given these trends.

Who are they?

Institutional Owners

Asset Managers: passive & Active, Hedge Funds, Pension Funds...
(Insurance, Banks...)

Distinct from Retail and,
more recently Private Equity, Private Credit and Family Offices that are
diversifying their positions.

Is there a useful taxonomy? They are heterogeneous.

Goals, Investment Horizon, Liquidity needs and Information set.

How much do Institutional sh. own around the globe?

Country	# Unique Firms	(Owner's Type)					
		Individual/ Family	Big 3 Inst. Invest.	Non-Big 3 Inst. Invest.	Govmt. Institution	PE/VC Invest.	Other Invest.
United States	4,233	12.00	11.14	43.35	0.51	2.09	1.35
United Kingdom	1,334	18.94	2.75	45.18	0.70	1.35	0.40
Canada	2,010	14.95	0.41	18.86	0.20	0.69	0.23
France	580	30.97	1.13	30.10	1.76	3.32	0.25
Germany	497	21.09	1.66	40.17	1.64	1.53	0.03
Sweden	398	20.05	0.58	37.85	0.46	3.35	0.03
Spain	228	25.47	1.20	41.48	1.17	0.94	0.01
Netherlands	119	14.55	3.41	44.76	1.54	2.67	0.45
Belgium	113	23.33	1.61	30.63	2.87	1.46	0.02
Russian Federation	296	12.22	0.16	66.51	3.89	0.03	0.04
Romania	249	17.77	0.01	40.53	5.04	13.01	0.00
Japan	3,811	12.32	1.24	41.42	0.52	0.25	1.01
China	3,396	19.31	0.20	29.30	12.07	0.58	0.03
India	3,969	35.60	0.16	33.69	1.74	0.43	0.14
Hong Kong	1,431	24.11	0.43	34.02	4.36	0.30	0.06
South Korea	2,257	22.51	0.54	25.82	0.25	0.46	0.00
Singapore	606	31.17	0.27	34.26	1.94	0.42	0.04
Thailand	744	31.21	0.17	22.05	0.88	0.06	0.00

The largest owners around the globe as % Firms

Countries	#Unique Firms	(Owner's Type)					
		Individual/ Family	Big 3 Inst. Invest.	Non-Big 3 Inst. Invest.	Govmt. Institution	PE/VC Invest.	Other Invest.
United States	4,233	23.25	30.81	40.59	0.07	4.98	0.31
United Kingdom	1,334	27.81	6.22	62.44	0.37	2.55	0.60
Canada	2,010	49.00	0.75	47.91	0.30	1.74	0.30
France	580	52.41	1.55	36.55	3.62	5.52	0.34
Germany	497	37.22	3.82	54.73	1.21	3.02	0.00
Sweden	398	34.17	0.50	55.53	0.75	9.05	0.00
Spain	228	36.84	2.19	57.02	2.19	1.75	0.00
Belgium	113	43.36	2.65	46.02	5.31	2.65	0.00
Russian Federation	296	16.55	0.00	78.72	4.73	0.00	0.00
Romania	249	24.50	0.00	55.82	7.23	12.45	0.00
Japan	3,811	22.12	1.15	75.73	0.13	0.42	0.45
China	3,393	28.09	0.00	71.32	0.15	0.41	0.03
India	3,969	48.15	0.00	49.21	1.91	0.71	0.03
South Korea	2,257	51.22	0.00	47.94	0.09	0.75	0.00
Hong Kong	1,431	39.41	0.07	59.75	0.28	0.28	0.21
Thailand	744	46.51	0.13	51.34	1.88	0.13	0.00
Singapore	606	41.09	0.17	55.12	2.81	0.83	0.00

Average ownership by Top 5 sh: Concentration

Countries	Owner Type						
	Top 5 Mean Own.	Individual/ Family	Big 3 Instit. Invest.	Non-Big 3 Instit. Invest.	Govermnt. Instit.	PE/VC Investor	Other Investor
United States	41.1%	10.1%	9.6%	19.3%	0.1%	1.9%	0.2%
United Kingdom	45.7%	12.9%	1.6%	29.5%	0.2%	1.2%	0.3%
Canada	31.9%	14.6%	0.3%	16.2%	0.1%	0.7%	0.1%
France	60.7%	30.5%	0.7%	24.5%	1.5%	3.2%	0.2%
Germany	58.1%	20.7%	1.2%	33.7%	1.0%	1.5%	0.0%
Spain	62.0%	23.9%	0.7%	35.5%	0.9%	0.9%	0.0%
Netherlands	47.9%	13.7%	2.1%	28.7%	0.9%	2.4%	0.2%
Sweden	47.2%	15.8%	0.2%	27.6%	0.2%	3.3%	0.0%
Romania	76.2%	17.8%	0.0%	40.4%	5.0%	13.0%	0.0%
Japan	41.3%	10.3%	0.4%	29.8%	0.1%	0.2%	0.5%
China	54.6%	16.7%	0.1%	37.0%	0.2%	0.6%	0.0%
India	56.8%	26.8%	0.0%	28.1%	1.5%	0.4%	0.0%
South Korea	45.8%	21.1%	0.3%	23.8%	0.1%	0.5%	0.0%
Hong Kong	61.5%	23.7%	0.3%	36.6%	0.4%	0.3%	0.2%
Malaysia	57.2%	17.6%	0.1%	36.3%	3.2%	0.1%	0.0%
Vietnam	55.3%	15.8%	0.0%	37.4%	1.9%	0.2%	0.0%
Thailand	43.3%	22.3%	0.1%	20.1%	0.8%	0.1%	0.0%
Singapore	62.3%	27.3%	0.2%	33.0%	1.4%	0.4%	0.0%

Who are the owners most present in each country?

Country	Owner Name	# Firms in Portfolio	% of Firms in the Sample
United States	Blackrock Inc	3060	72.29
United States	The Vanguard Group, Inc.	3036	71.72
United States	T Rowe Price Group Inc	2160	51.03
United States	Fmr Llc	2121	50.11
United States	State Street Corp	2583	61.02
United Kingdom	Blackrock Inc	606	45.43
United Kingdom	Schroder Investment Management Ltd. (Sim)	560	41.98
United Kingdom	Legal & General Group Plc	577	43.25
United Kingdom	The Vanguard Group, Inc.	509	38.16
United Kingdom	State Street Corp	542	40.63
Japan	Nomura Asset Management Co., Ltd.	2335	61.27
Japan	Blackrock Inc	2238	58.72
Japan	Daiwa Asset Management Co., Ltd.	2533	66.47
Japan	Nikko Asset Management Co., Ltd.	2326	61.03
Japan	The Vanguard Group, Inc.	1452	38.1
Brazil	Itaú Unibanco S.A.	124	46.1
Brazil	Blackrock Inc	106	39.41
Brazil	Norges Bank Investment Management (Nbim)	114	42.38
Brazil	Dimensional Fund Advisors, L.P.	131	48.7
Brazil	The Vanguard Group, Inc.	98	36.43

Who are the owners most present in each country? Universal

Country	Owner Name	# Firms in Portfolio	% of Firms in the Sample	Pct. (%) of Firms in the Sample where her Stake is		
				>=0.5%	>=1%	>=5%
United States	Blackrock Inc	3060	72.25	63.81	61.37	45.95
United States	The Vanguard Group, Inc.	3036	71.72	68.13	65.82	40.07
United States	T Rowe Price Group Inc	2160	51.03	19.09	18.56	6.9
United States	Fmr Llc	2121	50.11	27.5	23.06	6.87
United States	State Street Corp	2583	61.02	54.67	51.05	5.27
United Kingdom	Blackrock Inc	606	45.43	40.03	30.96	14.54
United Kingdom	Schroder Investment Management Ltd. (Sim)	560	41.98	29.09	23.09	8.77
United Kingdom	Legal & General Group Plc	577	43.25	40.63	36.96	2.17
United Kingdom	The Vanguard Group, Inc.	509	38.16	23.46	18.89	0.37
United Kingdom	State Street Corp	542	40.63	19.27	11.92	0.15
Japan	Nomura Asset Management Co., Ltd.	2335	61.27	58.23	51.69	3.83
Japan	Blackrock Inc	2238	58.72	25.72	18.47	2.26
Japan	Daiwa Asset Management Co., Ltd.	2533	66.47	54.61	24.06	1.31
Japan	Nikko Asset Management Co., Ltd.	2326	61.03	49.65	15.14	0.58
Japan	The Vanguard Group, Inc.	1452	38.1	36.05	32.35	0
Brazil	Itaú Unibanco S.A.	124	46.1	29	22.68	5.2
Brazil	Blackrock Inc	106	39.41	30.48	20.82	5.2
Brazil	Norges Bank Investment Management (Nbim)	114	42.38	28.62	17.84	1.12
Brazil	Dimensional Fund Advisors, L.P.	131	48.7	27.88	17.47	0
Brazil	The Vanguard Group, Inc.	98	36.43	34.2	27.14	0

Owners most present in Europe

Country	Owner Name	# Firms in Portfolio	% of Firms in the Sample
Spain	Blackrock Inc	70	30.7
Spain	Dimensional Fund Advisors, L.P.	78	34.21
Spain	Norges Bank Investment Management (Nbim)	78	34.21
Spain	The Vanguard Group, Inc.	73	32.02
Spain	Amundi Sa	68	29.82
Germany	Blackrock Inc	162	32.6
Germany	Dws Investment Gmbh	177	35.61
Germany	Norges Bank Investment Management (Nbim)	166	33.4
Germany	Amundi Sa	174	35.01
Germany	The Vanguard Group, Inc.	160	32.19
France	Blackrock Inc	143	24.66
France	Amundi Sa	201	34.66
France	Norges Bank Investment Management (Nbim)	183	31.55
France	Mfs Investment Management	87	15
France	The Vanguard Group, Inc.	151	26.03
Netherlands	Blackrock Inc	77	64.71
Netherlands	The Capital Group Companies, Inc.	25	21.01
Netherlands	The Vanguard Group, Inc.	75	63.03
Netherlands	Amundi Sa	63	52.94
Netherlands	Norges Bank Investment Management (Nbim)	69	57.98

Owners most present in Europe

Country	Owner Name	# Firms in Portfolio	% of Firms in the Sample	Pct. (%) of Firms in the Sample where her Stake is		
				>=0.5%	>=1%	>=5%
Spain	Blackrock Inc	70	30.7	25	15.35	4.39
Spain	Dimensional Fund Advisors, L.P.	78	34.21	19.3	10.09	0.44
Spain	Norges Bank Investment Management (Nbim)	78	34.21	29.82	25.88	0.44
Spain	The Vanguard Group, Inc.	73	32.02	26.32	21.05	0
Spain	Amundi Sa	68	29.82	10.96	7.02	0
Germany	Blackrock Inc	162	32.8	25.75	21.33	8.85
Germany	Dws Investment Gmbh	177	35.61	16.1	12.88	2.41
Germany	Norges Bank Investment Management (Nbim)	166	33.4	28.37	20.72	0.4
Germany	Amundi Sa	174	35.01	13.08	7.44	0
Germany	The Vanguard Group, Inc.	160	32.19	25.55	22.13	0
France	Blackrock Inc	143	24.66	19.66	15.17	5.86
France	Amundi Sa	201	34.66	18.79	11.9	1.03
France	Norges Bank Investment Management (Nbim)	183	31.55	27.41	23.1	0.69
France	Mfs Investment Management	87	15	2.76	1.55	0.69
France	The Vanguard Group, Inc.	151	26.03	22.41	17.93	0.34
Netherlands	Blackrock Inc	77	64.71	55.46	44.54	15.13
Netherlands	The Capital Group Companies, Inc.	25	21.01	17.65	16.81	7.56
Netherlands	The Vanguard Group, Inc.	75	63.03	54.62	47.06	1.68
Netherlands	Amundi Sa	63	52.94	21.85	15.97	0.84
Netherlands	Norges Bank Investment Management (Nbim)	69	57.98	53.78	40.34	0

Passive Funds Impact on Governance Mechanisms

- Passive funds are long-term shareholders. Since they lack an “exit” option → incentivized to do governance research.
- Passive funds are not rewarded for “beating the index”, competitive pressure to lower fees → weak incentives and limited resources for firm-specific research.

Do they influence firm's governance?

Internal mechanisms

- Board Composition
- Compensation
- Voting & Engagement



Endogenous nature of these choices.
Must find exogenous change!

Cutoff Top R2000 vs low R1000

External mechanisms : M&A

Are Passive Investors, Passive Owners?

Cutoff Top R2000 vs low R1000: inflow of quasi-indexers.

- + **Increase board independence**, oppose anti-takeover provisions (poison pills); oppose unequal voting rights. (*Appel, Gormley, Keim JFE 2016*) → **Improve “easy-to-check KPI” governance.**
- + **Increases Payout** to shareholders (*Crane et al. RFS 2015*)
- + Greater **management disclosure**: more point forecasts, earlier in fiscal year and more voluntary 8K filings. (*Boone & White JFE 2015*)
- + Intensifies analyst following resulting in **lower information asymmetry.** (*Boone & White JFE 2015*)
- Increases prob of CEO becoming chairman, **undertake more “value decreasing” M&A.** → harder for high-cost monitoring events or firm specific events. (*Schmidt & Fahlenbrach JFE 2017*)

Institutional Investors Monitoring: Recurrent events ASM

- **Institutional Investors do governance research** (Illiev, Kalodimos, Lowry RFS 2020)
 - + Investors **viewings of regulatory fillings** and proxy statements. Ongoing monitoring at Annual Shareholders Meetings to cast votes.
 - + Governance research disciplines management: **reduces investments and increases payouts**.
 - + Increases “**informed voting**”, i.e. differing from proxy advisory ISS.
 - Disproportionately focused on **large firms** – subset of firms.

Investor attention will pressure the company to make value-increasing changes.

Behavior at High-stakes Events?

Hedge funds and **shareholder activists** engage in monitoring, sometimes via aggressive means:

- + “Just Vote No” campaigns (*Del Guercio, Seery, and Woidtke 2008*)
- + Private engagements (*Becht et al. 2009*)
- + **Proxy fights or threat of** (Alon Brav Wei Jiang Tao Li James Pinnington, 2024)
- + Passive funds are diligent and **effective monitors in high-stakes** voting events.
- + Lack of support by passive funds drives contests toward a settlement.
Pivotal.

Concentration of Big 3 ownership & Voting

- **With so much voting weight by Institutional Investors (Big 3), how will they manage this power?**
 - One option is to **Decentralize Votes**: to individual fund managers rather than their own stewardship teams à la Vanguard.
 - Rationale: can it give more legitimacy to the outcome and protect the asset manager on matters that are controversial i.e. E&S?

How decentralized voters will exercise their new voting authority?

Shareholder Proposals

Agenda Item	Decentralized Voters	Vanguard
Environmental		
Community- Environmental Impact	46%	11%
GHG Emissions	59%	32%
Report on Climate Change	39%	22%
Climate Change Action	14%	0%
Nuclear Power - Related	0%	0%
Social		
Racial Equity and/or Civil Rights Audit	45%	7%
Miscellaneous Proposal - Social	28%	0%
Link Executive Pay to Social Criteria	27%	0%
Improve Human Rights Standards or Policies	25%	0%
Gender Pay Gap	28%	4%
Governance		
Amend Articles/Bylaws/Charter -- Call Special Meetings	52%	6%
Require Independent Board Chair	46%	6%
Provide Right to Act by Written Consent	40%	4%
Clawback of Incentive Payments	38%	4%
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	48%	17%

In Sum, on Internal Mechanisms overall Improvement

- + Improvement on “easy check list” board characteristics: independence.
 - + More discipline in favor of shareholders: more payouts less investments.
 - Little challenge or focus on compensation contracts - these are executive matters.
-
- + Improved transparency, fillings, forecasts and information asymmetry.
 - + Better informed Voting on ASM & at high stakes events as well.
 - + Oppose anti-takeover provisions: firms should be open to changes in control.

M&A as a Mechanism for Governance

- Disciplining effect to unlock LT value for undervalued firms. As Governance...
 - It pushes companies to be more efficient & competitive...
- M&A is the mechanism for consolidation...
 - Pushes industries to be less competitive...higher margins, market power

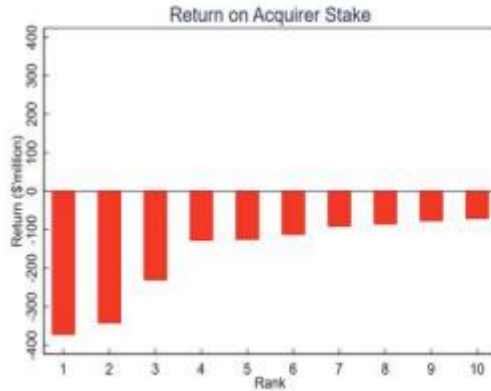
What are Institutional shareholders incentives in M&A?

CAR: -1.46%



buys

CAR: +45.97%



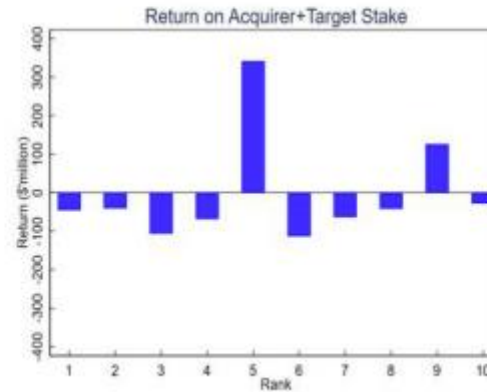
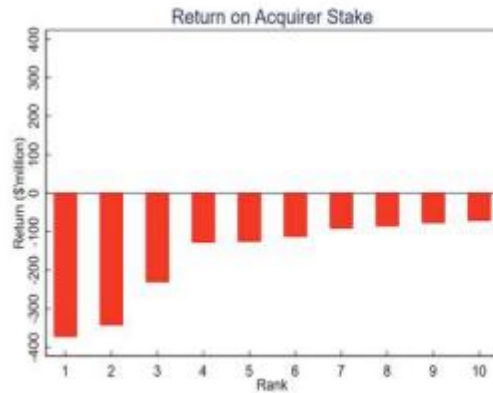
Beyond the Target: M&A Decision and Rival Ownership,
M. Antón, J. Azar, M. Giné, L. Lin JFE 2022

CAR: -1.46%

CAR: +45.97%



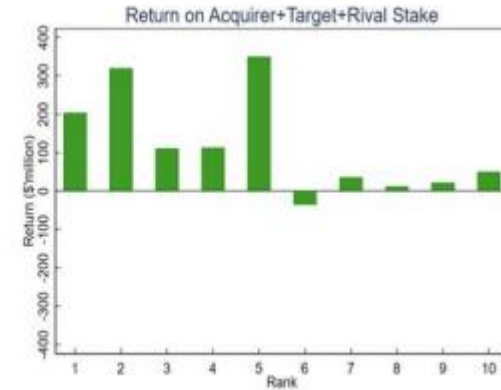
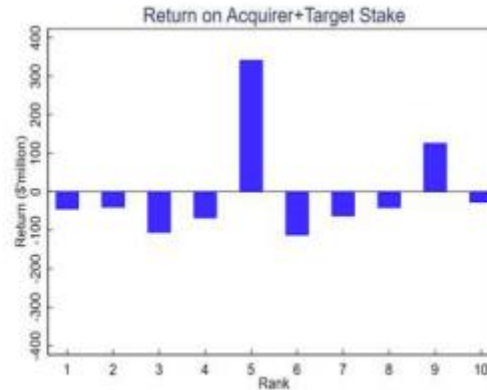
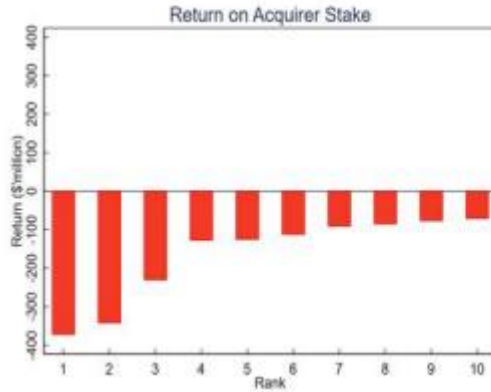
buys



Beyond the Target: M&A Decision and Rival Ownership,
M. Antón, J. Azar, M. Giné, L. Lin JFE 2022

CAR: -1.46%

CAR: +45.97%



Beyond the Target: M&A Decision and Rival Ownership,
M. Antón, J. Azar, M. Giné, L. Lin JFE 2022

■ Concerns: #1 What do powerful shareholders want?

1. What do institutional shareholders really want? What are their incentives?

- When we focus on internal mechanisms, they seemed to be pushing towards increasing discipline towards shareholder value.
- Preference for Competition vs Consolidation?

Concerns #2: Investors move as a pack

2. Which institutional investors will lead the pack?

- Hostile takeover: HFs may take a stand, and the ETFs intensive investors will follow.
- In proxy contest: “when dissidents are successful in convincing passive fund, managers offer a settlement to avert failure in daylight”.

Evidence is US shareholders for US firms. Will the level of monitoring apply to other geographies where sh. are far away? More reliant of better- informed local activist sh.

What's next

- One of the main differences between & within institutional investors... and retail is the **information gap**.

The impact of **AI on information asymmetries and gaps**.

- Which institutional sh. be differentially better informed?

Quant Fund & HFs leading.

Insider executives vs outside HF (Wei Jiang, 2025)

Summary

- Ownership trends & Governance go hand in hand.
- Institutional Investors & Big 3 force for better internal governance.
- Space for improvement of internal mechanisms
 - Better boards: culture of effective challenge & response to sh.
 - Challenge compensation.
 - Extend focus beyond the very large.
 - Voice to shareholders: decentralization at which level? From fund managers to citizens? (Hart & Zingales)
- The M&A channel might be more about consolidation than disciplining undervalued firms.
 - Shift in institutional shareholders preferences towards more consolidation.



Thank you!