

# Why do asset managers sign the PRI?

## A re-examination of stakeholder salience theory.

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Analysing the PRI reporting and assessment database and quantitative data within the Mitchell et al. (1997) and Gifford (2010) theoretical framework.

# Agenda

Research  
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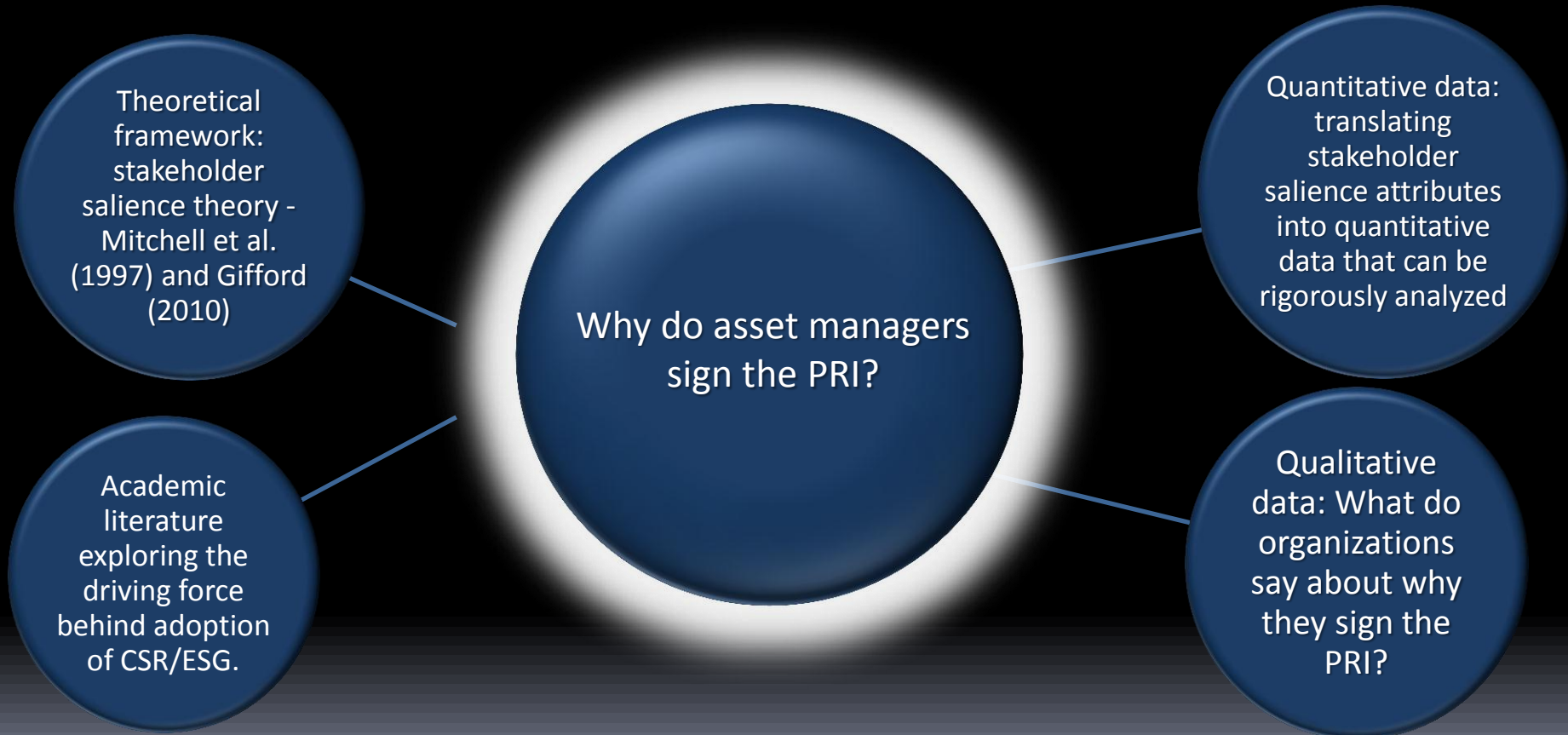
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# Research Question



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# Literature - background

The PRI as a **stakeholder** of asset managers 'any group or individual who can affect or is affected by the achievement of the organization's objectives' – Freeman (1984)

**Stewardship theory** (Davies, Schoorman & Donaldson, 1997) - asset managers signing the PRI in the belief that it serves the interests of their clients.

**Universal ownership theory** (Hawley & Williams, 2000) – asset managers signing because the size and diversification of their holdings benefits from an ESG-secured, stable economy



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# Literature - background

Diane-Laure Arjalies (2010) – social movement perspective – asset managers sign because the finance industry is being reformed by and internalizes the RI social movement

Brickson (2007) – theory of organizational identity orientation: individualistic, collectivistic, relational – different motivations for signing based on organizational identity

Barnett (2007) – ESG activity is positively correlated with good CFP when it responds to demand for ESG – asset managers signing in response to an ESG market trend

Mackey et al (2007) – *positive impact of ethical activities on firm value when demand for responsible investment exceeds supply: PRI drives demand for RI*



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# Literature - background

Aguilera (2007) – multi-level theoretical model of motivations: instrumental, relational and moral motives for pursuing ESG.

Marquis, Glynn and Davies (2007) – community isomorphism in metropolitan areas motivates organizations to pursue ESG.

Mackey, Mackey and Barney (2007) – pursuit of ESG is beneficial to an organization in response to demand for ESG from the market.

Campbell (2007) – a range of economic conditions moderated by institutional conditions that favour ESG.

Baron (2009) - moral duty, self-interest and social pressure are potential organizational motivations for pursuing ESG.



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# Theoretical framework

## Theory of stakeholder salience

*Identify factors influencing the salience of stakeholder claims to company managers*

### Power

- coercive
- utilitarian
- normative

### Urgency

- time-sensitivity
- Criticality

### Legitimacy

- individual
- organizational
- societal

Mitchell et al  
1997, AMR

Expanded by

## Expanded theory of stakeholder salience

*Adds moderating factors to Mitchell's model*

- Relative economic size
- Coalition building
- Pragmatic legitimacy
- Management values

Gifford  
2010, JBE



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# Theoretical framework

Factor	Definition	Application to PRI-investor relationship
Mitchell et al. (1997)		
Power – utilitarian	A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done – via material incentive.	Asset Managers see a potential material benefit in signing the PRI.
Power – normative	A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done – through symbolic influence.	Asset Managers are put under symbolic (non-material) pressure to sign the PRI.
Power - coercive	A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done – by threat or coercion.	As a voluntary, aspirational framework, PRI does not exercise coercive power.
Urgency	The degree to which stakeholder claims call for immediate attention – determined by time sensitivity and criticality.	Increased visibility of the PRI and calls for signing the principles in the media.
Legitimacy - individual	a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995) – relating to the individual	The legitimacy of an individual serves as a catalyst for signing the principles.



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# Theoretical framework

Legitimacy - organizational	a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995) – relating to the organization	The perception of the PRI as a highly legitimate initiative.
Legitimacy - societal	a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995) – as based on social support, policy and code of conduct backed best practice.	The perception of the PRI as having high societal legitimacy, being supported by national and international organizations.
Gifford (2010)		
Relative economic size of stakeholder	high degree of relative economic and governance power of one stakeholder over another	The size of the PRI creates an incentive to sign.
Coalition building	The shareholder builds coalitions with other shareholders and stakeholders	Investor signs the PRI in order to be part of an industry coalition working towards a common goal.
Management values	managers' values are broadly aligned with the stakeholder's values	Investors represent values aligned with the values of the PRI and are willing to express that by signing the Principles.
Pragmatic legitimacy	The stakeholder makes a strong case for why it is beneficial to the organization, including providing the organization with new information.	Investors see a pragmatic reason to sign the principles.



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# Hypotheses

*Hypothesis 1a: The salience of the PRI as a stakeholder is positively correlated with the attribute of utilitarian power.*

*Hypothesis 1b: The salience of the PRI as a stakeholder is positively correlated with the attribute of normative power.*

*Hypothesis 2: The salience of the PRI as a stakeholder is positively correlated with the attribute of urgency.*

*Hypothesis 3a: The salience of the PRI as a stakeholder is positively correlated with the attribute of organizational legitimacy*

*Hypothesis 3b: The salience of the PRI as a stakeholder is positively correlated with the attribute of individual legitimacy.*

*Hypothesis 3c: The salience of the PRI as a stakeholder is positively correlated with the attribute of societal legitimacy.*



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# Hypotheses

*Hypothesis 4: The salience of the PRI as a stakeholder is positively correlated with the attribute of relative economic size.*

*Hypothesis 5: The salience of the PRI as a stakeholder is positively correlated with the attribute of coalition building.*

*Hypothesis 6: The salience of the PRI as a stakeholder is positively correlated with the attribute of management values.*

*Hypothesis 7: The salience of the PRI as a stakeholder is positively correlated with the attribute of pragmatic legitimacy.*



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# Qualitative analysis – Dataset

## 2006-2011 UNPRI survey data

voluntary and obligatory self-assessment by PRI signatories: asset owners and asset managers

No. of responses grew from around 150 in the years 2007-2009 to just under 400 in 2010 and over 400 in 2011  
88-140 questions from every year

Combination of quantitative & **qualitative** data

**Q7:** Why did your organization join the PRI?  
and **79:** What has your organisation changed as a direct result  
of becoming a PRI signatory?

Qualitative  
data: What do  
organizations  
say about why  
they sign the  
PRI?



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# Qualitative analysis - Method



Qualitative  
data  
analysis

Answers rated for support for ***theories***...

Mitchell et al. (1997) – stakeholder salience theory

Gifford (2010)

David Baron (2009) – theory of firm behaviour

Laurel et al.(2012) – Institutional logics theory

Campbell (2007) – institutional theory of CSR

Brickson (2007) – organizational identity theory

Marquis et al. (2007) – community isomorphism

Mackey et al. (2007) – demand & supply for RI

Aguilera et al. (2007) – social change in organizations

Universal Ownership

Stewardship Theory

Agency Theory

Stakeholder Theory

...and most frequently occurring ***factors***

Clearinghouse

Reporting Framework

Network building

Academic Network

Publicly confirming ESG commitment

Additional motivation to implement ESG

Promoting ESG in the industry

Implementation support

Relationship & communication with stakeholders

Increase in AO activities

Remuneration & broker reward practices

Increase of/improvement in engagement



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# Qualitative analysis - Method

		collective responsibility makes them push for social change via ESG integration/networks.	strength rating	The Clearinghouse!	strength rating	Useful reporting framework	strength rating	Network building	strength rating	Academic Network!	strength rating	Publicly confirming ESG	strength rating	additional motivation to implement ESG	strength rating	promoting ESG in the industry	strength rating	impleme ntation support!	strength rating
133	Membership in a growing international community of							Membership in a growin	4							Association with		3	
134	Knowing we are supporting and engaging with a leading							Knowing we are support	4							Knowing we are st		1	Associat
135	Trillium has benefited from the collaborative efforts of			Trillium has benefited fr	4													We have	
136	-																	We have	
137	We have found that being a signatory of the PRI creat			We have found that beir	3			We have found that beir	4	We have found that beir	3					We have found th		4	We have f
138	A platform and framework within to work with other st			A platform and framewo	3			A platform and framewo	3			It also provides an incre	1	It also provides ai		1	It also provides ai	1	
139	The PRI have provided the System aspirational stand					The PRI have provided	1											The PRI h	
140	Our organisation has benefited from business flows fr							Our organisation has be	4										
141	-																		
142	-																		
143	As one of the largest investment managers in Austral			We find the Principles h	2	AMP Capital has found	3	We find the Principles h	3			By adopting the UN PRI	4					AMP Cap	
144	-																		
145	We think that the benefits of signing the PRI are as fol							understand the advanc	3			the announcement of c	4	expand the netwc	4			understat	
146	Access to an increased network of informed individus							Access to an increas	4									Access to	
147	Continuous information on relevant ESG issues																	Continuo	
148	(i)Get close to the best practice that others investors							(i)Get close to the best	3			Reputation benefits as	4					(i)Get clo	
149	Although our organization does not have much influ							Although our organizati	1			Although our organizati	2			Although our orga	2		
150	Signing the UNPRI helped giving some strenght to our			The Clearinghouse and	3	The reporting exercise i	3	The Clearinghouse and	2			The Clearinghouse and	3	Signing the UNPF	3				
151	internal encouragement to go on the path taken. We've							internal encouragement	1					internal encouraq					
152	internal encouragement to go on the path taken. We've							internal encouragement	1					internal encouraq					
153	This initiative is aligned on our ethical approach of inv																		
154	What we wrote last year is still valid. In addition, on a w																		
155	We have experienced greater appreciation from a large											We have experienced gr	4						
156	Mainly asset management staff increased interest in			Built a network for stim	3	Enhanced disclosure at	3	Built a network for stim	3					Mainly					
157	The benefits that we have enjoyed as a result of adopt													The					
158	NYCERS benefits by having access to best practices											NYCERS benefits by be	3						
159	Growing industry and public recognition, access to a n							Growing industry and pu	3			Growing industry and pu	3						
160	Signing and implementing PRI has played a role in enh			Being a member of the	2	Being a member of the	4	Being a member of the	3			Signing and implementi	3						
161	The network, documentation (for example RI when inv							The network, document	3										
162	Membership of a well recognized international organz			Clearinghouse provides	2			Membership of a well re	3			Membership of a well re	2						
163	Clearinghouse provides information of collaborative																		
164	Collaboration with other signatories, driving the cause							Collaboration with othe	2			Collaboration with othe	2						
165	-																		
166	A tool for structuring our SPI policy and engagement					Helpful in assessing ou	3	Sharing knowledge and	3			Belonging to a respons	3						
167	Helps focus the work on the wider ESG and active ow							Helps focus the work o	3	Useful meeting place fr	1								
168	The PRI clearinghouse provides insight into the poss			The PRI clearinghouse	4			The PRI clearinghouse	2										
169	PRI has provided a framework for bringing together w							PRI has provided a fran	2			PRI has provided a fran	2						
170	We have benefited from the PRI in two major ways: 1. Y			1. We are able to influen	3			1. We are able to influen	3										

= 13 theories and  
47 individual factors  
included in the analysis  
of the qualitative  
dataset



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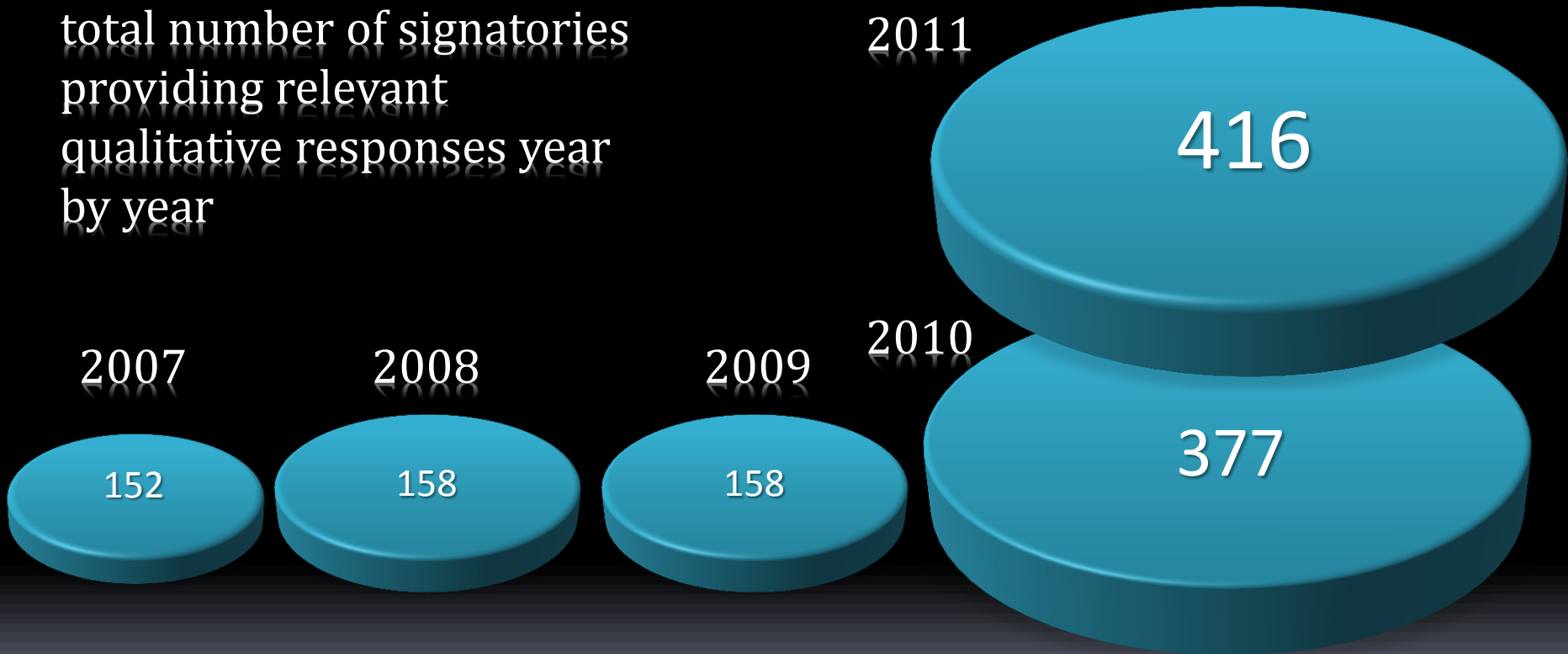
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# Qualitative analysis - Method

total number of signatories  
providing relevant  
qualitative responses year  
by year



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# Qualitative analysis - Initial Findings

	THEORY/FACTOR	NO. OF SIGNATORIES	
1	institutional logics theory	647	Laurel et al. (2012)
2	pragmatic legitimacy	491	Gifford (2010)
3	framework/implementation support	469	Individual factors
4	coalition building	333	Gifford (2010)
5	Stewardship theory	325	Stewardship Theory
6	promoting ESG in the industry	324	Individual factors
7	management values	289	Gifford (2010)
8	Public confirmation of ESG	282	Individual factors
9	Reporting & Assessment	218	Individual factors
10	motivation to implement ESG	190	Individual factors

**TOP 10**  
theories & factors  
illustrating the impact  
of the UNPRI  
based on analysis of  
qualitative data



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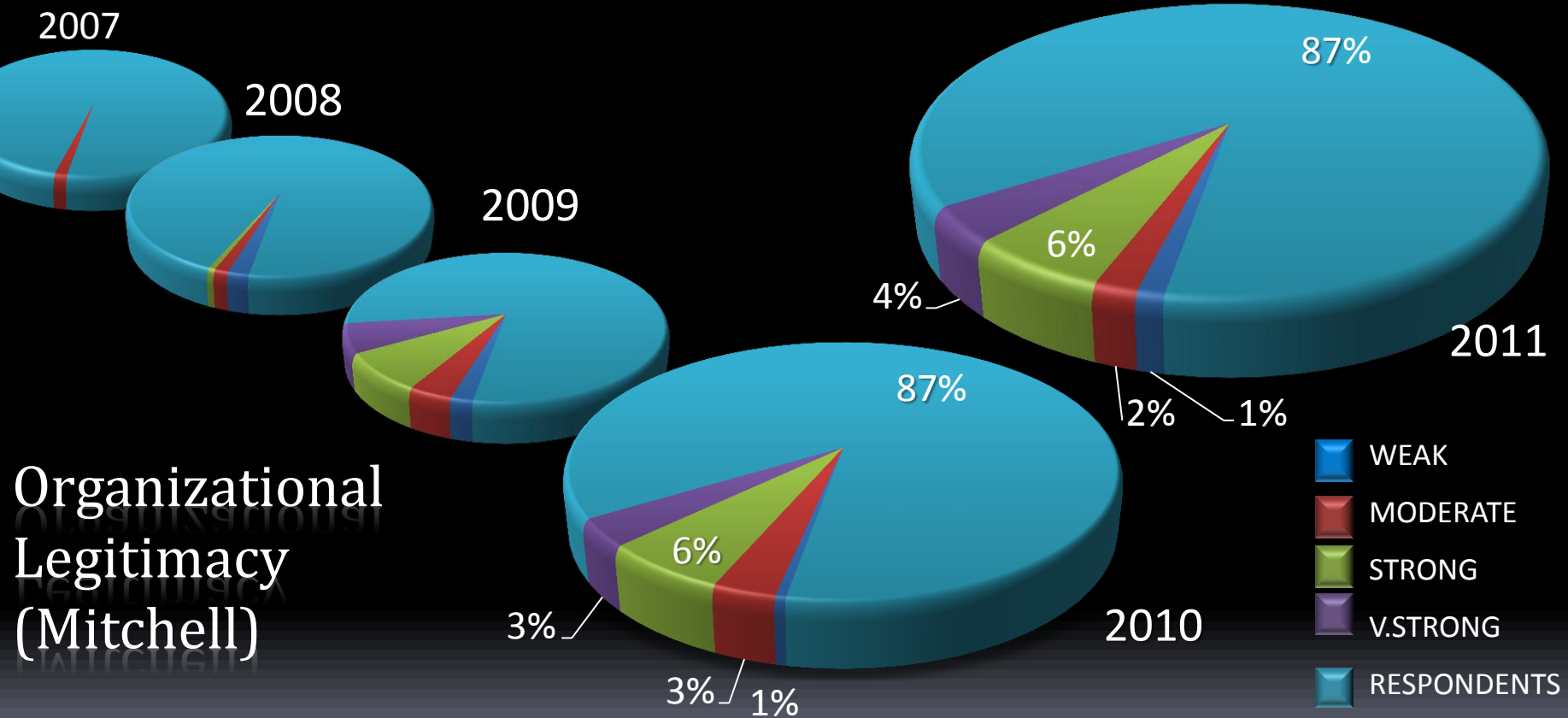
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# Initial Findings – main theoretical framework



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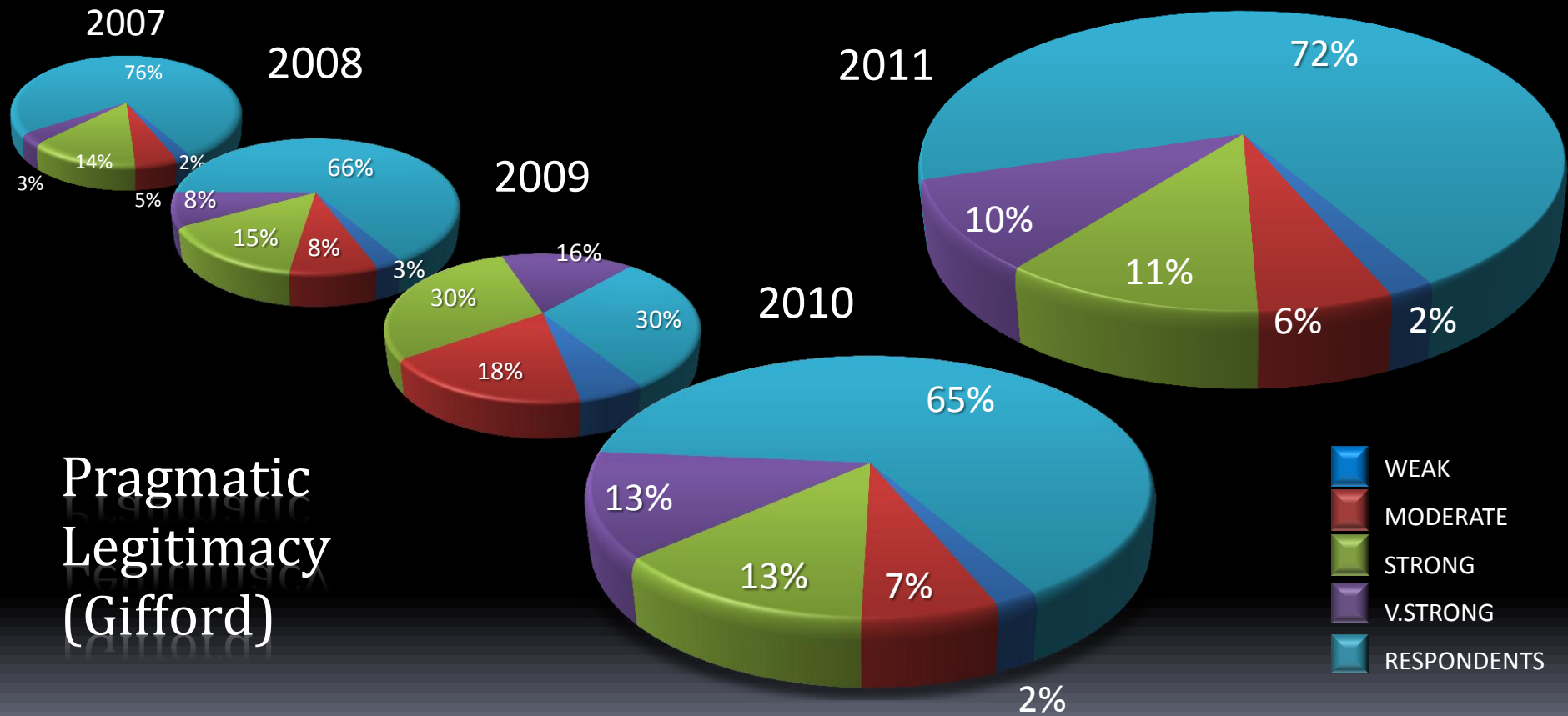
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# Initial Findings – main theoretical framework



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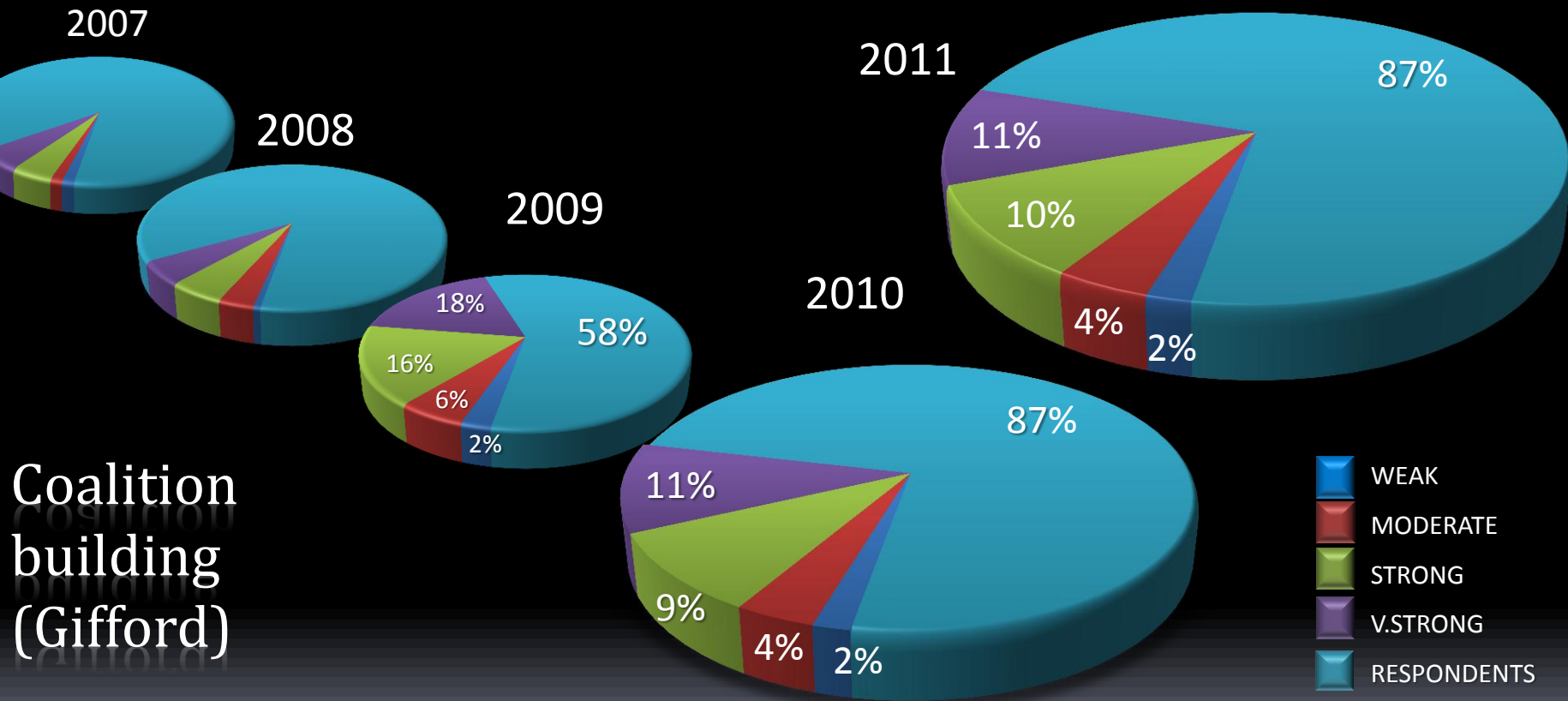
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# Initial Findings – main theoretical framework



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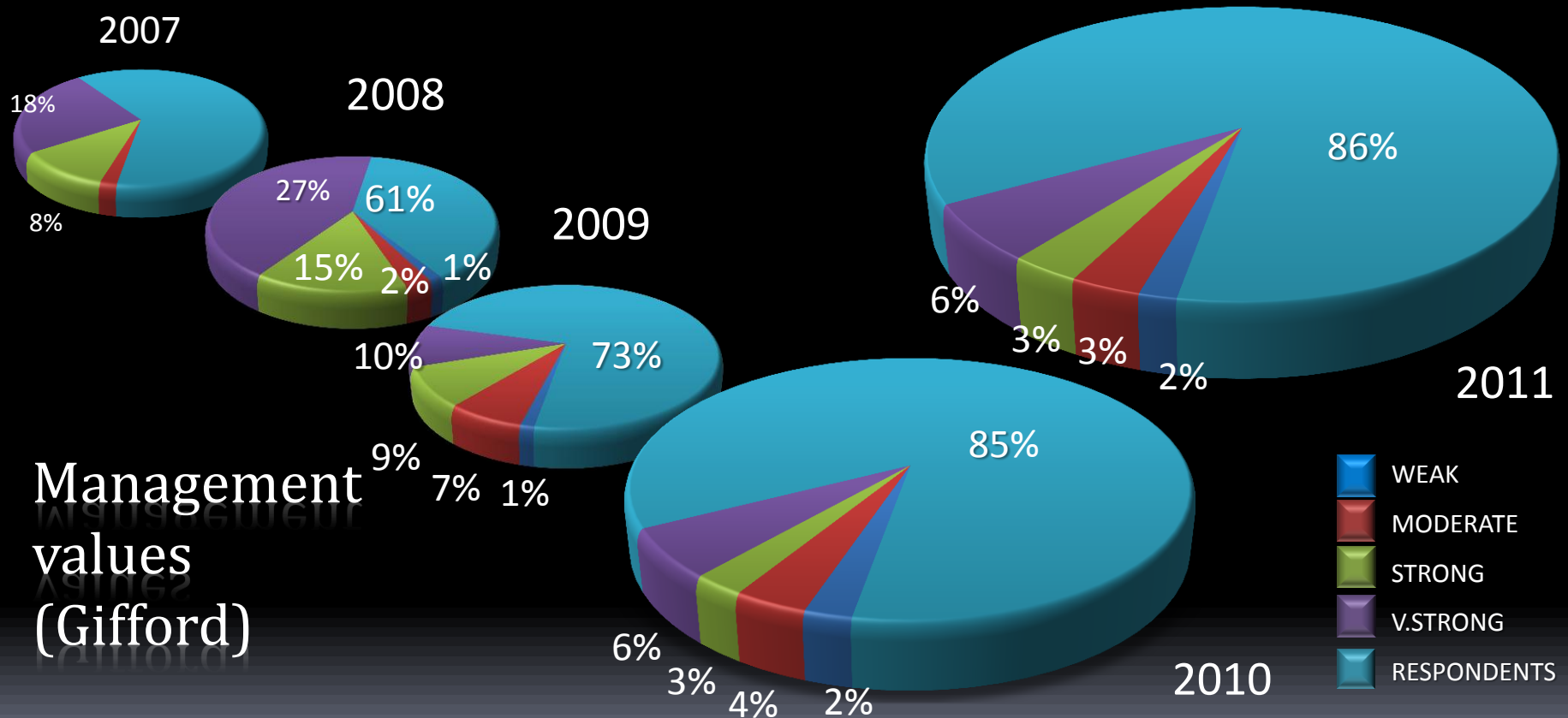
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# Initial Findings – main theoretical framework



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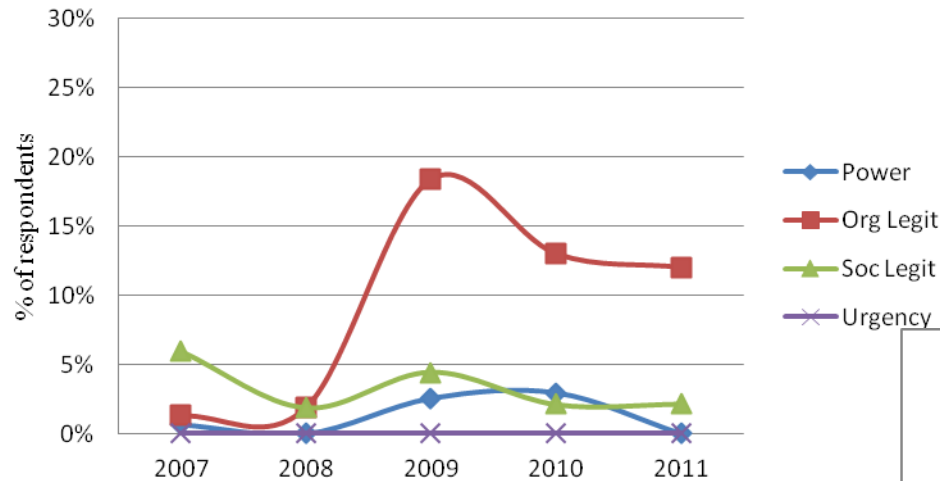
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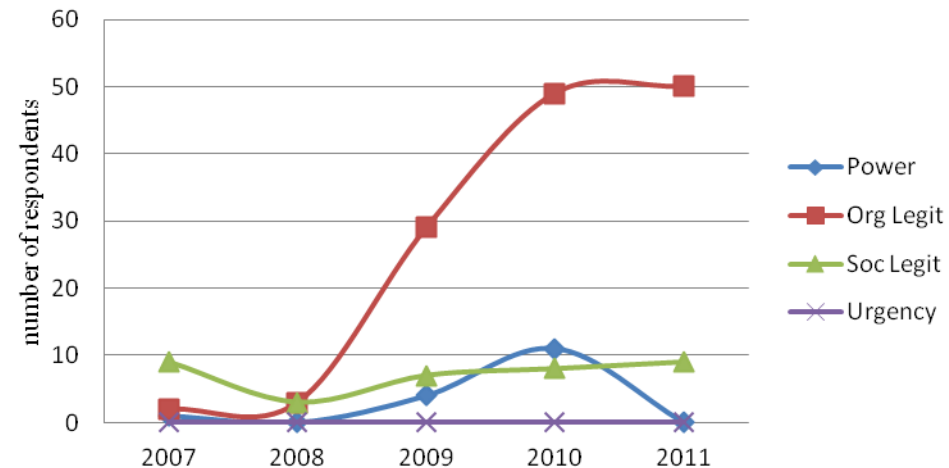
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# Initial Findings – summary

Mitchell et al. (1997) - proportion of respondents



Mitchell et al. (1997) - absolute numbers



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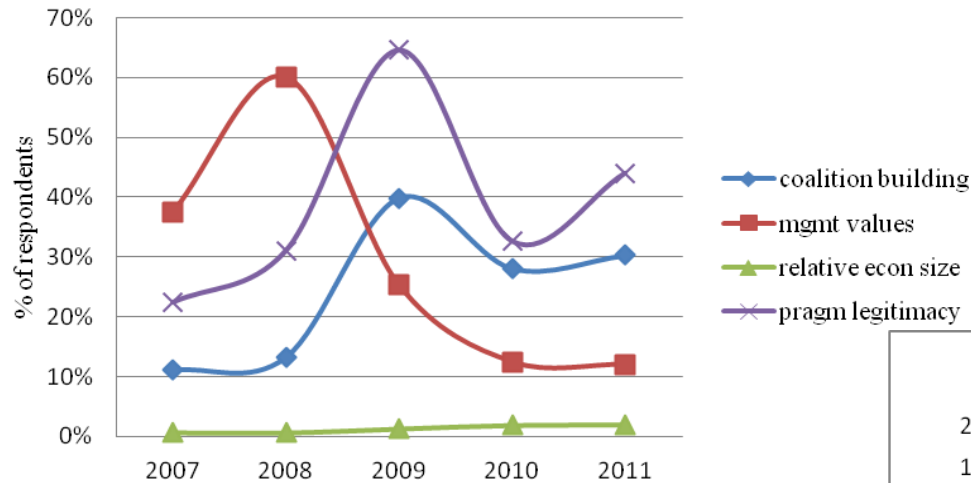
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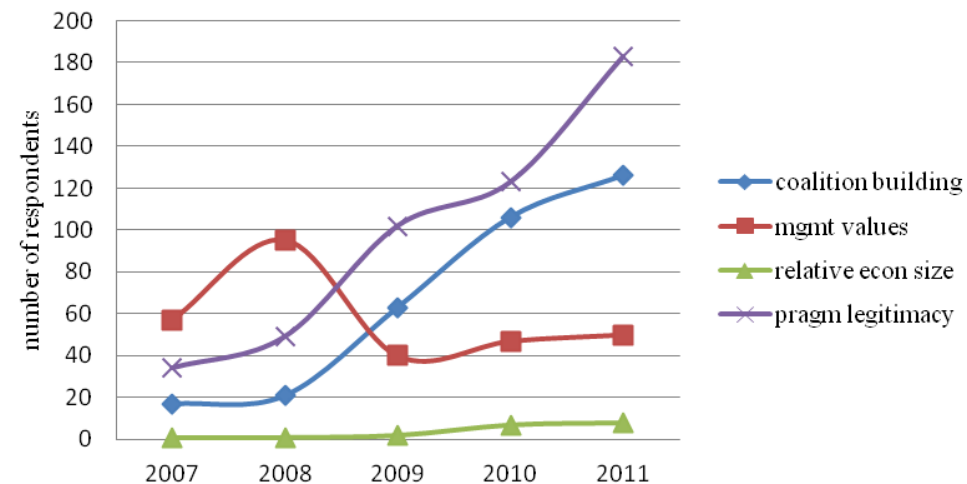
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# Initial Findings – summary

Gifford (2009) - proportion of respondents



Gifford (2009) - absolute numbers



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# Method

Theory/factor	Quantitative indicator	Literature
Mitchell et al.		
Power – utilitarian	How many PRI signatory pension funds have mandates with them?	Under-researched power relationship between asset managers and asset owners – literature suggestions welcome.
Power – normative	Country network manager – active, events.	
Power - coercive	n/a	n/a



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# Method

Theory/factor	Quantitative indicator	Literature
Mitchell et al.		
Urgency	(Persuasive media coverage –) calls for signing PRI in media.	Suchman, M. C. (1995.) Managing legitimacy: Strategic and institutional approaches. Academy of Management Review, 20: 571–610
Legitimacy - individual	Media coverage of CEO.	McQuail, D. (1985) 'Sociology of Mass Communication', Annual Review of Sociology 11:93–111 .
Legitimacy - organizational	Media coverage of the PRI being related to the organizational legitimacy of the PRI.	Deeds, D.L., Mang, P., & Frandsen, M. (2004). The influence of firms' and industries' legitimacy on the flow of capital into high-technology ventures. Strategic Organization, 2(1), 9–34 . Pollock T G, Rindova V P (2003). Media legitimization effects in the market for Initial Public Offerings. Academy of Management Journal, 46 (5 ),631-642



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Theory/factor	Quantitative indicator	Literature
Mitchell et al.		
Legitimacy – societal	<ul style="list-style-type: none"> <li>- How many national organizations are endorsing the PRI?</li> <li>- National legislation - the more you have the more likely you are to join (Eccles).</li> </ul>	<p>Marquis, Glynn and Davies (2007) – community isomorphism</p> <p>Campbell (2007) ‘Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility.’ <i>Academy of Management Review</i>, 32(3), 946-967.– overall health of the economy is a favourable environment in which organizations are likely pursue CSR; normative institutional environment; government regulation and industry self-regulation</p> <p>David Baron (2009) ‘A Positive Theory of Moral Management, Social Pressure and Corporate Social Performance.’ <i>Journal of Economics &amp; Management Strategy</i>, 18(1), 7-43. – anticipation of social pressure (public or social politics)</p> <p>Usunier, Furrer and Furrer-Perrinjacquet (2011) ‘The perceived trade-off between CSR and economic responsibility: A cross-national study’. <i>International Journal of Cross-Cultural Management</i>.</p>



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Theory/factor	Quantitative indicator	Literature
Gifford		
Relative economic size of stakeholder	<ul style="list-style-type: none"> <li>- Growth of the UNPRI.</li> <li>- AUM at point of signing</li> </ul>	<p>Community isomorphism? Mackey, Mackey &amp; Barney (2007) – favourable supply &amp; demand balance?</p> <p>Diane-Laure Arjalies (2010) – ‘compromise movement’ reforms an existing financial system and is absorbed by it.</p>
Coalition building	How many organizations previously joined collaborative initiatives?	<p>Brickson (2007) ‘Organizational Identity Orientation: the Genesis of the Role of the Firm and Distinct Forms of Social Value.’ Academy of Management Review, 32(3), 864-888. – identity: collectivistic</p> <p>Aguilera (2007) – relational motives</p>



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Theory/factor	Quantitative indicator	Literature
Gifford		
Management values	<ul style="list-style-type: none"> <li>- Minorities among management</li> <li>- UNEP FI membership</li> <li>- FTSE4GOOD constituent status</li> </ul>	<p>Boulouta, I. (2013) 'Hidden Connections: the Link Between Board Gender Diversity and CSP Performance'. JBE 113(2), 185-197.</p> <p>Hafsi and Turgut (2013). 'Boardroom Diversity and its Effect on Social Performance: Conceptualization and Empirical Evidence'. JBE 112(3): 463-479.</p> <p>Adams and Funk (2012) 'Beyond the Glass Ceiling: Does Gender Matter?' Management Science.</p> <p>Aguilera (2007) – moral motives</p>
Pragmatic legitimacy	Average stock holding period.	<p>Cremer, Pareek and Sautner (2013) 'Stock Duration and Valuation'</p> <p>Barnett (2007) 'Stakeholder Influence Capacity and the Variability Of Financial Returns To Corporate Social Responsibility .' Academy of Management Review , 32(3), 794-816.</p>



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# Method – data collection

Theory/factor	Quantitative indicator	Data collection
Mitchell et al.		
Power – utilitarian	How many PRI signatory pension funds have mandates with them?	Wilmington Global Pension Funds and Their Advisers directory (2006-2011)
Power – normative	Country network manager – active, events.	directly from PRI and PRI extranet
Power - coercive	n/a	n/a
Urgency	(Persuasive media coverage –) calls for signing PRI in media.	Factivia: keyword search is performed for 'James Gifford' and 'PRI', 'UN PRI', 'Principles for Responsible Investment'. The results are then coded into 'normative call for signing' and 'general' categories.
Legitimacy - individual	Media coverage of CEO.	
Legitimacy - organizational	Media coverage of the PRI overall	



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# Method – data collection

Theory/factor	Quantitative indicator	Data collection
Mitchell		
Legitimacy – societal	<ul style="list-style-type: none"> <li>- How many national organizations are endorsing the PRI?</li> <li>- National legislation on RI</li> <li>- Left wing votes</li> </ul>	European Commission report ‘Socially Responsible Investment in EU Member States:(2008), G-20 report ‘Promoting Standards for Responsible Investment in Value Chains’ (IAWG); academic literature – details to follow
Gifford		
Relative economic size of stakeholder	<ul style="list-style-type: none"> <li>- Growth of the UNPRI.</li> <li>- AUM at point of signing</li> </ul>	PRI dataset and PRI Signatory Relations and Outreach
Coalition building	How many organizations previously joined collaborative initiatives?	Data collected manually from public sources



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# Method – data collection

Theory/factor	Quantitative indicator	Data collection
Gifford		
Management values	<ul style="list-style-type: none"><li>- Minorities among management</li><li>- UNEP FI membership</li><li>- FTSE4GOOD constituent status</li></ul>	Bloomberg UNEP FI FTSE4GOOD
Pragmatic legitimacy	Average stock holding period.	



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## Research question

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## Literature & Theoretical framework

Mitchell et al  
1997, AMR

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2010, JBE

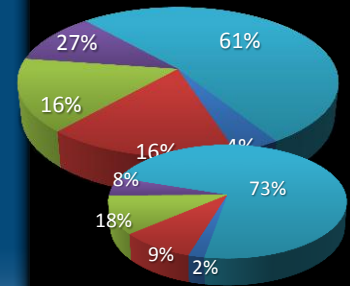
## Data

2006-2011 UNPRI survey data

voluntary and obligatory self-assessment by PRI signatories

88-140 questions from every year

Combination of quantitative & qualitative data



Qualitative analysis

## Method

Testing salience attributes on relevant quantitative data

to be followed by

Quantitative analysis

Discussion

Conclusions

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Thank you for your attention.

