

The Role of Individual Shareholders in Advancing Board Gender Diversity: Insights from an Emerging Market

Abstract

The literature on shareholder activism related to social goals primarily focuses on institutional investors in a few developed markets with dispersed ownership structures. Our research diverges from this by examining the impact of individual/retail shareholders' public activism on women's representation on boards of controlled firms through a semi-randomized controlled experiment. Analyzing 257 annual general shareholder meetings from 2013-2019, we find that individual shareholder activism significantly associated with the appointment of women to boards in targeted companies, compared to a matched sample, within two years post-intervention. Additionally, we report that family-controlled firms are more likely to respond positively to such activism. Our study contributes to the limited empirical literature on shareholder activism in emerging markets and provides evidence on the contextual factors influencing firms' responsiveness to public shareholder activism. These findings have implications for the normative interpretation of stakeholder salience theory, particularly regarding issue salience.

Keywords: Gender Diversity, Board Composition, Shareholder Activism, Firm Responsiveness, Issue Salience, Family Control

1. Introduction

Institutional shareholder activism is on the rise whereby environmental, social, and governance (ESG) issues are increasingly becoming a focus. Board diversity is among the leading topics of activism. The use of market pressure through institutional investors is, therefore, offered as an alternative to legally imposed gender quotas for increasing the representation of women in corporate boards (Dobson et al., 2018).

While there is evidence that institutional shareholders have an impact on board gender diversity in the US and the UK, the *presence* and *effectiveness* of shareholder activism in emerging markets is less established. Firstly, corporations in emerging economies (as many corporations around the world) are often controlled by majority shareholders who can singlehandedly nominate and elect directors (Bebchuk and Hamdani, 2017), thereby reducing the role of management. Secondly, it is questionable whether institutional shareholders have the same incentives and instruments of activism in these countries (Broccardo et al., 2020; Franks, 2020; Dasgupta et al. 2020).

A body of empirical research focused predominantly on the US, confirms that firms respond to the demands of large institutional investors, while literature on individual/retail¹ shareholder activism remains largely silent (Goranova and Ryan, 2014). Research on socially oriented shareholder activism deploys a rich theoretical foundation, built upon institutional theory to study its impact (e.g., David et al., 2007) and stakeholder salience theory (SST) to investigate which stakeholders matter (Mitchell et al. 1997). SST posits that three attributes of stakeholders, namely power, legitimacy and urgency derive their perceived salience by the management. On the other hand, SST is criticized for ignoring the *legitimacy of the issue* raised by a stakeholder and the moral

power stemming from it (Eesley and Lenox, 2006; Neville et al, 2011). Bundy et al. (2013) argue that what matters is the salience of the issue raised rather than the salience of the stakeholder.

Firms respond differently to stakeholder activism. Waldron et al. (2013) suggest that a firm's stakeholder culture, namely "beliefs about obligations to external stakeholders" guide management response whether to concede to activists' demands. An implication of this is that firms whose value statements stress social purpose and embeddedness are likely to perceive a social issue as salient in consideration of its potential to express their identity and differentiation. Social embeddedness and altruism are more expressed in emerging economies by firms affiliated with family-controlled business groups (Ararat et al., 2018). Family-controlled firms are more likely to pursue long term objectives and non-economic goals that create socioeconomic wealth, leading to increased sensitivity to stakeholder demands (Gomez-Mejia et al., 2007)

These contributions to the field around the construct of *issue salience* and the role of family control motivated us to investigate the responsiveness of firms to individual shareholder activism related to board gender diversity as a shared claim of all stakeholders, using Turkey as the experimental setting.

We set aside the controversies around normative arguments regarding whether shareholder empowerment and shareholder democracy are good or bad for other stakeholders². Our interest is not focused on *individual* shareholders per se but *public* shareholder activism around social goals in general. To this end, we deploy an experimental design to investigate the effect of shareholder activism on the appointment of women to previously all-male boards. Our research is motivated by the persistent lack of women in Turkey's corporate boards despite the encouraging regulatory environment, intensity of public attention to gender equality and strong women's rights movement.

Critical to our experiment, is the enabling legislation³ that mandates all listed firms in Turkey to hold their Annual General Meetings (AGMs) in a hybrid format and grants the right to ask questions to all shareholders in real-time (Ararat and Eroğlu, 2012).

To our knowledge this study is the first to investigate the impact of social activism by individual shareholders at AGMs on firm behaviour, utilizing a field experiment.⁴ We find that firms with all-male boards, targeted by individual shareholders demanding them to set board gender diversity targets, are more likely to appoint women to their boards, within two years following the date of the AGM intervention, compared to the control group. Family control is significantly associated with responsiveness. We also report that family-controlled firms and firms with a higher degree of family influence are more likely to appoint a woman director to their boards within 2 years after the intervention.

This study makes several contributions to literature. First, we address a significant limitation in extant research on shareholder activism in emerging markets (Joos, 2019). We focus on individual shareholder activism, but in doing so, we take the opportunity to demonstrate that international institutional investors play a limited role in promoting gender diversity in emerging markets. We encourage cross-country studies through the demonstrating effect of the Turkey case by highlighting differences between emerging economies and developed markets with dispersed ownership with respect to shareholder activism. By illuminating family control as a firm attribute associated with firms' responsiveness, we contribute to the literature on inner contextual factors that influence firm responsiveness. Our research verifies the theoretical model of *issue salience* (Bundy et al., 2013), rooted in the normative interpretation of stakeholder theory (Donaldson and Preston, 1995).

Finally, in the light of technological developments, we motivate future theoretical research in reconceptualizing individual/retail shareholder activism as an emerging social movement, potentially reducing the gap between shareholder value and stakeholder welfare (Hart and Zingales, 2017; Haan, 2022).

The rest of this paper is organized as follows. In the following section, we first review shareholder activism focusing on gender diversity on boards, review the literature on firms' responsiveness to shareholder activism and the unique context of family-controlled firms. In this section we also discuss why gender diversity in boards is an ethical issue concerning businesses. This section helps us to build our research question.

In the third section we explain our context and the empirical setting. In subsequent sections, we explain our experimental strategy, estimation method and data, followed by analysis. Finally, we discuss the results and conclude.

2. Literature Review and Theoretical Framing

The Role of Shareholder Activism and Gender Diversity on Boards

The rise of shareholder activism stems from the appreciation of collective responsibility to address urgent systemic risks firms are exposed to (Hsieh, 2009), proliferation of non-financial disclosure (Jackson et al., 2020) and regulatory interventions related to institutional investors' duty to monitor (Hill, 2017). Public forms of shareholder activism include participating in the AGMs, campaigns and letters (Aguilera et al., 2015)⁵. The main tools for AGM activism are shareholder proposals (matters that those shareholders of a firm seek to have voted on at the shareholder meeting of the firm, including "proxy access" when director nominees must be included in firm's proxy statement), and shareholder questions. The effectiveness and types of instruments used by

shareholders differ from country to country depending on the legal framework. The percentages of institutional ownership also differ significantly from country to country. For example, institutional ownership is as low as 10% in China and 20% in Japan and India (Dasgupta et al, 2021).

The question of whether shareholder activism can and did play a role in increasing gender diversity on boards in countries without a legal quota is extensively researched but with a distinctive focus on the US market. We summarise the outcome of this research below.

Covering US firms from 2003 through 2018, Gormley et al. (2021) report that firms with greater Big Three (BlackRock, Vanguard, and State Street)⁶ ownership added at least 2.5 times as many woman directors in 2019 as they had in 2016 when they launched a campaign to promote gender diversity on boards. Gow et al. (2020) reports that women and all candidates on diverse boards experience additional shareholder support during elections. According to Marquardt and Wiedman (2016), financially and socially motivated shareholder proposals were equally effective in increasing board diversity between 2007 and 2011. Rastad and Dobson (2022) investigate institutional shareholder proposals, both those voted on and those withdrawn, to conclude that they have impacted gender diversity on boards of targeted firms. These findings show that institutional shareholders can and do meaningfully influence firms' gender diversity in the US.

Institutional shareholders are collectively the largest shareholders of public firms in the US and the UK. The question of whether institutional investors can and do play a role in improving board gender diversity in less developed markets where the largest blockholders are those who invest their own money is not addressed in literature. In fact, a study by Alshabibi (2021) finds no association between international institutional ownership and board diversity in 15 countries,

excluding the US and the UK. Given the lack of evidence for the impact of institutional shareholder activism in less developed markets, the role of individual shareholder activism comes to the mind as a testable alternative.

Individual Shareholder Activism and Electronic AGMs

Since retail investors typically hold only a fraction of shares, they are expected to be rationally distanced, however; before institutional investors became the largest blockholders in 1970s, individual investors - discredited as “gadflies” by managers, were the pioneering actors in the activism stage, in the US, around social and ethical issues (Sjöström, 2010).

Recent media coverage of the “re-emergence” of retail investors indicates dissatisfaction with the institutional investor activism and the likelihood of individual shareholder activism becoming a social movement.⁷ Tulipshare, an investing platform that allows retail investors to pool shares to submit resolutions at AGMs, claims to “bring two trends together: an increased interest in sustainable finance and the rise of retail investors”. Lumi, a US-based start-up that created a digital platform for AGMs, reports that “retail shareholder engagement is booming”, mostly due to increased interest in ESG issues.⁸ Brav et al. (2022) document that retail investors are mobilised when they have information. Hafeez et al. (2021) provide some evidence that individual shareholders are activated when institutional shareholder activism reduces the information asymmetry.

Theoretical literature offers limited basis on dispersed individual shareholders. Accordingly, empirical literature is yet to develop on the outcome of individual shareholder activism.

Several recent papers suggest that activist individuals are increasingly using the legitimacy of AGMs to communicate with firms.

For example, Cassim (2022) documents a successful individual shareholder proposal requesting a bank to adopt a policy on lending to coal-fired power projects and coal-mining operations in South Africa. The European Women Lawyers Association report that their 105 activist members have physically attended 126 AGMs in 12 EU countries between 2014 – 2015 to ask questions about board gender diversity targets (GWLA, 2016). In the Netherlands, 29,744 questions out of which 10% were related to ESG issues, including those asked by individual shareholders related to gender diversity on boards (Lafarre and Van, 2018). Unfortunately, the outcome of these interventions is not investigated

Firms' Responsiveness to Shareholder Activism

Neoclassical economic theory puts shareholders at the core of the universe of firm's stakeholders because of the contractual legitimacy of their claims. Large institutional shareholders are considered to be a firm's primary stakeholders due to possessing the core attributes of power – financial, network or political, and legitimacy (Mitchell, et al., 1997; David et al, 2007). Other scholars emphasise *legitimacy* as a key attribute of stakeholders as “persons or groups with *legitimate interests* in procedural and/or substantive aspects of corporate activity” (Donaldson and Preston, 1995, p.85). Rooted in the stakeholder theory, the SST is the dominant theory that offers a model to investigate firms' responsiveness to stakeholders (Mitchell et al., 1997).

SST has been extended, criticized, offered alternatives to and bridged with other theories over the years by scholars (Woods et al., 2021). Eesley and Lenox (2006) critique Mitchell et al. (1997) on ignoring the legitimacy of the *issue* suggesting that it is a distinctive aspect of the legitimacy

construct. They posit that stakeholder salience is about the attributes of a claim, not the identity of the stakeholder. Neville et al, (2011) proposes that moral *legitimacy* is the only source of legitimacy, by linking the SST to the normative interpretation of the stakeholder theory (Freeman, 1984). The empirical investigations regarding firm's responsiveness are approached largely from the perspective of stakeholder characteristics (David, et al., 2007) with equivocal results.

Departing from this line of reasoning, Bundy et al. (2013) propose conceptualization of the firm as a nexus of contracts with all the stakeholders and argues that what matters is the managerial perception of an issue's salience. Their theoretical model defines issue salience as the degree to which a stakeholder issue resonates with and is prioritised by management with respect to a firm's *organizational identity* and *strategic framing*, which shape the managers' perceptions of issue salience for the firm's relations with its stakeholders. They define *issue salience* as a function of its perceived relationship with a firm's organisational identity (Polletta & Jasper, 2001; Ashforth et al., 2008) and strategic framing (Dutton & Jackson, 1987). Bundy et al. (2013) posit that managers are cognizant of the broader institutional environment in which stakeholder concerns are embedded. Accordingly, social consequences have a role to play in the cognitive processing that shape perceptions of issue salience and "issue related imperative" (Jones, 1991) in deciding whether responding to a demand is a moral obligation.

Relevant to our study, Uysal et al. (2018) empirically test whether the greater financial power of a shareholder influences the likelihood that a target firm will positively respond to a shareholder request. They report that the financial power of the shareholder had no significant effect on the odds that a firm would positively respond.

In fact, in a recent review of stakeholder identification and salience, the authors, which include the original developers of the theory (Wood et al., 2021), express their concerns about the instrumental utilization of the theory. They propose variables, including the *moral power of the stakeholder issue*, to replace power, legitimacy, and urgency of the stakeholders.

Family-Controlled Firms

Family controlled firms are, it is argued that, governed with the intention to shape and pursue the vision of their enterprise in a manner that is potentially sustainable across generations of the family (Chua et al. 1999), leading to a culture sensitive to external context, with a greater tendency to respond to stakeholder requirements (Ge & Micelotta, 2019). Joos (2019) notes that research on *inner* and *outer* contextual factors influencing managerial perceptions of salience is underdeveloped, although Mitchell et al. (1997) viewed contextual factors as a key input for managerial cognition. An empirical study, testing the SST revealed that family firms may be more responsive to stakeholder demands due to the higher importance given to reputational concerns and identity (Mitchell et al., 2011). Limited research on inner context is focused on values of managers⁹ as prompted by Agle et. al. (1999). Jones et al. (2007) suggested that the firm culture is the determinant of managements perception of stakeholder salience.

Multi country research shows that although family-controlled firms are not necessarily more socially responsible or even ethical than non-family firms, they are more inclined to exhibit socially responsible behaviour for reputational reasons (Seckin-Halac et al., 2021). Some studies suggest that controlling families are more sensitive to external contextual factors than other non-family block-holders, thus leading to a greater tendency to implement the requirements of external stakeholders (Ge & Micelotta, 2019). In a recent review of related literature, Stock et al. (2023)

report that all studies unanimously agree that family firms are more sensitive to external contextual factors.

Recent studies have begun to examine relationships between corporate actors and firm constituents from a social situational perspective by examining how higher-level social factors might influence decision making. For example, Westphal and Zajac (2013) conceives the behaviours of managers and owners occurring in a socially situated context, interpretation of which is also socially constructed. Their framing draws from Little's (2012) perspective on social theory, emphasizing that the individual exists in a socially situated and socially constituted world. The family business context characterised by non-economic goals, socioemotional wealth and sensitivity to external context might play a role in cognitive processes and encourage the perception of salience of social demands. Ararat et al. (2018) argue that historical reasons such as institutional voids have prompted the formation of business groups by families as providers of public goods in emerging economies. In support of this conjecture, Gao et al.'s (2017) theoretical paper proposes that in emerging markets, good reputation acts as a "meta-resource".

These arguments suggest that AGM interventions by individual shareholders related to women's representation in boards, may have the attention of family-controlled firms, and encourage them to comply with the gender equality norm.¹⁰

Why is Gender Diversity on Boards an Ethical Issue?

Gender diversity on boards is an ethical issue concerning overall social welfare, and equality in societies (Terjesen and Sealy, 2016). In fact, gender inequality goes broader and deeper than its manifestation around board diversity and is a "grand ethical challenge" associated with recurrent

patterns of unequal distributions of opportunities, rewards, wealth, services, goods, punishments, and power (Böhm et al. 2022).

Two perspectives underpin why women's representation in corporate boards is an ethical issue concerning businesses. The utilitarian perspective reflects business performance outcomes. A reach stream of research investigates the relationship between gender diversity on boards and firm or board performance (Post & Byron, 2015). The second perspective is a duty-aligned normative perspective. Around the world, and more so in developing countries, women face socioeconomic disadvantages resulting from discriminatory social norms. Firms can, as a minimum, attempt to break gender stereotypes by increasing the representation of women at all levels of their organizations (Sjåfjell and Fannon, 2018), because "they are created by society and derive their legitimacy from the societies in which they operate," (McIntosh et al. 1998, p. 16).¹¹ From a broader perspective of justice and rights, gender diversity on boards has multiple ends. Women's representation in boards is associated with labour force participation by women and the elimination of gender-based violence, since representation of women in management positions strengthens women's agency in decisions that have an impact on women (Ararat, 2019).

According to Elstad and Ladegard (2012), the presence of women on the boards of directors alters its decision-making dynamics. Gender differences in psychological traits, based on gender identity theory (McCabe et al., 2006), explain the association between women's presence in boards and business ethics. Accordingly, women are more likely to exhibit ethical behaviour, because they reason based on care and compassion (Zalata et al., 2019). Resource dependence theory (Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003) offers the rationale for women leading to better management of ethical issues (Boyd, 1990), through connecting a firm with its external

environment. Social role theory (Eagly, 1987) suggests that women leaders are more oriented to socially responsible behaviour. Ethics of care theory further suggests that women have greater sensitivity to social issues and good governance, which strengthens business ethics (Machold et al., 2007; Tong & Williams, 2009).

Empirical research offers abundant evidence in support of theoretical predictions. Women pay greater attention to boards' functioning, resulting in improved board efficacy (Adams & Ferreira, 2009). Women's presence on boards reduces accounting manipulation (Abdullah et al. 2016), decreases financial fraud (Cumming et al. 2015) and excessive compensation (Bugeja et al. 2016). Female directors tend to be more altruistic and ethical (Adams & Funk, 2012), empathetic (Larrieta-Rubin de Celis et al., 2015), sensitive to ethical issues (Chen et al. 2016) and more stakeholder oriented (Alonso-Almeida et al, 2015), thereby leading to higher levels of corporate social responsibility (Zou et al. 2018). Turrent (2020) shows that female representation on boards is associated with the boards' ethical functioning specifically in settings where corruption and bribery are high. A recent multi-country study states that gender diversity in leadership is positively associated with performance in relation to decent work, labour and human rights (Monteiro et al., 2022).

Some scholars conceptualize women as a stakeholder group crosscutting all of firm's stakeholders (e.g., Grosser, 2009). Arguments against homofilious boards include, among others, the exclusion of women as a qualified social group from leadership positions, reenforcing gender-based power distance in corporations by curbing the career aspirations of women, and a lack of representation of primary stakeholders (Perrault, 2015). Kogut et al. (2014) argue that gender-based segregation

patterns in corporate boards are structural and unlikely to change through organic processes. According to Huang et al. (2020), homophilious structures become persistent due to male directors' unwillingness to let their monopoly value to be eroded by women's inclusion. Lynall et al. (2003) describe board composition as path dependent, suboptimal and difficult to change. The lack of gender diversity in corporate leadership, therefore, stems from systematic biases, discrimination and entrenchment.

Overall, gender diversity is considered to be a key indicator of a firms' social performance (Boulouta, 2013) because gender equality reinforces the integral relationship between the individual, business, and society. Our research on the role of shareholder activism related with gender diversity on the boards, and firms' responsiveness related to this important issue is therefore highly relevant to business ethics.

Drawing from the literature presented above, we formulate our research question as follows:

Does individual/retail shareholder activism demonstrated at general shareholder meetings, related to gender diversity, predict appointment of female directors to the corporate boards, which were previously all male, and does family control play a role?

3. Empirical Setting

Our investigation focuses on firms listed in Borsa Istanbul (BIST). Turkey's institutional environment deviates from the US and the UK by concentrated ownership, family control and shallow capital markets (Ararat and Yurtoğlu, 2021). The corporate landscape is dominated by diversified business groups, that are collections of legally independent firms, which have a central

entity that controls the affiliated enterprises in unrelated industries via several ties, including equity ties and interlocking directorates. These central entities, usually have the legal form of a holding company are referred to as “apex firms” (Colpan & Cuervo-Cazurra, 2018).

Turkey has the lowest participation of women in the labour market among OECD countries after Saudi Arabia and the largest gender gap in women’s empowerment (İzdeş, 2019), despite the presence of a historically strong women’s rights movement (Çubukçu, 2019). Boards are entrenched and dominated by directors affiliated with family members.¹² Majority of issued shares are *closely held* at around 60-70%. The Big Three (BlackRock, Vanguard, and State Street) are the largest holders of traded shares¹³, but their investments are concentrated in 10-15 largest firms included in global indices (Ararat and Yurtoğlu, 2021). Institutional investors are likely to cast their votes in larger companies included in MSCI indices or are cross-listed, through their custodian banks (Ararat and Yurtoglu, 2013).

A few mutual funds under the management asset management firms associated with family controlled business groups and their pension funds collectively hold a few percentage of traded shares and they dominate the local fund industry.¹⁴ Because of the conflict of interest stemming from their affiliation with financial conglomerates, these fund managers avoid attending AGMs, while 2.4 million domestic individual investors put BIST at the top of turnover velocity globally (BIST, 2021). Using the data provided by Central Securities Depository, we calculated the share of local individual shareholders as 34.42% in 2021. In the same year, they represented 20.62 % voted shares compared to 28.25% voted by foreign institutional investors.

To our knowledge Turkey is the only country whereby hybrid AGMs and electronic accessibility for all shareholders (with no restrictions or cost) are mandatory. An important aspect of the

regulation is that all the shareholders have the unrestricted right to ask questions at AGMs. These questions must be read and answered by the management at the meeting or in written within a month. Shareholder activism in AGMs in Turkey is limited to “voting against”. Indeed, a review of 7000 activist shareholder campaigns by international institutional investors across 56 countries between 2010-2018 documents only two campaigns in Turkey (Maffett et al. 2022).

Given that private engagements are the preferred instrument of shareholder activism by long term shareholders, it is important to understand the effect of such engagements in Turkey. An analysis of Big Three’s stewardship reports, exhibiting the geographical breakdown of engagements and topic of engagements, reveal that those engagements were focused predominantly on firms included in global indices such as S&P500, Russell3000 and MSCI ACWI. BIST companies were not targeted during the study period (SSGA, 2021; Vanguard 2020 and 2021; BlackRock 2021).

There are no mandatory requirements for board diversity in Turkey. Capital Markets Board of Turkey amended its Corporate Governance Principles to introduce a comply or explain provision to recommend listed firms to include at least one woman on their board, effective in 2012. That year the ratio of woman directors *decreased* by 8 percentage points to 11.7%. In 2013, the principles were changed to *recommend* the firms to set a target percentage of women on boards no less than 25% and a target date to achieve that. The ratio of women directors increased marginally and inconsistently over the years to reach 16.7% in 2021 (CGFT, 2021) compared to 16.5% in closely held joint stock firms with boards consisting of three or more members suggesting that soft law provisions targeting listed firms had limited effect.¹⁵ On the other hand, the topic of gender equality has remained at the center of social and political debates (Kandiyoti et al. 2019).

In Turkey, family-owned conglomerates have a long tradition of having a social purpose which they pursue through family foundations, financed by the firms they control. Buğra (1994) posits that because of the state subsidized and state dependent private sector development in Turkey, firm owners have always felt unconfident about the legitimacy of their ventures. This psychology is demonstrated in a strong discourse regarding the social purpose of the firm and altruistic behaviour. For example, the Turkish Business and Industrialists' Association, set up and governed by large family-controlled firms, explain their purpose as “creating a social cohesion based on the competitive market economy, sustainable development and participatory democracy”.¹⁶ Although gender equality has been set forth as an organisational and social goal by many firms and business groups, this has not yet been reflected at the board level.¹⁷ This dilemma could be explained by the overwhelming presence of family affiliated directors (mostly male) on the boards in order to maintain control.

4. Research Design

Using data from a field experiment, we wish to analyze the effect of individual shareholder activism on board gender diversity of listed firms in BIST. The experiment is conducted by the Corporate Governance Forum of Turkey (CGFT), a research and advocacy center at Sabanci University.¹⁸ Activists affiliated with CGFT bought one lot of shares to attend the semi-randomly chosen 257 AGMs of firms with all-male boards between 2013 – 2019.

Semi-random selection is a sampling method that combines elements of random selection with some form of systematic or structured approach. Unlike pure random sampling, where every member of the population has an equal chance of being selected, semi-random selection might involve additional criteria or steps to ensure certain characteristics are represented or to simplify the selection process.

In our research, CGFT selected companies randomly, not from the entire pool of companies without women board members, but specifically from those that had an Annual General Meeting (AGM) during times when CGFT staff were available to attend. This means the selection process was not perfectly random; it was influenced by the availability of our staff and the timing of the AGMs.

In the AGMs CGFT affiliates, using their rights as shareholders, asked the boards to explain their board gender diversity targets in accordance with the soft law recommendations. Only the firms with all-male boards were targeted in order to clearly identify the firms with entrenched boards and predict the effect of activism in changing firm behavior.¹⁹

In all the 257 AGMs attended, no other shareholder asked questions about board gender diversity. As expected, neither there were any shareholder resolutions put in the agenda. Based on this observation and the anecdotal evidence offered by the Central Securities Depository that owns and operates the electronic AGM platform, we identified interventions linked to the experiment as the only public activism related to gender diversity.

In order to measure the effect of such interventions on the likelihood of appointment of women directors, we compare the woman director appointments in the treatment group firms with the appointments in the group of matched firms for two consecutive years. Matched firms are those that also did not have any women directors at the year of intervention and were not targeted by the activists involved in the experiment from two years prior to and two years after the intervention.

The questions were sent to the chairperson of the AGM via the electronic platform in real-time, visible to all. Although the firms had the choice of not reading the question and responding in written later, only a few opted for that. The responses given by the firm were recorded, transcribed

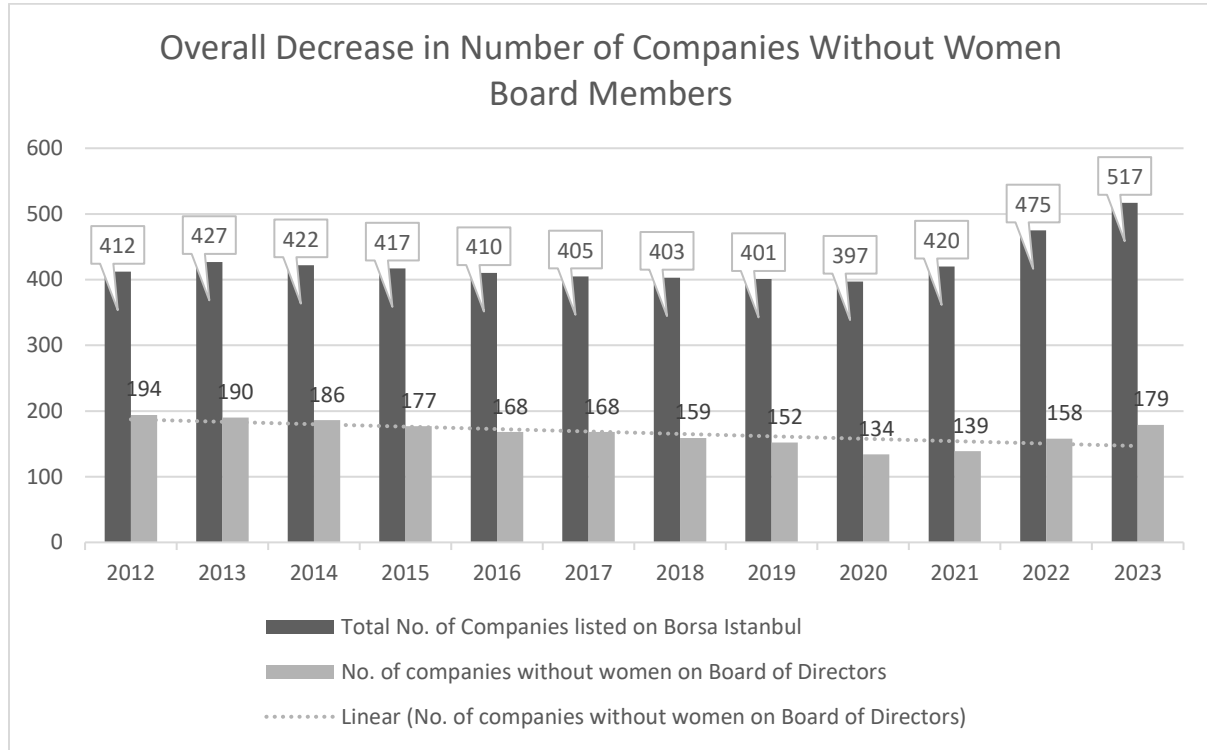
and coded into four categories: (1) Firm is unaware of the soft law regulation (ignorance), (2) Firm uses non-mandatory nature of the regulation as an excuse (defensive response), (3) No indication of commitment or willingness (neutral response), (4) Expression of commitment or willingness (positive response).

We explain the data and the empirical methodology in the next subsection. Our board data is manually collected from the Public Disclosure Platform. Tables are created using the Stata command “asdoc” written by Shah (2018).

Data and Methodology

CGFT affiliated activists attended AGMs of 141 firms that did not have any women on their board between 2013-2019. In Turkey, board nominations are not disclosed prior to the AGMs. Among the firms in our experiment, some nominated a woman director during the targeted AGM, but this was not observable to the researchers beforehand. Those companies are excluded from the treatment group so that appointments that happened *after* the intervention can be identified. The final sample consisted of 257 AGMs of 129 firms in the treatment group. As shown in Figure 1 below, the proportion of firms without women on board to total numbers of firms listed on BIST decreased from 194 out of 412 (47%) in 2012 to 179 out of 517 (35%) in 2023.

Figure 1. Number of Companies Listed on BIST With All-Male Boards from 2012 to 2023



Appointing directors to the boards of both treatment and control group firms are tracked for two years following the intervention. Appointments that took place after two years are excluded from the analysis.

In order to identify the matching control firms for our 129 treatment firms among other listed firms, we use Propensity Score Matching (PSM) as in Marquardt and Wiedman (2016) and Fauver et al. (2017). We do not use Randomized Control Trial (RCT) method because the treatment sample allocation did not fully meet the randomness requirements of the RCT (Bhide et al., 2018). The primary requirement of a randomized controlled trial (RCT) is that participants must be selected and assigned to groups randomly. However, since the AGMs were not selected in a perfectly

random manner, we could not employ an RCT for our study. We employ one-to-one-matched pair design, because one-to-many match will generally reduce the quality of some matches as some control observations might be heavily weighted (Shipman et al., 2017). As in Judge et al. (2010) and Shipman et al. (2017), we identify one-to-one matches for our sample based on industry, sector, firm size, and year of intervention, using a rule-based algorithm written in Python programming language. The algorithm calculates a similarity score for each pair of treatment and control observation. The following process was used to identify matching companies with no women on their board (in each year during the study period): (1) Within the same year, industry and sector, we identified a firm that was not targeted by CGFT affiliated activists from two years prior to two years after the intervention date and had the nearest firm size (total assets) to the treatment firm. (2) If no match was found in the same sector, we looked for a match within the same industry and chose the firm with closest asset size on the assumption that companies in the same industry of similar size employ similar financial and leadership methods and practices (Nold, 2012; Marquardt and Wiedman, 2016). We found 74 matching firms for 74 treatment firms among the 129 total treatment sample, the rest did not meet our matching criteria.

As shown later in Table 3, the matching process of the intervention and control groups was not perfect. Adding more criteria in the matching process would have led to loss of too many observations given the small size of our sample. Therefore, to better control for the difference between the intervention and matching groups, we include Firm Size, Board Size, Board Independence, Family Control, Inclusion in BIST Sustainability Index, and lastly Profitability as control variables in our regressions. We expect a positive association of Firm Size, although the coefficient for Firm Size is expected to be lower than it would otherwise be if we did not match on firm size. We use Board Size and Board Independence as covariates since prior research

suggests that firms with more independent directors and larger boards are likely to appoint more woman directors (Carter et al., 2003; Marquardt and Wiedman, 2016).

Family Control is added to our model as the ownership variable that may influence firms' responsiveness as explained above. Family Control is identified by the presence of board members affiliated with the controlling family. Affiliated directors are both members of the family and salaried managers of apex firms that control subsidiary firms in our sample, allowing us to correctly identify family-control.²⁰ Affiliation data comes from CGFT and is used in prior research (Ararat and Yurtoğlu, 2021). Inclusion in BIST Sustainability Index (BIST SI) is used as a covariate in the analyses as a proxy for companies' sensitivity around stakeholder issues. All independent variables are measured at year t and the dependent variable in year $t+1$ and $t+2$. Table 1 explains the variables in this study and the source of the data.

Table 1. Data Description and Sources

Variable	Description	Source
Dependent variable		
NUM WOM Y1	Number of woman appointments to the board of directors in the first year following the intervention	CGFT/PDP
NUM WOM Y2	Number of woman appointments to the board of directors in the first 2 years following the intervention	CGFT/PDP
Independent and control variables		
AGM	Binary variable that equals 1 if the firm's AGM was targeted, 0 otherwise	CGFT
NUM AGM	Number of targeted AGMs of the firm i	CGFT
RESPONSE	Level of responsiveness of company from scale 1 (unaware of soft law regulations) to 4 (commitment to appointment of women board members)	CGFT
BOARD SIZE	Total number of directors on the board	PDP
BOARD IND	Number of independent directors on the board	PDP
NUM FAM	Number of directors affiliated with the controlling family	CGFT/PDP
SUSTAINABILITY	Binary variable that equals 1 if the firm is included in BIST Sustainability Index and 0 otherwise	Borsa Istanbul
FIRM SIZE	Log of total assets	StockGround
PROFITABILITY	Return on assets	StockGround

CGFT: Corporate Governance Forum of Turkey; PDP: Public Disclosure Platform; StockGround: Turkish financial database; AGM: Annual General Meeting.

We examine the effect of our interventions in a panel data including 74 treatment and 74 matching firms (henceforth “Panel Data A”). This dataset includes 7 sets of 3-year (t , $t+1$ and $t+2$) observations starting from 2013 for both groups. Since our dependent variable in all models is a count data and count outcome variables can violate the assumptions of OLS regression in several

ways, we are using Poisson regression (Coxe et al., 2009). To test whether the models offer good fit for the data, deviance goodness-of-fit tests are performed, and the results show no evidence of overdispersion in the models.

We run regression (1) on our main Panel Data (A) including 74 treatment and 74 matching companies.

$$\begin{aligned}
 NUM\ WOM\ YN_{(i,t+N)} &= \alpha_0 + \beta_1 AGM_{(i,t)} + \beta_2 BOARD\ SIZE_{(i,t)} + \beta_3 BOARD\ IND_{(i,t)} + \beta_4 NUM\ FAM_{(i,t)} \\
 &+ \beta_5 SUSTAINABILITY_{(i,t)} + \beta_6 FIRM\ SIZE_{(i,t)} + \beta_7 PROFITABILITY_{(i,t)} + \varepsilon_i
 \end{aligned} \tag{1}$$

$NUM\ WOM\ YN_{(i,t+N)}$ is the number of woman directors in firm i in year $t+N$, where N (1 or 2) is the number of years after the treatment. $AGM_{(i,t)}$ is a binary variable indicating AGM intervention by researchers at firm i in the year of intervention t . β is the coefficient term, ε_i is error term and α_0 is constant.

We then run the regression (2) on the full set of 129 treatment companies (henceforth referred to as “Panel Data B”) which includes a larger set of treatment companies. In this model we aim to understand the effect of firm characteristics on the appointment of woman directors in the treated firms and whether repeated interventions have altered company’s unresponsiveness.

$$\begin{aligned}
 NUM\ WOM\ YN_{(i,t+N)} &= \alpha_0 + \beta_1 NUM\ AGM_{(i,t)} + \beta_2 RESPONSE_{(i,t)} + \beta_3 BOARD\ SIZE_{(i,t)} + \beta_4 BOARD\ IND_{(i,t)} \\
 &+ \beta_5 NUM\ FAM_{(i,t)} + \beta_6 SUSTAINABILITY_{(i,t)} + \beta_7 FIRM\ SIZE_{(i,t)} \\
 &+ \beta_8 PROFITABILITY_{(i,t)} + \varepsilon_i
 \end{aligned} \tag{2}$$

$NUM\ AGM_{(i,t)}$ is the number of Annual General Meetings of firm i that the CGFT-affiliated individual shareholders attended up to and including year t , the year of last intervention. We also used *RESPONSE* in this regression to understand whether the firms were already aware of the soft law provisions and planning to appoint woman directors as an input to the discussion on the limitations of our study.

5. Analysis and Results

Distribution of 129 targeted AGMs are shown in Table 2 below. Some companies were targeted more than once, therefore, only the final intervention for those companies is included in our regressions. Out of the 129 firms with all male boards, 44 firms appointed 51 women to their boards within two years after the intervention.

Table 2. AGM Activism and Responses

Year	Number of treatment group companies (AGM attended)	Follow up period	Number of treatment group firms that appointed woman directors in the follow up period	Number of women appointed by treatment group firms in the follow up period
2013	12	2014 and 2015	4	5
2014	17	2015 and 2016	5	5
2015	14	2016 and 2017	6	8
2016	37	2017 and 2018	13	14
2017	1	2018 and 2019	0	0
2018	12	2019 and 2020	5	6
2019	36	2020 and 2021	11	13
Total	129		44	51

During the period between 2013 and 2021 the number of BIST companies that did not have any women directors decreased by 51 from 190 to 139 as shown in Figure 1. 44 firms that appointed a woman director were in our treatment group.

Table 3 provides the summary statistics for the 74 treatment and 74 control (matching) companies. The mean for number of women in boards in two years after the intervention (NUM WOM Y2) in the treatment group increases to almost 0.5 while in the control group the mean is 0.21.

The mean score for *RESPONSE* is 2.6. Among the 129 targeted firms, 38 (30%) referred to the “recommended” nature of the regulation for not setting a board diversity target, suggesting that many firms ignore governance provisions that are not mandatory.

As indicated in Table 3, certain variables are substantially different between our treatment and matching groups. Since a perfect matching process was not possible for our data, similar to related research (Fauver et al., 2017), we control for these differences by including them in the multivariate regression. This mitigates the concern that the treatment and control firms are not perfectly matched in every dimension.

Table 3. Summary Statistics of Treatment and Control Group Companies (Panel Data A)

Variable	Obs	Mean	Std. Dev.	Min	Max
Intervention Group					
NUM WOM Y1	70	0.2	0.499	0	2
NUM WOM Y2	69	0.449	0.631	0	2
BOARD SIZE	74	6.986	2.037	4	12
BOARD IND	73	2.192	0.68	0	4
NUM FAM	73	1.712	1.654	0	6
SUSTAINABILITY	74	0.122	0.329	0	1
FIRM SIZE	73	20.343	1.834	15.498	24.623
PROFITABILITY	72	-0.737	11.251	-42.844	32.825
Control Group					
NUM WOM Y1	72	0.083	0.278	0	1
NUM WOM Y2	71	0.211	0.476	0	2
BOARD SIZE	74	5.77	1.772	2	12
BOARD IND	73	1.575	1.079	0	4
NUM FAM	73	1.849	1.8	0	7
SUSTAINABILITY	74	0.027	0.163	0	1
FIRM SIZE	70	19.243	1.678	15.365	23.688
PROFITABILITY	67	2.16	17.362	-50.737	41.28

Table 4 compares the treatment and control groups. This study uses Matched Sample Comparison Group (MSCG) to find the best matching companies. Use of MSCG means that the samples are not, by definition, normally distributed. Therefore, the non-parametric Wilcoxon Signed Ranks Test is used to examine the statistical difference between the treatment and the control groups (Wu, 2008). The Wilcoxon Signed-rank Test is a non-parametric statistical hypothesis test used to

compare two related samples, matched samples, or repeated measurements on a single sample to assess whether their population mean ranks differ. This table presents a statistical comparison of means between the treatment and control groups for all variables. The first 2 rows, NUM WOM Y1 and NUM WOM Y2, compare the number of women appointed to the board of directors in the first 1 and 2 years (after intervention) respectively. The rest compare the mean of control variables between the treatment and control groups.

Table 4. Comparison of Treatment and Control Groups

Variable	Treatment group			Control group			Wilcoxon signed-rank test	
	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.	Z	p-value
NUM WOM Y1	70	0.2	0.499	72	0.083	0.278	1.637	0.102
NUM WOM Y2	69	0.449	0.631	71	0.211	0.476	2.728	0.006
BOARD SIZE	74	6.986	2.0373	74	5.770	1.772	3.796	0.0001
BOARD IND	73	2.192	0.680	73	1.575	1.079	3.803	0.0001
NUM FAM	73	1.712	1.654	73	1.849	1.800	-0.507	0.6125
SUSTAINABILITY	74	0.122	0.329	74	0.027	0.163	2.333	0.0196
FIRM SIZE	73	20.343	1.834	70	19.243	1.678	5.563	0.0000
PROFITABILITY	72	-0.737	11.251	67	2.16	17.362	-0.802	0.4227

According to Table 4, the mean values for certain control variables differ between the treatment and control groups due to imperfections in the matching process. Adding more criteria to the matching process would have resulted in the loss of too many observations, given our small sample size. As shown in the table, even after matching, there remain differences in the mean values for some control variables between the treatment and control groups.

Since perfect matching was not achievable with our data, similar to related studies (e.g., Fauver et al., 2017; Marquardt & Wiedman, 2016), we employed multivariate regressions to control for other variables. This approach mitigates concerns about the treatment and control firms not being perfectly matched in every dimension.

Table 5 presents Pearson correlation coefficients of the independent variables for Panel Data A. AGM intervention is correlated with Board Size, Board Independence, inclusion in BIST Sustainability Index and Firm Size, even though AGMs were randomly selected by researchers based on their availability. This correlation might be the outcome of unconscious biases of researchers in making themselves available in favor of larger firms and supports our decision not to use RCT methods. As expected, there is a high positive correlation among firm size, board size, board independence and BIST SI inclusion. Low values of Variance Inflation Factor (VIF) suggest that multicollinearity may not be an issue in our regression analyses.

Table 5. Correlations Matrix for 74 Treatment and 74 Matching Companies (Panel Data A)

Variables	1	2	3	4	5	6	7
1. AGM	1.000						
2. BOARD SIZE	0.305***	1.000					
3. BOARD IND	0.325***	0.566***	1.000				
4. NUM FAM	-0.040	-0.047	-0.134*	1.000			
5. SUSTAINABILITY	0.180**	0.438***	0.254***	-0.160*	1.000		
6. FIRM SIZE	0.300***	0.434***	0.349***	-0.103	0.511***	1.000	
7. PROFITABILITY	-0.100	-0.069	-0.072	-0.186**	0.121	0.071	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 6 below shows the results of Poisson regression analyzing the effect of participation in the AGMs along with the control variables on the appointment of woman board members 1 and 2

years after AGM intervention. The results suggest a positive association between AGM intervention and appointment of woman directors with a coefficient of 0.793 (incidence ratio of 2.2). The table also indicates that number of independent board members and firm size may also predict the appointment of woman directors. Untabulated results show that most of the newly appointed women board members are independent directors. This is related to the fact that most boards are crowded by owner-insiders who rarely evacuate their seats and hence the only possible entry for outsiders is through mandatory appointment of independent directors.

Table 6. Regression Analysis for Number of Woman Director Appointments Following the Intervention (Panel Data A)

Variable	NUM WOM Y1	NUM WOM Y2
AGM	0.923 (0.667)	0.793** (0.401)
BOARD SIZE	-0.051 (0.197)	-0.074 (0.116)
BOARD IND	0.456 (0.344)	0.411* (0.226)
NUM FAM	0.098 (0.174)	-0.026 (0.098)
SUSTAINABILITY	-0.416 (0.966)	-0.641 (0.515)
FIRM SIZE	0.127 (0.217)	0.259* (0.136)
PROFITABILITY	0.022 (0.023)	0.007 (0.015)
Intercept	-6.169 (4.003)	-7.282*** (2.814)
Year Dummy	Included	Included
Industry Dummy	Included	Included
Observations	129	127
Pseudo R ²	0.137	0.102

Robust standard errors are in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Based on 74 treatment and 74 control companies. Poisson regression results are shown for changes in woman board representation from zero in year t to $t+1$ (Y1) and $t+2$ (Y2).

We further analyzed the effect of one-time intervention on appointing women to the boards as a robustness test. In this data set we included firms that were targeted only once and their matching firms. Although this is a smaller sample of 32 treatment and 32 matching firms, untabulated results suggest an association between one-time intervention and appointment of woman board members within 2 years following the intervention. The effect of one-time intervention is significant at the 5% level with a coefficient of 1.3, supporting the results of the regressions in Table 6.

After investigating whether AGM intervention was associated with change in board gender diversity, we sought to understand what influences the appointment of women to the board within Panel Data B, which includes all 129 treatment firms. We were specifically interested in whether family control and repeated interventions affect the responsiveness of the firms. We included *Intervention Intensity*, which is measured by the number of times AGM of the same firm was targeted (*NUM AGM*). Family control is measured by the number of family affiliated directors (*NUM FAM*). Table 7 below shows the summary statistics for the 129 treatment companies. No substantial difference is observed between this sample and 74 matched treatment firms in the first section of table 3.

Table 7. Summary Statistics on the 129 Treatment Companies (Panel Data B)

Variable	Obs	Mean	Std. Dev.	Min	Max
NUM WOM Y1	124	0.226	0.491	0	2
NUM WOM Y2	120	0.417	0.588	0	2
AGM	129	1	0	1	1
NUM AGM	129	2.132	1.092	1	6
RESPONSE	129	2.604	1.12	1	4
BOARD SIZE	129	7.326	2.137	4	13
BOARD IND	128	2.258	0.655	0	4
NUM FAM	127	1.606	1.874	0	9
SUSTAINABILITY	129	0.14	0.348	0	1
FIRM SIZE	127	20.498	2.069	15.498	26.167
PROFITABILITY	127	1.494	11.425	-53.398	32.825

Table 8 below shows the correlation matrix for Panel Data B. Although this was not intentional, larger firms have had more intervention during our study. Similar to Panel Data A, Variance Inflation Factor (VIF) results suggest no multicollinearity issues.

Table 8. Correlations Matrix for the 129 Treatment Companies (Panel Data B)

Variables	1	2	3	4	5	6	7	8
1. NUM AGM	1.000							
2. RESPONSE	-0.053	1.000						
3. BOARD SIZE	0.202**	0.09	1.000					
4. BOARD IND	0.224**	-0.135	0.550***	1.000				
5. NUM FAM	-0.119	0.072	0.050	-0.206**	1.000			
6. SUSTAINABILITY	0.301***	-0.038	0.422***	0.426***	-0.217**	1.000		
7. FIRM SIZE	0.409***	-0.114	0.516***	0.502***	-0.145*	0.603***	1.000	
8. PROFITABILITY	0.113	-0.047	0.016	0.015	-0.103	0.073	0.174*	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The results of our Poisson regressions shown in Table 9 indicate a positive effect of family control on the appointment of (more) women to the boards within one and two years, at 1% and 5% significance levels with coefficient of 0.359 and 0.177 (incidence ratio 1.4 and 1.2). This indicates that firms with more family members on their boards are more likely to respond to stakeholder demands and their response may be swift.

We conducted a robustness test for the effect of family influence. Some firms are controlled by an apex firm controlled by a family, and some are included in a business group consisting of firms controlled by the same family without the use of an apex firm. We expected that families would choose to have a higher influence on the boards of some firms by nominating more family affiliated directors because these firms are economically more important for the family. We used Ultimate Family Control as a dummy variable that equals 1 if the firm is ultimately controlled a family and equals zero otherwise. The variables Ultimate Family Control and NUM FAM are not significantly correlated, hence we included both in the same regression equation and analyzed their interactions.

We report that the interaction of Ultimate Family Control and NUM FAM is significantly positive at 0.01 level with a coefficient of 15. The untabulated results confirm the findings that firms with higher family influence may be more sensitive to the interventions.

Although researchers attended the AGMs of some firms more than once (mean score of 2.13), more interventions did not result in more appointments. This implies that some firms might be persistent with their policies. Table 9 below further shows that the nature of responses recorded during the AGM is not associated with appointment of women to the board following the intervention. This suggests that subsequent appointments were not those that had already been planned before the interventions.

Table 9. Regression Analyses for Number of Woman Director Appointments Following the Intervention (Panel Data B)

Variables	NUM WOM Y1	NUM WOM Y2
NUM AGM	0.317 (0.252)	-0.105 (0.141)
RESPONSE	0.04 (0.207)	0.132 (0.128)
BOARD SIZE	-0.124 (0.137)	-0.096 (0.089)
BOARD IND	0.355 (0.437)	0.42 (0.292)
NUM FAM	0.359*** (0.124)	0.177** (0.078)
SUSTAINABILITY	0.3 (0.631)	-0.203 (0.408)
FIRM SIZE	0.124 (0.15)	0.193* (0.1)
PROFITABILITY	0.012 (0.021)	0.012 (0.013)
Intercept	-20.602*** (3.775)	-17.62*** (2.323)
Industry Dummy	Included	Included
Year Dummy	Included	Included
Observations	120	116
Pseudo R ²	0.141	0.074

Robust standard errors are in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Inspired by this study, in 2023, 30% Club Turkey Chapter coordinated the participation of activist shareholders at the AGMs of 65 firms with all-male boards. We obtained the notes of the activists and coded the responses in the same manner as in the experiment. Our objective was to understand whether the responses differed noticeably than those observed during the experiment after 4 years. During the period of the experiment the mean score for *RESPONSE* was 2.6. In 2023, it was risen to 3.4. More importantly, 45% of the responses were positive. In four cases, the management thanked the activist for their sensitivity and in three cases other shareholders supported the intervention by asking a similar question. In one case, a negative response by the management was criticized by other shareholders, which prompted the management to reinstate their response in a more positive direction. This small sample confirms the role individual shareholders can play in mobilizing collective action.

6. Discussion and Conclusion

Scholars have increasingly become interested in understanding how various stakeholders engage in activism to improve social welfare beyond maximizing the wealth of shareholders and address social issues (Sonnenhein, 2016). Recently, research on investigating shareholders' engagement in social activism has emerged as a subset of shareholder activism literature, with a focus on the US, and the UK. The main instruments of *public* activism used by shareholders in these markets are shareholder proposals, which are either ineffective or a practical impossibility in most other markets due to the differences in legal framework and ownership structures (Dobson et al., 2018; Franks, 2020). Research on individual shareholder activism is limited and it is yet to be recognized

as having a different quality than institutional shareholder activism (Goranova and Ryan, 2014). Empirical literature is scarce on shareholder activism in general— institutional or individual – in emerging markets.

In this research we empirically studied whether individual shareholder activism is an effective mechanism for increasing women’s representation in corporate boards in an emerging economy, where most listed firms are out of the radar of international institutional investors.

Empirical setting is that of an experiment designed as a semi-randomized control trial, where individuals affiliated with a research center bought one lot of shares in firms with all-male boards to attend their hybrid AGMs electronically and ask a question about their board gender diversity targets. The field experiment relied on enabling regulations dated 2012, mandating all AGMs to be held in hybrid form while granting all shareholders the right to participate, vote and ask questions electronically, without restriction. The experiment also relies on the availability of information on board gender diversity, whereby a research center serves as an information broker by aggregating the data on board gender diversity and disclosing the results.²¹ The feasibility of conducting this experiment without funding demonstrates the enabling role of regulations, digital technologies and availability of information on board diversity in mobilizing individual shareholder activism. To our knowledge this is the first empirical study to investigate the impact of “asking questions” in AGMs on firm behavior.²²

We find that firms with all-male boards are more likely to appoint a woman director for the first time, within two years after they are targeted by individual shareholders through the public forum of AGMs, compared to a sample of matched, non-targeted firms. This is in line with the results of prior research, albeit on the impact of shareholder proposals, that seek to improve board gender

diversity on US firms (Marquardt and Wiedman, 2016). Not all firms are responsive and those that are not responsive are persistent in their position, suggesting that firm attributes matter. Our results hold in robustness tests on an alternative sample of firms that are targeted only once and the matching control group, although the sample is smaller. Both responsiveness and speed of response are significantly associated with family control. Our findings suggest that the size and identity of activist shareholders might influence changes in firm behavior. It is not the prominence of the shareholder that matters, but rather the importance of the issue at hand.

It is interesting that a large percentage of firms have ignored the regulations related to gender diversity on boards. This picture extends support to the arguments that the pyramid of corporate social responsibility (Carroll, 1991) may have a different base in emerging economies, where ethical responsibilities may be perceived as a higher-level responsibility than adhering to laws and regulations (Belal and Momin, 2009).

We attribute the responsiveness of firms to individual shareholder activism to outer and inner contextual factors. In the outer environment, the public attention to gender equality evidenced by scores measured by Google Trends²³ makes the issue of women's representation on boards an uncontested demand. Worldwide interest on gender equality as a "topic" changed from 21 to 43 points during the study period of 2013-2021, while in Turkey, the value raised from 8 to 83. In Istanbul, where the vast majority of companies are headquartered, gender equality as a "term" receives the top score of 100. This interest in gender equality is higher than the interest in climate change or other social issues. Our findings lend support to the findings of Giannetti and Wang (2020), yet in a completely different empirical setting, public attention to a social issue positively influences its perceived salience by the management and encourages a positive response.

As per the inner context, as we predicted, family control appears to be a factor significantly associated with responsiveness of firms as implied by Mitchell et al. (2011) who assert that the source of power in a family business is predominantly normative rather than utilitarian and “based upon prestige, esteem, and social symbols ...” (p.242).

Our research has some limitations. We are not able to observe engagements by foreign institutional investors with sample firms in private settings, but we anticipate those to be limited. We also cannot rule out that questions were asked in the AGMs of the control firms just because no questions were asked in the treatment group. It is also possible that the activism in target firms might have affected other firms in both treatment and control group, but we can’t account for such spillover effects.

Our methodology also has limitations. Randomization provides a sound basis for judging whether an estimated average treatment effect is different from zero by chance, but we can not eliminate the chance of over-representation of an omitted variable. By running a regression analysis, we adjust for differences between control variables in treatment and control samples at time t , but we can not exclude changes in control variables and imbalance of these changes in treatment and control samples in the post-randomisation period $t+1$ and $t+2$ (Deaton & Cartwright, 2018). We also are not certain whether some of the responsive firms are clients of international development banks that promote gender diversity in boards as a conditionality in their investment and lending decisions.

Our study has some implications for future research. The right to ask questions is available to shareholders in the EU and used widely, but research is silent on its outcome. Future studies in other markets and the EU on the effect of shareholder questions may contribute to the effectiveness of this uncontroversial instrument.

Several areas of future work arise from the limitations of our study. The decision-making process is a black box for researchers. We do not know the meaning the managers attributed to the individual shareholders or the issue raised by them. Have they considered individual investors (all were woman in our experimental setting) as representatives of women as a stakeholder group or purely as investors? Was it the reputational threat or threat to organisational identity (Waldron et al., 2013) that encouraged them to respond to a demand that is expressed in a public forum? Are the positive responses merely symbolic, or do they pave the way for sustained diversity? Did it matter that the demand was about compliance with a soft law provision? What are the firm attributes associated with persistent unresponsiveness? These questions can best be answered by cross-country studies with larger samples and qualitative research.

Last but not the least, we acknowledge that other theoretical frameworks might provide insights into socially oriented individual shareholder activism and its outcome (i.e., social movement theory and network theory).

Our study provides an indication of the potential role individual shareholders can play in more developed markets if they were given more power and are enabled. The desirability of instrumental use of AGMs is beyond the scope of this paper and needs to be explored theoretically as in the recent paper of Hart and Zingales (2017) in which the authors suggest that making it easier for socially oriented shareholders to actively participate at AGMs, including retail investors, may be a means to converge shareholder and stakeholder welfare. It is also argued that individual shareholders will choose to be present when they are adequately informed (Fisch, 2022) and their monitoring has intrinsic value compared to institutional investors who use intermediaries (Hirst et al., 2012). Our research extend support to emerging inquiries about electronic AGMs as an instrument for solving collective action problem (Bowley et al., 2023). Emerging organisations

such as ShareAction,²⁴ and Citizen Shareholders,²⁵ aim to mobilize individual shareholders and citizens to combine their power to put collective pressure on firms to act responsibly. Broadridge, the de facto platform for proxy voting, has also developed an application to make it easier for individual investors to vote in shareholder battles.²⁶ BlackRock's recent Voting Choice Initiative, which leverages technology, and transfers decisions to underlying retail investors to engage much more directly with investees, is another example.²⁷ In this vein, future theoretical research can also explore repurposing of AGMs as general stakeholder meetings with differential participation rights, possibly inspired by the Team Production Theory of corporate law (Blair et al., 1999) and pave the way for annual stakeholder meetings (Nili and Shaner, 2022).

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END NOTES

¹ We use “individual” and “retail” interchangeably to define shareholders who own a small fraction of issued shares and exclude high-wealthy individuals and members of controlling families who may hold traded shares as well as closely held shares.

² For controversies around the subject see Gantchev & Giannetti (2021) and Bebchuck (2005)

³ Regulation Regarding Participation to General Meetings of Joint Stock Companies on Electronic Medium” (EGMS Regulation) issued by the Turkish Republic Ministry of Customs and Trade on the 28th August 2012 (no: 28395)

⁴ Rees and Rodionova (2017) also conduct a field experiment on socially oriented shareholder activism, but in private settings.

⁵ We exclude hostile takeovers as it is irrelevant for our subject.

⁶ These firms collectively hold approximately 12% of average US firm’s outstanding shares (Bebchuck and Hirst, 2019).

⁷ Financial News, 14 April, 2022, at <https://www.fnlondon.com/articles/why-retail-investors-piling-into-agm-voting-season-could-become-a-bit-of-a-nightmare-20220414> , accessed on June 25, 2022

⁸ Lumi, at <https://blog.lumiglobal.com/resources/genz-investors-report>, accessed June 25, 2022

⁹ The model proposed by Mitchell et. al (2007) was aimed to help managers to map the legitimacy of stakeholders and therefore ‘to become sensitized to the moral implications of their actions with respect to each stakeholder’ (p. 880).

¹⁰ These interventions can function as “nudges” (Thaler and Sunstein, 2008) whereby the attention of the firm is drawn towards an issue, which is salient on the basis that a positive response is strongly favoured by other stakeholders (such as employees, customers and other investors) and the society at large.

¹¹ Citizens' use of corporate setting to demand gender equality can be explained by the Matten and Cranes's (2006) conceptualization of Corporate Citizenship,

¹² Affiliated directors are those who are appointed to the subsidiary boards by the controlling shareholders who control the apex firm.

¹³ The ratio of foreign institutional shareholder ownership decreased to record lows under 30% in 2021 due to controversial monetary policies imposed upon the Central Bank by the Presidency.

¹⁴ Local institutional investors play a significant role in developing markets only when savings are sufficiently large and channeled to investments through pension schemes. Turkey has a very low saving rates with *pay as you go* pension system (Ararat, Yurtoğlu and Suel, 2010)

¹⁵ Presentation by Ministry of Trade at the Second Legal and Regulatory Review Workshop organised by EBRD on January 11, 2023.

¹⁶ TUSIAD's definition of the aim of its activities as exhibited in their Web site. Available at <https://tusiad.org/en/tusiad/about>

¹⁷ This has been demonstrated by the number of members in Gender Equality Task Forces of TUSIAD and Global Compact Turkey, as well as the funding provided to gender equality focused projects by foundations of largest business groups (e.g. Koc, Sabanci and Fiba, evident on their Websites).

¹⁸ See the CGFT Web site for more information on CGFT at <https://cgft.sabanciuniv.edu/en> (accessed on 1 June 2022)

¹⁹ During the study period, roughly 40% of women on boards were affiliated with controlling-families, but their presence is not indicative of compliance with the gender equality norm.

²⁰ Most family-controlled firms are organised in business groups. A special issue of Journal of Business Ethics (JBE) is focused on business groups and CSR (2018, No:153)

²¹ A similar role is played by CDP, formerly known as Carbon Disclosure Project. CDP exposes companies who have not disclosed their climate change strategies and enable shareholders to act. Reid and Toffel (2009) report that firms are more likely to disclose their climate change if they are targeted by shareholder engagements that use CDP data.

²² Use of such instrument is not practical for dispersedly owned large companies in the US and the UK.

²³ Numbers provided by Google Trends represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

²⁴ See the Website for more information: <https://shareaction.org/> (accessed on June 5, 2022)

²⁵ See the Website for more information: <https://www.citizenshareholders.com/> (accessed on June 5, 2022)

²⁶ Brooke Masters, ‘BlackRock Opens Doors for Retail Investors to Vote in Proxy Battles’ Financial Times (3 November 2022)