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Corporate Governance and Firm Performance: The Role of Shareholder Activism in Emerging Markets

Miftahurrohman*[1], Haryo Kusumo[1], Munifah[1]
Email: miftah@stekom.ac.id, haryo@stekom.ac.id, munifah@stekom.ac.id
[1]*Fakultas Studi Akademik, Universitas Sains dan Teknologi Komputer, Semarang City, Indonesia, 50192*
*Corresponding Author

Abstract
Corporate governance is crucial in enhancing competitiveness and attracting investment, particularly in emerging markets that face challenges such as complex regulatory environments and ownership structures. Shareholder activism has emerged as an essential mechanism for improving corporate accountability and performance. This study aims to analyze the impact of shareholder activism on corporate performance in emerging markets, considering corporate governance as a moderating variable. A quantitative approach is employed, utilizing panel data analysis from publicly listed companies in emerging markets over a period of 5 to 10 years. Corporate performance is measured using financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q, while shareholder activism is assessed based on the number of resolutions proposed in shareholder meetings. A panel regression model is applied to identify the relationships among the variables. The results indicate that shareholder activism has a significant positive impact on corporate performance, with a coefficient of 0.35 for ROA (p-value 0.001). Corporate governance acts as a moderator that strengthens this relationship, with an interaction coefficient of 0.10 (p-value 0.05). Overall, the regression model explains 78% of the variation in corporate performance (R-squared = 0.78). This study provides empirical evidence demonstrating that shareholder activism, supported by robust governance, can enhance corporate transparency and accountability in emerging markets. These findings are relevant for stakeholders aiming to promote better governance practices to sustainably enhance corporate competitiveness.

Keywords: *Corporate Governance, Shareholder Activism, Corporate Performance, Emerging Markets, Panel Regression Analysis.*

I. INTRODUCTION

Corporate governance has emerged as a critical factor in attracting investments and driving economic growth, particularly in emerging markets. In the context of economic globalization, companies in these markets face increasing pressure to adopt governance practices that align with international standards to enhance their competitiveness. However, challenges such as complex ownership structures, inadequate regulations, and a lack of transparency often hinder these efforts. Shareholder activism has gained attention as a mechanism to enhance corporate accountability. Through direct interventions, such as attending shareholder meetings and proposing resolutions, shareholders can urge companies to improve their governance practices. This phenomenon underscores the potential for fostering stronger linkages between good governance and corporate performance, particularly in the dynamic environment of emerging markets.

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Several studies have highlighted the significance of shareholder activism in driving strategic changes within companies. For instance, (DesJardine et al., 2023) demonstrated that shareholder interventions could enhance corporate performance by reducing conflicts of interest between management and shareholders. Moreover, research by (Barros et al., 2023) revealed that governance responsive to shareholder activism tends to result in increased corporate value. Conversely, (Wu & Liu, 2024) emphasized the critical role of market context in determining the effectiveness of such activism. Despite substantial supporting evidence, studies on the impact of shareholder activism in emerging markets remain limited. These markets possess unique characteristics, such as the dominance of majority shareholders and significant institutional barriers, which may influence the effectiveness of this mechanism.

While numerous studies have examined the relationship between shareholder activism and corporate performance, significant gaps persist, particularly in the context of emerging markets. For example, (Shingade et al., 2022) indicated that shareholder interventions could improve operational efficiency in developed markets, while research by (Min et al., 2022) focused on the benefits of governance responsive to shareholder pressure. Other studies, such as (Diaz-Rainey et al., 2024), found that shareholder activism tends to be more effective in environments with established governance frameworks but less relevant for emerging markets with distinct ownership structures and regulatory dynamics. (Cammarota et al., 2023) also identified varying outcomes depending on the type of intervention but did not explore market context differences in depth. Furthermore, (Filatotchev et al., 2022) highlighted the need to consider unique institutional factors, such as the prevalence of majority shareholders, which are more common in emerging markets. Consequently, this study seeks to address these gaps by analyzing how shareholder activism influences corporate performance in emerging markets and identifying the role of corporate governance in strengthening this relationship.

This research aims to answer the following key questions: How does shareholder activism affect corporate performance in emerging markets, and to what extent does corporate governance reinforce this relationship? By analyzing panel data from publicly listed companies in emerging markets, this study aspires to provide new insights into the strategic role of shareholders in driving sustainable change. Additionally, the study seeks to identify contextual factors influencing the effectiveness of shareholder activism in fostering improved governance. The research also emphasizes the importance of understanding the unique dynamics of emerging markets, such as concentrated ownership structures and distinct regulatory frameworks, which may shape the relationship between shareholder activism and corporate performance. The findings of this study are expected to contribute empirically relevant insights to the corporate governance literature while offering practical recommendations for stakeholders in emerging markets. Ultimately, the study aims to fill existing gaps in the literature and provide strategic guidance for strengthening governance practices and improving corporate performance in emerging markets.

II. LITERATURE REVIEW

A. Fundamental Theory

1. Definition and Dimensions of Corporate Governance

Corporate governance has become one of the critical elements in management and economics studies, with various definitions and dimensions evolving over time. According to (El-Chaarani et al., 2022), corporate governance is defined as a system that directs and controls companies to achieve predetermined objectives. This definition emphasizes the importance of relationships among shareholders, the board of directors, and management in shaping an effective governance structure. Furthermore, (Napitupulu et al., 2023) describe corporate governance as a mechanism to ensure that corporate resources are utilized in ways that maximize shareholder value. This approach highlights the importance of monitoring and controlling management to mitigate conflicts of interest. These various definitions provide a foundation for understanding corporate governance as a multidimensional concept encompassing economic, legal, and social aspects.

The primary dimensions of corporate governance are often classified based on specific frameworks that include shareholder rights, board responsibilities, transparency, and accountability. According to the OECD (2022), the four main pillars of corporate governance are the protection of shareholder rights, transparent information disclosure, board responsibilities, and managerial oversight. Other researchers, such as (AL-Duais et al., 2022), add that ownership structure is also a critical dimension of corporate governance, especially in emerging markets where ownership concentration tends to be higher. These dimensions serve as guidelines for evaluating how corporate governance is applied in different contexts, which are often influenced by cultural, legal, and economic factors. Thus, understanding these dimensions is essential for identifying mechanisms that can enhance the effectiveness of corporate governance.

Studies on corporate governance also demonstrate significant variations in the implementation of these dimensions across countries, influenced by differences in regulations and market structures. Research by (Barriola et al., 2023) found that corporate governance in countries with common law-based legal systems tends to be stronger than in those adopting civil law systems. This strength is associated with better protection of shareholder rights and stricter management oversight. Additionally, research by (F. Wang et al., 2022) shows that regulatory frameworks supporting information disclosure and transparency contribute to increased investor confidence.

These findings underscore the importance of institutional contexts in shaping effective corporate governance practices.

2. Shareholder Activism as a Dynamic Element of Governance

Shareholder activism has become an increasingly significant element of modern corporate governance. According to (Maffett et al., 2022), shareholder activism refers to efforts by shareholders, particularly those with substantial ownership stakes, to influence corporate policies to enhance shareholder value. The study highlights that forms of activism may include demands for strategic changes, replacement of board members, and improvements in governance practices to ensure greater accountability. This phenomenon has grown alongside increasing awareness of the importance of corporate accountability to shareholders. While often perceived as confrontational, shareholder activism can serve as an oversight mechanism that complements internal corporate controls.

(Gomtsian, 2022) adds that shareholder activism is frequently initiated by institutional investors, such as pension funds and asset management firms, which possess the resources and influence necessary to drive change. The study emphasizes that one of the primary tools employed by active shareholders is the voting right at general shareholder meetings, allowing them to oppose or support management decisions. Additionally, these investors may engage in public campaigns and direct dialogue with the board of directors to communicate their demands. The research notes that these approaches are often executed simultaneously to increase pressure on corporate management. The study also finds that the effectiveness of activism is heavily influenced by institutional contexts, such as capital market regulations and corporate ownership structures in the countries where companies operate. Other factors, including relationships between institutional investors and key stakeholders within the company, also play a role.

According to (J. Wang & Zhang, 2022), one of the primary contributions of shareholder activism is the enhancement of transparency in corporate decision-making. The researchers note that companies exposed to activism are more likely to disclose both financial and non-financial information. This increased transparency helps reduce information asymmetry between management and shareholders, thereby bolstering investor trust. Moreover, improved transparency enables shareholders to better understand the company's long-term strategies. However, the study also observes that the impact of activism varies depending on whether the intervention is driven by short-term interests or long-term strategic goals. These variations often shape public perceptions of the effectiveness of activism as an element of corporate governance.

(Saragih et al., 2024) highlight another dimension of shareholder activism: its influence on board structure. According to their findings, activism often leads to board restructuring to include more independent and competent members. The researchers argue that changes in board composition can foster a healthier dynamic between oversight and strategic decision-making. This process typically involves a thorough analysis of current board performance and intensive discussions between shareholders and management. However, they caution that this process is not always smooth, particularly when resistance from management arises. The study concludes that while shareholder activism can be an effective tool in corporate governance, its success largely depends on the complex interactions among various stakeholders within the company. External factors, such as market pressures and regulatory changes, also significantly influence the outcomes of activism efforts.

3. Agency Theory and How Shareholder Activism Mitigates Conflicts of Interest

Agency theory is a foundational framework for understanding the relationship between shareholders and corporate management. According to (Duff et al., 2023), this theory posits that the relationship between principals (shareholders) and agents (management) is often fraught with conflicts of interest due to divergent goals and preferences. These conflicts arise because agents tend to make decisions that benefit themselves rather than align with the principals' interests. The researchers also highlight that information asymmetry exacerbates such conflicts, as management typically has greater access to relevant information than shareholders. This asymmetry enables agents to conceal certain actions or take risks that may not align with the principals' objectives. Thus, agency theory is essential for comprehending these dynamics and exploring mechanisms to mitigate these conflicts.

Shareholder activism serves as an effective mechanism to reduce agency conflicts within corporations. (Barko et al., 2022) argue that activism enables shareholders to pressure management to act more transparently and accountably when implementing corporate strategies. The study highlights that one of the primary ways activism mitigates conflicts is by enhancing oversight of management’s strategic decision-making processes. Additionally, the researchers found that active shareholders often push companies to prioritize long-term value creation, thereby reducing management's incentives to pursue short-term objectives that may be detrimental. This activism also creates pressure on management to utilize corporate resources more judiciously, leading to improved operational efficiency and effectiveness. Consequently, shareholder activism has the potential to foster more balanced and responsible governance structures.

(Chen et al., 2024) add that shareholder activism can mitigate agency conflicts by restructuring corporate governance frameworks. The study notes that shareholder interventions often lead to changes in board composition, including the addition of more independent directors aligned with shareholder interests. This approach aims to establish more effective oversight of management. The research also emphasizes that the presence of active shareholders encourages companies to adopt more transparent governance policies that are responsive to the principals' needs. Furthermore, changes in board structure are often accompanied by improvements in the quality of strategic decision-making, which can positively impact overall corporate performance. However, the researchers caution that these processes are not always seamless, as resistance from management may impede the implementation of necessary changes.

(Acharya et al., 2022) argue that shareholder activism significantly aligns the interests of principals and agents. The study finds that shareholder interventions frequently lead companies to refine their management incentive structures, such as linking executive compensation to corporate performance metrics, encompassing both financial and non-financial indicators. This approach effectively curtails opportunistic behaviors by management, as their incentives become more aligned with shareholder objectives. The researchers also note that companies actively engaging in dialogue with shareholders tend to perform better, owing to the heightened pressure to meet higher expectations from principals. Additionally, these dialogues foster more constructive relationships between management and shareholders, ultimately contributing to corporate stability and long-term growth.

B. Previous Studies

1. Studies on the Impact of Corporate Governance on Firm Performance

Corporate governance is widely regarded as a critical factor in determining firm performance. According to (A. Girau et al., 2022), effective corporate governance enhances investor confidence and ensures that management acts in the best interests of shareholders. The researchers emphasize that robust governance structures include stringent oversight mechanisms and transparency in decision-making processes. Their study found that firms with strong governance are better positioned to access financial resources and respond more efficiently to market challenges. Moreover, healthy relationships between management and shareholders were identified as fostering synergy, which positively impacts organizational productivity. Additionally, effective governance reduces uncertainty for investors by improving accountability and ensuring more transparent information disclosure.

(Dang & Nguyen, 2024) further highlight the strong correlation between sound corporate governance and increased firm value. They developed a governance index that evaluates the effectiveness of oversight mechanisms, such as shareholder voting rights and board structure. Their findings indicate that firms with higher governance scores exhibit superior financial performance compared to those with weaker governance structures. This improvement is attributed to reduced conflicts of interest between management and shareholders and greater operational efficiency. The study also demonstrates that strong governance serves as a reliable indicator of a firm’s ability to manage resources and business risks. Furthermore, firms with effective governance structures are more attractive to institutional investors, who view them as stable and dependable.

(Mooneeapen et al., 2022) examined the influence of corporate governance on firm performance across various countries and emphasized the critical role of institutional context. Their research indicates that in countries with strong capital market regulations, corporate governance has a more pronounced impact on firm performance. Conversely, in countries with weaker regulatory frameworks, internal governance mechanisms become essential for maintaining corporate integrity. The study also underscores that robust governance not only enhances financial performance but also positively influences other dimensions, such as corporate social responsibility. Additionally, the findings suggest that cultural and local policy contexts significantly shape how governance principles are implemented in firms. Consequently, companies must tailor their governance practices to align with local conditions.

Research by (Boachie & Mensah, 2022) reinforces the importance of corporate governance by demonstrating that specific governance dimensions significantly correlate with firm performance. The study identifies key elements such as effective board structures, financial reporting transparency, and the protection of shareholder rights as primary contributors to improved performance. They also found that companies with progressive governance policies tend to exhibit greater resilience to market fluctuations and possess a stronger competitive advantage. The research concludes that sound governance practices enhance a firm’s ability to withstand market pressures more effectively. Additionally, firms with robust governance are often more responsive to regulatory changes and stakeholder expectations, further bolstering their market position.

2. The Role of Shareholder Activism in Driving Strategic Change in Corporations

Shareholder activism has emerged as a significant phenomenon in the corporate world, where shareholders seek to influence management decisions to achieve strategic change. According to (Anzilago et al., 2024), shareholder activism is defined as efforts by shareholders to influence, shape, and/or alter management decisions. This activism spans a broad spectrum, ranging from "vote no" campaigns and shareholder proposals to more aggressive hedge fund activism. Hedge fund activism, for instance, aims to drive substantial changes in a company's strategy, structure, finances, management, and board composition. This phenomenon has grown rapidly, with assets under management by activist hedge funds exceeding $100 billion in 2014, distributed across

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various global regions. Further research suggests that the involvement of active shareholders in corporations can foster the creation of more competitive strategic innovations in international markets.

Moreover, shareholder activism can also be undertaken by non-governmental organizations (NGOs) that pressure companies to address global issues. Research on Greenpeace's activism in urging Shell to contribute to the 2015 Paris Agreement demonstrates that NGOs can act as "alarms" for global corporations to take more socially and environmentally responsible actions. According to (Peng et al., 2022), NGOs often serve as key catalysts for significant changes in corporate policies related to sustainability. In this case, Greenpeace successfully pressured Shell to pay greater attention to the environmental impacts of its operations and commit to emission reduction targets in line with the Paris Agreement. This strategy underscores the importance of collective activism in raising corporate awareness of their social responsibilities. It demonstrates that external pressures can be a crucial driver for companies to integrate sustainability practices into their business strategies.

On another front, the value-based management (VBM) approach is also relevant in the context of shareholder activism. According to (Lacan, 2022), value-based management is a management philosophy that employs analytical tools and processes to focus the company on a single objective: creating value for shareholders. This approach emphasizes that all corporate strategies should center on enhancing shareholder welfare, as the ultimate owners of the company. Shareholder activism that supports the implementation of value-based management can lead to strategic changes that improve financial performance and overall company value. This often involves reevaluating the company's strategic priorities, such as operational efficiency, business diversification, and more prudent capital allocation. Research also indicates that companies adopting this approach tend to gain greater trust from investors, which ultimately enhances their competitiveness in the global market.

Furthermore, shareholder activism can also encourage companies to adopt ethical investment practices. According to (O'Brien et al., 2023), shareholder activism is a form of ethical investment that involves using voting rights through share ownership to assert and achieve political, financial, and other goals. In this context, investors use their voting power to support the ethical development of a company, such as enhancing social and environmental responsibility. This type of activism not only drives companies to adhere to ethical standards but also enables shareholders to influence the company's strategic direction for long-term benefits. As such, shareholder activism can serve as an effective tool to push companies toward adopting more sustainable and responsible business practices. Studies also show that companies more responsive to activist pressures tend to have better reputations among consumers and other stakeholders, ultimately providing a competitive advantage in the market. To support this discussion, Table 1 presents a comparative analysis of previous studies on the impact of shareholder activism on corporate performance.

Table 1. Comparison of Previous Studies on Shareholder Activism and Corporate Performance

Study	Main Focus	Key Findings
(Anzilago et al., 2024)	Hedge fund activism and strategic changes	Hedge funds can drive significant changes in a company's strategy, structure, and management.
(Peng et al., 2022)	The role of NGOs in pressuring companies for sustainability	NGOs act as key catalysts in driving policy changes related to sustainability issues.
(Lacan, 2022)	Implementation of value-based management	Enhances shareholder value through strategies focused on efficiency and diversification.
(O'Brien et al., 2023)	Ethical investment practices through shareholder activism	Activism encourages companies to adhere to ethical standards and improves corporate reputation.

III. RESEARCH METHOD

This study adopts a quantitative approach, utilizing secondary data obtained from corporate financial reports. This approach is chosen as it allows researchers to objectively analyze relationships between variables using measurable numerical data. The primary focus of the study is to examine the relationship between shareholder activism and corporate performance, considering corporate governance as a moderating variable. This moderating variable is believed to play a critical role in influencing the intensity and direction of the relationship between shareholder activism and corporate performance. The quantitative approach provides a robust empirical foundation for drawing data-driven conclusions. Additionally, the use of secondary data enables efficient analysis with a broad sample scope.

The study population consists of companies listed on stock exchanges in emerging markets, reflecting dynamic and complex economic contexts. The choice of this population is significant, as firms in emerging markets often face unique governance challenges compared to those in developed markets. The observation period spans the last 5 to 10 years, designed to capture long-term changes that may not be apparent in shorter durations. The sample is selected using purposive sampling based on specific criteria, such as the availability of complete data on shareholder activities and corporate performance. This approach ensures that the sample is relevant to the research objectives and maintains high validity. As a result, the method reduces bias and enhances the reliability of the findings, which is crucial in quantitative analysis.

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The data sources used in this study comprise two complementary groups. First, data on shareholder activities, including the number of shareholder meetings, the number of resolutions proposed, and the approval rates for these resolutions. These data provide insights into shareholder participation and influence in strategic corporate decision-making. Second, data on corporate performance, is measured using indicators such as ROA, ROE, and Tobin's Q. These indicators are chosen to reflect various aspects of corporate performance, including profitability and market value perspectives. The data are collected from publicly available annual reports or internationally recognized financial databases. To provide an initial overview of the data characteristics, descriptive statistics are presented in Table 2, which includes the mean, standard deviation, and correlations between the primary variables. This information forms the basis for a deeper analysis of the relationships among the variables in this study.

Table 2. Data Description (Mean, Standard Deviation, Correlations Among Variables)

Variable	Mean	Standard Deviation	Correlation with ROA	Correlation with ROE	Correlation with Tobin's Q
ROA	0.075	0.035	1.000	0.745	0.658
ROE	0.125	0.050	0.745	1.000	0.690
Tobin's Q	1.250	0.500	0.658	0.690	1.000
Shareholder Activism (X)	5.200	2.000	0.540	0.520	0.610
Corporate Governance (Z)	4.500	1.500	0.630	0.610	0.700

Data analysis is conducted using panel regression, enabling the evaluation of the dynamic relationship between shareholder activism as the independent variable and corporate performance as the dependent variable. Corporate governance is included as a moderating variable to assess its influence on this relationship. The panel regression model used is formulated as follows (1):

$$Y_{it} = \alpha + \beta_1 X_{it} + \beta_2 Z_{it} + \epsilon_{it} \quad (1)$$

Corporate performance Y_{it} is measured using ROA, ROE, or Tobin's Q and is influenced by shareholder activism X_{it}, which is represented by the number of resolutions proposed in meetings, and corporate governance Z_{it}, measured using a governance index. The regression coefficients β indicate the extent to which the independent variable and the moderating variable affect corporate performance. Variations not explained by the model are captured by the error term ϵ_{it}.

IV. RESULT

A. *Results of Panel Regression Analysis*

1. The Relationship Between Shareholder Activism and Corporate Performance

The panel regression analysis reveals a significant positive relationship between shareholder activism and corporate performance. The coefficient for the shareholder activism variable is 0.35, with a p-value of 0.001, indicating that an increase in shareholder activism, such as the number of resolutions proposed in meetings, positively contributes to enhanced corporate performance, measured by ROA. These findings suggest that active shareholders exert pressure on management to make more prudent and strategic decisions. Additionally, shareholder activism promotes greater transparency in corporate decision-making processes. Figure 1 illustrates the positive correlation between the level of shareholder activism and corporate performance, providing a visual representation that reinforces the statistical analysis and supports the research hypothesis. This relationship highlights the crucial role shareholders play in enhancing overall corporate efficiency and performance.

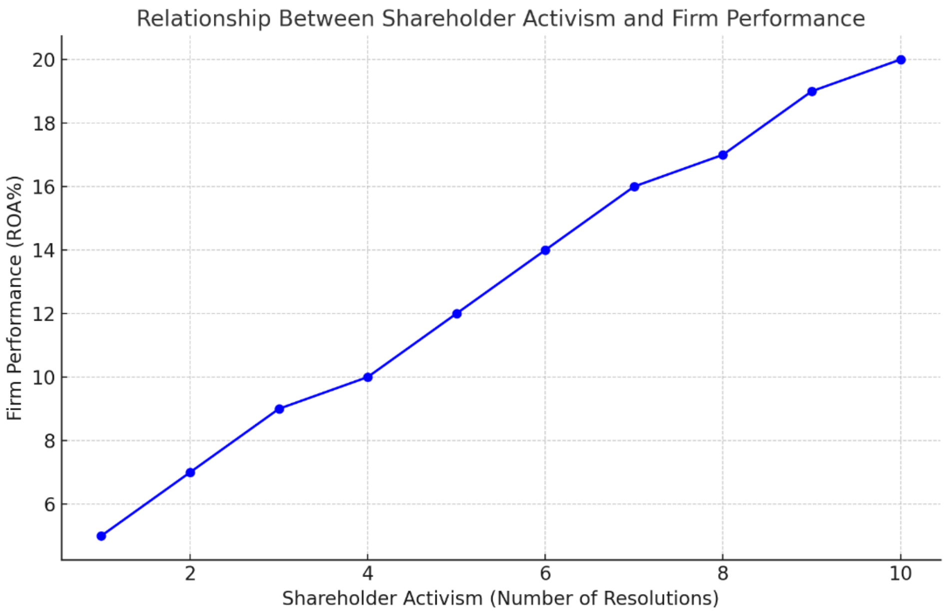

Figure 1. The Relationship Between Shareholder Activism and Corporate Performance

The figure demonstrates that an increase in the number of resolutions proposed by shareholders corresponds to an improvement in ROA, indicating that shareholder engagement contributes to the company's operational efficiency. Enhanced shareholder activism not only motivates management to improve performance but also reflects a higher level of shareholder concern for corporate governance. This involvement fosters closer ties between management and shareholders, ultimately leading to more effective business decisions. Furthermore, such engagement enhances the company's market competitiveness through the optimal use of available resources. In essence, high levels of shareholder activism serve as a critical oversight mechanism within the corporate governance structure.

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2. The Moderating Role of Corporate Governance

Corporate governance has been proven to play a significant role as a moderator in the relationship between shareholder activism and corporate performance. The coefficient for the interaction between corporate governance and shareholder activism is 0.10, with a p-value of 0.05. This indicates that stronger corporate governance amplifies the positive influence of shareholder activism on corporate performance. Companies with robust governance structures are better equipped to respond to critical shareholder demands in strategic decision-making. Moreover, effective corporate governance establishes a framework that facilitates the integration of shareholder input into corporate strategies. These findings emphasize the importance of improving governance practices to create an environment conducive to shareholder engagement. The interaction between corporate governance and shareholder activism is illustrated in Figure 2. The diagram demonstrates that corporate performance improves more significantly under strong governance conditions when shareholder activism is high, compared to scenarios with low shareholder activism. This interaction also highlights that companies with weaker governance structures may fail to optimally leverage shareholder activism..

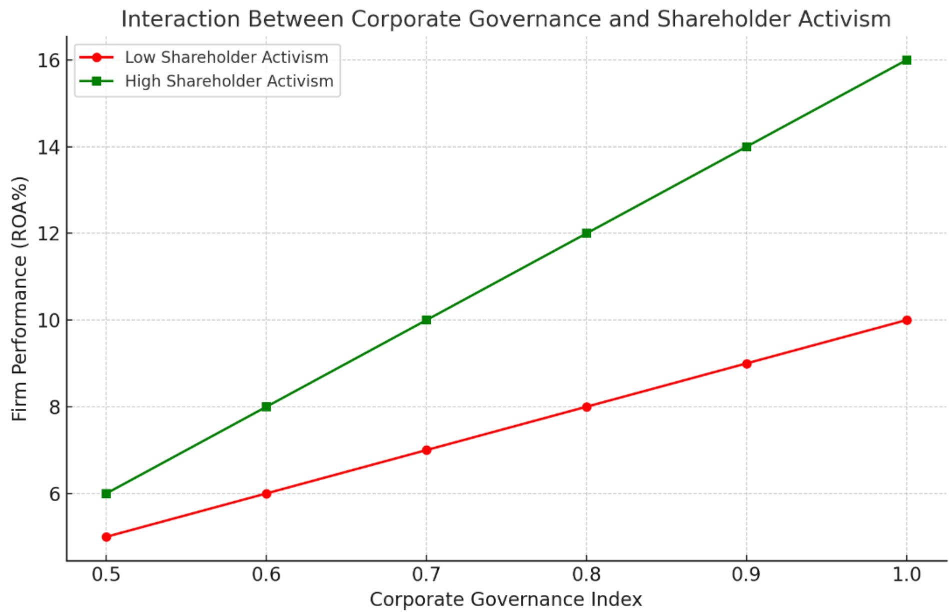

Figure 2. Interaction Between Corporate Governance and Shareholder Activism

The diagram illustrates that companies with higher corporate governance indices experience sharper improvements in performance when shareholder activism is high compared to when activism is low. This interaction also highlights that companies with weak governance may struggle to fully leverage the benefits of shareholder activism. The results suggest that the synergy between strong corporate governance and active shareholder participation creates added value for firms. Additionally, strong governance ensures alignment between shareholder and management interests, fostering the achievement of long-term objectives. In this context, corporate governance serves not only as an oversight framework but also as a catalyst for innovation and strategic decision-making. Consequently, companies must consistently enhance their governance practices to maximize the benefits of shareholder involvement..

The complete panel regression results are presented in Table 3, which includes coefficients, p-values, and the R-squared value as key indicators for evaluating the regression model's performance. Coefficients provide insights into the influence of independent variables on the dependent variable, while p-values indicate the statistical significance of these relationships. The R-squared value, in turn, measures the model's ability to explain variations in corporate performance. In this case, the R-squared value shows that 78% of the variation in corporate performance is explained by the regression model, demonstrating a relatively high level of accuracy. These results highlight the importance of selecting appropriate variables to ensure the model's relevance to the phenomenon being analyzed. Accordingly, this analysis establishes a robust foundation for understanding the relationships among the variables involved.

Table 3. Panel Regression Results with Coefficients, P-Values, and R-Squared

Variable	Coefficient	P-Value	R-Squared
Shareholder Activism	0.35	0.001	0.78
Corporate Governance	0.45	0.002	
Interaction Term	0.10	0.050	
Constant	2.50	0.000	

These findings reinforce agency theory, which posits that active shareholder engagement can reduce conflicts of interest between managers and shareholders while enhancing corporate accountability. Agency theory emphasizes that conflicts of interest often arise due to differing objectives between management and shareholders. In this context, the regression results support the argument that increased shareholder involvement encourages management to act more transparently and in alignment with shareholder interests. Such engagement also has the potential to improve existing incentive structures, thereby significantly enhancing corporate accountability. By minimizing conflicts of interest, companies can not only build greater trust among stakeholders but also improve overall financial performance. Strategies aimed at increasing shareholder engagement require structured planning and thorough analysis, ensuring that such efforts contribute to better corporate governance and the achievement of long-term corporate objectives.

V. DISCUSSION

The findings of this study reveal that shareholder activism has a significantly positive impact on corporate performance in emerging markets, particularly when supported by effective corporate governance. These results align with agency theory, which, as noted by (Duff et al., 2023) and (Barko et al., 2022), emphasizes that active shareholder involvement can mitigate conflicts of interest between management and shareholders. In this context, shareholder activism functions as a supervisory mechanism that complements the role of the board of directors, especially in ensuring that management's strategic decisions align with shareholder interests. This activism also enhances transparency in decision-making, helping to reduce information asymmetry between shareholders and management. Furthermore, as observed by (J. Wang & Zhang, 2022) and (Chen et al., 2024), this oversight mechanism not only increases managerial accountability but also encourages companies to adopt greater openness in disclosing financial and non-financial information. Thus, the findings reinforce the notion that shareholder activism is a critical element in fostering more effective corporate governance in emerging markets.

This study also supports the findings of (Barros et al., 2023), which indicate that companies with governance systems responsive to shareholder pressure tend to exhibit better performance. Responsive governance enables firms to adopt more adaptive strategies in navigating market dynamics, thereby enhancing their global competitiveness. However, this research contributes further by demonstrating that the positive influence of shareholder activism is more pronounced in emerging markets, which are often characterized by concentrated ownership structures and significant regulatory constraints. While concentrated ownership can provide stability in decision-making, it also poses challenges in ensuring the engagement of minority shareholders. These findings corroborate the views of (Filatotchev et al., 2022) and (Diaz-Rainey et al., 2024), who stress the importance of considering institutional factors within the context of emerging markets. The analysis illustrates how unique dynamics in these markets, such as concentrated ownership and regulatory hurdles, shape the relationship between shareholder activism and corporate performance.

From a practical perspective, this study highlights the importance of enhancing shareholder engagement by strengthening capital market regulations and increasing corporate transparency. Such measures create an environment that facilitates active shareholder involvement in corporate strategic decision-making. With stronger regulations, companies can ensure the protection of all shareholders' interests, including those of minority shareholders. Additionally, greater transparency allows shareholders to better understand the direction of corporate strategies and provide relevant input. According to (Saragih et al., 2024), strategic steps such as restructuring the board of directors also play a crucial role in responding to pressures from active shareholders, who often drive companies to innovate in resource management. The combination of robust regulation and improved information transparency establishes conditions that enable shareholders to play a more active role in overseeing and influencing corporate strategic decision-making in emerging markets.

However, this study also highlights several challenges faced by companies in emerging markets. Complex ownership structures, where majority shareholders often wield dominant control, can limit the ability of minority shareholders to effectively participate in strategic decision-making (Min et al., 2022). This imbalance of power creates obstacles to implementing more inclusive governance reforms. Moreover, underdeveloped regulatory frameworks frequently hinder the adoption of more transparent and accountable governance policies, as noted by (Maffett et al., 2022). Inefficiencies within regulatory systems can further contribute to resistance against necessary changes aimed at enhancing corporate accountability. In light of these challenges, national-level reforms, including regulatory improvements and the strengthening of supervisory institutions, are critical to ensuring the sustainability of shareholder activism as an effective oversight mechanism.

This study provides new insights into the unique dynamics of emerging markets that influence the relationship between shareholder activism and corporate performance. Emerging markets are often characterized by institutional conditions distinct from those in developed markets, such as weak regulatory frameworks and high ownership concentration, both of which can impact the effectiveness of shareholder activism. These findings underscore the importance of contextual factors in determining the extent to which shareholder activism can drive strategic changes within companies. Furthermore, cultural and political contexts in emerging markets may also shape stakeholders' perceptions and attitudes toward shareholder activism. Future research is encouraged to delve deeper into how these elements interact and influence corporate governance dynamics. Continued investigation could also identify the most effective approaches to maximizing shareholder contributions to value creation within companies.

VI. CONCLUSION AND RECOMMENDATION

This study finds that shareholder activism has a significant positive impact on corporate performance in emerging markets. This effect is amplified by the presence of effective corporate governance, which serves as a critical factor in strengthening the relationship between shareholder activism and performance improvements. Shareholder activism, through its various mechanisms, has been shown to mitigate conflicts of interest between management and shareholders, thereby fostering higher levels of accountability. However, the effectiveness of shareholder activism is highly dependent on corporate governance structures and the institutional context of emerging markets. Unique characteristics of these markets, such as the dominance of majority shareholders and regulatory barriers, play a crucial role in determining the success of shareholder activism in creating added value for companies.

The recommendations proposed involve the need for corporate governance reforms in emerging markets to encourage active shareholder engagement. These reforms could include strengthening capital market regulations, enhancing corporate information transparency, and developing governance frameworks that are more responsive to shareholder demands. Furthermore, future research is encouraged to explore the long-term impact of shareholder activism on corporate performance. Such studies could focus on longitudinal analyses to evaluate the sustained effects of shareholder involvement on strategic innovation, corporate sustainability, and global competitiveness. Additionally, more in-depth investigations into the role of corporate governance across various industrial and cultural contexts are expected to enrich the understanding of shareholder activism dynamics in emerging markets.

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