

Sustainability and Climate On-Demand

“How Company Ownership Shapes Performance”

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Bentley Kaplan

Hello and welcome to the weekly edition of Sustainability Now, the show that explores how the environment, our society and corporate governance affects and are affected by our economy. I'm Bentley Kaplan, your host for this episode.

On today's show, we are unpacking a surprising shift in global markets – the rise of companies with controlling shareholders. See, a decade ago, a majority of big, listed firms were widely held. Ownership was spread amongst many different shareholders, and people thought this would be the case for years to come. But by 2025, ownership had concentrated, the tables had turned. Now, controlled companies outnumber those that are widely held, but does this shift in ownership actually translate into better returns for shareholders? We are going to dig into new analysis that tests whether ownership structure is just background noise or a meaningful contributor to performance. Thanks for sticking around. Let's do this.

Now, governance changes don't usually make headlines the way that a new product launch or an earnings surprise might. They tend to unfold slowly, wrapped up in technical terms and voting structures that investors might not be automatically drawn to. It's not really TikTok-friendly, if you catch my drift. But underneath those details are questions of power, who gets to make decisions, whose interests take priority, and how that shapes a company's path. Questions that move markets. And if you talk to any governance analyst worth their salt, they'll tell you that company ownership is a big deal. They'll talk at you about it for some time.

But what's really great about my guest today is that he can show you why it's such a big deal in terms of dollars and cents, because my colleague, Jon Ponder and our amazing corporate governance team looked at 10 years' worth of data to understand what ownership means for company performance. And to make you do a little bit of work before we get to those great results, Jon just couldn't help himself by setting the scene on why control matters and how it's measured.

Jon Ponder

In short, control matters because whoever has it can really shape where a company's headed. That ranges from big-picture calls on things like strategy and risk, all the way down to the minutia of leadership or how executives are rewarded. It's not just about who casts votes at the annual meeting, it's about who actually gets to steer the company's long-term direction and whose interests take priority. What we really want to know is who owns the company. A major part of this is how much voting power the largest shareholder actually has on paper.

In our methodology, we break companies down into three loose buckets, controlled, this is when a shareholder or a group of shareholders holds percent or more of the votes, principal, when that

proportion of control sits between 10 and 30%, and widely held, when we can say that no single person or group has more than 10%.

One might ask why these thresholds matter. Well, that's because influence doesn't play out in the vacuum. It depends on who actually shows up to vote. And in reality, shareholder meeting turnout often hovers well below a hundred percent. So a shareholder would say 30% on paper might actually effectively call the shots, and even someone with a 10 to 30% stake can give someone significant sway of the board and by extension over company strategy. Essentially by calibrating our framework to how control works in practice, instead of sticking to a simple majority rules definition, we can better spot where minority investors might run into risks, situations where their interests could get sidelined.

Bentley Kaplan

Right. So through our corporate governance methodology, Jon and team are assigning company ownership categories based on practical level of control, to what extent a single shareholder or group of shareholders is calling the shots. And the real reason why Jon is looking at these categories in the first place is that there has been a clear trend in company ownership in public markets, one that has been unfolding over the past few years. And this is the rise of controlled companies, or more specifically, a concentration of company ownership. A greater share of companies are now owned by a controlling shareholder. But how this might affect performance hasn't been heavily researched, and that is an itch that Jon really wanted to scratch.

Jon Ponder

For sure. So at the highest level over the past decade, what we've observed is that controlled firms have become a lot more common. Back in 2015, widely held companies made up nearly half of the ACWI Index, a little short, but close enough, but by 2025, controlled firms had definitively taken the lead, outnumbering both widely held firms and those with a principal shareholder. So sure, controlled firms are more common, but the share of the total market cap hasn't actually grown, which is a bit of a puzzle, you'd say. You'd expect more controlled companies to mean a bigger slice of the market value as well.

What this really suggests is that widely held firms, even though there are fewer of them, have grown faster than their controlled peers, and that in turn points to stronger returns for widely held companies.

Bentley Kaplan

Right. So investors might see their exposure to controlled firms on the rise. It's the kind of shift that might fly under the radar if you're not looking across a universe of thousands of companies. And in itself, ownership changing may not feel like a big deal, but Jon actually tracked a fixed set of around 2,000 companies over 10 years, starting in 2015, companies that were continuously a part of the MSCI All Country World Index or the ACWI. And Jon saw that the proportion of these 2,000 companies that were widely held dropped dramatically over that period, shifting to having a principal or controlling shareholder instead.

But that shift is something that we already knew about. What should really raise an eyebrow is that despite being more common, the market cap of controlled companies didn't budge, and it was with a raised eyebrow that Jon started digging into the data to figure out what was happening.

To do that, he ran multivariate regressions on the same set of around 2,000 companies testing five and 10 year shareholder returns. And when we say shareholder returns, we're using a measure called TSR or total shareholder return. And quite simply, that's the growth that investors see from both stock price changes and dividends over time. So Jon looked at how TSR shifted and whether ownership structure explained the differences. To make the analysis clean, he also controlled for other factors that affect stock performance like company size, whether a company is in an

emerging or developed market and the sector that it's in. And the result, ownership matters, and you can measure that in dollars and cents.

Jon Ponder

So I know that most people's eyes glaze over when you talk about stats, but bear with me for a moment. Even after controlling for size, geography and sector, ownership still showed up as a clear driver of returns. In other words, what we were observing wasn't just a statistical quirk, it was a durable effect. On average, companies with a principal shareholder controlled firms by roughly 9% over five years and 12% over 10, while widely held firms did even better with roughly 10% higher returns over five years and 15% over 10. These were not just flukes. The performance gaps were statistically significant, meaning the odds of them happening by chance were incredibly low. We stress-test these findings across several different models, time horizons and subsets of our data that we were using, and the pattern remarkably kept holding. This gives us confidence that ownership structure itself, not some other hidden factor that we couldn't detect, is a real performance driver.

Bentley Kaplan

Okay, so Jon found that for shareholders wanting to maximize their returns, ownership type was a material consideration. Widely held firms achieved higher total shareholder returns than their controlled counterparts. And why that is, you ask? Well, between you and me, I would love to speculate. Having binge-watched the series, *Succession*, I am ready to start throwing out ideas. Let's make it rain. But unfortunately, that is something our compliance team would not love. Happily, Jon has much more authority on the subject and is armed with a well-established governance model, one that can help with the question of why controlled firms might've had significantly lower shareholder returns.

Jon Ponder

It really is a great question, right? Why does this happen? We don't have all the answers yet, so patience please, but there are some clues. A big part of it comes down to who the controlling owner is. In our framework, we break them down into a few rough groups. State-owned enterprises, family firms, and founder-led companies are just a few examples. And each of these types comes with a very different set of priorities. State-owned enterprises might use listed companies to push social policy or goals like keeping employment stable rather than focusing on shareholder returns. Family-controlled firms often put things like succession, continuity or even related party interests ahead of reinvestment or growth. Founders meanwhile, may put a premium on keeping control, which can slow down some more aggressive moves like acquisitions or raising new capital.

That said, I don't want to paint all of this with a negative brush. Families and founders can also act as patient long-term stewards of capital, but because their goals don't always line up with maximizing minority shareholder value, the outcomes can be less predictable and sometimes softer when it comes to performance.

Bentley Kaplan

So a controlling shareholder is not only thinking about growing stock prices and paying out dividends. Depending on who or what they are, they'll have several irons in the fire, and it might be these competing priorities that are leading to these lower shareholder returns. And knowing that is a helpful starting point for shareholders, knowing that company ownership can impact their returns. But as you go a little further down the rabbit hole, you'll start to see that a controlling owner isn't only a question of what percentage of voting power they have, but what other governance features are working in their favor, tilting the balance of power even further in their direction. Features that are common across controlled companies, irrespective of who holds that

control. And getting into these weeds is really going to matter because it seems that shareholders are going to have to contend with more controlled companies popping up in their portfolios.

Jon Ponder

Our theory is that company-specific governance also plays a huge role, which will bring us logically to the third dimension of our framework to what we call control skew. Basically, this is the gap between a controlling owner's voting power and the amount of capital they've actually put into the entity that they ostensibly control. And usually this control is reinforced by mechanisms like dual-class shares or stock pyramids, and we colloquially call these control-enhancing mechanisms.

Basically, these tools let controlling owners lock in influence, but they can also reduce accountability to minority investors through things like weakening board independence and hindering decision-making speed. In normal times, most of us might find this just a little frustrating, but during periods of disruption, this could probably lead to inertia at exactly the wrong moment. There's also a bigger structural shift here that we observed. For much of the late 20th century, the assumption was that companies would gradually move toward more dispersed ownership, basically stating that a company starts in controlled and ends in widely held. Our findings suggest that this is no longer the case. Many firms we found are sustaining or even reinforcing controlling stakes, which means that concentrated ownership might not be a passing phase, but actually a lasting feature of the corporate landscape for many years to come.

The takeaway that I'd like to leave everyone with is that ownership is more than a formality. It's a signal of long-term performance. Minority shareholders may face real barriers to influencing company strategy or pushing for transparency, and obviously that can weigh on return. For investors, ownership analysis can highlight where governance risks could be quietly undermining performance or where resilient structures might actually support it. Don't just ask what a company does, ask who owns it and what their goals are.

Bentley Kaplan

And that is it for the week. A massive thanks to Jon for his take on the news with the sustainability twist. And this was very much a taster of future research to come and well worth keeping an eye on if you're thinking about trends for 2026, just saying. And I also do want to thank you very much for tuning in. If you like what we're doing, then let us know. Drop us a review, rate the show on your platform of choice and tell a friend or a colleague about this episode. Thanks again, and until next time, take care of yourself and those around you.

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