Obey the Law and Do a Little Bit Extra? The paper provides evidence on how firms’ stakeholder orientation is associated with standard measures of corporate governance using a panel of 1778 US companies during the period of 1995-2006. We construct two binary indicators, one measuring stakeholder hostility and the other stakeholder friendliness using data from KLD ratings agency. Based on these indicators, we classify firms into four groups representing stakeholder hostile, neutral, friendly and “friendly and hostile” firms. Our results show that both stakeholder friendly and hostile firms tend to have significantly lower insider ownership, smaller option grants, lower pay-performance sensitivities, larger boards, older executive officers and directors, lower institutional ownership and larger number of anti-takeover defenses than the firms in the neutral group. We also find that the probability of stakeholder hostile activity is positively related to the strength of corporate governance, but the effect is insignificant except in local and global community areas. A possible explanation is that in these areas stakeholders are protected mainly by ethics and social norms rather than by various regulations that is commonplace in labour, environment and customer related areas. These findings lend support for the idea that stakeholders are best protected by various regulations.

Corporate Governance and Workplace Safety. This paper examines how the weakening in corporate governance affects workplace safety. We use anti-takeover laws in the US in the 1980s as a source of variation in corporate governance. Our measures of workplace safety are the number of violations of OSHA workplace safety regulation, penalties paid for these violations, the number of accidents and employees’ complaints about their workplace safety. We find that firms affected by the regulation presented significantly more workplace safety violations and penalties than otherwise similar firms that were not affected by the regulation. Accidents and complaints tend to decrease as a result of the anti-takeover regulation, but the results are not entirely robust. We also document that the increase in workplace safety violations was significantly smaller in unionized firms. This suggests that unions can play an important role in curbing managerial discretion.

How Responsible is Private Equity? The financial success of leveraged buyout targets (LBOs) is frequently associated with deteriorating conditions for other stakeholders, such as workers, customers, suppliers, tax-payers and society as a whole. We obtain a comprehensive set of stakeholder ratings for a sample of 373 LBOs and examine the pre-and post-LBO performance of these ratings. LBO targets are characterized by weak stakeholder relations across a number of measures compared to their peers, in terms of corporate governance, transparency, employee relations and community relations. Controlling for this selection, we do not find systematic evidence in favor of the idea that private equity funds gain at the expense of other stakeholders. Private equity ownership alters targets in the direction of higher pay, improved work-life benefits, increased charitable giving, and decreased concerns related to retirement benefits, adverse economic impact, tax disputes, unfair marketing practices and antitrust problems.