

**From Aspiration to Accountability: Bridging the
Stakeholderism Gap**

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Good morning, distinguished guests, scholars, ladies and gentlemen.

It is a great honour to join you at this Special Conference of the Strategic Management Society, co-hosted with PolyU. It is a genuine pleasure to “come home” to the Hong Kong Polytechnic University.

When so many thoughtful academic minds gather in one room, ideas are not merely presented; they are challenged, sharpened and strengthened. That is how scholarship moves forward. It is also how capital markets improve — through *evidence, dialogue, intellectual rigour* to rethink old assumptions and foster new opportunities.

Framing the Debate: Shareholder Primacy vs Stakeholder Governance

Today, I want to address a debate that has animated your journals and conferences for decades: *shareholder primacy* versus *stakeholder governance*.

I will argue that this is not a binary choice. The real task is to move from *aspiration* to *accountability* in order to bridge the gap between what we hope stakeholder governance will achieve, and what it actually delivers.

Today I will focus on three questions:

1. What does the *empirical evidence* tell us about whether stakeholder governance works?
2. Why does shareholder primacy consistently *outperform in practice*?
3. What can regulators, academia and investors do to *close the gap*?

Part I – What the Evidence Shows

Let me begin with the evidence.

Over the past five years, a fascinating empirical literature has emerged on *constituency statutes* in the United States — laws that permit corporate directors to consider the interests of *employees, suppliers, customers and communities*.

Note: This is the text of the speech as drafted, which may differ from the delivered version.

The negative camp shows that in *merger and acquisition (M&A) transactions*, corporate leaders rarely negotiate for stakeholders in binding contracts. Employee protections appear in only about 5% of deals. This camp argues that constituency statutes are largely *symbolic* — they *permit*, but do not *compel*.

The affirmative camp, however, tells a more optimistic story. When a firm's state adopts a constituency statute, *suppliers increase relationship-specific investments*. Firms *reduce pension risks* for employees. *Banks increase capital ratios* and lend more safely. *Corporate Social Responsibility (CSR) scores improve*. *Product recalls decline*.

When Stakeholder Governance Works — And Fails

So what do we conclude?

The evidence suggests that stakeholder governance *works* — but only under certain conditions. It works when there are *long-term relationships*, when there is *regulatory oversight*, and when the *costs of neglect are visible and immediate*. It fails in *transactional settings* like M&As, where the relationship ends.

This tells me something profound: *stakeholderism is not a switch you flip*. It is a *muscle you exercise*. And *regulation's job is to build the environment* in which that muscle can be strengthened.

Part II – Hong Kong's Ownership Reality

Concentrated Ownership and Its Implications

Now let us bring this lens to Hong Kong.

According to a *CFA Institute report* published in March 2026, among listed companies in Hong Kong, the top three shareholders collectively control *58 percent* of equity on average. Other studies suggest that approximately *75 percent* of our listed companies have a *single controlling shareholder* holding *30 percent or more*.

This fundamentally alters how governance works. As the CFA Institute's report concludes, such *concentrated ownership* can make outcomes “feel predetermined” for *minority investors* as they cannot make any meaningful influence on corporate leaders' decisions.

I acknowledge the challenge. In my *28 years on listed company boards*, I rarely saw fund managers attend annual general meetings (AGMs). But when some cite concentrated ownership as justification for their absence, I reject that defeatism. Hong Kong's concentrated ownership is not the only obstacle to *market discipline*; *institutional silence* in the face of it is a *major one*.

The Real Tension: Controlling Shareholders vs Everyone Else

The real tension in Hong Kong is not “Shareholders versus Stakeholders”. It is *Controlling Shareholders versus Everyone Else*. Therefore, *permission* alone is not enough. We must *engineer accountability*.

Part III – A Behavioural Science Lens

Friedman's Insight and Skinner's Reinforcement Theory

Now let me offer a conceptual lens that bridges *behavioural science* and *corporate governance*.

In 1970, Milton Friedman wrote: “There is one and only one social responsibility of business — to use its resources to increase its profits.”

I quote him not to endorse his conclusion, but because he understood intuitively what behavioural science later formalised: the behaviour of corporate leaders is shaped by the *situations* and *consequences* they face.

That insight leads us to Professor *B.F. Skinner*. Skinner advocates that behaviour is a function of its consequences. His *reinforcement theory* relies on three elements: *stimuli*, *behaviour*, and *reinforcement*.

Reinforcement for Shareholder Primacy

For *shareholder primacy*, the stimulus is *interim and full-year earnings* and *share prices*. The behaviour is *cost-cutting* and *share buybacks*. The reinforcement is *immediate stock appreciation*, *bonuses* and *career advancement*. This is a *continuous, high-frequency reinforcement schedule* — the most powerful kind.

Reinforcement for Stakeholderism

For *stakeholderism*, the stimulus is *vague CSR frameworks*. The behaviour is *investing in employees* and *reducing emissions*. The reinforcement is *uncertain reputational gain*, *no immediate stock impact*, and *no penalty for inaction*.

This is a *thin, intermittent and delayed reinforcement schedule* — the weakest form of conditioning.

If stakeholderism is to move from *aspiration* to *performance*, we must engineer *reinforcement mechanisms* as *frequent, measurable* and *consequential* as those serving shareholder primacy.

Part IV – Three Bridges to Close the Gap

So what does this mean for *regulators*, *academia*, and *investors*? Let me outline three bridges we can build together.

Bridge 1 – Economic Consequences

We should develop metrics that link *stakeholder treatment* — for example, *employee turnover*, *supply chain payment times* — to a company's *cost of capital*. Treat stakeholders poorly, and your *risk weight* increases every time you access capital. And the metrics must be *globally accepted by investors*.

Bridge 2 – Duty of Inquiry

For *controlling-shareholder companies*, directors must actively prove they considered stakeholders' interests. *Board minutes* must record discussions and decision trade-offs. The minutes must be reviewed by the *Board*, or *audit committee*. If you cut *R&D* to boost

dividends, you must minute how that affects *workforce competitiveness*. This moves from *permission to accountability*.

Bridge 3 – Stewardship Mandate

We should push *passive asset managers* to act as true *stewards*. They should “vote with their feet” by *attending AGMs* to voice their opinion. If investors push corporate leaders for stakeholder consideration, companies will have the *incentive to act accordingly*.

Part V – Lessons from Japan

Governance Reforms and Market Outcomes

Let me briefly illustrate how these principles have worked in practice — *through the example of Japan*.

Following corporate governance reforms including the *Stewardship Code*, Japanese companies faced stronger expectations on *board accountability* and *capital efficiency*. They improved *transparency*, reviewed *cross-shareholdings* and addressed *conservative capital allocation*.

The results: the *Nikkei 225* has increased more than *250 percent* to above *72,000*, while index-wide *return on equity* has expanded from single digits to about *12 percent*.

Sanpo Yoshi and Three-Way Satisfaction

Japan’s approach draws on *sanpo yoshi* — “three-way satisfaction” or “good for three parties”: business should benefit the *seller*, the *buyer* and *society*.

The lesson is clear: *commercial success* and *social trust* reinforce each other to create *enduring value*.

Part VI – A Challenge to Academia and Practice

I invite you to work with us on two questions:

First: What is the optimal “*safe harbour*” for directors? How much *legal protection* do they need to make the right *long-term decisions* without triggering lawsuits — while remaining *accountable to stakeholders*?

Second: How do we *measure stakeholder value creation in real time*? We have *financial statements*. But we do not have “*Stakeholder Income Statements*.” Can you design one that is *practical*, *auditable* and *globally comparable*?

Until we can measure *stakeholder outcomes* with the same precision as *shareholder returns*, the *reinforcement schedule* of corporate leaders will always be biased toward the *measurable*.

Conclusion – From Stakeholder Aspiration to Stakeholder Accountability

Ladies and gentlemen, let me conclude.



The data says *stakeholderism can work*, but only under certain conditions — when there are *long-term relationships*, *regulatory oversight* and *visible costs of neglect*. The data also says it fails in *transactional settings*.

B.F. Skinner explains why: shareholder primacy has *continuous, high-frequency reinforcement*. Stakeholderism has *thin, intermittent, delayed reinforcement*. *Behaviour follows consequences*.

Our job at the Securities and Futures Commission (SFC) is to engineer the conditions where *stakeholder governance* works — to create *reinforcement mechanisms* as robust as those serving *shareholder value*. As regulators, we cannot choose between the *negative* and *affirmative* camps. We must learn *from both*.

Hong Kong's objective is clear: to be a *high-quality financial centre* where *sound governance* drives *genuine performance*, *innovation* is embraced responsibly, and *trust* compounds over time.

Stakeholderism remains an *aspiration* for many. But our task is to *bridge that gap* — by *designing incentives*, by having the *courage to engineer consequences*, and by enforcing *accountability*.

Your *theories* provide the *map*. Our *regulation* provides the *guardrails*. But we need a *shared compass* — and I suspect that compass will be built not just in *boardrooms* or *courtrooms*, but in *classrooms* and in *research collaborations* like this one today.

Thank you. I look forward to our discussions.