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Shareholder activism, divestment, and sustainability

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Abstract

This paper provides a systematic review of the literature pertaining to shareholder activism, divestment, and sustainability. Since the early 2000s, scholars have been engaged in research to better understand shareholder activism and firm divestment. By conducting a state-of-the-art literature review, we identify the 40 most influential publications in the field and find that they can be divided into two distinct themes. We review each of these to identify the main contributions in these research areas. With a highlight on possible pathways for future research, we outline these emerging trends to integrate existing knowledge and provide suggestions for innovative research opportunities to expand the research frontier.

Keywords: Activism; Divestment; Sustainability; Corporate Governance

JEL classification: G30; G31; G34

1. Introduction

Shareholder activism has emerged as a key mechanism through which investors seek to influence corporate governance, strategic decision-making, and social responsibility. Traditionally, shareholders were seen as passive owners, primarily focused on maximizing financial returns. However, the increasing recognition of environmental degradation, climate change, and social inequalities has fundamentally transformed the priorities of modern investors. Today, activism is increasingly motivated by the desire to promote environmental sustainability and broader social goals alongside financial performance. This paper aims to offer an extensive review of the literature on shareholder activism, divestment, and sustainability, highlighting the changing influence of investors in directing corporate actions and decision-making.

The concept of shareholder activism encompasses a variety of strategies employed by investors to influence corporate behaviour. These strategies range from private negotiations with management to public campaigns and proxy voting on key corporate decisions. One of the most prominent forms of activism in recent years is divestment – an approach where shareholders pressure companies to withdraw from investments perceived as harmful to the environment or society. Divestment has gained momentum, particularly in sectors such as fossil fuels, where investors seek to address the adverse environmental impacts of corporate practices. This form of activism aligns with the growing global consensus on the need for urgent action to mitigate climate change and promote sustainable business practices.

Historically, shareholder activism has evolved from a niche practice into a mainstream approach for influencing corporate behaviour. Early activism efforts were driven by social and ethical concerns, such as the anti-apartheid movement in the 1980s, where investors divested from companies operating in South Africa. Over time, the scope of activism expanded to include environmental, social, and governance (ESG) issues. Participants in shareholder activism now range from individual investors and pension funds to institutional investors such as hedge funds and socially responsible investment (SRI) funds. These diverse stakeholders engage with corporations to advocate for changes that align business strategies with societal and environmental interests, reshaping the role of corporations in addressing global challenges.

This evolution in shareholder activism has led to diverse forms of engagement, with divestment emerging as one of the most powerful tools for influencing corporate strategies, particularly in environmentally sensitive industries. The impact of divestment campaigns on corporate

behaviour has been widely debated. Proponents argue that divestment can lead to long-term changes by increasing the cost of capital for unsustainable industries and incentivizing companies to adopt greener practices. Critics, however, contend that divestment may not always result in direct behavioural changes and could instead lead to a transfer of ownership without addressing the root cause of unsustainable practices. Despite these debates, divestment remains a popular tool for investors aiming to influence corporate behaviour, especially within the context of environmental sustainability.

The deterioration of the environment and the overuse of natural resources have been accompanied by increased production and consumption worldwide (Brochado, Teiga, and Oliveira-Brochado, 2017). Concurrently, environmental problems have become mainstream problems (Brochado et al., 2017). Protecting the environment and making environmentally responsible decisions have become significant for many consumers (Brochado et al., 2017). Shareholders are becoming more proactive in seeking to impact their companies' environmental and social policies (Cundill, Smart, & Wilson, 2018). The study of shareholder activism has a long history, spanning over a century (Gillan & Starks, 2007; Rutterford, 2012), documenting shareholders' growing power in influencing corporate management (McKinsey & Company, 2014). Scholars also highlight the increasing significance of social and environmental concerns among shareholders (e.g., Cundill et al., 2018; Obermann & Velte, 2018). Indeed, global sustainability challenges are now widely featured in the media (McKibben, 2015).

The political pressure to protect the environment, which emerged in the 1960s, has grown significantly, resulting in a broad consensus on the importance of environmental protection (Onifade, 2016). Climate change, identified as a critical environmental issue since at least 1992, has driven clean energy initiatives in countries like the United Kingdom (Onifade, 2016). The 2002 World Summit on Sustainable Development announced the need to implement the recommendations of the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol (KP), prompting political leaders in developed countries to commit to further climate control measures (Pearson and Watson, 2012; Onifade, 2016).

Sustainability efforts are often based on organizational and technological innovations that yield financial and operational benefits. As highlighted by Nidumolu, Prahalad, and Rangaswami (2009), firms that integrate sustainability into their innovation strategies can reduce costs, generate additional revenues, and create new business opportunities. By considering sustainability as the new frontier of innovation, firms can gain competitive advantages and

position themselves for success in the post-recession era (Nidumolu et al., 2009). Furthermore, sustainable trade practices align with the long-term goals of economic growth, environmental protection, and social capital strengthening (The Economist Intelligence Unit, 2020).

This paper presents a systematic literature review of shareholder activism, divestment, and sustainability using HistCiteTM (version 12.03.17) and bibliometric mapping. By analysing the 40 most influential publications in the field over the 1999 – 2023 period, we identify two major themes: (1) shareholder divestment, including socially responsible investing, divestment, pension funds, sustainability, and hedge fund activism; and (2) shareholder activism, focusing on environmental sustainability, social activism, corporate governance, and other types of activism. By assessing recent publications (published in 2018 – 2023), we highlight five key emerging research trends: (1) activism and sustainability in developing countries; (2) the rise of hedge fund environmental activists; (3) activist-led divestment and market value effects; (4) climate justice; and (5) activism and corporate governance. We highlight possible pathways for future activism, divestment, and sustainability research based on these emerging research trends.

Given the urgency of global environmental challenges such as climate change and resource depletion, a review of shareholder activism and its impact on corporate sustainability is timely and essential. This paper examines the theoretical underpinnings of shareholder activism and highlights its practical implications for corporate governance and environmental stewardship. By focusing on divestment strategies, we provide valuable insights into how investors can influence corporate behaviour, promote sustainable practices, and enhance accountability in addressing global environmental issues.

The structure of the paper is as follows: Section 2 outlines the research methodology and provides the citation framework. Section 3 delves into the key themes in the literature on activism, divestment, and sustainability, while Section 4 addresses potential areas for future research. Lastly, Section 5 concludes the summary of the study.

2. Research Methodology

2.1 HistCiteTM

The bibliometric software HistCite, originally developed by Eugene Garfield in 2003, is used in this study to analyse citation networks. HistCite allows researchers to create visual maps of

citation linkages by analysing data from collections such as the Web of Science (WoS) database. This tool was designed to identify the chronological development of research fields and emerging themes, making it particularly useful for a literature review like ours. Alongside the Global Citation Score (GCS), which quantifies how often an article is cited across the entire SCI database (Garfield et al., 2002, p. 17), HistCite also provides the Local Citation Score (LCS) to monitor citation counts within a specific collection (Garfield et al., 2002, p. 17).

HistCite has proven valuable in various fields, including sustainability research (Linnenluecke & Griffiths, 2013; Linnenluecke, 2017; Linnenluecke et al., 2020), and Bornmann & Marx (2012) document that it is frequently used to analyse leading articles in the h-index research domain. Moreover, HistCite aids in detecting emerging themes within the literature, particularly by addressing the “fuzzy front-end of innovation” (de Oliveira & de Souza Mendes, 2017). The functionality of HistCite is enhanced by the incorporation of algorithms from social network analysis and information theory, such as main path analysis and path-dependent transitions, as presented by Lucio-Arias and Leydesdorff (2008, p. 148). This integration significantly enriches the tool’s output.

2.2 Keywords search

We utilized the Web of Science (WoS) Core Collection to ensure a comprehensive literature search, targeting articles related to shareholder activism, divestment, and sustainability. For our sustainability-related searches, we applied the keywords “sustainab* OR sustainability* AND investor*”, yielding an initial result of 360,234 papers. The asterisk (*) was used to capture all variations of the terms (such as sustainable or sustainably). To identify activism-related papers, we used the search terms “activism OR divestment*”, generating 36,236 articles. We then combined these search sets using the Boolean operator AND, namely (sustainab* OR sustainability* AND investor*) AND (activism* OR divestment*), leading to 813 results. Further filtering limited the results to papers in English across four WoS categories – Business Finance, Economics, Business, and Management – within the Social Sciences Citation Index (SSCI), which reduced the final count to 47 articles.

For the specific search on divestment, the keywords “share* AND divestment*” were employed, resulting in 328 articles. After applying the same criteria, we identified 193 relevant papers. This approach ensured that we captured a focused dataset for our review.

2.3 Data cleaning

Each article was imported into HistCite (version 12.03.17) for further analysis. Key information retrieved for each paper included author names, article title, journal name, volume, issue, page numbers, abstract, and keywords. Additionally, we retrieved full records of cited references for each publication. A manual cleaning process was conducted to refine the dataset, during which the titles, abstracts, and keywords of all papers were reviewed to ensure their relevance to the study. Full-text articles were consulted to verify their inclusion in the dataset if necessary. Independent researchers corroborated this process to ensure accuracy. After data cleaning, 124 papers were removed from the original set. No additional papers were added through cited reference searches. Ultimately, we combined the two cleaned datasets and selected the top 20 articles from each, resulting in 40 articles for our final analysis.

2.4 Citation map

Figure 1 displays the citation map produced using HistCite and Table 1 provides the corresponding citation counts and details for each of the 40 articles. Each article is represented as a node, with larger nodes indicating higher citation frequencies, particularly measured through the LCS. The connections between nodes represent the citation relationships among articles. Based on this map, we identified two dominant themes: shareholder divestment and shareholder activism.

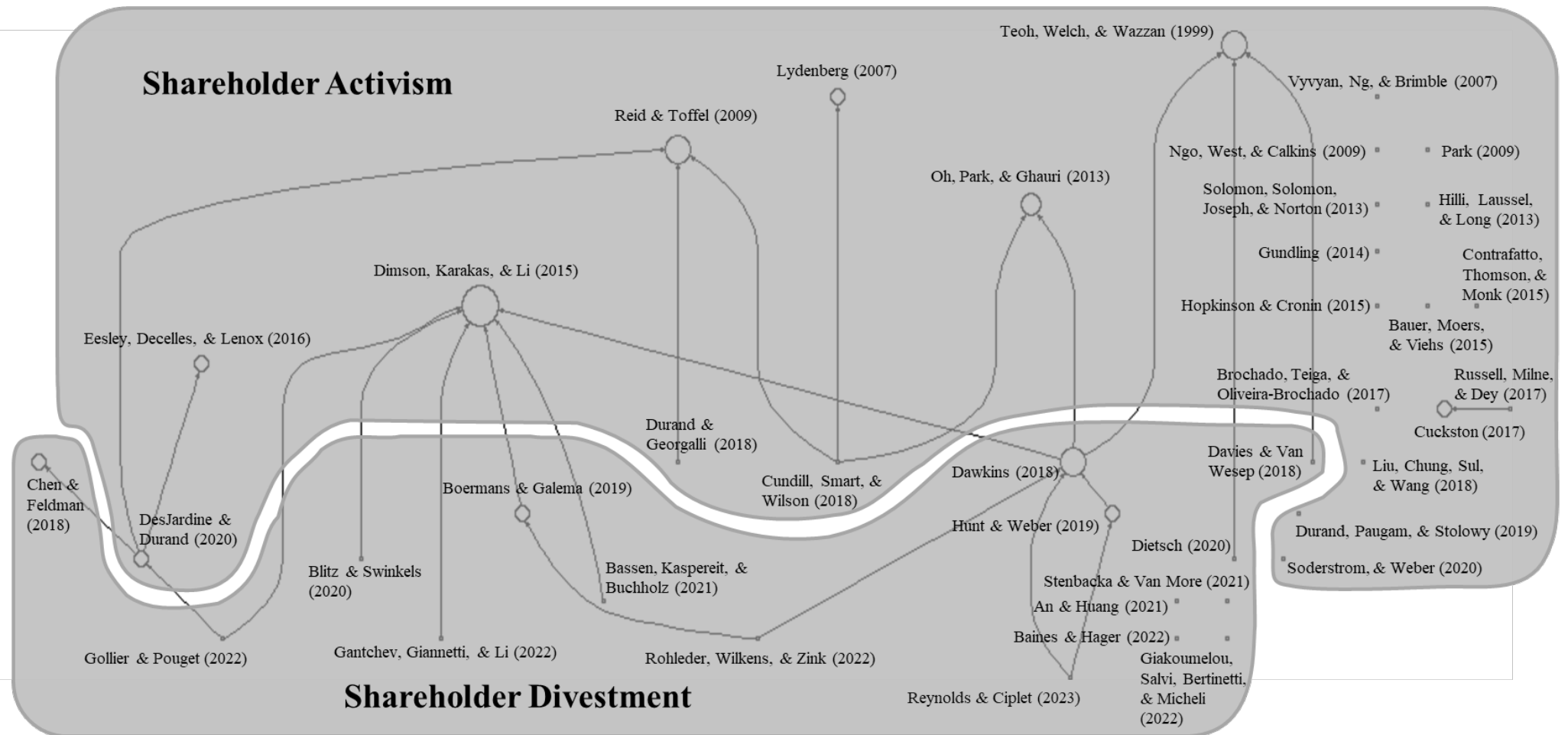


Figure 1. Citation map of the top 40 most cited publications pertaining to activism, divestment, and sustainability from 1999 to 2023.

This figure shows the cross-references between these publications. For clarity, publications are displayed along a timeline, with older publications at the top and newer publications at the bottom.

Table 1: Highly Cited Publications

No.	Author & Year	Journal	LCS
1	Lydenberg (2007)	Corporate Governance – An International Review	1
2	Reid & Toffel (2009)	Strategic Management Journal	3
3	Dimson, Karakas, & Li (2015)	Review of Financial Studies	6
4	Eesley, Decelles, & Lenox (2016)	Strategic Management Journal	1
5	Chen & Feldman (2018)	Strategic Management Journal	1
6	DesJardine & Durand (2020)	Strategic Management Journal	1
7	Gollier & Pouget (2022)	Economica	0
8	Durand & Georgalli (2018)	Organization Science	0
9	Cundill, Smart, & Wilson (2018)	International Journal of Management Reviews	0
10	Boermans & Galema (2019)	Ecological Economics	1
11	Bassen, Kaspereit, & Buchholz (2021)	Finance Research Letters	0
12	Blitz & Swinkels (2020)	Journal of Portfolio Management	0
13	Gantchev, Giannetti, & Li (2022)	Review of Finance	0
14	Rohleder, Wilkens, & Zink (2022)	Journal of Banking & Finance	0
15	Teoh, Welch, & Wazzan (1999)	Journal of Business	3
16	Vyvyan, Ng, & Brimble (2007)	Corporate Governance – An International Review	0
17	Ngo, West, & Calkins (2009)	International Journal of Consumer Studies	0
18	Park (2009)	International Journal of Consumer Studies	0
19	Oh, Park, & Ghauri (2013)	Business Horizons	2
20	Solomon, Solomon, Joseph, & Norton (2013)	Accounting Organizations and Society	0
21	Hilli, Laussel, & Van Long (2013)	Journal of Economic Dynamics & Control	0
22	Gundling (2014)	California Management Review	0
23	Contrafatto, Thomson, & Monk (2015)	Critical Perspectives on Accounting	0
24	Hopkinson & Cronin (2015)	Journal of Marketing Management	0
25	Bauer, Moers, & Viehs (2015)	Corporate Governance – An International Review	0
26	Russell, Milne, & Dey (2017)	Accounting Auditing & Accountability Journal	0
27	Brochado, Teiga, & Oliveira-Brochado (2017)	International Journal of Consumer Studies	0

28	Cuckston (2017)	Accounting Auditing & Accountability Journal	1
29	Davies & Van Wesep (2018)	Journal of Financial Economics	0
30	Liu, Chung, Sul, & Wang (2018)	Journal of International Business Studies	0
31	Dawkins (2018)	Journal of Business Ethics	3
32	Hunt & Weber (2019)	Organization & Environment	1
33	Durand, Paugam, & Stolowy (2019)	Strategic Management Journal	0
34	Dietsch (2020)	Economics and Philosophy	0
35	Soderstrom & Weber (2020)	Administrative Science Quarterly	0
36	Stenbacka & Van More (2021)	Economics Letters	0
37	An & Huang (2021)	Journal of Contemporary Accounting & Economics	0
38	Baines & Hager (2022)	Review of International Political Economy	0
39	Giakoumelou, Salvi, Bertinetti, & Micheli (2022)	Management Decision	0
40	Reynolds & Ciptet (2023)	Journal of Business Ethics	0

3. Key Research Streams

Teoh, Welch, and Wazzan (1999) is the earliest article in our dataset. The authors discuss the activism of shareholders on social issues in South Africa and suggest that firm divestment is considered socially irresponsible by a small group of shareholders and can only have a limited impact on the target firm's cost of capital. The earliest article regarding divestment is Nees (1978), who examines the divestment decision process and identifies six groups of dynamic factors. The author demonstrates that activist investors can unlock shareholder value by inducing the top management team to incorporate strategies they might not otherwise pursue to fulfill important corporate governance functions. This section reviews and discusses the two key research streams identified in Figure 1: shareholder divestment (Section 3.1) and shareholder activism (Section 3.2).

3.1 Shareholder Divestment

3.1.1 Divestment

The study of divestment, or divestiture, has evolved significantly since the 1980s, when researchers like Nees (1978) and Haynes, Thompson, and Wright (2000) laid the foundation for understanding this corporate strategy. Initially, divestment was viewed as a reactive response to external pressures, such as market changes or economic downturns. However, scholars have shifted their focus over time toward understanding divestment's strategic and deliberate nature, exploring both the drivers and outcomes of this corporate decision (Brauer, 2006, 2009).

Purpose of Divestment

The literature on corporate divestment identifies several reasons behind this strategy, ranging from improving operational efficiency to responding to changing market conditions (e.g., Haynes et al., 2000; Bergh and Lim, 2008; Brauer and Schimmer, 2010). Haynes et al. (2000) suggest divestment is a strategic response to external shifts, aligning with agency theory and strategic management perspectives. Rather than being a simple reaction to performance downturns, divestment is often employed to refocus corporate strategy, shed non-core assets, and pursue new growth opportunities. This view is supported by Berry (2013) and Vidal and Mitchell (2018), who argue that divestment can create space for firms to innovate and enter

new markets.

Gollier and Pouget (2022) further underscore the role of divestment in addressing environmental incentives, highlighting that divestment can serve as a tool to pressure companies into adopting more sustainable practices. By withdrawing financial support from industries that fail to meet environmental, social, and governance (ESG) criteria, divestment raises awareness of environmental risks and creates financial pressure on firms to improve sustainability. Their study emphasizes that divestment is most effective when combined with other forms of shareholder activism, demonstrating how this strategy can align financial decisions with broader societal goals.

While divestment can lead to positive outcomes, the literature does not fully explore the potential long-term impact of divestment on innovation and corporate resilience, which remains an under-examined area. Furthermore, divestment's economic and environmental implications require deeper analysis to assess its role in shaping corporate sustainability.

Key Actors Driving Divestment

Divestment decisions are influenced by various actors, including blockholders, executives, and external stakeholders. Blockholders with significant ownership stakes often push for divestment when it aligns with improving firm performance or capitalizing on new technological opportunities (Berry, 2013; Vidal and Mitchell, 2018; Bergh et al., 2020). Executives, particularly CEOs, also drive divestment decisions, although the motivations behind these decisions vary. McCann and Ackrill (2015) demonstrate that divestments are often tied to strategic changes or leadership transitions, highlighting the disciplinary role of divestiture in aligning managerial actions with shareholder interests.

However, this view has its limitations. For instance, board independence, a traditional mechanism for monitoring executive behaviour, is ineffective in certain contexts, as McCann and Ackrill (2015) point out. This raises questions about the sufficiency of board oversight in ensuring that divestment decisions truly serve long-term corporate interests rather than short-term managerial goals (Davies and Van Wesep, 2018). Gollier and Pouget (2022) also emphasize that the motivations of different stakeholders, including environmental concerns, play an increasingly prominent role in driving divestment, thus expanding the traditional understanding of the actors involved.

Founder-CEOs present a unique case in divestment decisions. Abebe and Tangpong (2018) find

that founder-CEO firms are less likely to pursue divestment as a turnaround strategy, suggesting that these leaders may prefer market-based initiatives over asset sales. This resistance to divestment, however, could limit the firm's ability to restructure effectively in the face of financial distress, revealing potential conflicts between personal leadership styles and broader corporate needs. This finding underscores the importance of leadership dynamics in shaping corporate divestment strategies; however, the literature could benefit from a deeper exploration of how different leadership styles influence divestment outcomes across industries and market conditions.

Economic Consequences of Divestment

The economic implications of divestment are widely debated in the literature. On the one hand, divestment is seen as a means of improving efficiency and addressing agency problems, with research showing that divestment can realign managerial incentives with firm performance (Feldman, 2016). However, the success of divestment strategies often depends on the context in which they are employed. For example, McCann and Ackrill (2015) argue that divestment is more likely to occur following announced strategic shifts or leadership changes, suggesting a reactive approach to corporate restructuring. This highlights the potential for divestment to act as a “disciplinary sequence” in response to poor corporate performance or excessive diversification driven by executive empire-building.

However, not all divestment decisions lead to positive outcomes. Davies and Van Wesep (2018) highlight a tension between short-term and long-term objectives in divestment decisions. Managers focused on short-term stock price performance may be more inclined to divest, potentially sacrificing long-term profitability for immediate gains. This raises critical questions about the effectiveness of divestment as a sustainable corporate strategy. While divestment may generate short-term financial benefits by freeing up resources and streamlining operations, its long-term impact on firm growth and competitiveness remains unclear.

In general, while the literature provides valuable insights into the drivers and consequences of divestment, it lacks a comprehensive evaluation of the conditions under which divestment is most effective. More research is needed to examine the long-term outcomes of divestment strategies, particularly concerning innovation, market repositioning, and corporate sustainability. Furthermore, the role of external pressures, such as regulatory changes and shareholder activism, in shaping divestment decisions requires further exploration.

3.1.2 Socially Responsible Investing

The Intergovernmental Panel on Climate Change (IPCC) reported in 2018 that a significant shift in energy investments by the financial industry is crucial to prevent the world from exceeding 1.5 degrees of warming and avoid catastrophic climate change (Reynolds and Ciplet, 2023). To understand their broader implications for environmental inequality and justice, it is important to question socially responsible investing (SRI) initiatives within global power relations (Reynolds and Ciplet, 2023). The innovative, politically-driven concept of transformative investing aims to incorporate socially responsible and environmentally friendly market practices into the financial industry (Puaschunder, 2023; Reynolds and Ciplet, 2023). Socially responsible investors are vital in today's global financial markets (Gollier and Pouget, 2022). By developing an asset pricing model, Gollier and Pouget (2022) explore conditions under which socially responsible investors provoke companies to behave responsibly. They also consider the impact of divestment, analyse the connection between divestment and engagement strategies, and report that engagement is more effective than divestment if investors have a binding vote on whether the company is green or brown (Edmans, Levit, and Schneemeier, 2022).

For nearly a decade, SRI has integrated environmental, social, and governance (ESG) criteria into investment decisions, enabling investors to demonstrate alignment between individual ethics principles and investment selections within portfolios and promoting ethical conduct within firms (Dawkins, 2018). Building on the discussion of the pro and con arguments of divesting from carbon-intensive industries, Dawkins (2018) emphasizes that SRI through stewardship engagement is ethically and strategically contested without divestment because certain ESG violations are widely considered morally wrong. In line with Dawkins (2018), Guisande, Harjoto, Hoepner, and O'Sullivan (2023) demonstrate that divestment represents a general and absolute ethical commitment by investors to SRI compared to the relative approach of active engagements. This approach can also lead to financial benefits, as Cabeza-García and Gómez-Ansón (2011) demonstrated in their exploration of a Spanish divestment program. The findings indicate that ownership concentration among private investors exerts a positive and significant influence on efficiency following privatization.

While scholars such as Dietsch (2020) regard investor engagement as a more effective strategy than divestment to make transformative changes (particularly regarding ethically questionable corporate behaviour), some shareholders raise issues too small to induce any meaningful change in the firm (Marti et al., 2023). For example, Solomon, Solomon, and Joseph (2013)

find that shareholders avoid asking tough questions, potentially making shareholder conversations an exercise in role-playing and ‘mutual friction.’ Only in the most extreme cases will the staged meetings become a real occasion for accountability, with investors demanding greater transparency, further meetings, and even a divestiture of stock (Solomon et al., 2013).

To address these challenges, Schaltegger, Beckmann, and Hansen (2013) propose trans-disciplinarity as a solution, emphasizing the importance of deep collaboration among scholars from various fields, practitioners, and societal actors. This approach fosters coordinated efforts in corporate sustainability that contribute significantly to both corporate and societal well-being. For instance, Gundling (2014) examines public-private partnerships and stewardship initiatives, such as the Fish Friendly Farming program, which aim to establish cooperative networks between stakeholders. This framework supports collaboration between businesses, governments, and civil society organizations (Koschmann, Kuhn, and Pfarrer, 2012; Montiel, Gallo, and Antolin-Lopez, 2020).

3.1.3 Pension Funds

Research indicates that divestment is an ethical approach with no adverse financial effects for investors. Boermans and Galema (2019) construct a dataset that combines stock-level holdings of pension funds with firm-level carbon emissions data. They use this dataset to study whether investors actively engage in divesting practices by adjusting their market benchmark allocations to reduce their exposure to carbon-related risks. The authors examine Dutch pension funds and find that divestment from high-carbon investments does not affect portfolio performance. Hunt and Weber (2019) provide a comprehensive understanding of the financial effect of divestment and empirically examine the impact of divestment strategies on the carbon intensity of portfolios in Canada. In addition to supporting the argument that divestment is an ethical investment approach, Hunt and Weber (2019) highlight that divestment plays a vital role in addressing climate-related financial risks and reducing the carbon exposure of investment portfolios.

3.1.4 Hedge Fund Activism

Klein and Zur (2009) define an entrepreneurial activist as an investor who acquires a substantial ownership interest in a publicly traded corporation with the explicit objective of initiating transformation and, in doing so, generating a profit from the investment. Using two different

samples of entrepreneurial activists (151 hedge fund activist campaigns and 154 other entrepreneurial confrontational activist campaigns), they find that hedge funds tend to focus on more profitable companies while addressing agency costs related to cash flow. Hedge fund activism is considered one of the most controversial forms of shareholder activism (Klein and Zur, 2009; DesJardine and Durand, 2020). In this context, An and Huang (2021) note that local incumbent politicians have incentives to protect inefficient local enterprises from the threats of divestment and the associated layoffs of employees that may arise from activist initiatives.

Drawing on significant insights from the literature (e.g., Reynolds & Snapp, 1986) that cross-ownership tends to mitigate competitive dynamics within the product market, Stenbacka and Van Moer (2021) develop a conceptual framework explaining that cross-ownership creates motivations for divestment of such holdings to external investors in a product market with imperfect competition. They demonstrate that the anticompetitive effects of cross-ownership may disappear as firms are incentivised to sell their holdings of rival stock to institutional investors (Moreno & Petrakis, 2022; Stenbacka & Van Moer, 2021). In other words, Stenbacka and Van Moer (2021) suggest that monopoly and collusion could be caused by cross-ownership (Chen et al., 2022; Galeotti & Ghiglino, 2021).

Commodity trading firms play a critical role in the global supply chain. Baines and Hager (2022) examine these companies from the perspective of corporate financialization, identifying several factors that protect them from shareholder resolutions and divestment campaigns aimed at mitigating environmental degradation within their supply chains. Accordingly, they recommend that the pressure from activist investors should be complemented by broader efforts to protect living systems worldwide.

3.1.5 Sustainability

Investors can enhance global sustainability by divesting from the least sustainable firms. As active shareholders, investors can exert influence through voting and engagement with firms to achieve greater investment and global sustainability outcomes (Blitz and Swinkels, 2020). Bassen, Kaspereit, and Buchholz (2021) illustrate that divestment provides an alternative avenue for institutional investors to manage and address climate-related risks. They are among the first to examine the impact of BlackRock's (a large U.S. institutional asset manager) divestment announcement on the share prices of large mining companies (Bassen et al., 2021).

The results indicate that the announcement had a positive impact on the divesting institution and a negative impact on the stock prices of large fossil fuel companies (Bassen et al., 2021).

The European Commission has emphasized the pivotal role of the financial system in steering capital away from activities harmful to the climate and towards those that are environmentally sustainable (European Commission, 2018; Rohleder, Wilkens, and Zink, 2022). This redirection can be facilitated by divesting from firms with high carbon emissions and reallocating investments to companies with lower carbon footprints (Rohleder et al., 2022). Rohleder et al. (2022) introduced a novel approach for assessing the impact of decarbonization selling pressure on stock prices, aiming to determine whether mutual fund divestment influences the stock performance of firms and subsequently drives reductions in their carbon emissions. Their research indicates that firms experiencing lower stock market returns due to divestment tend to reduce their carbon emissions compared to those that are not divested. Additionally, high-pollution firms are shown to lower emissions in response to selling pressure.

With a growing body of empirical literature on the environmental and social policies of firms, Gantchev, Giannetti, and Li (2022) provide international evidence that negative news coverage of corporate environmental and social policies results in a higher probability of exit by environmental and social investors, as well as lower firm market value. This implies that the threat of exit can be effective even if the observed divestitures and their influences on firms' cost of capital are relatively small (Gantchev et al., 2022). In March 2020, the World Health Organization (WHO) officially confirmed the COVID-19 pandemic worldwide, and stock markets crashed. Turmoil in financial markets also occurred during the Global Financial Crisis in 2007 – 2009. Giakoumelou, Salvi, Bertinetti, and Micheli (2022) compare these two market collapse incidents from ESG and firm value perspectives. Their results show that during the pandemic and the financial crisis, investment decisions were influenced by ESG. Moreover, they also find that institutional investors are more likely to divest equity holdings in firms with poor ESG performance under market stress conditions than those with strong ESG performance.

From an agency problem perspective, Hilli, Laussel, and Van Long (2013) develop a dynamic divestment model with risk-neutral managers and large shareholders serving their non-congruent interests. The aim of their research is to illustrate the increasing shift towards more dispersed ownership structures. Their results indicate that large shareholders divest their shareholdings at the Markov-perfect equilibrium.

3.2 Shareholder Activism

3.2.1 Background

As it emerged in the U.S. in the 1970s, engagement, known as shareholder activism, focuses on organizing shareholder resolutions on social and environmental issues and improving voting policies (Lydenberg, 2007). Since the conceptualization of shareholder activism was regarded as a social movement in the 1990s, numerous studies have adopted this view, notably characterizing activism on corporate social responsibility (CSR) issues as a driver of corporate change (Reid and Toffel, 2009; Lee and Lounsbury, 2011; Clark and Crawford, 2012). For instance, Lydenberg (2007) proposes three types of investors in financial markets: rational, universal, and social. The author argues that activist rational investors are walking down the same disturbing path that both universal and social investors often find themselves: benefiting others at their own expense. Since shareholder-management interactions lie at the heart of environmental and social shareholder activism (Lydenberg, 2007), examining the outcomes of these engagements is crucial (Cundill et al., 2018).

The rise of shareholder activism marked the onset of investor capitalism, where shareholders increasingly challenge managers—ranging from expressing dissatisfaction to more formal actions aimed at altering corporate strategy and performance (Goranova and Ryan, 2014). Corporate governance has evolved from a market-based approach to a political one, as activism now addresses not only governance and performance but also social, political, and environmental concerns (Goranova and Ryan, 2014). Teoh et al. (1999), the earliest study in our dataset, explores how shareholder activism affects social issues in the South African context. They suggest that divesting from firms is considered socially irresponsible by a small group of shareholders and can only have a limited impact on the target firm's cost of capital. More recently, Michelin, Rodrigue, and Trevisan (2020) theorize that shareholder activism demanding CSR transparency results from the marketization of social movements. The authors contend that integrating profit-driven objectives into the social justice principles of the initial shareholder activism movement is essential for reinterpreting corporate social responsibility (CSR) as a manageable risk (Michelon et al., 2020). They propose that shareholder activism focused on demanding transparency in CSR will likely result in no significant alterations to corporate practices beyond mere disclosure.

Oh, Park, and Ghauri (2013) provide an analysis of CSR within the financial sector, focusing on the roles of socially responsible investing and shareholder activism. They explore how these

elements contribute to CSR and how financial firms are evaluated using sustainability measures, such as the Dow Jones Sustainability World Index. The authors highlight that even prominent financial institutions do not fully embrace socially responsible investing and shareholder activism. They argue that as fund managers use responsible investment strategies to enhance fund performance and influence the social, environmental, and governance practices of firms they invest in, these efforts will ultimately transfer to the CSR activities of the companies themselves (Oh et al., 2013). Similar to Oh et al. (2013), Durand, Paugam, and Stolowy (2019) also employ the Dow Jones Sustainability World Index to evaluate variations in firms' CSR activism. They reveal that inclusion in the Dow Jones Sustainability World Index contributes to increased analyst coverage of a firm, while sustained presence on the Dow Jones Sustainability World Index contributes to a growth in equity ownership by long-term investors.

It is argued that such standards can have a considerable influence, leading firms and even entire industries to alter their behaviour when their performance is scrutinized, evaluated, and disclosed (Reid and Toffel, 2009; Cundill et al., 2018). According to social movement theory, shareholders may escalate their efforts to lobbying regulators if managers are unresponsive to their demands, and evidence suggests that shareholder activism tends to be more successful when companies or industries are at risk of regulatory intervention (Reid and Toffel, 2009; Cundill et al., 2018). In line with this perspective, Cundill et al. (2018) investigate the effectiveness of shareholder activism aimed at influencing firms' environmental and social practices. Extending this perspective to a different industry, Durand and Georgallis (2018) provide further empirical support by examining a longitudinal dataset of European manufacturers of solar photovoltaic cells from 1990 to 2011. They support the hypothesis that a firm's location, its sensitivity to information, and its history of association with activists influence the impact of social movement organizations on the industry's strategic commitments.

3.2.2 Environmental Sustainability

Investor behaviour is a growing concern as private direct investment increases (Vyvyan, Ng, and Brimble, 2007). Among the earliest studies in the dataset, Vyvyan et al. (2007) explore whether individuals who are more dedicated to environmental sustainability are also more inclined to participate in activities that support these values, making them more likely to invest in SRI in Australia. They highlight that financial performance is the most important consideration for investors' investment decision-making, even for individuals with strong pro-sustainability or environmental attitudes. Their findings reveal that, despite having pro-

environmental attitudes, individuals with a strong commitment to environmental sustainability are not necessarily more inclined to invest in SRI. In the corporate world, there is a new wave of engagement in sustainability, as it typically plays a vital role in firm performance (Gopalakrishna-Remani, Byun, and Doty, 2022). Some investors emphasize CSR and governance systems suitable for different stakeholders, while others are indifferent to responsibility (Yoo, 2017). However, the two parties do not show substantial differences in their actual investment activities, mainly reflecting investors' focus on financial performance (Vyvyan et al., 2007; Yoo, 2017). Vyvyan et al. (2007) argue that investors tend to prioritize wealth maximization when making investment decisions, making it challenging to shift beyond this rationalist approach. Consequently, they recommend that SRI fund managers focus primarily on enhancing fund performance, as socially responsible attributes are likely to play a secondary role in the investment decisions of retail investors.

There is growing awareness that climate change caused by greenhouse gas (GHG) emissions is a serious environmental problem. Reducing energy consumption helps to protect the environment and reduces the use of non-renewable natural resources (Cidell, 2009; Ngo, West, and Calkins, 2009; Ofek and Portnov, 2020). Ngo et al. (2009) point out that inefficient household consumption patterns are the second major source of GHG emissions and emphasize that emission reduction behaviour is significantly positively correlated with environmental knowledge. Ngo et al. (2009) examine two behaviours: (1) indoor behaviours, such as internal, maintenance, and low-cost behaviours, and (2) estimated automobile emissions and driving behaviours, such as external, investment, and high-cost behaviours. Their empirical findings indicate that indoor GHG reduction behaviour has no relation to vehicle GHG emissions. The main drivers for encouraging individuals to reduce GHG emissions, both indoors and outdoors, are a sense of personal responsibility and past engagement in environmental activism. Building on previous studies conducted in the U.S., Canada, and Europe, Park (2009) investigates the evolution of SRI as a mainstream financial tool in both industrialized nations, such as Japan, and emerging markets like Hong Kong/ China within the Asia Pacific region. The author shows that nearly \$1 of every \$9 professionally managed in the U.S. is invested through social investment strategies. In contrast, the European green and ethical investment market is estimated at €1 trillion or approximately 10% – 15% of total funds under management. The findings of Park (2009) indicate that the current levels of socially responsible investing (SRI) assets constitute merely a small percentage, around 0.1%, of the overall market capitalization in emerging economies. Nevertheless, there are emerging institutional and market pressures

that support the growth of SRI consumer markets. Park (2009) highlights the increasing influence of shareholder and stakeholder activism, along with the tightening of environmental and social regulations across various emerging and developing economies. In addition, increased government interest in CSR issues and the prospect of increased regulation adds to the relevance of further research in this area (Park, 2009; Reimann, Ehrgott, Kaufmann, and Carter, 2012).

With investors increasingly concerned about the impact of climate risk on financial asset prices, investors consequently put huge pressure on carbon-intensive firms to curb their carbon emissions and divest from carbon-intensive firms (Duong, Kalev, Kalimipalli, and Trivedi, 2022; Rohleder, Wilkens, and Zink, 2022). Rather than focusing on how managers' demographic factors influence their responses to individual needs and desires, Brochado, Teiga, and Oliveira-Brochado (2017) employ psychographic and environmental variables to analyse the profiles of green consumers to establish the relationship between activists and ecologically conscious consumer behaviour. They propose that activism is the core predictor of this behaviour. Carberry, Bharati, Levy, and Chaudhury (2019) trace the historical emergence of green information systems as a corporate response to the growing demand for sustainability reporting, an important social innovation that environmental activism helped to create. More recently, Hahn et al. (2021) discuss the legitimization strategies of sustainability reporting and highlight that there is significant leeway for expectations of what and how the company should report (Darnall, Ji, Iwata, and Arimura, 2022). The authors show high carbon-intensive companies suffer from decarbonization sales pressure from equity mutual funds.

In 2010, renowned chef and food campaigner Hugh Fearnley-Whittingstall initiated The Big Fish Fight. This campaign gained widespread attention through a TV documentary series aired on UK Channel 4 in January 2011, where Fearnley-Whittingstall brought attention to issues surrounding marine sustainability, with a particular focus on the problem of EU fish discards. Hopkinson and Cronin (2015) point out that Hugh Fearnley-Whittingstall's efforts were linked to amendments to the European Union fisheries legislation in 2014. They propose that lasting changes, especially those necessary for sustainability, are driven by meaningful actions taken by both organizations and consumers. Consumer behaviors are largely influenced by ingrained habits and routines, which are shaped by broader societal norms that define what is typically considered "normal" consumption patterns (Hopkinson & Cronin, 2015; Chaturvedi, Kulshreshtha, & Tripathi, 2021). As climate change intensifies and the nature and forms of environmentalism change, the number of celebrities participating in environmental causes has

increased (Hopkinson & Cronin, 2015; Craig, 2019; Chaturvedi et al., 2021). Celebrity institutional entrepreneurs strongly influence mainstream consumers and mass users, influencing their understanding of and engagement with environmental issues (Hopkinson & Cronin, 2015; Craig, 2019; Chaturvedi et al., 2021).

Sustainability initiatives within organizations depend on the quality of interactions among members (Demers & Gond, 2020; Soderstrom & Weber, 2020; Zhu & Sun, 2020). Soderstrom and Weber (2020) highlight that effective interactions require factors such as attention, motivation, knowledge, relationships, and resources, linking brief exchanges to the development of organizational structures. They emphasize that sustainability practices demand significant shifts in management approaches. Their research underscores the importance of internal advocates and decentralized processes, particularly at middle and lower levels, in shaping organizational frameworks. They also show that advocates' interests, identities, and available political resources evolve through iterative interactions. Organizational structure design can often encourage certain connections and interactions between units and employees, help organize sustainability activities, and address sustainability issues (Soderstrom and Weber, 2020; Mio, Costantini, and Panfilo, 2022). Across the different sustainability components, a consistent distinction between achieving new value versus reaching less harm helps map the various opportunities for companies to achieve superior performance in sustainability-based competition (Soderstrom and Weber, 2020; Lichtenthaler, 2021). Restoration of affected communities in all aspects of the natural, built, social, and economic environment is the goal of effective reconstruction efforts, often initiated after a catastrophic event (Williams and Whiteman, 2021; Shafique, 2022).

3.2.3 Social Activism

Activists frequently seek to effect social change by employing strategies aimed at influencing the organizational practices of companies (Baron, 2005; Eesley, Decelles, and Lenox, 2016). Researchers are particularly interested in understanding how these activists can effectively persuade firms to prioritize social issues, such as environmental sustainability, despite their lack of formal authority to enact change and the general unresponsiveness of companies to activist demands (King, 2008; Eesley et al., 2016). Research shows that social movements can affect firms' social practices (King, 2008) and stock prices (Eesley et al., 2016). According to social movement theorists, shareholder resolutions are effective because they function as an extra-institutional tactic, meaning a strategy employed outside traditional political structures.

This approach is often used by social movements in conjunction with other tactics, such as protests and boycotts (Ferraro & Beunza, 2018). Moreover, prior research indicates that activists can shape analysts' views on environmental risk, which in turn affects a firm's environmental exposure, including the potential liabilities arising from inadequate environmental practices. This shift in perception can also have significant economic implications for the firm (Eesley et al., 2016). Institutional insiders are social movement sympathizers who hold positions at target institutions (Vasi and King, 2012; Eesley et al., 2016). The anger fueled by social movements has a mobilizing effect that relates to greater collective action intentions among outside activists but not among insider activists or institutional insiders (DeCelles, Sonenshein, and King, 2020).

Shareholder activism, as proposed by Vasi and King (2012), sends a compelling message to investors, urging them to overlook potential environmental liabilities, since risk analysts often perceive the interests of these activists as being aligned with the firm's and its shareholders' interests (Eesley et al., 2016). Moreover, Vasi and King (2012) and Eesley et al. (2016) argue that analysts' evaluations of a company's environmental risks may indirectly harm its financial performance by influencing how potential investors perceive those risks. Shareholder activism is particularly impactful due to its ability to pose a reputational threat and alter investors' risk perceptions. Additionally, activists play a positive role in enhancing a company's corporate social performance (Eesley et al., 2016). According to Eesley et al. (2016), DesJardine and Durand (2020) underscore the importance of distinguishing between different forms of shareholder activism, including the goals, tactics, and levels of influence involved. Instead of concentrating on the approaches of hedge funds (Eesley et al., 2016), DesJardine and Durand (2020) conduct an analysis of 1,324 hedge fund activist campaigns spanning the period from 2000 to 2016. While they identify short-term benefits for shareholders (such as increased market value and profitability), the targeted firms suffer adverse corporate social performance effects.

Russell, Milne, and Dey (2017), drawing upon insights from diverse fields such as accounting, geography, sociology, political ecology, nature writing, and social activism, present a critical analysis of key themes that have emerged over 40 years of environmental accounting research. Their findings suggest that resolutions tend to be more impactful in driving changes in organizational practices when the firm or its industry peers have been previously subjected to similar shareholder activism. Reid and Toffel (2009), focusing on the Carbon Disclosure Project, explore corporate reactions to shareholder activism and develop a model illustrating

how social activists can stimulate organizational change. Their work extends the theory of social activism and organizational transformation by demonstrating that pressures from both shareholder activists and government regulators can lead to shifts in corporate practices, with challenges directed at a specific company or industry often influencing behavior across the broader field. More particularly, they show that activist groups can shape corporate outcomes. Still, information disclosure as an example of organizational responses is not necessarily an indicator of important shifts in corporate strategy.

3.2.4 Corporate Governance

Corporate governance mechanisms have been established to help create a better balance between the interests and actions of management and firm owners. In the U.S., companies frequently encounter proactive shareholders seeking to influence changes in corporate governance structures or alter corporate behavior, particularly regarding environmental and social policies (Bauer, Moers, & Viehs, 2015). Shareholders submit proposals and then vote during the annual general meeting, which is one form of engagement (Bauer et al., 2015). However, under exceptional circumstances (normally after private consultations with the management team), the submitting shareholders can withdraw the proposal before the annual general meeting (Chidambaran & Woidtke, 1999; Bauer et al., 2015). Firms often invite activist shareholders to engage in private negotiations following shareholder-initiated proposals, especially when these proposals could negatively impact the interests or reputation of managers. As a result, managers may seek to avoid having such proposals put to a vote at the annual general meeting (Renneboog & Szilagyi, 2011; Bauer et al., 2015). Furthermore, managers may negotiate privately to determine if a proposal serves the company's interests, potentially leading to its withdrawal (Bauer et al., 2015). Hence, when managers successfully convince sponsoring shareholders to retract a proposal, this decision does not necessarily conflict with shareholders' interests (Matsusaka and Ozbas, 2014; Bauer et al., 2015). This aligns with previous findings that companies often engage with shareholders behind the scenes (Dimson, Karakaş, & Li, 2015; Harvey, Maclean, & Price, 2020).

Previous studies demonstrate new forms of governance, such as sovereign wealth funds and global investor activism (Dimson et al., 2015; Becht, Franks, Grant, and Wagner, 2017). Investor activism can involve shareholder proposals and the proxy process (Bauer et al., 2015; Ho, 2020). Shareholder proposals are widely used to facilitate dialogue between investors and management and promote changes in corporate practices and environmental and social

transparency (Bauer et al., 2015; Ho, 2020). By investigating the determinants of the likelihood of the proposal's withdrawal and the role of institutional investors' proposals on executive compensation, Bauer et al. (2015) show that over 20% of U.S. shareholder proposals filed were withdrawn during the sample period from 1997 to 2009. Institutional investors are effective (even if they are retired prior to the annual general meeting) as negotiations between investors and board members can significantly affect compensation practices. In particular, CSR proposals are withdrawn more often than corporate governance proposals (Bauer et al., 2015). Bauer et al. (2015) highlight the significance and effectiveness of withdrawn shareholder proposals as a corporate governance device. Nguyen, Kecskés, and Mansi (2020) study the impact of CSR on shareholder value and argue that long-term investors can ensure that managers choose the amount of CSR that maximizes shareholder value. Previous studies show that institutional investors' time horizon is associated with the CSR potential of investments (Nguyen et al., 2020; Sarhan and Al-Najjar, 2022). Nguyen et al. (2020) and Sarhan and Al-Najjar (2022) show that CSR activities can create shareholder value when long-term investors properly monitor managers. It is important to consider different corporate governance mechanisms, including board characteristics, executive compensation, and ownership structure, as important determinants of CSR decisions (Elmagrhi, Ntim, Elamer, and Zhang, 2019; Katmon, Mohamad, Norwani, and Farooque, 2019; Nguyen et al., 2020; Fu, Liu, Qin, and Zhao, 2022; Sarhan and Al-Najjar, 2022).

Formalizing good governance practices becomes more challenging as the environment and corporate ownership and governance evolve (Bebchuk et al., 2017; Homanen & Liang, 2018). Today's governance issues are no longer just a matter of addressing agency issues between corporate managers and shareholders caused by the fragmented ownership of large publicly traded companies (Homanen & Liang, 2018). These developments are further changing how firms are governed, necessitating a closer examination and reassessment of the prevalence and standardization of good governance practices (Homanen & Liang, 2018). Given that major institutional investors hold the majority of equities in the market through diversified, long-term portfolios with significant ownership stakes, they are inherently exposed to risks stemming from corporate externalities. As such, it is in their interest to mitigate potential costs and enhance the benefits of these externalities by monitoring and influencing the operations of their investee companies (Dimson et al., 2015). Furthermore, research by Chung, Liu, Wang, and Zykaj (2015) demonstrates that institutional oversight can contribute to improving the financial health of investee firms.

ESG activism, defined as active engagement by institutional investors - often referred to as universal owners - on ESG matters (Dimson et al., 2015), represents a distinct form of activism that differs from traditional shareholder, hedge fund, and entrepreneurial activism. Meanwhile, SRI and ESG issues have attracted growing attention, and business owners are increasingly exercising power to influence how businesses are managed (Dimson et al., 2015). The research indicates that successful shareholder engagements typically result in positive size-adjusted abnormal returns of +2.3% in the year following the initial engagement (Dimson et al., 2015). This effect is particularly pronounced in engagements related to corporate governance and climate change. Additionally, the authors highlight that events focused on ESG issues have attracted socially conscious clients and investors, leading to improvements in the operating performance, profitability, efficiency, equity, and governance of firms involved in successful interventions, especially those addressing environmental and social matters. The conclusion drawn is that this form of ESG activism contributes positively to social welfare, enhancing stakeholder value when engagements succeed and not diminishing firm value even in instances of unsuccessful engagement. Ferraro and Beunza (2018) explore how shareholder engagement strategies can promote and integrate corporate sustainability. Their findings suggest that institutional investors can strategically influence companies' approaches to integrating ESG issues through such engagement strategies.

An investigation into the impact of institutional blockholders on corporate earnings management shows that these investors often prevent speculative financial reporting, particularly within domestic institutional investors (Liu, Chung, Sul, & Wang, 2018). The importance of institutional investors in shaping corporate governance within emerging markets is emphasized, where sound governance practices are essential for the long-term sustainability of firms. Supporting the work of Ayers, Ramalingegowda, and Yeung (2011) and Kim, Miller, Wan, and Wang (2016), Liu et al. (2018) find that the proximity of local institutional investors to monitoring information reduces their monitoring costs, enhancing their ability to engage effectively in corporate governance practices.

In a similar vein, a proprietary corporate governance score has been used to analyze the influence of active monitoring by institutional blockholders, demonstrating their effectiveness in improving the governance scores of investee firms (Lee, Chung, & Morscheck, 2020). This study corroborates previous findings regarding the positive monitoring impact of domestic institutional blockholders on the corporate governance quality of their investee companies (e.g.,

Liu et al., 2018). Both studies reveal that domestic blockholders have a relative advantage in information collection and communication costs compared to their foreign counterparts.

3.2.5 Other Types of Activism

Contrafatto, Thomson, and Monk (2015) demonstrate four key stages involved in dialogic activism (project design, problem posing, solution exploration, and implementation) in exploring how and why a dialogic activism project was implemented to transform a community. Their findings suggest that accounts produced and interpreted using dialogic activism principles can support transformation projects. Denedo, Thomson, and Yonekura (2019) identify extensive usage of accounts as symbolic activism embedded in various campaign strategies to address extreme social and ecological hazards encountered by Indigenous communities in the Delta. They also evaluate how local advocacy non-government organizations use accounts with reference to an evaluation framework developed from the theory of dialogic action.

Research conducted by Cuckston (2017) and by Russell, Milne, and Dey (2017) examines how innovations in accounting and practices of accountability influence efforts to safeguard and preserve social-ecological systems. In his work, Cuckston (2017, pp. 1537-1567) asserts that “humans act to produce a world in which non-human life can thrive.” In response to critiques surrounding the fundamental challenges of organization-centred approaches to sustainability management, the author advocates for an “ecology-centred” accounting framework. He argues that such an approach can effectively harness the “productive force” of accounting (Miller & Power, 2013) to facilitate the integration of both human and non-human actors within social-ecological systems.

4. Emerging Trends

We use a manual assessment of recent publications to identify five emerging research trends: activism and sustainability in developing countries (Section 4.1); the rise of hedge fund environmental activists (Section 4.2); activist-led divestment and market value effects (Section 4.3); climate justice (Section 4.4); and activism and corporate governance (Section 4.5).

4.1 Activism and Sustainability in Developing Countries

Williams and Whiteman (2021) emphasize the need for academic research on sustainability issues that prioritizes practical impact over the mere development of innovative theories, aiming to restore balance in the relationship between science and society (Mintzberg, 2015; Jarzabkowski, Dowell, & Berchicci, 2021). Despite a longstanding call for increased relevance in management studies, these authors advocate for ethnographic engagement intended to influence the field from within, drawing on Mintzberg's (2015) experiences with the World Business Council for Sustainable Development, as well as academic activism, inspired by the initiatives of Jarzabkowski, Dowell, and Berchicci (2021) in launching the Arctic Basecamp.

The inclusive development framework proposed by Gupta, Rempel, and Verrest (2020) reveals that numerous funds are allocated to the fossil fuel industry by "indirect" actors, such as pension funds and export credit agencies. These entities are rarely highlighted in international climate debates or subjected to extensive academic scrutiny. Besides addressing the equitable challenges of transferring the risks associated with fossil fuel lock-in, stranded assets, and related economic debt to developing nations, Gupta et al. (2020) argue that such transfers also pose significant risks of relinquishing control over climate change issues. Consequently, future research could explore the interplay between activism, sustainability, and economic growth in developing countries.

4.2 The Rise of Hedge Fund Environmental Activists

Corporate divestitures are major strategic decisions that have important implications for corporate competitiveness and profitability (Kolev, 2016). Firms address financial constraints through divestment activities to facilitate investment in their future growth (Vidal and Mitchell, 2018; Bergh et al., 2020). Investors frequently demand divestment from carbon-intensive companies due to increased focus on the impact of climate risk on asset prices (Duong et al., 2022; Rohleder et al., 2022). The information obtained from a CSR report forms the basis for providing information to investors about a firm's sustainability (Kemfert and Schmalz, 2019). Moreover, socially responsible investors often shift their portfolios towards firms with high ESG ratings rather than sustainable companies, as it is difficult to adequately assess sustainable performance (Bams and van der Kroft, 2022). Due to information asymmetries, investors who use inflated ESG ratings to skew their portfolios unintentionally divest from sustainable companies, increasing their cost of capital and reversing the social benefits of socially

responsible investors (Bams and van der Kroft, 2022). Several previous studies examine divestment's impact on fossil fuel firms' GHG emissions (Trinks, Scholtens, Mulder, and Dam, 2018; Monaco, 2022). Fossil fuel divestment has been proposed to reduce carbon emissions (Trinks et al., 2018). In addition, Ansar, Caldecott, and Tilbury (2013) highlight that the fossil fuel industry accounts not only for the majority of ESG-related divestments but also for the fastest-growing divestment activity. Trinks et al. (2018) call for an examination of the advantages and disadvantages of divestment as a tool to address climate change issues and help firms remain sustainable. Thus, future research could explore how sustainable development plays a role in corporate divestitures on corporate competitiveness and sustainability.

Hedge funds tend to be highly aggressive investors with "principal power" over their portfolio firms (Schneider and Ryan, 2011). With the rise of hedge fund activism, it has become critical to determine the impact of activist hedge fund stakes on target companies' short- and long-term financial and social performance (DesJardine and Dueand, 2020). Ahn and Wiersema (2021) report that activist hedge funds allocated over \$65 billion globally and initiated more than 900 campaigns in 2018, highlighting the substantial influence these activists exert on corporate governance, strategic direction, and even ownership structures. Their findings indicate that while finance scholars have focused on understanding the objectives of corporate activist hedge funds and the resulting performance implications, management scholars have largely overlooked this critical aspect. Building on their comprehensive research into hedge fund activism, Ahn and Wiersema (2021) recommend that management scholars explore this phenomenon further, particularly to discern whether these activists act as champions for shareholders or whether they compromise the long-term strategic sustainability of firms. From an environmental perspective, Chu and Zhao (2019) present evidence that companies targeted by hedge fund activism, which close heavily polluting facilities and invest in green pollution-reduction technologies, are able to significantly reduce toxic chemical emissions.

Moreover, DesJardine and Durand (2020) reveal the significance of identifying types of shareholder activism and the scope of goals, tactics, and influence. They demonstrate that benefits are shareholder-centric and short-lived and are reflected in immediate market value and profitability increases. They emphasize that hedge fund activism can adversely affect the corporate social performance of targeted firms. This emerging field of research in shareholder activism indicates that further research into hedge fund environmental activism is needed. Similar to DesJardine and Durand (2020), Bae, Khimich, Kim, and Zur (2022) examine the

association between hedge fund activism and CSR activities. Their findings show that socially responsible funds promote stakeholders' and shareholders' long-term interests.

4.3 Activist-Led Divestment and Market Value Effects

A range of previous research has investigated the effects of divestment on various aspects of corporate functioning, including corporate performance (Haynes, Thompson, & Wright, 2002), executive compensation (Haynes, Thompson, & Wright, 2007), investment efficiency (O'Toole et al., 2016), theoretical development (Dranikoff et al., 2002), and the factors influencing divestment decisions (Haynes, Thompson, & Wright, 2003; Hillier, McColgan, & Werema, 2009; Berry, 2013). Studies have also explored how corporate strategy influences divestment (Feldman, Amit, & Villalonga, 2016), the outcomes of divestment (Haynes et al., 2002, 2007; Hillier et al., 2009), the divestment process itself (Nees, 1978), and various antecedents to divestment (Brauer, 2006; Kolev, 2016). Highlighting the scarcity of recent research in this area, Silva and Moreira (2019) urge scholars to focus on enhancing the understanding of the stages of divestment, the key decision-makers involved, and the roles that agencies and governments play in these processes. Furthermore, they propose that future investigations should consider how the personal attributes of managers influence divestment and examine the distinctions between the short-term and long-term effects of such actions.

Konara and Ganotakis (2020) and Wu, Strange, and Shirodkar (2021) examine the firm-specific drivers of foreign divestment and their role in corporate governance. Improving corporate governance mechanisms can incentivize managers to divest when necessary, provide financial incentives, and deploy oversight to prevent agency problems and opportunistic behavior by managers (Silva and Moreira, 2019). The board of directors may introduce management changes to facilitate the decision to divest (Silva and Moreira, 2019). Bams and van der Kroft (2022) show the latest trends in ESG and the rapid increase in associated divestments. They suggest that this could be further investigated in future research.

Dordi and Weber (2019) examine the impact of divestment announcements on the share price of fossil fuel stocks. Their findings suggest that divestment announcements related to campaigns, pledges, and endorsements have a significant short-term effect. More specifically, they show that divestment announcements decrease the share price of fossil fuel firms. They suggest that 'divestors' can influence the share price of their target firms. Hence, future research could focus on the influence of activist-led divestment on stock prices.

4.4 Climate Justice

In late 2019, Australia endured the devastating ‘Black Summer’ bushfires, with more than 18 million hectares of land burned. O’Brien (2020) suggests we are losing the right to limit global warming to safe or manageable levels. O’Brien (2020) points out that many fossil fuel producers, which produce roughly 70% of the world’s GHG emissions, are traded on global stock markets and are part-owned in some way by institutional investors, including the Australian superannuation industry. In a rapidly changing world that none of us can truly understand, the author purports that shareholder activism can catalyze a battle for position between competing forms of contemporary capitalism. The author also suggests that institutional investors such as pension funds need to respond to the concerns of a wide range of stakeholders. Moreover, the author highlights that mobilizing and influencing institutional investors is invaluable for achieving better long-term outcomes for society, justice, and a safe planet. Fredericks (2020) highlights that numerous firms are still contributing to the acceleration of climate change while infringing upon the rights and territories of Indigenous peoples. The author critiques these policies as being at odds with the responsibilities corporations should uphold in the twenty-first century, particularly in relation to community welfare, climate justice, and racial equity. Fredericks argues that, in light of the pressing challenges facing both businesses and society, corporate transformation is essential for safeguarding asset value and promoting shareholder primacy (Fredericks, 2020). The author underscores the importance of shareholder governance alongside social issues and the health of the planet, which are vital for future generations of investors and communities affected by corporate actions. Activist shareholders play a crucial role in addressing the interconnected challenges of racial and climate justice, particularly in ensuring that companies remain accountable for their public commitments and statements. Hence, future research could focus on the role of shareholder activism in climate justice.

4.5 Activism and Corporate Governance

Acharya, Gras, and Krause (2021), among others, have been drawn to study organizations’ interactions with specific categories of stakeholders – activists. These authors report that while activists range from employees and unions to social movement organizations and shareholders and employ various tactics, they exert pressure on organizations to extract concessions to their

financial, social, and environmental demands. This motivates them to investigate the relationship between shareholder activists and socially-oriented target firms. They demonstrate that firms' corporate social performance attracts socially-oriented shareholder activism. By developing salient dimensions regarding corporate opportunity structure, the authors call for future research to explore the link between socially-oriented shareholder activists and corporate entities. Empirical studies have examined the impact of activist shareholders on corporate strategic actions. DesJardine, Shi, and Sun (2022) found that firms targeted by hedge fund activists tend to reduce the intensity and complexity of their strategic initiatives. Conversely, firms targeted by corporate shareholder activists often experience an increase in the intensity and complexity of their strategic actions. This suggests that corporate shareholder activism may provide firms with additional resources and freedoms, enhancing their ability to undertake more expansive strategic endeavours. In contrast, activist hedge funds may view CSR as a wasteful practice that reduces shareholder value.

Drawing on signalling theory and the top management perspective, Zaccone, Shin, and Ryan (2021) demonstrate that the language used by the CEO is consistent with the prevailing governance model of shareholder value maximization, leading to a more favourable evaluation of the CEO by shareholders and reducing their activism toward the firm. They show shareholders welcome shareholder-value language, while stakeholder-oriented language is negatively perceived. In addition, CEO celebrity weakens the strength of the relationship between shareholder-value language and the likelihood of attracting shareholder activists. Dickler and Diestre (2021) focus on corporate leaders and their power. They speculate that when activist shareholders submit proposals to reduce the power of corporate leaders, those leaders may engage in corporate restructuring. More specifically, shareholder proposals that threaten the power of leaders receive fewer votes at firms that have just announced a corporate restructuring process. They suggest that corporate leaders are more likely to announce strategic restructuring immediately after a proposal to reduce their protections. Future studies could focus on the relationship between shareholder activism and corporate governance mechanisms to accomplish a deeper understanding of how different types of activists influence corporate behaviour.

5. Conclusion

Utilizing a bibliographic mapping methodology, this study presents a comprehensive literature review focused on the intersections of activism, divestment, and sustainability from 1999 to 2023. The primary research domains identified include shareholder divestment and shareholder activism, each of which we thoroughly analyse and evaluate. Furthermore, we highlight five emerging research trends: (1) the relationship between activism and sustainability in developing nations; (2) the emergence of environmental activists among hedge funds; (3) the implications of activist-led divestment on market value; (4) the concept of climate justice; and (5) the interplay between activism and corporate governance. Through this integration of existing knowledge, we conduct an in-depth assessment of the literature and suggest directions for future research that could further advance the field of activism, divestment, and sustainability studies.

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