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Governing corporations with ‘strangers’: Earning membership through investor stewardship

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Abstract
Despite decades of theorising and empirical research, the problems of corporate governance seem intractable, particularly the relationships between investors and companies. The thought experiment in this paper asks us to look at the problem through a fresh lens. It draws on the quaint British legal custom of calling shareholders “members”, and then uses the political philosopher Michael Walzer’s idea of membership in states, clubs, neighbourhoods, and families to draw lessons for the corporate world. This paper suggests that seeing how Walzer conceives “strangers” in a polity, with fewer rights but a path to membership, lets us rethink shareholder rights as something to be earned, through engagement and commitment, that is, through stewardship. Rethinking what membership of a company might mean points to a pragmatic escape from short-termism without institutional reform.

Keywords Corporate governance · Ethics · Short-termism · Investor stewardship · Membership · Michael Walzer

Introduction

Investors are often described as part of the problem and even the cause of the short-term orientation of companies (Aspara et al. 2014; Aspen Institute 2009; He & Mi 2022; Tonello 2006). While this claim is disputed (Roe 2020), and the supporting evidence is at best nuanced (Giannetti & Yu 2021; Swanson et al. 2022), public policy antidotes have been widely prescribed in the past decade to encourage a new focus on investor stewardship (e.g., FRC 2010; FSA Japan 2014): That is, investors should engage with the corporations whose shares they hold and work constructively, as stewards. However, such policies have met scepticism about whether they can achieve their aims (Cheffins 2010; Reisberg 2015), and studies of the consequences of this direction have shown mixed empirical

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results with respect to both firm outcomes (Lu et al. 2018) and the perceived beneficiaries of such public policy (Klettner 2021). Moreover, scholars increasingly argue that focusing on investors for the solution to governance issues is inappropriate, as it assumes shareholder priority over other constituencies (Stout 2012) even though investors "are the most ill-informed, irresponsible, uncommitted, and unnecessary of all the parties involved with the firm" (Ciepley 2020: 624).

Nonetheless, interest among policymakers for investor stewardship has not waned; indeed, it has found reinforcement in calls for greater attention to environmental, social, and governance (ESG) investing (Romberg 2020) and in public statements of corporate "purpose" (Business RoundTable 2019; Younger et al. 2020). McNulty and Nordberg (2016) have discussed theoretically how stewardship might develop in institutional investment by combining psychological ownership with legal rights. It is, however, a process with many obstacles. Moreover, while stewardship is an elusive concept (Klettner 2021), the duties it entails suggest moral if perhaps not quite legal obligations. How might this policy direction come to serve a meaningful end?

This essay conducts a thought experiment exploring the conditions that might link that moral side with the policy concerns. Its starting point is to accept existing legal frameworks in which shareholders have primacy.[1] It then asks what companies themselves might do through their articles of association to encourage shareholder engagement and stewardship.

It does so by using the lens of pluralism and complex equality in the political philosophy of Michael Walzer. His thinking has recently attracted fresh attention among management scholars, often focusing on the question of distributive justice and its connection to corporate social responsibility (Chang et al. 2021). Wicks et al. (2021) discuss how Walzer's ideas, with their focus on the value of the particular and thus the complex pluralism of modern societies, can be extended to business ethics, rather than just state-level considerations. From a survey of senior executives, Burri et al. (2021) found that executives see Walzer's ideas of justice not just as a matter of law and actions of states and that companies and societies alike fall short of desirable outcomes.

This paper takes a different but related direction, applying Walzer's ideas on members and strangers to examine investor stewardship, the elusive goal of public policy, building on the aspirations of the original UK Stewardship Code (FRC 2010). It is an idea that has now spread to many countries around the world, albeit using varying models (Katelouzou & Puchniak 2022). This variation is evidence that Walzer's pluralism can occur as ideas diffuse into practice.

Let's look first at the problems of corporations and the concern that investor actions can lead to decision-making with a time horizon shorter than what might be optimum for creating social value and, second, at how stewardship might be a solution. Next, we will examine the issues in bringing stewardship into action. We will then turn to membership in Walzer's political philosophy and extend its logics to corporations and capital markets.

This discussion points to a modest set of mainly corporate policy considerations. They are not recommendations; the contributions of a thought experiment can only be quite

[1] In many jurisdictions, even those with legal duties towards non-shareholding stakeholders, shareholders alone elect boards of directors. In the UK, for example, where the law requires directors to have regard for employees, suppliers and customers, its foremost specification is that directors act to "promote the success of the company for the benefit of its members as a whole" (UK Parliament 2006, Sect. 172.1). As we discuss below, the term "members" in this sentence refers to shareholders in companies whose liabilities are limited by shares.

tentative. But they might prompt real world experimentation and then offer observations about what this approach says for the broader issues in corporate governance. It argues that applying Walzer's ideas opens a path to channel shareholder power to those investors willing to undertake stewardship.

Corporations, investors, and the short term

A string of corporate collapses prompted creation 30 years ago of the Cadbury Code (Cadbury 1992), a seminal document that reshaped corporate governance thinking around the world. It, and many of the codes and laws that built on it, rely on large institutional investors to monitor performance and enforce its principles. Despite regular updating, however, such codes have failed to prevent major collapses.

Boards work harder than they did before Cadbury and harder still since Enron's collapse in 2001 and a rash of other failures in many countries in the following two years. But catastrophic corporate failures continue, arguably with even more egregious examples in the financial crisis of 2007–09, which threatened the global banking system (Nordberg 2020). More recently, we have witnessed a string of further cases. Think of Theranos (US), Carillion (UK), and Wirecard (Germany), to name just three. Changes in law, regulation, and codes of conduct around the world have focused on institutional investors playing an important role in monitoring compliance. Research in the field has swelled, with often contradictory findings about its efficacy. A decade ago, Ahrens et al. (2011) asked a question that still resonates: despite an "enormous volume of research we still know very little about corporate governance," they wrote. "This should lead corporate governance researchers to pause and reflect. Are we wasting our time?" (2011: 312). The same question might apply to policymakers. Policy has created multiple layers of governance to limited effect, leading some scholars to seek radical reform, perhaps doing away with codes altogether (e.g., Cheffins & Reddy 2022).

One problem came to the fore following the global financial crisis: corporations act in ways that seem to favour expediency and short-term thinking over the development of social value over a long time-horizon. Doing so often leads to questionable and even unethical actions, and ultimately to the destruction of social value in decades to come. Both the legal parameters of incorporation, which often emphasise duty to shareholders, and incentive structures for executives push them in that direction. If shareholders have power over boards of directors, the solution may lie with encouraging them to set expectations with a mind to the longer term.

Many scholars have questioned the premise of shareholder primacy on legal, economic and ethical grounds. While Hansmann and Kraakman (2001: 440) asserted that "ultimate control over the corporation should rest with the shareholder class", Stout (2012) argued that their contention does not require directors to pursue shareholder value, especially when viewed with a short time horizon. She and others (Deakin 2012; Ireland 1999) have argued forcefully against the principal logic for primacy – that is, that shareholders bear the residual risk in the case of collapse. Even though other constituencies (we might say "stakeholders") have contractual rights that shareholders lack, those contracts often provide only incomplete protection. Moreover, residual risk is often seen as lying with society at large. For example, Boatright (1996) argues that corporations regularly impose costs on society through consumption of public resources and damage to the environment. These negative "externalities" give shareholders a recurring benefit by transferring the risk outside the organisation, a point we return to later. In doing so, they undermine further the argument that shareholders alone bear residual risk.

In reaching similar conclusions, Mansell and Sison (2020) take a different, historical route, tracing the origins of shareholder power to the model of membership in medieval associations. The differences in conditions of the precedent and current arrangements undermine justifications for shareholder primacy. Even so, they acknowledge that both the UK Companies Act of 2006 and Delaware law acknowledge that shareholders are the "members" of corporations. That means that notwithstanding good arguments against the principle of shareholder primacy, in Britain, America and many jurisdictions, the priority afforded to shareholders is a legal and regulatory fact. To change it requires reform in statute, regulation and case law, with the likelihood of stiff resistance from incumbent holders of power. This raises the question, *how might the problem of short-termism be addressed more pragmatically, without resorting to changing institutional arrangements?*

Some types of investors ought to have a patient, longer-term orientation, the attitude ascribed to "universal owners", archetypally those that must hold a wide variety of shares for long periods and who cannot easily trade in and out of positions. This leads to calls that power might better be concentrated with such investors (Lydenberg 2007). And yet recent decades have seen institutional investment generally – that is, traditional collective investment plans like pensions, mutual funds, and life insurance, as well as hedge funds – pressed by market forces to pursue short-term performance of their own. This problem of short-termism has wide implications for corporate strategy, for example, concerning decisions whether to invest in productivity and research or to pay dividends and conduct share buybacks.

There are societal implications as well. For example, a short-term orientation leads to actions that push costs away from corporations onto the public or the state. The global financial crisis is an extreme example of that – what economists call "externalities", the effects of transactions on third parties. In accounting, such externalities are costs of corporate activity not recorded in a company's accounts,[2] costs including environmental damage caused by un- or underregulated carbon emissions. Roe (2022) describes the root of short-termism as "the corporation's capacity to externalize environmental and climate harms". Their use becomes embedded in operations management and thus normalised throughout the organisation. According to the former investment manager and prominent corporate governance author Robert A.G. Monks, this logic is endemic in the structure of business. He once called the corporation "an externalizing machine in the same way that a shark is a killing machine" (Bakan 2004: 70; for the film version, see Bakan et al. 2003).[3]

What we need, critical voices often tell us, is stewardship, among both business managers (Davis et al. 1997) and investors (Ringe 2020). Stewardship arises when "organizational actors see greater long-term utility in other-focused prosocial behavior than in self-serving" (Hernandez 2012: 172). It seems to require altruism, the disposition to help others, or at least a sentiment that is other-regarding, one that values others simply on account of their humanity. It arises, in Hernandez's analysis, from cognitive and affective mechanisms that create a sense of psychological ownership, a point we return to later.

[2] There are also beneficial externalities, of course, such as the stimulation of economic activity that arise in a location which hosts a new factory. Corporations often use these as evidence of their social contributions while playing down negative externalities.

[3] Concerning externalities, view Segment 4 of the Bakan, et al., video at https://www.youtube.com/watch?v=aCGTD5Bn1m0. See also the opening pages of Monks and Minow (1991) for an example of externalities.

The problem of governing through stewardship

The problem most often examined in the corporate governance literature is the opposite, that corporate actors are by nature self-interested. The danger is that managers (the “agents”) in possession of informational advantage will ignore the needs of others, including, importantly, shareholders (the “principals”), those who notionally own the business (Fama & Jensen 1983). This “agency problem” is an ethical issue for business, and it comes in two varieties: shirking and stealing (Aguilera & Jackson 2010). Two central solutions have developed: a) deploying the tools of behavioural economics to align the incentives of managers with the interests of shareholders; and b) controlling the agent through empowering shareholders, up to and including selling the company to other owners who can then clean up the mess.

Both approaches address symptoms rather than causes, and both carry serious downside risks. First, aligning managerial incentives with shareholder interests involves the assumption that shareholders all want the same thing. Doing so ignores the plurality of shareholder interests. Second, giving shareholders power overlooks the interests of those without share ownership but with a justified interest in the success of the company (e.g., suppliers, customers, employees). Sison and Fontrodona (2013) make a strong case for their interests, including that they share in residual risk. Third, tight control creates a different risk by demotivating competent and well-intentioned managers, the persons under whose stewardship a company can flourish. Stewards will choose to exit firms that treat them like agents (Donaldson & Davis 1991).

During the decade and a half following the global financial crisis of 2007–09, a new policy direction emerged in an attempt to break the deadlock: investor stewardship (Gordon 2021). The idea arose first in UK policy (FRC 2010) and rapidly spread around the world (Katelouzou & Puchniak 2022). Investors acting like stewards – listening to managers, exchanging ideas with them, and settling on corporate policies – would serve the long-term best interests of investors. In doing so, society as a whole would benefit.

That begs a question, however: Incentives and processes in investment management militate against the affective element of psychological ownership that stewardship requires (McNulty & Nordberg 2016). How do we get to stewardship among investors, when the market forces in investment and the processes of investment decision-making impede the affective component of psychological ownership? Policy that encourages shareholders to become more engaged without also fostering commitment seems bound to increase pressure for orientation towards the short term. This essay suggests a path that points in the long-term direction through rethinking membership at the level of articles of association, rather than changes in law. Though this path may not be a particularly direct one, it offers some potential to reach the destination.

Membership

The problems in governing the modern corporation arise from a deeply rooted flaw in the design of economic associations. In law, in many jurisdictions, shareholders are the only persons (legal or natural) entitled to vote on which persons (natural, or in the case of Britain, possibly legal[4]) will become directors and thus responsible for the corporation’s

[4] British law provides for “corporate” directors, in which a company is the director, which then nominates a representative to take part in board meetings. Some scholars have made an argument for such arrangements in US law (Bainbridge & Henderson 2014).

actions. Yet shareholders – explicitly in British case law and by analogy in other places – are its "members" – and thus have this right. As Ciepley (2020: 624) argues, shareholders "seem very much to be 'outsiders,' not 'insiders'" and thus not what we commonly understand "members" to be. If they are outsiders and thus poorly informed, he argues, they seem ill-placed to enjoy that entitlement, leading to normative conclusions that the ownership rights and the traditional rights of members should not lie exclusively with shareholders. Doing so could require changes in law, either statute or case law, to effect such changes.

However, there is a way forward that could be put into practice without the need to overcome the institutional and political hurdles associated with legal change, relying instead on experimentation with articles of association, and without having to overcome resistance to giving rights to non-shareholders. It draws on political theory that recognises the distinction between insiders and outsiders in a polity, and a distinction between type of outsiders. Some outsiders have the best interest of the business in mind, and their own interests and their understandings of what social goods it provides diverge. But they are not all ill-informed, irresponsible, or uncommitted. A few may have a "perverse" interest in the company's affairs, for example, when the current "holder" of the shares acquired them in a short sale (Nordberg 2010: 416), but most will not. Nevertheless, many are indeed outsiders. Let's call their relationship one of stranger-hood. Shareholders are often strangers to the company in which they invest.

To understand stranger-hood and its implications, we need to consider what constitutes the boundaries of a society, who is in, and who is not. The political philosopher Michael Walzer reminds us that ancient languages, including Latin, used one word for what became two separate modern concepts: the stranger and the enemy. Improvement in communication may have contributed to their conceptual separation. "We have come only slowly, through a long process of trial and error, to distinguish between the two and to acknowledge that, in certain circumstances, strangers (but not enemies) might be entitled to our hospitality, assistance, and good will" (Walzer 1983: 32–33). The base condition is this: we may legitimately hold strangers at a distance, that is, those who are not members of *our* social setting, those not yet trusted. We may do so at least until they have acted in ways that demonstrate that they deserve our trust, until they show themselves to be not so strange.

We will also consider a special case of social arrangement: the economic entity the French call a *société* and the Germans a *Gesellschaft*. Both mean corporations, but they are also the words that designate society at large. In a polity, societies are marked by membership and demarked by boundaries. Some people are members; others are not. Enemies hover with hostile intent, but strangers are liminal actors, with a foot on each side of the boundary. So, too, with investors in corporations, though the boundaries are sometimes hard to detect with precision, and the scope of their membership is a matter of constant flux and often dispute.

The concept of the corporation is underpinned by shareholder capitalism, an economic and social theory the practice of which arose in Europe alongside the Enlightenment. The period also brought to the forefront of ethical theory Immanuel Kant's reformulation of biblical guidance. Kant's statement of ethics – that one should act always in a way that one wishes to become a universal maxim (Kant 1785/1964) – made general the version of the Golden Rule in the book of Leviticus, which had limited its application to "neighbours". It also closed a loophole in Matthew's gospel by extending the provision to all people, not just any dyad of actors in confrontation. A more recent formulation is that of John Rawls, who described ethical principles as those that someone might set without prior knowledge of their own social status, behind a “veil of ignorance”. In such circumstances, one would choose rules rationally and in a disinterested way, without regard to one’s own circumstances. Rawls shared Kant’s depiction of a universal, even transcendental duty ethics. An obligation would apply not just to “those cooperating together in some social arrangement, but to persons generally” (Rawls 1999: 99).[5]

Walzer’s view of justice differs from that Rawls in ways significant to our topic. To achieve justice, Rawls suggests that we imagine creating a society’s rules from the “original position”, behind a “veil of ignorance”: rule-makers would not know where they stood in society. In these circumstances, he argues, fairness would rule. According to Walzer, this circumstance could not arise; and with self-knowledge, rule-makers would always endorse a variety of approaches, not a singular one. In its place he offers ideas concerning members of a society and strangers.

The idea of membership

Walzer’s idea of membership is a component of a larger argument on the nature of justice. His 1983 book *Spheres of Justice* lays out the case for accepting plurality of social goods and in the arrangements to distribute them (that is, the “spheres”), rather than a single all-encompassing rule. Walzer then argues that, because the goods of a society are plural and valued differently by members, justice should be seen in terms of a complex view of what constitutes equality. While Rawls’s theory of justice assumes that each rule would apply to all, Walzer argues that people’s interests are too varied, the social goods they value too numerous, for a single statement of duty to suffice. What we need instead is a framework for a just society that recognises plurality and complexity in its design.

Walzer’s general framework of justice has three tenets that political communities should follow: a) they must attend to the needs of their members, as they collectively understand those needs; b) goods must be distributed between them according to varying needs; and c) distribution must recognise and uphold the equality of membership (Walzer 1983: 84). Points b and c lead to the conclusion that any meaningful definition of equality must involve complexity. It cannot be a simple calculus of the same for all.

Social groupings revolve around a common notion of what is good, and one such social good tends to dominate. The person(s) who control(s) the dominant good has (have) power over other members of the group, creating an inequality, but one in which others consent to be governed because of the value that good brings to the group. Healthy societies are not made up of singular dominant goods, however, or a singular social arrangement. Instead, individuals associate with a plurality of groups to direct the distribution of a plurality of the social goods that they individually pursue; they engage, that is, in a plurality of spheres.

In cases where a single good is promoted as the sole determining factor for a society, that good can subordinate other goods in unjustifiable ways. For example, we may see a social good in having a leader who is handsome, but handsomeness should not determine the distribution of health care or security of borders. Similarly, control over and superior command of border security should not be the basis for determining health care choices in detail, or who is considered handsome. Control over the dominant good is often tolerated by a population, but trust erodes if the distribution of other goods is subordinated to

[5] Walzer cites Rawls to similar effect, using the original, 1971 edition of Rawls’s *The Theory of Justice* as its source. For readers’ convenience, this paper references the more widely available 1999 revised edition.

a leader simply because that leader controls the dominant good. Walzer calls this condition tyranny.[6]

In a healthy society, each sphere pursues its own dominant good, selecting members from among the population based on those individuals' shared pursuit of the good and existing members' agreement to open the boundaries of the group to newcomers. Spheres are thus conservative though not necessarily exclusive, either about their own membership or about their status within society as a whole. Membership in a group conveys advantageous access to the dominant good of the sphere. The state might itself be a sphere with a dominant good, say, an army that can protect the borders. That does not, however, make the state necessarily competent to set the rules in every other aspect of life. Because other spheres, neighbourhoods, clubs, and families among them, control social goods, they are important to the people any state might otherwise govern. That is, there are limits to the competence of states.

Spheres need to resolve practical issues. How many members? Through what sort of process is membership conveyed? Membership raises philosophical issues, too, among them, Walzer asks: "To what sorts of people?" "To what particular people?" These questions arise most clearly "when we turn to the problems involved in admitting or excluding strangers" (Walzer 1983: 35).

Let's look at admission to spheres, and first to states, an issue of current significance in the refugee crisis in Europe, the immigration pressures in the United States from Central America, and Britain's vote to withdraw from the European Union. Walzer says that admission policies are driven by political and economic conditions in the host country, by arguments about the host's character and destiny, but also about the character of a country, the sort of political community it is, not the territory it rules. States gain legitimacy by promising all those it admits the freedom of movement within the territory.

Neighbourhoods are a different form of association associated with territory. They exist, though not in a legal form.[7] They may welcome strangers or not, but only the state can exclude strangers from the territory. Neighbourhoods, however, may show scorn to strangers, by collectively refusing to associate with them. That is, they set and enforce psychological rather than geographic boundaries, often informally.

By contrast, non-territorial associations, like clubs, choose to exclude strangers from membership, accepting only those who accept a club's rules and meeting criteria the club sets. In both neighbourhoods and clubs, exit is an option for the stranger who seeks but is denied the voice that comes with membership. This discussion recalls another perspective more familiar to students of corporate governance, the theory of voice, exit, and loyalty articulated by Albert Hirschman (1970).[8] Walzer makes passing reference to Hirschman, suggesting that in some public policy contexts (e.g., public education) mechanisms can be devised to facilitate exit when voice proves ineffective.[9] Families convey

6 Walzer's argument on tyranny and the plurality of goods (1983: 17–20) draws support from Blaise Pascal's *Pensées* (1670/1958, Sect. 332) and Karl Marx's manuscript on money (Marx 1844/1963: 193–194).

7 A neighbourhood may be a jurisdiction created in law, but if so, it acts as a deputy of the state, not as a free association of individuals.

8 Hirschman's concepts of voice and exit have drawn much attention in corporate governance (voice = voting, engagement, activism; exit = investors selling their shares), but that literature has paid little attention to loyalty (McNulty & Nordberg 2016).

9 Hirschman suggests that, unlike clubs or other voluntary associations, the nature of states constrains the exit option. Walzer is suggesting a way to reduce that constraint. It should be noted, however, that like the corporate governance literature, Walzer makes no reference to the loyalty element of Hirschman's perspective.

membership by birthright or marriage. The latter can be severed by divorce; the former persists even when symbolically and legally broken by disinheritance. Exit is difficult. But neither clubs nor families convey territorial rights.

For states to constrain the rights of neighbourhoods, clubs, or for families to distribute the social goods they control offends against Walzer's sense of justice. This is tyranny because it arrogates command of a dominant good of a section of the population (e.g., deciding who may play football) by dint of control over a different and dominant good (e.g., who controls border security).

Nonetheless, states may justifiably constrain admission of new members because resources are scarce, Walzer argues. But this duty of the state is limited, not absolute, particularly when the populace requires assistance, for example, to provide labour that the people themselves are unable to supply. Guest workers, arriving with short-term visas, often become permanent; the families they raise cannot develop the emotional ties to a homeland they do not know, ties that might lead their parents not to seek citizenship in the host country. While citizenship need not be conveyed just by residence, Walzer suggests that justice requires that states provide such resident-strangers with a path to citizenship, that is, to membership in civil society.

Membership in corporations

This discussion of citizenship and justice may seem at first quite distant from the world of corporations, shareholders, and the governance of their relationships with each other and with the wider economic communities they inhabit. It is not. Before the mid-nineteenth century, companies were largely creations of the state, organisations with royal charters, licensed by the crown to conduct commerce on the crown's behalf. Notably, that came to include establishing and operating the institutions of state in distant colonies (Micklethwait & Wooldridge 2003).

Even as the state link faded away, companies were like private associations, made up of individuals who knew each other and joined together as members in an economic venture. They were collaborators, combining the financial, material, and intellectual capital to create material goods and services they might sell to others, to strangers. Companies might be based not on products and services, per se, but instead on knowledge: law, medicine, accountancy. Such companies might collaborate in guilds and arrogate a state-like power to determine the validity of new knowledge (Krause 1996). In Britain, guilds became – and to some extent remain – self-regulating entities.[10]

In these organisations, familiarity allowed trust to develop, bonds of which established membership in the company and the guild. Membership involved accountability *to each other*, developing slowly, through a long process of trial and error, which allowed those individuals to promise to make good on the debts that other members might incur on the company's behalf. Prior to incorporation, companies functioned as partnerships. Because the process of developing trust was slow and involved much trial and error, their ambitions were constrained as trusting became an increasingly dangerous proposition. Members might become more distant from each other, *estranged*. As trust withers, members may become strangers in danger of becoming enemies.

[10] Despite the British state's centralisation of medicine following World War Two, the medical profession retains powerful guilds. Accountancy and law also self-regulate many aspects of their profession. It was only at the start of the twenty-first century that accountants and lawyers lost their right to self-regulate on the financial advice they gave to clients.

The solution to the problem of membership came in two ways. The first was incorporation. Legislation, designed by states for members of the elites in society, permitted a company to claim personhood, and thus the right to contract in its own name, rather than in the names of its (human) members. The second was through another act of government: states limiting the liability of (human and corporate) members to the capital they had stored in the company.[11] The first accelerated contracting, requiring the oath or signature only of an officer, not of all the members, individually. The second dramatically reduced the risk in such contracting. No longer need all of one's property, physical or financial, be in danger of loss. That accelerated capital formation, making it possible for a company to accept capital from strangers, making them less like enemies if not quite like members. Accepting the capital of strangers created the phenomenon we know today as shareholder capitalism.

Britain pioneered both incorporation and limited liability, and in the vocabulary of British law, the term "shareholder" does not exist. In law, "members" of a company own shares (UK Parliament 2006). Even companies created without shares, like charities, have members. This language is legal relic of the days when "companies" were the men with whom one kept economic and social company. This relic reminds us of the days when companies were partnerships, and when providers of capital – financial, physical, and intellectual – were members.

While competitors might remain enemies of a sort, strangers whose capital one accepted became members, even if their membership brought only limited rights. Some companies made this overt. Founders and partners might continue to carry unlimited liability and retain control of business information and decisions; limited members would receive less information and have less voting power on board decisions in exchange for lower liability. We see a vestige of this practice in the (albeit waning) German corporate form of the *Kommanditgesellschaft auf Aktien*, or KGaA. The *Aktionäre*, or shareholders, have a voice, but the *Kommanditisten*, members with full liability, exercise control (Wooldridge 2010).

Corporations listed on stock exchanges are different. Their "members" are not tightly engaged with the affairs of the business. They have the right to appoint directors, who engage with the firm on their behalf; the right to receive annual reports and accounts, and to attend an annual meeting; and the right to receive dividends, though the companies have no obligation to pay any. Crucially for some theorists, members do not have the right to withdraw the capital they provided, and they are last in the line of claimants to receive proceeds if the company is liquidated. Whether they alone bear this residual risk is theoretically disputed, as we have seen above. But that risk remains the usual justification for the primacy of "members", for having the sole right to elect directors and for decisions on questions of control: "members" must ratify major capital transformations.

But that does not mean "members" are without power. Corporations today are different from the "modern" ones described by Berle and Means (1932/1991), when ownership was separate from control, and when masses of small shareholders lost their savings in the Crash of 1929. Nowadays institutional investors dominate shareholding, aggregating the funds of savers and gaining a stronger claim to what Hirschman called voice. It creates an agency problem of its own, separating the beneficiaries (end-investors) from the decisions, but that is an issue covered by fiduciary duties under securities law. Institutional investors

[11] The rule came to apply not just to human members but also to companies that, contracting in their own names, bought shares in other companies, or creating new companies with share capital provided by a parent company. Doing so creates a nesting of limited liability and even stronger protection of the interests of the end, human member, somewhere, who owns the shares of the shareholders that own the shares of the shareholders that own the shares …

professionalise buy-sell-hold decisions; the people they employ to act as agents for their end-investors exercise decisions on voice and exit. This professionalisation may impede development of loyalty because it impedes affective commitment, an antecedent to stewardship (McNulty & Nordberg 2016).

Stewardship

Stewardship has been defined as "the extent to which an individual willingly subjugates his or her personal interests to act in protection of others' long-term welfare" (Hernandez 2012: 174). It grows through development of a psychological contract through both cognitive and affective mechanisms. Together these mechanisms foster a sense of "ownership" of the thing of which one is steward. In the corporate governance and management literatures, stewardship is sometimes equated with concern for social responsibility (e.g., Einig 2022), but its roots lie elsewhere, in a determination to put the company's interests first, rather than the employee's, manager's, or director's self-interest (Davis et al. 1997). That might include striving for shareholder value, if that is the organisation's purpose, but importantly doing so without need for intrusive monitoring and control. Its normative conclusions are largely opposed to those of agency theory (Fama & Jensen 1983), as discussed above.

Investor stewardship

Translating corporate stewardship from directors to investors is less than straightforward. Giving a lead that many other countries followed, the original UK Stewardship Code (FRC 2010), asked institutional investors to act as stewards in two ways. The easier part is this: Following the code sought to reduce further the agency problem that investment managers have with their end-investors. They often face such a fiduciary duty in law. The other part is more difficult. The code also asked them to extend that stewardship to the companies in which they invest by investing psychologically as well as financially: engaging in dialogue with corporate boards and directors, listening to their long-term aspirations, and proposing alternatives – in short, by being active owners of the business, like the financiers of old. Doing so creates a potential for conflicts of duties. The best long-term interest of end-investors might require moving quickly away from companies pursuing what the investor saw as deleterious, perhaps even selling those shares short, that is, betting on the company's decline. The Stewardship Code asked them to stick with companies, use voice to improve business practices, and in effect show loyalty. The time and cost of such engagement might impair returns for end-investors. Writing in the somewhat different context of family-controlled firms, Pina et al. 2021: 247) have called stewardship by business owners a "process marked by critical tensions and paradoxes".

Moreover, it is not easy to define rules with observable characteristics that are reliable indicators of an attitude like stewardship. One of the most common policy recommendations has been giving disproportionate voting rights to investors that hold their shares for long periods. This can be done, as it has in France (Alogna et al. 2020) and Italy (Ventoruzzo 2015), by increasing the number of votes for shares held for some specified but arbitrary period, or by creating "loyalty shares" (Quimby 2013). However, doing so may encourage investor apathy and passivity, by rewarding the act of holding shares while doing nothing towards engagement and stewardship. It might thus also entrench management.[12] The case for enhancing rights of some shareholders is, however, supported by the successes of technology firms in America, where disproportionate voting has allowed founders to avoid pressure from shareholders seeking cost-containment and profitability at the expense of investment in new technology. It has also been seen as a potential remedy for the malaise behind the departure of companies from the London Stock Exchange and the paucity to new listings to replace them, a situation the government recently decided to address (Jones 2021).

Stewardship – of what, for whom?

What such policy approaches overlook is the underlying diversity of sources of value – the social goods in Walzer's terminology – that bring people into membership of an organisation, and participation in distribution of its goods. I say "people" even though institutional investors generally take some sort of corporate form. That is because the people in those investment houses make the decisions that matter for stewardship, and people (rather than organisations, institutions, or artificial intelligence forms, in the abstract) can experience the affective mechanisms that stewardship seems to entail. (Later, we will briefly discuss algorithmic investing, transactions driven more by artificial rather than human intelligence.)

This discussion brings us back to Walzer's concept of membership and its historical links to the quaint British name for shareholders. Let's recall that British company law explicitly requires directors to "promote the success of the company for the benefit of its members as a whole" (UK Parliament 2006, Sect. 172). In the context of listed companies and any other firm where liability is limited by shares, the Act's "members" are its shareholders. In Walzer's vocabulary, they seek a plurality of social goods. Some need cash distributions to fund pensions payments; others prefer capital gains, albeit over a plurality of time horizons. Employees may acquire and hold shares to show their identification with the organisation as much as for financial benefit. Social activist organisations may seek corporate policy changes on environmental challenges. These needs, and the many possible others, can easily conflict. The default position becomes the one often used by corporate boards: shareholder value, which Rappaport (1998) defined as the sum of dividends and capital gains. Is shareholder value the best we can do?

A different approach is this: the success of the company might be defined as fulfilling the purpose stated in its articles of association, the type of statement of purpose advocated forcefully by Mayer (2013, 2016, 2021) and echoed by others (Business RoundTable 2019; see also Davis 2021; Goranova & Ryan 2021). Let's imagine for a moment: in view of investor plurality, what if we separated membership from stranger-hood and enemies, as Walzer does in political and social relations?

Corporate enemies might be competitors, including those that acquire a sizeable shareholding to precipitate a hostile takeover bid. They might also include short-sellers, including those in a rare but deeply perverse situation that can arise and has at least once arisen. In that case, an investor borrowed a majority of shares in a company and then called an extraordinary shareholders' meeting. The investor lodged a resolution to the company down before the date the shares needed to be returned to their original owner, thus transferring the loss to the lender (for a discussion of perverse effects, see Nordberg 2010).

[12] Investor stewardship may overcome perverse effects. Puchniak and Tang (2019) detail how enactment of a stewardship code for shareholders in Singapore did not become the corporate governance "sham" that some had expected.

Strangers might include investors who constantly trade in and out, including the so-called high-frequency traders who work algorithmically, and investment banks that hold an inventory to be able to sell to clients from stock and thus internalise trading profits. They might also be investors who straddle the boundary more evenly: those who have purchased recently and whose intentions and contributions to corporate purpose are not yet clear. Another category of strangers is the passive investor, for example the lost-cost mutual funds that track indices and avoid voting at annual meetings on cost grounds. If they vote at all, they vote passively, uncritically following the recommendations of one or another proxy voting service. Their holdings often become the source of shares borrowed by short-sellers. Strangers seem to be the largest category of investors.

A Walzerian version of membership might then be restricted to investors that engage constructively, challenging managements and boards of directors, yes, but in ways that provide fresh impetus and highlight opportunities for new strategic directions. They might include founders and families, at least until the point when they become apathetic, passive, non-contributory, or worst – disruptive, feeding short-sellers, mounting proxy challenges.

Such a categorisation of investors might then be accompanied by a floating set of shareholder rights. Enhanced voting rights might automatically fall away if the shares were sold to a non-member – a stranger or enemy. Shareholders would benefit equally from dividend distributions and capital gains, however, but strangers might receive somewhat limited rights, and members full rights. Enemies would receive dividends, too, but little or no voting rights.

In line with what Mayer has proposed, corporations would be free to change their purpose, subject to a periodic vote. They might well set their purpose as Rappaport's (1998) version of shareholder value but adding a time-horizon that his definition evaded. They might decide to favour cash distribution over investment. They might decide to be for-profit but with an explicit mission to develop value in other than financial terms. They might rank customer needs above shareholders in the hope that satisfied customers will create long-term corporate value. The workforce might count as members through the twin channels of contributions to corporate success and employee share ownership plans. But the shareholder votes would follow the ranked weighting of enemies, strangers, and members. A stranger would have to convince sufficient members of the need for a change in purpose. One way of doing so would be to become sufficiently engaged to qualify for member status.

Weighted voting rights have the potential to create perverse effects, not least giving management, founders, and families a sense of entitlement, but also leading to tunnelling (Johnson et al. 2000) and cases of principal-principal conflicts (Schneider & Ryan 2011). The model proposed here needs a remedy in a route to membership. How might qualification as Walzerian members work?

Here, in the absence of evidence, let us think aloud. One approach might be this: to avoid cosy relations, membership might arise algorithmically, through a formula known only to the board of directors and perhaps only to the non-executives on the board. Its factors might include a variety of indicators of investor activity and intent linked to the statement of corporate purpose. Investors seeking member status might need to provide additional disclosures backed by legal commitments: attestations of the absence of short positions in the shares, records of duration of other holdings in the portfolio, and explanations of relatively short durations for individual companies' shares. As the evidence of hedge fund activism has shown (Bebchuk et al. 2015; Becht et al. 2017; Katelouzou 2015), short-termism in holdings need not lead to asset-stripping or overloading a company with debt. An investor need not comply with an algorithm; explanation is a form of compliance with the algorithm's purpose.

A humanist path to membership might involve something different, perhaps a convention of members in which no individual can blackball an applicant but for which a supermajority of votes might need to be cast. Votes might be cast per person, not per share held, to shift the definition of equality away from favouring the large, highly diversified fund manager, and giving small shareholders a greater say because their investment represents a larger commitment of aggregate wealth.

Another approach is assigning the decision on membership to a committee of non-executive directors, chaired not by the board chair but instead by a non-voting appointee. (A corporate governance scholar, for example?).

Given the plurality of the social goods investors seek and the plurality of goods that companies pursue as their purpose, we should expect experimentation with a plurality of paths to membership to emerge. Paths that seem designed to prevent strangers from becoming members might make that company one that investors seeking membership would shun. The analogy in Walzer's book is that of immigrants: they arrive as strangers and need to overcome obstacles to be granted membership. But as a country that makes immigration too difficult will suffer from a lack of labour and low levels of intellectual capital, so too a company that routinely blocks strangers will bear the consequences of being unwelcoming in its reduced access to scarce brainpower and in its cost of financial capital. Silicon Valley did not become a hotspot of corporate activity from courting only the talents of homegrown California kids or the favoured children of founders alone.

A crucial point is that adoption of this approach might start with experimentation. We don't know what the effects might be. As we gather experience, we might find models that work reasonably well. In any event, the circumstances associated with this type of association – the plurality of social goods, the plurality of strategies to achieve them, the plurality of mechanisms to distribute them, and the historical contingency of the decisions – suggest what will work is a plurality of models that will also evolve over time. If this sounds like a pragmatic approach in the sense of John Dewey and William James, we should not be too surprised.

The corporation: neighbourhood, family, club, or state?

This essay has focused on one aspect of corporate governance: the relationship of investors to the companies in which they invest. But the logic of seeing companies – and organisations more generally – as Walzerian membership entities points to how one might extend the use of this lens. Both corporate social responsibility and ESG investing involve corporations and their relationship to non-shareholding parties, as the literature cited at the start of this essay shows. Focusing on the enemy-stranger-member framework, we may be able to develop pathways to justify and then make constitutional some forms of voice on major, board-level decisions for those affected by the corporation's actions – "forms" because here too we should anticipate plurality. Employee voice might follow a similar path.

The corporate governance debate in policy, practice, and theorising has also focused on mechanisms. They become less mechanical in a Walzerian ontology and moral system. Take director remuneration: current guides to best practice frown on using equity-based instruments for paying non-executive directors. They use metrics for the supposed independence of the non-executives individually and then stretched to board and committee composition ratios. Might a categorisation of directors as strangers, members, and super-members be an alternative? Given the informality of much strategic decision-making in the practice of boards (Concannon & Nordberg 2018), this approach may well be used without having found its way into the canon of corporate governance. Here too we should not expect a single prescription to emerge in a system that Walzer would recognise.

What sort of association are corporations, boards of directors, or the convention of an annual meeting? The predecessors of companies – partnerships with unlimited and later limited liability, professional practices, and professional standard-setters – were not neighbourhoods. Guilds functioned as clubs, with the potential to control a domain and exclude those who did not adhere to the rules. Those guilds became tyrannical, in Walzer's terms, when they arrogated control of distribution of social goods beyond the scope of their competence (Cf. Krause 1996). Here we can think of the discrimination professional associations have often exercised against "strangers" of other races and religions. Thankfully, in liberal societies much of that tyranny has been consigned to the past, at least formally.

Small, privately owned companies have some of the characteristics of clubs, both at ownership and employment level. Employees earn a form of membership through loyalty (tenure) and contribution (hard work and ideas), and often win the respect of owner-managers, who in British law would be called members. Start-up businesses look a bit like families; investors are often relatives of the founders. This presents a justification for membership, in Walzer's terms, by birthright. Such birthright membership might be time-limited in a similar way to copyright. That is longer than many institutional investors would advocate but shorter than the corporate equivalent of birthright claims that the founders of companies like Alphabet (Google) and Meta (Facebook) have extracted. Birthright might thus be attached to the person, not the share.

Larger companies seem to lose that connection, which may be why lobbying for social responsibility became a domain under the control of those outside the realm of companies. The biggest issue is that of the large, globally active corporations. Through their incorporation in law, they are notionally creatures of individual states. In practice, however, they use legal and regulatory arbitrage between subsidiaries to shift transactions to favourable jurisdictions to reduce taxes or evade potential operational liabilities. In doing so, they can take on state-like characteristics. In rare cases, large companies with a global presence and a large expatriate managerial class can become of greater personal significance to those managers than the state itself. Something similar occurs with respect to suppliers and customers. Even for employees, stewardship and a claim to membership can develop through long service coupled with the company's provision of social goods like recreation, education and training, and opportunities for friendships.

As for investors, the hurdles to membership are high in at least two regards: when the risk models limit the scale of ownership of any one company's shares, and when engagement is costly. This is less the case with private companies, including those funded by venture capital and private equity investment. Both these forms of ownership have expanded in ways that seemed inconceivable 20 years ago, perhaps because something like membership – rather than stranger-hood – comes with the turf.

Reducing the ethical requirement

As discussed above, one of the problems in corporate governance is that mechanisms, codes, and regulations go only so far in guiding conduct. They break down at the granular level of specific companies, in specific industries, at specific moments in their histories, and when the decisions are of strategic importance. These are the reasons why corporate governance codes in many countries draw upon the "comply-or-explain" approach introduced with the Cadbury (1992) in the UK. When such decisions arise and need the consent of shareholders, corporations need shareholders to act in steward-like ways. Asking for affective commitment as well as cognitive analysis, and then asking for an other- rather than self-regarding stance seems impossible. The approach sketched in this paper suggests an incentive-based behavioural nudge for investors, rather than requiring an ethical stance to initiate membership.

A risk associated with a membership model is that it can create too conservative an orientation, fail to recognise the need for change, and eschew legitimate ideas about where future social goods may arise. It becomes frozen, rigid, and fails to adapt. For that reason, corporations need to recognise and work with strangers, listen to their arguments, and open paths to membership. Evidence of this need for renewal can be found in empirical work that examines the outcomes of hedge fund activism, a notionally short-termist action that can lead to long-term improvements in the target company that notionally long-term investors had overlooked (Becht et al. 2017; Katelouzou 2015). Structuring membership in the way this paper suggests keeps the door open to beneficial activism by investors with short investment horizons, even as it makes propositions for asset-stripping and loading target companies with excessive debt more difficult.

By restricting Walzerian membership, fewer stewards are needed among those who need to accept any proposal. Votes would be concentrated among those who have demonstrated the thoughtfulness that comes with an ethical stance. Fewer votes would be held by those with a rule-based moral stance, and fewer still by those with narrow self-interest as the guiding principle. It would allow corporations to attend to the needs of its members, to distribute the social goods according to need, and to treat members equally, the three tenets of Walzer's framework for a sphere of justice. It would also be a brake against ideology, whether among advocates of short-termist shareholder value or generalised demands for social responsibility. In the pursuit of justice, ideology is the enemy of thoughtfulness. Ideology "exists to confirm a certain political viewpoint, serve the interests of certain people, or to perform a functional role in relation to social, economic, political and legal institutions" (Sypnowich 2019). In a thoughtful enactment, stewardship becomes the price of membership; finding ways to have members work with strangers might help to reduce reliance on ethics.

The counterarguments

This analysis goes against one of the main streams of corporate governance thinking, that is, against policy and practice that many people, and I among them, have found insightful over several decades: that shareholders should have equal rights – one share, one vote. This paper takes a tentative tone at its outset. It presents a "thought experiment" offering "policy considerations – not recommendations". It also speaks of thinking aloud "in absence of evidence" and of the need for experiments to validate its logic. A first corrective is to look at the arguments against. They come in three varieties: a defence of the central view of shareholder rights, a challenge to both the theory behind and the practicalities proceeding from this paper's argument, and the assertion that the root of short-termism lies somewhere else. Let's look briefly at each, and at the rebuttals to them.

Shareholder rights as corporate governance

The view in what we might call orthodox corporate governance is that the agency problem is real. It persists in part because corporations have not adhered to the orthodoxy. The antidote is stronger shareholder rights, in its extreme form through the market for corporate control. Accounting for the extensive literature on this theme (e.g., Aminadav & Papaioannou 2020; Dalton et al. 2007; Manne 1965) requires a separate analysis, but we can summarise the logic in this way: information asymmetries between managers and shareholders give managers scope to expropriate value for reasons of personal financial gain or vainglory. Increasing disclosure reduces the asymmetries, while increasing shareholder voice provides a mechanism to effect change. Keeping open the possibility of a change in control through takeover bids is a powerful deterrent to shirking and stealing and thus an additional, market-led mechanism to add pressure. Differential voting rights impede the functioning of that market mechanism.

True. And since Manne's original manifestos in the 1960s, the market for corporate control has produced many benefits, among them the breakup of underperforming conglomerate corporations, which merely mimicked the function of portfolio diversification that mutual funds could do better (and hedge funds even better).

There are, however, practical and theoretical rebuttals. In practice, a rampant market for corporate control has downsides, not least the weakening of competition. This is evident in the tendency towards bifurcation of many industries into dominant forces and disruptors, creating what analysts at McKinsey & Co. have called the "vanishing middle market" (Knudsen et al. 2005). The corporate governance problems solved by the market for corporate control involved conglomerates and strategies of vertical integration or unrelated diversification. What we see now, however, is a market in which dominant players increase their dominance by either horizontal acquisitions, increasing efficiency while also reducing competition; or related diversifications based on resource similarities. In Walzer's terminology, it tends to increase inequality rather than develop complex equality.

Another rebuttal is that, in many ways, the market for corporate control envisaged in Manne's work has been replaced by private equity acquisitions. The new owners then often mimic the effects of differential voting rights, greater control and (sometimes) greater stewardship by the investors. Nothing in the proposal this paper makes blocks that. It does, however, require stronger persuasion, better argumentation for a takeover or take-down, and greater thoughtfulness of boards and members before agreeing. Theoretically, the market for corporate control and stronger shareholder rights further embeds the logic in agency theory, blocking the development of stewardship.

The validity of this Walzerian case

Walzer's work in political philosophy has had considerable resonance in politics, but in management theorising it stands in the shadow of that of his Harvard colleagues, John Rawls (1999) and Robert Nozick (1974). Rawls's strong restatement of Kant's rule-based ethics and Nozick's strong libertarian stance have often squeezed Walzer out of debate. Both have also captured the imagination of organisational theorists to a far greater extent. Walzer's defence of "complex equality" and "plurality" require us to work harder to understand their nuances. Extending Walzer's subtle arguments into the corporate field risks either a) getting the philosophy wrong, or b) creating a framework that looks good on paper but falls down in practice.

True. From the theory side, corporations are unlike states, clubs, families, and neighbourhoods. Further development of the logic is warranted. The plurality of social goods is in some senses less complex than the proliferation of physical goods and services that have emerged from corporate activity in the economy, but they may be conceptually simpler. Walzer is sceptical of Marx's reduction of social goods to the workers' control of the means of production. He may be equally sceptical of an argument, built on his premises, that might excuse capitalists of their excesses and transfer power to the managers to whom the capitalists have delegated decision-making. In rebuttal, the reason Walzer's thinking seems valid is precisely that he avoids the pitfalls of Rawls's universalist veil of ignorance and Nozick's affirmation of absolute primacy of the individual over the community. Walzer seeks to account for complexity rather than to reduce it.

From a practical point of view, rebuttal comes with the observation that the problems of corporate governance are recurrent (MacAvoy & Millstein 2003; Nordberg 2020), despite the best intentions of policy implementation. The theories that scholars have applied to solve them – agency, stewardship, stakeholder, resource dependency – have developed conflicting recommendations that in practice have shown confusing and even contradictory results. The psychologist and organisational theorist Kurt Lewin (1943: 118) may have been right when he recounted that "there is nothing more practical than a good theory". In corporate governance, we need a new theory.

Short-termism as a corporate, not investor, problem

As discussed in the early sections of this paper, corporations can shift costs onto society in general and beyond the scope of accounting regulations. Let's recall the Robert Monks analogy of corporations and sharks (Bakan 2004). Roe (2020, 2022), among others, argues that short-termism is a phenomenon less of capital markets, and especially stock market actors, than it is the discretion corporations enjoy in externalising costs, particularly those affecting social welfare over long time horizons.

This too is true. For example, were it not for accounting standards allowing corporations to externalise the costs of damage from carbon emissions, managements would pay closer attention to emissions reduction. Efforts to change accounting rules face at least two issues in doing so. First is the absence of mechanisms for determining the cost. Here carbon taxes or the pricing of emission permits might help. There are also problems in assessing where to assign the costs. For example, should an oil company bear the costs of carbon used in its operations or of the carbon that will be released once its product is consumed? Poor policy choices could count carbon twice or not at all.

The rebuttal is this: investors are the beneficiaries of accounting standards. Engaged investors, those with membership status won through engagement, could demand accounts reflecting the long-term economic realities of a business. Even in the absence of changes to accounting standards, the financial analysts they employ could seek disclosure of carbon emissions from operations and the potential for emissions from the products those companies sell. That would allow them to model the profitability of enterprises in the absence of any final agreement on the costs implicit in emissions. Using notional costs of carbon, analysts could then create alternative, pro forma results, much as corporations have done by using notional future benefits of marketing costs that accounting standards require to be treated as expenses. The possibility of even changing accounting standards themselves is not so far fetched. Let's remember that investor needs drive accounting standards.

Future research

There have been piecemeal changes in corporate law to open paths to allow firms to establish ways for managers to pursue goals other than shareholder primacy. Segrestin et al. (2021) discuss how laws in the US, UK and, more recently, France (i.e., through benefit corporations) allow corporations to specify their purpose in ways that change accountability, diminishing shareholder rights and giving management greater backing to meet other stakeholder claims. Such moves do not address the circumstances where incumbent shareholders refuse to relinquish power. Kavadis and Thomsen (2022: 19) argue that policymakers "need to do more than focus on long-term ownership … they may promote stewardship at the ownership level: steward ownership." This paper suggests a path that companies could adopt without waiting for legal action, by asking new shareholders to become stewards and thus earn membership. Attempts to do so offer potential cases to research, to see how rethinking ownership affects short-termism.

Short of that, further research can show how well benefit corporations and initiatives on using corporate purpose act as a mechanism to attract steward-like investors. It would also help to illuminate whether stewardship and a long-term orientation can be maintained as shareholdings rotate and share ownership becomes more disperse. We have yet to see much shareholder activism seeking to overturn such arrangements, though that seems certain to come if such firms underperform relative to competitors. The turn towards a more hostile business environment could present such opportunities, or perhaps threats.

Conclusion

Walzer is often labelled philosophically as a communitarian and politically as an activist on the left wing of American politics. Both attributions are at considerable distance from neoliberal advocates of free markets. Yet as a scholar he does not reject liberalism completely. According to Schilcher (1999: 435): "He seems to be no longer interested in replacing liberal positions with Communitarian ones, but rather in supplementing them." Walzer's ideas on membership and distributive justice in a pluralist world, where people and groups value different social goods and where the equality of access to them is complex and messy, can help us appreciate the complexity – of operations, decision-making, and the assessment of value creation – in corporate affairs. They warn us to be wary of placing too much faith in top-down, standardised ways of shaping interactions of corporations and investors. In Walzer's sense, that way tyranny lies.

This view does not itself bring us closer to a singular solution to the problems of corporate governance that many normative approaches to corporate governance seek. But Walzer's defence of plurality is itself an argument against seeking singular solutions. It can, however, caution us against "wasting our time", as Ahrens et al. (2011) have said, by attending to one or two corners of the field – the agency problem or participation of employees on corporate boards – while ignoring others. This essay suggests that, if investor stewardship is desirable as private, corporate-level policy, then there may be room for public policy to encourage it.

If investors do not wish to bear the costs of stewardship and become members, Walzer's logic leads us to consider them as "strangers". Distribution of the social goods of companies – product and process innovation, a thriving community of a workforce, dividends, voting rights, etc. – may be unequal but the path to complex equality is open.

How practical is this idea of experimentation? It may prove as fanciful as getting legislatures to overturn a century or two of legal precedence. Changing articles of association, by contrast, is a matter for shareholders, and the shareholders who vote regularly are those who stand to benefit from the experimentation that this idea suggests, at least initially. If the vote succeeds, Hirschman's exit need not mean selling shares and going away, but going away without having sold. Voice may not arise from merely holding shares, exercising voting, and engaging in activism, but examining the residual risk after internalising externalities, and persuading other members of the company to seize opportunities. Walzer's membership points to stewardship, and stewardship perhaps to loyalty, where loyalty involves a complex, pluralistic understanding of corporate purpose.

Data Availability This is a conceptual paper, not an empirical one. It has no data.

Declarations

Conflict of Interest The author declares no conflict of interest

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