Agency Cost Structures vs. Stewardship Governance Mechanisms: A Dyadic Evaluation of Principal–Agent Alignment in Publicly Listed Conglomerates Under Asymmetric Information Regimes

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Abstract. This study conducts a rigorous comparative evaluation of agency-theoretic and stewardship-theoretic governance mechanisms as applied to publicly listed conglomerates operating under conditions of asymmetric information and dispersed ownership structures. Drawing on panel data from 214 multinational conglomerates across fourteen emerging and developed economies (2018–2023), the research employs a two-stage least squares (2SLS) regression framework augmented by propensity score matching to isolate causal governance effects. Findings indicate that stewardship-aligned board configurations significantly outperform incentive-contract-driven agency mechanisms in long-horizon value creation, particularly in high-uncertainty institutional environments. Conversely, agency-cost-minimizing structures demonstrate superior short-term earnings predictability. The study advances a contingency-based reconciliation model that integrates both paradigms, offering practitioner-relevant prescriptions for board design, executive compensation architecture, and shareholder engagement protocols.

Keywords: agency theory, stewardship theory, corporate governance, principal-agent alignment, asymmetric information, board composition, executive compensation, conglomerate diversification, ownership structure

Introduction

The governance of large, diversified corporate entities has constituted one of the most persistently contested domains within management scholarship, attracting renewed urgency in the contemporary era of heightened regulatory scrutiny, activist shareholdership, and geopolitically induced market volatility (2024–2026). At the epicenter of this debate lies an unresolved theoretical tension between two competing paradigms: agency theory, which posits that managerial self-interest necessitates contractual monitoring and incentive alignment mechanisms, and stewardship theory, which reconceptualizes executives as intrinsically motivated custodians of organizational welfare whose effective governance demands autonomy and trust-based relational structures. Despite decades of empirical investigation, the field has yet to converge on a unified prescriptive framework capable of guiding board architects and institutional investors toward governance configurations that optimally reconcile these divergent behavioral assumptions. The relevance of this inquiry is particularly acute in the context of publicly listed conglomerates—organizational forms characterized by cross-subsidization across business units, multi-layered principal hierarchies, and pronounced information asymmetries between corporate headquarters and subsidiary-level management. In such environments, the selection of a governance paradigm carries material consequences not only for firm-level financial performance but also for stakeholder value distribution, managerial talent retention, and long-run strategic coherence. Recent high-profile governance failures—including the collapse of diversified holding structures in Southeast Asia and the executive accountability crises observed in several European conglomerates—have reignited practitioner and regulatory interest in revisiting the foundational assumptions underpinning board design and executive compensation architecture. Extant literature, while voluminous, is fragmented across disciplinary silos. Finance-oriented studies tend to operationalize governance quality through narrow proxies such as board independence ratios or CEO pay-performance sensitivity, often neglecting the institutional embeddedness that stewardship theorists emphasize. Organizational behavior scholars, conversely, have been criticized for insufficient engagement with quantitative rigor and endogeneity concerns endemic to governance research. This study bridges these epistemological fault lines by deploying a methodologically pluralistic approach that integrates econometric panel modeling with institutional theory, enabling context-sensitive inference across heterogeneous regulatory environments. The present paper is structured as follows. Section 2 reviews the theoretical underpinnings of agency and stewardship frameworks, mapping their respective assumptions onto observable governance constructs. Section 3 delineates the data sources, sample construction procedure, and econometric identification strategy. Section 4 presents the primary empirical results, disaggregated by institutional environment and ownership concentration quartile. Section 5 develops the contingency-based reconciliation model and discusses its implications for governance practice. Section 6 concludes with a synthesis of contributions, limitations, and directions for future inquiry.

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