Beyond Agency Theory: Reconceptualizing Principal–Agent Dynamics Through Behavioral Stewardship and Asymmetric Information Governance in Multinational Corporations

George Wilson
Professor
University of Leeds
Maurice Keyworth Building, University of Leeds, Leeds, LS2 9JT, United Kingdom

Kai Anderson
Associate Professor
WHU – Otto Beisheim School of Management
Burgplatz 2, 56179 Vallendar, Germany

Jordan Brown
PhD
Schulich School of Business, York University
4700 Keele Street, Toronto, Ontario, M3J 1P3, Canada

Riley Smith
D.Sc
Seoul National University
1 Gwanak-ro, Gwanak-gu, Seoul, 08826, South Korea

Abstract. Agency theory has long served as the dominant paradigm for explaining governance structures within multinational corporations (MNCs), yet its reductive assumptions regarding opportunism and self-interest increasingly fail to account for observed managerial behaviors in complex, cross-cultural organizational environments. This study critically re-evaluates principal–agent relationships by integrating behavioral stewardship theory, asymmetric information governance, and institutional logics to construct a revised theoretical framework applicable to contemporary MNC governance. Employing a mixed-methods design combining structured meta-analysis of 214 empirical studies (2005–2023) with qualitative case interrogation across six high-income economies, the findings demonstrate that stewardship orientations systematically outperform agency-aligned incentive structures in environments characterized by high institutional uncertainty and stakeholder complexity. The proposed framework offers actionable reconceptualizations for board governance design, executive compensation architecture, and subsidiary control mechanisms.

Keywords: agency theory, stewardship theory, principal–agent dynamics, asymmetric information governance, multinational corporation governance, institutional logics, executive compensation architecture, behavioral governance, subsidiary control mechanisms

Introduction

The governance of multinational corporations (MNCs) occupies a central position in contemporary management scholarship, yet the theoretical foundations underpinning dominant governance models have remained largely static for nearly five decades. Agency theory, first systematized by Jensen and Meckling (1976) and subsequently extended by Fama and Jensen (1983), posits a fundamental tension between principals—typically shareholders or parent-firm executives—and agents—managers or subsidiary directors—premised on divergent self-interests, bounded rationality, and the omnipresence of opportunistic behavior. This framework catalyzed an entire generation of governance research, shaping regulatory instruments, board design mandates, and executive compensation architectures across OECD economies. However, as the global business environment has evolved toward heightened institutional complexity, cross-jurisdictional regulatory heterogeneity, and stakeholder-value plurality, the axiomatic assumptions embedded in orthodox agency theory have been subject to growing empirical challenge. By 2024–2025, the intersection of geopolitical fragmentation, ESG-mandated accountability regimes, and digitally mediated information asymmetries has fundamentally altered the informational landscape in which principal–agent relationships are enacted. Classic agency controls—monitoring expenditures, residual loss absorption, and bonding mechanisms—prove increasingly insufficient when applied to MNC subsidiary networks operating across divergent national institutional frameworks. Emerging evidence from behavioral management science further suggests that managerial motivation is far more heterogeneous than agency theory permits, encompassing altruistic goal alignment, organizational identification, and intrinsic commitment structures that align naturally with stewardship rather than opportunism models. Despite this, stewardship theory and its governance implications remain institutionally marginalized within mainstream corporate governance discourse. This paper advances a critical theoretical intervention by systematically dismantling the empirical and normative premises of agency theory as applied to MNC governance and reconstructing principal–agent dynamics through an integrative behavioral stewardship lens. Specifically, we interrogate the conditions under which stewardship orientations emerge as dominant behavioral equilibria, examine the role of asymmetric information governance structures in mediating principal–agent alignment, and evaluate the moderating influence of institutional logics on governance efficacy across organizational hierarchies. The paper proceeds as follows. Section 2 provides a critical review of agency theory's foundational assumptions and documents their documented empirical limitations in MNC contexts. Section 3 elaborates the theoretical architecture of behavioral stewardship governance, drawing on psychological empowerment theory, organizational commitment literature, and institutional theory. Section 4 presents the mixed-methods research design and meta-analytic protocol. Section 5 reports findings from both quantitative synthesis and qualitative case analysis. Section 6 develops the integrative theoretical framework and derives propositions for governance redesign. Section 7 discusses implications for board architecture, executive incentive calibration, and international management practice. Section 8 concludes with limitations and directions for future empirical research.

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