Can Institutional Investors Improve Corporate Governance through Collective Action?

**Abstract:** Can institutional investors generate sufficient power through coordination and collective action to drive improvements in governance? We use proprietary data on the private communications of a coalition of Canadian institutional investors to address this question. Firm-level regressions show that engagements by the coalition of institutional investors influences firms’ adoption of shareholder democracy measures, adoption of say on pay advisory votes, and improved compensation disclosure and structure. Spillovers from privately engaged firms to non-targeted firms and from engagement activity to widely publicized governance scores and regulatory changes, suggest a broader impact beyond the engaged firms. The coalition’s collection of hard information on governance practices and soft information on firms’ concerns collected through private communications, facilitated their successes. The coalition has less impact on controlled corporations and focuses on different governance mechanisms than activist hedge funds.