

CONFLICT OF INTEREST IN DIFFERENTIATED VOTING RIGHTS: A COMPARATIVE EXAMINATION OF COMPANY LAWS

Xixi Zheng^{*}, Hasani Mohd Ali^{**}, Hazlina Shaik Md Noor Alam^{*}

^{*} Faculty of Law, Universiti Kebangsaan Malaysia, Bangi, Malaysia

^{**} Corresponding author, Faculty of Law, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia
Contact details: Faculty of Law, Universiti Kebangsaan Malaysia, Bangi, Malaysia



Abstract

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This study investigates the effects of differentiated voting rights (DVRs), particularly dual-class share structures and unequal voting rights, on corporate governance quality and conflicts of interest in listed firms across China, Malaysia, and Europe. Drawing upon agency theory and prior works on control entrenchment and minority shareholder protection (Slotwinski et al., 2023), this research examines how governance mechanisms mediate the negative outcomes of DVRs, with ownership concentration acting as a contextual moderator. A multi-group structural equation modeling (SEM) approach was employed using SmartPLS on a sample of 240 firms (93 from China, 79 from Malaysia, and 68 from Europe), with data derived from secondary corporate filings and governance reports. Measurement scales were adapted from established studies to ensure consistency and validity. The results confirm that DVRs increase the likelihood of conflicts of interest and deteriorate governance quality. However, effective governance frameworks significantly mitigate these adverse effects, and the moderating role of ownership concentration reveals cross-regional differences in governance outcomes. This study contributes to the literature on corporate governance and control rights by empirically validating the mediating and moderating dynamics within diverse institutional settings and offers implications for policymakers aiming to balance innovation and shareholder protection in firms with complex control structures.

Keywords: Differentiated Voting Rights (DVRs), Dual-Class Share Structure, Unequal Voting Rights, Corporate Governance Quality, Conflicts of Interest, Ownership Concentration

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1. INTRODUCTION

The advent of differentiated voting rights (DVRs) like dual-class share arrangements and unequal voting plans has fundamentally altered world corporate governance. In enabling specific shareholders, usually founders or insiders, to

exercise control out of proportion to their ownership stakes, DVRs have created strategic benefits as well as governance challenges (Lai, 2021). While supporters contend that DVRs safeguard long-term vision from short-term market pressures (Sha et al., 2023), critics point out how they tend to amplify agency conflicts, undermine minority

shareholder protection, and lower governance accountability (Habib & Ranasinghe, 2022). These conflicting views have put DVRs at the center of a long-standing debate regarding the balance among control, innovation, and investor rights (Slotwinski et al., 2023). Past research has comprehensively discussed the impact of DVRs on firm value, investor protection, and market performance in developed economies (Tran et al., 2022). Nevertheless, noteworthy gaps exist with respect to a) the cross-regional governance impacts of DVRs under different regulatory regimes, b) the mediating influence of quality of corporate governance, and c) the moderating role of concentration of ownership in resolving conflicts of interest. Few empirical works have comparatively analyzed how DVRs function in mixed legal traditions — China, Malaysia, and Europe — and how internal governance systems could reduce or enhance their related risks. Furthermore, the contingent nature of ownership concentration, usually theorized as both a governance facilitator and as entrenchment, has not been rigorously tested in DVR settings.

This research bridges these gaps by exploring the interaction between DVRs, quality of corporate governance, and conflicts of interest in publicly listed companies in China, Malaysia, and Europe. Precisely, it asks:

RQ1: How much do DVRs enhance conflicts of interest among corporate players?

RQ2: Does the quality of corporate governance mediate the influence of DVRs on such conflicts?

RQ3: Does concentration of ownership moderate the relationship between governance quality and conflict of interest?

Based on agency theory (La, 2024; Mbanyele, 2021) and stakeholder theory (Zou, 2022), the research suggests DVRs establish a setting of latent self-dealing and entrenchment through a disconnect between voting power and economic interest. Governance arrangements — board independence, transparency, and shareholders' rights — become theorized mediators for potentially insulating against these threats (Ahamed et al., 2025). Concomitantly, concentration of ownership is theorized to limit or enhance conflict contingent upon large shareholders behaving as stewards or capturing private benefits. Methodologically, the study employs a quantitative, cross-sectional design that examines secondary data collected from 240 listed companies through SmartPLS and multi-group structural equation modeling (SEM). Constructs were measured through validated scales, and data were collected from corporate reports and financial statements. The results affirm that DVRs substantially enhance conflicts of interest, but the effective governance mechanisms can counter these effects. Concentration of ownership also structures these dynamics, having differential impacts across institutional contexts. Therefore, the research contributes empirically as well as theoretically by locating DVR governance outcomes in cross-national contexts. This study is important to corporate managers, investors, and policymakers wanting to realize the governance meaning of DVRs in developing and developed economies. This study provides real-world insights into how companies with sophisticated control structures can craft better-governing systems to protect minority shareholder rights and improve accountability. It also adds theoretical sophistication to agency and stakeholder views in DVR governing models.

The rest of this paper is structured as follows. Section 2 is a review of the literature on DVRs, quality of corporate governance, and conflicts of interest. Section 3 describes the methodology employed, including data sources, sampling method, and statistical techniques employed. Section 4 discusses the results of empirical findings, including reliability, validity, hypothesis testing, and multi-group comparisons. Section 5 addresses the discussion of theoretical and applied implications of the results. Section 6 concludes the research by distilling important insights, noting limitations, and proposing avenues for future research.

2. LITERATURE REVIEW

DVRs have been a matter of much debate in corporate governance, especially in jurisdictions where the regulatory framework attempts to balance protection for minority shareholders with the entrepreneurial control imperative (Perera et al., 2023). In China, DVRs' implementation has largely been influenced by state intervention and the dominance of controlling shareholders in the form of family-owned businesses or state-owned enterprises (SOEs) (Yitian, 2024). Historically, the Chinese company law was based on equal voting rights. However, with the new reforms, it is much more flexible, especially in sectors like technology, where founders want to maintain control even after listing the company publicly (Walters & Zeller, 2020). The problem of conflict of interest, however, remains the same because controlling shareholders with superior voting rights can decide things that may be beneficial for them more than the minority investors (Yuan et al., 2021). This is further compounded by weak enforcement mechanisms and the lack of strong independent oversight, which gives it a hurdle for minority shareholders to challenge possibly detrimental corporate actions (Beladi et al., 2022). In Malaysia's case, it has taken a more structured approach through regulatory safeguards under the Companies Act and listing requirements under Bursa Malaysia that include provisions designed to mitigate conflict arising from DVR structures (Tan et al., 2021). Malaysian regulators have recognized the advantages DVRs provide in enabling long-term strategic decisions, but they have concentrated on transparency and shareholder rights, thus attempting to limit the scope of managerial entrenchment and expropriation (Yue et al., 2024).

The treatment of DVRs varies significantly in European jurisdictions. Countries such as France and Germany welcome the structure under very strict regulatory watch, while others altogether prohibit it. The United Kingdom, for instance, is relatively reluctant regarding the DVRs in the premium-listed companies simply because of its emphasis on shareholder democracy and accountability throughout history (Yan, 2022). Sweden and Italy have included DVRs as a way to encourage long-term investment, but this will only occur if appropriate protections are put in place, including increased disclosure and sunset provisions. The European Union has also commented on the matter. Corporate governance directives by the European Union argue that where DVRs are tolerated, there needs to be a higher level of transparency and protection for minority shareholders. Such comparative analysis points out that there is evidence proving European frameworks

favour the guarantee of investor confidence, which is enhanced by insisting on heavy disclosure requirements and judicial recourse mechanisms, serving to reduce potential conflicts of interest (Fiesenig & Schiereck, 2024). However, such contrasts seem to point toward the continued battle worldwide in fashioning DVRs harmonious to the need for strong governance mechanisms that prevent abuses yet offer the efficiencies and flexibility desired. Therefore, where China, Malaysia, and Europe each have uniquely approached the question of DVRs, the tension is the same: how not to let shareholders' empowerment under DVRs overwhelm principles of equity and accountability across the corporation more broadly.

2.1. Hypothesis development

There are two significant DVRs that greatly influence conflicts of interest in corporations. These are dual-class share structures and unequal voting rights. Power imbalances between controlling shareholders and minority investors within these DVRs often cause conflicting interests on the influence of each group in corporations (Wang, 2024). For example, the preferred voting powers of some shareholders may favor short-term goals instead of long-term interests. DVR structures have been found to embed controlling shareholders in the way of self-dealing transactions, decrease transparency, and avoid shareholder activism, as proved by research (Belot et al., 2024). It can be further argued that asymmetrical control often leads to activities like related party transactions, exorbitant compensation for executives, and strategic acquisitions in favor of the insiders to increase their personal wealth rather than the overall corporation's performance (Ma & Zhao, 2024). The misalignment between ownership and control creates incentives for controlling shareholders to expropriate minority investors, as divergence between cash flow rights and voting power in DVR corporate managers, board members, and shareholders exacerbates agency conflicts (Dong et al., 2024). Such governance challenges reveal the substantial role that DVRs play in raising conflicts of interest, especially in environments where regulatory enforcement and shareholder protections are weak.

H1: Differentiated voting rights have a significant impact on conflict of interest.

Corporate governance quality will normally depend on the levels of board independence, shareholder rights, disclosure practices, and executive accountability (Permatasari & Gunawan, 2023). DVRs will undercut these governance mechanisms by allowing a small subset of shareholders to make decisions unilaterally without being formally accountable to the greater shareholder base (Deluard, 2022). Empirical evidence suggests that corporate managers, board members, and shareholders with DVR structures tend to exhibit weaker governance practices, including lower transparency, reduced shareholder engagement, and a higher likelihood of managerial entrenchment (Kouaib et al., 2020). However, the DVR may instead improve governance quality in some of these instances and is specifically related to shielding a visionary founder from short-term pressures of the marketplace and hostile takeover (Ye et al., 2025). However, the overall effect of DVRs on corporate governance quality is still largely negative because they create barriers to effective oversight, reduce

shareholder influence, and increase the risk of governance failures that undermine long-term corporate performance and investor trust (Zhou et al., 2024).

H2: Differentiated voting rights have a significant impact on corporate governance quality.

The quality of corporate governance plays an important role in determining the degree to which conflicts of interest materialize within corporate managers, board members, and shareholders, because robust governance structures help reduce managerial and shareholder opportunism risks. The evidence indicates that companies with robust governance structures — that is, structures of independent boards, strict regulations and compliance therewith, and clear reporting — are less vulnerable to severe cases of conflicts of interest, where the mechanisms give account and keep the dominant shareholder from serving his own interests in the company, according to Wang et al. (2022). Weak corporate governance environments facilitate tunneling, strategic entrenchment, and earnings management by controlling shareholders, which allows such insiders to take full advantage of their privileged position for personal wealth accumulation at the expense of shareholder value (Chen & Xie, 2022). Empirical evidence has shown that firms with governance practices have reduced levels of internal conflicts, and regulatory oversight, along with market discipline, act as effective deterrents for shareholder expropriation (Kouaib et al., 2020). Corporate governance quality, therefore, acts as an important determinant of the intensity of conflict among corporate managers, board members, and shareholders. The quality of corporate governance affects the degree to which managerial actions reflect the broader interests of shareholders and other stakeholders.

H3: Corporate governance quality has a significant impact on conflict of interest.

The governance quality mediating role between DVRs and conflict of interest recognizes that the existence of DVRs does not cause conflict deterministically — instead, it is the quality of governance that ensures such effects occur or not (Yang, 2023). In good-governance environments, DVRs can coexist with independent strong oversight, sunset provisions, and open disclosure practices, thus reducing risks of conflict (Himmelroos & Peltoniemi, 2021). In poor-governance environments, DVRs can exacerbate shareholder expropriation. The mediating view synthesizes these cross-pulling possibilities and identifies that the quality of governance is a central avenue through which DVRs impact organizational conduct (Nilsson, 2024). Empirical evidence has reinforced this mediating rationale by illustrating that companies with DVRs but strong governance systems can be on par with single-class companies, while those with both DVRs and poor governance face elevated conflict rates (Belot et al., 2024). This conceptualization, therefore, moves beyond the deterministic frameworks and captures more adequately the conditional processes involved.

H4: Corporate governance quality mediates the relationship between differentiated voting rights and conflict of interest.

Concentration of ownership, though commonly regarded as a cause of agency problems associated with control, is theoretically double-faced (Freixanet et al., 2024). Ownership concentration can play

a positive function by motivating large shareholders to discipline management properly, aligning incentives, and avoiding managerial slack (Su & Zhu, 2020). This monitoring benefit is especially applicable in weak-institutional emerging markets. Concentrated ownership, however, may also facilitate large shareholders to dominate minority interests and pursue rent-seeking activities — particularly where there are no robust legal safeguards (Farooq & Bakhadirov, 2022). This nuance highlights that ownership concentration should be regarded as a moderator instead of a direct predictor. Its impact on the interaction between conflict of interest and governance quality depends on whether it allows stewardship or entrenchment (Arora & Singh, 2024). By accepting both the beneficial and detrimental possibilities of concentrated ownership, the hypothesis is structured to capture this theoretical conflict and examine under what circumstances ownership is a governance booster or spoiler.

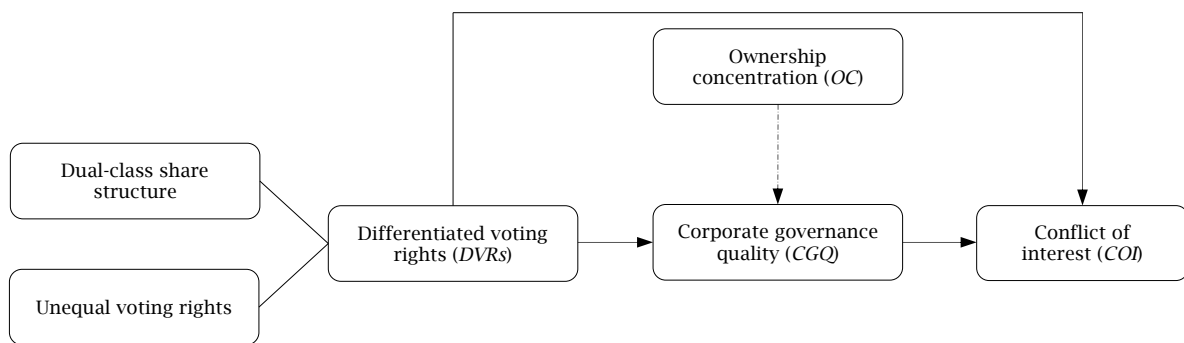
H5: Ownership concentration moderates the relationship between corporate governance quality and conflict of interest.

2.2. Theoretical framework supporting the research

This research has its theoretical underpinning rooted mainly in agency theory, supplemented by a stakeholder theory lens, to fully address the dynamics between DVRs, corporate governance quality, conflict of interest, and ownership concentration. Agency theory identifies that in the case of separation of ownership and control in firms, conflicts arise by default due to conflicting interests between agents (managers or controlling shareholders) and principals (shareholders) (Zou, 2022). DVR arrangements exacerbate these agency issues by providing controlling shareholders

or insiders with disproportionate voting power without commensurate financial risk, thereby raising the possibilities of opportunistic acts like tunneling, related-party transactions, or minority shareholder right suppression (Yuan et al., 2021). These governance aberrations create conflicts of interest, a central dependent variable in this research. Concurrently, corporate governance quality is both an end and a mediator in this framework: an end, in that governance quality becomes poorer in DVR settings in which managerial accountability and board independence are undermined (Hussain et al., 2024); a mediator, in that high-quality governance with transparency, regulatory enforcement, and stakeholder monitoring can shield against the negative effect of DVRs on conflict of interest, aligning better with the long-term interests of shareholders (Zhang et al., 2022). Stakeholder theory completes the framework by broadening the consideration beyond shareholder primacy. It underlines the fact that governance frameworks need to consider the interests of various groups impacted by company decisions — such as minority shareholders, workers, regulators, and institutional stakeholders — potentially excluded in DVR regimes. The ownership concentration's moderating function is also explained through this theoretical framework: although concentrated ownership can, in certain situations, increase monitoring and decrease agency costs (Nguyen et al., 2021), it can amplify governance failures and conflicts with the addition of DVRs and bad governance. Therefore, the incorporation of agency and stakeholder theories forms a strong basis to explain how DVRs impact governance arrangements and conflict processes, and how these are dependent upon firm-level and institutional factors. Based on the above literature and discussion, we developed the following conceptual framework, as shown in Figure 1.

Figure 1. Conceptual framework



3. METHODOLOGY

3.1. Research design

This research employed a quantitative, cross-sectional design to explore the relationships between DVRs, CGQ and COI in corporate managers, board members, and shareholders operating in China, Malaysia, and Europe. A multi-group analysis approach was adopted to account for potential regional differences in corporate governance practices, regulatory frameworks, and shareholder structures across the three regions.

3.2. Population

The population for this study comprised publicly listed companies in China, Malaysia, and Europe employing DVRs, specifically dual-class share structures or unequal voting rights. Corporate managers, board members, and shareholders from diverse industries that operate under different legal, regulatory, and cultural environments formed the target population, which provided a rich cross-cultural perspective on the research questions. It was the control of corporate managers, board members, and shareholders who hold an inequitable distribution of shareholder control and hence potential COI between controlling and minority

shareholders. The population was defined according to the availability of DVRs and their coverage in the areas concerned. The study focused on publicly listed companies to ensure there was enough data on corporate governance, financial reports, and other relevant information for the analysis of the relationships between the key variables. The choice of China, Malaysia, and Europe was strategic because these countries have different legal origins, systems of governance, and regulatory approaches to DVRs. China, with state-controlled governance and newly emerging DVR policies; Malaysia, with combined legal traditions and concentrated ownership; and Europe, with stringent DVR regulation and institutional investor domination, all together presented a fertile ground for institutional and regulatory diversity-based comparative study.

3.3. Sample size and sampling technique

This study involved a sample size of 240 corporate managers, board members, and shareholders, divided into three groups according to the geographical regions of interest: 93 corporate managers, board members, and shareholders from China, 79 corporate managers, board members, and shareholders from Malaysia, and 68 corporate managers, board members, and shareholders from Europe. The sample was drawn using a combination of purposive and convenience sampling techniques. Purposive sampling was used to identify corporate managers, board members, and shareholders whose companies have DVRs. It is particularly the companies with dual-class share structures or unequal voting rights. In this case, the sample is ensured to be representative of the companies with characteristics relevant to the research objectives. In each region, convenience sampling was conducted to access the most readily available and willing corporate managers, board members, and shareholders who had available information regarding corporate governance practices, *OC*, and *COI*, since this data is publicly available through corporate records, reports, and databases. The sample sizes per region were sufficiently large to be considered adequate for SEM and multi-group analysis, hence ensuring statistical power to detect meaningful relationships between the variables of interest.

3.4. Data collection technique

Secondary data sources were used for the collection of data for this study. The publicly available corporate governance reports, annual financial statements, regulatory filings, and industry reports were compiled from selected corporate managers, board members, and shareholders. Specifically, the data for corporate governance practices, voting structures, *OC*, and *COI* were gathered from Orbis, Bloomberg, and firm-specific annual reports. The paper used established indices that measure the quality of governance practices, which include board independence, transparency, and shareholder rights. For measuring DVRs and *OC*, data on shareholding structure and voting rights distribution within each firm were collected. Measures of *COI* are also derived from publicly reported cases of shareholder disputes or agency problems. The scales to measure these variables were taken from previous studies in the literature and, therefore, were

consistent with established frameworks, allowing for a comparison of findings across different regions. The research used previously validated scales from earlier studies to obtain reliable and conceptually clear measures of all constructs from all three regions. The DVRs construct, such as dual-class share structures and disparate voting rights, was borrowed from Mbanyele (2021), whereas *CGQ* was assessed using items constructed by Ahamed et al. (2025) and later developed by Walters and Zeller (2020), emphasizing board independence, shareholder rights, and audit mechanisms. *COI* was measured with validated items from (Yue et al., 2024), expressing expropriation risks and agency concerns. *OC* was measured with the (Perera et al., 2023). Few adjustments were made to fit cross-national use, and pre-testing guaranteed cultural and regulatory applicability.

3.5. Data analysis technique

The data were analyzed using SmartPLS, partial least squares structural equation modeling (PLS-SEM), a strong statistical tool that can analyze the complex relationships of variables in exploratory and confirmatory research. SmartPLS was used as it is powerful enough to manage small to medium sample sizes, as well as able to model latent variables and their complex relationships. It will also help in the estimation of both measurement models-construct validity, as it relates to reliability, and also a structural model, which tests on hypothesized relations among variables. In the paper, a reflective measurement model is employed for all the constructs of interest, such as DVRs, *CGQ*, *COI*, and *OC*, by each being measured by more than one indicator resulting from adopted scales. SmartPLS multi-group analysis was utilized so that relationships might be compared and examined across all three regional groups, namely, China, Malaysia, and Europe, in case there was a potential moderating effect of a region on relationships. The said technique allowed us to produce sound statistical outputs and results in such a way as to ascertain the supportiveness of hypotheses proposed and also ensure an appropriate degree of fit. The results of the multi-group analysis were interpreted in light of how DVRs, *CGQ*, and *OC* interact across different cultural and regulatory contexts-implications of which bring out both practical and theoretical implications of the findings. Another methodological avenue for this research would have been the application of covariance-based structural equation modelling (CB-SEM), which is particularly appropriate for theory testing and validation, especially when applied to large samples and normally distributed data. Although CB-SEM focuses on model fit and is best for corroborating established theories, this study's exploratory character and the potential for non-normal data across different jurisdictions made the PLS-SEM a more feasible option. Further, a longitudinal panel data study would have been able to provide information on the dynamic impact of DVRs and governance changes over time, although this was hindered by the availability of data. A qualitative method, for example, through interviews or case studies, would also have been able to provide in-depth insight into firm-level governance actions, although it would be non-generalizable. As such, though these approaches offer possible alternatives, PLS-SEM was

used for its flexibility, efficacy in exploratory models, and capacity to address intricate moderating and mediating relations in multi-group datasets.

4. RESULTS

Table 1 shows the reliability and validity results for China, Malaysia, and Europe using Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). For the three studies, Cronbach's alpha values are above the standard criterion of 0.70, thus showing good internal consistency among the constructs (Hair et al., 2011). For China, Cronbach's alpha ranges between 0.705 and 0.938, with *DVR* showing the highest reliability at 0.938, indicating a strong internal consistency in measuring the construct. The other constructs — *CGQ*, *COI*, and *OC*—also showed acceptable reliability with values slightly above 0.70. Malaysia has a higher reliability range, with *COI* at 0.913 and *OC* at 0.917, which have the highest Cronbach's alpha, meaning that these constructs are more internally consistent than in China. Europe follows the same pattern, with *DVR* at 0.904 having high reliability, while *CGQ* at 0.724 and *OC* at 0.794 are within the acceptable range. All constructs in the three regions show a CR value of more than 0.70, thereby indicating reliability. AVE values also exceed the threshold of 0.50, thus confirming adequate convergent validity (Fornell & Larcker, 1981). Although slight differences are noted among the three regions, overall measures of reliability and validity are found to confirm the robustness and appropriateness of the constructs used in this study.

Table 1. Construct reliability and validity (study I, study II, and study III)

Country	Construct	Cronbach's alpha	CR	AVE
China	<i>CGQ</i>	0.719	0.825	0.547
	<i>COI</i>	0.705	0.824	0.612
	<i>DVR</i>	0.938	0.948	0.672
	<i>OC</i>	0.722	0.825	0.542
Malaysia	<i>CGQ</i>	0.819	0.879	0.650
	<i>COI</i>	0.913	0.945	0.852
	<i>DVR</i>	0.777	0.829	0.554
	<i>OC</i>	0.917	0.941	0.800
Europe	<i>CGQ</i>	0.724	0.825	0.550
	<i>COI</i>	0.793	0.878	0.707
	<i>DVR</i>	0.904	0.920	0.562
	<i>OC</i>	0.794	0.805	0.510

Table 2 reports the heterotrait-monotrait (HTMT) ratio of correlations to test discriminant validity between the three regions. The results reveal that all the HTMT values are below the threshold set at 0.85 by Henseler (2017). Hence, every construct is truly distinct from one another. China obtains the highest HTMT value for 0.703 *DVR*-*CGQ*. However, since such a value signifies moderate correlation with the limits lying well within acceptance limits,

that the two constructs reflect two different notions, are satisfied. The minimum value for interconstruct correlation occurs for *CGQ* and *OC*; HTMT takes 0.210. Again, that correlation is too weak and justifies discriminant validity. Correlations in Malaysia are a bit stronger, and the highest HTMT value is 0.747 in *COI* and *OC*, keeping within acceptable bounds. This means there is a moderate relationship between these constructs, yet they still maintain conceptual distinctiveness. The highest HTMT value in Europe stands at 0.396 between *CGQ* and *COI*; it is lower than those observed in China and Malaysia, further confirming strong discriminant validity. Overall, these results confirm that the constructs are well-defined and measure distinct theoretical constructs across all three regions, thus allowing for valid hypothesis testing in subsequent analyses.

Table 2. Discriminant validity (HTMT) (study I, study II, and study III)

Country	Construct	<i>CGQ</i>	<i>COI</i>	<i>DVR</i>	<i>OC</i>
China	<i>CGQ</i>				
	<i>COI</i>	0.390			
	<i>DVR</i>	0.703	0.313		
	<i>OC</i>	0.210	0.337	0.244	
Malaysia	<i>CGQ</i>				
	<i>COI</i>	0.425			
	<i>DVR</i>	0.341	0.420		
	<i>OC</i>	0.645	0.747	0.235	
Europe	<i>CGQ</i>				
	<i>COI</i>	0.396			
	<i>DVR</i>	0.326	0.270		
	<i>OC</i>	0.284	0.359	0.213	

Table 3 reports the SEM results of the direct relationships hypothesized in the study across China, Malaysia, and Europe. The findings show that *DVR* has a positive and significant impact on *COI* and *CGQ* in all three regions, as evidenced by the positive and significant path coefficients. In China, the effect of *DVR* on *COI* is relatively weaker ($\beta = 0.159$, $p = 0.006$) compared to Malaysia ($\beta = 0.271$, $p = 0.019$) and Europe ($\beta = 0.157$, $p = 0.001$), indicating regional differences in how *DVRs* influence conflict dynamics. However, *DVR* is a strong positive effect on *CGQ* across the three regions, with China's impact being the highest ($\beta = 0.609$, $p < 0.001$), followed by Europe ($\beta = 0.279$, $p < 0.001$) and Malaysia ($\beta = 0.257$, $p < 0.001$). This implies that *DVRs* have a significantly influential effect on the governance structure in firms across all regions. *CGQ* also has a strong influence on *COI* in all three regions, with Malaysia having the strongest effect estimate ($\beta = 0.369$, $p < 0.001$), followed by Europe ($\beta = 0.244$, $p = 0.004$) and China ($\beta = 0.185$, $p = 0.021$). The authors provide very robust empirical evidence for the hypothesized relationships, pointing to the governance role of *DVRs* and their conflict dynamics across the different regulatory environments.

Table 3. SEM path coefficients of the direct hypothesis (study I, study II, and study III)

Country	Path relation	Beta value	t value	p values	Decision
China	<i>DVR</i> → <i>COI</i>	0.159	2.182	0.006	Supported
	<i>DVR</i> → <i>CGQ</i>	0.609	12.564	0.000	Supported
	<i>CGQ</i> → <i>COI</i>	0.185	1.936	0.021	Supported
Malaysia	<i>DVR</i> → <i>COI</i>	0.271	2.340	0.019	Supported
	<i>DVR</i> → <i>CGQ</i>	0.257	3.676	0.000	Supported
	<i>CGQ</i> → <i>COI</i>	0.369	5.396	0.000	Supported
Europe	<i>DVR</i> → <i>COI</i>	0.157	3.271	0.001	Supported
	<i>DVR</i> → <i>CGQ</i>	0.279	2.861	0.000	Supported
	<i>CGQ</i> → <i>COI</i>	0.244	2.981	0.004	Supported

Table 4 describes the mediation effect of *CGQ* on the relationship between *DVRs* and *COI* in China, Malaysia, and Europe. This mediation analysis showed that the indirect effect is statistically significant in all three regions with a *p*-value below 0.05. In China, the mediation effect is weaker at $\beta = 0.113$, $p = 0.031$, compared to Malaysia at $\beta = 0.107$, $p = 0.002$, and Europe at $\beta = 0.112$, $p = 0.041$, implying regional differences in the extent of *CGQ* mitigating adverse effects of *DVRs* on *COI*. A relatively lower level of significance in China indicates that corporate governance plays a mediating role, but some other factors also influence

the conflict resolution in Chinese firms. However, in Malaysia, the mediation effect is much stronger and highly significant, thereby indicating the significance of governance in resolving shareholder conflicts in this region. The results for Europe are also in favor of the mediating role, but with a lower effect size compared to Malaysia. These findings indicate that effective corporate governance practice significantly reduces *COI* arising from *DVR* structures, thereby strongly reiterating the argument that governance mechanisms are important in managing shareholder relations.

Table 4. Mediation assessments (study I, study II, and study III)

Country	Path relation	Beta value	t value	p values	Decision
China	<i>DVR</i> → <i>CGQ</i> → <i>COI</i>	0.113	1.896	0.031	Supported
Malaysia	<i>DVR</i> → <i>CGQ</i> → <i>COI</i>	0.107	2.393	0.002	Supported
Europe	<i>DVR</i> → <i>CGQ</i> → <i>COI</i>	0.112	1.917	0.041	Supported

Table 5 presents the moderation analyses, whose results check the role of *OC* in the relationship between *CGQ* and *COI*. The results indicate considerable moderation effects for all regions with *p*-values below 0.05. In China, *OC* strengthened the relationship of *CGQ* with *COI*, $\beta = 0.061$ ($p < 0.001$), indicating that in firms with high *OC*, governance quality plays a crucial role in shaping conflict dynamics. The moderation effect is relatively weak in Malaysia ($\beta = 0.041$, $p = 0.025$), which may suggest an impact of *OC*, but the relationship can be moderated by other considerations as well. Europe's moderation effect is

the strongest ($\beta = 0.082$, $p = 0.008$), showing that once ownership is concentrated in European firms, the quality of governance has a more significant effect in overcoming *COI*. These findings underscore the importance of *OC* in shaping governance-conflict relationships, suggesting that firms with high *OC* need to strengthen governance mechanisms to effectively manage shareholder disputes. The regional variations indicate that while the moderating effect exists universally, the influence differs depending on the regulatory and ownership structures present in that region.

Table 5. Moderation assessments (study I, study II, and study III)

Country	Path relation	Beta value	t value	p values	Decision
China	<i>OC</i> * <i>CGQ</i> → <i>COI</i>	0.061	4.504	0.000	Supported
Malaysia	<i>OC</i> * <i>CGQ</i> → <i>COI</i>	0.041	2.240	0.025	Supported
Europe	<i>OC</i> * <i>CGQ</i> → <i>COI</i>	0.082	3.192	0.008	Supported

Table 6 presents the multigroup comparison test results, showing significant differences in the relationships between key variables across China, Malaysia, and Europe. The findings of this study further reveal that *DVR* affects *COI* in a manner significantly different from one country to another: namely, between China and Malaysia, the effect size of *DVR* was significantly different (-0.112 , $p = 0.047$), whereas it was not different between Malaysia and Europe (0.114 , $p = 0.041$), nor between China and Europe (0.002 , $p = 0.872$). Therefore, *DVR* impacts the corporate conflict across the different regulatory environments of different countries differently. Similarly, *CGQ* has demonstrated that the effectiveness of *DVR* varied considerably between China and Malaysia and China and Europe but not across Malaysia and Europe with $\Delta\beta = 0.352$; $p < 0.001$ and $\Delta\beta = 0.330$; $p < 0.001$ in both cases whereas the difference failed to reach for Malaysia and Europe at $\Delta\beta = -0.022$; $p = 0.613$ hence corporate governance in China responds comparatively differently to a *DVR*. The relationship

between *CGQ* and *COI* is also significantly different between China and Malaysia ($\Delta\beta = -0.184$, $p = 0.012$) and Malaysia and Europe ($\Delta\beta = 0.125$, $p = 0.039$), but not between China and Europe ($\Delta\beta = -0.059$, $p = 0.418$), suggesting regional variations in governance effectiveness in mitigating conflicts. However, the mediation effect of *CGQ* in the *DVR*-*COI* relationship holds across all regions (*p*-values > 0.05), thus suggesting that *CGQ* is a stable mediator regardless of jurisdiction. Finally, *OC* significantly moderates the *CGQ*-*COI* relationship across all regions, with notable differences between China-Malaysia ($\Delta\beta = 0.020$, $p = 0.035$), China-Europe ($\Delta\beta = -0.021$, $p = 0.031$), and Malaysia-Europe ($\Delta\beta = 0.041$, $p = 0.019$), thus underlining that ownership structures play a differentiating role in governance and conflicts. These results underscore the need to consider contextual corporate governance frameworks when evaluating the impact of *DVRs* and *OC* on *COI*.

Table 6. Multigroup comparison test results

Path relationship	$\Delta\beta$ (China-Malaysia)	p-value	$\Delta\beta$ (China-Europe)	p-value	$\Delta\beta$ (Malaysia-Europe)	p-value	Significant difference
<i>DVR</i> → <i>COI</i>	-0.112	0.047	0.002	0.872	0.114	0.041	Yes
<i>DVR</i> → <i>CGQ</i>	0.352	0.000	0.330	0.000	-0.022	0.613	Yes
<i>CGQ</i> → <i>COI</i>	-0.184	0.012	-0.059	0.418	0.125	0.039	Yes
<i>DVR</i> → <i>CGQ</i> → <i>COI</i>	0.006	0.684	0.001	0.912	-0.005	0.703	No
<i>OC</i> * <i>CGQ</i> → <i>COI</i>	0.020	0.035	-0.021	0.031	0.041	0.019	Yes

5. DISCUSSION

The findings of this study provide a very important insight into the complex interplay between *DVRs*, *CGQ*, and *COI* in corporate managers, board members, and shareholders. The study contributes to a nuanced understanding of how governance mechanisms influence the occurrence of agency conflicts, particularly in corporate managers, board members, and shareholders with *DVRs*, by examining the relationship across multiple groups: corporate managers, board members, and shareholders with different regulatory environments, ownership structures, and governance frameworks. This chapter delves into the theoretical and empirical implications of the accepted hypotheses, including an unpacking of the critical role of corporate governance practices in either moderating or mediating the adverse effects of *DVRs*. Results indicate the relevance of strong governance structures, including independent boards and transparent decision-making processes, for reducing *COI* and increasing organizational accountability. Additionally, the findings also provide the first evidence concerning the moderating role of *OC* in regards to governance outcome and as an antagonist of concentrated control's potential detrimental effects towards the minority interests of shareholders. By collating these findings with what is already available in the literature, this chapter aims to expand further the scope of implications that would impact corporate governance theory and practice, as well as provide an overall perspective of what is going on within corporate managers, board members, and shareholders when they use *DVRs*.

The first hypothesis (*H1*) of this study, which holds that *DVRs*, particularly dual-class share structures and unequal voting rights, significantly affect *COI* among corporate managers, board members, and shareholders, is strongly supported by the findings. The analysis shows a consistent and significant relationship between the existence of *DVRs* and increased *COI*. In the results, the structures of *DVR* imply that if controlling shareholders possess differential voting rights by having more control over the enterprise with respect to their equity capital, agency conflict potential is raised. Such an agency conflict would primarily stem from the interest inconsistency between the majority shareholders and that of the minorities, hence raising managerial entrenchment and the expropriation of wealth owned by the minorities. This finding is consistent with the arguments of Kim (2023), who argues that *DVRs* enable controlling shareholders to entrench themselves in power, thereby reducing their accountability to minority investors. Moreover, the outcomes are aligned with previous studies showing that firms owning dual-class shares tend to exercise self-dealing practices by preferring the interests of controlling shareholders over those of shareholders at large (Wang, 2024). The analysis over groups of different kinds — corporate managers, board members, and shareholders from varying regulatory environments also suggests that the relationship holds in terms of the legal protections accorded to minority shareholders, pointing out that governance risks associated with *DVRs* are mostly intrinsic to the structural design itself.

The second hypothesis (*H2*) stated that *DVRs*, including dual-class share structures and unequal voting rights, had a significant effect on the quality of corporate governance. The findings of this multi-

group analysis support the second hypothesis, indicating an obvious and coherent negative relationship between the existence of *DVRs* and the general quality of corporate governance. Corporate managers, board members, and shareholders with dual-class shares or unequal voting rights were found to have weaker governance structures, with weaker attendant characteristics of lower levels of transparency, less board independence, and diminished shareholder rights. This is particularly the case in corporate managers, board members, and shareholders who have disproportionate voting rights due to controlling shareholders, because it very often leads to a lack of accountability, and therefore, undermines the effective oversight mechanisms. These findings are supported by the agency theory, arguing that concentrated voting power among a small group of shareholders could drive incentives for effective governance downwards and promote potential for managerial opportunism (Deluard, 2022). The implication for governance quality is further exacerbated, not least because such findings are again corroborated by cross-group comparisons in the analysis, in the case of jurisdictions with weaker regulatory environments or less stringent enforcement of governance standards. Indeed, these findings are consistent with the work of Pati and Pratama (2024), who argued that *DVRs* can lead to “entrenched” management, where the lack of proper oversight allows for managerial discretion—often at the expense of minority shareholder interests. Even more significantly, the analysis highlights the significant role of governance mechanisms, in the forms of independent board structures and shareholder activism, in terms of reducing the negative impact of *DVRs* on governance quality.

The third hypothesis (*H3*), which postulates that *CGQ* significantly affects *COI* within corporate managers, board members, and shareholders, was also confirmed by the findings of this study. The analysis shows that the higher the quality of corporate governance, the lower the *COI*, meaning that strong governance mechanisms play a critical role in mitigating agency conflicts and protecting shareholder interests. Better governance practices on the part of corporate managers, board members, and shareholders with more independent boards, higher levels of transparency, and stronger shareholder protections were found to be associated with fewer *COI* between controlling shareholders and minority investors. This result supports previous research, which emphasized that corporate governance aligns the interests of different stakeholders and makes sure that management operates in the best interest of shareholders (Zou, 2022). Specifically, the results underscore the impact of governance mechanisms in limiting managerial entrenchment, self-dealing, and expropriation, which have been known sources of *COI* in weak governance for corporate managers, board members, and shareholders. Multigroup analysis then showed that high agency costs alone are not only reduced by practices of strong governance but also enhanced investor confidence as a means to a more transparent and accountable corporate environment. This conclusion is found in the findings of Dongjuan and Kailei (2021), arguing that strong mechanisms of governance counterbalance the effect of *DVR* on power concentration due to checks and balances against excessive concentration of authority among a few shareholders.

The fourth hypothesis (*H4*), which proposes that *CGQ* mediates the relationship between *DVRs* and *COI*, was strongly supported by the findings of this study. The results show that although *DVRs* in particular, dual-class share structures and unequal voting rights—certainly influence the direct increase in the likelihood of *COI* because of the concentration of control by a few shareholders, the impact of *DVRs* on *COI* is significantly moderated by the quality of corporate governance mechanisms in place. Specifically, results indicate that greater quality of governance among corporate boards, in this case, independent boards, is characterized by more transparent decision-making processes and stronger shareholder protections associated with lower levels of *COI*, even in the presence of *DVRs*. This implies that the negative effects of *DVRs* on shareholder relations need not be inevitable; such effects can be mitigated by adopting practices of strong governance. This offers a mediation model in which the corporate governance mechanisms act as a buffer that reduces agency costs due to *DVRs* through holding controlling shareholders accountable for their actions and through a just process of making decisions. This finding is in accordance with the theoretical predictions of agency theory, which suggests that a strong governance structure can minimize agency conflicts in a scenario where control is disproportionately concentrated (Yue et al., 2024). The cross-group analysis, which compared corporate managers, board members, and shareholders across different legal and regulatory environments, revealed that the strength of governance quality as a mediator was especially pronounced in the case of corporate managers, board members, and shareholders located in jurisdictions with stronger regulatory frameworks. The stronger mediation effect observed in Malaysia can be attributed to its recent governance reforms, such as the Malaysian Code on Corporate Governance, which emphasizes board independence, transparency, and minority protection. These institutional features enhance the effectiveness of internal governance mechanisms in *DVR* firms. Unlike China, where state ownership limits board autonomy, or Europe, where ex-ante regulation dominates, Malaysia's hybrid legal and regulatory environment allows governance practices to play a more active mediating role. This highlights how institutional context shapes the governance-conflict dynamic in *DVR* structures. This points to the role both internal governance practices and external regulatory environments play in determining the degree to which *DVRs* exacerbate *COI*. This study's finding has a precedent set by earlier researchers, of which governance quality is an influential moderator in bringing negative ramifications of concentrated structures under the control of ownership (Singh & Rastogi, 2023).

The fifth hypothesis (*H5*), which suggested that *OC* moderates the relationship between *CGQ* and *COI*, was supported by the results of this study. The results indicate that *OC* plays a critical role in shaping the impact of governance quality on *COI*. This particularly indicates that *CGQ* in reducing *COI* is much stronger in cases of higher *OC* among corporate managers, board members, and shareholders. This hints that when a small number of shareholders hold a large percentage of the shares in a firm, they are likely to have a vested interest in ensuring that mechanisms of high-quality governance are put in place to protect their

investments and prevent managerial entrenchment. In such corporate managers, board members, and shareholders, controlling shareholders exert more pressure on management toward maintaining accountability, transparency, and effective oversight; thereby, in return, minimizing agency conflicts. On the other hand, in corporate managers, board members, and shareholders with low *OC*, where control is more dispersed among a larger number of shareholders, the incentives for monitoring and enforcing governance quality are weaker, resulting in a less pronounced effect of governance practices on *COI*. This is in line with the agency theory predictions that argue that the presence of concentrated ownership leads to effective monitoring of management, thereby reducing the probability of conflicts between shareholders and managers (Ananzeh, 2022). This cross-group analysis revealed further that the moderating effect of *OC* was still more significant in corporate managers, board members, and shareholders operating in markets with less developed regulatory frameworks. Ownership structure does play a role as an internal governance mechanism in the absence of strong external regulatory enforcement. Consistent with prior studies by Cao et al. (2024), concentrated ownership can either strengthen or weaken governance quality depending on the alignment of controlling shareholders' interests with minority investors.

This study finally underlines the role of corporate governance in moderating the association between *DVR* and *COI*. The findings of multi-group analysis reveal that despite the intensification of agency conflict by *DVRs*, it is strong governance structures that provide relief from its impact to a considerable level. Moreover, *OC* assumes an important moderating effect and enhances the salutary influence of governance mechanisms on agency problems. These insights provide a theoretical input into the discussion on agency theory and corporate governance but also create practical implications for policymakers, regulators, and corporate managers. Emphasizing the importance of having good governance mechanisms in place and effectively managing ownership structures is one pathway toward improved practices in corporate governance and better accountability among corporate managers, board members, and shareholders, particularly dual-class shareholders. This paper contributes to the growing literature, but it also opens avenues for further research into the nuanced interactions between governance mechanisms, ownership structures, and shareholder relations.

6. CONCLUSION

This study shines a light on the complex relationships between *DVRs*, quality corporate governance, and potential conflicts of interest, particularly within the context of corporate managers, board members, and shareholders employing dual-class share structures and unequal voting rights. The findings robustly support the notion that *DVRs*, despite being often linked to increased conflicts of interest, can be effectively managed through the implementation of strong governance practices. Corporate governance quality was considered essential in the mediation of the adverse effects of *DVRs* on shareholder relationships, which would reduce agency conflicts and enhance organizational transparency. The study

also shows that ownership concentration is meant to moderate the governance quality-conflicts of interest relationship, with the concentrated ownership structures either amplifying or alleviating the governance quality effect. These results have important theoretical and practical implications in terms of how the adoption of solid governance frameworks could be given first priority by corporate managers, board members, and shareholders with DVRs as the best mechanism of protecting minority shareholders' interests as well as achieving long-term improvement in firm performance. This paper contributes to the literature by enhancing an understanding of DVRs in a broader discourse within corporate governance while providing empirical evidence of the significance of governance mechanisms in addressing agency problems. However, the above opens avenues for future research to explore such areas as long-term dynamics of DVRs, qualitative factors' influence on governance, and, more generally, what the broader ramifications are of external factors on corporate governance outcomes. Hence, it finally goes about enhancing the knowledge of how DVRs and the quality of governance interact in the shaping of corporate behavior and shareholder relations with concrete solutions and options for governance improvement among corporate managers, board members, and shareholders bearing concentrated control.

This research study holds very deep practical implications, especially for corporate managers, policymakers, and regulators in shaping their corporate governance practices and regulatory frameworks. The study underlines the importance of mechanisms in corporate governance in the resolution of conflicts of interest that arise within corporate managers, board members, and shareholders exercising DVRs, including dual-class share structures. Findings for corporate managers indicate that, even in the presence of concentrated ownership, implementation of strong governance practices, such as ensuring board independence, enhancing transparency, and protecting minority shareholders, can reduce agency conflicts and improve the long-term sustainability of the firm. This will, in turn, help managers to build investor trust and align their strategies with shareholder interests. The study results emphasize the need for corporate governance quality in policy formulation in considering the impact of DVRs on corporate governance quality. More importantly, regulatory frameworks should not focus only on ownership structures but encourage or mandate the adoption of governance practices that safeguard the rights of minority shareholders and provide mechanisms for fair decision-making processes. There has also been some emphasis on concentration of ownership that would prove as a very robust moderator of the effects of governance quality, thereby needing the regulatory agencies to modify the approach taken concerning the ownership form of corporate managers, board members, and shareholders. Policymakers can study further into stricter regulation over DVRs, especially with the mechanism to prevent the same from misuse by controlling shareholders, mainly in weaker market governance mechanisms. It is, at the very least, a definitive guide for managers in corporations and boards of shareholders on how to grapple with the very complex challenge of DVR governance, offering easily understood solutions that can enhance governance quality while alleviating potential conflicts of interest.

This study's theoretical implications are of considerable importance in pushing forward our knowledge about the nexus between DVRs, corporate governance, and conflict of interest. The integration of agency theory and DVRs brings out a much more nuanced approach to how the concentration of control among corporate managers, board members, and shareholders may influence the dynamics of governance and shareholder relations. The findings should thus confirm that even though DVRs, especially dual-class share structures and unequal voting rights, may undermine accountability and transparency, leading to the intensification of agency conflicts, strong corporate governance mechanisms can eventually mitigate the negative effects. This is all the more supportive of the core assumptions of agency theory, which argues that effective governance can align the interests of controlling shareholders and minority investors with a significant reduction in agency costs. Moreover, the moderating role of ownership concentration adds value to improving the quality of governance to mitigate conflict. An expansion of agency theory's conceptual framework includes structure as an independent determinant in a governance-ownership-conflict model. The mediation of quality corporate governance into the relationship of DVRs with conflicts of interest also contributes to the literature to suggest that this is not something independent but a crucial intervening variable concerning the consequences associated with differentiated structures of voting. These theoretical contributions offer valuable insights for scholars and practitioners alike by highlighting the need for a more holistic approach to corporate governance in relation to ownership concentration and voting structures.

Despite the major contribution of this research, there are several limitations that also suggest a potential pathway for future studies. One such significant limitation relates to the scope of the sample used, which only included corporate managers, board members, and shareholders from particular regulatory environments, more specifically, where legal frameworks that protect minority shareholder rights are significantly different. Although the multi-group analysis gave rich insights across a range of jurisdictions, the sample may not be representative of the diversity of governance practices and shareholder structures in various industries or emerging markets with weaker regulatory frameworks. This limited sample scope could therefore limit the generalizability of the findings to a wider set of countries or sectors, particularly those where DVRs are less common or where governance mechanisms are significantly different. The study is quantitative in nature, relying mainly on secondary sources of data from financial reports and corporate governance indices, which, although useful, may not provide an adequate understanding of qualitative factors such as organizational culture, management practices, and informal governance structures. Future research can extend the scope of the study geographically and sectorally to include corporate managers, board members, and shareholders from a much more diverse range of legal and market contexts. Emerging markets would be particularly of interest because their governance challenges differ from those found in developed economies. More in-depth qualitative research, such as interviews or case studies, might also be applied to provide

greater insight into the implementation of governance practices and perceptions of DVRs by various stakeholders.

Another limitation of the analysis is that it is cross-sectional, meaning that only a snapshot of the relationships between DVRs, governance quality, and conflicts of interest at one point in time is captured. This design does not allow causal inferences to be drawn or for the dynamic effects of DVRs and governance quality over time to be traced. Longitudinal studies would be able to provide stronger evidence of causality, thus helping to determine whether strong governance mechanisms can consistently mitigate the negative effects of DVRs over extended periods or if their effectiveness diminishes as corporate managers, board members, and shareholders evolve. In addition, future studies

can examine other moderating and mediating variables not included in this study, like firm size, financial performance, or market conditions, that could influence the relationship between DVRs and conflicts of interest. An investigation into how factors such as investor activism, market volatility, or regulatory changes potentially interact with DVRs and governance quality would provide a more complete understanding of the long-term implications of these structures. Lastly, the researchers can investigate the broader implications of DVRs in terms of their effects on corporate social responsibility (CSR) practices, environmental sustainability, and stakeholder management. These areas are increasingly considered part of governance quality and long-term firm performance.

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