Boosting ESG Performance: Overcoming Collusion Among Entrepreneurial Family and Institutional Shareholders

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ABSTRACT

This study addresses the **debate** on the role of Multiple Large Shareholders (MLS) in influencing Environmental, Social, and Governance (ESG) performance in family-controlled firms across ASEAN. It explores whether MLS identity creates a **collusion effect** or **monitoring effect** on ESG outcomes. Using **unbalanced panel regression** with 672 firm-year observations from publicly listed firms in ASEAN-6 (2015-2022), this study evaluates the impact of MLS identity on ESG performance. The **findings** indicate that MLS mainly exert a collusion effect, prioritizing private gains over stakeholder interests. Institutional investors as second-largest shareholders often misuse private ESG information rather than ensuring accountability, amplifying the collusion effect. These **results** contrast with prior studies highlighting MLS monitoring role in other regions. This study emphasizes the need for stronger governance in ASEAN to address MLS collusion and improve ESG performance. **Global investors** and policymakers must advocate for sustainable practices and transparency in family-controlled firms. The insights advance discussions on ownership structures and their implications for corporate sustainability in emerging markets.

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1. INTRODUCTION

Literature regarding the role of Multiple Large Shareholders (MLS) in improving ESG performance is still relatively limited [1]. The contribution of MLS in improving ESG performance is an essential part of the larger debate on ownership structure and business sustainability. The presence of MLS may enhance ESG performance through better monitoring. MLS has both the motive and power to assess management choices, particularly those involving ESG policies and influence ESG performance. When large shareholders join alliances to support ESG initiatives [2], it considerably increases a company sustainability efforts. Contrary to the aforementioned, Sakawa and Watanabel argue that MLS may result in power battles, potentially impeding ESG performance. They believe that conflicts among large shareholders may affect ESG decision-making.

This study adds a new contribution by exploring the role of MLS in the context of family firms in ASEAN-6. This study is unique in that it examines how MLS in family firms affects ESG performance [3], something that has not been widely discussed in previous studies, especially in this region. MLS has improves ESG performance in China. These findings are strengthened by the empirical fact that changing ownership status from MLS to Single Large Shareholder (SLS) reduces ESG performance. On the other hand, changing status from SLS to MLS improves ESG performance. These findings add empirical evidence to the existing literature which predominantly shows the effective monitoring effect of MLS on SLS. However, this research has not examined the impact of MLS identity on ESG performance and only used a sample of publicly held firms in China. Thus, this research expands that research by expanding the sample to six Southeast Asian countries (ASEAN-6) and also by examining the role identity of the second largest shareholders on **ESG performance**.

Demonstrate how MLS might contribute varied perspectives to ESG discourse. They discovered that organizations with MLS from various backgrounds offer more fulfil ESG initiatives [4]. Underline the significance of considering the characteristics of large shareholders. They discovered that combining family ownership with certain institutional investors, such as MLS, can result in higher ESG performance.

The effective monitoring effect of MLS occurs if the largest shareholders choose to carry out mutual supervision in company decision making by using their voting rights. MLS together limits the self-interest motives and moral hazard of the largest shareholders [5], thereby reducing information asymmetry among shareholders. In contrast, MLS makes it possible to form alliances by uniting the largest shareholder against other shareholders. If the conspiracy is successful, there is a higher possibility of expropriation through transactions of goods and services, asset transfers, and control between companies in the same group. The likelihood of MLS expropriating minority shareholders may be reduced depending on the identity of the second largest shareholder. If the identity of the controlling shareholder and other MLS are family ownership, then the possibility of conspiracy is higher [6]. On the other hand, if the identity of the controlling shareholder is family, but other MLSs are non-family, then this could result in a conspiracy among the MLS.

In the context of **ESG performance**, concentrated ownership pays lower attention to social and environmental issues. In Southeast Asian countries, ownership is generally concentrated in family ownership where top management is held by the controlling shareholder family and is short-term oriented [7]. Social and environmental protection activities require large costs, so short-term oriented management is less interested in investing to overcome social and environmental problems caused by the company. The existence of other largest shareholders who are not family, especially institutional, government or public ownership [8], can mitigate the moral hazard of concentrated ownership. Therefore, the role of MLS and its identity in improving ESG performance in ASEAN-6 countries where the ownership of the firms is generally family-controlled, should be further discussed.

This paper contributes to existing literature by examining the role of MLS identity on ESG performance in ASEAN-6 countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). The focus of MLS in this research is the first and second largest shareholders. ASEAN-6 countries has attracted global investors over the past twenty years, but ESG performance remains relatively low. This contribution to the academic conversation emphasizes the complexities of ownership structures in impacting ESG performance. The presence of MLS creates additional dynamics that might positively or negatively impact sustainability efforts, depending on factors such as shareholder type, alignment of interests, and the external setting.

The critical role that family companies play in global economies, as well as the growing prominence of ESG issues [9], highlight the urgency of this research. Understanding how entrepreneurial family shareholders engage with other significant shareholders to influence ESG performance is critical for building effective governance methods and policy recommendations in an era where sustainability is the key being specified. According to [10], the presence of other significant owners might either exacerbate or mitigate the concern, influencing ESG initiatives. Families, even large shareholders, provide unique viewpoints on ESG problems. According to [1], family businesses frequently have strong relationships to local communities and a commitment for long-term sustainability [11] which may be compatible with ESG objectives. However, the existence of other significant shareholders can cause friction or synergy in ESG decision making. [12] demonstrate how different generations within family shareholders may hold diverse attitudes on ESG. The interaction between family members and other significant shareholders is critical in negotiating various generational perspectives. In addition, shareholders in entrepreneurial families frequently drive innovation. argue that the interactions between family shareholders and other large investors can have a substantial impact on a company ability to react to ESG problems and possibilities for sustainability projects. With rising global pressure for sustainable business practices, suggest that understanding how family businesses with MLS respond to these constraints is critical for forecasting **future ESG** trends.

The paper begins with an introduction that describes the research setting, identifies a gap in the existing literature [13], and defines the study aims. This is followed by research method that describes the research design, which includes sample selection, data sources, variable measurements, empirical models, and followed by a literature review part that focuses on the theoretical framework and the creation of hypotheses [14]. The results are then provided, including descriptive statistics and the key regression findings, followed by a discussion that interprets these findings and explores their theoretical and practical consequences. Finally, the conclusion highlights major findings, recognizes limitations, and makes recommendations for **future research**.

2. RESEARCH METHOD

This study examines the relationship between MLS and ESG performance in ASEAN-6 countries: Indonesia, Malaysia, Thailand, the Philippines, Singapore, and Vietnam during the 2015-2022 period. These countries were selected due to their growing appeal to global investors despite consistently low ESG performance [15]. Family controlled firms dominate the region, offering a distinct governance context compared to developed markets. This provides a valuable opportunity to explore the implications of MLS identity on sustainability outcomes.

The dataset includes 672 firm-year observations from publicly listed firms that met the study sampling criteria, as shown in Table 1 ESG performance data were sourced from the Thomson Reuters database, while ownership and governance variables were carefully curated. Control variables include leverage, independent board composition, market-to-book ratios, profitability, and industry classifications to ensure a comprehensive analysis. The final sample represents a reliable foundation for understanding the dynamics of ownership structures and ESG performance [16].

Table 1. Sampling Criteria Process

	Indonesia	Malaysia	Thailand	Philippine	Singapore	Vietnam	Total
The number of publicly held firms	825	1012	902	284	631	1592	5246
The number of firms that do not provide ESG data	(782)	(988)	(888)	(271)	(603)	(1579)	(5111)
The number of initial sample	43	24	14	13	28	13	135
The sampling period (2015-2022)	8	8	8	8	8	8	8
The number of firm-years	344	192	112	104	224	104	1080
Incomplete of ownership data	(97)	(87)	(54)	(32)	(64)	(74)	(408)
The final observations	441	279	166	136	288	178	672

By employing detailed sampling and robust control variables, the methodology captures the unique characteristics of ASEAN-6 firms. This approach highlights how MLS identity interacts with governance mechanisms, providing insights into the challenges and opportunities for enhancing ESG practices in family-controlled firms. These findings offer valuable contributions to the global discourse on sustainable business practices.

2.1. Formula/Algorithm

Equation 1 presents the research model that examining the role of MLS and its identity on ESG performance.

$$\begin{aligned} ESG_{it} = \beta_0 + \beta_1 MLS_{it} + \beta_2 Family - Family_{it} + \beta_3 Family - Institutional_{it} \\ +\beta_4 IndependentBoard_{it} + \beta_5 Leverage_{it} + \beta_6 Profitability_{it} \\ +\beta_7 MTB_{it} + \beta_8 DINDUSTRY_{it} + \beta_{9-13} DCountry_{it} + \epsilon_{it} \end{aligned} \tag{1}$$

We measure MLS as a dummy variable measured by whether a firm has more than two large shareholders. The dummy variable is equal to one if the firm has more than one shareholder and 0 otherwise. We consider that shareholders who individually or collectively hold $>10\%$ of the firm shares have the right to request that the board of directors hold an extraordinary general meeting. Therefore [16], we define shareholders holding $>10\%$ of the shares as large shareholders. Table 2 presents the variable definitions and measurements.

2.2. Hypotheses

The relation of MLS and ESG performance has been explained by previous studies. According to Agency Theory, suggest that MLS can improve monitoring while lowering agency expenses and boosting ESG performance. However, emphasize potential conflicts among significant shareholders, which might hinder ESG efforts. Furthermore, use Power Theory to investigate power dynamics within MLS [18], demonstrating that

Table 2. Variables Definition and Measurements

Variables	Definition	Measurements
ESG	Firms environmental, social, and governance performance	Bloomberg ESG performance index.
MLS	Multiple large shareholders defined as firms with more than two large shareholders. Large shareholders are those who own more than 10% of the company shares individually or collectively [17].	The dummy variable is equal to one if the firm has more than one large shareholder and 0 otherwise.
Family-Family	The identity of the first and second largest shareholders are family-type ownership.	The dummy variable is equal to one if the first and second largest shareholders are both family and 0 otherwise.
Family-Institutional	The identity of the first largest shareholder is family, and the second one is institutional-type ownership.	The dummy variable is equal to one if the largest shareholder is family and the second is institutional and 0 otherwise.
Independent Board	The composition of independent boards.	Percentage of independent boards.
Leverage	Firms leverage.	Total debt to equity.
Profitability	Firms profitability.	Return on total assets.
Firm Value	Firms market value.	Market to book ratio.
Dummy Industry	Dummy industry classification following Global Industry Classification Standards (GICS).	Given value 1 if a firm is classified as a financial industry and 0 otherwise.
Dummy Countries	Dummy variable for 5 countries with Indonesia as a benchmark compared to Malaysia, Philippines, Thailand, Singapore, and Vietnam.	Dummy variable comparing Indonesia to Malaysia, Philippines, Thailand, Singapore, and Vietnam.

balanced power distribution leads to better ESG results. In contrast, they discovered that power concentration can lead to the disregard of some ESG characteristics. Recent literature offers a comprehensive theoretical foundation for comprehending the intricate link between MLS and ESG performance. It implies that, while MLS can generally improve ESG performance by improving monitoring, diversifying resources, and ensuring balanced stakeholder representation, the specific outcomes are determined by the characteristics, incentives, and interactions of the significant shareholders involved [19].

In addition to characteristics, motivations, and interactions of the large shareholders involved, Table 3 classifies shareholders based on investment horizon and orientation into four typologies:

- Transactional ownership (short-term financial shareholders)
- Durable investment (long-term financial shareholders)
- Purpose-driven ownership (short-term multipurpose shareholders)
- Sustainable investment (long-term multipurpose shareholders).

This classification is useful for mapping the influence of different types of shareholder on stakeholder interests.

Table 3. Shareholders Typology

	Short-term Horizon	Long-term Horizon
Motivated solely by financial objectives	Transactional Ownership	Durable Investment
Motivated by financial and non-financial objectives	Purpose-driven Ownership	Sustainable Investment

Source: [8]

Sustainable Table 3 investors are investors who integrate financial and non-financial goals into their long-term investment goals. These shareholders focus on sustainable investments such as ESG and Socially

Responsible Investing (SRI) [20]. The typology of investors includes family owners, institutional shareholders, and the government. Family shareholders who have a long-term horizon orientation use their voting rights to influence the company to implement employee-friendly practices [21]. Employee-friendly practices improve employee welfare which benefits the company and shareholders in the long term [22]. Family shareholders help companies reduce the company negative impact on the environment to avoid market pressure. However, family shareholders sometimes harm their consumers. Family shareholders tend to be risk averse and avoid innovative experiments, thereby reducing R&D activities which can lead to product failure [23]. Analyse how MLS time frame horizons determine ESG performance. They claim that when MLS have a strong long-term orientation, ESG performance enhances [24]. The government has an interest in corporate activities and social activities to support sustainable development as part of the global SDGs program. The government uses its voting rights to ensure that companies comply with social and environmental regulations, thereby improving the company ESG performance [25].

Institutional investors have a long-term fiduciary responsibility towards consumers, beneficiaries and the wider community for the management of funds entrusted to them. Institutional investors put pressure on companies to implement globally applicable social and environmental standards. Pressure from institutional investors encourages companies to be involved in social and environmental activities [26], actively conducting dialogue with stakeholders such as NGOs and consumers. In short, while long-term investors generally have a more positive impact on ESG investment and performance, the overall effect depends on a complex interplay of factors including investor characteristics [27], firm-specific elements, and broader market and regulatory contexts. As ESG considerations become increasingly mainstream, the distinction between short-term and long-term investor impacts may evolve, necessitating ongoing research in this dynamic field.Integrating the principles of Sustainable Development Goals (SDGs) into corporate governance is crucial for enhancing Environmental, Social, and Governance (ESG) performance [28].

In particular, SDG 16, which focuses on promoting peaceful and inclusive societies for sustainable development, is highly relevant. Addressing collusion among entrepreneurial family and institutional shareholders aligns withSDG 16 by fostering transparency, reducing corruption, and promoting effective, accountable institutions [29]. By improving governance structures and ensuring greater transparency in ESG practices, firms can better contribute to SDG 16 [30], thereby strengthening their overall ESG performance. Furthermore, SDG 12 (Responsible Consumption and Production) is relevant as it encourages companies to adopt sustainable practices and improve resource efficiency, which can be achieved through effective monitoring and engagement by institutional investors and independent directors. Enhancing ESG performance not only supports the achievement of these goals but also contributes to the broader objective of sustainable and inclusive economic growth [31].

2.3. Hypotheses

The information asymmetry theory states that insiders of the companies typically possess more information than outside investors, which leads to significant information friction on the stock market. For investors to have a greater understanding of firm strategy from three dimensions environment, society, and corporate governance ESG information disclosure can address the issue of information asymmetry between firms and investors.

Stakeholder theory, on the other hand, emphasizes that the goal of ESG disclosure is to simultaneously improve social and economic performance as well as to satisfy the interests of stakeholders [32], including customers, suppliers, investors, employees, governments, and clients. This goal is not just to maximize shareholder benefits, but also to serve the interests of these stakeholders. Therefore, companies ESG disclosure is helpful in demonstrating to stakeholders other than shareholders that enterprises actively emphasize social responsibility and produce shared benefit for both parties while addressing urgent societal challenges with innovative solutions [23].

MLS may choose to mutual supervise or conspire, thereby affecting the firm strategy and transactional operations [33], including ESG strategy and operations. Firstly, MLS can reduce agency problems by carrying out effective monitoring of companies by reducing the voting rights of concentrated shareholders. Large shareholders have a general interest in profit maximization and sufficient influence over the company assets. Additionally [23], research shows that the share of cash-flow rights held by large owners is related to the positive incentive effect, whereas the share of control rights held by large shareholders is related to the negative entrenchment effect [34].

The MLS can employ the roles of mutual supervision, checks, and balances, and rivalry between them to limit the encroachment of controlling shareholders interests on publicly traded businesses and to check the decision-making behaviour of controlling shareholders. The MLS shareholding structure limits management choices [35], lowers corporate agency expenses, and lessens asymmetry in corporate information. Because MLS not only monitors and checks controlling owners and managers, but also improves internal control quality, collusion between controlling shareholders and managers in a corporation with MLS is more expensive [36]. The MLS effectively curbs managers exploitation of corporate information for their own selfish goals and improves the effectiveness of corporate governance, which in turn favourably promotes corporate ESG information disclosure [37].

Sustainable investment is a long-term horizon investment. It mandates that businesses invest a sizable sum of money in environmental protection infrastructure, technology, and governance structures [38]. It will result in a decrease in business profitability. Due to a lack of oversight and checks and balances from other significant owners, if a corporation only has one controlling shareholder [39], the controlling shareholder has a strong incentive to intrude on the interests of minority shareholders. A dominant shareholder is more likely to put money toward intellectual and material expenditures that can strengthen their position of authority or shift the focus of environmental protection spending toward private gains not available to minority shareholders. An earlier study discovered a negative association between environmental investment and the largest shareholder of the company shareholding ratio.

Many academics have proposed that the governance structure of numerous large owners can lessen the behaviour of controlling shareholders that interferes with the interests of minority shareholders to settle the conflict of interest between the large shareholder and the minority shareholders. According to studies, controlling shareholders chances of attempting to gain private income can be significantly decreased by other large shareholders. By lowering linked transactions and capital occupation as well as increasing investment efficiency, shareholders can change this tendency [40]. Major non-controlling shareholders can therefore effectively supervise controlling shareholders and resolve agency issues in an ownership structure with numerous major shareholders. Then, several sizable shareholders will prevent the controlling owners from cutting back on the company environmental investment. Increased corporate investment in environmental protection and less corporate agency issues can result from having multiple significant shareholders.

Some empirical evidences indicate that ownership concentration can negatively impact a company performance in terms of environmental responsibility. Companies with ownership concentration are reluctant to take on environmental responsibility since it enhances corporate leverage. Companies with concentrated ownership are less likely to engage in corporate environmental and social responsibility because controlling shareholders pay less attention to the concerns of society and stakeholders. Therefore, the negative consequences of ownership concentration can be reduced by having numerous significant stockholders. By actively participating in corporate decision-making, other shareholders can enhance ESG performance by keeping an eye on the actions of the company largest shareholders.

Furthermore, according to a study, there is a link between dominant owners excessive control rights and firms productivity, suggesting that these owners are less likely to support productive projects because of their personal control gains. Beyond the controlling owner, MLS perform a governance function that counteracts the negative effects of excessive control on productive effectiveness. Therefore, MLS have a motivation to enhance ESG [41].

Secondly, MLS may have a “collusion effect” on ESG disclosure. Large shareholders may find it more beneficial to collude and extract private rents that increase their personal wealth at the expense of other shareholders. When a company major shareholders conspire, it decrease company value. The agency theory has shown that the controlling shareholders may work along with management to make strategic disclosures to further their interests. MLS may also work in ways that accentuate rather than solve agency issues. According to the study, MLS also cooperate to maximize their interests rather than to monitor them, which lowers business value. As a result, MLS frequently works together to reduce ESG disclosure.

Previous studies have shown that MLS are more likely to collude to reduce company value. When there is a relationship between several large shareholders, it is simpler for large shareholders to work together to violate the interests of minority shareholders. Firms with MLS incur higher audit costs and are more likely to hire the Big Four than those with a SLS [17]. Due to the high cost of environmental protection investments, companies who have made them may run out of money while making investments in other high-yield projects. In this situation, managers may lose their long-term perspective and refuse to invest in environmental protection. They may also engage in related party transactions that reduce corporate investment in environmental protection and prevent businesses from taking on environmental responsibility [42].

Based on theoretical predictions and conflicting empirical evidence on the governance role of MLS, the impact of MLS on ESG performance remains an empirical question. MLS may choose to mutual supervise or conspire, thereby affecting the firm ESG strategy and operations. Hence, we formulate the following hypotheses:

H1: The presence of MLS affects the ESG performance.

The role of MLS in corporate governance can play a monitoring (supervision) or collusion (conspire) role because it has not considered the identity of the MLS. Based on shareholder typology, different shareholder identities have different roles in developing sustainable investment.

Therefore, it is important to examine the role of MLS identity on ESG performance. The existence of family ownership and institutional ownership as the second largest shareholder can have different roles in the governance of companies controlled by the family. If the first and second largest shareholders are family, the possibility of both conspiring (colluding) is greater than if the second largest shareholder is an institutional investor [43].

Family shareholders can improve ESG performance if they have a long-term horizon orientation and use their voting rights to influence the company to improve ESG. However, family shareholders generally have a short-term investment horizon, tend to be risk averse and avoid innovative experiments, thereby reducing R&D activities which can reduce ESG performance. Previous research shows that the presence of family shareholders as the second largest shareholder increases information asymmetry, thereby increasing the cost of capital. Therefore, we formulate the following hypothesis:

H2: The presence of family shareholders as the second largest shareholder has a negative effect on ESG performance in family-controlled firms.

In contrast to family shareholders, institutional investors have long-term fiduciary responsibilities towards consumers, beneficiaries and the wider community for the use of management of funds entrusted to them. Institutional investors put pressure on companies to implement globally applicable social and environmental standards. Pressure from institutional investors encourages companies to be involved in social and environmental activities, actively conducting dialogue with stakeholders such as NGOs and consumers. Thus, the presence of institutional shareholders as the second largest shareholder can monitor and mitigate adverse impacts from controlling shareholders in family-controlled firms [44].

The presence of institutional investors reduces market information asymmetry, because there is a tendency for institutional owners to exploit private ESG information gained through their position. examine how institutional investors as part of MLS structures can drive ESG performance through normative pressures. They find that the presence of foreign institutional investors significantly improves ESG scores. Therefore, we formulate the following hypothesis:

H3: The presence of institutional shareholders as the second largest shareholder has a positive effect on ESG performance in family-controlled firms.

3. FINDINGS

3.1. Descriptive Statistics

Overall, the ESG performance of companies in ASEAN-6 countries is relatively low with an average score of 49.50. The highest score was occupied by Thailand (52.45) followed by Malaysia (51.29), Indonesia (49.08), Philippines (48.18), Singapore (46.38), and Vietnam (32.95) as presented in Table 4.

Table 4. Descriptive Statistic of ESG among ASEAN-6 Countries

	Indonesia	**Malaysia**	**Thailand**	**Philippine**	**Singapore**	**Vietnam**	**Total**
Mean	49.08	51.29	52.45	48.18	46.38	32.95	49.5
Maximum	89.64	90.99	91.45	88.95	79.2	69.89	91.45
Minimum	7.44	15.56	10.92	10.24	10.02	5.68	5.68
Frequency	441	279	166	136	288	178	672

Based on Table 4, 50% of firms in ASEAN-6 countries have an ownership structure of more than one controlling shareholder. 6% of firms have the first and second largest shareholders identified as family (family-

family) and 17% of them have the first largest shareholder is family, while the second largest shareholder is institutional investors (family-institutional). This data is quite interesting which shows that the presence of the second largest shareholder who are institutional shareholders are higher than family shareholders.

The finding that MLS tend to collude more frequently than they engage in monitoring activities supports the main hypothesis of the study, which suggests that MLS negatively impact ESG performance. This observation aligns with the broader concept that ownership structures in ASEAN-6 countries may necessitate stricter governance mechanisms to mitigate potential conflicts of interest and ensure better ESG outcomes.

Table 5. Descriptive Statistic of Variables

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
ESG	49.5	51.39	91.45	5.68	18.77
MLS	0.5	1	1	0	0.5
Family-family	0.06	0	1	0	0.24
Family-institutional	0.17	0	1	0	0.38
Independent Boards	3.89	4	10	1	1.63
LEV	0.97	0.57	20.35	0	1.46
MTB	4.16	1.73	85.18	0.1	10.19
ROA	0.06	0.04	0.5	-0.16	0.07
DINDUSTRY	0.09	0	1	0	0.29
N	672	672	672	672	672

Table 5 presents the descriptive statistics for key variables used in this analysis. The average ESG score is 49.5 with a standard deviation of 18.77, indicating significant variation in ESG performance among the sampled firms. The MLS variable has an average of 0.5, suggesting that approximately 50% of the firms have more than one major shareholder.

Family ownership is captured by two variables: Family-family and Family-institutional. The average Family-family value is 0.06, meaning only 6% of firms have their largest and second-largest shareholders from the same family. Family-institutional has an average of 0.17, indicating that 17% of firms have a family as the main shareholder and an institution as the second.

The average number of independent board members is 3.89, with a maximum of 10. Leverage (LEV) has an average of 0.97 and a high standard deviation of 1.46, reflecting significant variation in debt structures among firms. The Market-to-Book (MTB) ratio averages 4.16, with a maximum value of 85.18, indicating considerable differences in market valuations. Return on Assets (ROA) averages 0.06, showing relatively low profitability across the sample. The industry dummy variable (DINDUSTRY) has an average of 0.09, indicating that only about 9% of the firms are in the financial industry.

3.2. The Role of MLS and Its Identity on ESG Performance

The estimation results presented in Table 6 show that MLS consistently has a significant negative effect on ESG performance. The research results support the argumentation of the research hypothesis which provides additional empirical evidence regarding the ”collusion effect” of MLS. The research results contrast with research which supports the ”monitoring effect” of MLS which can improve ESG performance. The research only used a sample of publicly held firms in China which may have different characteristics from companies in ASEAN-6 countries. The results suggest family business in ASEAN countries to be more concern on the long term reputation and performance by create strong ties to local communities and a desire for long-term sustainability, potentially aligning with ESG goals. By doing this, entrepreneurial family shareholders will drive innovation in their industry.

MLS is a typical ownership structure among listed companies in China, to put it one way. The Green Investment Guidelines, which suggested the ESG disclosure framework for listed firms, on the other hand, fiercely pushed and developed ESG disclosure for businesses in China, mandating them to do so. The ESG disclosure system has increased market openness, reduced information asymmetry, and speed up the green transformation and development of Chinese listed companies. Chinese listed firms are the main force behind ESG disclosure and are also essential in China ownership reform.

In ASEAN-6 Countries, MLS conspire to maximize their interests rather than to monitor management to reduce ESG disclosure. Large shareholders still use a short-term view which views sustainable investment as an investment that has high costs and requires a long return on investment. Thus, the existence of MLS increases information asymmetry regarding ESG benefits for companies in the long term and decreases firm value.

Table 6. Estimation Results

	MLS Only (i)		**Family-Family (ii)**		**Family-Institutional (iii)**	
Variables	**Coeff.**	**Prob.**	**Coeff.**	**Prob.**	**Coeff.**	**Prob.**
C	0.4153	0.000	0.4162	0.000	0.4240	0.000
MLS	-0.0243	0.000	-0.0207	0.000	-0.0219	0.000
Family-Family	-	-	-0.0162	0.000	-	-
Family-Institutional	-	-	-	-	-0.0290	0.0061
Independent Boards	0.0237	0.0000	0.0236	0.000	0.0222	0.000
LEV	-0.0113	0.0073	-0.0115	0.0086	-0.0113	0.0043
MTB	0.0054	0.000	0.0054	0.0000	0.0057	0.000
ROA	-0.2024	0.1142	-0.1912	0.1192	-0.2343	0.0957
DINDUSTRY	0.1176	0.0000	0.1165	0.000	0.1173	0.000
DCOUNTRY_MSIA	-0.0089	0.2352	-0.0109	0.1386	-0.0088	0.2447
DCOUNTRY_PHIL	0.0282	0.0062	0.0242	0.0089	0.0267	0.0059
DCOUNTRY_SING	-0.0243	0.0081	-0.0278	0.0040	-0.0217	0.0185
DCOUNTRY_THAI	-0.0014	0.4255	-0.0022	0.3703	0.0151	0.0547
DCOUNTRY_VIET	-0.1318	0.0000	-0.1330	0.0000	-0.1307	0.0000
Adjusted R-squared	-	0.1544	-	0.1535	-	0.1558
F-statistic	-	12.1372	-	11.1358	-	11.3220
Prob(F-statistic)	-	0.0000	-	0.0000	-	0.0000

Furthermore, the research results show that family shareholders as the second largest shareholder in family controlling firms have no effect on ESG. In this research, the percentage of family shareholders as the second largest shareholder is still relatively low, so their role in influencing decision making regarding ESG is still limited.

These findings Table 6 suggest that governance reforms in the ASEAN-6 should focus on enhancing transparency and oversight from institutional shareholders. By strengthening ESG regulations, governments can mitigate the risk of collusion in family firms.

In contrast to institutional shareholders, the second largest shareholders in family controlling firms. Unexpectedly, the existence of institutional shareholders, the second largest shareholder, has a negative effect on ESG. The existence of institutional shareholders, the second largest shareholder, cannot play a role in monitoring family controlling firms and management, thereby reducing ESG. Institutional shareholders have a propensity to misuse the private ESG information they have to gain their position. This study supports institutional investors behaviour at a particular level, which will encourage enterprise innovation and increase ESG.

The result suggest that entrepreneurial family shareholders in ASEAN-6 countries need to be aware of the urgency of the interaction between family members and other large shareholders in navigating ESG initiative. The interplay between family shareholders and other large investors, especially institutional shareholders may impact a firm ability to adapt to ESG challenges and opportunities for sustainability **projects in the future**. It is becomes global pressure for sustainable business practices. Therefore, we need to examine further regarding the monitoring effect of institutional shareholders as the second largest shareholders by creating threshold of their ownership.

Among the control variables, the research results show the important role of independent boards in monitoring management, thereby improving ESG performance. The positive influence of independent boards on ESG performance adds empirical evidence to previous research regarding the important role of independent boards in reducing information asymmetry which can reduce a company ESG performance. Independent directors are typically persons who are not affiliated with the company either financially or professionally.

They want to uphold their reputation for professional reputation, therefore they tend to conduct professional monitoring to management to promote sustainable investment.

4. MANAGERIAL IMPLICATIONS

Drawing from these findings, several policy recommendations are suggested:

- Companies in ASEAN-6, particularly family-controlled firms, should strengthen their governance structures by increasing the role of independent directors to monitor and guide management in Environmental, Social, and Governance (ESG) initiatives. Independent boards can play a critical role in reducing information asymmetry and ensuring that ESG considerations are prioritized.
- Family-controlled firms should prioritize transparency in their ESG practices to build trust with stakeholders. This includes clear reporting of ESG activities and outcomes, which can help mitigate the negative perception of collusion among large shareholders and support better decision-making.
- Institutional investors as significant shareholders should be encouraged to take an active role in monitoring family-controlled firms, rather than merely extracting private benefits. By enhancing the monitoring role of institutional investors, firms can improve their ESG performance, which in turn, can attract more responsible investments.

These implications aim to provide actionable strategies for improving ESG performance and ensuring sustainable growth for companies in ASEAN-6.

5. CONCLUSION

This study examines the influence of Multiple Large Shareholders (MLS) on ESG performance in family-controlled firms across ASEAN-6 countries. The findings highlight that MLS often exhibit a collusion effect, prioritizing personal benefits over broader ESG objectives. Institutional shareholders, commonly serving as second-largest shareholders, tend to exploit private ESG information for their advantage, thereby undermining the potential for effective monitoring. These results underscore the importance of strengthening governance mechanisms, particularly by enhancing the role of independent boards and implementing policies aimed at reducing collusion risks in family-controlled firms.

The study is not without **limitations**. The absence of data on government shareholders as influential stakeholders limits the scope of analysis, particularly for firms where state ownership may play a decisive role in governance and ESG outcomes. Additionally, the focus on publicly listed firms excludes private entities, which may exhibit different ownership dynamics and governance practices. Addressing these gaps would enhance the generalizability of the findings.

Further insights could be gained through **future research** that investigates the role of state ownership and its interactions with other shareholders in shaping ESG performance. Comparative studies across different regions with varying regulatory environments and ownership structures could provide a broader perspective on the relationship between MLS and sustainability outcomes. Expanding the analysis to private firms and incorporating cultural and industry-specific factors would also enrich the understanding of governance challenges in the context of ESG performance.

6. DECLARATIONS

6.1. About Authors

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6.2. Author Contributions

Conceptualization: IG; Methodology: AM; Software: AM; Validation: IG and AM; Formal Analysis: IG and UR; Investigation: IG; Resources: AM; Data Curation: AM; Writing Original Draft Preparation: UR and IG; Writing Review and Editing: UR and IG; Visualization: AM; All authors, IG, AM, and UR, have read and agreed to the published version of the manuscript.

6.3. Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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6.5. Declaration of Conflicting Interest

The authors declare that they have no conflicts of interest, known competing financial interests, or personal relationships that could have influenced the work reported in this paper.

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