

Stewardship in the Fintech sector, an exploratory study of private equity held firms and their public communication of stewardship values

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Abstract

Purpose of the article Private equity investors are increasingly facing pressure from their constituencies to take actions that demonstrate their responsibility as stewards to inculcate a culture of transparency, good corporate governance and ESG, both within their organizations, and the companies in which they invest. This article aims to contribute to understanding the relationship between private equity investors' public advocacy of stewardship, and their ability to effectuate stewardship values across their portfolio investments in the Fintech sector.

Methodology/methods The communication of the stewardship values of transparency, good corporate governance and ESG on the public facing web sites of a sample of Fintech companies was compared to the public advocacy of stewardship by their private equity owners. A keyword search was performed on portfolio company websites and compared to the public advocacy stance of their institutional investors on stewardship. For the purposes of this article, stewardship was defined as "Active and responsible management of the values espoused by the organization".

Scientific aim To gain an initial understanding of the relationship, if any, or the strength of those relationships that public advocacy of stewardship by private equity investors has on the actions of their portfolio companies in the Fintech sector, as evidenced by the portfolio companies' public facing communication of stewardship values, and; to identify additional areas for further research.

Findings The results of this pilot study indicate, within the limited pilot sample, that public advocacy by private equity investors of stewardship does not appear to have resulted in widespread adoption by their portfolio companies of stewardship values, as evidenced by a dearth of communication by portfolio companies to adherence to the values of transparency, good governance and ESG.

Conclusions This research has been conducted on a limited sample of Fintech companies, specifically those companies held and controlled by private equity investors; therefore, the results may have limited universalization to the Fintech sector, or other sectors and industries. Further research is warranted on a larger sample, with additional focus on mechanisms of communication and alignment between investor and investee, notably using the substantial digital technology available to Fintech companies.

Keywords: Stewardship, stewardship values, corporate governance, ESG, transparency, web-based public communication

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