BETWEEN PROMISE AND POWER: ARTIFICIAL INTELLIGENCE, SHAREHOLDER ACTIVISM, AND THE CORPORATE GOVERNANCE OF THE NEXT GENERATION

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BETWEEN PROMISE AND POWER: ARTIFICIAL INTELLIGENCE, SHAREHOLDER ACTIVISM, AND THE CORPORATE GOVERNANCE OF THE NEXT GENERATION

Pierluigi Matera[*]

ABSTRACT

Artificial intelligence (AI) is poised to influence the dynamics of corporate governance, with shareholder activism emerging as a particularly dynamic and contested domain of transformation.

Institutional investors are already leveraging sophisticated AI-powered tools to enhance decision-making and manage risk. At the same time, AI offers new possibilities for smaller and traditionally marginalized shareholders. By enabling real-time monitoring and strategic analysis, AI can amplify the power of individual investors—especially younger cohorts who combine technological fluency with values such as environmental sustainability and diversity—to shape identity-driven proxy campaigns. Although not AI-driven, the campaign led by Engine No. 1 against ExxonMobil illustrates how generational values and new generational challenges can blend with the pursuit of profit to support successful forms of insurgent activism.

This identity-driven activism is characterized by value alignment, strategic targeting, and campaign design centered on generational priorities. AI tools can be used to surface resonant causes and craft precise, data-enhanced proposals that rally dispersed shareholders around a common normative objective. This form of activism can be deployed not only for environmental or inclusivity campaigns but for any generational cause—so long as it fosters a shared sense of identity and purpose among investors.

However, empirical data from the 2022–2024 proxy seasons suggest that AI's democratizing promise remains largely aspirational. Benefits continue to accrue

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disproportionately to large, well-capitalized actors, while smaller investors face persistent structural and behavioral barriers.

Moreover, algorithmic opacity, ideological polarization, and the strategic adoption of AI by corporations to fortify defenses against activism may limit AI's transformative capacity. In fact, while AI tools could help insurgents spot vulnerabilities to leverage in identity-driven campaigns, they are increasingly used by corporations to anticipate activist efforts and shield incumbent management.

I argue that realizing AI's potential will require both regulatory oversight and voluntary inclusion strategies from corporate actors—particularly boards of directors. Boards may play a strategic role in anticipating generational pressures by integrating younger voices into governance structures and proactively reflecting generational values in corporate strategy. In doing so, they might preempt identity-driven activism and channel AI's disruptive force toward inclusive, forward-looking reform.

If responsibly developed and deployed by corporate boards, AI could usher in a new paradigm of governance—one in which technological innovation drives social innovation, and generational values are actively integrated into corporate structures. This, in turn, could pave the way for a smoother transition as younger generations move into leadership roles in business and finance.

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I. Introduction

Artificial intelligence (AI) is reshaping—and likely to continue reshaping—corporate governance, redefining the roles of all its constituents: directors, shareholders, regulators, and market operators. This transformation has the potential to significantly alter corporate dynamics, ultimately leading to new and possibly disruptive balances of power.

In this sense, Generative Artificial Intelligence (GenAI)[1], in particular, represents more than a mere a technological breakthrough; it may herald a seismic shift akin to the Industrial Revolution. Like its historic predecessor, GenAI has the potential to reconfigure capital markets and the very foundations of the corporate form[2].

This revolution is fueled by the convergence of big data, machine learning, and advanced decision-making tools, which enable the analysis of complex scenarios with unprecedented speed and precision[3].

AI has already begun to gradually redefine boardroom dynamics, presenting itself as both a business opportunity to be seized and a strategic asset capable of reshaping decision-making processes and the resulting decisions[4]. At the same time, AI

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[1] In this paper, for brevity, the term "AI" will predominantly refer to GenAI, encompassing its specific applications and implications. GenAI is a subset of artificial intelligence that utilizes generative models to produce new content, such as text, images, or audio, based on learned patterns from existing data—*see* Luciano Floridi & Massimo Chiriatti, *GPT-3: Its Nature, Scope, Limits, and Consequences*, 30(4) MINDS & MACHINES 681, 681–694 (2020); Alejandro B. Arrieta et al., *Explainable Artificial Intelligence (XAI): Concepts, Taxonomies, Opportunities and Challenges Toward Responsible AI*, 58(1) INF. FUSION 82 (2020); Salehi, Pegah, Abdolah Chalechale, and Maryam Taghizadeh, *Generative Adversarial Networks (GANs): An Overview of Theoretical Model, Evaluation Metrics, and Recent Developments*, ARXIV PREPRINT ARXIV:2005.13178 (2020); Thilo Hagendorff, *The Ethics of AI Ethics: An Evaluation of Guideline*s, 30 MINDS & MACHINES 99 (2020). *See also* Gary Marcus & Ernest Davis, REBOOTING AI: BUILDING ARTIFICIAL INTELLIGENCE WE CAN TRUST (2019); David Gunning et al., *XAI—Explainable Artificial Intelligence*, 171 SCI. ROBOTICS 1166 (2019); Jean Tirole, *Digital Dystopia*, 111 AM. ECON. REV. 2007 (2021); Michael Wooldridge, A BRIEF HISTORY OF ARTIFICIAL INTELLIGENCE: WHAT IT IS, WHERE WE ARE, AND WHERE WE ARE GOING (2021); David Atkinson & Jacob Morrison, *Unsettled Law: Time to Generate New Approaches?,* ARXIV (July 2, 2024), https://arxiv.org/abs/2407.01968.

[2] *See generally*, Maria Goranova et al., *Corporate Governance and the Fourth Industrial Revolution,* HANDBOOK OF RESEARCH ON STRATEGIC LEADERSHIP 475 (2024). *See also* the debate on DAOs and their legal wrappers: J.G. Allen, *Bodies Without Organs: Law, Economics, and Decentralised Governance*, 4 STAN. J. BLOCKCHAIN L. & POL'Y 53 (2020); M.A. Schillig, *Some Reflections on the Nature of Decentralized (Autonomous) Organizations*, in TRANSFORMATION OF PRIVATE LAW: PRINCIPLES OF CONTRACT AND TORT AS EUROPEAN AND INTERNATIONAL LAW. A LIBER AMICORUM FOR MADS ANDENAS 589 (Maren Heidemann ed., 2024); A.M. Lane, D.W.E. Allen & C. Berg, *Towards Legal Recognition of Decentralised Autonomous Organisations*, GEO. WASH. U. COMPETITION L. WORKING PAPER NO. 2024/8 (2024), https://competitionlab.gwu.edu/sites/g/files/zaxdzs6711/files/2024-03/wp-2024_8.pdf; V. Villanueva Collao, *Decentralized (?), But Far From Disorganized: A Comparative Analysis of Legal Wrappers and the Evolving Structure of DAOs* (2025), https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5143035; A.J. Pagano, *The Implementation of the Decentralized Autonomous Organizations in the EU Corporate Governance System*, 46 BUS. L. REV. 12 (2025).

[3] *See* William Magnuson, *Artificial Financial Intelligence*, 10 HARV. BUS. L. REV. 337, 347-350 (2020) (discussing financial implications).

[4] *See* David F. Larcker, Amit Seru & Brian Tayan, *The Artificially Intelligent Boardroom*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Apr. 8, 2025), https://corpgov.law.harvard.edu/2025/04/08/the-artificially-intelligent-boardroom/.

introduces significant and critical risks that boards must carefully manage[5]. A failure to do so may expose directors to oversight liability[6]—and, even more significantly, may give rise to serious societal risks if boards fail to address AI-related issues properly and ethically within their companies[7].

Among the areas most sensitive to AI's influence are the interactions between public companies and their shareholders. This paper focuses on one of the most dynamic dimensions of that relationship: the evolving nature of shareholder activism—an arena where AI's effects are both promising and, at times, counterintuitive.

In particular, I explore how AI may empower identity-driven shareholder activism—activism animated not by traditional financial concerns alone, but by the generational priorities of millennial and Gen Z investors. As these younger cohorts use AI tools to organize, monitor, and communicate their values, a new form of activism may emerge—one that challenges existing governance frameworks while reflecting a broader shift in societal expectations. Yet this potential may remain unfulfilled unless corporate boards not only anticipate but actively govern generational change, channeling it into institutional practices and forward-looking strategies.

In Part II, I argue that AI offers substantial opportunities for both institutional and non-institutional investors to influence corporate governance. For large funds, AI is a

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[5] *See* Mikhail A. Tokmakov, Irina V. Smotrova & Maksim P. Apukhtin, *Corporate Governance Innovations*, in PROCEEDINGS OF THE INTERNATIONAL SCIENTIFIC CONFERENCE "SMART NATIONS: GLOBAL TRENDS IN DIGITAL ECONOMY" 219, 219-226 (Svetlana Igorevna Ashmarina et al. eds. 2022); Miriam H. Baer, *Corporate Compliance's Achilles Heel*, 78 BUS. LAW. 791, 814-815 (2023).

[6] *See* Leo E. Strine Jr., Kirby M. Smith & Reilly S. Steel, *Caremark and EESG, Perfect Together: A Practical Approach to Implementing an Integrated, Efficient, and Effective* Caremark *and EESG Strategy*, 106 IOWA L. REV. 1885 (2021); Tara K. Giunta & Lex Suvanto, *Board Oversight of AI*, HARV. L. SCH. FORUM ON CORP. GOV. (Sept. 17, 2024), https://corpgov.law.harvard.edu/2024/09/17/board-oversight-of-ai/; Joseph R. Tiano Jr., Nancy B. Rapoport, Joseph Wilson & Steven R. Aquino, *The Duty of Supervision in the Age of Generative AI: Urgent Mandates for a Public Company's Board of Directors and Its Executive and Legal Team*, AM. BAR ASS'N BUS. L. SEC. (Mar. 26, 2024), https://www.americanbar.org/groups/business_law/resources/business-law-today/2024-march/the-duty-of-supervision-in-the-age-of-generative-ai/; Robert G. Eccles & Miriam Vogel, *Board Responsibility for Artificial Intelligence Oversight*, HARV. L. SCH. F. ON CORP. GOV. (Jan. 5, 2022), https://corpgov.law.harvard.edu/2022/01/05/board-responsibility-for-artificial-intelligence-oversight/,

[7] For an insightful and timely contribution to the growing literature on corporate AI governance *see* Leo E. Strine Jr., *Using Experience Smartly to Ensure a Better Future: How the Hard-Earned Lessons of History Should Shape the External and Internal Governance of Corporate Use of Artificial Intelligence* (Univ. of Pa. Inst. for L. & Econ., Research Paper No. 24-14, May 7, 2024) 50th Anniversary Symposium Issue J. CORP. L. (forthcoming), https://ssrn.com/abstract=4819611; Arun Sundararajan, *How Corporate Boards Must Approach AI Governance* (Nov. 1, 2024), https://ssrn.com/abstract=5016014. To the extreme of AI fiduciaries serving as independent directors, *see* Zhaoyi Li, *Artificial Fiduciaries*, 81 WASH. & LEE L. REV. 1299 (2024).

powerful tool that lowers the cost of analysis, supports more targeted investment decisions, and enables novel approaches—including the controversial ESG-driven strategies. For small investors, its potential could be even more profound.

I develop this argument in Part III, contending that AI may help identify and promote shared objectives and identity-driven values, serving as a common denominator to build consensus among otherwise dispersed shareholders. AI tools might enable a new form of "targeted activism," allowing investors to detect goals, challenges, and opportunities with such precision and timeliness that they increase the likelihood of success—whether in advancing a shareholder proposal or contesting management.

This potential is particularly salient for millennial investors and small funds, for whom AI can enhance analytical accuracy while dramatically reducing costs that would otherwise be prohibitive. The argument rests on a broader proposition: that Millennials increasingly rely on digital tools and algorithmic inputs not only to guide financial decisions, but also to align investments with their values. They are also more attuned to generational priorities, such as climate action, diversity, and social responsibility—as evidenced by the prominence of ESG frameworks, the perceived retreat of which does not negate their underlying resonance with this cohort[8].

Indeed, the combination of technological fluency and renewed generational idealism may position millennials to harness AI as a powerful strategic tool. AI can help surface campaigns that are both personally resonant and broadly actionable—thereby facilitating a new form of identity-driven activism rooted in emerging values but enhanced by data, speed, and precision.

However, as I demonstrate in Part IV, data from the 2022–2024 proxy seasons show that the democratizing promise of AI in corporate governance remains largely aspirational. While AI tools have lowered entry barriers and accelerated tactical execution, their primary effect thus far has been to amplify the capabilities of institutional investors—rather than redistribute influence or disrupt entrenched corporate power dynamics. Indeed, AI is increasingly being deployed by corporations themselves to identify vulnerabilities, anticipate activist strategies, and make insurgent campaigns more difficult to advance.

In Part V, I examine these findings and explore a possible path forward. Realizing AI's full potential may require corporations to adopt voluntary inclusion strategies.

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[8] *See* Michal Barzuza, Quinn Curtis & David H. Webber, *Shareholder Value(s): Index Fund ESG Activism and the New Millennial Corporate Governance*, 93 S. CAL. L. REV. 1243 (2020). For an overview of proxy seasons and trends in shareholder proposals and values-driven activism, *see* Arnaud Cavé, Andrea Hearon & Niamh O'Brien, *Unveiling Key Trends* in *AI Shareholder Proposals*, HARV. L. SCH. FORUM ON CORP. GOV. (Sept. 29, 2024), https://corpgov.law.harvard.edu/2024/09/29/unveiling-key-trends-in-ai-shareholder-proposals/.

From this perspective, AI's role in this transformation may extend beyond insurgent shareholder efforts: corporate boards—rather than merely resisting identity-driven pressures—might anticipate and incorporate these generational shifts by using AI proactively and inclusively. In doing so, they could not only defuse potential conflicts but also lead a broader evolution toward social innovation in corporate governance.

That is to say, boards of directors, in particular, may hold the key to transforming AI's disruptive force into constructive and inclusive governance.

In this view, AI could serve not only as a technical catalyst but also as a bridge to a more inclusive, forward-looking model of governance—where technological innovation drives social innovation, and generational values are meaningfully integrated into corporate structures.

II. AI AND LARGE CORPORATE ENTITIES

A. AI IN GOVERNANCE, INVESTMENT, AND CONSULTING

1. AI Applications in Governance and Operations

Scholars and practitioners have increasingly documented the growing role of AI in the decision-making processes of large corporations—a trend marked by both continuity and innovation[9].

The impact of AI on institutional investors' decision-making follows this same trajectory: financial institutions, as prominent players in the capital markets, exemplify this phenomenon, with their strategies frequently shaped by AI-driven

[9] *See* Muath Asmar & Ibrahim A.A. Al-Rob, *Application of Artificial Intelligence in Business Decision Making: Insight from Literature Review*, in ACHIEVING SUSTAINABLE BUSINESS THROUGH AI, TECHNOLOGY EDUCATION AND COMPUTER SCIENCE (STUDIES IN BIG DATA, VOL. 163) 125-35 (Ahmad Hamdan ed., 2024); Anniek Brink, Louis-David Benyayer & Martin Kupp, *Decision-Making in Organizations: Should Managers Use AI?*, 45(4) J. BUS. STRATEGY 267 (2024); Kris Pederson, Barton Edgerton & Cigdem Oktem, *Four Ways Boards Can Support the Effective Use of AI*, HARV. L. SCH. FORUM ON CORP. GOV. (May 16, 2024), https://corpgov.law.harvard.edu/2024/05/16/four-ways-boards-can-support-the-effective-use-of-ai/; Holly J. Gregory, *AI and the Role of the Board of Directors*, HARV. L. SCH. FORUM ON CORP. GOV. (Oct. 7, 2023), https://corpgov.law.harvard.edu/2023/10/07/ai-and-the-role-of-the-board-of-directors/; Roberto Tallarita, *AI Is Testing the Limits of Corporate Governance*, HARV. BUS. REV. (Dec. 5, 2023), https://hbr.org/2023/12/ai-is-testing-the-limits-of-corporate-governance; Martin Reeves, Mihnea Moldoveanu & Adam Job, *The Irreplaceable Value of Human Decision-Making in the Age of AI*, HARV. BUS. REV. (Dec. 11, 2024), https://hbr.org/2024/12/the-irreplaceable-value-of-human-decision-making-in-the-age-of-ai?ab=at_art_art_1x4_s01.

analyses. In this respect, the use of AI in this area mirrors its broader adoption across public companies, albeit with sector-specific nuances and innovative adaptations.

For instance, JPMorgan Chase has developed and employed COiN (Contract Intelligence)—an AI platform that rapidly analyzes contracts and complex legal strategies, significantly reducing time and errors. COiN—often cited as a benchmark in AI's application to finance—can assess key contractual clauses, evaluate associated risks, and process 12,000 contracts and legal documents in mere seconds. By leveraging COiN, JPMorgan claims to have saved over 360,000 work hours in a single year, enhancing operational efficiency and substantially reducing associated costs[10].

JPMorgan's success with COiN—together with its use of LOXM for trade execution, IndexGPT for AI-based investment strategies, and other tools for fraud detection and risk modeling—has made the bank a touchstone for AI-driven innovation in finance and demonstrates how AI solutions can transform processes even in heavily regulated sectors[11].

This phenomenon, of course, is not unique to JPMorgan. For example, Goldman Sachs systematically integrates AI into its data analysis processes. Using AI, the firm identifies market opportunities, optimizes trading strategies, and enhances risk management[12].

Financial institutions leverage AI in their operations as extensively as companies such as Walmart or Amazon do it for inventory management, supply chain optimization, and risk mitigation[13].

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[10] *See* John Foley, *JPMorgan Rewrites Laws of Finance – With Some Help*, FIN. TIMES (Oct. 15, 2024), https://www.ft.com/content/2bfaf5f3-09ff-4e5b-a985-994454627518; Hugh Son, *JPMorgan Software Does in Seconds What Took Lawyers 360,000 Hours*, BLOOMBERG (Feb. 28, 2017), https://www.bloomberg.com/news/articles/2017-02-28/jpmorgan-marshals-an-army-of-developers-to-automate-high-finance.

[11] *See Trades and Payments with AI. What's Next?*, HARV. BUS. SCH. DIG. IN. (Nov. 13, 2018), https://d3.harvard.edu/platform-rctom/submission/j-p-morgan-trades-and-payments-with-ai-whats-next/; J. P. Morgan, *Quest IndexGPT: Harnessing Generative AI for Investable Indices*, J.P. MORGAN INSIGHTS (July 22, 2024), https://www.jpmorgan.com/insights/markets/indices/indexgpt; How AI will make payments more efficient and reduce fraud, J.P. MORGAN INSIGHTS (2023), https://www.jpmorgan.com/insights/payments/payments-optimization/ai-payments-efficiency-fraud-reduction.

[12] *See* Sung Cho & Brooke Dane, *Artificial Intelligence: Data Is the Differentiator*, GOLDMAN SACHS ASSET MGMT. (Aug. 16, 2024), https://am.gs.com/it-it/advisors/insights/article/2024/ai-data-is-the-differentiator; Hania Schmidt & Joseph Kogan, *Harnessing the Power of AI to Enhance Investment Decision-Making*, GOLDMAN SACHS ASSET MGMT. (Dec. 2, 2024), https://am.gs.com/en-us/institutions/insights/article/2024/harnessing-the-power-of-ai-to-enhance-investment-decision-making. *See also* William Magnuson, *supra* note 3, at 348 (widely discussing the adoption of AI tools among large financial institutions).

[13] *See* Jayant Palan, *Walmart's Integration of AI, and AR Technologies*, 26 IOSR J. BUS. & MGMT. 36, 36–41 (2024); Rohit Sharma et al., *The Role of Artificial Intelligence in Supply Chain Management: Mapping the Territory*, 60 INT'L J. PROD. RES. 7527 (2022).

No sector remains untouched by AI's growing influence. In the energy industry—to provide additional illustration—firms like BP and Shell use AI to optimize asset performance and predict maintenance needs, which not only reduces costs but also supports ESG-compliant operations[14]. Similarly, in the pharmaceutical industry, companies such as Pfizer and Novartis integrate AI tools into clinical trial design, regulatory reporting, and compliance tracking—enhancing both operational efficiency and governance integrity[15].

For both operating companies—such as Walmart, Shell, and Pfizer—and large institutional investors, the ability to predict and rapidly adapt to shifting market conditions through AI supports a more agile and data-driven approach to governance, enhancing efficiency and mitigating risk.

Another emerging field is RegTech—*i.e.*, regulatory technology—where companies use AI to automate compliance functions such as anti-money laundering checks, insider trading detection, and regulatory filings. This not only reduces the administrative burden on corporate officers but also strengthens oversight and mitigates liability risks[16].

Taken together, these developments signal a clear trend: AI is no longer limited to enhancing operational efficiency—it is also becoming integral to the architecture of corporate governance itself, and increasingly a topic of focus for boards and shareholders[17].

2. AI and Investment Decisions

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[14] *See* Alina Cherepovitsyna, *Artificial Intelligence in the Energy Sector*, in HANDBOOK OF RESEARCH ON ARTIFICIAL INTELLIGENCE, INNOVATION AND ENTREPRENEURSHIP 173 (Elias G. Carayannis & Evangelos Grigoroudis eds., 2023); Kizzy Nkem Elliot & Levi Damingo, *Application of Artificial Intelligence in the Oil and Gas Industry*, 6 INT'L RSCH. J. MOD. IN ENG'G TECH. & Sci. 2582, 2582–88 (2024)

[15] *See* K.K. Mak & M.R. Pichika, *Artificial Intelligence in Drug Development: Present Status and Future Prospects*, 24 DRUG DISCOVERY TODAY 773 (2019); Lalitkumar K. Vora et al., *Artificial Intelligence in Pharmaceutical Technology and Drug Delivery Design*, 15 PHARMACEUTICS 1916 (2023).

[16] Financial Industry Regulatory Authority (FINRA), *AI Applications in the Securities Industry*, FINRA.org, https://www.finra.org/rules-guidance/key-topics/fintech/report/artificial-intelligence-in-the-securities-industry/ai-apps-in-the-industry; Mário Cardoso, Pedro Saleiro & Pedro Bizarro, *LaundroGraph: Self-Supervised Graph Representation Learning for Anti-Money Laundering*, ARXIV.ORG, https://arxiv.org/abs/2210.14360 (Oct. 25, 2022).

[17] Subodh Mishra, *AI in Focus in 2025: Boards and Shareholders Set Their Sights on AI*, HARV. L. SCH. F. ON CORP. GOV. (Apr. 2, 2025), https://corpgov.law.harvard.edu/2025/04/02/ai-in-focus-in-2025-boards-and-shareholders-set-their-sights-on-ai/. The article documents a sharp rise in AI-related governance engagement among public companies: over 31% of S&P 500 companies disclosed some level of board oversight of AI in 2024, and 20% included at least one director with recognized AI expertise. It also reports a surge in shareholder proposals focused on AI, reflecting investors' growing interest in the risks, opportunities, and ethical implications of AI adoption at the corporate level.

Institutional investors and their investment decisions are no exception to these mechanisms. Leveraging AI-based tools, these shareholders have begun adopting approaches in which data analysis provided by AI plays a notable role and may affect both the decision to invest and the decision to divest. On the one hand, AI tools and their analysis may persuade institutional investors to enter sectors they otherwise would not consider. On the other hand, AI can offer effective alternatives to the classic "exit" in responding to management decisions that funds oppose—and in this respect, AI has the potential to suggest forms of activism that challenge traditional strategies. For this reason, AI's potential impact goes beyond efficiency gains and enhanced risk management to potentially altering longstanding dynamics.

The Big Three asset managers—most notably BlackRock—provide a key example. They employ AI to assess various factors in investment decisions, including ESG metrics.

BlackRock's Aladdin platform, one of the most advanced in the industry, uses AI to analyze ESG risks and opportunities on a global scale. With Aladdin's sophisticated analytics, BlackRock's iShares ESG Aware MSCI USA ETF has been able to identify companies with high ESG scores while avoiding controversial sectors such as tobacco and non-renewable energy[18].

State Street, for instance, employs its proprietary R-Factor methodology, which combines ESG data with AI algorithms to evaluate companies' sustainability performance. Funds such as the SPDR S&P 500 ESG ETF leverage this technology to construct portfolios with enhanced sustainability profiles. Other noteworthy examples include UBS's Climate Aware funds—which adopt an investment strategy that rewards companies aligned with the goal of limiting global temperature increases to below 2°C. Similarly, Amundi's AI-Powered Equity ETF uses AI algorithms to analyze large volumes of unstructured data—such as sustainability reports and corporate news—to identify companies with strong ESG practices[19].

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[18] *See* Patrick Stafford, *Technologies Set to Reshape the Financial Realm in 2025 and Beyond*, FIN. TIMES (2025), https://www.ft.com/partnercontent/aladdin-by-blackrock/technologies-set-to-reshape-the-financial-realm-in-2025-and-beyond.html. For a discussion on iShares ESG Aware MSCI USA ETF and the selection of companies with high ESG scores, *see* Dion Lim, *The Best ESG ETFs - Buy Side from WSJ*, WALL ST. J. (2024), https://www.wsj.com/buyside/personal-finance/investing/best-esg-etfs. *See also iShares ESG Aware MSCI USA ETF*, FIN. TIMES (2024), https://markets.ft.com/data/etfs/tearsheet/summary?s=ESGU%3ANMQ%3AUSD. *See also* Larry Fink, *A Fundamental Reshaping of Finance*, BLACKROCK ANNUAL LETTER TO CEOS (2020).

[19] *See State Street ACS Multi-Factor Global ESG Index Equity Fund B2*, FIN. TIMES, https://markets.ft.com/data/funds/tearsheet/summary?s=GB00BJRJFB86%3AGBP; *UBS AM Launches Climate Aware Strategies,* FUNDS EUR. (Sept. 14, 2020), https://funds-europe.com/ubs-am-launches-climate-aware-strategies/; *UBS Life Climate Aware Wld Eq GBP Hdg*, FIN. TIMES,

In sum, AI-based tools allow large investors to integrate novel metrics into decision-making processes, thereby incorporating ethical and sustainability criteria with greater precision as well as creating new opportunities and enabling different approaches.

Certainly, investment decisions—even those of sustainable funds—remain primarily driven by economic and financial considerations[20]. Moreover, ESG-driven investments have often been the subject of controversy, have occasionally failed to meet their goals, and have recently faced a wave of divestment[21].

However, these circumstances do not undermine the argument I present here, which seeks to demonstrate the potential and growing influence of AI in these decision-making processes and, consequently, in the activism of the associated investors. In fact, given the primacy of financial return as a driver, AI enables large financial institutions to expand—both rapidly and cost-effectively—the range of factors they incorporate into their investment priorities. AI algorithms can be designed to optimize for strong financial returns, while also integrating additional criteria such as ESG considerations, among others. In this way, AI makes it possible to calibrate investments that pursue competitive performance while simultaneously addressing broader strategic or normative objectives.

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https://markets.ft.com/data/funds/tearsheet/summary?s=GB00BKY63S20%3AGBP; Amundi Research Center, ARTIFICIAL INTELLIGENCE SOLUTIONS TO SUPPORT ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INTEGRATION IN EMERGING MARKETS (2021), https://research-center.amundi.com/article/artificial-intelligence-solutions-support-environmental-social-and-governance-integration-emerging; Amundi Research Center, ARTIFICIAL INTELLIGENCE AND ESG: HOW DO THEY FIT? (2022), https://research-center.amundi.com/article/artificial-intelligence-and-esg-how-do-they-fit; Emma Boyd, *Investors Weigh If Meetings or Selling Out Most Influences Green Goals*, FIN. TIMES (2024), https://www.ft.com/content/aace1616-f9aa-462d-a72a-486ed3686df5; *Vanguard Says Shareholders Can Vote for Profits Over ESG Issues*, FIN. TIMES (2024), https://www.ft.com/content/f0516b4b-bdc3-4752-84f6-ee1dc9a7baff; *World's Rich Channel More Wealth into Tackling Climate Change*, FIN. TIMES (2024), https://www.ft.com/content/e0d1bd5b-3a0b-428f-a909-8e7638e26c8e.

[20] *See* Andreas G.F. Hoepner, Ioannis Oikonomou, Zacharias Sautner, Laura T. Starks & Xiaoyan Zhou, *ESG Shareholder Engagement and Downside Risk*, 28 REV. FIN. 483, 483–510 (2024); Rob Bauer, Kathrin Gödker, Paul Smeets & Florian Zimmermann, MENTAL MODELS IN FINANCIAL MARKETS: HOW DO EXPERTS REASON ABOUT THE PRICING OF CLIMATE RISK?, IZA Discussion Paper No. 17030 (May 2024), https://ssrn.com/abstract=4849689 or http://dx.doi.org/10.2139/ssrn.4849689; Alex Edmans, Tom Gosling & Dirk Jenter, *Sustainable Investing: Evidence from the Field*, FEB-RN Research Paper No. 18/2024, HKU Jockey Club Enterprise Sustainability Global Research Inst. – Archive, European Corp. Governance Inst. – Fin. Working Paper No. 1028/2024 (Nov. 15, 2024), https://ssrn.com/abstract=4963062 or http://dx.doi.org/10.2139/ssrn.4963062.

[21] *See* Dion Lim, *An ESG Asset Manager Exodus*, WALL ST. J. (2024), https://www.wsj.com/articles/climate-action-100-exodus-j-p-morgan-state-street-blackrock-esg-investing-b78d2a06; Patrick Temple-West & William Schmitt, *Investors Pull Cash from ESG Funds as Performance Lags*, FIN. TIMES (2024), https://www.ft.com/content/cf9001ab-e326-4264-af5e-12b3fbb0ee7b.

3. Expanding AI's Reach in Shareholder Tools and Consulting Functions

Beyond investment strategies—and irrespective of the ongoing debates surrounding ESG's long-term efficacy—AI platforms are already being employed in areas such as consulting and auditing, which are integral to investment decisions.

Although the deployment of AI across industries and functions lies somewhat beyond the immediate scope of this paper, a few illustrative examples help to contextualize AI's growing influence and potential—particularly as a prelude to examining its effects on shareholder activism, especially for small investors.

For example, KPMG's Clara platform optimizes audit processes and enhances compliance by providing boards with real-time data on financial health, internal controls, and risk management[22].

Similarly, Deloitte's Omnia suite leverages AI to automate audit testing, flag anomalies, and streamline workflows across vast datasets—enabling auditors to focus on high-risk areas and strategic insights[23]. Ernst & Young (EY) has introduced Canvas AI, which incorporates natural language processing and machine learning to review large volumes of contracts and financial documents, improving audit accuracy and transparency[24].

More generally, AI-powered analytics are being integrated across a wide range of services—from algorithmic scanning of financials, board records, and ESG data to scenario modeling, objectives identification, and the generation of strategic predictions and recommendations[25]. These tools are not merely enhancing decision-making and operational efficiency; they are beginning to reshape how companies are evaluated, monitored, and held accountable by investors and advisors alike.

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[22] *See* Mark Maurer, *KPMG Plans $2 Billion Investment in AI and Cloud Services*, WALL ST. J. (July 11, 2023), https://www.wsj.com/articles/kpmg-plans-2-billion-investment-in-ai-and-cloud-services-e4fd0dd5; Larry Bradley, *KPMG Announces AI Integration into Global Smart Audit Platform*, *KPMG Clara*, KPMG PRESS RELEASE (2024), https://kpmg.com/xx/en/media/press-releases/2024/07/kpmg-announces-ai-integration-into-global-smart-audit-platform-kpmg-clara.html.

[23] *See* Chris Griffin, *Questions About Implementing GenAI? Deloitte Provides Insights from Its Own AI Journey*, DELOITTE (Nov. 13, 2024), https://www2.deloitte.com/us/en/blog/technology/2024/questions-about-implementing-genai.html; James Booth, *Deloitte Triples Number of Auditors Using AI Chatbot*, FIN. NEWS (Apr. 8, 2025), https://www.fnlondon.com/articles/deloitte-triples-number-of-auditors-using-ai-chatbot-42086859.

[24] *See* Dante D'Egidio, Natalie Deak Jaros & Cale Whittington, *EY Canvas: Our Global Audit Platform*, EY, https://www.ey.com/en_us/services/audit/technology/canvas.

[25] *See* Cary Coglianese & David Lehr, *Regulating by Robot: Administrative Decision Making in the Machine Learning Era*, 105 GEO. L.J. 1147, 1170–76 (2017) (discussing AI's use in predictive analytics and decision automation).

Put another way, AI's influence could extend well beyond the realm of decision-making efficiency, shaping strategic priorities that influence activism and governance. And it is precisely in the domain of shareholder activism that AI may reveal some of its most intriguing—yet still largely unexplored—potential.

III. AI, IDENTITY-DRIVEN ACTIVISM, AND EMPOWERMENT OF THE NEXT GENERATION

A. NOTES ON DYNAMICS AND CONSTRAINTS OF SHAREHOLDER ACTIVISM

1. Traditional Shareholder Activism: Constraints, Elitism, and Strategic Barriers

As is well known, shareholder activism generally refers to the efforts of equity holders to influence a company's behavior by exercising their rights as owners. This influence may be exerted through informal dialogue, public campaigns, shareholder proposals, or contested proxy fights. While activism can take many forms—ranging from calls for strategic realignment to proposals for board refreshment or improved ESG performance—it is typically distinguished by its adversarial posture and its ambition to alter the status quo of corporate governance[26].

It is well documented how, historically, shareholder activism has been the domain of well-capitalized hedge funds or institutional investors, often characterized by short-termism and driven by financial motives. Classic activist strategies included pushing for divestitures, balance sheet optimization, and cost-cutting measures aimed at boosting stock prices in the near term. These efforts, while sometimes effective in unlocking value, have drawn criticism for eroding long-term stakeholder commitments and prioritizing market gains over sustainable corporate performance[27].

Despite its visibility, activism has long been constrained by structural and behavioral barriers: dispersed ownership, coordination problems, and the collective action dilemma often inhibit retail investors from meaningfully participating. Free-rider problems and rational apathy—rooted in the costs of monitoring and the

[26] *See* Lucian Bebchuk, Alon Brav & Wei Jiang, *The Long-Term Effects of Hedge Fund Activism*, 115 COLUM. L. REV. 1085 (2015); Ronald J. Gilson & Jeffrey N. Gordon, *The Agency Costs of Agency Capitalism: Activist Investors and the Revaluation of Governance Rights*, 113 COLUM. L. REV. 863 (2013); John C. Coffee Jr. & Darius Palia, *The Wolf at the Door: The Impact of Hedge Fund Activism on Corporate Governance*, 41 J. CORP. L. 545 (2016).

[27] *See* Strine, *supra* note 7; Marcel Kahan & Edward B. Rock, *Hedge Funds in Corporate Governance and Corporate Control*, 155 U. PA. L. REV. 1021 (2007); Roberta Romano, *Less is More: Making Institutional Investor Activism a Valuable Mechanism of Corporate Governance*, 18 YALE J. REG. 174 (2001).

perceived futility of individual action—compound these obstacles. Even among institutional players, regulatory uncertainty and reputational risk frequently temper the willingness to engage assertively[28].

Furthermore, activist campaigns can be highly resource-intensive, requiring legal expertise, market research, and substantial financial backing. As a result, participation in activism has historically been limited to actors with significant scale and access to specialized tools and networks. This dynamic has preserved a degree of elitism in corporate governance, leaving smaller or retail shareholders marginalized from key decisions affecting the direction of firms in which they are invested[29].

Nonetheless, shareholder activism plays an important role in the corporate governance ecosystem. By introducing external scrutiny and challenging managerial entrenchment, activism can enhance accountability, catalyze reform, and align company strategy with evolving market or societal expectations. It is particularly potent in environments where other checks—such as regulatory oversight or board independence—may be insufficient[30].

Activist investors have, at times, succeeded in driving changes that would have been unlikely to emerge through traditional governance channels—including improved capital allocation and corporate governance enhancements. Accordingly, activism, despite its flaws, remains a vital—if controversial—mechanism for shareholder influence[31].

Over the past two decades, shareholder activism has evolved significantly. Campaigns have grown in number and sophistication, with activists increasingly collaborating with proxy advisors and leveraging media narratives[32].

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[28] *See* Bernard S. Black, *Shareholder Passivity Reexamined*, 89 MICH. L. REV. 520 (1990); Mark J. Roe, *Corporate Short-Termism—In the Boardroom and in the Courtroom*, 68 BUS. LAW. 977 (2013). *See generally*, Frank H. Easterbrook & Daniel R. Fischel, THE ECONOMIC STRUCTURE OF CORPORATE LAW (1996).

[29] *See* Edward B. Rock, *Institutional Investors in Corporate Governance*, in THE OXFORD HANDBOOK OF CORPORATE LAW AND GOVERNANCE (2015); John Armour & Brian R. Cheffins, *The Past, Present, and Future of Shareholder Activism by Hedge Funds*, 37 J. CORP. L. 51 (2011); Jill Fisch, *The Destructive Ambiguity of Federal Proxy Access*, 61 EMORY L.J. 435 (2012).

[30] *See* Bebchuk, Brav & Jiang, *supra* note 26; Gilson & Gordon, *supra* note 26; Ian Appel, Todd A. Gormley & Donald B. Keim, *Passive Investors, Not Passive Owners*, 121 J. FIN. ECON. 111 (2016).

[31] *See* Alon Brav et al., *Hedge Fund Activism, Corporate Governance, and Firm Performance*, 63 J. FIN. 1729 (2008); David F. Larcker & Brian Tayan, CORPORATE GOVERNANCE MATTERS: A CLOSER LOOK AT ORGANIZATIONAL CHOICES AND THEIR CONSEQUENCES (3d ed. 2020); Lucian Bebchuk & Scott Hirst, *Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy*, 119 COLUM. L. REV. 2029 (2019).

[32] *See* Ryan Bubb & Emiliano M. Catan, *The Party Structure of Mutual Funds*, 35 REV. FIN. STUD. 2839 (2022).

At the same time, institutional investors—once reluctant to challenge management—have become more active, if selectively so. BlackRock, Vanguard, and State Street have developed stewardship teams and voting guidelines that signal a growing awareness of investor influence on corporate purpose. Yet these evolutions remain uneven, and many retail investors continue to be sidelined in the governance conversation[33].

Against this backdrop, AI offers a novel pathway to reinvigorate shareholder activism, potentially expanding its reach beyond traditional actors and enabling new forms of activism. AI's capacity to aggregate data, identify actionable opportunities, and streamline campaign strategy could reduce costs, democratize access, and empower new participants—including values-driven retail investors and emerging generational voices[34].

2. Institutional Consolidation: AI in the Shadow of Ownership Concentration

Nevertheless, in evaluating AI's role in activism, a broader transformation already underway should also be considered: the consolidation of shareholder power among a small number of institutional giants. Stated differently, the impact of AI is unfolding against the backdrop of deeper structural changes that, according to some, have already reshaped the traditionally limited activism of large investors. Combined with a rising trend of private equity firms taking companies private, these developments are transforming market dynamics and corporate governance. From this perspective, the effect is a growing trend toward large investors' intrusion in corporate management and a reduction in public accountability. This phenomenon and its consequences have been investigated in a recent work by John Coates and compellingly termed "the problem of twelve" [35].

In this view, the traditionally passive role of large institutional investors is giving way to a more active—and, in some cases, interventionist—stance. This purported shift is attributed to changes in ownership structures, with the new landscape now presenting only a few dominant players—most notably BlackRock, State Street, and Vanguard—that manage enormous investments and own significant stock in virtually all public companies. As a result, they effectively wield—and, as Coates suggests,

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[33] *See* Jill E. Fisch, *The Uncertain Stewardship Potential of Index Funds*, GLOBAL SHAREHOLDER STEWARDSHIP (Dionysia Katelouzou & Dan W. Puchniak eds., Cambridge Univ. Press 2022); Edward Rock, *The Logic and (Uncertain) Significance of Institutional Investor Voice*, 79 Geo. Wash. L. Rev. 445 (1991). Evidence can also be found in the Vanguard Investment Stewardship Reports (2021–2023) as well as BlackRock Stewardship Annual Reports.

[34] *See* Coglianese & Lehr, *supra* note 25.

[35] *See* John Coates, THE PROBLEM OF TWELVE: WHEN A FEW FINANCIAL INSTITUTIONS CONTROL EVERYTHING (2023).

exercise—unprecedented lobbying power that significantly influences management decisions. At the same time, private equity (PE) firms, by taking companies private—whether to effect a bust-up or a round trip—remove them from public accountability, despite the size and importance of these companies to workers and communities[36].

Against this backdrop, the potential impact of AI on shareholder activism must be assessed with caution. In other words, the boost provided by AI to shareholder activism might be diluted within this broader trend or should at least be analyzed within this new scenario.

That said, this scholarship's conclusions are not without controversy. It can be argued that the Big Three— or other similarly large asset managers—rarely intervene in the management of a company they have invested in unless that company faces significant market value losses or fails to distribute profits without valid justification.

Empirical evidence supports this critique: the Big Three have consistently supported management in proxy contests, showing low levels of support for dissident campaigns and shareholder activism more broadly. Despite their expanding ownership influence, their voting behavior remains largely passive, with a marked tendency to align with management—revealing a persistent bias toward the *status quo*[37].

Moreover, the Big Three have shown a tendency to shift with the political winds. Their approach to ESG, for example, has notably evolved in recent years, as ESG considerations have become increasingly politicized and unpopular in U.S. capital markets. BlackRock CEO Larry Fink has publicly distanced himself from the term "ESG," acknowledging its weaponization in public discourse, and both BlackRock

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[36] *Id*.

[37] This pattern is often criticized as a failure of stewardship, raising concerns about whether such concentrated power is being exercised in a way that promotes accountability or long-term value creation. *See* Lucián A. Bebchuk & Scott Hirst, *The Power of the Big Three and Why It Matters*, 102 B.U. L. REV. 1547, 1587-91 (2022) (contending that BlackRock, Vanguard, and State Street overwhelmingly support management in proxy voting and rarely side with dissidents); Dhruv Aggarwal, Lubomir P. Litov & Shivaram Rajgopal, *Big Three (Dis)Engagements* (Nw. L. & Econ. Res. Paper No. 23-17, 2023), https://www.shareholderforum.com/access/Library/20230900_Aggrawal-Litov-Rajgopal.pdf (showing that the Big Three maintain high levels of alignment with corporate managers in contested proxy votes despite public rhetoric on stewardship); Alon Brav et al., *Shareholder Monitoring Through Voting: New Evidence from Proxy Contests*, 37 REV. FIN. STUD. 591, 608 (2024), (providing empirical evidence that Big Three index funds rarely vote against incumbents in proxy contests, even when activism may enhance value); Dorothy S. Lund, *The Past, Present, and Future of Proxy Voting Choice* (2025), https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5089987 (highlighting Big Three's consistent support for corporate management) John M. McInnis, Brian Monsen, Laura T. Starks & Nathan D. Herrmann, *Decentralizing Proxy Voting Power* (2024), https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5007107 (analyzing legislative reforms like the INDEX Act aimed at reducing the Big Three's dominant voting influence due to their pro-management bias).

and Vanguard have significantly reduced their support for ESG-related shareholder proposals[38].

Regardless of whether Coates's thesis ultimately proves correct, the broader point remains: the validity of the argument I advance in this paper does not depend on that structural outcome. This is because the most intriguing and potentially transformative role of AI in shareholder activism lies with small investors and millennial shareholders—a focus I explore in the following section.

In any case, it is beyond dispute that even among sophisticated investors, AI is becoming a key driver of the strategic changes likely to define the next decade.

Indeed, in this emerging landscape, AI may prove to be not only a tool of optimization but a force multiplier—enhancing the strategic reach of dominant actors while subtly redrawing the contours of corporate accountability.

B. AI, MILLENNIALS, AND THE STRATEGIC REIMAGINING OF SHAREHOLDER ACTIVISM

1. Generational Priorities, Technological Fluency, and Identity-Driven Activism

I now turn to the core focus of this paper: one of the potentially most significant implications for shareholder activism—namely, the novel and intriguing opportunities that AI may unlock for relatively small investors. Within the broader argument of this work, this development stands out as one of the most compelling and potentially transformative aspects of AI's impact on corporate governance.

AI is not only enhancing the strategic capabilities of large institutional investors—such as BlackRock, Vanguard, and State Street—but may also open new pathways for smaller, values-driven investors to exert meaningful influence.

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[38] *See* Cheyenne Ligon, *Blackrock CEO Larry Fink Says He No Longer Uses Term "ESG": "It's Been Totally Weaponized"*, PENSIONS & INVESTMENTS (June 26, 2023), https://www.pionline.com/esg/blackrock-ceo-larry-fink-says-he-no-longer-uses-term-esg; Larry Fink, *Larry Fink's 2024 Letter to CEOs: Time to Rethink Retirement*, BLACKROCK (Mar. 2024), https://www.blackrock.com/corporate/investor-relations/larry-fink-annual-chairmans-letter; Jon McGowan, *BlackRock's Fink Calls for "Energy Pragmatism," Omits ESG from Annual Letter*, FORBES (Mar. 27, 2024), https://www.forbes.com/sites/jonmcgowan/2024/03/27/blackrocks-fink-calls-for-energy-pragmatism-omits-esg-from-annual-letter/ (noting that BlackRock CEO Larry Fink avoided using the term "ESG" in his 2024 annual letter, acknowledging that the term had been "weaponized" and had become politically divisive in the U.S.). *See also* Cheyenne Ligon, *BlackRock Voted Against a Record 91% of All Shareholder Proposals in 2023 Proxy Season*, PENSIONS & INVESTMENTS (Aug. 23, 2023), https://www.pionline.com/esg/blackrock-voted-against-record-91-shareholder-proposals-2023-proxy-season (noting BlackRock's decreased support for environmental and social proposals during the 2023 proxy season).

Put another way, AI's potential holds particular significance for investors led by, attracting, or aligning with younger cohorts—especially Gen Z and Millennials. These generations often champion causes like sustainability, diversity, and corporate ethics; and AI may substantially increase the likelihood of success for initiatives grounded in these values.

The distinctive interplay among AI's analytical capacities, the normative priorities of younger generations, and their technological fluency may constitute the foundation of a powerful emerging trend—a unique combination of three factors that may empower Gen Z and Millennials in corporate governance and financial markets as never before. AI can help surface campaigns that are both personally resonant and broadly actionable, thereby facilitating a new form of identity-driven activism rooted in emerging values but enhanced by data, speed, and precision.

In this light, AI offers the tools to elevate these generational values from personal preferences into scalable, strategic interventions. Indeed, the coordinated actions and communications that may result among traditionally disaggregated shareholders—enabled by the strategic use of AI tools—have the potential to give rise to a completely novel form of shareholder activism[39].

Importantly, it is worth noting that, by leveraging AI tools, small investors can monitor—usually on a real-time basis—corporate performance and assess commitments not only to ESG values, but also to a range of other causes. In fact, this potential is not limited to ESG initiatives. AI has already been used to support grassroots shareholder mobilization around so-called "meme stocks,"[40] and could just as easily be deployed to aggregate otherwise disaggregated shareholders around virtually any "issue of the day"—including positions in favor of, or in opposition to, companies that support particular political candidates or social causes. AI enables

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[39] Of course, such coordinated actions and communications must comply with applicable regulations, and the possibility that shareholder coordination using AI tools could trigger group status—and thereby implicate disclosure obligations under Section 13(d) of the Securities Exchange Act of 1934—is a non-trivial issue. However, questions and considerations related to this point lie beyond the scope of this paper. *See generally* Lucian A. Bebchuk & Robert J. Jackson, Jr., *The Law and Economics of Blockholder Disclosure*, 2 HARV. BUS. L. REV. 39, 53–55 (2012) (discussing the scope and enforcement of group formation under Section 13(d)); Ulf von Lilienfeld-Toal & Jan Schnitzler, *The Anatomy of Block Accumulations by Activist Shareholders*, 62 J. CORP. Fin. 101620 (2020) (analyzing block acquisitions and their implications for Section 13(d) disclosures).

[40] *See* Sergio Alberto Gramitto Ricci & Christina M. Sautter, *Corporate Governance Gaming: The Collective Power of Retail Investors*, 22 NEV. L.J. 51 (2021) (discussing how new generations of retail investors utilize technologies and online forums to coordinate actions, exemplified by the GameStop saga and meme stock phenomenon). *See also* Jill E. Fisch, *GameStop and the Reemergence of the Retail Investor*, 102 B.U.L. REV. 1799 (2022); Dhruv Aggarwal, Albert H. Choi & Yoon-Ho Alex Lee, *The Meme Stock Frenzy: Origins and Implications*, 96 S. CAL. L. REV. 1387 (2024) (analyzing the structural digital transformations in trading and investing that contributed to the emergence of meme stocks and their impact on corporate governance).

these investors to develop timely and informed strategies, based on the analysis of vast amounts of complex data, thereby aligning their investment decisions with their objectives, whatever those may be.

In short, AI platforms possess the capacity to perform accurate predictive analyses, process and index data in real time, and significantly reduce costs. These capabilities could empower the aggregation of individual preferences and amplify the collective voice of small investors. AI's ability to identify trends, predict achievable goals, and guide actionable strategies might unlock the latent potential of small shareholders in ways previously unthinkable. Notably, this argument remains unaffected by the ongoing challenges facing ESG investments for two reasons. First, AI can transcend these hurdles by identifying common threads, reducing costs, and crafting actionable strategies—regardless of the specific cause or agenda pursued. Second, as discussed, AI's potential to aggregate traditionally disaggregated shareholders can operate across a wide spectrum of generational priorities, not just ESG.

The implications of these advancements could be profound, as they have the potential to reshape traditional power dynamics in corporate governance. By identifying shared objectives that align with the next generation's agenda, AI can unite individuals who would otherwise remain disaggregated and passive[41]. Furthermore, AI reduces costs and saves time, empowering unstructured investors, whose resources and tools differ significantly from those of large institutional players[42]. This allows them to adopt activist strategies that meaningfully amplify their influence.

In this sense, AI introduces a new player into shareholder activism—one capable of exerting substantive influence on board decisions.

For instance, a group of young investors might leverage AI to advocate for more inclusive corporate policies or to promote climate strategies aligned with their values. These avenues, previously inaccessible due to cost and logistical barriers, could reveal unprecedented opportunities for impactful activism. Millennials, through this

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[41] *See* Bilal Hafeez, M. Humayun Kabir & Unyanee Wongchoti, *Are Retail Investors Really Passive? Shareholder Activism in the Digital Age*, 49 J. BUS. FIN. & ACCT. 423 (2022) (discussing the use of digital tools by small investors to influence corporate decisions).

[42] *See* Ilya Ivaninskiy, Irina Ivashkovskaya & Joseph A. McCahery, *Does Digitalization Mitigate or Intensify the Principal-Agent Conflict in a Firm?*, 25 J. MANAG. & GOV. 1 (2021) (discussing the mitigation of principal-agent conflicts through digital innovation in corporate governance). The empowerment of unstructured investors and the reduction of the influence gap between individual and institutional investors is highlighted in Cavé, Hearon & O'Brien, *supra* note 7; Nur Uysal, *Resolved: Exploring the Role of Dialogic Engagement in Shareholder Activism for Diversity, Equity, and Inclusion*, 35 J. PUB. RELAT. RES. 36 (2023). *See also* Zhibin Wang & Zelei Li, *Does Minority Shareholder Activism Enhance Corporate Innovation? Evidence from China*, 54 FIN. RES. LETT. 1 (2023); Kevin Chuah, Mark R. DesJardine, Maria L. Goranova & Witold J. Henisz, *Shareholder Activism Research: A System-Level View,* 18 ACAD. MANAG. ANN. 18 (2023).

technological empowerment, may not only participate in the market but also position themselves as strategic players within it. Their influence should not be prematurely dismissed as a fleeting trend or negligible phenomenon. Instead, it represents a potentially meaningful innovation in the traditional dynamics of shareholder activism.

2. The Case of Engine No. 1

The Engine No. 1 campaign against ExxonMobil—widely regarded as a surprise victory—serves as a powerful case in point: while not AI-driven, it illustrates the kind of identity-aligned activism that AI could help support or scale in future scenarios.

As is well known, in 2021, the small hedge fund Engine No. 1 launched a proxy campaign and succeeded in securing three seats on ExxonMobil's board, despite holding only a minimal fraction of the company's shares (approximately $40 million worth of ExxonMobil stock, representing about 0.02% of the company's outstanding shares)[43].

This achievement was largely the result of a carefully designed strategy that—amid significant financial losses experienced by ExxonMobil—leveraged concerns over unsustainable corporate practices, with a particular focus on ESG principles, and successfully garnered widespread support[44]. Through well-targeted arguments and data-rich analyses—though not specifically enabled by AI—Engine No. 1 managed to influence major institutional investors like BlackRock, convincing them to support its claims.

The case marked a significant shift in how generationally sensitive topics can shape corporate agendas and gain support: a hedge fund virtually unknown before the campaign successfully leveraged a sustainability issue to challenge management and install directors on ExxonMobil's board—with backing from the Big Three.

It is true that the campaign—although centered on environmental concerns—benefited from widespread dissatisfaction with ExxonMobil's financial performance

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[43] *See* Robert P. Bartlett III & Ryan Bubb, *Corporate Social Responsibility Through Shareholder Governance*, 97 S. CAL. L. REV. 417 (2024) (discussing the Engine No. 1 case); Stuart Gillan & Laura T. Starks, *Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: A Global Perspective*, 13(2) J. APPLIED CORP. FIN. 4, 4–22 (2021); Alexander I. Platt, *Beyond "Market Transparency": Investor Disclosure and Corporate Governance*, 74 STAN. L. REV. 1393, 1439 (2022).

[44] *See* Matt Phillips, *Exxon's Board Defeat Signals the Rise of Social-Good Activists*, N.Y. TIMES (June 9, 2021) https://www.nytimes.com/2021/06/09/business/exxon-mobil-engine-no1-activist.html. *See also* Robert G. Eccles & Svetlana Klimenko, *The Investor Revolution*, HARV. BUS. REV. (May 2019), https://hbr.org/2019/05/the-investor-revolution (discussing how institutional investors and proxy advisors are influenced by ESG issues, often supported by advanced technologies); Geeyoung Min, *Shareholder Direct Democracy*, 74 EMORY L. J. 381, 395-96 (2024). *See generally* Lucian A. Bebchuk & Scott Hirst, *Private Ordering and the Proxy Access Debate*, 65(2) BUS. LAW. 329, 329–360 (2021).

in the preceding period[45]. However, this context does not detract from the argument: generational values can act as a powerful catalyst for new proxy campaigns, and AI can act as an empowering tool for a new generation of investors.

More than a one-off, this campaign highlights how activism—when it aligns with both investor values and institutional leverage—can breach traditional barriers to influence. Against this backdrop, AI can help overcome the limitations that have traditionally hindered effective proxy campaigns by groups that once viewed such endeavors as virtually unattainable.

In this sense, AI and its new potential for shareholder activism can also help to mitigate the longstanding skepticism that major investors often harbor toward insurgent campaigns[46]—a dynamic exemplified by BlackRock's decision to back Engine No. 1's efforts.

Simply put, beyond the specific reasons or circumstances underlying this case, the unique combination it reveals is not necessarily episodic. The technological proficiency of this generation, its values and commitment to promoting them decisively, the potential of AI in financial markets, the attention of major funds and proxy advisors—along with contingent opportunities and factors—may create a new dynamic in corporate governance and herald a novel form of generational activism[47].

C. Unlocking Potential: AI, Small Investors, and the Challenge of Shareholder Apathy

While the potential of AI to empower smaller investors and reshape activism is compelling, some skepticism is warranted as to whether these new possibilities can truly overcome the shareholder apathy that has traditionally defined shareholder engagement.

To begin with, as is well known, the concept of shareholder apathy—where individual shareholders, particularly smaller ones, often refrain from active participation due to perceived inefficacy or high costs—has historically been a

[45] *See* Mark Kramer, Shawn A. Cole, & Vikram Gandhi, *ESG Activists Met the Moment at ExxonMobil, But Did They Succeed?* HARV. BUS. SCH. (February 16, 2023), https://www.library.hbs.edu/working-knowledge/esg-activists-met-the-moment-at-exxon-mobil-but-did-they-succeed?utm.

[46] *See* Bebchuk, Brav & Jiang, et al., supra note 26, at 1085–1156 (2015).

[47] *See* Colin Mayer, PROSPERITY: BETTER BUSINESS MAKES THE GREATER GOOD 125–45, 215–35, 280–90 (2018) (discussing a direct connection between generational changes, social and environmental pressures, and the adoption of technological tools to transform capitalism into a more sustainable and inclusive system).

defining characteristic of corporate governance. This apathy stems from the separation between ownership and control in large corporations[48].

A vast literature attributes this phenomenon to rational disincentives: individual shareholders have little incentive to bear the costs of monitoring or participation, given their minimal influence over corporate outcomes[49].

From this viewpoint, even with AI's promise to lower entry barriers, it remains uncertain whether technological tools can reverse the entrenched rationales for passivity—such as the tendency of dispersed shareholders to free ride on others' efforts or the widespread perception that individual votes carry little weight.[50].

Studies demonstrate that retail shareholder participation correlates positively with ownership size and potential benefits, and negatively with participation costs. However, even shareholders with minimal influence tend to vote against management in underperforming firms—suggesting that, in such cases, their motivations are not purely financial but also rooted in oversight concerns. In essence, they might actively use their voting rights to monitor and communicate with boards[51]. This pattern indicates that shareholders are more likely to vote when the underlying issue is personally or normatively salient[52].

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[48] As described in the seminal works of Berle and Means—Adolf A. Berle & Gardiner C. Means, THE MODERN CORPORATION AND PRIVATE PROPERTY 4-33 (1932).

[49] *See* Frank H. Easterbrook & Daniel R. Fischel, *supra* note 28, at 66–70 (1996) (explaining that shareholders are rationally apathetic because the expected benefit of active participation is outweighed by its costs); Lucian Bebchuk, *The Case for Shareholder Access to the Ballot*, 59 BUS. LAW. 43 (2003) (arguing that structural barriers and rational apathy undermine shareholder participation and accountability); Jill E. Fisch, Assaf Hamdani & Steven Davidoff Solomon, *The New Titans of Wall Street*: *A Theoretical Framework for Passive Investors*, 168 U. PA. L. REV. 17, 23–26 (2019) (noting that individual investors tend to remain passive, especially relative to institutional investors).

[50] *See* John C. Coffee Jr., *Liquidity Versus Control: The Institutional Investor as Corporate Monitor*, 91 COLUM. L. REV. 1277 (1991) (exploring the dynamics of shareholder monitoring and the limitations faced by smaller investors). *See also* Stephen M. Bainbridge, *Shareholder Activism and Institutional Investor Capitalism*, 05-20 UCLA School of Law, Law-Econ Research Paper 14 (September 2005) (discussing the free-rider problem and shareholder apathy in the context of modern governance); Dorothy S. Lund, *The Case Against Passive Shareholder Voting*, 43 J. CORP. L. 493 (2018) (criticizing the passive nature of institutional voting, thereby indirectly emphasizing the importance of active participation).

[51] *See* Alon Brav, Matthew D. Cain & Jonathon Zytnick, *Retail Shareholder Participation in the Proxy Process: Monitoring, Engagement, and Voting*, 144 J. FIN. ECON. 492 (2022).

[52] The 2024 proxy contest between The Walt Disney Company and Nelson Peltz's Trian Partners is emblematic in this respect. As widely reported, in an effort to secure a board seat, Peltz launched a campaign under the name "Restore the Magic," criticizing Disney's strategic direction, cost structure, and executive leadership. Disney responded with a comprehensive and sophisticated communications strategy to mobilize shareholder support. The company's campaign included social media outreach, a dedicated investor relations website, and endorsements from prominent stakeholders—ultimately defeating the insurgent bid. *See* Brooks Barnes, *Disney Fends Off Activist Investor for Second Time in*

In this respect, AI tools may assist by identifying and amplifying both the importance of such issues and the perceived significance of casting a vote—thereby empowering shareholders through the mechanisms discussed above. Simply put, AI has the potential to make it much easier for investors to have influence, which in turn may make them more likely to vote[53].

In addition to economic rationales, behavioral economics provides further insight. Research suggests that even when tools are readily available, cognitive biases—combined with time constraints, information overload, and lack of confidence or expertise—often discourage active participation by individual investors. Whether AI can meaningfully overcome these psychological and systemic barriers remains an open question[54]. Nevertheless, in light of the mechanisms described above, there is reason for cautious optimism.

A further objection may be raised regarding AI's potential to engage small stockholders: traditional activism has often been dominated by institutional players with significant resources, leaving smaller shareholders in a marginal role, despite AI's potential to level the playing field[55]. Critics might argue that, without structural reforms to the corporate voting system, enhanced proxy processes, or regulatory shifts, the transformation AI could bring to shareholder activism may remain

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2 Years, N.Y. TIMES (Apr. 3, 2024) https://www.nytimes.com/2024/04/03/business/disney-peltz-trian-proxy-vote.html; Andrew Ross Sorkin et al., *The Takeaways From Disney's Board Fight with Nelson Peltz*, N.Y. TIMES (Apr. 4, 2024) https://www.nytimes.com/2024/04/04/business/disney-iger-peltz-proxy-battle.html; Alex Sherman, Rohan Goswami & Sarah Whitten, *Disney Wins Proxy Fight Against Activist Investor Nelson Peltz, as Shareholders Reelect Full Board*, CNBC (Apr. 3, 2024) https://www.cnbc.com/2024/04/03/disney-annual-meeting-shareholders-vote-on-nelson-peltz-and-bob-iger.html. The contest highlighted how widespread individual investor participation—enabled in part by improved access to information and strategic messaging—has become increasingly influential in board elections.

[53] *See* Taha Havakor et al., *Tech-Enabled Financial Data Access, Retail Investors, and Gambling-Like Behavior in the Stock Market*, 71 MGMT. SCI. 1646 (2025); He He, Laurence Jones, Yun Lu & Adrian Gepp, *Technology-Enabled Innovation in Financial Markets and Retail Investors: A Systematic Literature Review* (2024), https://ssrn.com/abstract=4953621 (reviewing literature on how digital technologies—such as the Internet, mobile platforms, and social media—have reshaped retail investor behavior and increased their influence in financial markets).

[54] *See* Oliver Hart & Luigi Zingales, *Companies Should Maximize Shareholder Welfare Not Market Value,* 2 J. L. FIN. & ACCT.1 (2017) (discussing shareholder preferences and the challenges of aligning activism with broader goals like ESG). *See also* Kobi Kastiel & Yaron Nili, *In Search of the "Absent" Shareholders: A New Solution to Retail Investors' Apathy*, 41 DEL. J. CORP. L. 55 (2016).

[55] *See* Luca Enriques & Alessandro Romano, *Institutional Investor Voting Behavior: A Network Theory Perspective*, 2019(1) U. ILL. L. REV., 223 (2019) (investigating the impact of institutional investors' voting behavior and how networks might shape activism); Armour & Cheffins, *supra* note 29, at 51 (describing historical trends and the evolving landscape of shareholder activism as well as providing context for the role of smaller investors).

incremental rather than revolutionary—that is, limited in scope and insufficient to overcome the entrenched norms of passivity[56].

Finally, it is possible that some of those skeptical of a fundamental shift in activism—and, more broadly, of the reduced public accountability of large corporations and capitalism itself, as described by Coates in his abovementioned work—might downplay the prospective transformative impact of AI in generational activism. At the very least, such critics are likely to remain cautious about predicting structural and lasting changes.

That said, even while aligning with skeptics regarding Coates's broader predictions of activism's transformation, I contend that the potential of AI for smaller investors remains both significant and underexplored. AI offers tools that not only reduce costs and barriers but also enable new forms of engagement for actors who have traditionally been sidelined in corporate governance—particularly when they succeed in securing institutional support for their value-driven campaigns.

These tools democratize access to data, facilitating the aggregation of preferences, the identification of actionable goals, and the timely mobilization of resources[57]. In essence, AI might empower smaller investors to move beyond passivity, transforming them into strategic participants capable of garnering support from large funds and, ultimately, influencing corporate decision-making.

I argue that this empowerment is not merely theoretical but holds tangible potential. AI's predictive analytics and real-time data capabilities allow small investors to detect trends and align their strategies with broader movements or values, regardless of whether these are rooted in financial efficiency, sustainability, or other priorities. Such alignment may not only amplify their individual influence but also foster collaboration among like-minded shareholders—thereby serving as a catalyst for coordinated action. The result might be a collective force that has the potential, in time, to challenge traditional power dynamics, making smaller investors meaningful players in shareholder activism.

This remains true as long as younger generations maintain their focus on their priorities and integrate them into market practices. Put differently, as long as these investors view activism not merely as a pursuit of financial returns but as a means of aligning corporate behavior with their identity-driven values and societal priorities, this form of identity-driven activism has the potential to overcome, at least in part, the traditional challenges faced by small investors.

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[56] *See* infra Part IV.B (discussing empirical evidence relevant to this point).

[57] *See also* Michael Hilb, *Toward Artificial Governance? The Role of Artificial Intelligence in Shaping the Future of Corporate Governance*, 24 J. MGMT. & GOVERNANCE 851 (2020); Martin Petrin, *The Impact of AI and New Technologies on Corporate Governance and Regulation*, 2024 SING. J. LEGAL STUD. 90 (2024).

D. Features and Challenges of AI-Enabled Identity-Driven Activism

1. Value Alignment, Strategic Targeting, and Campaign Design

Building on the intersection of AI's capabilities and the sociological priorities of younger generations, I now turn to outline the defining characteristics that this novel phenomenon in shareholder engagement—AI-enabled identity-driven activism—may assume. Naturally, this section explores the potential contours of such a development, while the following part of the paper examines whether empirical data support its actual emergence. Accordingly, the features discussed here should be understood as prospective rather than established.

As previously discussed, identity-driven activism is rooted, first and foremost, in the distinctive values of millennials and Gen Z, who prioritize causes such as environmental sustainability, diversity, equity, and corporate ethics. Put differently, for these investors, the focus often extends beyond financial returns, centering instead on aligning corporate behavior with deeply held societal priorities and generational values.

A brief sociological observation supports the argument: unlike previous generations, millennials often seek more than purely financial returns. They frequently demand that their investments—and their consumption habits— reflect personal and ethical commitments, such as combating climate change or advocating for minority rights[58].

AI has the potential to empower this transformation by turning these preferences into actionable strategies, lowering the barriers to traditional proxy mechanisms. In doing so, it sets the stage—at least potentially—for a new paradigm of generational activism. This dynamic holds true for the pursuit of any value-aligned causes that resonates deeply with this generation.

If such a form of activism emerges, it will likely revolve around values bearing these generational characteristics.

Moreover, as discussed, this identity-driven engagement would be powered by AI, which may serve a dual function: both as an analytical engine and a practical enabler. Indeed, by processing vast datasets—from corporate reports to social media sentiment—AI can identify companies, issues, and strategies that align with these values while also resonating with broader stakeholder groups. This precision could

[58] *See* Robert V. Kozinets & M. Seraj-Aksit, *Everyday Activism: An AI-Assisted Netnography of a Digital Consumer Movement*, 40 J. Marketing Mgmt. 347 (2024) (discussing how AI supports consumer movements in aligning consumption with shared values).

allow investors to target initiatives with a higher probability of success, transforming individual preferences into impactful, coordinated efforts[59].

As noted above, these characteristics serve two strategic functions. First, they help define an "identity profile" around which to frame a proposal. Second, they facilitate the execution of proxy campaigns tailored to exploit the identified "weak point" in a company's governance or strategy[60].

A campaign developed along these lines could act as the initial spark—one that triggers a broader mobilization effort, either by aggregating retail proxies or, more likely, by attracting support from major institutional funds.

For example, AI tools can flag companies with high carbon emissions and assist investors in designing initiatives to address those impacts. Similarly, algorithms can assess board composition, uncover diversity gaps, and propose tailored solutions to improve inclusion[61]. Beyond environmental and diversity issues, AI can also be used to monitor human rights compliance along supply chains, enabling investors to push for greater transparency and ethical practices [62].

Additionally, the integration of social and traditional media can significantly amplify these campaigns, generating momentum and drawing the attention of institutional investors who might otherwise remain disengaged[63]. Put another way, AI also enables micro-targeting and message personalization—allowing activist proposals to resonate with specific shareholder blocs while simultaneously gauging institutional appetite for change. This synergy has the potential to transform identity-driven activism into a powerful force—capable of disrupting corporate inertia and sparking tangible reform.

In this light, the case of Engine No. 1 may not be merely episodic but potentially anticipatory—or even emblematic—of new and plausible forms of activism uniquely attuned to the tools, values, and aspirations of a new generation of investors.

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[59] *See* Karen K. Myers & Kamyab Sadaghiani, *Millennials in the Workplace: A Communication Perspective on Millennials' Organizational Relationships and Performance*, 25 J. BUS. PSYCHOL. 225, 228–30 (2010) (discussing millennials' prioritization of values in workplace and investment choices).

[60] *See* Chen Wang, *Outsourcing Voting to AI: Can ChatGPT Advise Index Funds on Proxy Voting Decisions?*, 29 FORDHAM J. CORP. & FIN. L. 113 (2023) (discussing the potential role of AI in advising index funds on proxy voting decisions).

[61] *See* Uysal, *supra* note 42, at 38; Christopher Brummer & Leo E. Strine Jr., *Duty and Diversity*, 75 VAND. L. REV. 26 (2022) (discussing the pursuit of shareholder value through diversity, equity, and inclusion policies). *See also* J. Kiranmai & R. K. Mishra, RECENT ADVANCES IN CORPORATE GOVERNANCE: A GLOBAL VIEW, IN CORPORATE GOVERNANCE - RECENT ADVANCES AND PERSPECTIVES 67 (O. L. Emeagwali & F. Bhatti eds., 2022).

[62] *See* Barzuza, Curtis & Webber, *supra* note 8.

[63] *See* Yazhou Ellen He & Tao Li, *Social Networks and Hedge Fund Activism*, 26 REV. FIN. 1267 (2022) (discussing the influence of social media on the strategies and success of hedge fund activism campaigns); Paul Calluzzo & Tanja Artiga González, *Clustered Shareholder Activism*, 27 CORP. GOV. INT'L REV. 50 (2019). *See also* Armour & Cheffins, *supra* note 29, at 51.

Importantly, AI-driven shareholder activism need not vast financial resources. Rather, it relies on digital fluency and strategic use of existing platforms—traits that are particularly characteristic of millennials.

This evolution may be seen as a new mode of social mobilization—or, more precisely, its reflection in capital markets. Millennials are already employing AI to coordinate digital petitions, voting initiatives, and other forms of collective engagement—thereby amplifying their impact. In this context, they appear poised to become pivotal actors in this emerging form of identity-driven activism. Their ability to harness advanced technologies, particularly AI, provides a unique strategic advantage in this space [64].

Political polarization can be a crucial variable. Depending on the issue, context, or timing, it may operate in opposing ways: as a force multiplier that heightens public attention, galvanizes consensus, and facilitates proxy aggregation; or conversely, as a deterrent that dissuades institutional investors wary of extreme positions or divisive agendas.

2. Polarization, Influence Imbalances, and Algorithmic Opacity

The rise of AI and the potential paradigm shift driven by younger generations' activism undoubtedly present a series of challenges for both investors and corporations[65]. To some extent, these challenges are also the conditions necessary for AI to drive the described shift and for the resulting change to be significant.

Foremost among these is the mentioned risk of fragmentation and polarization within shareholder bases. While AI may empower smaller investors and amplify their voices, it also carries the risk of magnifying diverse and potentially conflicting preferences. This can lead to fractured shareholder groups advocating for divergent or even opposing agendas. For instance, one group of investors might prioritize aggressive climate action, while another focuses on short-term financial returns or entirely different values, such as advancing technological innovation. These divisions can undermine corporate cohesion, placing management in the difficult position of

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[64] Generational activism as an expression of shared values and its role in contemporary social mobilization is also highlighted in Ben Manski, Hillary Lazar & Suren Moodliar, *The Millennial Turns and the New Period: An Introduction*, 34(1) SOCIALISM & DEMOCRACY 1 (2020).

[65] *See generally* Leo E. Strine, *Using Experience*, *supra* note 7. For an analysis of the impact of AI on corporate governance regulation, including its challenges and opportunities, *see* Martin Petrin, *The Impact of AI and New Technologies on Corporate Governance and Regulation*, SING. J. LEGAL STUD. 90 (2024). *See also* Paul Weitzel, *AI Governance Through Corporate Theory*, 91 TENN. L. REV. (forthcoming 2024).

navigating competing priorities, which risks diluting decision-making and reducing overall efficiency[66].

Put another way, as generational values become a defining motive for certain investors, what resonates with one group may alienate another. This tension risks fragmenting shareholder bases and introducing dynamics that disrupt the unified support necessary for effective corporate governance.

Additionally, polarization may exacerbate conflicts between activist groups and boards, increasing the prevalence of adversarial shareholder meetings and proxy contests. The efficiency of AI, while empowering minority voices, can disproportionately elevate groups with strongly divergent priorities, overshadowing broader, consensus-driven strategies. While the diversity of shareholder priorities can contribute to more comprehensive and enriched corporate decision-making, unchecked polarization poses a significant risk of creating deadlock scenarios where no clear strategic direction emerges.

A second challenge posed by AI-enabled identity-driven activism stems from the very efficiency that makes AI so impactful. While its benefits are widely recognized, this efficiency also carries the risk of disproportionately amplifying the voice of small, narrowly focused activist groups. As was debated during the initial wave of ESG activism, the heightened influence of specific agendas can disrupt the balance between shareholder interests and corporate priorities, potentially leading to strategic inefficiencies and undermining value creation. For example, excessive pressure on CEOs may drive overinvestment in particular causes, diverting resources away from broader corporate objectives—and even harming long-term goals. Alternatively, it could provoke superficial responses—such as greenwashing or its equivalents for other identity-based causes—thereby eroding the authenticity of efforts to address stakeholder concerns and undermining trust in corporate commitments[67].

Prominent scholars during the ESG wave warned of these dynamics, highlighting the risks of overreach and the potential for backlash when activism appears misaligned with sustainable corporate strategies[68]. These lessons remain highly instructive for addressing similar challenges in the context of identity-driven activism fueled by AI.

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[66] *See* Suren Gomtsian, *Different Visions of Stewardship: Understanding Interactions Between Large Investment Managers and Activist Shareholders*, 21 J. CORP. L. STUD. 151, 162 (2021). *See also* Stephen Choi, Jill Fish Marcel Kahan, *The Power of Proxy Advisors: Myth or Reality?*, 59 EMORY L.J. 869 (2010) (discussing how diverging shareholder priorities impact corporate governance).

[67] *See* Barzuza, Curtis & Webber, *supra* note 8, at 1243–93 (2020); Doron Levit, *Soft Shareholder Activism*, 32 REV. FIN. STUD. 2775, 2775–2808 (2019) (discussing the threats posed by public and 'media-driven' activism).

[68] *See* Barzuza, Curtis & Webber, *supra* note 8, at 1311-1312. *See also* Rajna Gibson, Philipp Krueger & Peter S. Schmidt, *ESG Rating Disagreement and Stock Returns*, 77 FIN. ANALYSTS J. 104, 104–27

Political shifts in the opposite direction—like those currently unfolding—may reduce the risk of disproportionate amplification of certain causes but exacerbate the challenges of conflict and polarization. As ideological divides deepen, the potential for AI to amplify opposing views among shareholders grows, potentially leading to more adversarial relationships between boards and activists and hindering effective corporate governance. This delicate balancing act calls for thoughtful approaches to mitigate these risks while fully harnessing the transformative potential of AI-driven activism.

Finally, the issue of algorithmic transparency presents perhaps the most pressing challenge—associated with AI-enabled identity-driven activism. Ensuring that AI platforms are clear about their training processes, data collection, and decision-making methodologies is crucial to prevent manipulation or bias. Put differently, a certain degree of transparency in this respect is not a technical requirement but a critical safeguard against manipulation, bias, and unintended consequences[69].

The inherent trust often placed in GenAI, combined with its opaque processes, creates a potentially devastating mix where critical errors may go unnoticed until they cause significant harm. While these platforms are celebrated for their ability to process and analyze vast amounts of data with unprecedented speed and accuracy, the opacity of their underlying algorithms—the so-called "black box" problem—poses significant risks. Users may unknowingly rely on outputs that reflect inherent biases or faulty logic embedded in the algorithm's design or training data[70].

This limited guarantees of transparency and verifiability deriving from the nature of GenAI algorithms raises broader concerns about its role in governance and activism. Unlike traditional decision-making processes, which can often be audited or reconstructed, the inner workings of GenAI algorithms frequently resist explanation, even to their developers. If decisions influenced by GenAI cannot be adequately

(2021). *See generally* Lucian A. Bebchuk & Roberto Tallarita, *The Illusory Promise of Stakeholder Governance*, 106 CORN. L. REV. 91, 91–168 (2020).

[69] *See generally* Alexander Buhmann & Christian Fieseler, *Deep Learning Meets Deep Democracy: Deliberative Governance and Responsible Innovation in Artificial Intelligence*, 33 BUS. ETHICS Q. 146, 146–79 (2023); Simon Chesterman, *Through a Glass, Darkly: Artificial Intelligence and the Problem of Opacity*, 69 AM. J. COMP. L. 271, 271–294 (2021); Felix T.H. Lo, *The Paradoxical Transparency of Opaque Machine Learning*, 39 AI & SOC. 1397, 1397–1409 (2022). *See also* Sandra Wachter, Brent Mittelstadt & Luciano Floridi, *Transparent, Explainable, and Accountable AI for Robotics*, 2(6) SCI. ROBOTICS EAAN6080 (2017) (analyzing transparency challenges in AI systems and their implications for trust).

[70] *See* Frank Pasquale, THE BLACK BOX SOCIETY: THE SECRET ALGORITHMS THAT CONTROL MONEY AND INFORMATION 3–27 (2015) (examining the opacity of AI systems and their societal impact).

scrutinized, stakeholders may question their legitimacy, potentially eroding trust in the systems designed to democratize decision-making[71].

Notwithstanding the risks outlined above, AI's potential to empower this transformation—by translating generational preferences into actionable strategies and lowering the barriers to traditional proxy mechanisms—rests on sound theoretical foundations and internal logic. Put another way, despite existing challenges, AI may indeed set the stage, at least in theory, for a new paradigm of generational activism.

Yet the extent to which this paradigm is materializing in practice remains an open question. As I now explore in Part IV, empirical trends from recent proxy seasons suggest a more complex picture—one in which AI's empowering potential for smaller investors is constrained by structural realities and institutional dominance.

IV. EVIDENCE FROM DATA: TRENDS IN SHAREHOLDER ACTIVISM AND GENERATIONAL ENGAGEMENT (2022–2024)

A. RESEARCH QUESTIONS AND DATA

In the preceding sections, I have argued that AI holds the potential to reshape shareholder activism by empowering smaller investors—particularly millennials—and catalyzing identity-driven engagement.

A brief analysis of empirical data from recent proxy seasons may clarify whether this transformation is materializing or whether AI's role remains largely aspirational. This section seeks to evaluate that thesis by examining trends from the 2022, 2023, and 2024 proxy seasons, assessing whether AI is already influencing shareholder participation and activism in a material way. The analysis draws upon publicly available proxy season reports, voting statistics, campaign data, and governance studies published by leading academic and industry observers[72].

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[71] *See* Nan Tang, Chenyu Yang, Ju Fan, Lei Cao, Alen Halevy & Yuyu Luo, *VerifAI: Verified Generative AI*, ARXIV:2307.02796 (2023), https://arxiv.org/abs/2307.02796; Mohammed Salah, Fadi Abdelfattah, & Hussam Al Halbusi. *Generative Artificial Intelligence (ChatGPT & Bard) in Public Administration Research: A Double-Edged Sword for Street-Level Bureaucracy Studies*, 96 INT'L J. PUB. ADMIN. 1 (2023).

[72] Elina Tetelbaum, *Shareholder Activism – 2024 Review and 2025 Outlook*, HARV. L. SCH. F. ON CORP. GOV. (Mar. 14, 2025), https://corpgov.law.harvard.edu/2025/03/14/shareholder-activism-2024-review-and-2025-outlook/; Arthur B. Crozier, Gabrielle E. Wolf & Jonathan L. Kovacs, *2025 Proxy Season Trends: The Pendulum Swings Toward Management*, HARV. L. SCH. F. ON CORP. GOV. (Mar. 14, 2025), https://corpgov.law.harvard.edu/2025/03/14/2025-proxy-season-trends-the-pendulum-swings-toward-management/; Neil Whoriskey et al., *Activism in the 2024 Proxy Season and Implications for 2025*, HARV. L. SCH. F. ON CORP. GOV. (Mar. 14, 2025),

However, direct empirical data on the deployment of AI in shareholder activism remains scarce. As such, AI's influence must be inferred from correlated developments—such as changes in activist strategy, growing retail investor access, and evolving proxy voting patterns. This section addresses four guiding questions: (1) Has there been an increase in shareholder proposals reflecting generational values, such as environmental, social, and governance (ESG) criteria, board diversity, and corporate ethics? (2) Is there evidence of increased millennial participation in proxy voting and activist campaigns? (3) Are insurgent shareholder proposals and proxy fights gaining traction? and (4) To what extent is AI actively shaping the architecture of modern shareholder activism?

Preliminary findings suggest that while AI is increasingly integrated into activist strategies, its democratizing effect remains uncertain. The current political landscape—including mounting resistance to ESG and DEI frameworks—further complicates longitudinal comparisons. Institutional investors and established activist hedge funds continue to dominate the field, and evidence of millennial-led, AI-enabled activism remains limited and difficult to quantify[73].

B. Four Relevant Trends

https://corpgov.law.harvard.edu/2025/03/14/activism-in-the-2024-proxy-season-and-implications-for-2025/ ; Brian V. Breheny et al., *Prepare for Changes to the Shareholder Engagement Process*, Harv. L. Sch. F. on Corp. Gov. (Mar. 11, 2025), https://corpgov.law.harvard.edu/2025/03/11/prepare-for-changes-to-the-shareholder-engagement-process/; Matteo Tonello, *2025 Proxy Season Preview*, Harv. L. Sch. F. on Corp. Gov. (Mar. 10, 2025), https://corpgov.law.harvard.edu/2025/03/10/2025-proxy-season-preview/; Eric Juergens, William D. Regner & Amy Pereira, *Proxy Advisors and Institutional Shareholders Revise Voting Guidelines on Board Diversity*, Harv. L. Sch. F. on Corp. Gov. (Mar. 11, 2025), https://corpgov.law.harvard.edu/2025/03/11/proxy-advisors-and-institutional-shareholders-revise-voting-guidelines-on-board-diversity/; Kai H. E. Liekefett & Derek Zaba, *Another "Super Year" for Activism*, Harv. L. Sch. F. on Corp. Gov. (Mar. 11, 2025), https://corpgov.law.harvard.edu/2025/03/11/another-super-year-for-activism/; Dan Burch, Bob Marese & Jillian DeMarco, *U.S. Shareholder Activism Review 2024 and a Look Toward 2025*, Harv. L. Sch. F. on Corp. Gov. (Mar. 12, 2025), https://corpgov.law.harvard.edu/2025/03/12/u-s-shareholder-activism-review-2024-and-a-look-toward-2025/; Joyce Chen, *An Early Look at Trends From Proxy Season 2025*, Harv. L. Sch. F. on Corp. Gov. (Mar. 13, 2025), https://corpgov.law.harvard.edu/2025/03/13/an-early-look-at-trends-from-proxy-season-2025/; Institutional Shareholder Services, *2024 U.S. and European Proxy Season Reviews* (2024), https://www.issgovernance.com/library/.

[73] *See* Tonello, *supra* note 72 (noting the continued dominance of institutional players and the mixed success of new activist entrants); Tetelbaum., *supra* note 72 (observing that while first-time activists increased in number, established funds remained the primary drivers of successful campaigns); Paul Rose*, Shareholder Proposals in the Market for Corporate Influence*, 66 Fla. L. Rev. 2179 (2014) (discussing structural and behavioral barriers that limit retail and generational investor engagement in proxy processes).

1. Shareholder Proposals on Generational Values

An analysis of the last three proxy seasons indicates that shareholder proposals reflecting generational or identity-based values—including ESG concerns, board diversity, and corporate ethics—have risen modestly in volume, but now face markedly stronger resistance.

In 2024, a record 1,015 shareholder proposals were filed across the Russell 3000, representing a 27% increase since 2021. Of these, ESG-related proposals rose by approximately 3% year-over-year, continuing a slow upward trajectory[74].

Yet this increase has been eclipsed by a sharp rise in anti-ESG proposals, which made up 13% of all shareholder proposals in 2024, and as much as 25% of early 2025 filings—up from 21% in 2023. This shift reflects deepening ideological polarization— particularly within U.S. capital markets—and highlights that AI-enabled activism is unfolding within a broader contest over corporate governance priorities[75].

Investor support for ESG proposals has simultaneously declined, dropping from an average of 35% in 2021 to 23% in 2024, with early 2025 data suggesting just 20% support on average. By contrast, governance-focused proposals—especially those targeting board accountability and executive pay—enjoyed a resurgence, with average support rebounding to 39%[76].

These trends suggest that identity-driven activism continues to develop—but within an increasingly contested terrain. While proposals rooted in generational priorities persist, their success now depends more heavily on how effectively they are framed and whether they align with broader institutional or financial interests—a

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[74] *See* Tonello, *supra* note 72 (reporting 1,015 shareholder proposals filed in 2024); *2024 Proxy Season in Three Charts*, Morningstar (2024), https://www.morningstar.com/sustainable-investing/2024-proxy-season-three-charts (reporting a 3% increase in ESG-related submissions and documenting sharp decline in average support for ESG proposals); Whoriskey et al., *supra* note 72 (highlighting increased investor support for proposals targeting board performance and executive accountability).

[75] *See* Tonello, *supra* note 72 (reporting that anti-ESG proposals accounted for 13% of all proposals in 2024 and 25% of early 2025 filings, up from 21% in 2023; and noting that the volume and visibility of anti-ESG proposals is increasingly shaping proxy season dynamics); Amelia Miazad & Stavros Gadinis, *The ESG Information System*, 47 SEATTLE U. L. REV. 695 (2024) (discussing the integration of ESG in corporate governance politics); Elizabeth Pollman & Dorothy S. Lund, *The Corporate Governance Machine*, 121 COLUM. L. REV. 2563 (2021) (highlighting the partisan polarization of ESG debates and its implications for shareholder engagement).

[76] *See* Tonello, *supra* note 72 (reporting that average support for ESG proposals declined from 35% in 2021 to 23% in 2024, with early 2025 data indicating an average of 20% support and noting that shareholder support has shifted toward more traditional governance matters, including board oversight and executive compensation); Crozier et al., *supra* note 72, (arguing that ESG framing has become increasingly contested and must be strategically aligned with broader shareholder priorities to gain traction).

domain where AI-powered strategy and messaging tools may offer a significant advantage, albeit one not yet quantifiably measured.

Put differently, although the volume of generationally motivated proposals has increased, their declining success rates highlight that the effectiveness of AI in reshaping corporate governance through such activism remains uncertain.

2. Millennial Participation in Shareholder Activism

As discussed above, another lens through which to evaluate AI's democratizing potential lies in assessing the participation of younger generations—particularly millennials—in shareholder activism.

Despite theoretical expectations that AI would help overcome participation barriers, empirical evidence of increased millennial engagement remains scarce. Although AI tools may reduce informational and logistical frictions through real-time data analysis and streamlined interfaces, proxy voting data are not disaggregated by age, making it difficult to quantify generational impact[77].

Some indicators point to greater accessibility for younger investors. Retail investment platforms such as Robinhood and Public now integrate AI-assisted voting recommendations, dashboard analytics, and simplified interfaces that may help lower barriers to engagement. Reports also show a moderate increase in retail investor participation in proxy voting via these platforms, suggesting that AI may indeed be facilitating entry[78].

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[77] *See* Alon Brav, Matthew Cain & Jonathon Zytnick, *Retail Shareholder Participation in the Proxy Process: Monitoring, Engagement, and Voting*, 144 J. FIN. ECON. 492 (2022); Whoriskey et al., *supra* note 72 (observing that first-time activists increased but without clear generational attribution); Demi Derem, *Proxy Voting Trends to Watch in 2025*, BROADRIDGE, https://www.broadridge.com/article/bbd/proxy-voting-trends-to-watch-in-2025; Dorothy S. Lund, *Nonvoting Shares and Efficient Corporate Governance*, 71 STAN. L. REV. 687, (2019) (highlighting the informational, motivational, and structural barriers faced by retail and younger investors in shareholder engagement). *See also* Jill E. Fisch, *Standing Voting Instructions: Empowering the Excluded Retail Investor*, 102 MINN. L. REV. 11 (2017) (noting that proxy voting data is not age-disaggregated and calling for more granular disclosure to assess generational participation trends).

[78] *See* Dhruv Aggarwal, Albert H. Choi & Yoon-Ho Alex Lee, *Retail Investors and Corporate Governance: Evidence from Zero-Commission Trading* (Nw. L. & Econ. Res. Paper No. 24-01 2024), https://ssrn.com/abstract=4708496 (noting increased use of retail platforms and pass-through voting initiatives by large institutional investors); Whoriskey et al., *supra* note 72 (reporting that nearly 30% of 2024 campaigns involved first-time activists, though few were retail-led); Tonello, *supra* note 72 (discussing the limited uptake of retail voting authority in Vanguard's pass-through voting program); Lund, *supra* note 77, at 695-97 (arguing that retail investors face coordination and engagement challenges even when voting tools are provided); Andrey Malenko & Nadya Malenko, *Voting Choice*, NBER Working Paper No. 31636 (Aug. 2023), https://www.nber.org/papers/w31636 (emphasizing the practical limitations of pass-through voting mechanisms for non-institutional investors).

Still, major activist campaigns continue to be spearheaded by institutional investors and large hedge funds—not grassroots, AI-enabled millennial actors. While 2024 data show that first-time activists accounted for nearly half of all campaigns, most of these were neither clearly generational in origin nor evidently driven by AI—a circumstance that does not diminish the growing importance of AI in campaign strategy, but nonetheless fails to provide conclusive evidence of its empowerment of younger investors[79].

Efforts to empower retail voting through pass-through programs at BlackRock, Vanguard, and State Street have thus far produced limited engagement. For example, only 40,000 of 2 million eligible Vanguard retail investors opted to direct their votes in 2024, with the vast majority deferring to institutional defaults[80].

In short, while AI-powered tools are increasing technical access to shareholder processes, the evidence of a meaningful generational shift in activism remains, at present, more aspirational than realized.

3. Success of Insurgent Shareholder Proposals and Proxy Fights

With respect to the third guiding question—whether insurgent shareholder proposals and proxy fights are gaining traction—recent data confirm an uptick in activist interventions. The 2024 proxy season saw a 6% increase in companies targeted by activist demands, with a notable rise in campaigns challenging CEO leadership and advocating for strategic alternatives, including divestitures and breakups[81].

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[79] *See* Whoriskey et al., *supra* note 72 (reporting that nearly 50% of 2024 activist campaigns were initiated by first-time entrants, without indicating generational characteristics or technological drivers); Arnaud Cavé & Niamh O'Brien, *Next-Gen Governance: AI's Role in Shareholder Proposals*, HARV. L. SCH. F. ON CORP. GOV. (May 6, 2024), https://corpgov.law.harvard.edu/2024/05/06/next-gen-governance-ais-role-in-shareholder-proposals/ (noting the increased integration of AI into strategic planning by institutional activists); Tetelbaum, *supra* note 72 (reporting that, although established activists maintained a dominant role, approximately half of all 2024 campaigns were initiated by first-time activists, signaling a diversification in the activist landscape). *See also* Lund, *supra* note 37.

[80] *See* John Galloway, *Investor Choice*, HARV. L. SCH. F. ON CORP. GOV. (Oct. 9, 2024), https://corpgov.law.harvard.edu/2024/10/09/investor-choice/ (reporting that Vanguard's pass-through voting pilot saw participation from only 40,000 out of approximately 2 million eligible retail investors in 2024); Tonello, *supra* note 72 (noting similarly low engagement in BlackRock and State Street pass-through voting initiatives, with most retail investors defaulting to institutional voting recommendations); Fisch, *Standing Voting*, *supra* note 77, at 41–44 (arguing that while pass-through voting offers formal enfranchisement, practical barriers continue to suppress retail participation).

[81] *See* Whoriskey et al., *supra* note 72 (documenting a 6% increase in targeted companies, with a rise in CEO-focused and break-up-related campaigns); Tonello et al., *supra* note 72 (reporting decline in contested election success rates to 38% in 2024, despite record campaign volumes); Tetelbaum, *supra*

These patterns have been reaffirmed by early 2025 data: in Q1, global campaign activity remained strong, with 70 campaigns year-to-date—representing a 17% increase from the 60 campaigns launched during the same period in 2024[82].

Despite this growth in activity, insurgent campaigns have had mixed results. In 2024, activists won fewer board seats (155) than in 2022 (176), and the success rate in contested director elections fell to 38%, its lowest point since 2021—even as the total number of campaigns reached record levels[83]. These figures suggest that while activist engagement is expanding, its effectiveness may be diminishing in relative terms.

However, early 2025 data point to a potential reversal of this trend: in Q1 alone, activists secured 51 board seats—representing a 34% increase over the same period in 2024—indicating a notable improvement in campaign outcomes[84].

That said, the Engine No. 1 campaign against ExxonMobil continues to serve as a landmark case of successful identity-aligned activism. Though not AI-assisted *per se*, the campaign remains illustrative of the type of effort that AI could support going forward[85]. Still, its success appears more symbolic than typical: campaigns tend to succeed only when backed by substantial financial capital and institutional alignment.

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note 72 (noting the global expansion of shareholder activism, the growing incidence of campaigns explicitly challenging CEO leadership, an increased interest in corporate breakups, and an observable shift toward private settlements following the adoption of the universal proxy rules in 2022).

[82] *See* Jim Rossman, Chris Ludwig & Quinn Pitcher, *Q1 2025 Review of Shareholder Activism*, HARV. L. SCH. F. ON CORP. GOV. (Apr. 8, 2025), https://corpgov.law.harvard.edu/2025/04/08/q1-2025-review-of-shareholder-activism/ (adding that agitation for breakups or divestitures emerged as the most frequent M&A-related objective in Q1—appearing in approximately 10% of all campaigns and continuing a trend observed in prior proxy seasons).

[83] *See* Diligent Market Intelligence, *Shareholder Activism Annual Review 2025* (2025), https://www.olshanlaw.com/assets/htmldocuments/Diligent_ShareholderActivismAnnualReview2025.pdf (noting that the number of activist demands increased in 2024, but that activists secured only 155 board seats, down from 176 in 2022); Tonello et al., *supra* note 72 (reporting that the success rate in contested board elections fell to 38%—its lowest since 2021—despite the record volume of campaigns); Liekefett et al., *supra* note 72 (noting that despite record-high activism levels in 2024, the number of board seats won declined and success rates in contested elections reached a multi-year low); Tetelbaum, *supra* note 72 (observing a continued post-pandemic rise in hedge fund activism, both in the U.S. and internationally, and noting that the average number of board seats obtained per campaign declined in 2024).

[84] *See* Rossman, Ludwig & Pitcher, *supra* note 82 (adding that activists have continued to rely on proxy fights as a key mechanism for effectuating change—launching 13 such contests year-to-date, compared to 10 in the first quarter of the previous year).

[85] As previously discussed, the fund leveraged advanced analytics to support an ESG-focused strategy and successfully secured three board seats despite holding just 0.02% of the company's stock. *See supra* Sec. III.A.2.

4. Strategic Adoption of AI in Shareholder Activism

As to the final question—whether AI is fundamentally reshaping shareholder activism—the available data are broadly consistent with prior findings: AI is increasingly influential, but not as a democratizing force—or at least not yet in a demonstrable way.

Rather, AI has emerged primarily as a strategic enhancer for established players. Several developments illustrate this dynamic.

First, AI-powered sentiment analysis, scenario modeling, and predictive analytics have become core features of institutional activist campaigns. These tools enable actors to optimize timing, framing, and targeting of proposals with greater speed and precision[86].

Second, sophisticated investors—including large hedge funds and asset managers—are leveraging AI to refine ESG risk modeling, monitor board performance, and automate aspects of shareholder engagement. The integration of these capabilities not only boosts efficiency but also reinforces their strategic advantage and market dominance, thereby limiting broader participation[87].

Finally, while retail-facing platforms have incorporated AI features—such as algorithmic voting recommendations and simplified user interfaces—there is little empirical evidence that these innovations have significantly increased engagement among millennial investors. Thus, while accessibility has improved in form, the underlying participatory gap remains largely unaddressed[88].

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[86] *See* Sean Collins & Kristen Sullivan, *Advancing ESG Investing: A Holistic Approach for Investment Management Firms,* HARV. L. SCH. F. ON CORP. GOVERNANCE, https://corpgov.law.harvard.edu/2020/03/11/advancing-esg-investing-a-holistic-approach-for-investment-management-firms/ (describing the integration of AI into ESG analysis and risk frameworks by hedge funds and asset managers); Mustafa Kenan Ustahaliloğlu, *Artificial Intelligence in Corporate Governance*, 7 CORP. L. & GOVERNANCE REV. 123 (2025), https://doi.org/10.22495/clgrv7i1p11 (AI reinforces institutional governance power by enabling superior data analysis and decision-making).

[87] *See* Tonello, *supra* note 72 (noting that hedge funds and asset managers have adopted AI tools to enhance ESG analytics, board evaluation, and campaign planning); Ustahaliloğlu, *supra* note 86 (describing how data asymmetries and AI capabilities consolidate governance influence in institutional investors and highlighting the use of AI-driven dashboards and risk engines in campaign execution); Tunmise Adewale, *Integration of ESG (Environmental, Social, Governance) Criteria into AI-Based Portfolio Management* (Dec. 2024), https://www.researchgate.net/publication/387558652 (explaining how AI allows institutional investors to algorithmically integrate ESG and board performance metrics into portfolio-level decision-making).

[88] *See* Steve Lipin & Keilley Banks, *Getting Out the Retail Vote: Targeting Reddit and New Social Tools in Proxy Solicitations,* HARV. L. SCH. F. ON CORP. GOV. (Sept. 3, 2022) https://corpgov.law.harvard.edu/2022/09/03/getting-out-the-retail-vote-targeting-reddit-and-new-social-tools-in-proxy-solicitations/; Fisch, *Standing Voting*, *supra* note 77, at 34 (arguing that although

To summarize, AI is increasingly embedded in the architecture of modern campaigns. Hedge funds and proxy advisors now use AI to analyze sentiment, predict vulnerabilities, simulate voting scenarios, and tailor communications to target shareholder blocs. These tools are enabling faster, more strategic responses, yet they remain disproportionately available to large, well-resourced actors[89].

Ultimately, while insurgent activism is expanding in scope, the benefits of AI-enabled strategies remain concentrated among traditional, well-capitalized activist institutions—rather than emerging millennial-led movements.

C. Empirical Insights and the Limits of Generational Transformation

1. Corporate Adoption of AI: Enhancing Shareholder Communication and Activism Defense

I turn now to a development which can work against AI's potential to enable retail shareholders and their coordinated value-driven campaigns: the adoption by public companies of AI tools to communicate with their shareholders—or, perhaps even more importantly, to help determine when they are vulnerable to an activist attack and how best to prevent or defend against it.

The AI-driven enhancement of shareholder communication is increasingly recognized as a strategic tool for proactively defending against activist investors. This adoption is often aimed at strengthening investor relations, anticipating potential activism, and safeguarding incumbent directors and their policies against insurgent campaigns[90].

As is well knows, effective communication with shareholders is pivotal for maintaining trust and transparency, and companies are now notably integrating AI into

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technological advances have improved usability, they have not yet translated into widespread retail investor engagement) at 14-16, 25 (documenting the persistence of low turnout among retail investors despite proxy system reforms); Malenko et al., *supra* note 78, (emphasizing the structural limitations of pass-through voting and the limited behavioral uptake by individual investors, especially younger cohorts).

[89] *See* Chen Wang, *Outsourcing Voting to AI: Can ChatGPT Advise Index Funds on Proxy Voting Decisions?*, SSRN (2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4413315 (discussing use of AI by institutional investors to inform proxy voting and strategic engagement); Ustahaliloğlu, *supra* note 86 (describing how sophisticated data systems, including AI, amplify the governance power of large institutional investors).

[90] *See* Minwu Kim, Sidahmed Benabderrahmane & Talal Rahwan, *Interpretable Machine Learning Model for Predicting Activist Investment Targets*, 10 J. Fin. & Data Sci. 100146 (2024); Jason Frankl, Brian G. Kushner & Ryan Chiang, *Activism Vulnerability Report*, Harv. L. Sch. F. on Corp. Gov. (Oct. 1, 2024), https://corpgov.law.harvard.edu/2024/10/01/activism-vulnerability-report-3.

their investor relations activities to streamline processes and deliver more personalized engagement. For instance, firms like Skechers USA and Ciena have employed AI to draft earnings commentary, anticipate analysts' questions, and refine messaging for clarity and impact during earnings calls[91].

This approach not only enhances efficiency but also ensures consistency in corporate messaging and helps prevent shareholder dissatisfaction—dissatisfaction that might otherwise become a focal point for activist attack.

Put another way, by utilizing AI-powered sentiment analysis, companies can monitor shareholder attitudes across various platforms, enabling them to address concerns promptly and tailor communications to investor priorities. This proactive engagement fosters stronger relationships with shareholders and can mitigate misunderstandings that might otherwise escalate into activism.

Beyond communication, AI also serves as a critical tool in identifying and predict risks associated with activist investors and their strategies. Predictive analytics leverage data analysis and machine learning algorithms to forecast potential activist campaigns, allowing companies to proactively address vulnerabilities[92].

Just as activists may use AI to spot these weaknesses, so too can companies deploy AI to analyze financial performance, governance structures, and market positioning to identify areas likely to attract activist scrutiny. By addressing these areas in advance, companies can reduce the appeal for activists and demonstrate a commitment to continuous improvement and long-term shareholder value.

For example, UBS developed the Global Utility for Activism Risk and Defense (GUARD), a data tool designed to assess the likelihood of a company facing activist attention[93]. In addition, research efforts have been directed toward developing machine learning models capable of predicting potential targets of activist investment funds: one such study, using Russell 3000 data from 2016–2022, achieved an AUC-ROC of 0.782—suggesting strong predictive capacity[94]. These tools could be adapted by corporations to forecast threats and implement defense strategies.

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[91] *See* Mark Maurer et al., *When IR Met AI: How the Technology Is Shaping Earnings-Day Prep*, WALL ST. J. (Nov. 19, 2024), https://www.wsj.com/articles/when-ir-met-ai-how-the-technology-is-shaping-earnings-day-prep-5054a057.

[92] *See* David Woodcock, Vivek Mohan & Hugh N. Danilack, *Using Data Analytics and Artificial Intelligence for Public Disclosures*, HARV. L. SCH. F. ON CORP. GOV. (Feb. 4, 2024), https://corpgov.law.harvard.edu/2024/02/04/using-data-analytics-and-artificial-intelligence-for-public-disclosures/; Acuity Knowledge Partners, *Activist investors – mapping the current landscape and the role of predictive analytics*, ACUITY KNOWLEDGE PARTNERS BLOG (Aug. 2024), https://www.acuitykp.com/blog/activist-investors-predictive-analytics-landscape/.

[93] *See* Frankl et al., *supra* note 90.

[94] *See* Kim et al., *supra* note 90.

The deployment by large corporations of AI tools to protect incumbent management from insurgents could, at least in part, offset the benefits activists may obtain by using AI to spot vulnerabilities and craft effective campaigns.

In response, activists are increasingly focusing on companies' AI practices, demanding greater transparency and ethical guidelines governing AI usage. In recent proxy seasons, numerous AI-related shareholder proposals have been submitted, reflecting growing investor concern over how companies deploy AI technologies. This trend highlights the necessity for companies to not only adopt AI responsibly but also to communicate their AI strategies effectively to shareholders, balancing innovation with ethical considerations[95].

2. A Structurally Constrained Democratization

The empirical analysis paints a nuanced picture of AI's role in shareholder activism. While AI is undoubtedly transforming the mechanics of activist strategies—lowering analytical costs, accelerating engagement, and enabling more precise targeting—its democratizing effect remains limited. The principal beneficiaries of these innovations currently appear to be institutional investors and well-resourced activist funds, rather than a decentralized base of smaller or generational shareholders.

To be sure, shareholder proposals reflecting generational values—such as ESG and DEI—have grown in volume. Yet they now face heightened ideological resistance, contributing to an increasingly polarized governance environment. In this context, AI's strategic contribution is apparent, but its impact on actual millennial engagement remains uncertain and unquantified. Similarly, while insurgent proposals and proxy contests have increased in frequency, their success continues to hinge on financial capital, institutional backing, and tactical precision.

Thus, while these findings support portions of the central thesis—especially AI's expanding strategic role—they stop short of confirming that AI is driving a generational shift in shareholder power[96]. The broader ideal of millennial-led, AI-empowered identity activism remains, for now, more aspirational than actualized.

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[95] *See* Cavé, Hearon & O'Brien, *supra* note 8; Cavé & O'Brien, *supra* note 75; Nancy B. Hammer, *AI-Related Shareholder Proposals Up Threefold Since 2023*, HR POLICY ASS'N (June 7, 2024), https://www.hrpolicy.org/insight-and-research/resources/2024/hr_workforce/public/06/ai-related-shareholder-proposals-up-threefold-sinc/.

[96] *See* Tonello, *supra* note 72 (documenting the rising volume of identity-aligned proposals and anti-ESG backlash); Whoriskey et al., *supra* note 72 (noting that activist success remains contingent on financial and institutional support); Burch et al., *supra* note 72 (highlighting the concentration of campaign effectiveness among repeat players). *See generally* Lucian A. Bebchuk & Scott Hirst, *The Specter of the Giant Three*, 99 B.U. L. REV. 721 (2019).

Looking ahead, key determinants will include: the emergence of granular datasets on retail investor participation; regulatory reforms such as Schedule 13D/13G modernization and the broader rollout of pass-through voting mechanisms; and the capacity of generational values to resonate beyond identity politics and attract broader investor support.

Future research should monitor these developments to assess whether AI will ultimately serve as a democratizing force in corporate governance—or whether it will primarily amplify existing structural asymmetries.

For now, the evidence suggests a cautiously optimistic but structurally constrained trajectory—one in which AI's promise is real, but unevenly realized.

V. A Possible Path Forward

A. Channeling Technological Innovation into Social Innovation: The Role of Corporate Boards

The question is then: is there a possible path forward? Stated differently: is there a future for AI-powered identity-driven activism, and will these generational values make their way in corporate structures through AI?

In addition to structural constrains that makes this potential, for now, untapped, I mentioned above the challenges posed by this novel and potentially transformative form of generational activism. Data and related inferences demonstrate that AI-powered activism is struggling. Moreover, the logic and other observations suggest that AI's potential for new generations might be offset by countervailing factors. The limitations arising from traditional dynamics of activism, the uneven distribution of resources in the field, and the capacity of large companies to strategically leverage the opportunities provided by AI—combined with the risks that AI itself poses—could ultimately stifle the potential for Gen Z and Millennials discussed in this paper.

In fact, activists may even need to push back against the deployment of AI tools by large corporations that are designed to protect incumbent management from insurgents—a development I discussed above.

Yet AI's potential for Gen Z and Millennials is real, and the momentum generated by generational values should not be underestimated. Polarization and political shifts might even become sources of energy—enabling new generations to push back against the carefully crafted strategies adopted by corporations. As findings from proxy seasons suggest, retail shareholders tend to vote when the vote is normatively important to them and when they perceive the salience of their participation. I

understand that this consideration might sound a bit idealistic, but from ideals stem revolutions.

Of course, a new generation may, in time, become or reveal itself to be more conservative than some of the values that emerged in the last decade might suggest. But, as I have argued, the validity of this paper's central thesis remains intact: the potential of AI lies in the combination of technological fluency and generational priorities—whatever those priorities may be, to the extent that they create common ground.

In any case, while we wait to see whether and how this potential will develop, lawmakers, regulators, and corporate boards should proactively address the broader issues associated with AI's integration into corporate governance, financial markets, and society at large. This calls for a multifaceted approach involving the development of regulatory frameworks, standards for algorithmic auditing, and mechanisms for third-party oversight. Transparency must not only be embedded as a technical feature but also upheld as a fundamental principle of ethical AI use. Ensuring that AI tools empower investors and enhance governance, rather than inadvertently undermining these objectives, remains critical [97].

In the meantime, corporations could take proactive measures by collaborating with regulators to establish clear and consistent frameworks for the deployment of AI in shareholder activism and investment strategies. At the same time, non-institutional investors must receive targeted education and training on the ethical, strategic, and effective use of AI[98].

The most promising path forward, however, for unlocking the generational opportunities that AI offers in the context of shareholder activism, might come—somewhat surprisingly—from corporate boards themselves. Boards of directors could play a pivotal role: they might consider integrating representatives from younger generations, particularly experts in technology and sustainability, to ensure that governance practices reflect the evolving priorities of millennial and Gen Z stakeholders.

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[97] *See* Sandra Wachter, Brent Mittelstadt & Chris Russell, *Counterfactual Explanations Without Opening the Black Box: Automated Decisions and the GDPR*, 31 HARV. J.L. & TECH. 841 (2018) (discussing the need for transparency).

[98] *See* Anne Lafarre & Christoph Van der Elst, *Blockchain Technology for Corporate Governance and Shareholder Activism*, 25 EUR. BUS. ORG. L. REV. 1 (2018) ECGI WORKING PAPER NO. 390/2018, TILBURG L. SCH. RSCH. PAPER NO. 2018-7, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3135209 (discussing blockchain's democratizing potential in governance). *See also* Bob Herr & Luke Pryor, *The Case for Multigenerational Corporate Boards*, HARV. L. SCH. F. ON CORP. GOV. (Nov. 3, 2024), https://corpgov.law.harvard.edu/2024/11/03/the-case-for-multigenerational-corporate-boards/ (emphasizing that only 5% of board directors are under the age of 50 and highlighting the potential business advantages of having a more age-diverse board).

The strategic decision to make the "first move"—to anticipate this possible new wave of generational activism by incorporating its demands into corporate strategy and governance structures—would align naturally with the use of AI to identify vulnerabilities, predict activist challenges, and reinforce defensive measures[99].

Put another way, boards could absorb the risk posed by AI-enabled young shareholders by eliminating a key gear in the activist machinery: motivation. If generational demands are acknowledged and represented within forward-looking strategies and governance, they may cease to fuel opposition. After all, the recognition of Gen Z and Millennial values in corporate strategies is already a common tactic among companies seeking alignment with market trends, users, and consumers.

These efforts would not only mitigate risks but also enable responsible and meaningful engagement in corporate governance processes, fostering a more inclusive and forward-looking approach to corporate decision-making.

Importantly, while mitigating risks, these practices could also catalyze meaningful change within the corporate ecosystem—a further evolution of particular interest. The need to adapt to new forms of AI-driven shareholder activism may spur broader social innovation. In this context, AI could act as a democratizing force within governance by offering historically underrepresented groups—such as Millennials and other non-institutional investors—a more substantive voice in corporate decision-making.

While such "democratization" operates within the inherent constraints of a fundamentally plutocratic framework, it nonetheless represents a shift toward greater inclusivity in governance structures.

Viewed from this perspective, AI's transformative potential extends beyond technological advancement to encourage social progress. By proactively engaging with the values and priorities of younger generations, corporations could channel technological innovation into social innovation[100].

This dynamic has the potential to drive governance structures to anticipate and integrate the perspectives of emerging stakeholders, paving the way for a smoother transition when these younger actors ultimately take their place within corporate leadership. Such an evolution would not only reflect but actively shape the broader integration of ethical, sustainable, and innovative practices in corporate governance. Ultimately, by aligning technology with generational priorities, corporations might create opportunities for a more equitable and adaptive corporate landscape.

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[99] Discussed in Sec IV.C.1.

[100] *See* Mariana Mazzucato, *Mission-Oriented Innovation Policies: Challenges and Opportunities*, 27 INDUS. CORP. CHANGE 803 (2018) (discussing the interplay between technological and social innovation in governance).

VI. CONCLUSION

Artificial intelligence is rapidly reshaping the landscape of corporate governance, bringing with it transformative opportunities as well as complex challenges. By empowering both institutional and non-institutional investors, AI has the potential to redefine the contours of shareholder activism—enabling strategies that are not only more sophisticated, but potentially more inclusive. Identity-driven activism, in particular, exemplifies how AI tools could, at least in theory, amplify the voices of smaller investors—especially millennials and Gen Z—while aligning corporate priorities with emerging societal and generational values.

These advancements, however, are not without risk. Fragmentation, polarization, and the disproportionate influence of narrowly focused activist groups may pose serious threats to corporate cohesion, strategic clarity, and long-term efficiency. Moreover, the opacity of AI algorithms raises significant ethical and operational concerns, making transparency and accountability essential conditions for their legitimate use in governance.

As is often the case, opportunity comes hand in hand with risk—and the value of the potential AI offers will depend on how these risks are addressed by lawmakers, regulators, and, above all, corporate boards. But a critical question remains: is this potential still largely theoretical, or is it already driving meaningful change in corporate governance?

Evidence from recent proxy seasons suggests that AI's promise remains, for now, unevenly realized.

In parallel, large companies are strategically adopting AI to enhance shareholder communication, monitor investors' sentiment, proactively address potential vulnerabilities, anticipate activists' campaigns, and fortify defenses against attacks. As AI continues to evolve, its role in corporate governance and activism defense will undoubtedly expand—and could even offset the advantages AI offers to activist shareholders. This dynamic clearly demands ongoing ethical scrutiny and transparent communication with stakeholders.

In the meantime, institutional actors continue to dominate the activist space, while the participation of millennials and retail investors—though increasingly supported by AI-enabled tools—has yet to scale meaningfully. In this light, AI's role as a catalyst for identity-driven activism remains compelling, but ultimately aspirational rather than realized.

The path forward requires a balanced and intentional approach—one that embraces AI's transformative capabilities while directly confronting its limitations. Regulatory oversight, ethical standards, and algorithmic auditing will be crucial, but equally important are initiatives to educate and empower investors of all backgrounds.

Corporate boards will play a pivotal role. If they treat AI not merely as a technical instrument but as a potential catalyst for broader social innovation, they may help drive meaningful change. That is to say, by proactively engaging with the values and priorities of younger generations, corporations can channel technological disruption into constructive and inclusive governance reform.

Ultimately, AI's integration into shareholder activism and corporate governance may mark not only a technological evolution, but a deeper societal shift. If employed responsibly, it could serve as a democratizing force—reshaping governance into a more inclusive, participatory, and value-responsive domain. Aligning innovation with generational priorities and ethical imperatives may enable tomorrow's corporate structures to reflect not just technological advancement, but the ideals of a more equitable and sustainable future.

As Shakespeare eloquently wrote in The Tempest, "What's past is prologue." [101] The transformative potential of AI may indeed represent a new chapter in corporate governance—one built upon the foundations of what has come before, yet oriented toward a future rich with possibility. While the data remain inconclusive, and the fulfillment of this promise may ultimately depend on whether directors anticipate rather than resist generational change, with foresight and responsibility, this next chapter could well be one of innovation, inclusivity, and enduring progress.

[101] William Shakespeare, THE TEMPEST act 2, sc. 1, l. 253 (Stephen Orgel ed. 2008)