

A Dynamic Process Model of Private Politics: Activist Targeting and Corporate Receptivity to Social Challenges

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ABSTRACT

This project explores whether and how corporations become more receptive to social activist challenges over time. Drawing from social movement theory, we suggest a dynamic process through which contentious interactions lead to increased receptivity. We argue that when firms are chronically targeted by social activists, they respond defensively by adopting strategic management devices that help them better manage social issues and demonstrate their normative appropriateness. These defensive devices have the incidental effect of empowering independent monitors and increasing corporate accountability, which in turn increases a firm's receptivity to future activist challenges. We test our theory using a unique longitudinal dataset that tracks contentious attacks and the adoption of social management devices among a population of 300 large firms from 1993-2009.

Recent research demonstrates that social movements are capable of influencing corporate behavior, ranging from curbing harmful toxic emissions to granting employees same-sex domestic partnership benefits to divesting from politically risky countries (e.g., Maxwell et al. 1995; Raeburn 2004; Soule et al. 2014). While most of this research acknowledges that movements targeting firms operate within a broader *corporate opportunity structure*, we lack a precise understanding of the variation in corporate opportunity structures across firms and over time.

The goal of this paper is to explain why certain companies' opportunity structures become more receptive to social movements over time. We argue that corporate opportunity structures are altered by complaints about firms' policies and practices, and we suggest a processual account of the evolution of corporate opportunity structures. Specifically, we suggest that firms challenged by activists seek to defend themselves by adopting what we call *social management devices*: structures or practices meant to help a firm manage and promote its social image. The adoption of social management devices in turn alters a firm's internal political agenda such that the firm becomes more receptive to future activist claims. In this way, social management devices moderate the relationship between a firm's past interactions with activists and its future receptivity to activists.

We test these claims using a unique longitudinal dataset that follows three hundred large US firms from 1993-2009. The dataset tracks social movement activism in the form of boycotts directed at firms and firm adoption of two types of social management devices: *formal structural changes* (adoption of a corporate social responsibility board committee) and *increased disclosure* (the dissemination of a social responsibility report). Additionally, we look at every proxy proposal submitted by shareholder activists engaged in social issues across this time frame, as

well as each firm's response to the proposals it received, so that we can track changes in corporations' receptiveness to a wide variety of social challenges. Our findings show that firms frequently targeted by activists are more likely to adopt social management devices. These devices, in turn, increase corporate accountability for social issues, leading to an observable increase in firm receptivity to future activist challenges.

Our analysis addresses two research questions: Do activist challenges lead firms to become more or less receptive to future challenges? If so, why? Social movement scholars have long recognized that activism has both indirect and unanticipated consequences (Snow and Soule 2010). Like their public sector counterparts, movements targeting private sector entities can also have indirect and unanticipated effects (McDonnell and King 2013; Yue, Rao and Ingram 2013). Our paper extends this work by illustrating that one critical indirect and unanticipated consequence of activism is the collective molding of a more receptive field of private-sector targets. Specifically, when firms are chronically targeted by social movements they expand their repertoire of defensive practices, which include structural reforms to address the management of activists' issues and disclosure reforms to better communicate the firm's social activities. Although companies may initially adopt these social management devices as defensive measures, these devices also demonstrate a commitment to social responsibility and empower new monitors of social activity. These incidental effects of social management devices create new opportunities for activist influence, changing the calculus of future decisions about socially responsible corporate practices. By prompting targets to adopt defensive social structures and

practices, therefore, activist challenges contribute to making a resistant firm become more receptive to social activists.¹

We contribute to social movement theory by offering a far more dynamic and processual theoretical perspective on movement opportunity structures. In most accounts opportunity structures are depicted as exogenous to movements and composed of static differences between targets. Rather than thinking of political opportunities as static characteristics of a movement's political environment, our findings suggest that scholars ought to conceptualize opportunity structures as dynamic and evolving in relation to activist challenges. Moreover, our results imply that social movements' influence may, in many situations, extend beyond the immediate successes or failures of a given campaign. Inasmuch as activists trigger defensive responses by their targets and alter their targets' future decision-making, movements' actions have longer-term consequences, potentially opening up new inroads of influence for activists that follow in their wake.

ARGUMENT AND HYPOTHESES: CORPORATE OPPORTUNITY STRUCTURES AND RECEPTIVITY TO ACTIVISM

While social activist challenges are now a ubiquitous part of organizational life, there is marked variation in the way that targeted firms respond. Some firms seek to suppress activists by treating them with hostility, while others acquiesce relatively quickly to activists' demands (Zald, Morrill, and Rao 2005; Baron and Diermeier 2007; Maguire and Hardy 2009). This

¹ While scholars in the broader social movement literature allude to the possibility that opportunity structures may be influenced by social movements, it remains unclear whether and how movements shift opportunity structures (e.g., Gamson and Meyer 1996). For notable exceptions, see Soule, McAdam, McCarthy, and Su (1999) and Costain (1992), both of whom examine the impact of women's activism on the political opportunity structure of the U.S. Federal government.

variation is important, as it shapes the immediate and long-term impact of anti-corporate movements and, ultimately, the substance and form of corporate social activity.

Scholars exploring corporate responses to activism have drawn extensively on social movement theory (e.g., King and Pearce 2010; Soule 2012). In particular, they note that the corporate opportunity structure of firms shapes the mobilization and outcomes of anti-corporate mobilization (Walker et al. 2008; King 2008b; Soule 2009). Characteristics of firms that are purported to influence mobilization and outcomes include the firm's field position or past engagement in pro-social activity (McDonnell and King 2013), size, status, or reputation (King 2008a; Bartley and Child 2011; 2014; King and McDonnell, 2015), and the ideological orientation of a firm's leadership (Briscoe, Chin, and Hambrick 2014). Firms that accumulate a history of interactions with activists develop reputations as being either resistant or receptive to social challenges (Zald, Morrill, and Rao 2005; Baron and Diermier 2007; Briscoe and Safford 2008). In turn, a firm's reputation for being activist-resistant or activist-receptive may be heuristically employed by activists as an indicator of the openness of its corporate opportunity structure.

Clearly, there is wide variation in firm responsiveness to movements' challenges. Firms that occupy elite positions in their field often have their power and interests vested in the status quo, incentivizing them to resist or repress change agents (Fligstein 1996; Friedland and Alford 1991; Maguire and Hardy 2009; Fligstein and McAdam 2012). When such firms are challenged by activists, their leaders' first response is often defensive, drawing on impression management strategies that evade, rather than address, the activists' concerns (Ashforth and Gibbs 1990; McDonnell and King 2013). Others, such as Starbucks or Whole Foods, try instead to situate

themselves at the social vanguard by crafting their identities around receptivity to activists (Briscoe and Safford 2008) and may even act as activists themselves (e.g., McDonnell 2015).

A firm's position as being either responsive or resistant to activists is only ascertainable by virtue of the firm's observable, historical responses to past movement challenges. One clear public record of such responses is a company's past treatment of social-issue proxy proposals submitted by its shareholders. Proxy proposals (or "shareholder resolutions") are written proposals presented to be voted on at a company's annual meeting. Shareholders use proxy proposals as a platform to bring a wide range of social issues to the attention of a company's management. As a consequence, many traditional social movement organizations now operate activist investing units that buy stakes in companies in order to submit resolutions to air their grievances (Model et al., 2014). For example, in 2010, People for the Ethical Treatment of Animals reported holding stock in over 80 companies (PETA Press Release, 2010). Like more traditional protest tactics, their resolutions are crafted to garner maximum media coverage, "us[ing] graphic language to show other shareholders how the companies in which they invest abuse animals." By placing issues on the corporate proxy, social movement organizations like PETA work to place their issues on the corporate agenda.

In the corporate setting, opportunity structures are the product of a multi-layered system, encompassing both organization-level political regimes and the overarching institutional constraints imposed by federal and judicial regulation (Soule 2009). In the case of social proxy proposals, the Securities and Exchange Commission (SEC) is empowered to act as an external gatekeeper for shareholders wishing to place a proxy proposal on a firm's annual proxy. By SEC rules, certain shareholder proposals may be excluded by corporations. Companies wishing to exclude a shareholder proposal must first file a formal challenge with the SEC to request

permission to do so. In this way, SEC policies create a ceiling to limit how closed corporations can be to activists vying for access through the corporate proxy.

Despite these boundaries imposed by the SEC, individual corporations enjoy relative latitude in responding to shareholder proposals. While companies must include any proposal that the SEC deems non-excludable, companies are not forced to exclude a proposal just because the SEC has deemed its subject matter to be excludable. For example, until 2009, the SEC allowed companies to exclude proposals relating to assessments of environmental risk. Several companies that received such proposals successfully challenged them, including Mead Corporation and Willamette Industries in 2001. Nonetheless, prior to 2009 numerous companies, including General Electric in 1998, Eastman Kodak in 1999, and Tyco International in 2004, allowed environmental proposals on their ballots. These companies demonstrated their receptivity to social challenges by choosing not to fight against a clearly excludable proposal. Still other companies were even more receptive, such as the Gillette Company, which received a proposal relating to environmental risk in 2003. Rather than challenge the proposal or put it to a shareholder vote, Gillette opted to concede, and the proposal was voluntarily withdrawn by its proponents prior to the annual meeting.

A firm's response to social-issue proxy proposals is an indicator of the openness of its corporate opportunity structure. Firms that allow shareholder activists liberal access to the proxy, or concede to activist shareholders without resistance, demonstrate more receptiveness to activists, which in turn signals that they have a more open opportunity structure than others in the field. In contrast, more resistant firms may seek to exclude every proposal they receive, fighting even those proposals that are unlikely to be ultimately deemed excludable by the SEC.

In so constraining access to their organization's formal channels, these companies demonstrate less receptiveness, signaling a more closed opportunity structure.

How Do Activist Challenges Influence a Firm's Future Receptivity to Social Activism?

Prior research suggests that a firm's past resistance to activism is predictive of its future resistance. Firms tend to use the same strategic responses to activists over time, suggesting that responses to activists may be a routinized component of firms' "performance repertoire" (McDonnell and King 2015). But certainly, a firm's responsiveness to activism may evolve. Consider, for example, the case of Nike, which has a long history of contentious interactions with its stakeholders. From the 1970s to the 1990s, Nike was accused by activists of using sweatshop labor, and steadfastly resisted changing. As Todd McKean, Nike's director of compliance, stated in a 2001 interview, "Our initial attitude was, 'Hey, we don't own the factories. We don't control what goes on there'" (Heckel 2001). In the late 1990s, however, after high profile protests at over 40 universities that held contracts with the company, Nike began to change its tune. In 1999, the company adopted a code of conduct to govern its factories; over the next five years, it audited its factories over six hundred times to assure compliance (Sage 1999; Bernstein 2004). Today, Nike is arguably one of the most activist-receptive companies in the retail industry. It is ranked at the top of its industry in Fortune's Most Admired Companies list, has voluntarily conceded to all but two of the social proxy proposals submitted by its shareholders in the past twenty years, and has collaborated with well-known activist organizations like Greenpeace (Hasselback and Morton 1998; McDonnell, 2015). Moreover, there was no ebb in the amount of activism that Nike felt before its about-face, which suggests

that activism itself may have worked to change the company's approach to managing activist challenges.²

Social movement scholars argue that political opportunities change through slow and sticky institutional processes (della Porta 1996; Kriesi 1995) or through abrupt and volatile processes (della Porta and Reiter 1998). It is also possible that opportunity structures can be changed via political processes, and that activism can play a role in shaping and shifting opportunity structures (Soule et al. 1999). A similar process may apply to corporate opportunity structures, as prior accounts of anti-corporate activism suggest that a primary goal of activists is to expose and affect the opportunity structures of their targets (Bartley and Child 2014; King and McDonnell 2015). Hunt, Benford, and Snow (1994), for example, argue that activist groups actively work to fragment organizational fields into allies and adversaries. By bifurcating the field and alienating clear targets, the movement is better able to attract and radicalize supporters (Alinsky 1989).

We suggest that firms caught in the crosshairs of anti-corporate activists strategically adopt new structures and practices for managing activist threat. By challenging corporations, external stakeholders work to 'problematize' an issue, seeking through disruption to gain the attention and response of a firm's leaders (King 2008a; 2008b; Maguire and Hardy 2009). Firms targeted by social movements can feel this disruption through damage to their reputation (King 2008; McDonnell & King, 2013), as well as through heightened perceptions of risk and

² Some argue that trends in firm response to shareholder activism have grown less friendly, citing evidence of increasing rates of companies excluding shareholder proposals from their proxy statements (RiskMetrics 2008). If this is true for social shareholder resolutions, it is possible that this in response to one of the key findings that we report on below. That is, perhaps companies that became more receptive to activists are now tightening up that access in response to the resultant groundswell of shareholder activity that their receptivity engendered.

weakened financial performance (King and Soule 2007; Vasi and King 2012). These adverse consequences of social activism draw firm leaders' attention to the company's ailing social image, prompting a search for strategic solutions. Some prior work suggests that movements provoke changes in corporate strategy, such as increased impression management (McDonnell and King 2013) or the formation of activist alliances (McDonnell 2015), but it is unclear whether these outcomes signal mere "cheap talk" as opposed to veritable changes in a firm's long-term approach to activist challenges.

While simple impression management strategies may be effective at temporarily avoiding or downplaying a particular challenge, firms that struggle with repeated activist challenges may seek more permanent measures. These measures – which we refer to as “social management devices” – are structures or practices meant to assist the firm in managing its social strategy and demonstrating an enhanced commitment to socially responsible values. We concentrate on two specific examples representing separate categories of these devices: the provision of an annual sustainability report (a form of *increased disclosure*) and adoption of an independent board committee tasked with managing social responsibility issues (a form of *structural change*). Each of these devices have been increasingly adopted by companies in the US, as shown in Figure 1, which tracks their adoption among our sample of 300 large public companies.

[Insert Figure 1 Here]

In the case of Nike discussed above, it appears that Nike became more open to activists in the early 2000s, after being battered by activists for decades. Thus, Nike may have learned that a more open approach to its activist stakeholders could help the company save face and restore its brand's identification with socially laudable norms and values. Indeed, a closer look at Nike's social practices during its transitional period shows that the company adopted both of the social

management devices explored in our paper. In 2001, the company began issuing an annual corporate social responsibility report to all of its shareholders, and it also adopted a new formal Corporate Responsibility Committee at the board level, which it staffed with four independent directors who meet several times each year. The Committee's charter states that it is tasked with "review[ing] strategies and plans for corporate responsibility," including the provision of "recommendations regarding labor and environmental practices, community affairs, charitable foundation activities, diversity and equal opportunity, and environmental and sustainability initiatives." In the wake of activism, it seems, Nike came to recognize its social performance as a strategic problem that warranted escalation to the highest levels of its management structure, as well as increased disclosure to demonstrate the substance of its social commitment to its stakeholders. Though anecdotal, we suggest that the case of Nike reflects a common pattern among companies facing large amounts criticism from activists. Companies for which activism becomes a persistent and oppressive strategic problem are similarly likely to seek out social management devices to help them manage their social reputation and demonstrate an enhanced commitment to their stakeholder audiences.

Hypothesis 1: Firms that are targeted with more social activist challenges will be more likely to adopt social management devices.

Though they are adopted as a defensive response to activist challenges, social management devices can also make companies more receptive to activist challenges, serving as a mediating mechanism between activist challenges and increased corporate social responsiveness. This could happen in one of two ways. First, social management devices may entail increased disclosure, which can empower internal and external monitors by providing them with easier access to information about a firm's social activities. For example, firms that issue a corporate

social responsibility report increase attention to social issues within the firm (as internal firm actors will have to prepare the report), but they also provide information to external monitors about where the firm's social priorities lie. This information may allow monitors to more easily point to behavioral aberrations or areas in which the firm needs to improve, empowering activists with greater leverage over targets.

Second, social management devices can lead to enhanced corporate social responsiveness by instituting and enabling independent monitors, which better equip social activists to hold a firm accountable for problematic social behaviors. Independent monitors who are capable of scrutinizing and influencing a firm's behavior play an important role in shaping corporate social responsibility (Aguilera and Jackson 2003; Campbell 2007). For example, prior studies of transnational movements suggest that NGOs and social movement organizations play instrumental roles in bringing about reform by establishing codes of conduct and promoting organizational compliance (Keck and Sikkink 1998). Employees can also act as monitors who encourage socially responsible behavior. For example, Raeburn (2004) finds that intra-firm employee groups helped win organizational support for providing marriage benefits to domestic partners. Also, Johnson and Greening (1999) find that the prevalence of independent directors on corporate boards is associated with enhanced corporate social performance. When a firm formally designates a committee charged with overseeing its social and public policy, the firm empowers directors to act as internal monitors. Involved directors will be more likely to attend to and consider social issues. Moreover, directors on a social responsibility committee are made accountable for the firm's social actions, as they could be blamed for exposed transgressions. This should increase the extent to which these directors will take action to respond to potential

social problems. In this way, social responsibility committees should lead firms to be more receptive to social challenges.

Hypothesis 2: Firms that adopt social management devices will become more receptive to activist challenges.

DATA, METHODS, AND ANALYSIS

We randomly selected a sample of 300 firms that were included in the Fortune 500 at some point between 1993 and 2009 and were established before 1990. We followed each of these firms from 1993-2009, creating a panel dataset with observations at the level of the firm-year. By limiting our sample to firms that were established before 1990, we were able to avoid any left censoring in the panel. We test each hypothesis in a separate set of models. Across all models, unless otherwise noted, all independent and control variables are lagged one year in order to avoid temporal endogeneity.

We collected data on proxy proposals using the Interfaith Council on Corporate Responsibility's (ICCR) archives of social-issue proxy proposals. The ICCR has helped coordinate shareholder activism on social issues among its members since 1971. It began as a coalition of religious organizations, but now includes a wide-range of NGOs and institutional investors in its membership. Today, it is a dominant institutional coordinator of shareholder activism. To assist shareholder activist campaigns, the ICCR tracks and maintains detailed information on socially-oriented shareholder resolutions, including the proponent and subject of the resolution, as well as the company's response to it.

We collected boycott data using a media content analysis of Factiva's "Major News and Press Release Wires" database. We trained a team of research assistants to search for each company's name in the database along with the search string (boycott or boycotts or boycotting

or boycotted). They then content coded all articles reporting a boycott of a public company. Prior studies of boycotts have utilized a similar method of identifying boycotts through the content analysis of newspaper articles (e.g., King 2008; McDonnell and King 2013; Friedman 1985). This search resulted in a total corpus of 439 articles referencing 210 unique boycotts brought against the companies in our sample. A total of 22.4% of the boycotts we identified ended in a concession, which is similar to the 25% concession rate found in King's (2008) separate sample of US boycotts.

Dependent Variables

To test Hypothesis 1, which predicts that firms facing more activist challenges will be more likely to adopt social management devices, we employ discrete-time event history models to explore firms' adoption of two separate examples of social management devices: a *CSR Report* and a *CSR Committee*. Each social management device is a binary variable, coded "1" if a firm adopts the device in a given year, and "0" if not. Data on CSR Reports were collected using the Global Reporting Initiative's archival database of public company CSR or sustainability reports.³ We gathered data on CSR committees through a search of the committee lists reported in each company's annual proxy statement, which can be found at the SEC's Edgar database repository of public company filings.⁴ In the proxy statements (filed as Form 14a DEF with the SEC), companies provide a one-paragraph description of each of the official committees of the board. We coded a new board committee as a CSR committee if its description explicitly mentioned that the committee's role included oversight of corporate social responsibility, social

³ Available at <http://database.globalreporting.org/>

⁴ Available at <http://www.sec.gov/edgar.shtml>

policy, public policy, or environmental issues. For example, in its 2003 annual proxy statement, General Electric introduced a new committee titled “Public Responsibilities Committee,” the purpose of which it describes as “to review and oversee our positions on corporate social responsibilities and public issues of significance which affect investors and other key GE stakeholders.” Normally the language used to describe the purpose of committees in corporate annual proxy materials is taken directly from each board committee’s founding charter.

The central dependent variable used to test Hypothesis 2 is a firm’s *receptivity to activist challenges*. We operationalize receptivity as the variance in a firm’s responses to all social-issue shareholder proposals that it received in the prior year. A firm can react to shareholder proposals in three distinct and readily observable ways, which indicate receptivity, neutrality, or resistance. First, the firm could agree to implement the proposal without putting it up to a vote, in which case the proposal is *withdrawn* (signaling receptivity and willingness to negotiate with activists). Second, the firm could refuse to implement the proposal, but voluntarily allow the proposal to go to a *vote* at the annual meeting (indicating a more neutral stance toward activists, insofar as it gives the proponent-activist an outlet through which to voice their issue). Third, the firm could seek to *challenge* the proposal by petitioning the SEC for permission to exclude it from the annual proxy (signaling hostility to activists). Responses to shareholder proposals are a particularly useful tool for studying corporate receptivity because, unlike other forms of activism, the processes for resisting a shareholder proposal are both formalized and public, which make it possible to separate resistant firms that actively fight against a challenge and more neutral firms that simply ignore the challenge. This is contrasted with the case of challenges like boycotts, where firm responses can typically only be captured as a binary variable indicating whether a target did or did not concede, conflating resistant and neutral firms (e.g., King 2008).

Our measure of receptivity to activists is based on the Janis-Fadner (JF) coefficient of imbalance, which is a formula that has been used in the past to capture the overall emotional valence of media articles (Janis and Fadner 1985; Pollock and Rindova 2003; Pfarrer, Pollock, and Rindova 2010). The JF coefficient is usually constructed by coding media articles as negative, neutral, or positive, then collapsing them into a variable capturing their overall emotional bent. Like media articles, firm responses to social proxy proposals are negative, neutral or positive, so the JF coefficient is a useful tool to extend to the present context as an operationalization of overall firm receptivity to social activists. The JF coefficient equals:

$$(P^2 - PN)/V^2 \text{ if } P > N; 0 \text{ if } P = N; \text{ and } (PN - N^2)/V^2 \text{ if } N > P,$$

Where P is the number of positive firm responses to social-issue proxy proposals (i.e., withdrawals), N is the number of negative responses (i.e., challenges), and V is the total number of social-issue proxy proposals submitted to a firm in a given year. The JF coefficient produces a variable with a range from -1 to 1. Firms with a JF coefficient of -1 challenged all social-issue proxy proposals submitted in a given year and firms with a JF coefficient of 1 voluntarily agreed to implement all of the social proxy proposals the received.

The receptivity variable captures the JF coefficient of a firm's responses to all social proxy proposals that it received in the prior year. When a firm received no social proxy proposals in the prior year, we use the JF coefficient of its responses in the last year in which it received at least one social issue proxy proposal. We carry over a firm's past receptivity in years when it does not receive a social proxy proposal because we conceive of receptivity as a reputational signal that is conferred from historical past encounters with activists (Briscoe and Safford 2008). If a firm was actively resistant the last time that it was approached by activists, they likely continue to assume that it is resistant until it proves otherwise. We ran supplemental models

coding receptivity as “0” in years in which no social issue proxy proposal is received. We also ran models in which we omitted firm-years in which no social proxy proposals were received. Our results were robust to each of these alternative formulations.

Independent Variables

The primary independent variable used to test Hypothesis 1 is *total activist challenges*, a count variable capturing the total number of times in the prior year that a firm was confronted with either a boycott or a proxy proposal. We include both of these categories of challenges because, just as social movement activists targeting the policies of states (e.g., Meyer and Staggenborg 1996), anti-corporate activists choose from a variety of venues for advocating changes in corporate policy. With \$2000.00 worth of a company’s stock, activists can put their policy initiative on the company’s annual proxy ballot to be voted on by all of the shareholders of the organization (Rao and Sivakumar 1999), or they can employ extra-institutional tactics like protests, boycotts, or negative media campaigns to place pressure on the organization to reform (Soule 2009; King and Pearce 2010). By including both boycotts (an extra-institutional tactic) and proxy proposals (an institutional tactic) in our measure of total activist challenges, we seek to capture the general amount of activist challenges that a firm receives from within and without formal institutional channels. Given that prior work has found that the same types of companies are targeted by all types of activist challenges (Vasi and King 2012), we believe that the inclusion of these two variables is enough to offer a reasonable proxy for the overall distribution of activist challenges targeting the companies in our sample.

Of course, there are important differences between extra-institutional tactics like boycotts and institutional tactics like proxy proposals. First, institutional tactics are often regulated in

ways that restrict how quickly they can be used to engage the company. In the case of proxy proposals, a shareholder must have held at least \$2,000 of stock for at least one year prior to the submission of a proxy proposal, and the proposal must be submitted well before the annual meeting in which it will be voted on (the exact amount of time varies by company, but is typically 180 days). Given these regulations, institutional tactics may be less useful for quick mobilization efforts that seek an immediate response from a firm. Vasi and King (2012) argue that institutional tactics, unlike extra-institutional tactics, have more credibility in the eyes of managers and are more likely to be taken seriously by investors and analysts. It is also true, however, that proxy proposals do not provide activists with a fully open or democratic outlet. This is because, firstly, social proxy proposals will almost certainly not win majority support. According to Proxy Monitor's database of proposals submitted to the Fortune 250, only four of the 1,181 proposals submitted to the Fortune 250 between 2006 and 2014 won a majority vote. Secondly, shareholder proposals are legally non-binding in virtually all cases, such that a firm's directors exercise final discretion as to whether and how to respond, regardless of the number of votes the proposal wins (Monks and Minow 2001). For these reasons, the primary purpose of the tactic is not to formally force concession through democratic engagement, but rather, like its extra-institutional counterparts, to raise awareness and problematize the issue being advocated. Thus, we contend that shareholder proposals are properly conceived, alongside protests and boycotts, as a form of "disruptive activity" (Walker and Rea 2014). Still, given that boycotts and proxy proposals occur in very different institutional spaces and may therefore be interpreted differently by their targets (Vasi and King 2012), we also run a set of models that separate the *total activist challenges* variable into separate counts of *proxy proposals* and *boycotts*.

Control Variables

Prior research suggests that activists are more likely to target large, high-status firms, which tend to attract more media attention (King 2008; 2011; Bartley and Child 2014; King and McDonnell 2015). We account for this by including three controls, namely: *logged number of employees* (to capture variation in firm size), *logged media attention* (the logged count of the number of news articles about a company in a given year, as reported in Factiva), and *status* (derived from the reputation scores provided in Fortune's annual list of the Most Admired Companies). We control for status using a binary variable that is coded as a "1" if a firm appeared in the Most Admired Companies list in a given year, and "0" otherwise. The Fortune Most Admired Companies list is constructed using surveys of the managers of each company's industry peers, making it a useful proxy for capturing insiders' perceptions about which firms inhabit the incumbent elite within their field.

Firms' *perceived social responsibility* is also expected to affect the likelihood that they will be targeted by activist challenges (King and McDonnell 2015). In order to control for a firm's reputation for social responsibility, we used data from KLD Research and Analytics, a third party rating system of firms' social performance. Our measure of perceived social responsibility is the difference between the number of strengths and the number weaknesses listed in the index (KLD Analytics, 2006). Because KLD does not rate every firm in our sample and did not collect data for every year in our sample, we were missing data for 1,378 firm-years. We used Stata's multiple imputation regression command (`mi impute regress`) to generate the missing values, using values of observed variables in the regression to posteriorly predict values of the missing variable (see Mustillo (2012) for an overview of multiple imputation for sociological research).

To account for the possibility that a firm’s receptivity or resistance to activist challenges will predict their adoption of social management devices, we control for lagged *receptivity* in our models predicting the adoption of *CSR Reports* and *CSR Committees*. The *receptivity* variable in these models is the lagged version of the *receptivity* dependent variable described above. Also, given that firms that have already adopted social management devices may be more likely to continue to search for additional devices, we control for whether a firm has already adopted a *CSR Report* when predicting its adoption of *CSR Committees*, and vice versa.

To account for the possibility that a firm’s performance affects its stakeholder interactions, we control for *Tobin’s Q*, which is a common market-based proxy for firm performance that is operationalized as the market value of assets divided by the replacement costs of assets. While accounting measures such as return on assets are also commonly used as proxies for firm performance, *Tobin’s Q* is gaining traction within the management and strategy research as a preferable measure of firm performance insofar as it is forward-looking (implicitly incorporating the value of potential growth opportunities and future operating performance) and less susceptible to manipulation by managers (Anderson and Reeb 2004; Miller, Xu, and Mehrotra 2014). We also include fixed effects for each firm’s SIC major industry division. Finally, to account for general temporal trends in activist targeting, we include an annual *year* variable, coded as “0” in 1993, the first year of our panel, and counting up by one each year to “17” in 2009, the final year of our panel.

Descriptive statistics and correlations are provided in Table 1 below.

[Insert Table 1 Here]

To further probe the differences in the distribution of our control variables across receptivity, we split our firm-year observations into three groups: resistant firms (receptivity <

0), neutral firms (receptivity = 0), and receptive firms (receptivity > 0). A comparison of these categories is provided in Table 2, below. Interestingly, neutral firms are the least likely to be targeted by both boycotts and proxy proposals. They also are the smallest (in terms of total employees), have the lowest status, and garner the least amount of media attention. Resistant firms are targeted the most heavily by both boycotts and proxy proposals, and resistant firms also are significantly larger and attract more media attention than receptive firms. Receptive firms perform significantly better than neutral firms, but their performance does not significantly differ from resistant firms. We find no significant differences between the three groups in terms of their perceived social responsibility.

[Insert Table 2 Here]

Analysis

We test Hypothesis 1 using discrete-time event history analyses predicting the initial dissemination of a sustainability report and the adoption of a board committee dedicated to CSR, respectively. For each model, all companies are included in the risk set so long as they have not adopted the device in question. The dependent variable is coded “0” in all years in which a firm has not adopted the device in question and is coded “1” in years in which an adoption event takes place. No firm in the sample ceased to have a device after an adoption event, so firms are omitted for not being in the risk set in all years after the adoption event in question takes place. Because there is wide variation in the timing and rate of adoption for the social management devices explored here, the number of observations varies across these models.

The initial dissemination of a CSR report and the adoption of a CSR board committee could occur within the same year (in which case they would be treated as simultaneous within

our models) and it is certainly possible that firms seeking out one social management device may be more likely than others to conduct a broad search and adopt more than one device simultaneously. This suggests that the dependent variables used in our initial set of discrete-time event history models may not be independent from one another. To account for this possibility, we estimate a multivariate probit model, which allows for the simultaneous prediction of the likelihood of adoption of a CSR committee or CSR report.

We also ran a series of supplemental analyses to serve as robustness checks to our discrete-time event history models. First, given that all adoption events represent relatively rare events, we replicated our model with King and Zang's (2001) statistical correction for rare events. We also sought to account for potential heteroskedasticity by replicating our models as a panel logit regression with random effects and clustered standard errors, employing the *xtlogit* command in Stata 13. To account for the potential endogeneity of total activist challenges, we used a two-step probit regression in which we instrumented for total challenges using the *ivprobit* command in Stata 13. In the first stage, following prior work (Vasi and King 2012), we regressed total activist challenges on three instrumental variables: lagged total boycotts, lagged proxy proposals, and lagged human rights concerns reported by the KLD. In the second stage probit models, the total activist challenges variable is then replaced by the predicted values produced from the first-stage regression. The results pertaining to our variables of interest across all supplemental models were substantively similar to those provided here. Additionally, the Wald test for exogeneity in the instrumental variables probit models was insignificant ($p = 0.55$), yielding no statistical evidence of the endogeneity of total activist challenges within the present statistical setting. Finally, we wanted to rule out the possibility that social management devices were direct concessions to the social shareholder proposals, rather than defensive responses to

them. To examine this, we combed through all of the proxy proposals in our database to isolate those that directly requested adoption of a CSR committee or a sustainability report. While we found no instances of a proxy proposal requesting a CSR committee in our database, we did find 194 proposals that requested enhanced disclosure through a CSR/sustainability report. We only found three instances, however, in which a company first promulgated a sustainability report in the year following the introduction of such a proposal, so direct responses do not seem to be the primary explanatory factor driving our findings. Indeed, many proposals asking for disclosure were submitted to companies that already issue sustainability reports, in which case the proposals request that the reports include supplemental material. Re-running the models with the three direct responders excluded produced substantively similar results to those shown here.

We test the relationship between the adoption of social management devices and future receptivity to social activism (Hypothesis 2) using a quasi-experimental approach in which we compare the change in receptivity among firms that adopted a social management device (the “treatment group”) with a matched set of firms that did not (the “control group”). The primary independent – or *treatment* -- variable used to test Hypothesis 2 is the adoption of a social management device. This variable is coded 1 in any year in which a firm adopted a new social management device. For example, a *report treatment* occurs when a firm that did not have a CSR report in year $t-1$ began to produce a CSR report in year t . A *committee treatment* is similarly coded 1 in the year in which a firm first adopted a board committee designated to social responsibility, environmental issues, or public policy. We also test an *all treatment* variable that is coded 1 if a firm adopted either of these two social management devices in a given year.

To construct the control group, we first generated predicted probabilities from each of the event history models used to test Hypothesis 1 (Models 3-4, Table 3). Then, we employed

nearest-neighbor propensity score matching to pair each firm that experienced the adoption of a social management device with the firm that was at the most similar risk of adopting the device in the same year, but did not adopt it. Propensity score matching allows us to compare two groups that are equally matched on relevant selection criteria but that differ in their exposure to the treatment (e.g., King et al. 2007). This resulted in a 1:1 matched set of treated firms paired with the most observably similar set of untreated firms in terms of those factors most likely to predict the adoption of social management devices (Heckman, Ichimura, and Todd 1998).

To compare the trends in openness pre-and post- adoption between the treated and control firms, we conducted difference-in-difference analyses wherein the *receptivity* variable described above is the dependent variable. We began by transforming the data into a panel dataset in which each firm is observed twice: once in the year prior to an adoption event and once in the year after an adoption event, including fixed effects for firm and year. The models utilize two key binary variables: a *period* variable (coded “0” for the treatment firm and its match in the year prior to an adoption event and “1” in the year after) and a *treatment* variable (coded “0” for all control firms and “1” for all treated firms). The difference estimator, which compares the change in the dependent variable across the treatment and control groups, is captured as an interaction of the period and treatment variables. Again, we employ robust standard errors.

RESULTS

Results for our models testing Hypothesis 1 – that firms facing more social activism will be more likely to adopt social management devices – are displayed in Table 3. Models 1-4 comprise a series of four event history analyses, predicting the likelihood that a firm will begin to issue a CSR report (Models 1 and 3) or institute a formal CSR Committee (Models 2 and 4).

In Models 1 and 2, we test our general hypothesis that firms that face more activist challenges will be more likely to adopt a social management device. We find support for this hypothesis across both models, as the total number of activist challenges that firms received in the prior year is positively and significantly related to the likelihood that firms will begin to disseminate a CSR report and institute a CSR board committee.

Our control variables suggest that higher status, better performing companies that receive more media attention are more likely to issue CSR reports. However, we find no evidence that these variables similarly predict the adoption of CSR board committees. In models 1 and 3, we find that firms that have a CSR committee in place are more likely to adopt a CSR report. Similarly, in models 2 and 4, we find that firms that already issue a CSR report are more likely to adopt a CSR board committee. We interpret these findings as providing evidence that each type of social management device is part of a coherent overarching strategy, such that once a firm takes initial steps to alter its structures and practices to better manage social issues, it is likely to continue to seek out and adopt new social management devices in the future.

In models 3-4 we disaggregate the total number of activist challenges into separate counts of boycotts and proxy proposals. In model 3, we find that proxy proposals are significantly related to the likelihood of issuing a CSR report, whereas the boycotts variable is not significant. In model 4, in contrast, we find that boycotts are significantly related to the likelihood of adopting a CSR board committee, whereas the proxy proposals variable is not significant. These results provide interesting evidence that the type of social management device that companies adopt may depend on the type of activist challenge that the company faces. Although we did not hypothesize these effects, the findings are consistent with our understanding of the manner of influence exerted by the different tactics. Past research has shown that extra-institutional tactics

like boycotts influence their targets by generating negative media attention and provoking reputational threat (King 2008; 2011). Firms might seek to respond to these tactics by creating structural reforms like CSR committees that help them directly engage with activists, reducing the potential for future activist grievances to turn into reputational threats against the firm. Indeed, anecdotal evidence suggests that many firms have this in mind when creating CSR committees. For example, Samsung's website states that the purpose of its CSR committee is to build "relationships with various stakeholders through open dialogues and collaboration."⁵

In contrast to extra-institutional tactics, social proxy proposals influence firms by prompting industry analysts and investors to see the target firm as a riskier investment (Vasi and King 2012). Inasmuch as proxy proposals foster perceptions of risk among analysts and investors, firms may seek to counter them by disclosing information that helps these stakeholders arrive at more balanced risk assessments. By disseminating a CSR report, firms are able to convey more detailed information about activities and policies that might be seen as a source of risk by analysts and investors, such as sustainability measures, supply chain practices, and areas of ethical concerns. Thus, different tactics may lead firms to adopt different types of social management devices in order to counter the tactic's distinct type of influence.

Model 5 provides the results for the simultaneous multivariate probit models predicting adoption of CSR reports and CSR committees. Again, we find that proxy proposals, and not boycotts, significantly predict the initial provision of a CSR report. But in this model we find that both proxy proposals and boycotts are positively related to the adoption of a CSR committee.

⁵ Information about the CSR committee can be found on the company's website: http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/boardcommittees/IR_CSRCommittee.html (last accessed: September 19, 2014)

[Insert Table 3 Here]

Results for the models used to test Hypothesis 2 – that social management devices lead to increased corporate receptivity – are shown in Table 4. Model 1 includes only the companies that began issuing a CSR report and their matched, control firms (77 treatment firms and 77 control firms); Model 2 includes only the companies that adopted a CSR committee and their matched, control firms (44 treatment firms and 44 control firms) and Model 3 combines these models to include all companies that adopted either of these social management devices, as well as the full set of matched control firms (121 treatment firms and 121 control firms).

[Insert Table 4 Here]

Across all models, the main effect of the treatment variables is not significant, suggesting that there are no significant differences in the receptivity of the treatment firms and their matches in the year prior to a treatment event. The period variable in models 1 and 3 is negative and significant, indicating that the matched, control firms became significantly less receptive between the pre- and post- treatment periods. Across all models, we find a significant and positive difference estimator, suggesting that firms that experienced a treatment (i.e., firms that either began distributing a CSR report or that adopted a CSR committee on their board) became more receptive to activist challenges in the post-treatment period, as compared to the matched set of firms that did not experience a treatment. These results lend strong support to our Hypothesis 2, supporting a conclusion that social management devices led firms to become more receptive to future activist challenges.

We also took separate steps to rule out the possibility that social management devices are endogenous with social responsibility (i.e., that firms that become more socially responsible are both more likely to adopt social management devices and more likely to become more receptive

to activist challenges over time). In addition to controlling for perceived CSR in our models, we tested this alternative theory directly by replicating our difference-in-differences models with perceived CSR as the dependent variable. The difference estimator was not significant in any of these models, suggesting that there is no concomitant increase in social responsibility that might explain the changes in receptivity we observe in our Table 4 models. This increases our confidence in claiming that it is the adoption of social management devices themselves, and not a more general increase in social responsibility, that moderates the relationship between being targeted by activist challenges and becoming more receptive to future activist challenges.

In an additional robustness analysis, in Table 5 we include models that assess the duration of these effects over longer time periods. An alternative interpretation of our main finding is that targets become momentarily more responsive to movements at the same time that they adopt social management devices, but that adoptions do not have a lasting effect on a firm's opportunity structure. To rule out this possibility, in models shown in Table 5, below, we ran regressions in which the dependent variables are changes in receptivity over longer time periods (t-1 to t+2; t-1 to t+3; t-1 to t+4). We find a consistent effect of the difference estimator in each period of change, indicating that the positive effect of adopting social management devices on receptivity to activists persisted beyond the year after initial adoption. These results confirm that adopting social management devices leads to an enduring change in the opportunity structures of the targeted companies, even as late as four years after the initial adoption of a device.

[Insert Table 5 here]

DISCUSSION AND CONCLUSION

In this paper, we explore two types of corporate and activist interaction in order to shed light on the dynamic process through which corporate opportunity structures evolve in response

to activist challenges. First, we explore the question of whether firms that are targeted by activist challenges defensively alter the practices and structures they use to manage and respond to contentious social issues. We find support for our hypothesis that firms facing more extreme levels of activism will adopt social management devices; devices that help defend a firm's public image by demonstrating an increased commitment to social issues. We modeled the adoption of two examples of these devices: the issuance of a CSR report and the adoption of a CSR board committee. Our results suggest that activism is positively associated with firms' adoption of each of these devices, suggesting that targeted firms seek out these strategic devices in an effort to address concerns about their public image and reputation.

We also found that the type of social management device firms adopt depends on the type of tactics activists use. Inasmuch as boycotts create reputational threats, firms respond by adopting CSR committees, a structural reform intended to open dialogue with stakeholders and prevent grievances from turning into future reputational threats. Inasmuch as social proxy proposals create perceptions of risk among industry analysts and investors, firms respond by adopting CSR reports, a form of disclosure intended to provide contrary information to stakeholders that will help them form balanced assessments of risk.

Next, we explore whether firms that adopt social management devices become more receptive to future activist attacks. Because activist attacks prompt firms to seek out social management devices, we argue that these devices moderate the relationship between activism and the opening up of corporate opportunity structures. Specifically, we find that when firms that adopt a social management device are compared to a control set of similarly situated firms that did not, the treatment firms become significantly more open to social challenges in the post-treatment period. This final analysis sheds light on a mechanism through which opportunity

structures evolve within the political process, suggesting that defensive strategic devices that targets adopt in the wake of interactions with activist challengers may also cause incidental increases in the target's openness to future activist advances.

Our work has important implications for social movement theory, organizational theory, and the literature on corporate social responsibility, each of which is discussed in turn below.

Implications for the Social Movements Literature

Our findings contribute to social movement theory by providing evidence that movement challenges are not only affected by, but can also affect, the opportunity structures of their targets. Specifically, we propose a process by which a movement's activity can open avenues of influence for later movements. Targets that face activist challenges make structural reforms and increase disclosure in order to reduce potential threats to their image, which in turn makes the target more receptive to when it is challenged by activists in the future. This idea, while underexplored, is not wholly absent from the broader social movements literature. For example, Soule et al. (1999) show that feminist activism impacted the federal political opportunity structure, which in turn became more open to subsequent claims-making by women. Or, Costain (1992) suggests that by virtue of including women among the identity classes protected in the provisions of Title VII of the Civil Rights Act of 1964, the Civil Rights movement (largely inadvertently) paved the way for the later women's movement. While the anti-corporate activists whose challenges are explored in this paper may not intend to ripen corporate opportunities for later movements, our findings suggest that this consequence can occur when targeted corporations adopt defensive structures and practices that provide leverage to successive activist

advances.⁶ More generally, our results suggest that *political and corporate opportunities are not static structures; rather, they are dynamic and responsive to social movement activities*. This insight lends support to a more agentic view of the structure-heavy political process model (Goodwin and Jasper 1999).

Relatedly, our findings contribute to the broader effort to understand the outcomes of social movements by exploring outcomes at the nexus of two established streams of social movement research: advantages vs. acceptance, and direct vs. indirect outcomes (Snow and Soule 2010). Outcome-oriented social movement research in the corporate context has focused predominantly on movements' abilities to achieve their intended goals (e.g., Rojas 2006; Bartley 2007; King 2008a; Soule 2009; Weber, Rao and Thomas 2009). This work was spurred largely by Gamson's (1990) suggestion that movement success could be categorized in terms of gaining new advantages or acceptance. New advantages refer to factors that afford a movement more access and leverage in its future interactions with an entity, such as newly recognized rights. Acceptance occurs when an entity allows a movement's members to formally participate in internal policy-making processes, such as when a political body places movement members into positions of formal authority. While the question of how movements obtain new advantages and acceptance may shed light on how particular interests become incorporated into formal policy, to understand the more macro question of how social movements in the aggregate change the

⁶ There are likely analogs to social management devices in the realm of state targets of social movements. For example, the Presidential Commission on the Status of Women was established in 1961 to assess women's issues. Or, the Hate Crimes Statistics Act of 1990s stated that data should be collected on hate crimes, but did not criminalize hate crimes. More recently, many states have passed Climate Action Plans to establish suggested guidelines on reducing emissions. All of these measures, passed by federal, state, or local governments, may signal an openness to future activism in the same way our social management devices do. Future research should investigate whether or not these function the same way as our social management devices do.

institutions in which they are embedded, it is necessary to consider the important, but less attended to, indirect or unintended consequences of social movement activism (e.g., Deng 1997). For example, scholars studying the impact of movements on markets have found that movements often have diffuse, unanticipated consequences like the emergence of new institutional logics (Haveman, Rao, and Paruchuri 2007), the mobilization of resources and identities that cultivate new markets and industries (Sine and Lee 2009; Hiatt, Sine and Tolbert 2009), or changes in corporate behavior, such as increased charitable and pro-social activity (McDonnell and King 2013). This work emphasizes the significant institutional changes that can occur in the wake of a social movement, independent of the movement's ability to achieve its immediate goals.

Our work complements and extends this prior work several ways. In effect, our findings synthesize these two research streams on movement outcomes by exploring the uncharted territory of how social movements may indirectly generate new advantages for the larger population of social activists. Our findings suggest that movements provoke indirect, defensive responses from their targets in the form of strategic management devices. While movements may not be able to participate in these devices directly, they afford movements new opportunities for influence by increasing the information that activists have at their disposal, instituting and empowering monitors to search for and address social problems, and increasing corporate accountability for social actions through public commitments. While we must leave to future research the question of the extent to which these devices bring about veritable improvements in social justice, inequality, and other movement outcomes, we do provide evidence that they tend to increase a company's receptivity to social activist challenges. Thus, we propose that social movements are part of a dynamic, self-reinforcing process that fosters an environment in which activism can thrive. Through the challenges of activists that came before, later activists obtain

new advantages that allow them greater voice and more liberal opportunities to influence corporate policy.

A final contribution of our study to social movement theory is to focus on intermediary outcomes of strategic interactions between movements and their targets. Jasper and Poulsen (1993) were among the first to call for greater analytic emphasis on strategic responses to movements by their targets. Other theoretical perspectives, like field theory (Martin 2003; Fligstein and McAdam 2012) and game theories of behavior (Camerer 2003; Baron and Diermeier 2007), have similarly pushed scholars to consider how strategic interactions might produce macro-outcomes of interest, such as shifts in field-level rules or sweeping changes in corporate behavior. Our analysis offers an empirical window into these theoretical questions about the strategic responses of targets to movements and the consequences of these responses. Future empirical research ought to further integrate insights from field theory and game theory to supplement our social movement view of strategic responses.

Implications for Organizational Theory

Organizational sociologists have long emphasized that organizations symbolically convey their alignment with institutional norms (e.g., Meyer and Rowan 1977; Edelman 1992). Decoupling the symbolic adoption of structures and practices from the substantive work of the organization is integral to organizations' symbolic management (Westphal and Zajac 1994). Through symbolic adoptions, organizations protect themselves from having to make more fundamental changes. Our findings suggest, in contrast, that symbolic adoptions meant to appease certain stakeholders may, in fact, have long-term substantive consequences. Adopting social management devices, which may be initially intended merely as symbolic gestures, change

the relationship between the organization and activist stakeholders, concomitantly shaping these firms' commitments and character. In a sense, this process is similar to the co-optation process observed by Selznick (1949), although in this setting it occurs at a much slower and incremental pace. As firms seek to shelter themselves from activists' attacks by adopting social management devices, they open the door for gradual co-optation by those very activists. Of course, one possibility that we do not explore in this study is that this co-optation also fundamentally changes the activists as well. As activists form tighter relationships with CSR committees and become involved with disclosure procedures, they may also become less radical, and temper their claims against the firm. Future research ought to explore these potential consequences of increased corporate receptivity to activists.

Implications for the Literature on Corporate Social Responsibility

Our work also has important implications for the literature on corporate social responsibility. Critical of the collective effort of past CSR scholarship to wedge social responsibility into a neo-liberal conception of the firm, Margolis and Walsh (2002) urge organizational scholars to assume a novel, pragmatic vantage. Rather than searching for an empirical connection between social performance and financial performance, they argue, we ought to begin with a more descriptive inquiry into the means to the end of corporate social practice. Sociologists have also begun to develop a more complex understanding of the spread of corporate social responsibility, demonstrating that social responsibility commitments are both a product of global institutional forces and local relationships to stakeholders and other firms (e.g., Lim and Tsutsui 2012; Marquis, Glynn, and Davis 2007).

Our paper seeks to contribute to these inquiries by shedding light on the dynamic political process in which corporate-stakeholder interactions take place. Prior studies have linked corporate social responsibility to contentious politics, but have conceptualized the process as a simple direct relationship: activists notice a particular social problem, target the offending firms, and, if successful, can coerce these firms to concede to their more socially responsible agenda (e.g., King 2008; Soule 2009). In contrast, our findings suggest that activism and increased corporate social responsibility reinforce one another through a feedback cycle of activist activity and increased receptivity to activists, mediated by the adoption of social management devices. These social management devices elicit increased social commitments from organizations, as well as instituting and empowering internal and external monitors who can enforce social expectations of appropriate corporate behavior. In this way, activist challenges can provoke a more generalizable, longer lasting change in corporations' receptivity to social challenges than has been previously recognized. Although not explored in our paper, it is possible that sustained activist challenges may actually begin to change the strategic mindset of executives, leading them to become increasingly sensitive to stakeholder and social issues. Of course, we recognize that as social management devices become commonplace, firms may begin to adopt them for anticipatory reasons or out of mimetic pressure. Further, as the population of firms becomes more receptive to social challenges, executives may become more willing to engage activists without seeking defensive measures first. Future work is needed to explore the micro-level processes that foster and produce increased receptivity to social issues.

Our results further suggest that the specific type of social management devices that firms seek out is partly driven by the type of activist challenge they face. While we find that proxy proposals, an institutional challenge, increase the likelihood that their targets will disseminate

CSR reports, we find that boycotts, an extra-institutional tactic, increase the likelihood that their targets will adopt CSR board committees. This may be explained by differences in the way that targeted firms experience institutional and extra-institutional tactics. Prior work suggests, for example, that proxy proposals are primarily experienced by firms as an indicator of enhanced environmental risk (Vasi and King, 2012). Disclosure through CSR reports is likely to palliate this risk by reducing investor uncertainty about a firm's social and environmental behavior, allowing for more accurate estimations of the extent of the firm's non-market risk. Boycotts, to the contrary, suggest a breakdown in the firm's ability to manage contentious stakeholders and social issues, which could damage the firm's reputation (McDonnell and King 2013). By establishing a CSR board committee and populating it with independent directors (many of whom are drawn from public sector organizations like NGOs and charitable organizations), firms may improve their ability to recognize emerging problems early and proactively address them in ways that pacify contentious stakeholders. Further exploring variations in the type of defensive strategies that firms employ to respond to different classes of activist challenges represents a promising area for future research.

Figure 1: Percentage of Sample that has adopted a CSR Committee or Provided a CSR Report

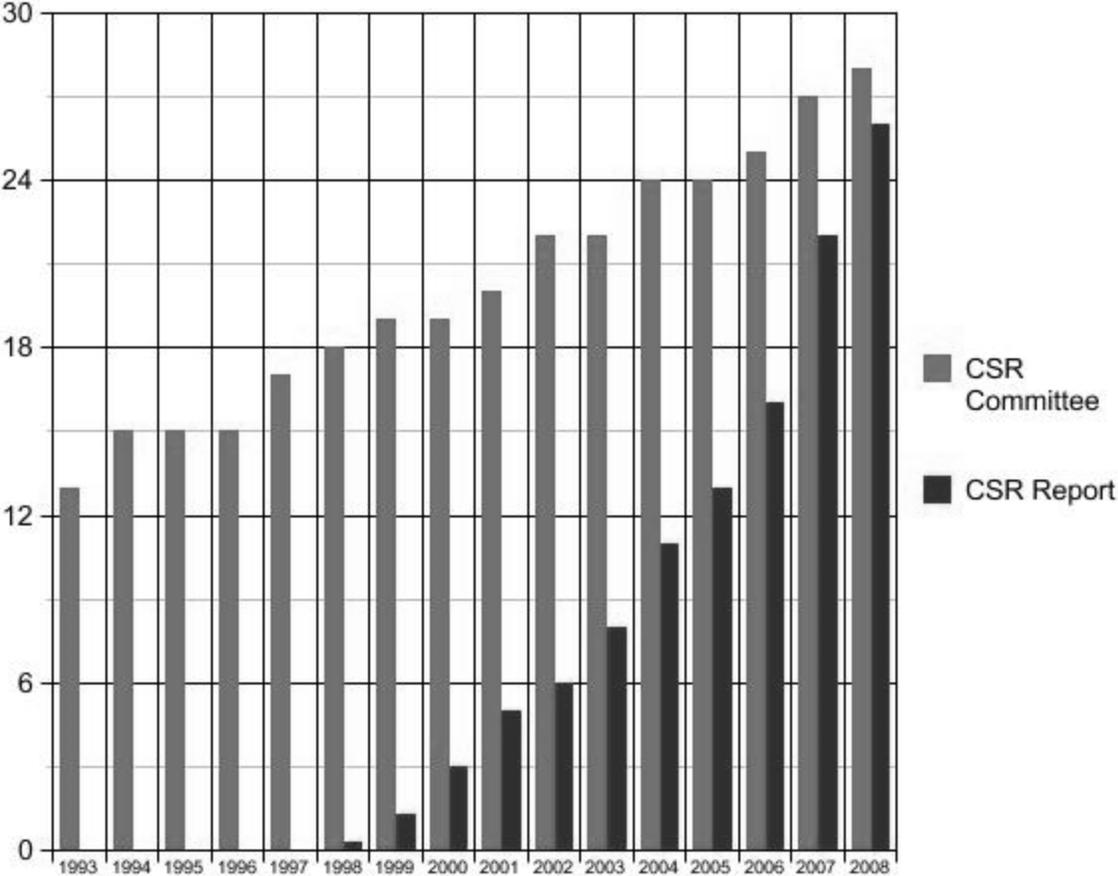


Table 1: Descriptive Statistics and Correlations

| | Variable | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------|---------------------------|-------------|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| 1 | Boycotts | 0.062 | 0.32 | 1.00 | | | | | | | | | |
| 2 | Social Proxy Proposals | 0.473 | 1.06 | 0.30 | 1.00 | | | | | | | | |
| 3 | Total Activist Challenges | 0.534 | 1.19 | 0.54 | 0.97 | 1.00 | | | | | | | |
| 4 | Status | 0.521 | 0.50 | 0.08 | 0.18 | 0.18 | 1.00 | | | | | | |
| 5 | Tobin's Q | 0.873 | 0.34 | 0.02 | -0.04 | -0.02 | 0.01 | 1.00 | | | | | |
| 6 | Logged Employees | 3.260 | 1.30 | 0.22 | 0.37 | 0.38 | 0.39 | -0.10 | 1.00 | | | | |
| 7 | Logged Media Attention | 1.687 | 1.41 | 0.20 | 0.29 | 0.31 | 0.24 | -0.04 | 0.40 | 1.00 | | | |
| 8 | Perceived CSR | 0.093 | 3.39 | -0.01 | -0.08 | -0.07 | 0.06 | 0.01 | 0.06 | 0.14 | 1.00 | | |
| 9 | Receptivity | 0.178 | 0.47 | -0.02 | 0.00 | -0.01 | 0.10 | -0.02 | 0.11 | 0.04 | -0.01 | 1.00 | |
| 10 | CSR Committee | 0.195 | 0.40 | 0.12 | 0.25 | 0.25 | 0.13 | -0.06 | 0.23 | 0.15 | 0.00 | 0.01 | 1.00 |
| 11 | CSR Report | 0.067 | 0.25 | 0.10 | 0.25 | 0.24 | 0.04 | 0.01 | 0.18 | 0.24 | 0.12 | -0.03 | 0.25 |

Table 2: Comparative Descriptive Statistics for Resistant, Neutral, and Receptive Firms

| | Resistant Firms (n=304) | | Neutral Firms (n=3654) | | Receptive Firms (n=1130) | | Ttest: Neutral vs. Resistant | Ttest: Neutral vs. Receptive | Ttest: Resistant vs. Receptive |
|---------------------------------|-------------------------|------|------------------------|------|--------------------------|------|------------------------------------|------------------------------------|--------------------------------------|
| | Mean | SD | Mean | SD | Mean | SD | p = | p = | p = |
| Boycotts | 0.22 | 0.68 | 0.03 | 0.23 | 0.08 | 0.33 | 0.00 | 0.00 | 0.00 |
| Social Proxy Proposals | 1.46 | 1.81 | 0.30 | 0.82 | 0.63 | 1.17 | 0.00 | 0.00 | 0.00 |
| Status | 0.67 | 0.47 | 0.45 | 0.49 | 0.65 | 0.47 | 0.00 | 0.00 | 0.76 |
| Tobin's Q | 0.86 | 0.36 | 0.88 | 0.34 | 0.84 | 0.37 | 0.82 | 0.02 | 0.33 |
| Logged Employees | 4.10 | 1.21 | 2.98 | 1.31 | 3.79 | 1.05 | 0.00 | 0.00 | 0.00 |
| Logged Media | 2.54 | 1.47 | 1.52 | 1.34 | 2.03 | 1.45 | 0.00 | 0.00 | 0.00 |
| Perceived Social Responsibility | 0.16 | 4.15 | 0.17 | 3.29 | 0.22 | 3.57 | 0.98 | 0.56 | 0.76 |

Table 3: Models Predicting the Likelihood of the Adoption of Social Management Devices^o

| Specification | Discrete Time Event History Models | | | | Multivariate Probit Model | |
|------------------------------|------------------------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | |
| | Rare Events Logit Regressions | | | | Model 5 | |
| | CSR Report | CSR Committee | CSR Report | CSR Committee | CSR Report | CSR Committee |
| Independent Variables | | | | | | |
| Total Activist Challenges | 0.151* (0.080) | 0.235* (0.107) | | | | |
| Total Boycotts | | | -0.0953 (0.254) | 0.502* (0.215) | -0.295 (0.294) | 0.240* (0.143) |
| Total Proxy Proposals | | | 0.193* (0.088) | 0.169 (0.115) | 0.120* (0.062) | 0.158** (0.061) |
| Control Variables | | | | | | |
| Status | 0.955** (0.306) | 0.261 (0.316) | 0.952** (0.304) | 0.296 (0.318) | 0.350 (0.148) | 0.0627 (0.142) |
| Tobin's Q | 0.837* (0.384) | 0.705 (0.480) | 0.868* (0.090) | 0.709 (0.447) | 0.462* (0.219) | 0.346 (0.213) |
| Logged Employees | 0.198 (0.147) | 0.103 (0.164) | 0.196 (0.147) | 0.0939 (0.163) | 0.0373 (0.071) | 0.0365 (0.064) |
| Logged Media Attention | 0.245* (0.103) | 0.198 (0.125) | 0.254* (0.103) | 0.184 (0.126) | 0.128* (0.053) | 0.025 (0.052) |
| Perceived CSR | 0.0379 (0.036) | -0.0626 (0.046) | 0.0379 (0.036) | -0.0646 (0.046) | 0.037 (0.020) | -0.0193 (0.020) |
| Receptivity | -0.0529 (0.301) | 0.233 (0.339) | -0.0472 (0.303) | 0.237 (0.338) | -0.0994 (0.131) | 0.175 (0.141) |
| Year | 0.243*** (0.030) | 0.0382 (0.035) | 0.241*** (0.030) | 0.0449 (0.035) | 0.122*** (0.019) | 0.0231 (0.013) |
| CSR Committee | 0.702* (0.261) | | 0.699** (0.262) | | | |
| CSR Report | | 1.566*** (0.489) | | 1.623** (0.501) | | |
| Industry Controls | YES | YES | YES | YES | YES | YES |
| Constant | -10.519*** (0.741) | -6.654*** (0.868) | -9.429*** (0.742) | -6.583*** (0.866) | -6.526*** (1.604) | -3.202*** (0.315) |
| N | 4730 | 4114 | 4730 | 4114 | 3977 | |
| Pseudo R ² | 0.20 | 0.10 | 0.20 | 0.10 | | |
| Log Pseudolikelihood | -307.18 | -223.76 | -306.75 | -223.24 | -381.53 | |

^oRobust standard errors, in parentheses, are clustered by company.

* p<0.05, ** p<0.01, *** p<0.001

Table 4: Difference-in-difference models predicting changes to corporate receptivity to shareholder-submitted social challenges

| | Model 1 | Model 2 | Model 3 |
|--|-----------------|----------------|------------------|
| Period | -0.166* | -0.126 | -0.147** |
| | (0.064) | (0.110) | (0.053) |
| Treatment: Report | -0.371 | | |
| | (0.559) | | |
| Treatment: Committee | | 0.753 | |
| | | (0.774) | |
| Treatment: All | | | 0.438 |
| | | | (0.491) |
| Dif. Est. Report | 0.232* | | |
| | (0.100) | | |
| Dif. Est. Committee | | 0.261* | |
| | | (0.131) | |
| Dif. Est. All | | | 0.232** |
| | | | (0.078) |
| ----- | | | |
| Tobin's Q | -0.164 | 0.0767 | -0.0450 |
| | (0.131) | (0.169) | (0.099) |
| Logged Employees | -0.00451 | 0.00113 | -0.00436 |
| | (0.151) | (0.166) | (0.099) |
| Total Activist Challenges | 0.0421 | -0.0584 | 0.00588 |
| | (0.041) | (0.044) | (0.031) |
| Logged Media Attn | 0.0572 | -0.0556 | 0.0225 |
| | ↕(0.043) | ↕(0.089) | ↕(0.038) |
| Status | 0.124 | 0.0526 | 0.0979 |
| | ↕(0.085) | ↕(0.140) | ↕(0.072) |
| Perceived CSR | -0.0145 | 0.0110 | -0.000256 |
| | ↕(0.015) | ↕(0.016) | ↕(0.011) |
| Fixed Effects for Firm | YES | YES | YES |
| Constant | 0.332 | -0.317 | -0.577 |
| | ↕(0.892) | ↕(0.845) | ↕(0.662) |
| R ² | 0.55 | 0.67 | 0.59 |
| Observations | 308 | 176 | 484 |
| Robust standard errors in parentheses * p<.05, ** p<.01, *** p<.001 | | | |

Table 5: Robustness Analysis Assessing Duration of Effects

| | Model 1 | Model 2 | Model 3 |
|--|-------------------|-------------------|-------------------|
| <i>Time Gap</i> | <i>t-1 to t+2</i> | <i>t-1 to t+3</i> | <i>t-1 to t+4</i> |
| Period | -0.113* | -0.108 | -0.136* |
| | (0.054) | (0.068) | (0.064) |
| Treatment: All | 0.486 | 0.663 | 1.207 |
| | (0.624) | (0.712) | (0.744) |
| Dif. Est. All | 0.154* | 0.228* | 0.212* |
| | (0.076) | (0.098) | (0.107) |
| ----- | | | |
| Tobin's Q | -0.199 | 0.0271 | -0.222 |
| | (0.126) | (0.260) | (0.200) |
| Logged Employees | -0.0446 | 0.132 | 0.372 |
| | (0.188) | (0.217) | (0.0768) |
| Total Activist Challenges | -0.0339 | -0.025 | 0.0523 |
| | (0.0317) | (0.0454) | (0.0394) |
| Logged Media Attn | 0.0683 | 0.0189 | 0.0184 |
| | (0.0317) | (0.0445) | (0.0502) |
| Status | 0.153* | 0.268* | 0.171* |
| | (0.0753) | (0.127) | (0.0768) |
| Fixed Effects for Firm | YES | YES | YES |
| Constant | -0.428 | -1.424 | -2.156 |
| | (0.982) | (1.103) | (1.164) |
| R ² | 0.71 | 0.67 | 0.68 |
| Observations | 400 | 340 | 292 |
| Robust standard errors in parentheses * p<.05, ** p<.01, *** p<.001 | | | |

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