

**THE INFLUENCE OF IDEOLOGY ON CORPORATE SOCIOPOLITICAL
ACTIVISM:
A STAKEHOLDER PERSPECTIVE**

by

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This dissertation was prepared under the direction of the candidate's dissertation advisor, Dr. Donald Neubaum, Department of Management, and has been approved by all members of the supervisory committee. It was submitted to the faculty of the College of Business and was accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

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ABSTRACT

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Despite the historical norm that businesses should refrain from making public political statements for fear of losing customers, recent history has shown an increase in firms wading into controversial sociopolitical topics. As politics become increasingly pervasive in everyday life, consumers, investors, employees, and the general public expect firms to engage in political topics and make their positions clear. However, the considerations and processes firms undertake in deciding whether to take political stands are largely unstudied.

This study examines the role of firm executives' ideologies on their propensity to engage in corporate sociopolitical activism (CSA). Further, I examine how the ideologies of organizational, social, and capital market stakeholders also influence the decision to engage in CSA as executives weigh the desires and expectations of key stakeholders. Using stakeholder theory, I argue that CEOs and top management teams (TMTs) are responsive to the ideological leanings of multiple stakeholder groups, while also

considering their own political opinions. Studying a random sample of 139 public firms, I find that CEO and TMT ideologies, on their own, are not reliable predictors of firm CSA. Firms are more likely to engage in CSA when the CEO's ideology is aligned with that of employees or the region surrounding the firm headquarters. I also find that the volatility of the firm's stock price reduces the propensity toward CSA, suggesting that the potential for adverse impacts on firm value can blunt firms' CSA efforts. Further, I find that firm factors, such as B2B vs B2C markets, firm size, and firm reputation also predict the likelihood of CSA. The results have theoretical implications by adding to the nascent body of CSA literature, as well as managerial implications for perceptions of the business environment and political influences.

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CHAPTER 1: INTRODUCTION

As political divisiveness has increased in the United States, ideologies and politics have become pervasive in nearly every part of American life. From 1994 to 2017, the average gap in partisan issue opinion between Republican and Democratic respondents rose from 15 to 36 percent. By comparison, opinion gaps based on race, gender, religion, and education have all remained relatively steady between 7 and 14 percent over the same time period (Pew Research Center, 2017). Concurrently, partisan antipathy has increased negative sentiments toward opposing political ideologies. In 1994, less than 18 percent of members of either political party reported having a very unfavorable opinion of the opposing party. As of 2017, 44 percent of Democrats and Democrat leaners and 45 percent of Republicans and Republican leaners reported a very unfavorable opinion of members of the opposing party (Pew Research Center, 2017). As partisanship and political gridlock become the new norm, some businesses have entered the public square to engage in discussions surrounding controversial sociopolitical topics.

Historically, firms' political involvement was intentionally kept from public view and limited to lobbying and political donations (Chatterji & Toffel, 2018). Originally attributed to basketball star Michael Jordan, the axiom "Republicans buy sneakers too" reminded firms that any publicly stated position on sociopolitical issues risked alienating a portion of current and future customer bases, potentially threatening valuable revenue streams (Chatterji & Toffel, 2018). However, over the past 10 years, an increasing number of businesses and their leaders have begun to publicly speak out on even the most

divisive sociopolitical topics. In one example, in 2012, Chick-fil-A CEO Dan Cathy prompted pledges of both boycott and support when he made comments opposing same-sex marriage during a radio interview (McGregor, 2012). In other cases, ideologically driven actions yielded financial losses, as in the case of Dick's Sporting Goods which attributed a quarter-billion-dollar loss in revenue to the decision by CEO Edward Stack to remove a large portion of gun sales from its stores following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida in 2018 (Caval, 2019). Particularly salient issues have prompted business leaders to work together to advocate for a specific issue, such as in a public letter signed by more than 80 CEOs opposed to a 2016 North Carolina bill that would require everyone to use the bathroom commensurate with their birth gender, seen as a limitation of transgender rights (Equality NC, 2016). Even more recently, on April 14, 2021, over 400 companies, executives, high-profile individuals, legal firms, and non-profits signed a two-page advertisement in both the Washington Post and New York Times espousing their opposition to any effort to limit access to voting for Americans (Gelles & Sorkin, 2021). Recent examples of executive and firm activism span multiple sociopolitical issues including LGBTQ rights, religious freedoms, racial equality, debates of election outcomes in 2020, and even public health measures in response to the COVID-19 epidemic (Swaminathan, et al, 2020). In watershed moments, such as during the racial equality movements of 2020, corporate activism can become especially ubiquitous, as evidenced by a Pew Research poll in which 80 percent of adult respondents had seen or heard companies and organizations making public statements about race or racial inequality following the death of George Floyd (Anderson & McClain, 2020). The examples above represent cases of corporate

sociopolitical activism (CSA). For the purpose of this dissertation, I define CSA as “a firm’s public demonstration of support or opposition to one side of a partisan sociopolitical issue,” which is consistent with prior CSA research (Bhagwat, et al., 2020).

Viewing corporate activism through an agency theory perspective demonstrates clear deterrents to public corporate actions on controversial issues. Any diversion of firm resources from profit maximization to sociopolitical efforts can be perceived as a conflict with shareholders’ interests, especially when managers do so to satisfy their own ideological purposes (Nalick, et al., 2016). For example, Starbucks CEO Howard Schultz and Apple CEO Tim Cook have both openly invited shareholders to sell their stock if they disagreed with their companies’ sociopolitical stances, potentially incurring losses in firm value directly stemming from non-market activities (Nalick, et al., 2016). Activism by business leaders contravenes the conventional logic that businesses should not wade into divisive issues for fear of affecting their bottom line. In many cases, activism represents the personal views of the CEO and lies outside the normal market activities of the firm. These actions violate the neoclassical economics view in which CEO and firm actions are intended to maximize utility for the firm within the contextual conditions of the business environment (Chin et al., 2013). Beyond the potential direct financial costs of engaging in CSA, which will be discussed in a later section, such activism could distract from the efficient application of firm resources, potentially turning off customers, the local community, or investors, ultimately dampening firm value. Indeed, Bhagwat, et al. (2020) find that investors react negatively to CSA, especially when the activism deviates from investors’ personal values.

Given the potential downsides to corporations engaging in sociopolitical activism, it first appears that there are few incentives to engage in CSA. By their very nature, sociopolitical issues are divisive, splitting institutional and societal opinions, often along partisan political lines. As described by Nalick, et al. (2016), “sociopolitical issues are salient unresolved social matters on which societal and institutional opinion is split, engendering acrimonious debate across groups” (p. 386). The debates over these issues often devolve into vehement disagreements between two opposing groups with simplistic “for” and “against” opinions based on political identities (Nalick, et al., 2016).

Despite all of these reasons not to engage in CSA, corporate activism has been on the rise (Chatterji & Toffel, 2018). So far, little is known about why firms choose to engage in activist behaviors. Is it solely to satisfy the ideological interests of executives? Are firms actively seeking to influence the direction of changing social norms? Is CSA a response to institutional and competitive pressures? Do firms consider the potential repercussions of CSA? Recent poll evidence suggests that consumer pressures may be a driver of CSA, where consumers increasingly expect firms to openly state their positions on controversial issues. In 2020, 52 percent of U.S. adults polled responded that it was somewhat or very important for companies and organizations to make public statements on political or social issues (Anderson & McClain, 2020). As political division becomes the norm and occurrences of CSA become more prevalent, firms may find it difficult to reconcile limiting potential consumer alienation with increased demand for the same activism from other consumers. While public statements may result in lost revenues or losses in firm value, as in the case of Dick’s Sporting Goods, the rising calls from consumers for businesses to interject in sociopolitical issues raises the threat that

attempting to remain neutral or silent on issues may also have deleterious impacts (Vredenburg, et al., 2020). In recent examples, heavy consumer and media pressure, including the threat of boycotts, was placed on Coca-Cola and Delta Air Lines, both headquartered in Atlanta, to speak out against controversial voting legislation in Georgia (Treisman, 2021). In response, Georgia legislators proposed legislation to revoke a multi-million-dollar tax break for Delta, though the vote ultimately failed (Barrabi, 2021). In a contrasting example, Home Depot, also headquartered in Georgia, became the target of boycott threats by religious leaders criticizing the company for their perceived silence on the controversial law (Scanlan, 2021). The sociopolitical expectations of investors, employees, consumers, and the public can make decisions on CSA appear to be a no-win situation.

Where the sociopolitical demands and expectations of various groups force firms into actions that conflict with an agency theoretic approach, stakeholder theory provides an alternate perspective that could better explain firms' propensity to engage in CSA. Instead of a focus on the potential impacts on revenues and firm values, a stakeholder approach suggests that executives are aware of and responsive to the values systems of different stakeholder groups in pursuit of improving identification with the firm through organization-stakeholder fit (Hambrick & Wowak, 2021). Where agency theory suggests that there are few, if any, good outcomes to CSA, stakeholder theory may provide a pathway to strengthening the bonds between firms and key stakeholder groups despite the potential for alienation of some customers or investors.

Given the changing political and business environments of the past three decades, and the intertwining of the two environments, firms can reasonably be expected to face

contradictory influences between the agency theoretic approach to maximize profit, the desires of stakeholders that demand firms openly support or oppose sociopolitical issues, and executives' impulses to influence the direction of society. Additionally, varying competitive business environments and the expectations of outcomes may incentivize or deter CSA. As such, the decision of whether to engage in CSA can be extraordinarily complicated for firms. It is this decision and the influences on it that raises the following research question: What forces and conditions influence corporations' decisions to engage in CSA?

In exploring this question, I contribute to the literature by suggesting that firms' CSA decisions are driven less by the ideologies of firm executives, and more by the ideological leanings of stakeholder groups. I find that the ideologies of stakeholder groups are a key consideration of executives in making CSA decisions. When executive and stakeholder ideologies are in agreement, I find that there is an increased propensity toward CSA. I further find that an expectation of potential adverse effects on firm value may dampen a firm's propensity toward CSA, where increased stock volatility is negatively related to CSA.

This paper proposes and tests a stakeholder approach to studying ideological and market influences on firms' decision to engage in CSA. In what follows, I review the existing CSA literature, including the theoretical bases for CSA research. I then develop and test hypotheses using a Poisson regression on CSA data from a random sample of 139 firms in the S&P 500 across two controversial sociopolitical issues. After analyzing the test results, I discuss contributions and implications for both theory and practice. I close with study limitations and avenues for future research.

CHAPTER 2: LITERATURE REVIEW

Until recently, the research stream on CSA has been nascent, with only two empirical studies of the consequences of sociopolitical activism (Chatterji & Toffel, 2019; Bhagwat, et al., 2020). However, findings from similar studies on the relationship between ideologies and corporate social responsibility have been used as bases for CSA theoretical development.

In this section, I review the extant literature and theoretical bases for examining the antecedents of CSA, including how individual and group ideologies, and the ideological fit of related stakeholders, may influence firms' decision to publicly support or oppose sociopolitical issues.

Defining CSA

Scholars in management and marketing disciplines have called for further examination of what drives sociopolitical activism by firms and CEOs. Management scholars have specifically called for research into the antecedents of sociopolitical activism, including the influences of various stakeholders such as investors, consumers, and employees (Nalick, et al., 2016). The research stream still has not coalesced around a single term for sociopolitical activism, with varying terms including sociopolitical involvement (Nalick, et al., 2016), brand activism (Vredenberg, et al, 2020), corporate social advocacy (Rim et al., 2019), brand political activism (Moorman, 2019), and corporate sociopolitical activism (Bhagwat, et al., 2020). In the current paper, I adopt the

term corporate sociopolitical activism which appears to have become the predominant term in the management discipline. However, the definition of the term in prior research varies depending on the unit of analysis. Bhagwat, et al. (2020) use a firm-level unit of analysis and define CSA as “a firm’s public demonstration (statements and/or actions) of support or opposition to one side of a partisan sociopolitical issue” (p. 1). I have adopted the same definition for this paper. However, considering that both upper echelons theory (Hambrick & Mason, 1984) and recent research on CEO ideologies (Chin, et al., 2013) suggest that personal values of executives are reflected in firm outcomes and therefore are inextricably linked, I also include actions and statements by the CEO and/or firm executives as demonstrations by the firm, maintaining a firm-level unit of analysis.

As a nonmarket activity, CSA is most comparable to corporate social responsibility (CSR) and corporate political activity (CPA), though key distinctions must be made. While all three efforts are intended to curry favor in some manner and exert some influence, the corporate efforts and intended outcomes vary significantly. Both CSA and CPA have political aims, though their conduct is very different. CPA, typically viewed as a form of political lobbying, seeks to influence regulations and legislation that are potentially beneficial to the firm, industry, or business environment (Nalick, et al., 2016). Although CSA and CPA are both partisan in nature, CPA is often conducted in secrecy, with firms often going to great lengths to shield their political activities, including donating to political action committees (PACs) that shield their donors’ identities (Hambrick & Wowak, 2021). In contrast, CSA is not only conducted openly, but is often magnified through efforts to gain as much visibility as possible, seeking to signal the firm’s values (Bhagwat, et al., 2020).

CSR efforts differ from CSA mostly along lines of acceptance within widely held social norms (Bhagwat, et al., 2020). CSR and CSA are differentiated by their level of partisanship, with CSR involving high social acceptance, and therefore low partisanship, while the polarizing nature of sociopolitical issues makes CSA likely to be highly partisan (Bhagwat, et al., 2020). CSR efforts seek to benefit stakeholders beyond investors through philanthropic work, environmental sustainability, and gender advancement equality programs, for example (Hambrick & Wowak, 2021). Additionally, CSR efforts typically involve areas the firm can control, such as its own sustainability actions, workforce diversity efforts, and community relations engagements. In contrast, CSA issues such as LGBTQ equality, gun control, and election security tend to be highly partisan and divisive. Issues such as these are well outside the sphere of control of any firm, though CSA efforts may seek to influence opinions on the issues. Additionally, as in the comparison of CSA and CPA, CSR activities can vary in the publicity, with CSR generally conducted publicly, yet quietly (Bhagwat, et al., 2020). The difference in publicity directly translates to the “vividness” of actions, or the extent to which firm or executive actions “make a splash” with target audiences (Hambrick & Wowak, 2021). The intentionally low-key approach to CSR and almost secretive approach to CPA make them distinctly different from the intentionally vivid nature of CSA, meant to garner not only attention, but often intended to invoke responses (Hambrick & Wowak, 2021).

A further distinction between CSA, CSR, and CPA centers on alignment with firm objectives. Research on CSR has documented benefits to the firm stemming from CSR, including positive relationships with firm value (Luo and Bhattacharya, 2006), firm reputation, and customer trust (Chernev & Blair, 2015). CPA efforts are similarly tied to

firm objectives, seeking to gain political influence over legislation or regulations favorable to firm operations or environments, with the ultimate expectation of eventual financial benefits to the firm (Bhagwat, et al., 2020). The firm objectives regarding CSA may not be known a priori and may hold no congruence with larger firm objectives, strategy, or tangible policies (Nalick, et al., 2016; Hambrick & Wowak, 2021). Firm activism is directed toward societal outcomes rather than achieving firm objectives, instead reflecting values of the managers and firm (Hambrick and Wowak, 2021).

A final distinction between these nonmarket activities lies in the initial financial investment required. CSR and CPA often require considerable expense, whether through direct political contribution, charitable donations, or cause-related product or operational changes meant to serve external stakeholders. CSA, however, is a mostly communicative effort, requiring little, if any, initial cost to the firm, especially in cases of executive activism (Hambrick & Wowak, 2021). In the recent examples of multiple firms and CEOs signing public activist letters, the financial cost of running public advertisements is small by comparison to larger CSR and political efforts, even if the cost is borne by a single participant. However, while the cost to engage in activism is generally minimal, the ultimate financial costs to the firm in potential losses in firm value, market share, and revenue streams are still unclear (Nalick, et al., 2016; Bhagwat, et al., 2020).

Political Ideologies and Identity

In examining the relationships between political ideology and CSA, it is important to define and understand how political ideologies build foundational stakeholder value systems that may serve to influence individual and organizational activities within a firm.

Psychological research describes political ideology as a shared set of beliefs that guides individuals', or groups of individuals', interpretation of the order of society and how it should be ideally structured (Jost, et al., 2009). These ideologies are made up of "widely (but not unanimously) shared beliefs, opinions, and values of an identifiable group, class, constituency, or society" (Jost, et al., 2009, p. 309). Political ideology in the United States, and many western countries, is considered in terms of a left-right dimension, although alternately classified as liberal-conservative, or Democratic-Republican in the United States. These ideologies are distinguished along two major aspects, with left (liberal) ideologies advocating for social change, progressivism, market controls, and rejecting inequality, while right (conservative) ideologies favor individualism, free markets, and traditionalism (Jost et al., 2009; Hambrick & Wowak, 2021). Importantly, it should be noted that the left-right dimension is not dichotomous, but instead lies on a continuum, where individuals will vary not only in their ideological views, but in their intensity to which they subscribe to them (Knight, 2006). Some may fall on the extremes of ideological liberalism or conservatism, while others may fall in a moderate ideology, though likely still leaning slightly left or right (Hambrick & Wowak, 2021). In a study of CEO ideology, Chin, et al. (2013) used CEO political donation patterns to measure CEO ideology as a degree of liberalism. The study found that, based on political donations, nearly 38% of CEOs studied were conservative and 15% were liberal, with the remaining CEOs' donations demonstrating moderate ideological views (Chin, et al., 2013). Given the conservative preference for free markets and property rights, the tendency toward conservatism among CEOs is not surprising.

Prior research has shown several factors that affect the propensity of firms to engage in non-market activities: (1) CEO ideology and (2) pervasive organizational ideologies. Beyond identifying a conservative preference among a large portion of CEOs, the study by Chin, et al. (2013) further examined the association between CEO ideology and CSR, finding that CEO liberalism was positively related to CSR advances, as measured by Kinder, Lydenberg, & Domini (KLD) ratings. This finding suggests that CEO ideologies can influence company practices. Hambrick and Wowak (2021) theorize that a CEO's position on the left-right ideological continuum will influence their likelihood of taking an activist stance, either individually or through the firm, where CEOs whose ideologies lie toward the extremes of the left-right continuum are more likely to take a public activist stance.

Beyond the influence of CEO ideology on company practices, Gupta, et al. (2017) also find that the organizations themselves have pervasive ideological identities which can influence firm decision making. The ideological "body politic" of the firm, or how the average employee tends left or right on the ideological spectrum, was found to be a stronger indicator of CSR advances than ideologies of the CEO and management team (Gupta, et al., 2017). This suggests that managers may defer to the ideological systems prevalent in the organization, taking into consideration the desires of employee stakeholders. The effect of organizational ideology was further studied by Gupta and Briscoe (2020), as organizational ideologies were a predictor of firms' responses to activist demands, including boycott and protest threats, finding that ideologically liberal organizations were more likely to concede to activist threats than ideologically conservative organizations.

Gupta, et al. (2017) further argue that organization ideologies are separate and distinct from firm culture. Ideologies, being based in a shared value system, have a broader scope and are more central to self-identities of employees. Although organizational culture has heavy influence on perceptions of what the firm values, the ideologies of the organizational occupants are directed toward how society should be structured (Jost, et al., 2009), providing an overarching value system above that of organizational culture (Gupta, et al., 2017). Fan (2019) suggests that workforce composition and organizational ideologies that can stem from commonalities of the workforce are potential drivers of CSA. The demonstrated influences of both executive and organizational ideologies on company policies and practices raise the question of how executive or organizational ideologies influence company activism, as well as how ideologically aligned managers and organizations may have an amplifying effect on any decision to engage in activism. If CSA is ideologically driven, then it is only fair to assume that the relationships between ideology and CSR would not only extend to CSA, but would potentially be stronger in firms' CSA decisions as ideological value systems align with sociopolitical issues.

Ideological Alignment of Stakeholders

Stakeholder theory provides a theoretical basis for CSA research focusing on ideological alignments with stakeholders, in particular consumers, employees, and investors. Early work on stakeholder theory explored the intersection of managers' attempts at stakeholder management and the philosophical values systems of stakeholder groups (Freeman, 2000). As ideologies stem from the values and beliefs of individuals

and groups (Jost, et al., 2009), a combined view of business and morality makes stakeholder theory a more appropriate framework through which to examine CSA.

A key theme of stakeholder research discusses the definition and identification of stakeholders. In his initial conception of stakeholder theory, Freeman (1984, p.25) defines stakeholders as “those groups and individuals that can affect, or are affected by, the accomplishment of organizational purpose.” The role of stakeholders in CSA is unique in that they can drive a firm’s decision to engage in CSA, while at the same time being affected by the same decision. In deciding whether to engage in CSA, firms assess stakeholder groups and their associated ideological leanings with two key considerations: (1) an expectation of future stakeholder benefits and (2) pressure from internal or external stakeholders aimed at gleaning a public stance from the firm. Although it could be expected that CSA that aligns ideologically with stakeholders will reap future benefits, (i.e., either retaining existing employees and customers or attracting new customers), Nalick et al. (2016) describe the logical conclusion that stakeholders are likely to be split on perceptions of CSA, with some seeing benefit and others perceiving discrimination. Conversely, stakeholder pressure can coerce a firm into staking an activist stance, despite a preference for neutrality in the face of controversy (Nalick et al., 2016). This pressure can be internally driven by organizational members calling for activism or externally driven by customers, social media, traditional media, or the public (Gupta & Briscoe, 2020). Where sociopolitical movements begin to shift social norms, stakeholder pressure can seek to force a firm into a position, as seen in the examples of Coca-Cola and Delta Airline responses to a controversial Georgia voting law (Treisman, 2021). More aggressively, a firm that resists activist pressure could find itself the subject of boycott

threats (Gupta & Briscoe, 2020; Rim et al., 2020), as in the previously described example of Home Depot (Scanlan, 2021).

On the decision by CEOs and firms to engage in sociopolitical activism, Hambrick and Wowak (2021) propose that organization-stakeholder fit presents a key consideration and determinant, where CEOs are attentive to value systems of key stakeholders. When stakeholders share the values of the organization, stakeholders are more likely to support activist actions by the organization (Hambrick & Wowak, 2021). Research suggests that employee and consumer stakeholders may tend to share ideological leanings with the organizational ideology of firms. In the paragraphs that follow, I will discuss how the ideological alignments of firm leaders and various stakeholder groups may influence CSA decisions.

Alignment with Internal Stakeholders

Through the Attraction-Selection-Attrition (ASA) Framework (Schneider, 1987), organizations will tend to attract employees that share values and goals of the organization. Similarly, the organization will tend to select these value- and goal-sharing employees. Once inside the organization, individuals' governing ideologies and value systems drive social judgements of the organization (Bitektine, et al., 2020). As such, the value congruence between organization and individual may strengthen or decline, with those employees that do not fit the organizational ideology likely choosing to ultimately separate from the organization, leaving behind a group of value congruent employees that deepen the ideological values of the organization. As such, the ASA framework suggests that the values systems of the individuals inside an organization ultimately will coalesce

to fuel the organizational ideology (Schneider, 1987; Gupta, et al., 2017). Organizational leaders will likely be cognizant of this prevailing ideology when deciding whether to take an activist position. Organizational stakeholders, in this case firm employees, have the ability to affect firm outcomes through their roles in executing firm operations and staffing functions. Disagreement with firm activism could prompt internal outcries against activist actions, or if viewed as a severe departure from organizational ideology, lead to attrition and departures of employees. Additionally, organizations that skew farther toward the extremes of the ideological spectrum may lobby for firm activism aligned with the organizational ideological beliefs. If a CEO's position on a sociopolitical issue is counter to the values of the organization's members, there is far less incentive to engage in activism that opposes the prevailing organizational ideology (Hambrick & Wowak, 2021).

Alignment with External Stakeholders

Outside the organization, external groups such as customers and the general public present a major stakeholder group that must be considered, lest the firm alienate existing and potential customers through activist action or inaction (Nalick, et al., 2016). The phenomenon of the "self-brand congruity," similar to the ASA process, suggests that customers tend toward brands that they believe are aligned with their personal values, while eschewing brands that they view as counter to their views (Kleine, et al., 1995; Hambrick & Wowak, 2021). The potential result is a form of shared ideology between an organization and its customers.

The shared ideologies between organization managers, employees, and customers may serve to further both customer and employee engagement by organizations. When affective commitment is high, activism that aligns with the political ideologies of customers and employees can increase trust and commitment through a sense of reciprocity. Conversely, activism, or lack thereof, that is incongruent with the prevailing shared ideology is more likely to damage trust and commitment, potentially alienating stakeholders. As such, Hambrick and Wowak (2021) propose that ideological alignment between an organization and its stakeholders will increase the likelihood of activist statements. In practice, executives that sense their key stakeholders have similar ideological preferences may feel more empowered to engage in activism, especially when executives' ideologies are more liberal or conservative as opposed to moderate.

It is important to note that even though a shared ideology may exist between an organization and its customer base, not all customers will be ideologically aligned. Observers evaluate organizations' actions by assessing congruence with social norms, though an individual's definition of social norms is heavily influenced by their own ideology (Bitektine, et al., 2020). In this evaluation, consumers that assess a firm's actions positively confer a "social license to operate" on the firm (van der Meer & Jonkman, 2021). However, this license may be revoked by those that disagree with a firm's statements or actions, consistent with the earlier assertion by Nalick et al. (2016) that stakeholders will see either benefit or discrimination in CSA. Hydock, et al. (2020) find that sociopolitical activism is more likely to repel existing customers that disagree with the activist position than attract new customers that agree with the position. Further, the study found that firm size moderated the effect, such that large firms were more

negatively affected than small firms (Hydock, et al., 2020). When combined with the prior discussion of stakeholder ideological alignment, I argue that more ideologically extreme firms will have greater value alignment with their stakeholders, thus perceiving that the firm has less to lose in terms of customer or employee retention than ideologically moderate organizations when engaging in sociopolitical activism. By extension, these same ideologically extreme firms would not expect adverse financial or operational impacts associated with customer or employee alienation, further removing barriers to CSA. In contrast, moderate organizations may be more likely to have larger portions of stakeholders that disagree with activism, revoking the social license to operate and deciding to terminate relationships with the organization, which would serve to disincentivize CSA.

In addition to the already discussed stakeholder groups, the local population surrounding a firm's headquarters presents a potential stakeholder group that is so far unstudied in CSA research. Ideological alignment between a firm or its executives and the surrounding public may provide a reinforcing function toward CSA, where community networks facilitate perceptions of wider agreement with ideological positions. Social capital research has shown that managers' corporate decision-making can be influenced by the local public through interactions with social peers (Hilary & Hui, 2009; McGuire, et al., 2012). Civic norms of a community establish a set of common standards by which to judge individual and organizational behavior (Buonanno, et al., 2009). The effects of social capital around a firm headquarters on financial decisions are seen in research showing a negative relationship between social capital surrounding a firm headquarters and the firm's tax avoidance behavior (Hasan, et al., 2017). When

sociopolitical emotions run high, the civic pressure of the surrounding area could influence managers' decision to engage in CSA on a controversial issue. These social stakeholders represent another non-market influence on firm managers that could affect firm actions. The pressure to align with the political desires and leanings of one's social peers, friends, and neighbors could influence CSA decisions. When managers' ideologies are opposed to a prevailing social ideology, the incentives to take sociopolitical positions counter to that prevailing ideology are few, risking social capital.

Alignment with Capital Market Stakeholders

Perhaps not ideologically driven, investors represent a group of capital market stakeholders whose reactions are likely to be considered by firm managers. Bhagwat, et al. (2020) find that, on average, CSA is viewed negatively by investors, where cumulative abnormal returns were negatively related to CSA statements and actions. Investors have a clear ability to affect the firm by directly contributing to firm value. Investors that disagree with CSA may divest from the firm, lowering firm value. Although, one needs only to look at the multitude of ideologically driven exchange traded funds (ETFs) that exist to see that CSA actions can attract investment as easily as discourage it. However, Bhagwat et al., (2020) found that investors viewed CSA negatively less due to ideology, and more due to a perception of a reallocation of resources away from firm objectives. Where the potential exists for investors to affect a firm's market value in their responses to CSA, managers are likely to attempt to manage capital market stakeholders by evaluating the potential reactions to any CSA actions.

CHAPTER 3: HYPOTHESIS DEVELOPMENT

Multiple authors have proposed how ideologies of CEOs, managers, organizations, and stakeholders act as antecedents of CSA (e.g., Nalick, et al., 2016; Gupta & Briscoe, 2020; Hambrick & Wowak, 2021), though none have yet conducted empirical studies to test proposed antecedents. As such, this study focuses on the antecedents that serve to promote or discourage firms from publicly engaging in sociopolitical activism. Figure 1 shows the hypothesized relationships to be tested.

[Insert Figure 1 about here]

A clear starting point for an examination of antecedents lies with the CEO, arguably the most influential single manager in a firm. As originally proposed in Hambrick and Mason's (1984) upper echelon theory, executives' strategic decisions are influenced by their values systems. Executives' individual values and cognitive base serve to filter their perception of their situational environment and their available courses of action. Research has demonstrated ample support for the relationship between CEO values and firm outcomes (Finkelstein, et al., 2009).

CEOs Political Ideology

CEO ideology has been previously proposed as an antecedent to CSA (Nalick, et al., 2016; Hambrick & Wowak, 2021), expecting that CEOs' personal ideologies influence a form of confirmation bias where conclusions and decisions support a deeply held system of beliefs. A similar relationship has been found linking CEO liberalism to advances in

firm CSR where increasing CEO liberalism was related to increased firm CSR, suggesting that a CEO's personal value system can influence non-market activities (Chin, et al., 2013).

Prior studies have used the single ideological measure of liberalism for CEO ideology (Chin, et al., 2013; Gupta, Briscoe, & Hambrick, 2014), without explicit study of the logical opposite of liberalism: conservatism. Hambrick & Wowak (2021) suggest that using liberalism as a single ideological measure is restrictive, suggesting a fuller examination of the effects of CEO ideology on firm operations requires the use of a bi-directional measure accounting for both liberalism and conservatism as antecedents. While previous research methods of calculating both individual and organizational ideology have resulted in quantitative measures that depict the liberal-conservative continuum, hypotheses have focused only on the extent of liberalism as the dependent variable. As a result, there is an expanding understanding of how increasingly liberal ideologies affect firm decisions, but no such understanding of whether the same is true of increasingly conservative ideologies. We cannot assume that the same effect occurs on the conservative side of the continuum, hence the necessity for hypotheses that include the complete liberal-conservative continuum.

In CSA decisions, CEOs closer to the extreme ends of the ideological continuum are likely to be especially driven to activism as a potent personal ideology drives one's interpretation of how society should be structured (Jost, et al., 2009). More extreme ideological framings of social movements and needs can exacerbate the bounded rationality through which CEOs view political and business environments, making CSA potentially seem like an obvious decision for the firm. In contrast, ideologically moderate

CEOs would be expected to have environmental perceptions less shaped by social perceptions and feel less pull toward public activism. As such, it can be expected that CEOs with more extreme political ideologies, either liberal or conservative, are more likely to engage in firm activism on a sociopolitical issue.

H1: Firms are more likely to make activist statements when the CEO's political ideology is more strongly liberal (conservative).

TMTs Political Ideology

In addition to the CEO, the top management team (TMT) may also have an influence on participation in non-market activities and sociopolitical activism. Nalick et al. (2016) theorized that executive ideology could act as an antecedent to CSA. While this is most often discussed as CEO ideology in research (e.g., Briscoe, et al., 2014; Hambrick & Wowak, 2021), none have expanded to the TMT as a group. Prior research building on upper echelons theory has found that TMT composition is related to organizational outcomes of firms (Bantel & Jackson, 1989; Carpenter & Fredrickson, 2001). Examining TMT heterogeneity and competitive moves in a firm, Hambrick, et al. (1996) found TMT heterogeneity reduced a firm's propensity for competitive responses, in addition to slowing competitive response generation and execution speed. As such, a TMT with varying ideological backgrounds may be reluctant to engage in public CSA, while an ideologically homogenous TMT may be more apt to respond to public pressures to make public activist statements.

Additionally, TMTs may also be driven toward CSA actions more when there is a collectively strong shared ideology. Just as I assert that CEOs with more extreme

ideologies are more likely to engage in CSA, I similarly argue that TMTs will be more likely to engage in CSA when their collective ideology is more extreme. However, there is a key distinction between CEO and TMT ideologies. Where a TMT ideology is made up of the combined ideologies of several individuals, there could be a mitigating effect within the TMT, such that an extreme ideology held by a single TMT member will likely be blunted by other members with moderate or opposite ideologies. With this mitigation in mind, homogenous TMT ideologies that tend toward the extremes of the ideological spectrum could be even more likely to engage in CSA than a moderate TMT.

H2: Firms are more likely to make activist statements when the TMT's political ideology is more strongly liberal (conservative).

The Moderating Effect of Organizational Ideology

Similar to prior findings on the influence of CEO ideology, other studies have identified the influences of a prevailing organizational ideology on both CSR advances (Gupta, et al., 2017) and firms' decisions to acquiesce to protest and boycott threats (Gupta & Briscoe, 2020). Fan (2019) suggested workforce composition could be an antecedent to CSA if such composition yielded a prevailing organizational ideology. However, it is not likely that organizational ideology alone can prompt a firm to engage in activism, especially if such activity is counter to the ideological values of the CEO and TMT. Multiple theoretical papers have suggested, however, firms may engage in CSA to reinforce legitimacy with preferred stakeholder groups, such as employees (Nalick, et al., 2016; Rim, et al., 2020; van der Meer & Jonkman, 2021). For example, Hambrick and Wowak (2021) proposed a relationship between organizational ideology and likelihood of

corporate activism, with organizational ideology moderating the relationship between CEO ideology and CSA. While executive action is necessary for firm activism, it is only intuitive to consider that executives will be cognizant of the ideological norms of the organization when considering CSA. Conversely, a strongly liberal or conservative organizational base may attempt to lobby firm executives to take activist stands that align with the prevailing organizational values systems. In either case, executive and organizational ideologies are likely to be reinforcing, such that a strongly liberal (conservative) CEO or TMT will be more moved to activism when the organizational ideology is similarly liberal (conservative).

H3a: The prevailing organizational ideology of a firm will moderate the relationship between CEO ideology and the likelihood of activist statements, such that the relationship will be more positive when organizational and CEO ideologies are both liberal (conservative).

H3b: The prevailing organizational ideology of a firm will moderate the relationship between TMT ideology and the likelihood of activist statements, such that the relationship will be more positive when organizational and TMT ideologies are both liberal (conservative).

The Moderating Effect of Regional Ideology

Following prior research demonstrating that the social capital of the geographic regional surrounding area can influence both manager and firm behaviors (Hilary & Hui, 2009; McGuire, et al., 2012; Hasan, et al., 2017), it can reasonably be expected that a prevailing ideology of the area surrounding a corporate headquarters could influence

firms' decisions to engage in CSA, particularly when the area leans strongly toward one side of the ideological spectrum. It is also possible that firms with strong organizational ideologies and a propensity toward activism may select a headquarters location with a similar ideology shared among the surrounding residents. Hambrick and Wowak (2021) use Salesforce CEO Marc Benioff as an example of a highly liberal activist CEO, known to make statements in support of ideologically liberal issues. Salesforce is also headquartered in San Francisco in the 12th Congressional District, a Congressional District so liberal that there was no Republican candidate for the district in 2020. In fact, the district in which Salesforce is headquartered is represented by Democratic Speaker of the House Nancy Pelosi and is known to be a highly liberal area (Ballotpedia, n.d.). The surrounding population could also act as an additional stakeholder group which executives must consider in CSA decisions. Public outcries in response to firm activism that is contrary to the prevailing ideology could lead to calls for the cancellation of preferential tax policies or changes to advantageous legislative environments, as in the earlier example of the response to activism by Delta Air Lines. Based on the demonstrated findings of the surrounding community's social influence on firms, the potential for firms to select their location based, at least in part, on ideological preferences, and consideration of the surrounding public as a stakeholder group, I expect that the prevailing ideology of the area surrounding a firm headquarters will moderate the effects of CEO and TMT ideology on the likelihood of public activism by the firm, such that the effects of CEO and TMT ideology on firm activism will be more positive when the surrounding ideology is similar.

H4a: The ideology of the firm headquarters' surrounding area will moderate the relationship between CEO ideology and the likelihood of activist statements, such that the relationship will be more positive when the geographic area's ideology and CEO ideologies are both liberal (conservative).

H4b: The ideology of the firm headquarters' surrounding area will moderate the relationship between TMT ideology and the likelihood of activist statements, such that the relationship will be more positive when the geographic area's ideology and TMT ideologies are both liberal (conservative).

The Moderating Effect of Capital Market Stakeholders

As previously noted, CSA differs from other non-market activity in its initial financial investment. Where CSR and CPA both require financial obligations, CSA can be conducted as a largely communicative effort with little upfront financial cost (Hambrick & Wowak, 2021). However, there are likely financial consequences stemming from CSA, including customer base changes through consumer identification or alienation (Hydock, et al., 2020), investor reactions, and changes in firm value (Bhagwat, et al., 2020). Although the ultimate consequences of CSA cannot be determined ex ante, it is reasonable to expect managers will evaluate the potential financial outcomes of any firm decisions. Research has shown that investors react negatively to firm CSA, negatively impacting stock prices and firm value (Bhagwat, et al., 2020). As an object of top management teams is to protect firm value, a higher level of stock volatility may serve as a deterrent against engaging in CSA. If a firm assesses the potential for larger

effects on firm value, managers may be less likely to take a public stance on controversial issues and instead seek to remain neutral.

H5: Stock volatility will moderate the effect of CEO and TMT ideology on the likelihood of firm activism such that increased volatility will reduce the likelihood of firm activism.

CHAPTER 4: RESEARCH DESIGN & METHODOLOGY

This section details the methodology used to test the aforementioned hypotheses, to include sample size, sociopolitical issues and time frame tested, description of all variables, empirical model, and statistical testing methods.

Firm Sample

My firm sample began as a random sample of 150 firms of the S&P 500 as of May 2022. After eliminating firms with incomplete data, the final firm sample was reduced to 139 firms from 35 two-digit standard industry classification (SIC) codes. All firms in the sample are headquartered in the United States, allowing for an examination of American sociopolitical issues and political ideologies. The sample set is similar in makeup to the full S&P 500. Though the sample set contains only 35 of the 54 two-digit SICs found in the S&P 500, the firms from those 35 industries comprise 91% of the S&P 500. Further, nine of the industries missing from the sample set are represented in the S&P by only one firm each.

An alternate approach to building the firm sample could use a theoretical basis to derive a specific sample set from specific industries that may be more likely to engage in CSA, though this approach would certainly raise legitimate questions of selection bias. The selection of a random sample from the S&P 500 provides a measure of protection against sample bias. While a larger sample, for example the entire S&P 500, would be

preferred and provide more explanatory power, the large amount of hand data collection precludes use of a larger firm sample for this study.

Though the sample contains only a subset of the S&P 500, the tested attributes of the sample are representative of the full S&P 500. Companies with female CEOs comprise 6.8% of the sample observations as compared to 5.6% of the firms in the S&P 500. B2B firms are represented in 56.8% of sample observations, which is lower than the 68.4% of firms in the S&P 500, though still similar. Finally, 11.5% of observations in the sample are from firms on the Fortune 50 Most Admired Companies list, which is slightly larger than the S&P 500, in which 8.6% of firms are included in Fortune's list. With similar attributes to the larger S&P 500, the firm sample tested is a sufficient for the full S&P 500.

Sociopolitical Issues and Time Frame

To test the role of executive ideology on CSA in left/right ideological continuum, issues for data collection must be selected that both meet the description of sociopolitical issues and have clearly identifiable liberal (left) and conservative (right) positions. As described earlier, sociopolitical issues can be identified by pervasive split opinions within society and institutions (Nalick, et al., 2016). As such, I identified two recent sociopolitical issues that have coincided with increased media attention on CSA: (1) police discrimination/social justice and (2) voting reform. Bhagwat, et al. (2020) used a Pew Research decennial study to identify issues associated with political polarization. Similarly, I use poll data from Pew Research and Monmouth University to identify issues

with identifiable left and right positions, as well as wide differences in opinion between Republican and Democratic respondents.

The first issue includes statements on police discrimination and social justice, mostly coalescing during the summer and fall of 2020 following the death of George Floyd, an African American man that died under restraint by a Minneapolis police officer. Ensuing protests, initially led by Black Lives Matter protestors, called for reforms in both policing and social norms regarding race. While a June 2020 poll showed that 67 percent of Americans strongly or somewhat supported the Black Lives Matter movement, this support was considerably split among ideological lines with 91 percent of Democrats strongly or somewhat supporting compared to only 40 percent of Republicans (Parker, et al., 2020). In response to Black Lives Matter support, some in opposition countered using phrases such as “All Lives Matter” or “Blue Lives Matter,” the latter intended to demonstrate support for police. Additionally, calls for police reform included calls to “defund the police” through reductions of police budgets for use by other social welfare departments. In another June 2020 poll, 41 percent of Democrats favored decreasing police funding, compared to 45 percent of Republicans who favored increasing police budgets (Pew Research Center, 2020).

The second issue involves discussions of American voting rights and reforms following controversies surrounding the 2020 Presidential election. Following the election, then-President Donald Trump contested the results of the election that showed Joe Biden as the winner, claiming election fraud was to blame for the election result. Trump’s claims of a stolen election were supported by most Republicans, with 73 percent of Republicans stating in a poll that Biden’s election win was due to fraud, compared to

only 2 percent of Democrats (Monmouth University, 2021). In response to claims of election fraud, several states passed or proposed new legislation aimed at voting reforms to limit fraud, including proposals to require identification to vote or limit access to absentee ballots. However, opponents have contested that the new legislation is aimed at restricting voting access for Democratic leaning voters. A poll by Pew Research showed an ideological disparity in how access to voting is perceived, with 67 percent of Republicans stating that voting is a privilege that can be limited, compared to 78 percent of Democrats that view voting as a fundamental right that cannot be limited (Gomez & Doherty, 2021).

Focusing on these two sociopolitical issues, this study examines the time frame from July 2019 through June 2021. This two-year period encompasses the period when both selected issues were highly salient and coincides with a period of increased media coverage of CSA efforts, improving the likelihood of finding documented CSA events for use in the sample.

Dataset Size

Using a sample of 139 firms across two distinct sociopolitical issues yielded a total sample of 278 firm-level observations. This sample size is comparable to previous CSA and corporate ideology research, such as Bhagwat, et al. (2020) which used a sample of 293 CSA events to study market outcomes of CSA, and Chin et al. (2013) which used a sample of 249 CEOs to study the effect of CEO ideology on CSR profiles.

Dependent Variable – CSA Events

This study examines the conditions that affect the likelihood of CSA by a firm. Therefore, the dependent variable must capture the presence of public activist statements or actions. I operationalize this as a count variable that captures the number of occurrences of media coverage of a public statement or actions, whether written, spoken, or demonstrated, by a firm or its executives in response to one of the issues used in this study. As the definition of CSA used in this study requires actions to be public, use of media coverage will satisfy that condition. Further, since the definition includes both statements and/or actions, the presence of CSA is not limited to formal statements by a firm, but may also include photo releases, social media posts, or other activities, as long as the public media coverage condition is satisfied. While press releases and formal statements are easily identified, other actions may also be considered CSA, such as when JP Morgan CEO Jamie Dimon took a knee in a New York bank branch, adopting the protest pose of former NFL quarterback Colin Kaepernick (Jan, et al., 2020). While Dimon's actions were not explicitly in support of racial justice, his actions can clearly be interpreted as activist.

Following a similar process to Bhagwat, et al. (2020), I use a selected set of keywords to search press releases and news articles from the Lexis Uni syndicated news database. The list of keywords used is found in Table 1. The keywords were selected to portray both liberal and conservative views of the study's sociopolitical issues, as well as a neutral keyword or phrase that can suit either political ideology. Wildcard terms were also used to expand search results. For example, using wildcard characters allows

searching for any valid word with a given root, such that searching for “vote” will also return results including “voter(s),” “voting,” “voted,” etc.

[Insert Table 1 about here]

Since the dependent variable is meant only to capture activist activity by a firm, it is not necessary to code results as liberal or conservative. Instead, the variable will be captured as a count of CSA events on a specific issue, regardless of ideological leaning. However, in gathering the data, firms with multiple CSA events showed ideological consistency in their actions. Overall, a total of 133 CSA events/statements across the two sociopolitical issues were found.

To verify the validity of classification of events as CSA, I again follow Bhagwat, et al. (2020) by conducting a Q-sort survey using outside participants. The Q-sort survey provided two outside participants blind to the research question with definitions and characteristics of CSA, CSR, and CPA, though labeled as groups A, B, and C, respectively. The participants were provided a list of 83 of the CSA events from the sample, 22 examples of CSR, and 5 events of CPA, and then asked to classify the given events into groups A, B, and C based on the given definitions. The outside raters agreed on classifications in 88.2% of events. Cohen’s Kappa, a measure of interrater agreement, was calculated as 0.74 which is just short of excellent agreement (0.75-1.0) according to prior research (Nahm, et al., 2002). Independent rater categorizations were then compared to the theoretical category assignments to assess the construct validity of the category definitions. The hit ratio between the rater assessments and theoretical categories was 86%, indicating that the rater categories matched my data categories in

86% of cases tested. Additional information on the Q-sort survey can be found in Appendix B.

Independent Variables

CEO & TMT Ideology Measures

The connection of the Democratic and Republican parties to liberal and conservative ideologies, respectively, has been supported by political science research on political polarization (Poole & Rosenthal, 1984; Jost, 2006; Hetherington, 2009). Prior studies on the role of ideology in corporate decision-making have established donations to political parties as a valid operationalization for both individual and organizational ideologies (Chin, et al., 2013; Gupta, et al, 2017; Gupta & Briscoe, 2020). Political candidates are required by law to disclose all donations to the Federal Elections Commission (FEC), which then makes the data public via their online repository (Williams, et al., 2020).

To measure ideology of CEOs (*CEO_Id*) and TMTs (*TMT_Id*), I adapt the measure developed by Chin, et al. (2013) which combines four indicators of political giving based on (1) the number of political donations, (2) the dollar value of political donations, (3) the number of years in which donations are made, and (4) the number of recipients of political donations. For purposes of this study, I include donations to individual candidates, political parties, and political action committees (PACs) identified as either Republican- or Democratic-supporting. Ambiguously affiliated PACs and organizations are not included in ideology calculations. Each of the four indicators is calculated by dividing the measure specific to Democratic donations by the combined

giving to both Democratic and Republican donations. For example, the number of political donations indicator is calculated by dividing the number of donations to Democratic campaigns divided by the total number of donations to both Democratic and Republican campaigns. Values of 0.1 and 0.2 are added to all numerators and denominators, respectively, to avoid zero values. As used by Chin, et al. (2013), these indicators would result in scores below 0.5 representing conservative ideologies and score above 0.5 representing liberal ideologies. A score of 0.5 indicates balanced donations between Republican and Democratic recipients, or no political donations, and is assessed as politically moderate. For use in this study, I adjust all scores by subtracting 0.5 from the indicator score and inverting the sign. This resets the moderate score to zero and all liberal or conservative scores to negative or positive values, respectively. The purpose of this change in the calculation is for use in interaction terms for ideological agreement, which will be discussed later. Specific equations for calculating each indicator are shown below in equations (1) through (4). Each of the four indicators were then averaged to determine the person's or organization's ideology score.

$$\# \text{ of donations indicator} = - \left(\frac{\# \text{ of Democrat donations} + 0.1}{\text{Total \# of donations} + 0.2} - 0.5 \right) \quad (1)$$

$$\text{Dollar value indicator} = - \left(\frac{\text{Democrat donations value} + 0.1}{\text{Total donations value} + 0.2} - 0.5 \right) \quad (2)$$

$$\text{Years indicator} = - \left(\frac{\# \text{ of Democrat donation years} + 0.1}{\text{Total donation years} + 0.2} - 0.5 \right) \quad (3)$$

$$\# \text{ of recipients indicator} = - \left(\frac{\# \text{ of Democrat recipients} + 0.1}{\text{Total \# of recipients} + 0.2} - 0.5 \right) \quad (4)$$

To calculate individual ideology scores for CEOs or TMT members, I will again follow Chin, et al. (2013), using FEC data from the 10-year period prior from January 2011 through December 2020. The 10-year period, which includes five congressional election cycles and three presidential election cycles, is used to limit the risk of incidental behaviors altering ideology scores. TMT ideology scores are calculated using the average ideology indicators over the same 10-year period of the four highest paid executives listed in Boardex, not including the CEO.

Organizational Ideology

Adapting the method developed by Chin, et al. (2013), Gupta, et al. (2017) measured organizational ideology using the combined donations of firm employees. Among the donor information required by the FEC is the donor's employer (Gupta, et al., 2017). Using this field, the combined donations of firm employees can be used to calculate ideology indicators to determine an overall organizational ideology score (*Org_Id*) over the same 10-year period. Three of the ideology indicators used for CEO and TMT ideologies (number of donations, dollar value, and number of recipients) were utilized again to calculate organizational ideology. Using large numbers of employees, the donation years indicator was replaced by a unique donors indicator, which is shown in equation (5).

$$\text{Unique donors indicator} = - \left(\frac{\# \text{ of unique Democrat donors} + 0.1}{\text{Total \# of donors} + 0.2} - 0.5 \right) \quad (5)$$

To remove any influence of executive ideologies in calculating the organizational ideologies, any donations made by the CEOs or TMT members were removed from the collective organizational donations prior to calculating organizational ideology scores.

Regional Ideology Measure

Election results present a simple measure for ideology of a geographic region. However, the size of the geographic area studied also plays a role in selecting the appropriate election results to use. Where this study examines the role of ideology in the area surrounding a company headquarters, statewide and federal elections can be influenced by other ideologically different regions within the state. Instead, congressional districts can capture the ideological preferences of a limited set of the population immediately surrounding the headquarters. County level results may be overly complicated as not all congressional districts fit neatly within county lines, and not all counties fall within congressional district boundaries. As such, to operationalize regional ideology, I use results from the 2020 House of Representatives election for the congressional district in which the firm headquarters is located. Since each congressional representative is elected every two years and there is only one representative per congressional district, this provides a simple measure of the prevailing ideology of the region. Based on the study time frame of July 2019 through June 2021, the 2020 election provides a timely assessment of the surrounding ideology for the period.

The regional ideology measure (*Region_Id*) will use the election winner's margin of victory, scaled from zero, with Democrat (Republican) margins of victory coded as negative (positive). This method is meant to align with the negative-positive (left-right) scale of the ideology score variables, allowing for interaction terms to test ideological alignment. For example, when testing ideological alignment between CEO and the regional area, the interaction term will be positive when both CEO and the region share

the same ideology, or negative for ideological disagreement. While interaction terms between continuous variables are more difficult to interpret, the negative (liberal) vs positive (conservative) calculation of ideologies will result in a positive interaction term for ideological agreement and a negative interaction term for ideological disagreement between stakeholders. This method results in the creation of an ideological disagreement-agreement scale that mirrors the negative-positive scale of the ideology scores.

Stock Volatility Measure

Both financial research (e.g., Schwert, 1990) and investor practice (SEI Investments, 2014) have used standard deviation of stock returns as a measure of a stock or portfolio's volatility. Higher standard deviation in returns indicates higher variation from the average and thus more volatility in performance. In line with H5, a firm that perceives higher volatility, as measured by increased standard deviation, may be less likely to risk stock losses on CSA. The Center for Research in Security Prices (CRSP) provides daily stock price data, which is then used to calculate standard deviation of daily stock returns. I calculate the standard deviation using daily stock prices for the period of 30 days before a CSA trigger event to 15 days after the event. This results in a measure of stock volatility that is concurrent with the period in which firms may be making CSA decisions. For the racial justice/police discrimination issue, the trigger event is set as the death of George Floyd on May 25, 2020. For the voting reforms issue, the trigger event is set as the day voting reform legislation was first proposed in the Georgia State Legislature on March 15, 2021. Based on the keyword searches used to find CSA events, these two events appeared to be the most consequential events in prompting firm CSA.

Control Variables

I include in my model multiple control variables specific to CEO and firm factors that may provide additional influence over firms' CSA decisions.

CEO factors

Given the pronounced influence of the CEO over firm operations, I include four CEO-specific factors that may influence CSA decisions beyond the CEO's political ideology. I use a dummy variable to control for CEO duality (*CEODuality*) under the concern that CEOs that also serve as chair of the board of directors may feel more empowered to determine CSA actions. Similarly, I include a measure of CEO tenure (*CEOTenure*) as the number of years since CEO appointment in the year of the studied issue. In addition, I include variables for CEO age (*CEOAge*) and CEO gender (*CEOGender*), seeking to address differences in risk-taking behaviors (Faccio, et al., 2016) and the role of gender on personal ideological influence (Carnahan & Greenwood, 2018).

Firm factors

Following prior research (Bhagwat, et al., 2020; Gupta & Briscoe, 2020), I include a control variable for a firm's CSR profile (*ESG*). While KLD ratings have been established in research as a valid operationalization of a firm's CSR efforts, there is not KLD ratings after 2018. In order to use concurrent data, I utilize MSCI Environmental, Social, Governance (ESG) ratings. MSCI acquired KLD through its acquisition of

RiskMetrics in 2010. MSCI ESG ratings use a similar approach to KLD ratings, though firm ratings are provided in a system similar to credit ratings on a seven-point scale ranging from CCC to AAA. A benefit of KLD data was that its inclusion of positive and negative values to account for both social responsibility and irresponsibility. MSCI ESG, despite its lettered rating system, rates firms similarly, where a rating of BBB depicts a firm that is average in ESG pursuits relative to firm peers. Firms below BBB are depicted as below average and those above BBB are above average. To mimic the positive and negative rating of KLD ratings, I convert the MSCI ESG ratings to an ordinal scale from -3 to +3, with BBB set at zero.

For additional firm-specific control variables, I follow Bhagwat, et al. (2020), including dummy variables for the presence of a Chief Marketing Officer (*CMO*) in the firm, and whether the firm operates primarily in business to business (*B2B*) (as opposed to business to consumer) marketplaces. These variables seek to include the marketing structures that may influence CSA decisions. I also include control variables for firm size (*ln_size*), as measured by the natural logarithm of the number of employees, and debt-to-equity ratio (*DebtEquity*) to account for the influence of the size of the organizational employee base and slack resources. Following Gupta and Briscoe (2020), I include a dummy variable for firm prestige (*Admired*), indicating whether the firm was included in *Fortune* magazine's list of 50 most admired companies in the same year. Finally, to account for any unobserved explanatory variables, I include an indicator variable for each sociopolitical issue to capture potential differences in firm responses due to the specific issue.

Empirical Model

Given that the dependent variable is a count variable, capturing the number of occurrences of activist statement or action on a controversial issue by a firm, a Poisson regression is appropriate for the empirical model. However, this limits the interpretation of regression coefficients, since resulting coefficients from Poisson models cannot be directly interpreted as in OLS regression. Instead, the coefficients can provide indications whether independent variables make the outcome of an activist statement more (positive coefficient) or less (negative coefficient) probable. The full empirical model is specified below in equation (6).

$$\begin{aligned} CSA_Count = & \beta_0 + \beta_1 CEO_Id + \beta_2 TMT_Id + \beta_3 Org_Id + \\ & \beta_4 Region_Id + \beta_5 CEO * Org_Id + \beta_6 TMT * Org_Id + \beta_7 CEO * \\ & Region_Id + \beta_8 TMT * Region_Id + \beta_9 Stock_vol + \\ & \beta_{10} CEODuality + \beta_{11} CEOTenure + \beta_{12} CEOAge + \beta_{13} CEOGender + \\ & \beta_{14} ESG + \beta_{15} CMO + \beta_{16} B2B + \beta_{17} ln_size + \beta_{18} DebtEquity + \\ & \beta_{19} Admired + Issue + \varepsilon \end{aligned} \tag{6}$$

A necessary assumption for the Poisson regression is that the unconditional mean of the dependent variable is equal to the variance. In my sample, the mean of the dependent CSA event variable is 0.432 and the variance is 0.824. Since an equal mean and variance in a dataset is unlikely, I ran both deviance and Pearson goodness of fit tests. Both test results were not statistically significant, indicating that my empirical model fits the Poisson model and a Poisson regression is appropriate.

CHAPTER 5: RESULTS & ANALYSIS

Descriptive Statistics

Tables 2 and 3 include descriptive statistics and correlations, respectively, for all included variables. Examining the frequency of CSA events, Figure 2 shows that CSA events are fairly rare, with CSA events occurring in only 70 of the 278 observations. The ideology score variables demonstrate that CEOs in the sample tend slightly conservative with a mean ideology score of 0.055, which is consistent with prior research (Chin, et al., 2013). TMTs in the sample are nearly in the ideological middle with a mean of -0.004. Sample organizational ideologies tend farther liberal with a mean ideology score of -0.126. The mean regional ideology score also trends liberal at -0.287, though the regional ideology has a wider possible margin than firm ideology scores. Organizational and regional ideologies are significantly correlated. The sample data also shows the large majority of firms in the sample, 112 of 139 firms, are headquartered in Democratic congressional districts. This is an expected result since large firms tend to place their headquarters in urban areas, which also tend Democratic. There is a statistically significant correlation between organizational and regional ideologies, suggesting that organizational ideologies may be skewed liberal, at least in part, due to local hiring in liberal-leaning areas, which could prompt concerns of potential covariance between the two ideologies. However, since organizational ideologies were calculated from all employees, regardless of location, any local hiring effect may be less impactful for firms with offices across multiple regions.

[Insert Table 2 about here]

[Insert Table 3 about here]

Histograms for each of the four ideology score variables are depicted in Figure 3. The frequency distributions of ideology scores show that most CEOs and TMTs tend toward the ideological middle. However, the distribution of ideologies shows that CEOs are more likely to be found at the ideological extremes than TMTs. This could be a function of the ideology score calculation, where a single CEO with a small number of donations to only one candidate or party affiliation would appear closer to the extremes, while TMT ideologies can be mitigated, such that the donations of one highly partisan TMT member can be muted by other TMT members with opposite ideological or non-partisan leanings. The histograms for organization and regional ideologies are both skewed liberal, consistent with the liberal leaning means of both ideology scores.

[Insert Figure 2 about here]

[Insert Figure 3 about here]

Given the relatively small number of CSA events in the sample, I further analyzed the prevalence of CSA events while isolating liberal, moderate, and conservative ideologies. Results of this analysis are shown in Table 4. Interestingly, conservative CEOs accounted for more observations including CSA, with 30 of the 70 observations with CSA coming from conservative CEOs as compared to only 17 from liberal CEOs. Perfectly moderate CEOs, with an ideology score of zero, accounted for 23 of the CSA observations. However, when liberal CEOs engaged in CSA, they tended to have repeated occurrences of CSA per issue. Liberal CEOs had a total of 40 individual instances of CSA statements or actions as compared to 45 from conservative CEOs,

yielding an average of 2.35 unique CSA events per liberal CEO engaging in CSA, while conservative CEOs averaged 1.5 unique CSA events per CEO. Overall, the proportions of each ideological group that engaged in CSA are similar when viewing the percentage of CEOs in each ideological group that had at least one CSA event, though liberal CEOs had more multi-CSA observations. Of the 30 conservative CEOs that engaged in CSA, 21 had only one CSA statement or action on an issue. In contrast, of the 17 liberal CEOs that engaged in CSA, 10 had more than one CSA statement or action regarding an issue, with 8 CEOs having 3 or more statements or actions. When combined with the increased prevalence of multi-CSA observations for liberal CEOs, this analysis suggests that liberal CEOs are more committed to their activism, where moderate and conservative CEOs may make statements to satisfy stakeholders, but are less likely to continue their activism for purposes of influencing opinions.

[Insert Table 4 about here]

Viewing the ideological agreements between firm executives, organizational members, and regions, the descriptive statistics show that ideological alignments are the minority. CEOs share the same ideological leanings as their organizational members and headquarters regions in 38% and 27% of firms, respectively. TMTs show more ideological alignment with stakeholders than CEOs, though still in the minority of firms. TMT ideologies aligned with organizational and regional stakeholders in 44% and 39% of observations, respectively.

Control Variables

Several CEO and firm factors were shown to be significant in the regression model. Regression coefficients for both *CEOAge* and *CEOTenure* were positive and significant. *CEOGender* was also significant, but with a negative coefficient, indicating that firms with female CEOs are less likely to engage in CSA. The coefficient for *CEODuality* was not significant. Examining firm factors, the presence of a Chief Marketing Officer was not significant and ESG profiles were significant only in the model using absolute values of ideologies. When bi-directional ideologies and interaction variables were included, the ESG variable was no longer significant. The B2B variable was negative and significant, suggesting that B2B firms are less likely to engage in CSA. This could also be interpreted that B2C firms are more likely to engage in CSA, which is consistent with previous survey results showing consumers expected firms to speak out on controversial topics (Anderson & McClain, 2020). The results suggest that B2B firms do not feel the same pressure to speak out as B2C firms. Notably, the prestige variable is also positive and significant, suggesting that widely admired firms may feel more pressure to engage in CSA, perhaps seeking to maintain their reputations, or perhaps these firms were considered admirable, in part, because of their willingness to engage in CSR, CSA, or other stakeholder engagement practices. Finally, the coefficient of firm size was also significant and positive, suggesting larger firms are more likely to engage in CSA. Sensitivity analysis using total revenues as an alternate measure for firm size also produced a significant and positive coefficient.

Hypothesis Testing

Hypotheses 1 and 2 assert that stronger CEO and TMT ideologies, regardless of direction, will yield an increased propensity for CSA actions. Since the CEO ideology variable is bi-directional, I used the absolute value of all ideology variables to remove the direction and test the strength of the ideology along with the control variables. Table 5 Model 1 shows the results of this regression. Both the CEO and TMT ideology variables are not significant, though both organizational and regional ideology variables are significant at the $p < 0.01$ level. This suggests that CEO and TMT ideologies, absent interactions with other stakeholder ideologies, are not determinants of CSA, thus H1 and H2 are not supported.

[Insert Table 5 about here]

To further explore the impact of CEO and TMT ideologies, I conducted supplemental analysis by performing regressions while isolating liberal and conservative values for CEOs and TMTs. When only liberal CEOs were included, the coefficients for CEO ideology become negative and significant, as shown in Table 6. When interpreting this coefficient, it must be remembered that all values for the key independent variable, CEO ideology, are negative. Considering this, the negative value of the coefficient is interpreted opposite from its normal interpretation. In this case where all IV values are negative, a negative coefficient indicates an increased prevalence of CSA as CEOs become more liberal. However, the chi-square value for this model is noticeably low at only 6.8, calling the model's validity into question. When only conservative CEOs are included, the coefficient of the CEO ideology variable is again negative and significant. As all CEO ideology variables in this model are positive, a typical interpretation shows

that CSA is less prevalent as CEOs become more conservative. Together, these models suggest that CSA may be more prevalent as CEOs become more liberal, but the opposite is true as CEOs become more conservative, so H1 remains unsupported.

Conducting a similar analysis for TMT ideologies, the right side of Table 6 shows the results when considering only liberal and conservative TMTs, respectively. The coefficient of the TMT ideology variable is negative for both models, though only significant when only liberal TMTs are included. Considering these supplemental analyses, H2 remains unsupported.

Hypothesis 3 examines the role of organizational stakeholder ideologies as moderators of CEO and TMT ideologies. Table 5 Model 2 shows the model with bi-directional ideology variables for CEOs, TMTs, and organizations, as well as the appropriate organizational ideology interaction variables. In this model, the CEO-organizational ideology interaction variable is significant and positive. As a positive interaction term indicates ideological agreement, a positive regression coefficient indicates that ideological agreement between the CEO and organizational stakeholders will increase a firm's propensity for CSA, thus H3a is supported. The TMT-organizational ideology interaction variable is not significant in model 2. In the full empirical model shown in Table 5, model 5, the TMT-organizational interaction variable is significant but negative. This would indicate that TMT-organizational ideological disagreement would increase CSA, thus H3b is not supported.

Hypothesis 4 asserts that firms are more likely to engage in CSA when CEO or TMT ideologies are aligned with regional ideologies. Model 3 in Table 5 shows the regression results for the model using CEO, TMT, and regional ideologies as well as the

appropriate regional ideology interaction variables. The interaction variables for both CEO-region and TMT-region are significant and positive. This suggests that a firm's propensity for CSA is increased when the CEO and regional stakeholders around the headquarters share a political ideology, with a similar effect for TMT ideological agreement with regional stakeholders. The regional ideology interaction variables are similarly positive and significant in the full model. As such, H4a and H4b are supported.

The final hypothesis asserts that stock volatility will moderate firms' CSA decisions such that increased volatility will decrease firm CSA. Table 5 model 4 shows regression results including CEO and TMT ideologies with stock volatility. The model results show the CEO and TMT ideology variables become negative and significant, accompanied by a much larger negative and significant coefficient for the stock volatility variable, indicating that higher stock volatility will reduce a firm's propensity for CSA. The negative and significant stock volatility coefficient is also present in the full model, showing support for H5. It is worth noting that the coefficient for stock volatility is the largest of any results, though the coefficients of a Poisson regression are interpreted as the increase in the log of the expected CSA count for each unit of change in the dependent variable. While not particularly useful in direct interpretation, the size of the stock volatility coefficient suggests that capital market responses can be a key consideration in firms' CSA decisions.

Additional Analysis

Due to the relatively rare nature of CSA, the sample set contains a large majority of observations that do not include CSA. To further investigate the explanatory power of

the results, I performed the same analysis using a random subset of 70 observations that included balanced sets of observations with and without CSA, for 35 observations of each. Regression results for this subset matched the coefficient directions for the full sample and were similar in significance. Notably, the coefficient for the presence of a CMO became positive and significant in this analysis, suggesting that further research on how marketers may influence CSA could be useful.

I also conducted additional analysis aimed at examining whether the type of issue may influence outcomes. As the racial justice protests of 2020 became a national watershed event, firms may have felt more pressure or perceived fewer potential barriers to engaging in CSA as compared to engaging on a specifically political topic such as voting rights. I again performed the same analysis isolating each issue as a separate sample. I also included industry fixed effects to examine whether industry factors may change outcomes in the analysis. Regarding industry factors, further research will likely be required to include more detailed industry factors, as 13 of the 35 industries in the sample had only one firm and could not be included in the analysis. Additionally, 4 industry groups and 9 industry groups had no instances of CSA on racial justice and voting rights, respectively. This could suggest that industry factors play a role in CSA decisions. Beyond those industries, the remaining analysis again showed the same directions in the main effect and interaction variable coefficients, though several coefficients were no longer significant, possibly influenced by the reduced sample sizes in the subsets. Regardless, this additional analysis demonstrates the need to include industry factors in future CSA research.

CHAPTER 6: DISCUSSION

This study sought to examine the influence of executive ideologies as antecedents of firm's CSA and found that CEO and TMT ideologies, on their own, are not reliable predictors of a firm's propensity toward sociopolitical activism. When only ideologies are considered, the prevailing ideologies of the organizational members and general population surrounding the firm's headquarters appear to be more influential. In models 2 through 4 of Table 5, the coefficients of both the organizational and regional ideologies are negative and significant, which indicates firms with liberal leaning organizational members and regions are more likely to engage in CSA, which is consistent with prior research (Gupta & Briscoe, 2020).

Supplemental analysis of CEO and TMT ideologies raised interesting results that suggest differences in how liberal and conservative executives view CSA. Analysis of the prevalence of CSA events considering CEO ideology shows that when liberal CEOs engage in CSA, they may be more likely to make repeated activist statements or actions than their moderate and conservative counterparts. This suggests that liberal CEOs may view CSA more as a form of activism targeted at influencing opinion, where moderate and conservative CEOs may engage in CSA more targeted at satisfying stakeholder groups rather than for activist pursuits.

When considering only either liberal or conservative executive ideologies in regression analysis, results showed that liberal CEOs and TMTs were more likely to engage in CSA, but the opposite was true for conservative CEOs, suggesting that more

conservative CEOs are less likely to engage in CSA than those that are closer to moderate. This opposite effect among conservative CEOs could be due to the general tenets of conservatism, which include individualism and maintaining the system order (Jost, et al., 2009). As such, more conservative CEOs may be less willing to engage in any CSA, even for a conservative issue, as their conservative values press them to keep their opinions private or to let others make their own decisions on sociopolitical issues.

When the interactions of executive and stakeholder ideologies are considered, the influence of ideology becomes clearer. With all four ideology interaction variables being statistically significant, my findings suggest that executives consider their stakeholders' ideologies as least as much, if not more than, their own ideological positions. Agreeing ideologies between the headquarters region and both CEOs and TMTs were positively related to CSA, suggesting that social stakeholders are influential on CSA, where firm leaders may consider the opinions of social stakeholders outside the firm as well as the response of the greater local population. Similarly, agreeing ideologies between the CEO and organizational members were also positively related to CSA, indicating that CEOs consider the ideologies of their employees in CSA decisions.

Interestingly, the same was not true of TMT and organizational ideologies, where the interaction of the two had the opposite effect. The results show that ideological agreement between TMT and organizational members was negatively related to CSA. This result is initially counterintuitive and opposite the assertions of stakeholder alignment. However, this could be attributable to the largely neutral ideologies of the TMTs in the sample, with 48 TMTs (34.5%) having a completely neutral ideology and 108 TMTs (77.7%) having an ideology score between -0.15 and 0.15. The small amount

of variation in the center of the TMT ideologies could cast doubt on the TMT-organization effect. In addition, the CEO-organization coefficient is nearly twice as large as the TMT-organization coefficient. This could suggest that the CEO-organization relationship would likely overcome any countering effect of the TMT-organization relationship.

Capital market stakeholders also appear to be a key consideration for executives, where higher stock volatility was negatively associated with CSA, suggesting that firms may shy away from CSA when potential losses for shareholders could be larger, at least in the short term. Overall, I find that organizational, social, and capital market stakeholders all have an influence on firms' CSA decisions.

In addition to the findings on stakeholder influences, I also make significant findings in how CEO and firm attributes influence CSA decisions. Results showed female CEOs were less likely to engage in CSA, which is consistent with research that found female CEOs pursue less risky corporate policies (Faccio, et al., 2016). CEO age and tenure appear to have an opposite effect, where results suggest both attributes increase the firm's propensity for CSA, which is inconsistent with prior research. However, though not specifically tested in this study, Hambrick & Wowak (2021) propose that powerful CEOs will be more likely to engage in CSA. Holding the board chair position and tenure are both proxies for CEO power, thus the positive relationship between CSA and CEO age and tenure could support this proposition. Additionally, the sample set has a sizeable correlation between CEO age and tenure, which could also contribute to the positive coefficient for CEO age.

Considering firm attributes, B2B firms appear to be less likely to engage in CSA, most likely due to the nature of their consumers. Being a part of a chain of products or materials as opposed to selling direct to end consumers appears to reduce the impetus for firms to make CSA statements. Likewise, B2B firms are not likely to be household names among typical consumers, reducing public calls for B2B firms to take positions on sociopolitical issues. In contrast, firms that are admired are more likely to engage in CSA, suggesting that their brand recognition and reputation are also key considerations in CSA decisions. Where a firm is more admired by consumers, there are likely to be more demands for statements and actions on controversial topics. In fact, it is entirely possible that firms may be admired for their prior activism on controversial topics.

Theoretical Implications

This research contributes to the growing understanding of what factors are considered by firms in making CSA decisions. While there are still numerous additional factors that could be considered, my study informs the ideological relationships proposed by Hambrick & Wowak (2021), adding the consideration of stakeholders outside of the firm for consideration by both the CEO and TMT. The stakeholder approach taken in this study shows evidence that CSA decisions are not merely made based on the anticipated responses of employees and investors, but also social stakeholders surrounding the company. I contribute to CSA research by demonstrating stakeholder theory as a valid framework for examining CSA antecedents.

This study also utilizes bi-directional ideologies as proposed by Hambrick & Wowak (2021) by adapting previously devised measures of liberalism (Chin, et al., 2013)

to mimic the liberal-conservative spectrum on a negative-positive numerical scale. This enables the examination of ideological interactions using continuous ideological score variables. By multiplying the negative-positive ideology scores of groups, an additional disagreement-agreement scale is created that can inform how the strength of ideological agreement influences CSA decisions.

Managerial Implications

Focusing on antecedents and influences on firm CSA decisions, the managerial implications are limited where executives are likely more interested in outcomes of CSA. However, an understanding of the drivers of CSA can help shape an understanding of the competitive environment. Firms may look to industry peers that engage in CSA and may feel pressure to make their own statements when peers or industry leaders take sociopolitical stances. A stakeholder view of CSA can add more information to the environmental perceptions of executives. Instead of focusing on the actions of competitors and peers, executives may include the perspectives of their own specific stakeholders, especially when those stakeholder groups may not agree with the actions taken by other firms, or may not be responsive to calls for CSA actions from groups outside key stakeholder groups.

CHAPTER 7: LIMITATIONS & FUTURE RESEARCH

Being an early study of the internal and external forces that promote CSA in firms, this study has limitations in scope that will need to be expanded in future research. While the sample size is comparable to other CSA research, a larger sample of firms, such as the entire S&P 500, would provide more explanatory power. Similarly, the scope of two issues over a period of two years limits the generalizability of any findings. In addition, the additional analysis separating the two issues studied suggests that the saliency of the issue could influence CSA. The inclusion of more issues of various levels of saliency could improve the generalizability and explanatory power of the study. However, time to conduct the research and the associated time required for hand collection of data from multiple sources limits the ability to conduct a more wide-ranging study of more issues over a larger period of time.

In addition to expanding to more sociopolitical issues, the analysis in this study suggests that industry factors should be considered in future research. Whereas B2B firms appear to be less driven to CSA, additional industry factors such as number of competitors, size of the industry, or whether a competitor makes CSA statements could better inform the antecedents of CSA.

This study is also limited to reporting of CSA statements via traditional media (television, newspaper, etc), not including any statements made via social media such as Twitter and Facebook. While there were a considerable number of social media statements captured via traditional media reports, it is likely that additional statements

shared over social media were not included in the data set. Future research should make use of available social media site developer tools to expand the search to include social media as well as traditional media.

The analysis that suggests liberal CEOs may be more likely to engage in repeated CSA actions or statements within a single issue suggests that further research should also focus on not only which factors prompt CSA, but whether there are specific factors that prompt repeated CSA. Future research should include what factors may drive firms that engage over several issues, examining whether firms engage in repeated CSA as a strategic decision or as a result of ideological leanings and pressures.

I attempted to consider how firm decision-makers considered the potential for financial consequences in this study through the use of stock volatility. However, increased stock volatility can produce not only larger losses in firm value, but larger gains in firm value. Alternate measures that could capture how executives may perceive the political risk associated with CSA and the potential financial outcomes, both beneficial and detrimental, would likely yield better results in explaining the influence of future outcomes on CSA decisions.

Finally, this study operationalizes ideologies based on individuals' donations to political candidates or committees. However, the study does not include political donations through corporate PACs and Super PACs. Studies on the effects of corporate and Super PAC political donations have been mixed, with research finding that CEO contributions to Super PACs increased following the *Citizens United vs FEC* ruling in 2010 (Hansen & Rocca, 2019), though CEOs have also continued to donate directly to candidates, particularly as an offset to candidates that voluntarily pledge not to accept

donations from PACs (Richter & Werner, 2017). In addition, many of the firms in the sample had their own corporate PACs to make political donations. In some cases, firm executives donated exclusively to the corporate PAC. As corporate executives would likely have influence or even decision-making authority over the expenditures of the corporate PAC, this could serve to hide the ideological stances of senior executives, where an executive that makes no direct political donations would be assessed as neutral but may steer company PAC donations toward a specific party or candidate.

APPENDICES

APPENDIX A: VARIABLE DEFINITIONS

Variable	Definition
CSA_Count	Total number of CSA events by a firm associated with a specific sociopolitical issue
CEO_Id	CEO ideology score measured as an average of four ideology indicators based on political donations. A negative (positive) value indicates a liberal (conservative) ideology.
TMT_Id	Top Management Team (TMT) ideology score measured as an average of four ideology indicators based on political donations by the top four highest salary executives. A negative (positive) value indicates a liberal (conservative) ideology.
Org_Id	Organizational ideology score measured as an average of four ideology indicators based on political donations. A negative (positive) value indicates a liberal (conservative) ideology.
Region_Id	Regional ideology score measured as the margin of victory of the 2020 House of Representatives election. A negative (positive) value indicates a Democratic (Republican) margin of victory.
CEO-Org	Interaction variable of CEO and organizational ideologies
TMT-Org	Interaction variable of TMT and organizational ideologies
CEO-Region	Interaction variable of CEO and regional ideologies
TMT-Region	Interaction variable of TMT and regional ideologies
Stock_vol	Standard deviation of daily stock returns for the period from 30 days prior to a CSA trigger event through 15 days following the event.
CEODuality	Dummy variable. Value is 1 if CEO is also Board Chair.
CEOTenure	Number of years since CEO's appointment.
CEOAge	Age of CEO
CEOGender	Dummy variable. Value is 1 if CEO is female.
CMO	Dummy variable. Value is 1 if firm has a Chief Marketing Officer.
B2B	Dummy variable. Value is 1 if firm operates primarily in business to business markets.
ln_Size	Natural logarithm of the firm's number of employees.
DebtEquity	Debt to Equity ratio
Admired	Dummy variable. Value is 1 if firm appears in <i>Fortune</i> magazine's list of 50 most admired companies in the same year.

APPENDIX B: Q-SORT SURVEY DETAILS AND STATISTICS

To validate my categorization of events as CSA, I followed Bhagwat, et al., (2020) by running a Q-sort survey. I provided definitions and characteristics of CSA, CSR, and CPA to two participants blind to the research question. Both participants were volunteers that hold MBA degrees. The definitions and characteristics were presented as Groups A, B, and C, corresponding to CSA, CSR, and CPA, respectively. The definitions and characteristics provided to the participants are adapted from Bhagwat, et al. (2020) and are shown below in Table A1.

[Insert Table A1 about here]

The participants were presented with a survey instrument that listed 83 of the 133 CSA events in the sample. I also included 22 examples of CSR and 5 examples of CPA. The ratios of CPA, CSR, and CPA events in the instrument are comparable to the instrument used by Bhagwat, et al. (2020). In the Bhagwat, et al. (2020) instrument, CSA events comprised 88% of the total events, CSR events accounted for 8%, and CPA filled the remaining 4%. My q-sort instrument had collections of 75%, 20%, and 5% for CSA, CSR, and CPA, respectively. To collect examples of CSR and CPA, I again follow Bhagwat, et al. (2020) by searching CSR and CPA research for relevant examples. Events were presented with identifying company information removed, except in cases where removing the company name was necessary for important context. For instance, the rebranding of Mrs. Butterworth syrup in response to racial justice protests loses context when generalized to a generic syrup brand. After company identifying information was removed, instances of CSA that were similar were combined into a single event. For example, both Google and Amazon updated their digital assistants, Google Home and

Amazon Alexa, to provide scripted responses to queries such as “Do Black Lives Matter?” Events such as these were combined into a single event in the instrument to avoid repetition.

The q-sort survey was used to assess how others agree with categorization through the construct of CSA, CSR, and CPA used in the study and to assess outside participants’ agreement with my own categorization of events. The constructs were evaluated by determining the level of agreement between the two outside raters. Table A2 shows the results of the inter-rater scores. The center diagonal line shows the level of agreement between the two raters on event categorization. The overall level of agreement between the two raters is 87%. Cohen’s Kappa was calculated to determine the level of agreement beyond chance agreement. The Cohen’s Kappa for the two raters was calculated as 0.74. According to prior research, this classifies as fair to moderate agreement, when Kappa falls between 0.4 and 0.75, but is only just short of the guideline for excellent agreement, when Kappa is greater than 0.75 (Nahm, 2002). This indicates that the level of agreement between the raters is not due to chance.

[Insert Table A2 about here]

Having assessed the level of agreement between the raters, I next assessed the raters’ level of agreement with my event categorizations used in the study and the q-sort instrument. I use the Hit Ratio or item placement ratio to compare the raters’ categorizations to the theoretical categories used in the study (Nahm, et al., 2002). The Hit ratio indicates the percentage of rated items that match the theoretical classifications of the items. Table A3 shows the Hit ratio calculation table. The raters assessed 84% of CSA events, 95% of CSR events, and 90% of CPA events consistent with the

classifications used in the sample. The overall Hit Ratio was 86%, which is consistent with the similar process used by Bhagwat, et al. (2020). As such, this provided evidence that my classifications of CSA events are consistent with the constructs used in the study.

[Insert Table A3 about here]

Table 1: CSA Dependent Variable Search Terms

Sociopolitical Issue	Keywords/Phrases
Police Discrimination / Social Justice	“Black Lives Matter”
	“Defund” + “Police”
	“Social” or “Racial” + “Justice”
	“Blue Lives Matter”
	“All Lives Matter”
Voting Rights / Reform	“Vote” + “Access” or “Fraud”
	“Election” + “Fraud” or “Stolen”
	“Voter” + “ID” or “Identification”
	“Voting” or “Voter” + “Rights”
	“Absentee” + “Voting” or “Ballot”

Table 2: Descriptive Statistics

	N	Mean	SD	Min	Median	Max
CSA Count	278	.432	0.908	0	0	6
CEO Id	278	.055	0.291	-.495	0	.497
TMT Id	278	-.004	0.154	-.444	0	.477
Org Id	278	-.126	0.177	-.485	-.13	.395
Region Id	278	-.287	0.342	-1	-.352	.469
CEO Id Abs	278	.214	0.204	0	.169	.497
TMT Id Abs	278	.098	0.118	0	.062	.477
Org Id Abs	278	.181	0.120	.001	.154	.485
Region Id Abs	278	.381	0.232	.013	.384	1
CEO Org	278	.01	0.055	-.165	0	.2
TMT Org	278	.01	0.029	-.132	0	.107
CEO Region	278	-.011	0.130	-.489	0	.391
TMT Region	278	.013	0.069	-.346	0	.225
Stock vol	278	.025	0.014	.009	.022	.125
CEODuality	278	.453	0.499	0	0	1
CEOTenure	278	7.543	7.894	0	5	51
CEOAge	278	58.968	6.873	39	59	91
CEOGender	278	.068	0.253	0	0	1
ESGNum	278	.41	1.192	-2	0	3
CMO	278	.223	0.417	0	0	1
B2B	278	.568	0.496	0	1	1
ln size	278	3.034	1.598	-1.814	2.918	7.741
DebtEquity	278	3.305	9.595	-55.807	1.712	81.681
Admired	278	.115	0.320	0	0	1

Notes: See Appendix A for variable definitions.

Table 3: Correlation Matrix

Panel A: Variables 1 to 10

Variables (N=278)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) CSA_Count	1.000									
(2) CEO_Id	-0.088	1.000								
(3) TMT_Id	-0.214*	0.282*	1.000							
(4) Org_Id	-0.237*	0.325*	0.336*	1.000						
(5) Region_Id	-0.177*	0.046	0.224*	0.423*	1.000					
(6) CEO_Org	0.072	-0.490*	-0.098	0.157*	0.077	1.000				
(7) TMT_Org	0.327*	-0.164*	-0.548*	-0.098	-0.212*	0.327*	1.000			
(8) CEO_Region	0.134*	-0.613*	-0.145*	-0.120*	0.111	0.570*	0.189*	1.000		
(9) TMT_Region	0.296*	-0.177*	-0.691*	-0.267*	-0.099	0.128*	0.544*	0.328*	1.000	
(10) Stock_vol	-0.077	-0.055	0.120*	0.127*	0.058	0.018	-0.010	-0.006	-0.079	1.000
(11) CEODuality	0.037	0.201*	0.068	0.064	0.055	-0.054	-0.058	-0.080	0.041	0.001
(12) CEOTenure	0.095	-0.020	0.082	-0.029	0.051	0.035	0.023	-0.024	0.079	0.047
(13) CEOAge	0.039	0.110	0.135*	0.092	0.046	0.035	-0.070	-0.171*	-0.043	-0.032
(14) CEOGender	-0.050	-0.072	-0.039	-0.142*	-0.063	0.025	-0.050	0.012	0.027	-0.022
(15) ESGNum	0.003	0.033	-0.126*	-0.142*	-0.131*	-0.075	-0.067	0.020	0.054	-0.107
(16) CMO	0.136*	-0.116	-0.205*	-0.096	0.038	0.050	0.143*	0.110	0.182*	-0.132*
(17) B2B	-0.290*	0.115	0.034	0.079	0.004	-0.021	-0.070	-0.100	-0.029	0.074
(18) ln_size	0.342*	-0.050	-0.056	-0.077	-0.014	-0.061	0.090	0.047	0.101	-0.213*
(19) DebtEquity	-0.030	0.011	0.024	0.085	0.048	0.015	-0.071	-0.016	-0.113	-0.057
(20) Admired	0.525*	0.014	0.004	-0.085	-0.044	0.003	0.242*	0.084	0.196*	-0.083

Panel B: Variables 11 to 20

Variables (N=278)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(11) CEODuality	1.000									
(12) CEOTenure	0.373*	1.000								
(13) CEOAge	0.358*	0.538*	1.000							
(14) CEOGender	-0.075	-0.145*	-0.155*	1.000						
(15) ESGNum	0.026	-0.188*	-0.158*	-0.045	1.000					
(16) CMO	0.016	-0.015	-0.134*	-0.008	-0.068	1.000				
(17) B2B	0.079	0.106	0.096	-0.138*	0.001	-0.196*	1.000			
(18) ln_size	0.150*	0.030	0.142*	0.009	0.018	0.098	-0.142*	1.000		
(19) DebtEquity	-0.070	-0.125*	-0.007	0.013	-0.091	-0.027	-0.125*	0.141*	1.000	
(20) Admired	0.124*	0.171*	0.179*	-0.098	-0.020	0.105	-0.277*	0.481*	0.029	1.000

Notes: * indicates significance at the $p < 0.05$ level. See Appendix A for variable definitions.

Table 4: CSA Event Analysis by CEO Ideology

	CSA Obs	Non-CSA Obs	% Obs with CSA	Total CSA Events	Avg CSA Events per CEO
Liberal	17	51	25%	40	2.35
Moderate	23	77	23%	35	1.52
Conservative	30	80	27%	45	1.50

Table 5: Regression Results

	(1)	(2)	(3)	(4)	(5)
	DV: CSA_Count				
CEO_Id		0.631*** (4.875)	0.578*** (4.331)	-0.309* (-1.852)	0.895*** (5.923)
TMT_Id		-1.711 (-1.478)	-1.617 (-1.581)	-2.359*** (-2.958)	-1.476 (-1.311)
Org_Id		-2.167*** (-5.205)			-1.318** (-2.232)
Region_Id			-1.087*** (-81.559)		-0.843*** (-7.394)
CEO_Id_Abs	-0.277 (-0.625)				
TMT_Id_Abs	0.660 (1.539)				
Org_Id_Abs	2.345*** (130.426)				
Region_Id_Abs	0.652*** (10.712)				
CEO_Org		4.843*** (10.458)			3.428*** (4.894)
TMT_Org		-0.297 (-0.251)			-1.841*** (-26.313)
CEO_Region			2.447*** (77.481)		1.550*** (10.746)
TMT_Region			1.436** (2.128)		1.546*** (2.802)
Stock_vol	-14.820*** (-7.772)	-9.572*** (-5.368)	-14.371*** (-13.423)	-12.953*** (-5.525)	-11.781*** (-5.537)
CEODuality	0.008 (0.086)	0.020 (0.170)	-0.026 (-0.207)	-0.058 (-0.527)	-0.002 (-0.018)
CEOTenure	0.012*** (3.779)	0.015*** (4.269)	0.020*** (8.206)	0.018*** (9.645)	0.017*** (4.117)
CEOAge	0.015** (2.376)	0.016*** (2.583)	0.021*** (11.989)	0.006 (1.116)	0.023*** (5.758)
CEOGender	-0.187*** (-4.659)	-0.239*** (-7.436)	-0.040 (-0.952)	-0.136* (-1.747)	-0.147*** (-175.905)
ESGNum	0.074*** (4.095)	0.030 (0.528)	0.015 (0.239)	0.046 (0.737)	0.008 (0.154)
CMO	0.227 (1.157)	0.164 (1.236)	0.095 (0.569)	0.163 (0.990)	0.098 (0.627)
B2B	-0.826*** (-4.101)	-0.925*** (-8.012)	-0.990*** (-7.992)	-0.933*** (-6.266)	-0.986*** (-10.685)

In_size	0.183*** (7.891)	0.200*** (7.730)	0.157*** (5.913)	0.175*** (7.137)	0.185*** (6.437)
DebtEquity	0.002 (0.574)	0.002 (0.595)	-0.001 (-1.153)	-0.004*** (-5.839)	0.002 (0.674)
Admired	0.869*** (7.713)	0.827*** (6.188)	0.902*** (7.656)	1.020*** (10.397)	0.825*** (6.102)
Wald χ^2	60.41	28.81	180.16	30.53	30.66
Observations	278	278	278	278	278

Notes: t statistics in parentheses; All models use robust standard errors

** $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$*

Table 6: CEO & TMT Ideology Supplemental Analysis

	DV: CSA_Count			
	CEO Ideologies		TMT Ideologies	
	Liberal	Conservative	Liberal	Conservative
CEO_Id	-4.055*** (-8.034)	-3.092*** (-13.116)	-0.808** (-2.369)	-0.235* (-1.648)
TMT_Id	-6.541*** (-4.685)	-1.336 (-1.392)	-2.517* (-1.684)	-1.009 (-0.720)
Org_Id	-1.707*** (-3.814)	1.914 (1.025)	0.881 (1.212)	-1.027* (-1.853)
Region_Id	-1.195* (-1.790)	0.400 (1.009)	-0.647** (-2.502)	-0.153 (-1.198)
Stock_vol	-49.813*** (-2.608)	-13.742 (-1.271)	-45.313*** (-5.554)	-16.511*** (-3.722)
CEODuality	1.006*** (375.830)	-0.457** (-2.068)	-0.381 (-1.077)	-0.317 (-0.735)
CEOTenure	-0.032*** (-5.256)	0.052*** (3.608)	0.048*** (7.875)	0.014** (2.298)
CEOAge	0.023** (2.137)	-0.014*** (-6.322)	-0.026* (-1.829)	-0.011 (-0.806)
CEOGender	1.548*** (6.766)	-14.822*** (-16.659)	-15.998*** (-16.382)	-15.921*** (-22.513)
ESGNum	-0.012 (-0.415)	0.286*** (2.766)	0.198** (2.536)	-0.015 (-0.101)
CMO	0.306* (1.839)	-0.034 (-0.149)	0.170 (0.546)	0.416 (0.758)
B2B	-0.220*** (-4.499)	-1.048*** (-20.433)	-0.691*** (-9.444)	-0.810 (-1.496)
ln_size	0.583* (1.719)	0.109*** (2.893)	0.127*** (6.983)	-0.099 (-1.228)
DebtEquity	-0.160 (-1.427)	0.015*** (14.530)	-0.003 (-0.222)	0.007 (0.771)
Admired	1.225*** (20.463)	0.934*** (17.136)	0.769* (1.657)	1.911*** (3.275)
Wald χ^2	6.8	482.65	810.02	516.61
Observations	68	110	96	86

Notes: *t* statistics in parentheses; All models use robust standard errors

* $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Table A1: Definitions and Characteristics Provided to Q-Sort Participants

	<u>Definition</u>	<u>Common Characteristics</u>
Group A	Company activities related to support of or opposition to one side of a controversial sociopolitical issue	<ul style="list-style-type: none"> – Motivated by an ideological perspective on how society “should be” – Always publicized – Activist in nature – Makes some people feel supported, but might anger others – <u>Does not necessarily include monetary obligations</u>
Group B	Company activities related to its obligations to society and its stakeholders to advance societal good	<ul style="list-style-type: none"> – Motivated by a general consensus on what’s morally appropriate and desirable – Generates positive outcome for a wide range of people – Typically publicized – Makes most people in society “feel good” about a company – Often accompanied by financial/monetary commitments
Group C	Company activities related to influencing politicians and political processes in order to increase business performance	<ul style="list-style-type: none"> – Motivated by profit – Generates positive outcomes for the company that might not be beneficial to society – Rarely publicized – Makes politicians more likely to enact laws and policies that help a company

Table A2: Q-sort inter-rater agreement scores

		Rater B		
		CSA	CSR	CPA
Rater A	CSA	64	3	0
	CSR	10	28	0
	CPA	1	0	4

Table A3: Q-sort Hit Ratio calculation

		Actual				
		CSA	CSR	CPA	Total	% Hit
Theoretical	CSA	139	27	0	166	0.84
	CSR	2	42	0	44	0.95
	CPA	1	0	9	10	0.90
Total Placements: 220; Number of hits: 190					Overall % Hit: 0.86	

Figure 1: Hypothesized Model

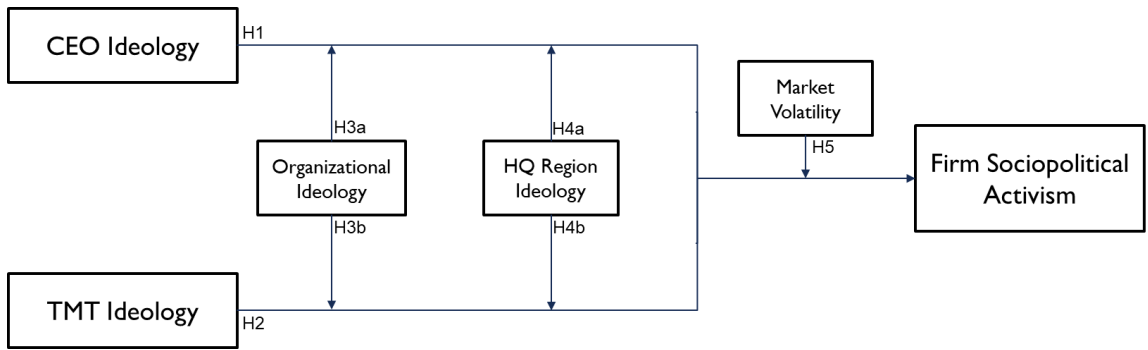


Figure 2: Histogram of CSA event counts

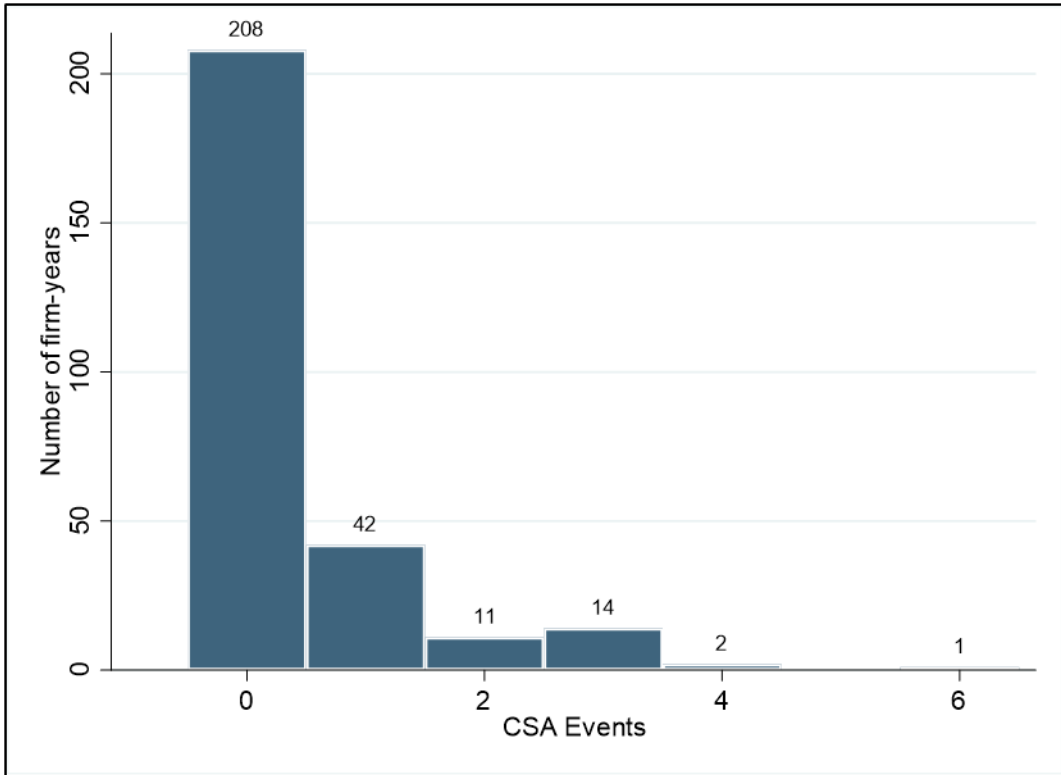
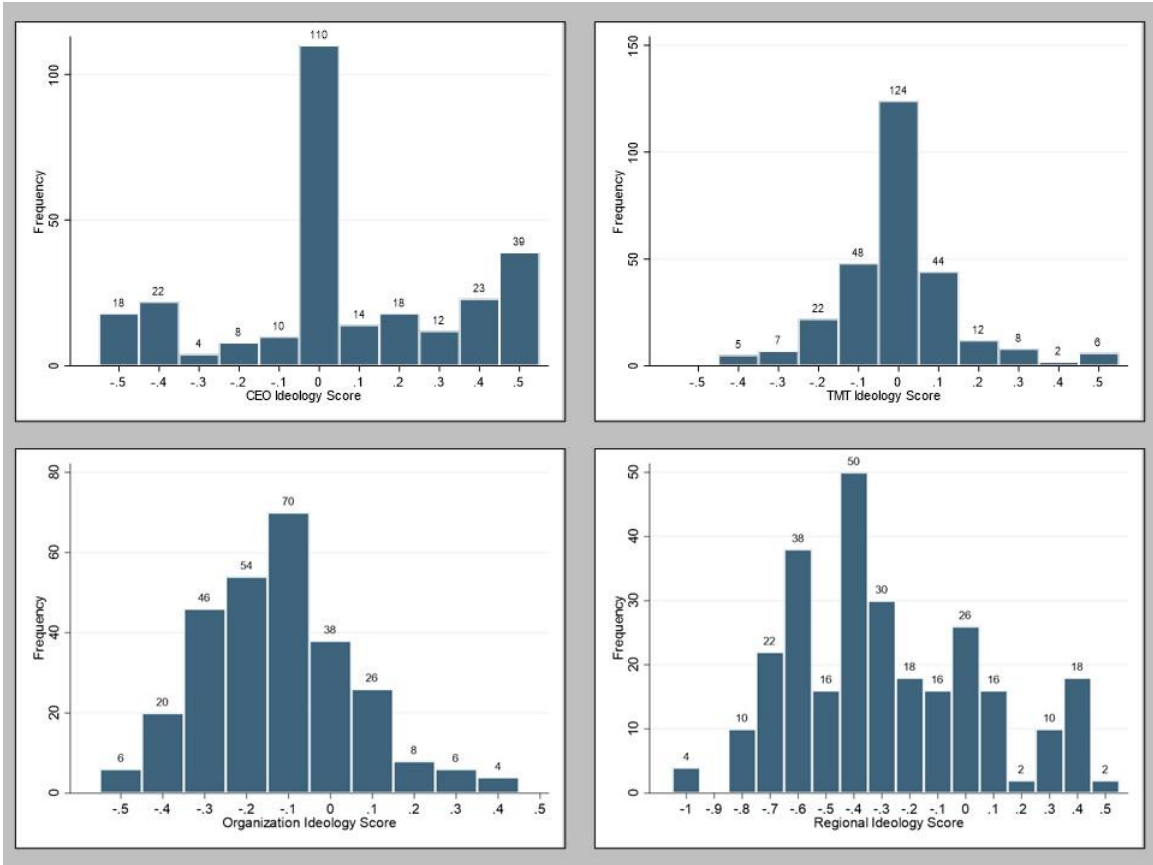


Figure 3: Distributions of ideology score variables



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