

**Investigating Shareholder Social Activism From an Issue-Selling Perspective—
Issues, Strategies, and Success**

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ABSTRACT

Building on the logic of issue selling, my dissertation explores the micro-processes of shareholder social activism through which shareholders interact with targeted firms and also addresses which micro-processes could affect the effectiveness and the success of shareholder social activism. To do this, my dissertation develops a theory with respect to the approaches of linguistically framing the contents of and of presenting shareholder social activism. Based on a qualitative (descriptive) analysis on 1,621 shareholder social proposals, my dissertation identifies six packaging strategies that are used by the proponents to linguistically frame the contents of their proposals and two selling strategies used by the proponents to present their proposals. Subsequently, a quantitative analysis demonstrates that the effectiveness of shareholder social proposals would be largely determined by the joint effects of opportunity framing, threat framing, coalition building, and repeated submitting and that other packaging strategies would have little unique contribution to the effectiveness and the success of shareholder social activism. I argue that my dissertation would make contributions to the understanding of shareholder social activism and also offer some theoretical considerations for future studies on issue selling, although my dissertation might not directly contribute to the body of work of issue selling.

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CHAPTER 1 Introduction

1.1 Research Context

Shareholder activism has a long history. Many shareholders have initiated activism in an attempt to use their power as owners to influence managers' behavior or to impact the decision-making processes of firms (Ryan & Schneider, 2002). Previous studies have documented many types of shareholder activism (Gillan & Starks, 2000; Smith, 1996). One common form is shareholder social activism, which refers to activities undertaken by some shareholders to promote social or ethical concerns. Socially responsible investing funds, for instance, have a long history of shareholder social activism. Wokutch (1982) documents that the submission of shareholder proposals emerged in the early 1970s and increased steadily from 23 companies targeted in 1975 to 81 companies targeted in 1980. A decade ago, shareholder social activism had become even more prevalent (Cooper, 2004) with the number of proposals submitted in 2001 and 2002 increasing to 262 and 287, respectively (O'Rourke, 2003).

During that time, several studies of shareholder social activism have been conducted. Sjostrom (2008) reviews 34 studies on shareholder social activism published between 1983 and 2007 and reports that main themes in the research include examinations of the issues addressed, major proponents and targets, and outcomes of shareholder social activism. For example, Proffitt and Spicer (2006) focus on shareholder social proposals regarding human rights and labor standards covering the proxy seasons of 1969-2003. Vogel (1983) examines trends in shareholder social proposals regarding corporate social and environmental responsibility during 1970-1983, describing the process through which shareholder social proposals become more common, and attributing these changes to political and ideological processes and sentiments. More recently, Graves, Rehbein, and Waddock (2001) examine how the issues addressed by shareholders

changed from 1988-1998 and find that topics addressed by shareholder social proposals vary widely and evolve within societal contexts. Tkac (2006) investigates those who undertake shareholder social activism and finds that religious groups are the major proponents. Rehbein, Waddock, and Graves (2004) focus on the targets of shareholder social activism and find that proponents often target large firms that are more visible.

Scholars are also interested in the effects of shareholder social activism on corporate behavior (Sjostrom, 2008). Many shareholders with social concerns view shareholder social activism as an effective and important way to influence corporate sustainable policies and practices without a change of corporate control (Cooper, 2004). In a case study, Hoffman (1996) shows that the responses of firms to shareholder social activism are the result of negotiation processes between the proponents and the firms. Sparkes and Cowton (2004) optimistically propose that shareholder social activism would have more influence as stakeholders exert more pressure on firms to fulfill corporate social and environmental responsibilities. However, Haigh and Hazelton (2004) are more pessimistic about the effects of shareholder social activism on the firms, purporting that most shareholder social activism would be unsuccessful. They argue that shareholders often lack the power to influence firms and to create significant corporate changes. Empirical studies seem to support Haigh and Hazelton's (2004) proposition. For example, David et al. (2007) offer empirical evidence that shareholder social activism is detrimental to corporate social performance. Similarly, Engle (2006) reports that shareholder social activism is unlikely to be successful because the proposed resolutions are non-binding and have no power to influence firms. Vandekerckhove, Leys, and Van Braeckel's (2007) case study of firms' responses to shareholders with respect to labor issues illustrates that they are willing to communicate with shareholders but often deny their misconduct and are not willing to change their ways of doing

business. One exception is Neubaum and Zahra's (2006) study of the association between institutional ownership and corporate social performance, which finds that firms with more instances of shareholder social activism tend to have a stronger association between institutional ownership and corporate social performance.

1.2 Research Questions

Although prior studies have answered some questions regarding the issues addressed, the proponents, the outcomes, and the effects on the firms of shareholder social activism, two questions remain unanswered. First, although previous studies have recognized the importance of communication to shareholder activism (Davis & Thompson, 1994; Pound, 1988, 1991) and have documented several ways by which shareholders interact with targeted firms (Wokutch, 1984), this body of work largely focuses on the macro-processes of communication between shareholders and the targeted firms (e.g., letter writing, direct communication to top executives, or selectively investing in or divesting from certain firms). Yet while communication is clearly central to shareholder social activism, a lack of theories remains about the micro-processes of communication (e.g., framing, sensegiving, and sensemaking) through which this communication is created, maintained, and evolved. Second, as a type of shareholder activism, social activism is used by shareholders to influence targeted firms' processes or outcomes associated with social concerns or social issues. However, previous literature does not address which micro-processes are more likely to help shareholders achieve their objectives. Rather, scholars have only focused on the macro-processes, comparing the effects between letter writing, direct communication to top executives, selectively investing in or divesting from certain firms and others means of communication with a targeted firm (e.g., Wokutch, 1984). These micro-processes are particularly critical to the outcomes of shareholder social activism, because one

specific macro-process could lead to totally different outcomes if the micro-processes used by the shareholders differ. For instance, letters to call managerial attention to certain social concerns that are written in different vocabularies and languages would attract different levels of managerial attention, although the letters may address the same social concerns.

In sum, previous studies do not explore the micro-processes of shareholder social activism through which shareholders interact with targeted firms and also do not address which micro-processes can increase the likelihood of success. My dissertation attempts to fill these research gaps by developing a theory regarding the micro-processes of shareholder social activism and then exploring how these processes can help shareholders achieve their objectives.

1.3 Research Methodology and Major Findings

To explore the micro-processes and their effects on the effectiveness of shareholder social activism, I adopt a theoretical framework of issue-selling (Dutton & Ashford, 1993). Built on social problem theory (e.g., Schneider, 1985), impression management literature (Schenkler, 1980; Tedeschi, 1981), and upward influence literature (Petty & Cacioppo, 1986), issue-selling literature developed by Dutton and Ashford (1993) considers issue selling as a critical activity in the organizational decision-making process and explains techniques middle-level managers can use to successfully sell their issues to top management teams. I adopt a similar logic to argue that shareholder social activism is sold by the sponsoring shareholders (the proponents) and thus analyses of the micro-processes and the effectiveness of shareholder social activism can be based on an issue selling framework. Particularly, I focus on the micro-processes of linguistically packaging the contents of shareholder social activism and of presenting shareholder social activism and the effectiveness of these framing and presenting strategies. I argue that how shareholders linguistically package the contents of their social activism and present it will

influence its effectiveness. My argument is based on the assumptions that language and meaning play a critical role in communication (Green & Li, 2011) and that the effectiveness of delivering ideas and claims to persuade an audience is often determined by the meanings of words, vocabularies, and language (Jones & Livne-Tarandach, 2008; Sillince, 2005).

To explore the framing and presenting strategies, I conducted a comprehensive qualitative analysis of 1,621 shareholder social proposals submitted to S&P 500 firms from 1994 to 2012. This qualitative analysis reveals that proponents framed their social proposals through different words and vocabularies. Adopting the logic of issue selling, I defined these approaches as packaging strategies and put them into six categories: opportunity framing, threat framing, strategic framing, normative framing, peer grouping, and urgency highlighting. This qualitative analysis also revealed different approaches by the proponents to present their social proposals. In a similar vein, I defined these presenting approaches as selling strategies and classified them into two categories—coalition building and repeated submitting.

To examine the effectiveness of these packaging strategies and selling strategies, I conducted a quantitative analysis based on the 1,621 shareholder social proposals. Using voting outcomes as the dependent variable, I investigated the effects of the packaging strategies and selling strategies. This quantitative analysis showed that the effectiveness of shareholder social proposals would be enhanced if the proponents used these packaging strategies, with the exception of normative framing and urgency highlighting. In addition, I found that using two selling strategies—coalition building and repeated submitting—could enhance the effectiveness of shareholder social proposals. More important, I found that the effectiveness and success of shareholder social activism would be largely determined by the joint effect of opportunity framing, threat framing, coalition building, and repeated submitting. Other packaging strategies

were found to have little unique contribution to the effectiveness and success of shareholder social activism.

1.4 Theoretical Contributions

My dissertation is expected to make two major theoretical contributions to the literature of shareholder social activism. First, it provides a communicative-based theoretical framework for shareholder social proposals and thus could contribute to the literature of shareholder social activism (Sjostrom, 2008). By defining shareholder social activism as the actions of proponents who attempt to “sell” their social issues to the firm, my dissertation extends the understanding of shareholder social activism. Traditionally, shareholder social activism is defined as the use of an ownership position to actively influence company policies and practices with respect to social concerns and social issues (Ryan & Schneider, 2002; Sjostrom, 2008). Based on that traditional definition, studies on shareholder social activism adopt a “means-end” perspective and largely focus on the effects on the firm and ignore the process (Sjostrom, 2008). My work takes a different perspective and focuses on the micro-processes of shareholder social activism. In particular, I look at the communication strategies of linguistically packaging the contents of shareholder social activism and of presenting it to the firm, while highlighting the use of words and vocabularies in framing the contents of shareholder social activism. Based on the qualitative analysis of shareholder social proposals, my dissertation shows that proponents would frame the contents of their social proposals in different ways. I also demonstrate that proponents could adopt different selling strategies to present their proposals. I believe that uncovering these communication strategies would add insights to the understanding of shareholder social activism.

Second, in addition to highlighting the micro-processes and identifying the packaging and presenting strategies, my dissertation emphasizes the impacts of these packaging and presenting

strategies on the effectiveness of shareholder social activism. The effectiveness of shareholder activism has long been examined, but previous studies have not reached a conclusion (Sjostrom, 2008). Although my dissertation does not directly address this research debate, it offers some valuable insights to explore the effectiveness of shareholder social activism. Unlike previous studies that almost dichotomize shareholder social activism as either effective or ineffective, my dissertation argues that the effectiveness of shareholder social activism would be determined by the packaging strategies and selling strategies of the proponents. I emphasize and empirically confirm the influence of words and vocabularies used to frame the meanings of the content as well as the impact of selling strategies on the effectiveness of shareholder social activism. The argument of my dissertation implies that shareholder social activism would be more effective if it was linguistically framed and sold by certain strategies. From this perspective, I suggest that a contingent perspective based on the packaging strategies and selling strategies might explain the inconsistent empirical findings of prior studies and that future studies on the effectiveness of shareholder social activism should adopt a contingent perspective and take into consideration how proponents deliver their ideas and claims.

1.5 Organization of Dissertation

My dissertation is divided into five chapters. Chapter 1 states the research context, introduces the research questions, briefly discusses the major findings, and highlights the major theoretical contributions. Chapter 2 is a literature review, where relevant prior studies are reviewed. I first focus my attention on the literature of shareholder social activism. I then expand the literature review to shareholder activism in general because the literature of shareholder social activism is limited. I also review the literature of shareholder social proposals, because the empirical setting of my qualitative and quantitative studies is composed of shareholder social

proposals. I also briefly review the literature of issue selling, which provides a theoretical foundation to my dissertation. Chapter 3 aims at conducting a qualitative analysis of the packaging strategies and selling strategies used by proponents. However, before conducting the qualitative analysis to identify these strategies, I conduct a descriptive analysis to identify the social issues addressed by the proposals, the trends of shareholder social proposals, the characteristics of the proponents, and the indicators of the success of the proposals. This descriptive analysis offers a context of rich information for the following qualitative analysis. Chapter 4 is the quantitative analysis. In this chapter, I try to theoretically link the packaging strategies and selling strategies to the success indicators of shareholder social proposals and then empirically test the hypothesized links. Chapter 5 concludes the major findings and addresses the theoretical implications and limitations. Suggestions for future research are also addressed by Chapter 5.

CHAPTER 2 Literature Review

The objective of this dissertation is to explore the micro-processes of linguistically packaging the contents of shareholder social activism and of presenting shareholder social activism and the effectiveness of these framing and presenting strategies. Thus, I purposefully review literature relevant to shareholder social activism and pay special attention to the literature of shareholder social proposals. Moreover, I extend the review to shareholder activism due to the limited literature of the shareholder social activism. I also briefly review the issue selling literature because it serves as the theoretical foundation to my dissertation.

2.1 Shareholder Social Activism

Shareholder social activism is one type of shareholder activism, which is traditionally defined as the use of shareholders' power to either influence the behavior or impact the decision-making processes of an invested firm (Ryan & Schneider, 2002). From this traditional perspective, shareholder social activism can be defined as the use of an ownership position to actively influence firm policies and practice with respect to social concerns and social issues (Sjostrom, 2008). Shareholder social activism has a long history in the U.S. and takes a variety of forms, including urging firms to adopt "sustainable" business practices, report environmental impacts, or address issues associated working conditions and workers' welfare. For example, as early as the 1960s, shareholders began to pressure firms to deal with issues such as diversity and equal employment opportunities (Vogel, 1983).

The proponents of shareholder social activism are often socially responsible investing (SRI) funds, also known as sustainable, socially conscious, "green," or ethical-investing funds. In addition, shareholder social activism can be launched by individual activists. Early studies of SRI funds (e.g., Malkiel & Quandt, 1971; Powers, 1971) conclude that the proponents of

shareholder social activism can use several actions to exert their ethical or social concerns upon firms. Wokutch's (1982) documents several actions that can be used by SRI funds to initiate shareholder social activism. These actions include: "directly communicating with management, urging it to change certain policies; proposing shareholder resolutions pertaining to ethical issues or supporting those proposed by others; initiating or joining in litigation against management; and voting to unseat management" (Wokutch, 1982: 159). Wokutch (1982) subsequently surveys the "ethical investment" policies and activities of Catholic religious orders—an institutional investor with obvious social concerns over economic concerns—and finds that directly communicating and filing shareholder resolutions are among the most commonly used ways to launch shareholder social activism. Further, Wokutch, Murrmann, and Schaffer (1984) survey the targeted investment activities of state public employee retirement funds and find that some pension funds establish targeted investment policies but that poor economic conditions largely constrain the establishment of these policies.

However, shareholder social activism differs to some extent from SRI strategies. Specifically, SRI funds often attempt to exert pressure on firms through selective investing and divesting (Wokutch, 1982). That is, SRI funds have a long history focusing on investing in certain socially responsible firms and divesting from certain socially irresponsible firms to exert their influence. In contrast, shareholder social activism refers to proponents' direct communication to firms through various channels to exert their influence (Wokutch, 1982).

2.1.1 Shareholder Social Proposals

Among the many mechanisms used by shareholders, filing shareholder social proposals is one of the most common. Compared with other mechanisms, shareholder social proposals not only actively raise awareness, direct attention, and challenge the managers of the targeted firm to

take or abandon certain actions, but also draw attention and raise awareness among other shareholders regarding the issues the submitting shareholders want to address. Thus one advantage of shareholder social proposals over other mechanisms is that collective actions can be much more easily achieved. Other shareholders do not have to coordinate with the submitting shareholders to file and submit social proposals, they can just vote for a specific proposal to show their support and thereby engage in a collective action at minimal expense. In addition, submitting a shareholder proposal might be a tactic with a lower profile than launching a boycott (Rehbein et al., 2004) and hence, as argued by Proffitt and Spicer (2006), this tactic has become an inseparable component of corporate governance.

Although “shareholder activism (*and shareholder social activism*) in the U.S. is by no means a new phenomenon” (Gillan & Starks, 2007, p. 55, emphasis added), there are far fewer studies with respect to shareholder social proposals than the studies dealing with shareholder proposals regarding other issues, such as executive compensation, board composition, and mergers and acquisitions (Gillan & Starks, 2007). The lack of sufficient research may be partly explained by the fact that “in 1970, a legal ruling in a lawsuit regarding a social issue proposal became the starting point of the allowing of social policy topics, which had previously been inadmissible” (Sjostrom, 2008, p. 145). Only recently, have scholars started to empirically investigate shareholder social proposals and the corresponding effects on a firm (e.g., David et al., 2006).

Sjostrom (2008) reviewed and synthesized studies regarding shareholder social activism during 1983-2007 and identified 34 articles relevant to this topic, only two of which were published before 1999. In fact, the majority of these articles were published from 2004 through 2007. According to Sjostrom (2008), eight articles are reviews systematically examining the

record of filing and voting on shareholder social proposals.

For example, Proffitt and Spicer (2006) analyzed 2,158 U.S. shareholder proposals with respect to international human rights and labor standards from 1969 through 2003 and found that in the early years, religious organizations were the dominant sponsoring organizations for shareholder social proposals, which was reflected by the fact that out of the 2,158 proposals, 1,312 were submitted or co-submitted by religious organizations. Besides religious organizations, pension funds have established their status as frequent proponents of shareholder social proposals. Proffitt and Spicer (2006) concluded from a social-movement perspective that (1) shareholder social activism has been mainly framed by religious organizations, which then mobilized support for activism to other shareholders; and (2) pension funds have continued to play a secondary role in extending the campaigns of shareholder social activism.

Although other studies examining the record of filing and voting on shareholder social proposals adopted a shorter time period, interesting results were still revealed. For example, Vogel (1983) examined the trend of shareholder social proposals from 1970 through 1982 and concluded that although shareholder social proposals rarely received more than 3% of the shares voted, the fact that a significant number of social proposals were voluntarily withdrawn indicates that many social concerns and issues of the proponents had been settled in negotiations before the proposals came to a vote. Graves et al. (2001) investigated shareholder social proposals filed—that is, social proposals not only voted on, but also withdrawn and omitted—between 1988 and 1998 and found that even though the total number of shareholder social proposals had increased, the issues addressed varied in that some tended to decrease and some tended to increase. Tkac (2006) examined shareholder proposals between 1992 and 2002 and found that religious organizations submitted the largest number of shareholder social proposals (Proffitt &

Spicer, 2006). The author also found that during this period, socially responsible mutual funds submitted an increasing number of social proposals and that international conduct, environmental issues, and antidiscrimination were the most common topics addressed. Campbell, Gillian, and Niden (1999) conducted a descriptive analysis focusing specifically on the 1997 proxy season in the U.S. and found that the rate of support for shareholder social proposals, on average, was 6.6% with a highest rate of 19.2%, an average rate much lower than that of other shareholder proposals, which had an average 56.67% of votes cast in favor of these proposals. Monks et al. (2004) investigated the social proposals targeting 81 large U.S. firms during the four-year period of 2000–2003 and found that: (1) the most common issues were global labor standards and equal employment; (2) issues with respect to climate and clean energy received the highest support; (3) religious groups were still the dominant activist shareholders; and (4), more interestingly, there was a new trend counter to traditional social proposals with proposals that called for the termination of corporate socially responsible actions such as charitable giving.

The last two articles addressing the record of filing and voting on shareholder social proposals identified by Sjoström (2008) were specifically focused on identifying the targets of shareholder social proposals. Rehbein et al. (2004) reported that proponents of shareholder social proposals were more likely to target larger firms because of their high visibility and firms whose operations are of special concerns to the society, such as those in polluting industries like textile and oil. The authors concluded that there are two motives for activist shareholders to choose target firms. The first is that activist shareholders are not satisfied with one or more specific aspects of the firm's social performance and thus they request changes. The second motive is identity based; that is, activist shareholders intend to form coalitions and jointly target more visible companies in an attempt to create external attention and bring about greater societal

impacts. In addition, Clark, Salo, and Hebb (2006) examined the submitting strategies of activist shareholders and found that most adopted a short-term strategy by filing only one proposal for one year rather than pursuing long-term strategies such as shareholder campaigns.

2.1.2 Effects of Shareholder Social Proposals on the Firm

Sjostrom (2008) also identified 12 articles focusing on the effects of shareholder social proposals on corporate behavior. In general, scholars reported contradictory findings with respect to the effects of shareholder social proposals. On the one hand, Hoffman (1996) and Sparkes and Cowton (2004) suggest that shareholder social proposals do encourage firms to take socially responsible actions. There is empirical evidence that, as shareholder social activism grows stronger, coordinated by activist coalitions, the positive effects on firms' social performance will be more significant (Neubaum & Zahra, 2006). On the other hand, many studies report that social proposals result in very limited changes in firms' social policies and practices (Haigh & Hazelton, 2004) or shareholder value (Barber, 2006). Though social proposals may lead to some moderate changes in corporate social actions, more fundamental changes at the industry level are harder to achieve because these proposals are both costly and resource intensive (O'Rourke, 2003). Furthermore, David et al. (2007) found that shareholder social proposals can even have detrimental effects on subsequent social performance. Besides the effects of social proposals on a firm, scholars have not reached an agreement with respect to the success of a social proposal. Haigh and Hazelton (2004) suggest that a low level of voting and support of social proposals indicate that these proposals are unsuccessful, while Graves et al. (2001) argue that a minority vote and support does not necessarily represent a failure if the proposals have drawn attention from both firm managers and other shareholders besides the proponents.

Those studies have also offered some contingencies under which a shareholder social

proposal can achieve its objectives. The first contingent factor is salience (Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997) of proponents of social proposals (Hoffman, 1996). David et al. (2007) found that managers are more likely to settle proposals submitted by more salient shareholders, but this settling is just a symbolic form of acquiescence and does not lead to substantive change in social performance. The second type of contingency is the issue of a social proposal. Southwood (2003) reported that social proposals are more likely to be successful if they are more closely related to long-term shareholder value. In addition, managers tend to deny allegations of social proposals related to corporate misconduct by arguing that shareholders misinterpret corporate actions (O'Rourke, 2003). Third, McCabe (2000) argued that social proposals proposed by activist shareholders who do not possess professional knowledge and skills in corporate management are highly unlikely to achieve success. Others (e.g., Hoffman, 1996) suggest that the degree of congruence between corporate culture and the requests of social proposals as well as the external environment in which the shareholder social activism takes place are among many factors that can influence the effects of shareholder social proposals on the firm.

A number of studies focusing on the voting outcomes of shareholder proposals report that many factors can impact the outcome (for a review, see Gillan & Starks, 2007). In general, voting outcomes depend on the proposals' issues (Campbell et al., 1999; Gillan & Starks, 2000), the identity of the proponents (Campbell et al., 1999; Gillan & Starks, 2000), governance and performance of the target firm (Gordon & Pound, 1993; Strickland, Wiles, & Zenner, 1996), and the ownership of insiders, institutional owners, and other blockholders (Gillan & Starks, 2000; Matvos & Ostrovsky, 2010; Strickland et al., 1996).

2.2 Shareholder Activism

As noted, shareholder activism has been broadly defined as the use of the power of shareholders to influence the behavior or to impact the decision-making processes of the target firm (Ryan & Schneider, 2002). One objective of shareholder activism is that investors try to bring about change within the company without a change in control (Gillan & Stark, 2007). Over the decades, a variety of mechanisms have been used by shareholders to call for changes within companies, which include education campaigns (Smith & Cooper-Martin, 1997), vendettas (Corlett, 1989), consumer boycotts (Paul & Lydenberg, 1992), letter writing, dialogue with management, and submission of shareholder social proposals (Sjostrom, 2008).

A substantial literature from the 1990s has critically examined the role of shareholders in promoting changes in corporate governance, policies, and strategies. Much of this early literature has concluded that shareholder activism was unlikely to fulfill its hoped-for potential as a catalyst for corporate change, and skepticism remains as shareholders are powerless compared with corporate managers and hence unable to make successful changes (Branson, 2000; Romano, 1993). The market and regulatory context, however, have changed substantially since many of these studies of shareholder activism were first undertaken. In particular, the rise of “shareholder democracy” (Black, 1978) and concentration of ownership have shifted the balance of corporate power toward shareholders, making their priorities more important to corporate boards (Hogan, 2009; Irvine, 1988; Palmon & Sudit, 2011).

Many studies have attempted to learn both the antecedents and the consequences of shareholder activism but have not reported consistent findings. First, most of these studies report that shareholder activism cannot achieve the goals of the proponents and is unable to affect target firms. For example, Gillan & Starks (1998) report that filing governance proposals does not improve long-term firm performance. Karpoff, Malatesta, and Walkling (1996) suggest that

shareholder-governance proposals hardly increase firm value, improve operating performance, or influence firm policies. Wahal (1996) reports a similar finding that shareholder activism does not increase shareholder value creation. Smith (1996) concludes that shareholder proposals are ineffective in dealing with firms' governance problems. A study by Johnson and his colleagues (Johnson, Porter, & Shackell-Dowell, 1997) finds that shareholder proposals focusing on compensation have no effect on executive compensation.

Second, and in contrast, a small number of case studies focusing on specific institutional investors, such as the California Public Employees' Retirement System (CalPERS), or on specific target firms, like Sear's, report that shareholder activism indeed achieves the goals of the proponents. For instance, Nesbitt (1994) finds that prior underperforming firms targeted by CalPERS outperform and significantly improve their profitability five years after targeting by shareholder activism. Smith (1996) shows a similar finding that over two-thirds of the firms targeted by CalPERS adopt proposed changes and then increase shareholder wealth. Huson (1997) also finds significant changes in the real activities of firms targeted by CalPERS. Moreover, Gillan, Kensinger, and Martin (2000) report a positive influence of activism on Sear's value and governance.

Third, other research either reports mixed effects of shareholder social activism (Del Guercio & Hawkins, 1999) or suggests moderating effects of other variables such as the channel of activism, the industry context, and the governance contest (David, Hitt, & Gimeno, 2001). In sum, the mixed and even contradictory findings reported by previous studies suggest that shareholder activism is a more complex phenomenon than previously recognized.

2.3 Issue Selling in Organizations

In general, issue selling "refers to individuals' behaviors that are directed toward

affecting others' attention to and understanding of issues" and is central in explaining how and where top management teams allocate their time and attention (Dutton & Ashford, 1993: 398).

Prior studies in issue selling have tried to answer six questions. First, who are the sellers and who are the potential buyers? Most research of this type has focused on middle managers' issue selling to top managers (e.g., Dutton & Ashford, 1993; Dutton, Ashford, O'Neill, Hayes, & Wierba, 1997).

Second, what are the issues the sellers are trying to sell? In general, actions, events, trends, and problems can be issues sold by the sellers. For example, Andersson and Bateman (2000) and Bansal (2003) focus on environmental issues; Dutton et al. (1997) and Piderit and Ashford (2003) examine gender-equity issues in firms. More currently, Sonenshein (2006, 2007, & 2009) expands issue selling to employees' ethical behaviors at work.

Third, what factors determine managers' willingness to sell their issues? Contextual cues—such as demography, quality of top management teams, cultural exclusivity—and perceived favorability of the organization contexts, perceived probability of success, perceived risks, and perceived support from supervisors are determinants of middle managers' willingness to sell gender-equity issues (Ashford, Rothbard, Piderit, & Dutton, 1998; Dutton et al., 2002).

Fourth, what are the strategies used by the proponents to persuade the buyers? Dutton et al. (2001) emphasize the importance of various issue-selling strategies, including packaging, involvement, and timing. Ling, Floyd, and Baldrige (2005) put their emphasis on the strategies of issue packaging, issue channeling, and involvement of others as important tactics of selling issues.

Fifth, what are the indicators of the success of issue selling? Building on the literature of strategic-issues management and organizational innovation, Andersson and Bateman (2000: 554)

propose five indicators of successful issue selling, including designing a program or policy specifically for the issue, creating a task force devoted to the issue, time allocation of the top management team to the issue, allocation of corporate resources to the issue, and the proponents' perception of success.

Sixth, what are the factors determining the effectiveness of issue selling? Bansal (2003) points out two critical factors—individual concerns and organizational value—to explain why some environmental issues are successful in leading to the consequences expected by the proponents but others fail.

In summary, past research on issue selling mainly focuses on middle managers' issue selling in organizational contexts and reveals a number of individual-motivational determinants to speak up (e.g., Dutton et al., 1997; Dutton et al., 2001). Building on the upward-influence theory, prior issue selling literature focuses on how the characteristics of issue sellers, the targets, and the contextual factors shape the strategies and the effectiveness of the “selling” (Dutton & Ashford, 1993). Previous studies also examine the effects of many strategies of crafting and selling issues and investigate how certain social issues such as gender equality and environmental protection are sold in organizations (e.g., Andersson & Bateman; Piderit & Ashford, 2003). In addition, several studies highlight the role of contextual factors in successfully selling an issue (e.g., Bansal, 2003).

I argue that the issue selling literature could offer insights to my dissertation addressing shareholder social activism. Like middle managers that sell their issues to top managers, the proponents of shareholder social activism are attempting to sell their concerns and issues to firms. Therefore, theories about issue selling by middle managers can be generalized to the field of shareholder social activism. In the next chapter, I define shareholder social activism from the

perspective of issue selling and then conduct a qualitative analysis to identifying the strategies used by the proponents to linguistically frame the contents of and to present shareholder social activism.

CHAPTER 3 A Qualitative Study of Shareholder Social Activism as Issue-Selling

3.1 A Definition of Shareholder Social Activism From the Perspective of Issue-Selling

The rich literature of issue selling provides theoretical foundations from which to study shareholder social activism. The literature on issue selling defines an organization “as a pluralistic marketplace of ideas in which issues are sold via the persuasive efforts of managers and bought by top managers who set the firm’s strategic directions” (Dutton et al., 2001: 716). In this dissertation, I adopt this conceptualization of the organization and define it as a pluralistic market place of ideas in which issues are sold by different stakeholders and bought by the top management team, the board of directors, or others organizational members. Specifically, not only are mid-level managers able to sell their issues, other stakeholders such as customers, shareholders, suppliers, and community members of an organization can also attempt to sell their issues to the board of directors, the top management teams, or other organizational members. My work specifically focuses on one type of issue selling by shareholders—shareholder social activism. This focus differentiates my study from previous work on issue selling, which largely focuses on middle managers selling their issues to top managers. First, I look at issue selling of shareholders, rather than middle managers. Second, in contrast to middle managers who directly deliver their ideas and issues to top managers, the proponents of certain shareholder social activism issues may not directly communicate with top managers. The empirical setting of my dissertation is the shareholder social proposal; in this case, the proponents do not directly deliver their claims to top managers but to the boards of directors and other shareholders and top managers that may be indirectly impacted due to the pressures from the boards. Therefore, previous issue-selling literature proposes a simple bottom-top communication from middle managers to top managers, whereas my dissertation implies a more complex communication

pattern where the proponents, boards of directors, and other shareholders are directly involved and top managers are indirectly involved.

In brief, shareholder social activism is one among many types of shareholder activism, which represents a set of actions taken by shareholders who attempt to use their power of ownership to influence the behavior or to impact the decision-making processes of the targeted firm (Ryan & Schneider, 2002). The actions taken by shareholders range from threatening the sale of shares, letter writing, meetings with top managers, to asking questions in shareholder meetings and submitting proposals. In general, shareholder activism is an attempt to change the status quo through “voice” without a change in the control of the firm (Gillan & Starks, 1998). Therefore, I propose that shareholder social activism is a kind of voice to request that boards deal with certain social issues and that other shareholders support it.

Classifying shareholder social activism as a type of shareholder voice offers an opportunity to study shareholder social activism based on the theoretical foundations of issue selling (Dutton & Ashford, 1993). Therefore, I define shareholder social activism as *actions taken by shareholders who attempt to direct the attention of the boards of directors and other shareholders to certain social issues as well as try to obtain support from other shareholders to convince the boards of directors to take/abandon certain actions or to adopt/abandon certain policies and initiatives.*

An important question arises if shareholder social activism is defined as a type of issue selling. That is, who are the buyers? In general, there are two groups of buyers who are directly involved. As noted above, the first group of buyers consists of boards of directors that are requested by the sellers to take or change certain actions and/or policies of the firms. The second group of buyers is composed of other shareholders who are not the proponents of shareholder

social activism. They are buyers because the proponents present the particular issues they are concerned with and then request their support to achieve their goals.

The motivations of the proponents to launch shareholder social activism are clear and straightforward. Specifically, they are not content with the current actions or performance of the firm in certain aspects of social performance and want to make changes. I argue that the proponents of shareholder social activism are more willing to speak to the boards regarding social issues than middle managers, because the shareholders are not influenced by the perceived risk and perceived unfavorability of the buyers, which are found to substantially prevent middle managers from speaking out about social issues to the top managers (Ashford et al., 1998; Dutton et al., 2002).

3.2 The Processes of Shareholder Social Activism Defined as Issue Selling

Issue selling is a process of communication (Dutton et al., 1997). In a similar vein, shareholder social activism is a process of communication between the proponents (i.e., the sponsoring shareholders) and the buyers (i.e., the boards, the top management teams, and other shareholders). Building on the literature of issue selling, I propose that the process of shareholder social activism is composed of three steps: identifying the social issue, packaging and selling the social issue, and evaluating its success.

Social Issue Identification. Shareholder social activism begins with the identification of social issues by the proponents—the sponsoring shareholders. At this stage, the proponents decide on the issues they are trying to sell. Any actions, events, trends, and problems with social concerns can be the issues involved in shareholder social activism. For instance, the proponents can ask the firms to stop using certain polluting materials in production, to reduce toxic emissions, to drop unequal payment structures between men and women, or to make or cease

philanthropic/political contributions.

Social Issue Packaging and Selling. The second stage of shareholder social activism includes packaging social issues and channeling them to the buyers—the board of directors, other shareholders, or potentially, the top management teams. There is a temporal order between issue packaging and issue selling. Normally, issue packaging occurs before issue selling.

Social issue packaging refers to how the proponents linguistically frame the meaning of social issues involved in shareholder social activism (Dutton & Ashford, 1993). Sonenshein (2006: 1158) uses the term “issue crafting,” which is defined as the intentional use of specific language to portray issues in ways that differ from the sellers’ private understanding of the issues. A social issue can be packaged in different ways at the discretion of the proponents (Dutton & Ashford, 1993). Sonenshein (2006) shows that the language used by middle managers to publically present social issues to top managers is more economical and less normative than the middle managers’ private understanding of the issues; however, the following qualitative study in this dissertation indicates that the language used to package social issue selling is overly normative.

Social issue selling refers to how the proponents sell the social issues involved in shareholder social activism to buyers. Dutton and Ashford (1993) present three possible processes of selling issues and link them to success. Similarly, Andersson and Bateman (2000) propose four different ways to sell environmental issues and their implications for successful issue selling.

Success Evaluating. As with other types of issue selling, shareholder social activism may succeed or fail to achieve the objectives of the proponents. Therefore, proponents have to develop certain indicators to measure whether they are successful or not. Previous studies of

issue selling offer several indicators of success. For example, the time and attention allocated by top management teams to an issue has been proposed as one of the indicators of selling success (Dutton & Ashford, 1993). The attention a top management team devotes to an issue can be indicated by a variety of actions, including naming an issue, collecting information relevant to an issue, discussing an issue with the sellers, or allocating corporate resources to address an issue (Dutton & Ashford, 1993). In a similar vein, Andersson and Bateman (2000: 554) propose five indicators of successful issue selling, including designing a program or policy specifically for the issue, creating a task force devoted to the issue, allocation of time of top management team to the issue, allocation of corporate resource to the issue, and the proponents' perception of success.

3.3 Research Questions

I argue that literature on issue selling offers a solid theoretical foundation through which to study shareholder social activism and can help answer several unaddressed questions regarding it in a systematic manner. The primary goal in applying the logic of issue selling is to identify the strategies used by the proponents to linguistically frame the contents of and to present shareholder social activism. In fact, no prior studies have clearly demonstrated which strategies are used by the proponents of shareholder social activism. Although prior studies of issue selling suggest several strategies used by middle managers, such as packaging the issues in a strategic vs. non-strategic manner and bundling several issues together (Dutton & Ashford, 1993), I argue that the proponents of shareholder social activism may adopt some unique strategies that are not used by middle managers. For example, when the top management team considers a proposal submitted by a middle manager as unfavorable and rejects it, the middle manager is unlikely to risk resubmitting because the top management team has already demonstrated their negative evaluation and rejected it (Ashford et al., 1998; Dutton et al., 2002).

In contrast, shareholders commonly do not take negative evaluations and rejections as seriously, because the boards of directors or the top management teams cannot effectively threaten them. As a result, proponents of shareholder social activism can repeatedly propose the same issues even though they may be considered “trouble makers” by the boards and the top management teams (Wokutch, 1982).

In addition to this unanswered question, two other questions also remain unaddressed. First, the logic of issue selling can link proponents to the issue of shareholder social activism. The studies on issue selling began with investigating the motives and mechanisms used by middle managers to sell social issues to the top managers and, therefore, the proponents were middle managers and the buyers were the top managers (Dutton & Ashford, 1993). However, the proponents of shareholder social activism are shareholders, who might have different social concerns from the middle managers. As a result, it is necessary to examine, in regards to shareholder social activism, what social issues are proposed by the sponsoring shareholders to the boards, the top management teams, and other shareholders.

Second, the indicators of shareholder social activism success have not been explored. In contrast to previous studies of issue selling where the top managers are the only buyers, shareholder social activism is associated with multiple buyers, including the boards of directors, the top management teams, and other shareholders. Thus, the indicators of shareholder social activism success should differ from the indicators of success of issue selling by the middle managers and, to evaluate the success of shareholder social activism, some indicators unique to it must be considered; for example, indicators related to other shareholders who are not the proponents.

I conduct a qualitative analysis of shareholder social proposals to answer the critical

questions that are crucial to understanding the process of shareholder social activism. More specifically, this qualitative analysis attempts to answer the important question: *What strategies are used by the proponents to linguistically package the contents of shareholder social activism and to present it?*

Furthermore, to enrich the understanding of shareholder social activism from the perspective of issue selling, I also conduct a descriptive analysis attempting two additional questions with respect to the issues addressed by and indicators of effectiveness of shareholder social activism. Specifically, (1) *What are the social issues addressed by shareholder social activism?* and (2) *What are the indicators of shareholder social-activism success and are the proponents' endeavors successful?*

By answering the above questions, this qualitative analysis and descriptive analysis can help to improve the understanding of shareholder social activism by providing a systematic theoretical model to comprehensively demonstrate the issues addressed, the strategies used by the proponents, the success indicators, and whether shareholder social activism is successful (Sjostrom, 2008), as shown in Fig. 3-1.

Insert Figure 3-1 about here

3.4 Research Methods

3.4.1 Research Setting and Sources of Data

Generally, shareholder social activism can be exerted through a set of activities, including letter writing, communications with the boards of directors or the top executives, declining to invest in certain firms or divesting from certain firms, and filing shareholder social proposals and even lawsuits (Sjostrom, 2008). Each of the ways of launching shareholder social activism has its

own unique processes and objectives, and my work focuses on how proposals are filed as a way for shareholders to use their power of ownership to actively influence firms' policies and practices that are associated with social concerns and impacts. The reason I chose filing shareholder social proposals for my topic is that shareholder social proposals and other relevant information can be obtained from several publicly available documents. Particularly, filing shareholder proposals represents an attempt by the proponent to communicate with the firm through a public and formal channel, where issues addressed, contents of communication, approaches to framing and presenting the issues, and responses from the firm are all publicly available.

Data are collected from the firms listed in the 2009 S&P 500 Index. S&P 500 firms were chosen because they are the most influential in the U.S. economy as well as the most frequently targeted by shareholder social proposals (Monks & Minnow, 1991). The year of 2009 was randomly chosen. The sources of shareholder social proposals are the proxy statements of the firms. In general, publicly listed firms publish annual proxy statements to shareholders before annual meetings and all the management proposals and shareholder proposals are included in these statements. In addition, recommendations made by the boards of directors and their supporting statements are also released by the proxy statements. Therefore, shareholder social proposals provide a rich context within which to investigate issues addressed, packaging strategies and selling strategies, and indicators of shareholder social activism success. In addition, current reports (10-Q) and quarterly reports (8-K) offer complementary data such as the number of votes for, against, abstaining, and broker non-vote for a shareholder social proposal.

One should note that (1) not all the proposals in a proxy statement are shareholder social

proposals; some are management proposals, and (2) some proposals submitted by shareholders do not address social issues and thus are not social proposals. Therefore, in the qualitative studies, management proposals and shareholder-sponsored non-social proposals are excluded. I use two criteria to determine if a proposal is a shareholder social proposal. First, the proposal is not submitted by the board of directors or the top management team but by a shareholder or a group of shareholders. Second, the resolution proposed by the proponent(s) addresses the concerns and issues of non-shareholding stakeholders. For example, a shareholder proposal that requests the board of directors to consider a CEO compensation policy based on certain long-term performance indicators is not a shareholder social proposal because the issues addressed directly impact shareholders. Rather, a shareholder proposal requesting the board to report greenhouse gas emissions is a shareholder social proposal because it deals with an environmental issue.

3.4.2 Analysis Procedures

I follow the standard practices for qualitative data analysis as suggested by Miles and Huberman (1984) and Glaser and Strauss (1967, 1970). This standard method of qualitative data analysis has been validated and used in several studies of issue selling (e.g., Dutton et al., 1997; Dutton et al., 2001). One important assumption of this analysis is that I expect that certain words, vocabularies, and languages are meaningful and can be used by proponents to frame the meanings of shareholder social proposals (Dutton & Ashford, 1993; Loewenstein, Ocasio, & Jones, 2012). Adopting the logic of issue selling (Dutton & Ashford, 1993), I expect that proponents can linguistically frame their proposals in certain ways. For example, I expect that a sentence such as “adopting this policy will lead to consumer loyalty” frames the proposal as an opportunity (Dutton & Ashford, 1993). But I do not expect *a priori* certain words will be used by

proponents and I also do not assume that the ways proponents frame and sell their proposals are limited by the strategies identified by prior studies on issue selling. Instead, I assume that the proponents of shareholder social proposals may use several packaging strategies and selling strategies that are not used by middle managers in their attempts to sell their issues. In summary, due to the *inductive nature* of the qualitative study, I do not expect *a priori* any findings but want to maintain the richness of the data. That is, I start the coding with a rudimentary “start list,” because I recognize that my *ad-hoc* expectations based on prior studies on issue selling could not cover all the strategies used by the proponents to package and sell their social proposals; instead, I read the proposals and extract the main meanings. If I find something new, I add it to the list and then generate a new coding item. If I find something that has been already included in the coding scheme, I code it but do not generate a new coding item. This inductive approach of coding enables me to code everything that appears in a proposal and avoid missing any important aspects; otherwise, if I started coding with a comprehensive start list, which cannot incorporate the new findings that are extracted, some important aspects could be missed

I create inductive code categories by first reading all the shareholder social proposals in the proxy statements of the firms in the sample. Then I generate an exhaustive list of all the packaging strategies and selling strategies, the issues involved in shareholder social proposals, and the indicators of success. Due to the large variability in the issues addressed, I cluster the issues into categories of shareholder social proposals based on the stakeholders that are specifically targeted by the proposals and then classify shareholder social proposals addressing similar issues within each stakeholder group into several sub-categories.

3.4.3 Coding

The goal of the coding is to capture the strategies used by the proponents to package and

sell the social proposals. I also want to code the issues addressed by the shareholder social proposals and the indicators of the effectiveness and success of shareholder social proposals. Building on Miles and Huberman (1984), I developed the coding scheme in an inductive way; that is, I added new codes as the proposals mentioned new strategies to package and sell the proposals, new types of issues, or new indicators of effectiveness and success. From this perspective, the final set of codes was comprehensive and included a complete list of the strategies of packaging and selling these proposals, the categories of the issues involved, and the indicators of effectiveness and success.

First, I coded the strategies used by the proponents to linguistically package the contents of and to present their social proposals. Following prior studies (Dutton et al., 2001), I began with a rudimentary “start list” (Miles & Huberman, 1984) of codes based on the descriptive categories of issue-packaging and selling strategies: strategic versus non-strategic framing, and opportunity versus threat framing (Dutton & Ashford, 1993). Subsequently, I read all of the shareholder social proposals and then developed a more comprehensive coding scheme of packaging strategies and selling strategies. I added more codes to the list related to the packaging and selling strategies. I created a brief descriptive label for each category, which allowed me to decide to which category and sub-category a proposal belonged, whether a specific strategy was used by the social proposal, and which indicators of success were used. For example, one of the selling strategies—repeated submitting—was described as “a shareholder social proposal addressing the same social issue submitted repeatedly over two or more years.”

Second, I coded and categorized the issues of shareholder social proposals in an inductive way. I started the coding of issues without a “start list;” instead, I read the proposals and extracted the main arguments. Special attention was paid to the proponents’ resolutions and

supporting statements. One proposal often had only one main argument that requested the board of directors or the top management team to report, adopt, or abandon certain policies, programs, or actions. In addition, one proposal commonly targeted only one stakeholder group. For instance, a shareholder social proposal requesting the board of directors to adopt global labor standards in the firm's international operations had a specific issue—global labor standards, and a particular targeting stakeholder group—employees. To code the issue addressed by a shareholder proposal, I first coded the general descriptions of the proposal, then coded the major targeted stakeholder group, and finally coded the main contents of its resolution.

For the packaging strategies and selling strategies coding, proposals that mentioned a specific packaging strategy or a certain selling strategy in ways consistent with the descriptions of the corresponding labels was given a code of “1” for that category of strategy, and proposals that did not mention this specific strategy received a “0”. Both explicit and implicit mentioning were used to decide whether a specific strategy was used. For example, “to gain a long-term competitive advantage,” indicated an explicit strategic packaging and, “shareholder value is enhanced in the long run,” represented an implicit strategic packaging.

Third, I also adopted the inductive approach to code the indicators of success. I began without a “start list,” then read the official documents (i.e., proxy statements, current reports, and quarterly reports), and finally added the codes to the list. The numbers of votes for, against, abstaining, and broker non-vote from current reports or quarterly reports were coded as the success indicator related to other shareholder. The recommendations made by the boards of directors and their supporting statements were coded to represent the effectiveness and success indicators associated with the boards.

Last, I coded information of shareholder social proposals, including the name, type

(individual vs. institution), and ownership (% of shares) of the proponents, the year of the proposals submitted, and the name and industry (SIC code) of the targeted firms.

3.5 Descriptive Results

Before going to the qualitative findings regarding the approaches of linguistically framing and presenting the contents of shareholder social proposals, I first provided some descriptive findings of such proposals. I argue that the rich information offered by the descriptive findings could help to more deeply understand filing shareholder social proposals as a process of issue selling. Section 3.5 reports the descriptive results. Section 3.5.1 generally describes the distribution of shareholder social proposals across firms and industries and the trend of shareholder social proposals across years. The characteristics of the proponents are also reported here. Section 3.5.2 details the issues addressed by shareholder social proposals. Shareholder social proposals are classified by their targeting shareholders and then sub-grouped by similar resolutions. Specifically, this part answers the descriptive questions: (1) *What are the social issues addressed by shareholder social proposals?* And (2) *What are the indicators of success of shareholder social activism and are the proponents' endeavors successful?* Additionally, this descriptive analysis also summarizes several characteristics of shareholder social proposals, including the distribution of proposals across firms, the trends across industries and over time, and the traits of proponents.

3.5.1 Targeted Firm, Industries, Trends, and the Proponents of Shareholder Social Proposals

Distribution of Shareholder Social Proposals across Targeted Firms. I identified 1,621 shareholder social proposals submitted to 229 firms during 1994-2012. Moreover, I found that shareholder social proposals were not evenly distributed among the S&P 500 firms. First, more

than 50% of S&P firms received no social proposals during these years; they might have received some shareholder proposals, which are not social proposals but present corporate governance-related issues such as shareholder say on pay or “poison pill” shareholder plans. Second, within the group of firms targeted by shareholder social proposals, the distribution was also unbalanced. For the 229 firms that received at least one shareholder social proposal, the average number of social proposals each firm received is 7.08 (SD = 10.53). Exxon Mobil Corporation received the most shareholder social proposals (N = 80), Altria Group received the second most social proposals (N = 66), and Chevron Corporation (N = 57) and General Electronic Corporation (N = 56) received the third- and fourth-largest number of social proposals. At the other end of this distribution, there were 54 firms that received only one shareholder social proposal. In addition, each of another 30 firms received two social proposals and each of the other 29 firms had three social proposals. Table 3-1 displays the distribution of shareholder social proposals across the firms.

Table 3-2 further indicates the unbalanced distribution of proposals across firms. Specifically, Table 3-2 groups the firms by the number of proposals and shows that 87.34% (K = 200) of firms that received 15 proposals or fewer ($N \leq 15$) accounted for 48.49% (N = 786) of the total 1,621 proposals; 8.73% (K = 20) of firms that received proposals between 16 and 30 ($15 < N \leq 30$) accounted for 24.86% (N = 403) of the total proposals; and 3.93% (K = 9) of firms that received more than 30 proposals ($N > 30$) accounted for 26.65% (N = 432) of the total proposals. Table 3-3 lists the top 30 firms that received the most shareholder social proposals. Shareholder social proposals submitted to these 30 firms accounted for 52.44% (N = 850) of the total 1,621 proposals. Considering that 271 firms in my study sample received no shareholder social proposals, this finding also confirmed the unbalanced distribution of shareholder social

proposals across firms.

Insert Table 3-1, 3-2, 3-3 about here

Distribution of Shareholder Social Proposals Across Years. Table 3-4 shows the distribution of shareholder social proposals across years. In general, the number submitted increased gradually from 1994 to 2012. The number of shareholder social proposals reached a peak in 2008 (N = 128). Figure 3-2 shows the trends of shareholder social proposals by stakeholder groups during 1994-2012. In general, the number of social proposals increased during these years; however, there were a lot of variations in the trends across stakeholder groups. Proposals related to government and the environment increased substantially after 2003. Proposals related to employees increased gradually during 1994-2002 but also gradually decreased after 2002; similarly, proposals related to customers increased during 1994-2000, but decreased gradually after 2000. Proposals related to community and other societal members increased gradually between 1994 and 2008, but decreased sharply during 2009-2012.

Insert Table 3-4, Figure 3-2 about here

Distribution of Shareholder Social Proposals Across Industries. I further categorized all the shareholder social proposals by industry. One-digit SIC codes were used. Table 3-5 shows the distribution of shareholder social proposals across industries. Table 3-5 demonstrates that shareholders social proposals are distributed unevenly across industries. Table 3-5 suggests that 38.93% (N = 631) of shareholder social proposals were submitted to firms in industries such as food, tobacco, textile, apparel, wood products, paper, chemicals, and petroleum refining. At the other end of the distribution, firms in industries such as agricultural products (N = 3) and

professional services received very few shareholder social proposals (N = 1).

Table 3-6 shows the distribution of shareholder social proposals across industries and years. As demonstrated, increases in shareholder social proposals after 2005 were concentrated in industries with one-digit SIC codes of 1, 2, 3, 4, 5 and 6. These industries include mining and construction, food, tobacco, textile, apparel, wood products, paper, chemicals, petroleum refining, plastics product, leather products, stone and concrete products, metal, industrial and commercial machinery and transportation equipment, computer equipment, measuring and analyzing instruments, transportation, communication, wholesale trade and retail trade, finance, insurance, and real estate.

Insert Table 3-5, 3-6 about here

Characteristics of Proponents. I documented some characteristics of the proponents of shareholder social proposals. Out of 1,621 shareholder social proposals, proxy statements of 1,251 proposals released the names of the proponents; for the proposals with more than one proponent, some released the names of all the proponents, and others only released the name of one of the proponents. There are 370 proposals that did not release information about the proponents.

First, both individual shareholders and institutional shareholders submitted social proposals. Out of the 1,251 proposals with identifiable proponents, 215 proposals were submitted by 84 individual shareholders and 1,036 proposals were submitted by 156 institutional shareholders. However, the distribution of the proposals across the proponents was skewed. Out of the 215 proposals submitted by individual shareholders, 123 proposals were submitted by 15 individuals who submitted at least three proposals. Similarly, out of the 1,036 proposals submitted by institutions, 839 proposals were submitted by 50 institutions that submitted at least

five proposals.

Second, the skewed distribution of proposal across proponents suggests that there were some highly active proponents. For example, Mrs. Evelyn Y. Davis is an individual activist proponent who submitted 59 proposals to 20 firms during 1994-2012. Within the 59 proposals, 37 proposals requested the firms to report lobbying expenses and political contributions, and 22 requested the firms to maintain political neutrality. Another individual activist proponent is Mr. James Leas who submitted eight proposals regarding employee welfare and working conditions; Mr. Carl Olson submitted five proposals regarding climate change and global warming, and one proposal related to national healthcare reform. Mr. Patricia T. Birnie submitted six proposals related to sustainability, and Mr. Raymond B. Ruddy submitted five proposals requesting the firms to stop making philanthropic contributions and one proposal requesting the firms to stop making political contributions.

The institutional activist proponents that submitted at least 30 social proposals each include the Office of the Comptroller of the City of New York, Harrington Investments Inc., the People for the Ethical Treatment of Animals (PETA), Trillium Asset Management Corporation, AFL-CIO (American Federation of Labor and Congress of Industrial Organizations) Reserve Fund, Domini Social Investments LLC., Province of Saint Joseph of the Capuchin Order, and Walden Asset Management Inc. Table 3-7 lists the top 20 institutions and top 15 individuals as social proposal proponents.

Insert Table 3-7 about here

Third, some proxy statements release the number of shares owned by the proponents. Because the number of total shares varies significantly across firms and proponents, I calculated

the percentage of shares owned by the proponents. The average percentage of shares owned by the first individual proponent is 0.022% (SD = 0.288%), and the average percentage of shares owned by the first institutional proponent is 0.093% (SD = 0.247). The average percentage of shares owned by all of the individual proponents is 0.022% (SD = 0.288%), and the average percentage of shares owned by all the institutional proponents is 0.114% (SD = 0.271). These findings indicate that proponents as institutions own much more shares than individual proponents and imply that individual proponents seldom co-sponsor social proposals and that institutions are more likely to form coalitions to submit their proposals. In addition, the highest percentage of shares owned by all the individual proponents and all the institutional proponents are 3.836% and 2.984%, respectively. In sum, institutional proponents own many more shares than individual proponents and institutions are more likely to co-sponsor social proposals. As shown in Table 3-8, the percentage ratios suggest that the proponents are commonly minority shareholders.

Insert Table 3-8 about here

Fourth, I found that there were some significant differences in the distribution of proposals across stakeholder groups addressed between individual proponents and institutional proponents. On the one hand, the distribution of proposals related to employees, the environment, and community and other societal members is similar between individual proponents and institutional proponents. On the other hand, individual proponents submit a greater proportion of proposals related to government than institutional proposals, but a lower proportion of proposals related to customers. Table 3-9 demonstrates the distribution of social proposals and the average percentage of shares owned by the first proponent and all the

proponents.

Insert Table 3-9 about here

3.5.2 What Are the Issues Addressed by Shareholder Social Proposals?

The issues addressed by shareholder social proposals vary substantially. Some are highly specific, tangible solutions to a perceived problem; for example, in 2004, proponents submitted a proposal to Fifth Third Bancorp and requested that the board of directors amend Fifth Third Bancorp's written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and to substantially implement that policy. Others are more general issues that, according to the proponents, should be firm responsibilities; for example, many firms receive social proposals requesting them to endorse the principles of corporate environmental accountability developed by the Coalition for Environmentally Responsible Economies (CERES). In general, shareholder social proposals contain normative resolutions, requesting the firms to deal with normative issues.

In order to more deeply investigate the issues of shareholder social proposals, I grouped them into several categories and sub-categories. First, because shareholder social proposals address issues related to a variety of stakeholders, they were classified by the targeted stakeholder groups. Five targeted stakeholder groups were identified, including customers, employees, the government, the environment, and community and other societal members. Second, shareholder social proposals within each stakeholder group were sub-grouped based on the common issues addressed. Table 3-10 shows the categories and sub-categories of shareholder social proposals.

Insert Table 3-10 about here

In general, the most frequently submitted social proposals targeted the natural environment; in this category, there were 518 proposals, which represented 31.96% of the total 1,621 proposals submitted. The second most frequently submitted proposals related to community and other societal members and this category had 410 proposals, which represented 25.29% of the 1,621 total proposals. The third category of most frequently submitted proposals was related to government; 315 proposals were submitted, representing 19.43% of the sample. Shareholder social proposals targeting employees represented 17.77% (N = 288) and proposals related to customers represented 5.55% (N = 90) of the sample.

Customers. This category consisted of shareholder social proposals that mainly targeted customer safety. In all, 5.55% proposals (N = 90) were classified in this category. Typical proposals request the board of directors and/or the top management teams to remove certain ingredients or raw materials from the production process, to report to the public the use of certain materials, or to label the use of certain materials. For example, in 2000, a group of proponents submitted a social proposal to Cardinal Health requesting that the board of directors adopt a policy of phasing out the manufacture of PVC-containing or phthalate-containing medical supplies by its Allegiance subsidiary where safe alternatives were available. In 2009, a group of institutional shareholders of Avon Products submitted a proposal and requested the board of directors to report to shareholders on Avon's policies addressing nanomaterial product safety. Shareholders of many firms that had business related to genetically engineered products (e.g., Archer-Daniels-Midland, ConAgra Foods, Kellogg, McDonald's, PepsiCo., and Wal-Mart) submitted proposals that requested a phase-out of those products or to adopt a policy to identify and label all products that were genetically modified or contained genetically engineered

ingredients.

Employees. This category of shareholder social proposals contained issues related to employees. I identified 288 (17.77%) proposals that concerned employee issues. Shareholder social proposals in this category were classified into two sub-categories. The first sub-category was related to issues of diversity and employment equity (N = 113, 6.97%). One group of the typical social proposals—diversity and employment equity—requested the board of directors to adopt the principles of equal employment opportunity. For instance, Trillium Asset Management (the proponent) submitted a proposal to Expeditors' 2008 annual meeting and requested that the board of directors adopt a policy of equal employment opportunity. Another group in this sub-category addressed discrimination based on sexual orientation at places of work. Proposals addressing this issue were submitted to many firms (e.g., Bank of America, J. C. Penney, Lockheed Martin, Wells Fargo, and Zions) and these proposals requested the boards of directors to adopt an employment policy that prohibits employment discrimination based on sexual orientation.

The second sub-category of social proposals addressed employee welfare and working conditions (N = 175, 10.80%). The most frequently submitted social proposals were those that requested the board of directors to endorse the MacBride Principles, which were proposed by Dr. Sean MacBride—founder of Amnesty International and Nobel Peace Laureate—to serve as guidelines of employee human rights for firms operating in Northern Ireland. Other frequently submitted social proposals requesting the boards of directors to review and report their foreign suppliers' operations and employee practices; some similar proposals requested that the boards adopt a code of conduct to guide employee practices and operations of the firms' foreign suppliers.

Government. This category of shareholder social proposals was related to governmental and political issues (N = 315, 19.43%). Two sub-categories were identified. The first was related to lobbying and political contributions (N = 292, 18.01%). Most of the shareholder social proposals in this sub-category requested the board of directors to report lobbying expenses and political contributions. Others requested the board of directors to establish a committee and certain policies regarding political contributions. There were also a few proposals (N = 8) that requested firms stop making political contributions; for instance, Trillium Asset Management submitted a proposal at Bank of America's 2012 annual meeting that requested the board of directors adopt a policy prohibiting the use of corporate funds for any political election or campaign.

The second sub-category was composed of social proposals requesting firms maintain political neutrality or non-partisanship (N = 23, 1.42%). For example, Mrs. Evelyn Y. Davis, the editor of *Highlights and Lowlights*, submitted a proposal at the 2011 annual meeting of Citigroup and recommended that the company affirm its political non-partisanship by avoiding certain practices, including the handing of contribution cards for a single political party to an employee by a supervisor; requesting an employee make contributions to a single party, its representative, or to individuals linked to the party; or using supervisor meetings to discuss issues related a single party; etc.

Natural Environment. This category of shareholder social proposals was related to the natural environment (N = 518, 31.96%). Shareholder social proposals in this category were further classified into four sub-categories by the issues addressed: animal welfare (N = 78, 4.81%), biodiversity (N = 14, 0.86%), climate change and global warming (N = 93, 5.74%), and sustainability (N = 333, 20.54%).

Proponents of the proposals related to animal welfare typically requested the board of directors to adopt certain principles or practices that treat animals involved in the business operations in a more humane way. For example, proponents submitted several social proposals requesting that Abbott Laboratories promote transparency and minimize the use of animals, report corporate policies and procedures to ensure proper animal care in-house and at contract laboratories, and replace animal-based tests with non-animal methods. McDonald's received several proposals submitted by PETA that requested the board of directors review the firm's animal welfare policies, adopt international animal welfare standards, and use cage-free eggs.

Biodiversity was also involved in some shareholder social proposals. Most of the proposals in this sub-category were submitted to firms in petroleum-refining industry (e.g., Chevron and Exxon Mobil). The proponents of such social proposals were concerned about the negative impacts of petroleum drilling on biodiversity. For example, Chevron received several proposals that requested the board of directors report the environmental impacts of the Arctic National Wildlife Refuge (ANWR) drilling plans and to abandon these plans if the biodiversity of this area might be damaged. Exxon Mobil also received several proposals submitted by Green Century Capital Management Inc., which requested the independent directors of the firm issue a report on the damages to biodiversity resulting from drilling for oil and gas in protected areas such as IUCN Management Categories I-IV and Marine Management Categories I-V, national parks, monuments, wildlife refuges (such as the ANWR), and World Heritage sites. Other firms such as International Paper also received proposals with similar issues; for example, proponents requested that the board report damage to biodiversity caused by their operations in certain forests.

Shareholder social proposals related to climate change and global warming were

commonly concerned about firms' contributions to climate change and global warming and also the effects of climate change and global warming on the firms. An important issue in these proposals was greenhouse gas emissions. For example, many firms (e.g., America Electric Power, ConocoPhillips, Chevron, Exxon Mobil, and Procter & Gamble) received social proposals that requested the companies report their carbon dioxide emissions and the effects of their operations on climate change and global warming, use "greener" energies, and take certain actions to reduce greenhouse gas emissions. Some proponents also submitted proposals that requested the boards to evaluate and report on the risks associated with climate change and global warming. For example, the National Center for Public Policy Research (the proponent) submitted a proposal at General Electric's 2011 annual meeting that requested the board of directors prepare a report disclosing the business risk related to developments in the scientific, political, legislative, and regulatory landscape regarding climate change.

Sustainability seemed to be a substantive environmental issue to many shareholders. Out of the 518 social proposals related to natural environment, 333 proposals were sub-classified in the category of sustainability. These proposals were commonly concerned about the firm's on the sustainable development of the environment. The proponents of these social proposals made a variety of requests to the firms. First, some proposals requested the boards of directors to issue sustainability reports. Dover Corporation, for instance, received a sequence of social proposals submitted by Walden Asset Management Inc., requesting the board to issue a sustainability report to shareholders.

Second, other proposals requested the firms to endorse the principles of corporate environmental accountability as developed by CERES. For example, several Catholic religious orders (the proponents) jointly submitted a proposal at Eli Lilly's 2000 annual meeting and

requested the firm to endorse the CERES principles as a reasonable and beneficial component of the firm's commitment to be publicly accountable for environmental performance. The reason offered by the proponents was that CERES established the most thorough and well-respected environmental disclosure form in the U.S. and took the lead internationally, convening major organizations together with the United Nations Environment Program in the Global Reporting Initiative, which produces guidelines for standardizing environmental disclosure worldwide.

Third, several firms were requested to establish a committee to review and amend the sustainability policies of these firms. Harrington Investments Inc., for example, submitted a sequence of proposals to Microsoft that requested the firm to establish a committee to review and amend its sustainability policies.

Fourth, a few firms were requested by proponents to abandon projects and facilities that had negative environmental impacts. For example, ConocoPhillips received a number of proposals during 2006-2012 that requested the board of directors report environmental damage that would result from oil and gas drilling in protected areas such as Alaska National Petroleum Reserve, the Louisiana wetlands, and the Canadian oil sands, and thus abandon the business operations in these areas if the negative environmental damages were substantial.

Community and Other Societal Members. This category of shareholder social proposals was related to community and other societal members (N = 410, 25.29%). Shareholder social proposals in this category were further sub-classified into seven sub-categories by the issues addressed: national healthcare reform (N = 40, 2.47%), health spending (N = 19, 1.17%), human rights (N = 143, 8.82%), philanthropy (N = 41, 2.53%), public health: HIV/AIDS (N = 15, 0.93%), public health: smoking (N = 98, 6.05%), and local community welfare and other society welfare (N = 54, 3.33%),.

The first sub-category contained proposals related to national healthcare reform. All the proposals in this sub-category shared the same resolution; that is, the proponents requested the firms adopt the principles of healthcare reform based upon principles reported by the U.S. National Institutes of Health (NIH).

The second sub-category included proposals related to healthcare spending on patients. In general, these proposals requested that pharmaceutical firms adopt a policy of pharmaceutical price restraint. Only pharmaceutical firms received these types of proposals and included Abbott Laboratories, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck, and Pfizer.

The third sub-category contained proposals related to human rights. One typical type of proposal within this sub-category addressed human rights in developing countries. For example, IBM received several proposals requesting the firm implement the China Business Principles, which addresses the human and labor rights of Chinese workers. Similar proposals were submitted to many other firms that had business operations in countries such as Vietnam, Malaysia, Philippines, and so forth. Another typical type of proposal of this sub-category requested a firm establish a committee to review the firm's practices related to human rights and issue reports on these practices. For example, Harrington Investments, Inc. submitted a sequence of proposals to Coca-Cola and requested the firm establish a board committee on human rights to review and report on the human rights related policies and practices.

The fourth sub-category included proposals related to corporate philanthropy. The most frequently submitted proposals were those requesting the firms report corporate charitable contributions, disclose policies regarding making philanthropic contributions, and establish a board committee to review philanthropic policies and activities. For example, PepsiCo received a sequence of proposals requesting the firm to “*provide a semiannual report, omitting proprietary*

information and at reasonable cost, disclosing: the Company's standards for choosing which organizations receive the Company's assets in the form of charitable contributions; business rationale and purpose for each of the charitable contributions; personnel who participated in making the decisions to contribute; the benefits to the Company and benefits produced by Company contributions; and a follow-up confirming that the organization actually used the contributions for the purpose stated" (PepsiCo proxy statement, 2010). In addition, a few proposals requested that firms stop making philanthropic contributions. For example, a proposal submitted by Mrs. Carol Greenwald at Coca-Cola's 2003 annual meeting requested the board of directors adopt a policy that affirmed Coca-Cola would not support or contribute to non-profit organizations. In a similar vein, a proposal submitted by Ms. Virginia M. Brown at the 2004 annual meeting of Bank of America requested the firm refrain from making direct charitable contributions.

The fifth sub-category of proposals was related to the impacts of HIV/AIDS on public health. For example, a proposal submitted to Abbott Laboratories at its 2002 annual meeting requested the firm develop and provide pharmaceuticals for the prevention and treatment of HIV/AIDS, TB, and malaria in ways that the majority of infected persons in African nations could afford. Shareholders of the proposals related to HIV/AIDS were also concerned about the impact of HIV/AIDS on the firms. For instance, Coca-Cola, PepsiCo, and Merck received proposals that requested they issue reports on the firms' practices and approaches to managing the business risks associated with the HIV/AIDS pandemic.

The sixth sub-category of proposal was associated with the impacts of smoking and tobacco products on public health. These proposals were submitted to firms involved in tobacco products. The firms frequently targeted by these proposals included Altria Group, America

International Group, Lincoln National Corporation, Loew's, and Reynolds American. The issues of these proposals varied substantially. For example, proposals submitted to Altria Group and Loew's requested these firms report the health hazards for African Americans associated with smoking menthol cigarettes, report advertising expenses on the promotion of cigarettes, report the effects of smoking on pregnant women, cease promoting certain tobacco products, stop advertising tobacco products on the Internet, take actions to stop youth smoking, eliminate certain addictive ingredients from tobacco products, and take actions to deal with environmental tobacco smoke. Proposals submitted to America International Group and Lincoln National Corporation requested they avoid investing in firms involved in tobacco products. Yum! Brand Inc. received three proposals requesting the firm adopt the same non-smoking policy it had implemented for its U.K. Pizza Hut properties as corporate policy for all its company-owned restaurants in the U.S.

The last sub-category was related to the welfare of local community and other societal members. The issues addressed by these proposals varied substantially. For example, proposals submitted to Reynolds American Inc. and ConocoPhillips requested these firms report their community accountability. DuPont received several proposals requesting the firm close plants that might cause damage to local communities. Exxon Mobil received a sequence of proposals regarding the water use of local community members. Several proposals submitted to Morgan Stanley requested the firm report how its lending policies impact local businesses.

International vs. Domestic Issues. In addition, I also categorized the shareholder social proposals by international or domestic issues. Out of the total 1,621 proposals, 353 proposals addressed international issues and the rest of the 1,268 proposals dealt with domestic issues. Furthermore, there were substantial variations across the categories of proposals by stakeholder

groups. Out of the 518 proposals related to the environment, only 44 dealt with international environment issues and 474 addressed domestic environment issues. Similarly, only four proposals dealt with international government issues and 311 addressed domestic government issues; six proposals dealt with international-customer issues and 84 addressed domestic-customer issues. In contrast, the distributions of proposals related to employees and community and other societal members were more balanced between international and domestic issues. More specifically, 145 proposals dealt with international-employee issues and 143 proposals addressed domestic-employee issues; 154 proposals dealt with international issues associated with community and other societal members, and 256 proposals addressed domestic issues related to community and other societal members. These data are reported in Table 3-11. These comparisons suggest that proponents were more concerned with domestic social issues related to customers, government, and the environment rather than issues related to employees and community members. Due to the poor protection of human and labor rights in developing countries, the proponents showed more balanced attention between international social issues and domestic issues related to employees and community and other societal members.

Insert Table 3-11 about here

A Short Summary of the Issues Addressed in Shareholder Social Proposals. In general, the issues addressed in shareholder social proposals varied significantly. However, these proposals can be categorized according to which of the five stakeholder groups are likely to most benefit—customers, employees, the government, the environment, and community and other societal members.

Each of the categories of proposals can be further sub-classified into several sub-

categories, as demonstrated by Table 3-10. A comparison of the percentages of proposals by issue indicate that the five most frequently submitted proposals are those related to sustainability (N = 333, 20.54%), lobbying and political contributions (N = 292, 18.01%), employee welfare and working conditions (N = 175, 10.80%), human rights (N = 143, 8.82%), and diversity and employment equity (N = 113, 6.97%). In contrast, the five least frequently submitted proposals are those related to biodiversity (N = 14, 0.86%), public health: HIV/AIDS (N = 15, 0.93%), health spending (N = 19, 1.17%), political neutrality (N = 23, 1.42%), and national healthcare reform (N = 40, 2.47%).

3.5.3 What Are the Indicators of Success of Shareholder Social Proposals and How Successful are the Proposals?

Section 3.5.3 discusses the indicators of success and the success rate of the shareholder social proposals. Three types of success indicators of shareholder social proposals are proposed. This section focuses on the question: *What are the indicators of success of shareholder social proposals and are the proponents endeavors successful?*

This section reports the success indicators and the success rate of shareholder social proposals. By referring to shareholder social proposals as a type of issue selling, these indicators of successful issue selling may also be applied to shareholder social proposals. Prior studies suggest five types of successful issue-selling indicators: “(1) naming/designating the issue as a policy or program, (2) creating a task force devoted to the issue, (3) top management allocation of time to the issue, (4) top management allocation of money to the issue, and (5) a champion's perception of success” (Andersson & Bateman, 2000: 554). In a similar vein, shareholder social proposals can be considered successful if the boards of directors and/or top management teams allocate their managerial attention to the issue, name the issues as programs/policies and create

task forces devoted to the issues, and allocate corporate resources to address the issue. In addition, shareholder social proposals can also be viewed as successful if the proponents perceive that the proposals have achieved their objectives.

Because my qualitative analysis uses only public documents such as proxy statements, current reports, and quarterly reports, some of the success indicators proposed in prior issue selling studies (e.g., Andersson & Bateman, 2000) are not applicable. For example, these public documents do not include whether proponents regarding shareholder social proposals are successful. In the qualitative analysis of the public documents, I found three indicators of success of shareholder social proposals that include (1) voting recommendations made by the board of directors, (2) the strength of the boards' support for their recommendations, and (3) voting outcomes of shareholder social proposals. The first two success indicators are related to one group of the buyers of shareholder social proposals, namely, boards of directors, while the third success indicator is related to another group of buyer—other shareholders. An examination of the three indicators suggests that, in general, shareholder social proposals are unsuccessfully sold. In particular, 1,620 out of the 1,621 proposals were recommended by the boards of directors to vote against, and the average percentage of vote of approval of the social proposals was 11.16% and the standard deviation was 10.17%. Section 4.2.2 in Chapter 4 discusses these indicators in details.

3.6 Qualitative Results

This section reports the qualitative results regarding the approaches of linguistically framing and presenting the contents of shareholder social proposals. Section 3.6.1 discusses packaging strategies used by the proponents to linguistically frame proposal contents. Six strategies of packaging and framing proposals are reported. Section 3.6.2 discusses the selling

strategies used by a proponent to present a social proposal and reports two selling strategies. Therefore, Section 3.6.1 addresses the question: *What strategies are used by the proponents to linguistically package the contents of shareholder social proposals?* And Section 3.6.2 answers the question: *What selling strategies are used by the proponents to present shareholder social proposals?*

3.6.1 What Are the Strategies Used by Proponents to Package Shareholder Social Proposals?

The literature of issue selling has shown that issue sellers can advance the same issue in different ways by using different packaging and framing strategies (Dutton & Ashford, 1993). Similarly, I argue that the proponents of shareholder social proposals can package and frame a proposal in several ways by adopting different packaging strategies. They can manipulate the meanings of shareholder social proposals by choosing which substance and attributes of the proposals are emphasized and which are downplayed. The most commonly used tool for manipulating the meanings of a proposal is language; that is, the meanings of shareholder social proposals can be shaped linguistically. In this section, I describe how the proponents linguistically manipulate meanings of proposals. Table 3-12 summarizes the packaging and framing strategies. Six strategies were found to be used to package and frame shareholder social proposals: (1) opportunity framing, (2) threat framing, (3) strategic framing, (4) normative framing, (5) peer grouping, and (6) urgency highlighting.

Insert Table 3-12 about here

Opportunity Framing and Threat Framing. One way to package an issue is to frame it as an opportunity or as a threat (Dutton & Jackson, 1987). An issue framed as an opportunity

indicates “a positive situation in which gain is likely and over which one has a fair amount of control,” while an issue framed as a threat indicates a negative situation in which loss is approaching and one has little control (Dutton & Jackson, 1987: 80).

On the one hand, a social issue is frequently framed as an opportunity by the issue sellers to convince the top management team to behave as requested by the sellers (Baron, 2001). To frame a social issue as an opportunity, the sellers explicitly document the strategic, financial, and other benefits that can potentially accrue from adopting what has been requested (Andersson & Bateman, 2000). On the other hand, prior studies have also demonstrated that a social issue can be framed as a threat by explicitly stating that the targeted firm is responsible for certain social concerns and will be penalized if the firm does not act as requested (Souto, 2009) or by describing a possible negative situation that may lead to negative consequences to the firm (Andersson & Bateman, 2000). In a similar vein, I propose that a shareholder social proposal can be framed by the proponents as an opportunity or as a threat to the targeted firm. I define the strategy of *opportunity framing* as *when the statements of a shareholder social proposal explicitly or implicitly claim that adoption of the resolution offers certain opportunities to the firm, such as enhancing productivity, strengthening reputation, attracting and maintaining talent employees, and so forth*, and the strategy of *threat framing* as *when the statements of a shareholder social proposal explicitly or implicitly claim that if the resolution is not adopted, the firm will face certain threats such as public and environmental risks, managerial opportunism, damages in reputation, boycotts, higher employee turnover, and so on*.

In my qualitative analysis of shareholder social proposals, I found that both opportunity framing and threat framing were used, with 330 proposals framed as opportunities, and the resolutions of the other 648 proposals framed as threats. The typical way to frame a resolution as

an opportunity is to linguistically argue that adopting it could bring some benefits to the firm. For example, Mr. Andrew P. Rodriguez submitted a proposal at Abbott Laboratories' 2012 annual meeting and requested the firm to abandon traditional animal-based test methods and to adopt non-animal-based test methods. The proponent packaged and framed the resolution—hereby the abandoning of traditional animal-based test methods and adoption of non-animal-based test methods—as an opportunity by stating that “*these approaches [non-animal-based test methods] will improve efficiency, reduce costs, increase speed and predictivity to humans...*” (Abbott Laboratories proxy statement, 2012). Similarly, in the proposal submitted to Chesapeake Energy Corporation, the proponents (the Office of the Comptroller of the City of New York and other co-filers) framed the resolution—to adopt a non-discrimination policy regarding sex orientation and gender identity in the workplace—as an opportunity by claiming that “*corporations that prohibit discrimination on the basis of sexual orientation and gender identity have a competitive advantage in recruiting and retaining employees from the widest talent pool*” (Chesapeake Energy Corporation proxy statement, 2009). A proposal submitted to Avon by Trillium Asset Management claimed that “*through philanthropy and product tie-ins, Avon Products has enhanced its brand reputation by becoming the largest corporate fundraiser for the breast cancer cause*” (Avon proxy statement, 2005) and hence framed the resolution as an opportunity.

Opportunity framing can be also done by claiming that the adoption of the resolution will result in a leadership position in the market. For example, a proposal submitted to Apple in 2008 by Harrington Investment Inc. claimed that “*adoption of this resolution [establish a board committee on sustainability] would help establish our company's position as an industry leader in this area of increasing concern to investors and policy makers*” (Apple proxy statement, 2008).

When packaging shareholder social proposals, the proponents are more likely to frame the rejection of the resolutions as threats rather than as opportunities. Resolutions in 648 proposals were framed as threats, compared with 330 as opportunities. The typical way to frame a resolution as a threat is to show the concerns of the shareholders and to claim negative effects if the resolution is rejected. For example, Evelyn Y. Davis submitted 37 proposals requesting a group of firms report lobbying expenses and political contributions. The proponent framed this resolution as a threat to the firms and the shareholders by claiming that “*absent a system [to report lobbying expenses and political contributions], corporate executives will be free to use the Company's assets for political objectives that are not shared by and may be inimical to the interests of the Company and its shareholders, potentially harming long-term shareholder value*” (American Express proxy statement, 1999). The resolution of a proposal submitted to Abercrombie & Fitch Company by F&C Management Ltd. that requested the firm to adopt a code of conduct developed by the International Labor Organization (ILO) was framed as a threat, because the proposal statements stated that “*violations [of the ILO code of conduct] could threaten effective supply chain management and security of supply. They might also harm our company's reputation, damage brand value, or result in costly litigation*” (Abercrombie & Fitch Company proxy statement, 2010).

The proponents can also frame the proposals as threats by demonstrating the risks and unnecessary expenses incurred when the resolutions are not adopted. For example, Community of the Sisters of St. Dominic of Caldwell submitted a proposal to Altria Group and requested the firms stop using genetically engineering technology in the firm’s food production processes because the proponent believed “*that this technology involves significant social, economic, and environmental risks. Our company should take a leadership position in delaying market adoption*”

of genetically engineered crops and foods. Failure to do so could leave our company financially liable, should detrimental effects to public health or the environment appear in the future” (Altria Group proxy statement, 2000). In a similar vein, the Sisters of Mercy submitted a proposal requesting Altria Group to develop and implement a continuing program to warn persons who were not smokers but who were exposed to smoke in the workplaces, such as bars and restaurants, and whose health was threatened by smokers. The proponent framed the rejection of this proposal as a threat by arguing that without such a warning program, the firm, which had already faced thousands of lawsuits and paid out millions of dollars in settlements, would likely face more lawsuits in the future.

Besides the finding that proponents can package and frame shareholder social proposals either as opportunities or as threats, one interesting finding of this qualitative analysis is that proponents can use both of these framing techniques simultaneously. I found 111 proposals in which both opportunity framing and threat framing were used by proponents. For instance, in a proposal submitted to D. R. Horton Inc., the proponent(s) mentioned both opportunities and threats by claiming that *“corporations that prohibit discrimination on the basis of sexual orientation and gender identity have a competitive advantage in recruiting and retaining employees from the widest talent pool; employment discrimination on the basis of sexual orientation and gender identity diminishes employee morale and productivity”* (D. R. Horton Inc. proxy statement, 2009). This finding could add some new insights to the literature of issue selling, because in prior studies, an issue is dichotomously framed as an opportunity or as a threat (Dutton & Jackson, 1987).

Strategic Framing and Normative Framing. The literature on issue selling suggests that in addition to opportunity vs. threat framing, another way to frame an issue is strategic vs. non-

strategic (Dutton & Ashford, 1993). An issue can be framed and interpreted as either a strategic issue or a non-strategic issue. Dutton, Fahey, and Narayanan (1983: 308) define a strategic issue as “an emerging development in which in the judgment of some strategic decision makers is likely to have a significant impact on the organization’s present or future strategies.” In this dissertation, I develop a revised framing scheme for shareholder social proposals. Specifically, I propose that the proponents can package their proposal as strategic, normative, or both strategic and normative. I define a packaging strategy of *strategic framing* as *when the statements of a shareholder social proposal explicitly or implicitly claim that adoption of the resolution can strengthen the firm's competitive advantage and create more shareholder values in the long run*, and a packaging strategy of *normative framing* as *when the statements of a shareholder social proposal explicitly or implicitly claim that adoption of the resolution can benefit certain stakeholders other than shareholders and emphasize the normative gains that result from adoption of the resolution*.

In my qualitative analysis, I found that both strategic framing and normative framing are used by proponents of shareholder social proposals. First, I identified 247 social proposals with resolutions that were strategically framed. For example, the American Friends Service Committee submitted a proposal at Allstate’s 2001 annual meeting to request the firm adopt the CERES principles. The proponent framed this resolution—hereby the adoption of CERES principles—in a strategic manner by stating that “*recent studies show that the integration of environmental commitment into business operations provides competitive advantage and improves long-term financial performance for companies*” (Allstate proxy statement, 2001). Another example is a proposal submitted by the Education Foundation of America to Apple that requested the firm issue annual recycling reports; the resolution was strategically framed because

the proponent claimed that “*Apple Computer can ... gain competitive advantage by taking additional measures to develop a leadership position on collection and safe disposition of old computers*” (Apple proxy statement, 2006).

Second, many shareholder social proposals are normatively framed due to the nature of the claims. A social proposal is normatively framed if the statements of the proposal claim normative values. Because the sample consists of shareholder social proposals, 1,459 out of the total 1,621 proposals were to some extent normatively framed. One typical proposal that is normatively framed points out particularly difficult social problems and then argues that adoption of the resolution can help resolve these problems. For example, a proposal submitted to C. R. Bard Inc. by the Office of the Comptroller of New York City emphasized that the human rights abuses involved in this firm’s overseas operations “*has led to an increased public awareness of the problems of child labor, sweatshop conditions, and the denial of labor rights.*” Then the proponent provided a resolution that requested “*the company commit itself to the implementation of a code of conduct based on the aforementioned ILO human rights standards*”. To support this resolution, the proponent claimed that adoption of the ILO code of conduct can “*strengthen compliance with international human rights norms in subsidiary and supplier factories*” (C. R. Bard Inc. proxy statement, 2005).

In contrast to the traditional literature of issue selling in which strategic framing and non-strategic framing are the two ends of a continuum, I assert that the two are not mutually exclusively. That is, the proponents of a social proposal can frame it strategically, normatively, or both. In this qualitative analysis, I found 190 proposals in which proponents used both strategic framing and normative framing simultaneously. For example, Patience Pierce submitted a proposal at 3M’s 2005 annual meeting to request the firm to stop using traditional methods of

animal testing and to adopt non-animal test methods; the proponent claimed that “*WHEREAS, non-animal test methods are generally less expensive, more rapid, and always more humane, than animal-based tests*” (3M proxy statement, 2005). This statement used both strategic values and normative values of the adoption of non-animal-based test methods.

Peer Grouping. A firm is an entity that does not exist solely in a closed system; instead, it exists in an open system where many peers exist. Peer effects represent a very common social phenomenon (Angrist & Lang, 2004). When a certain action or a specific aspect of a firm’s performance is evaluated, peer effects are frequently considered. For example, peer groups are frequently used by the boards of directors in setting compensations of CEOs (Bizjak, Lemmon, & Naveen, 2008). In a similar vein, what has been adopted or performed by peers has been explicitly claimed when proponents package their social proposals. I thus define a packaging strategy of *peer grouping* as *when statements of a shareholder social proposal explicitly or implicitly claim that the resolution has been adopted or what is proposed in the resolution has been adopted by certain firms that are peers to the focal firm*. In the qualitative analysis, I found 205 shareholder social proposals that adopted the use of peer strategy. The most common means of using this strategy is for proponents to argue that what has been done by certain peers should also be done by the targeted firm.

One example of the use of peer grouping is the proposal submitted by As You Sow to Apple Inc. in 2010. The proponent requested the board of directors of Apple prepare a report describing corporate strategies regarding climate change, greenhouse gas emissions, and other issues with social impacts such as toxics, recycling, and employee and product safety. To support this resolution, the proponent explicitly claimed what has been done by peers by stating that “*globally, over 2,700 companies issued reports on sustainability issues in 2007*”

(www.corporateregister.com). Among our industry peers, Dell, IBM, and Hewlett-Packard have taken leadership roles in these areas through publication of comprehensive sustainability reports that address their company's impacts with regards to issues such as greenhouse gas emissions reduction, toxics, and supply chain working conditions" (Apple Inc. proxy statement, 2010).

Another example is the proposal submitted to Eli Lilly by the American Baptist Home Mission Society. This proposal requested that the firm endorse the principles of sustainability developed by CERES. The supporting statement claimed that "*the CERES Principles and the CERES Report have already been adopted by leading firms in highly diverse industries such as Bank America, Baxter International, Bethlehem Steel, Coca-Cola, General Motors, Interface, ITT Industries, Pennsylvania Power and Light, Polaroid, and Sunoco*" (Eli Lilly proxy statement, 1999).

Urgency Highlighting. Mitchell et al., (1997) suggest that managers pay more attention and give priority to issues with urgency. That is, the more urgent an issue, the more attention and higher priority will be given by the managers. Thus, in order to gain more attention, the proponents of social proposals can use a packaging and framing strategy that emphasizes the urgency of their proposals. Therefore, I define the packaging of *urgency highlighting* as *when the statements of a shareholder social proposal explicitly or implicitly highlight the urgency of the adoption of the resolution, such as setting a deadline for its accomplishment.* To emphasize the urgency, proponents commonly set a deadline for the accomplishments of the resolutions. I found that statements of 460 social proposals explicitly set deadlines for the accomplishments of the resolutions.

One typical example of the use of urgency-highlighting strategy is the proposal submitted by the General Board of Pension and Health Benefits of the United Methodist Church and one

co-proponent to Wal-Mart Stores at the firm's annual meeting held in June, 1997. This proposal requested the board report the standards of vendor partners and review the compliance mechanisms for vendors, subcontractors, and buying agents. To highlight the urgency, the proponents explicitly pointed out that this report should be accomplished and available to shareholders by September, 1997.

Another example is a proposal submitted by the Sisters of the Holy Names of Washington and six other co-proponents to Procter & Gamble. This proposal requested the firm report on steps that it would take to use chlorine-free pulp and paper, and its plans for a long-term phase out of chlorinated compounds in all its products. The proponents explicitly emphasized the urgency of the adoption of the resolution by stating that "*the report will be completed within six months of the 1997 annual meeting*" (Procter & Gamble proxy statement, 1997).

3.6.2 What Are the Strategies Used by Proponents to Sell Shareholder Social Proposals?

The literature of issue selling also has shown that issue sellers can sell the same issue in different ways. Dutton and Ashford (1993) document three selling strategies, including bundling, channel choice, and formal vs. informal selling. In bundling, issue-sellers combine several issues in a single proposal and sell them together. Channel choice includes decisions to use public (e.g., quarterly strategic meetings and annual shareholder meetings) or private channels (e.g., one-on-one appeals, or private meetings). In addition, the issue sellers can use either formal tactics that include formal reports and meetings, or informal tactics such as informal communications (e.g., grapevine, personal e-mails, or personal phone calls).

I found that the selling strategies of proponents of shareholder social proposals did not vary significantly in the three aspects suggested by Dutton and Ashford (1993). Submitting shareholder social proposals represents a formal selling strategy, because all proposals are

submitted before the annual meetings and then presented and voted on at the annual meetings. The selling channel of shareholder social proposal is public, in that all the proposals are included in the proxy statements, presented to all shareholders, and finally voted on by shareholders at the annual meetings. In addition, the proponents of shareholder social proposals do not use the bundling strategy; instead, each proposal addresses only one issue and provides only one resolution.

Although I did not find any variations in the selling strategies of shareholder social proposals in the three aspects of suggested by Dutton and Ashford (1993), I found that the selling strategies used by the proponents vary in two other aspects that have not been documented by prior issue-selling literature. The first selling strategy is coalition building, and the second is sequentially submitting the same proposal for several years. Table 3-13 summarizes the two selling strategies.

Insert Table 3-13 about here

Coalition Building. I define the selling strategy of *coalition building* as *when one shareholder social proposal is submitted by two or more proponents to a given firm in a given year*. Coalition building is similar to bundling selling in that both the strategies combine something, but they also differ substantially. Bundling-selling strategy is used when the proponents combine multiple issues into a bundle and then present the bundle of issues to the buyers; however, coalition-bundling strategy does not combine multiple issues, but combines multiple sellers into a coalition, who then jointly present the issue to the buyers. From the perspective of coalition building, an issue can be sold solely by one seller or by a coalition of many sellers.

Out of the 1,621 social proposals, 1,251 proposals provided information about at least one of the proponents. The other 370 proposals contained no information about the proponents, so it is unclear if these proposals were submitted by a single proponent or by a group. More important, I found that 600 proposals were submitted by more than one proponent. In other words, 48% of the 1,251 proposals with identifiable proponents were submitted by proponents using coalition building as their selling strategy. This finding suggests that coalition building is a prevailing selling strategy. In this dissertation, I refer to proposals that are submitted by a group of proponents as co-sponsored proposals.

The text of 82 social proposals indicated that these proposals were co-sponsored but did not report information about the co-proponents, including the number of co-proponents or their ownership. Thus, 518 social proposals reported the exact numbers of co-proponents. The number of proponents of the co-sponsored proposals varied substantially from 2 to 439, and the average number was 8.1. Table 3-14 shows the distribution of the co-sponsored proposals by the number of proponents. Approximately 75% of the co-sponsored proposals were submitted by five or fewer proponents. However, there were also some outliers with extremely large numbers of proponents. For example, IBM received eight proposals submitted by Mr. James Leas and a group of co-proponents during 2000-2007. All the proposals presented the same resolution that requested IBM to adopt pension and insurance policies that covered all employees, but the number of proponents varied from 44 in 2007 to 439 in 2003. The average number of proponents of the co-sponsored proposals was 4.7 and the range was from 2 to 35, if the eight outliers were excluded from the sample.

Insert Table 3-14 about here

Repeated Submitting. It is not uncommon that one performs a same action over and over

and over again, with little or no variability. Lorch and Horn (1986) developed a selective mechanism of attention, suggesting that repeated actions represent a type of repeated presentations of stimuli and are thus able to draw more attention. Because one of the purposes of submitting shareholder proposals is to draw attention from the boards of directors, the top management teams, and other shareholders, repeated presentation becomes one of the most frequently used strategies by the proponents of shareholder social proposals. I define the selling strategy of *repeated submitting* as *when the proponents repeatedly submit one shareholder social proposal to a specific firm in two or more years.*”

A repeated presentation of shareholder social-proposal submitting indicates that a certain social proposal is submitted to one firm in more than one year; in other words, this specific firm receives a sequence of proposals and the sequence is composed of several identical proposals, each of which is submitted in a single year. This selling strategy—repeated submitting—is particularly prevalent when the proponents have realized that one proposal submitted to a certain firm in the prior year was rejected. In these cases, the proponents are likely to continue submitting the same proposal to the same firm in the next year. These repeated proposals are largely submitted by the same proponents; however, in some cases where the proposals are submitted by a coalition of proponents, the composition of the coalition and the number of the co-proponents may vary from year to year. For example, Mercy Investment Program submitted a sequence of three proposals with identical resolutions requesting Abbott Laboratories to report lobbying expenses and political contributions during 2004-2006; however, the numbers of proponents varied in these years. Specifically, in 2004, Mercy Investment Program submitted the proposal with one co-proponent, and in both 2005 and 2006, the proposal was submitted with three co-proponents.

According to my analysis, 383 sequences of identical proposals were submitted to 152 firms. The 383 sequences were composed of 1,214 proposals submitted by 166 proponents. In other words, 75% of the total 1,621 social proposals were submitted by proponents with the selling strategy of repeated submitting. Therefore, repeated submitting is a frequently used selling strategy by proponents of shareholder social proposals. Table 3-15 shows the distribution of the sequences of social proposals by the number of sequences received by firms. This distribution is skewed. At one end of the distribution, 81.58% firms (K = 124) received three or less than three sequences of proposals. Specifically, 50.00% firms (K = 76) received only one sequence of proposals; 23.68% firms (K = 36) received two sequences of proposals; 7.89% firms (K = 12) received three sequences of proposals, and so on.

Insert Table 3-15 about here

At the other end of the distribution, a small number of firms received larger numbers of sequences of proposals. For example, Exxon Mobil received 18 sequences composed of 73 proposals, and Altria Group and Chevron received 15 sequences composed of 50 and 52 proposals, respectively. In addition, General Electric received 12 sequences composed of 49 proposals and Wal-Mart Store received 10 sequences composed of 35 proposals.

Table 3-16 shows the distribution of the 383 sequences by the number of proposals in each sequence. By definition, a sequence is composed of two or more shareholder social proposals with the same or very similar resolutions. In general, 327 (85.38%) out of the 383 sequences were composed of four or less shareholder social proposals. This finding indicates that most of the sequences were composed of four or less repeated submissions.

Insert Table 3-16 about here

However, I also found some sequences composed of larger numbers of proposals. For example, during 2000-2012, the New York City Employees' Retirement System repeatedly submitted to Exxon Mobil a social proposal requesting the firm to amend its equal employment opportunity policy and explicitly prohibit discrimination based on sexual orientation. The proponent repeatedly submitted the same proposal every year from 2000 to 2012, a sequence of 13 identical proposals. Another example is the sequence of proposals submitted by Trillium Asset Management to Home Depot Inc. One proposal requesting the board of directors to report certain employment diversity and discrimination issues was re-submitted in 10 years during 1998 and 2012, resulting in a sequence of 11 identical proposals. In addition, there are 4 sequences composed of 10 proposals, 3 sequences composed of 9 proposals, 5 sequences composed of 8 proposals, 7 sequences composed of 7 proposals, 17 sequences composed of 6 proposals, and 18 sequences composed of 5 proposals.

CHAPTER 4 Packaging Strategies, Selling Strategies, and the Success of Shareholder

Social Activism: An Empirical Test

Not all issue-selling attempts are successful. Similarly, not all shareholder social activism achieves the goals of the proponents. According to Sjostrom (2008), many case studies of shareholder social activism report that it is rarely successful. Therefore, investigating which factors affect its success is important to a more complete understanding of shareholder social activism. Given that I have defined shareholder social activism as a type of issue selling, the literature of issue selling can offer some insights in answering this question.

The issue-selling literature documents a variety of factors that affect the success of issue selling (Dutton & Ashford, 1993; Howard-Grenville, 2007; Ling, Floyd, & Baldrige 2005). In general, the strategies for packaging issues and the strategies for selling issues are the two major determinants of the effectiveness of issue selling (Andersson & Bateman, 2000; Dutton & Ashford, 1993; Dutton et al., 2001). As reported by Chapter 3, I analyzed the 1,621 shareholder social proposals submitted to 229 S&P 500 firms during 1994-2012 and identified six strategies used by the proponents to package and frame their proposals, and two strategies to sell their proposals. One of the proponents' purposes in using these strategies is to increase the likelihood of success. Therefore, in this chapter I theoretically hypothesize the relationships between these packaging/selling strategies and the success of shareholder activism and then empirically examine which packaging/selling strategies are likely to affect the success of shareholder social activism. The 1,621 shareholder social proposals I have identified offer an appropriate context to empirically test whether a specific strategy would affect the likelihood of success of shareholder social proposals.

In the first section of this chapter (4.1), I develop the hypotheses regarding the effects of

packaging strategies and selling strategies on the success of shareholder social proposals. The second section (4.2) describes the empirical methodology used to examine the hypotheses developed in the first section. The third section (4.3) reports the results of the empirical tests.

4.1 Hypothesis Development

4.1.1 Packaging Strategies and the Success of Shareholder Social Proposals

Previous studies on issue selling suggest that the packaging and framing strategies used by issue sellers can impact the effectiveness and success of issue selling (Dutton & Ashford, 1993). Snow, Rochford, Worden, and Benford (1986) indicate that the approaches of packaging and framing an issue are important prerequisites for participation in promoting the issue. Prior studies have documented several packaging and framing strategies that led to successful issue selling (Andersson & Bateman, 2000; Dutton & Ashford, 1993; Ling et al., 2005). For example, issues framed to have higher payoffs or a high degree of feasibility are more likely to succeed; issues framed as “strategic” are more like to succeed; and issues presented as “opportunities” have a higher likelihood to succeed than issues presented as “threats.” Following these studies, I discuss the six packaging strategies identified in Chapter 3 and their effects on the success of shareholder social proposals.

Opportunity Framing and Threat Framing. Prior literature of issue selling suggests two strategies of packaging issues (i.e., opportunity framing vs. threat framing) and conceptualizes the two strategies as two ends of a continuum (Andersson & Bateman, 2000; Dutton & Jackson, 1987). Dutton and Ashford (1993) further propose that issues framed as opportunities are more salient to top management teams and hence are viewed as more important. As a result, issues framed as opportunities are more likely to succeed than issues framed as threats (Andersson & Bateman, 2000).

In this dissertation, I argue that these two strategies are not two ends of a continuum. In other words, opportunity framing and threat framing are not mutually exclusive but represent two independent dimensions of linguistically packaging a shareholder social proposal. Instead, proponents can package their proposals in a way in which both opportunities and threats are claimed. The qualitative results in Chapter 3 have confirmed this argument. As a result, it is inappropriate to following prior studies (e.g., Andersson & Bateman, 2000) to develop a hypothesis that simultaneously includes the effects of opportunity framing and threat framing on the success of shareholder social proposals. Instead, I develop a hypothesis for each of the two packaging strategies, respectively.

In Chapter 3, I defined the strategy of opportunity framing as when the statements of a proposal implicitly or explicitly claim that the adoption of the resolution offers certain opportunities to the firm, such as enhancing productivity, strengthening reputation, attracting and maintaining talented employees, and so forth. In these cases, the proponents emphasize the potential gains for the firms and the shareholders. The literature of issue selling has suggested that the more an issue is framed as an opportunity and the more gains are highlighted, the more attention will be paid to it by the buyers (Dutton & Ashford, 1993). In a similar vein, framing shareholder social proposals as opportunities could affect their success. As noted in Chapter 3, proponents linguistically frame the contents of shareholder social proposals as opportunities by claiming that these approaches will improve efficiency, reduce costs, increase speed and productivity, or that corporations that adopt similarly policies have a competitive advantage in recruiting and retaining employees. I argue that shareholder social proposals that claim more potential benefits for the firms and the shareholders can attract more attention from both parties. In addition, these buyers are more likely to support the proposals framed as opportunities and

subsequently adopt what is requested by the proponents. Therefore, I propose that the more the adoption of the resolution of a proposal is framed as an opportunity, the more likely that the proposal is successfully sold.

Hypothesis 1: the extent to which a shareholder social proposal is framed as an opportunity is positively associated with its success.

The strategy of threat framing is defined as when the statements of a shareholder social proposal explicitly or implicitly claim that the rejection of the resolution will result in certain threats to the firm, including public and environmental risks, managerial opportunism, damages in reputation, boycotts, higher employee turnover, and so on. In contrast to proposals framed as opportunities that emphasize payoffs, the proposals framed as threats highlight the loss if the request is not adopted. Chapter 3 showed several examples in which shareholder social proposals were linguistically framed by their proponents as threats. For example, proponents could argue that certain technologies involved significant social, economic, and environmental risks and hence the targeted firm should use different technologies that present less social, economic, and environmental risks. Or proponents attempted to convince the target firm to adopt certain policies by arguing that failure to adopt could leave the firm financially liable and cause detrimental effects to both the society and the firm. Similar to the opportunity-framed proposals, the extent of the loss that is possibly incurred by rejecting the resolutions determines the success of the threat-framed proposals. I then argue that the more a shareholder social proposal is framed as a threat, the more likely that it is successfully sold. Therefore, I propose that,

Hypothesis 2: the extent to which a shareholder social proposal is framed as a threat is positively associated with its success.

Strategic Framing and Normative framing. Framing issues in a strategic manner is not

uncommon when the sellers package their issues and often the issues are framed as strategic vs. non-strategic (Dutton & Ashford, 1993). In addition, prior studies indicate that the issues framed as strategic issues are more likely to be successfully sold (Dutton & Ashford, 1993; Dutton & Duncan, 1987). Similar to the relationship between opportunity framing and threat framing, previous literature of issue selling defines strategic framing and non-strategic framing as two ends of one continuum (Andersson & Bateman, 2000; Dutton & Ashford, 1993). Based on the findings of the qualitative analysis in Chapter 3, I add normative framing as another packaging strategy complementary to the packaging strategy of strategic framing. The qualitative findings in Chapter 3 indicate that some proponents of shareholder social proposals simultaneously use strategic framing and normative framing. Therefore, I propose that strategic framing and normative framing are not mutually exclusive and not two ends of a continuum; rather, strategic framing and normative framing represent two independent dimensions of the packaging strategies.

In Chapter 3 I defined strategic framing as when statements of a shareholder social proposal explicitly or implicitly claim that the adoption of the resolution can strengthen the firm's competitive advantage and create more shareholder values in the long run. By framing shareholder social proposals in a strategic manner, the proponents emphasize the strategic implications of the proposals. Chapter 3 showed several ways to emphasize the strategic value of shareholder social proposals. For instance, proponents linguistically frame their proposals addressing environmental issues in a strategic manner by claiming that integration of an environmental commitment into business operations provides a competitive advantage and improves a company's long-term financial performance. Or they can argue that the firm can gain long-term competitive advantages by taking additional measures to develop a leadership position

on developing a certain social agenda.

When shareholder social proposals are linguistically framed by the proponents with strategic implications, the buyers are thus more likely to view the proposals as strategic issues and then incorporate them into their decision-making process. In contrast, shareholder social proposals that are framed in a non-strategic manner are less likely to be incorporated into firms' present and future strategies, because the buyers pay much less attention (Dutton & Duncan, 1987). Therefore, the extent to which a proposal is framed in a strategic manner can determine the success of the proposal. Specifically, the more a shareholder social proposal is framed in a strategic manner, the more likely that it is successfully sold to the buyers.

Hypothesis 3: the extent to which a shareholder social proposal is framed in a strategic manner is positively associated with its success.

The normative framing is defined as when the statements of a shareholder social proposal explicitly or implicitly claim that the adoption of the resolution can benefit certain stakeholders other than shareholders and emphasize the potential normative gains resulting from the adoption of the resolution. Using this packaging strategy, the proponents of shareholder social proposals underscore the social responsibilities of the targeted firms and the benefits accrued to the stakeholders other than shareholders. The concept of corporate social responsibility is widely accepted and highly appreciated by various stakeholders in our society (Wood, 1991). Firms have social responsibilities to all of their stakeholders and are responsible for what they have done to them. Firms are frequently blamed for their negative externalities to society and many social ills are attributed to them. As a result, firms are often asked to deal with these externalities and to cure the social ills attributed to them (Margolis & Walsh, 2003). For example, firms in tobacco industries face extremely high pressure from certain shareholders requesting that these

firms deal with the health and social problems associated with smoking, as indicated by the qualitative analysis in Chapter 3. By emphasizing the implied responsibilities of the firms for resolving certain social issues and the benefits accrued to the stakeholders, shareholder social proposals framed in the normative manner are more likely to be successfully sold. Prior studies show that framing an issue as implied responsibility of the top managers likely increases the motivation to elaborate or to think more carefully about the issue (Petty & Cacioppo, 1986; Dutton & Ashford, 1993). In a similar vein, proposals framed so as to imply the responsibilities of the firms likely increase the buyers' motivation to elaborate or to think more carefully about these proposals. Therefore, I propose that shareholder social proposals framed so as to imply the responsibilities of the firms and to underscore the benefits accrued to non-shareholding stakeholders are more likely to be successfully sold.

Hypothesis 4: the extent to which a shareholder social proposal is framed in a normative manner is positively associated with its success.

Peer Grouping. I have defined the packaging strategy of peer grouping as when the statements of a shareholder social proposal explicitly or implicitly claim that the resolution has been adopted or what is proposed in the resolution has been undertaken by certain firms considered to be peers to the targeted firm. As noted in Chapter 3, many proponents of shareholder social activism pointed out that certain policies and actions should be adopted by the targeted firm, because peer firms have already done so.. For example, proponents often claim that among industry peers, many firms have taken leadership roles in establishing policies to deal with certain social issues. One of the purposes of the use of peer firms is to persuade the buyers by showing facts and exemplars, which act as supporting evidence to convince the buyers.

Dutton and Ashford (1993) suggest that the use of facts and supporting evidence can

increase the likelihood of the success of issue selling. For example, the use of exemplars can more successfully capture the attention of top-level decision makers (McSoskey, 1972).

Following the logic of issue-selling literature, I argue that shareholder social proposals that claim what has been done or adopted by peers is more likely to be successfully sold. First, the proponents set the peers as exemplars, which can enhance the urgency of their proposals; second, the peers' adoption of the resolutions is used by the proponents as supporting evidence and hence the validity of the proposals can be confirmed. In sum, the use of exemplars and supporting evidence not only validates shareholder proposals but also underscores their urgency. Therefore,

Hypothesis 5: Shareholder social proposals that claim what has done by peer firms are more likely to be successfully sold than shareholder social proposals that do not.

Urgency Highlighting. The packaging strategy of urgency highlighting is defined as when the statements of a shareholder social proposal explicitly or implicitly highlight the urgency of the adoption of the resolution. A frequently used way to show urgency is to set a deadline for the accomplishment of the resolution. Framing an issue as urgent or non-urgent is a common way to package issues in the issue-selling process (Billings, Milburn, & Shaalman, 1980; Dutton & Ashford, 1987). Chapter 3 summarized the ways used by the proponents to underline the urgency of shareholder social proposals. The most frequently used way was to explicate the deadline of the accomplishment. In particular, the proponents claimed that the boards of directors should accomplish the request by a specific deadline stated in the proposal.

As suggested by Mitchell et al. (1997), urgency is a critical determinant of the salience of an issue and can largely predict the amount of the attention the issue can draw. The more urgent the issue, the more attention it can draw. Thus, injecting urgency into a social proposal can increase its salience and hence draw more attention from the buyers. From this perspective, I

argue that urgency highlighting can increase the likelihood of the success of shareholder social proposals.

Hypothesis 6: Shareholder social proposals that claim the urgency of resolutions are more likely to be successfully sold than shareholder social proposals that do not.

4.1.2 Selling Strategies and the Success of Shareholder Social Proposals

In addition to the packaging strategies, the selling strategies also affect the success of issue selling; prior studies on issue selling suggest three selling strategies that link the processes and the success of issue selling and include bundling selling, selling channel choices, and informal vs. formal attempts of issue selling (Dutton & Ashford, 1993). However, the qualitative analysis in Chapter 3 demonstrates that the selling strategies of the proponents of shareholder social proposals do not vary significantly in the aspects suggested by Dutton and Ashford (1993). Specifically, shareholder social proposals are formal attempts of issue selling and use public selling channels; each proposal contains only one resolution and hence the bundling strategy is not applicable. Therefore, the selling strategies suggested by Dutton and Ashford (1993) are not applicable to this dissertation because these selling strategies do not vary across shareholder social proposals. Therefore, it is necessary to find other selling strategies that vary across shareholder social proposals and also would affect their success. The two selling strategies that are revealed by the qualitative findings in Chapter 3 to vary significantly across shareholder social proposals are coalition building and repeated submitting. Therefore, this chapter focuses on these two selling strategies and links them to the success of shareholder social proposals. I argue that the use of coalition building and repeated submitting can positively affect the success of shareholder social proposals.

Coalition Building. Coalition building as a selling strategy has been commonly adopted

by issue sellers and issues sold by a coalition are more likely to succeed than issues sold solely (Andersson & Bateman, 2000; Winn, 1995). In Chapter 3, I have defined the strategy of coalition building as one in which a shareholder social proposal is submitted by two or more proponents to a given firm in a given year. I then argue that shareholder social proposals that are submitted by a coalition of proponents are more likely to be successfully sold than the proposals submitted by a single proponent. In other words, coalition building increases the likelihood of the success of shareholder social proposals. This argument is based on following reasons.

First, coalition building enables the proponents to enlist support from others who have the same interests and hence enhances the power of the proponents. Prior literature of upward influence has demonstrated that banding with other proponents can exert a collective influence on buyers and increases proponents' power (e.g., Dean, 1987). In addition, a coalition formed by a group of shareholders is more powerful than any single shareholder in the coalition because the the coalition has a larger ownership than any single shareholder in the coalition. As a result, the collective influence and enhanced power of proponents can increase the salience of the proposals and thus draw more attention from the buyers (Mitchell et al., 1997).

Second, coalition building positively affects the importance and legitimacy attributed by the buyers to shareholder social proposals and the enhanced importance and legitimacy increases the salience of shareholder social proposals. When the proponents form a coalition and jointly launch a social proposal, they combine their ownership power and resources to convince the buyers that what they propose is more legitimate and more important. The more the proponents jointly promote a proposal, the more salience will be attributed by the buyers to this proposal.

To summarize, I argue that shareholder social proposals submitted by a group of shareholders are viewed by the buyers as more salient (i.e., more powerful, more important, and

more legitimate) than those submitted by a single shareholder. As a result, shareholder social proposals submitted by a group of shareholders are more likely to be successfully sold than those submitted by a single shareholder.

Hypothesis 7: Shareholder social proposals that are submitted by a group of shareholders are more likely to be successfully sold than shareholder social proposals that are submitted by a single shareholder.

Repeated Submitting. One particular selling strategy used by the proponents of shareholder social proposals is repeatedly submitting one social proposal in several years, as demonstrated by the descriptive results in Chapter 3. I have defined the strategy of repeated submitting as when proponents repeatedly submit one shareholder social proposal to a specific firm over two or more years. This selling strategy does not apply to middle managers; if one proposal is regarded as unfavorable by top managers, then it is unlikely to be resubmitted. This unfavorability is a kind of “red light” and deters middle managers from resubmitting the proposal (Dutton, Ashford, Lawrence, & Miner-Rubino, 2002). The middle managers associate the resubmission of the unfavorable proposal by the top managers with perceived risks, psychological unsafety, downsizing conditions, career uncertainty, and other negative consequences (Dutton et al., 1997).

In contrast, the unfavorability viewed by the middle managers as a deterrent to resubmit a proposal does not deter the shareholders. In contrast to middle managers, who are the subordinates of and often evaluated by the top managers, shareholders are independent of the top managers and have large discretion over their activities. The negative consequences mentioned above that are applicable to the middle managers are not applicable to shareholders. Therefore, the unfavorability of the top managers does not deter the sponsoring shareholders from

resubmitting their proposals. In fact, the qualitative analysis in Chapter 3 has demonstrated that repeated submitting is a frequently used strategy by the proponents of shareholder social proposals.

Prior studies (e.g., Lorch & Horn, 1986) demonstrate that repeated actions present repeated stimuli and hence are able to draw more attention. Ocasio (1997) extends this selective mechanism of attention into organizational contexts and argues that the top executives are selective in the issues they attend to at any given time and what they attend to depends on the location of their particular context. The repeated presentation of certain issues shapes the contexts in which top executives are located and then creates a context-specific internal presentation of these stimuli (Sokolov, 1963). As a result, the organizational contexts shaped by the repeated presentation are likely to filter out other stimuli that are not repeatedly presented and the attention of top executives is attended to the repeatedly presented issues. Following this logic, I argue that shareholder social proposals that are repeatedly presented are more likely to be successfully sold. By definition, shareholder social proposals represent a sensory stimulus to draw attention of the buyers to certain social concerns and issues. Once a proposal is presented, a certain amount of buyer attention is attended to the proposal; however, the amount of attention is subject to change over time. According to Swets and Kristofferson (1970), attention to certain issues decreases over time and cannot sustain for a long period of time. Similarly, I argue that the attention to a proposal is not sustainable over the long term but decreases over time. Moreover, all the buyers of shareholder social proposals—the boards of directors, the top management teams, and other shareholders—are located in contexts with high degrees of dynamism and frequently encounter many new sensory stimuli that compete with existing stimuli in drawing their attention. As a result, the buyers' attention can be easily distracted by new sensory stimuli

and the attention allocated to shareholder social proposals largely diminishes.

However, once a proposal is repeatedly submitted, the attention allocated is more likely to sustain. Repeated presentation creates attentional vigilance that is likely to enable the buyers to pay more attention to the repeatedly submitted proposal. To summarize, when a proposal is submitted by the proponents only once, the attention attended by the buyers is not sustainable and will diminish quickly. In contrast, the repeated presentation of a proposal receives sustainable attention from the buyers. Therefore, I propose the following:

Hypothesis 8: Shareholder social proposals that are repeatedly submitted are more likely to be successfully sold than shareholder social proposals that are submitted only once.

Figure 4-1 demonstrates the theoretical model regarding all the hypotheses developed in this section.

Insert Figure 4-1 about here

4.2 Methodology

4.2.1 Sample and Data Sources

Sample. The sample used for this quantitative analysis of hypotheses was the same as that used for the qualitative analysis in Chapter 3, the firms listed in the S&P 500 Index in 2009. The initial sample consisted of 1,621 shareholder social proposals submitted to 229 firms during 1994-2012. This period was selected for my study because the documents such as proxy statements, current reports, and quarterly reports were only available during this period of time.

Out of the 1,621 social proposals, 1,603 were voted on at the annual shareholder meetings. The other 18 proposals were included in the proxy statements but were not voted on at the shareholder annual meetings because the proponents either withdrew or did not present them.

Therefore, the samples that were used for the empirical testing consisted of 1,603 shareholder social proposals.

Data of Shareholder Social Proposals. The primary data sources for the quantitative analysis were the official documents filed by the firms in the sample. Annual proxy statements, quarterly reports (10-Q), and current reports (8-Q) were the primary data sources for shareholder social proposals. I obtained these documents from the Electronic, Data-Gathering, Analysis, and Retrieval (EDGAR) database of the SEC (Securities and Exchange Commission). The SEC offers a search engine in which a firm name, ticker, Central Index Key, or any combination can be used to locate official documents filed by the firm. Occasionally, when some proposals could not be retrieved in the EDGAR database, I obtained them from the official websites of the filing firms. The EDGAR database provides access to filing documents dating back to 1994.

Data relevant to the packaging strategies and selling strategies were obtained from the annual proxy statements. Content analysis was used to code and record these data. Annual proxy statements were the sources of data relevant to the supporting statements of the boards. Data of the voting outcomes of shareholder social proposals were obtained from quarterly reports and current reports of the year when a proposal was submitted and voted upon. Specifically, voting outcomes were reported by quarterly reports during 1994-2009; from 2010, voting outcomes were not reported by quarterly reports but by current reports. Additionally, annual proxy statements also offered information about the proponents, such as their names, status (individual vs. institutions), ownership, and so on.

Data of the Targeted Firms. Data about the targeted firms were obtained from multiple sources. Consistent with prior research on corporate social performance (e.g., Johnson & Greening, 1999; Waddock & Graves, 1997), data of a firm's social performance were obtained

from MSCI ESG STATS (former KLD) database. Data of corporate governance, like CEO duality and board independence, were obtained from COMPUSTAT. Other firm-level data of target firms, such as financial performance and firm size, were also obtained from COMPUSTAT. For more information about the data sources, see Appendix A: Descriptions of Data Sources.

4.2.2 Dependent Variables

In general, the dependent variable in the quantitative analysis is the success of shareholder social proposals. The success of a proposal reflects the extent to which this proposal effectively achieves the goal of its proponents. In the qualitative analysis in Chapter 3, I have reviewed the success indicators of issue selling and proposed three indicators of the success of shareholder social proposals, including (1) voting recommendations made by the board of directors, (2) the strength of the boards' objection to shareholder social proposals, and (3) voting outcomes of shareholder social proposals.

Voting Recommendations of the Boards of Directors. According to SEC regulations, if a shareholder social proposal has been submitted and all the legal requirements have been met, it must be incorporated into the annual proxy statement and the boards of directors must show their opinions and make recommendations to vote for or against it. Each shareholder proposal in a proxy statement has a recommendation made by the boards. The recommendation is dichotomous, either a "vote for" or a "vote against" a shareholder social proposal. Because the board of directors represents one of the most important buyers of shareholder social proposals, the voting recommendations made by the boards can be indicative of the success of the proposal.

Unfortunately, almost all the recommendations made by the boards were to vote against the shareholder social proposals. Out of the 1,621 proposals, there was only one exception. The

board of directors of Coca-Cola recommended that shareholders vote for a shareholder proposal on the HIV/AIDS Pandemic Report. Similar proposals were submitted to firms such as Abbott Laboratories, Bristol-Myers Squibb, Merck, and PepsiCo, but the boards of these firms recommended voting against these proposals. In summary, the shareholder social proposals were hardly considered successful from the perspective of boards' recommendations. Although the boards paid attention to the social proposals, they were opposed to almost all of them.

The Strength of the Boards' Objections to Shareholder Social Proposals. The strength of the boards' objections to the proposals varied substantially. Some boards provided very strong rationales, while other boards offered only weak support of their recommendations. I argue that the strength of board objections represents the extent to which shareholder social proposals are successful. More specifically, a strong objection indicates that a proposal is less likely to be successfully sold; in contrast, a weak objection suggests that a proposal is more likely to be successfully sold to the boards. By analyzing the supporting statements offered by the boards for their recommendations, I found that the strength of board objections varied substantially. To reveal the variations, I analyzed the supporting statements offered by the boards for their recommendations and found a variety of reasons. I classified these reasons into six categories and discuss these reasons in Appendix B. However, one should note that these reasons are not mutually exclusive; that is, the boards can cite more than one in rejecting a proposal.

Voting Outcomes of Shareholder Social Proposals. As discussed before, other shareholders—who are not the proponents of the social proposals but who can vote for or against the proposals—represent another important type of buyer of shareholder social proposals. One of the proponents' major objectives is to sell their proposals to other shareholders and urge their support. For example, most of the social proposals contain statements such as “*please vote your*

proxy FOR these concerns” or “we urge you—the shareholder—to vote for this resolution.”

Therefore, the extent to which non-proponent shareholders support the social proposals can reflect whether the proposals are successfully sold or not. In this case, the voting outcomes represent one type of indicator that directly reflects the extent of shareholders’ support for the social proposals. Under the rule of one share one vote, the percentage of the number of votes of approval to the total number of votes represents the degree of shareholders’ support for a proposal. As a result, the voting outcomes represent one type of indicator of success. Specifically, a proposal receiving a higher percentage of votes of approval is considered more successful than one receiving a lower percentage.

Out of the 1,621 social proposals, 1,603 were voted on at the annual shareholder meetings. The other 18 were included in the proxy statements but were not voted on because the proponents withdrew them before the meetings or did not present them. The average percentage of approval votes was 11.16% and the standard deviation was 10.17%. The percentages ranged from 0.01% to 95.92%. Seven social proposals received majority votes for, with percentages of votes of approval larger than 50%. According to the rule of majority voting, only these seven social proposals were approved and the rest (1,596) were rejected by the shareholders. This might indicate that most of the shareholder social proposals were unsuccessful if success is perceived as receiving major votes for; I argue, however, that the dichotomization based on the 50% rule may mask substantial variations in the percentage of votes for and therefore the percentage itself might be a more appropriate indicator of success of shareholder social proposals.

Measuring the DV: Voting Outcomes of Shareholder Social Proposals. According to the discussion above, the first indicator—voting recommendations made by the board of directors—

is not applicable in that, as indicated by the qualitative analysis in Chapter 3, there is only one shareholder social proposal that the boards of directors recommend a vote for and the other 1,620 proposals are recommended to vote against. As suggested by the indicator of boards' recommendations, almost all the shareholder social proposals are not successfully sold. Thus, the lack of variation in this indicator rules out its applicability as a dependent variable in the quantitative analysis. Furthermore, I could use the strength of board objections to shareholder social proposals as a dependent variable, but the measurement validity and reliability is questionable, as discussed later in this chapter. Therefore, I use voting outcome of shareholder social proposals—which would be more valid and reliable in measuring the effectiveness and success of shareholder social proposals—as the dependent variable. However, in a supplemental analysis reported in Appendix B, I still report and discuss the empirical results when the strength of boards' objection is used as the dependent variable.

The primary indicator of the success of shareholder social proposals used in this quantitative analysis is the voting outcome. This indicator is associated with other shareholders as the buyers of shareholder social proposals. Although the analysis in Chapter 3 indicated that according to the majority-voting rule most proposals were rejected by the shareholders and the percentage of the approval vote varied substantially across proposals. As discussed in Chapter 3, the dichotomization of approval vs. rejection based on the 50%-50% rule might mask the substantial variations in the percentages of approval votes. Instead, I argued in Chapter 3 that the percentage itself might be a more appropriate indicator of the success of shareholder social proposals. In the quantitative analysis in this chapter, the voting outcome of a social proposal is measured as the ratio of the number of votes approving the proposal to the total numbers of votes.

4.2.3 Independent Variables

This quantitative analysis attempts to examine the effects of packaging and selling strategies on the success of shareholder social proposals. Therefore, the six packaging strategies and two selling strategies are independent variables. One should note that these packaging and selling strategies were identified by the qualitative analysis in Chapter 3, which also used several examples to demonstrate how the contents of shareholder social proposals were linguistically framed and presented in different ways. The qualitative analysis in Chapter 3 only defined these strategies and offered some examples of their use, but did not discuss how one specific strategy would be measured. To empirically examine the extent to which a specific strategy would influence the effectiveness and success of shareholder social proposals, it is necessary to measure these strategies, as discussed below.

Opportunity Framing. The first independent variable is the packaging strategy of opportunity framing. This variable reflects whether and to what extent the proponents of a proposal claim opportunities resulted from the adoption of the resolution. As noted above, a 5-point scale was used to measure this variable. I coded it as “1” if the statements of a proposal did not mention any opportunities or relevant information at all. The variable was coded as “2” if certain opportunities (e.g., productivity, reputation, employee motivation, and so on) were claimed but the proponents did not give any supporting reasons; “3” if certain opportunities were claimed and the proponents briefly discussed the linkage between the adoption of the resolution and the opportunities; “4” if certain opportunities were claimed and the proponents discussed the linkage between the adoption of the resolution and the opportunities in detail; “5” if more than half of the proposal statements discussed the opportunities and the linkage between the adoption and the opportunities.

Threat Framing. The packaging strategy of threat framing is the second independent variable of this quantitative analysis. This variable reflects whether and to what extent the proponents of a proposal claim the threats resulted from the resolution rejection. Similar to opportunity framing, threat framing was measured by a 5-point scale. I coded this variable as “1” if the statements of a proposal did not mention any threats or relevant information. This variable was coded as “2” if certain threats (e.g., public risks, damage in reputation, boycotts, and so on) were claimed but the proponents did not give any supporting reasons; “3” if certain threats were claimed and the proponents briefly discussed the linkage between the rejection of the resolution and the threats; “4” if certain threats were claimed and the proponents discussed the linkage between the rejection of the resolution and the threats in detail; coded as “5” if more than half of the proposal statements discussed the threats and the linkage between the rejection and the threats.

Strategic framing. The third independent variable is the packaging strategy of strategic framing. The variable measures whether and to what extent the proponents of a proposal claim the adoption of a resolution can strengthen a firm’s competitive advantage and create shareholder values in the long term. A 5-point scale was used to measure this variable. I coded this variable as “1” if the statements of a proposal did not mention any competitive advantages or shareholder values. This variable was coded as “2” if competitive advantages and/or shareholder value creation were claimed but the proponents did not provide any supporting reasons; “3” if competitive advantages and/or shareholder value creation were claimed and the proponents briefly discussed the linkage between the adoption of the resolution and the competitive advantages; “4” if competitive advantages and/or shareholder value creation were claimed and the proponents discussed the linkage between the adoption of the resolution and the competitive

advantages in detail; “5” if more than half of the proposal statements discussed the competitive advantages and the linkage between the adoption and the competitive advantages.

Normative Framing. The fourth independent variable is the packaging strategy of normative framing. The variable measures whether and to what extent the proponents of a proposal claim the adoption of a resolution can benefit the non-shareholding stakeholders and emphasize the normative gains resulted from the adoption of the resolution. A 5-point scale was used to measure this variable. I coded this variable as “1” if the statements of a proposal did not mention any normative benefits and values. This variable was coded as “2” if normative benefits and values were claimed but the proponents did not offer any supporting reasons; “3” if normative benefits and values were claimed and the proponents briefly discussed the linkage between the adoption of the resolution and the normative benefits and values; “4” if normative benefits and values were claimed and the proponents discussed the linkage between the adoption of the resolution and the normative benefits and values in details “5” if more than half of the proposal statements discussed the normative benefits and values and the linkage between the adoption and the normative benefits and values.

Peer Grouping. The fifth independent variable is peer grouping. This variable reflects whether the proponents use peer effects as an approach to convince a firm to adopt a social proposal. A dummy indicator measures whether the strategy of peer grouping is used; this dummy indicator was coded as “1” if the proponents indicated the peers and requested a firm to adopt what had been done by the peers, and coded as “0” otherwise.

Urgency Highlighting. The sixth independent variable is urgency highlighting. This variable indicates whether the proponents of a proposal emphasize the urgency of adopting the resolution. A dummy indicator was used to measure this variable. This indicator was coded as

“1” if the proponents framed a proposal as urgent by pointing out the deadline of the accomplishment of the resolution, and “0” otherwise.

Coalition Building. The seventh independent variable is the selling strategy of coalition building. This variable indicates whether and to what extent a proposal is submitted by more than one proponent. Two indicators were used to measure this variable. First, a dummy variable was coded as “1” if a proposal was submitted by more than one proponent, and “0” otherwise. Second, another indicator was used to record the number of the proponents. In particular, the second indicator recorded how many proponents jointly submitted a social proposal.

Repeated Submitting. The eighth independent variable is the selling strategy of repeated submitting. This variable indicates whether a proposal is resubmitted by the proponents. The qualitative analysis in Chapter 3 finds 384 sequences of 1,214 shareholder social proposals. A dummy indicator was used to measure this variable. This dummy indicator was coded as “0” if a proposal belongs to a sequence, and “1” otherwise. In addition, another indicator was used to record the order of a proposal in a sequence; e.g., the first proposal in a sequence was coded as “1”, and the third proposal in the sequence was coded as “3”.

4.2.4 Control Variables

The primary objective of this quantitative analysis is to examine the relationships between the packaging/selling strategies and the success of shareholder social proposals. It was necessary to control for a set of variables that might be expected to also be associated with the dependent variables and could potentially offer alternative explanations for results. In order to rule out alternative explanations, I controlled these variables, including financial performance, slack resource, firm size, industry, issue addressed, and prior corporate social performance (CSP)(Andersson & Bateman, 2000).

Financial performance was measured as return on assets (ROA) and return on equity (ROE). Slack resource was measured as the total annual cash flow from a firm's operations, financing, and investing activities, scaled by its total assets. The natural logarithm of total assets and the natural logarithm of number of employees were used as the measure of firm size because the distribution of total assets and the of number of employees were skewed, respectively. I measured prior CSP as MSCI ESG (former KLD) ratings of the target firm in the year prior to when a proposal was submitted and voted on. Six categories of CSP were controlled: community CSP, diversity CSP, employee relations CSP, environment CSP, human rights CSP, and product CSP. Appendix A also offers a description of how the CSP score of each category was generated. I also controlled for the effects of industry, measured as nine dummy variables based on one-digit SIC codes. Shareholder social proposals containing different resolutions attempted to address different issues; therefore I created 15 issue dummies to control for this effect.

Table 4-1 demonstrates the name, definition, measurement, and data sources of all independent, dependent, and control variables.

Insert Table 4-1 about here

4.3 Empirical Results

The quantitative analysis attempts to examine the relationship between packaging/selling strategies and the success of shareholder social proposals. This is a proposal-level analysis, because the strength of the boards' support for their recommendations and the voting outcomes are proposal-level variables.

Before conducting the empirical analyses to test the hypotheses, I checked the reliability of the coding because I manually assigned scores to all the independent variables (IVs) and one

of the dependent variables (DVs). The scores assigned may be biased by my personal knowledge, expertise, and personality; thus, I asked another coder to code 50 randomly chosen proposals and then I checked the agreement between the two coding results. Cohen's Kappa coefficients were used to evaluate the inter-rater reliability (Cohen, 1960). Kappa coefficients ranged from 0.628 to 0.874 and the percentage of agreement between the two coders ranged from 78% to 94%, suggesting that there was substantial-to-very-strong agreement between the two coders (Landis & Koch, 1977; Rietveld & van Hout, 1993). Higher agreement was reached on easily detected items such as coalition building, which was measured by a dummy variable indicating whether a proposal was submitted by a single proponent or by a group of proponents (Kappa = 0.874, agreement = 94%). Lower agreement was reached on framing strategies: opportunity framing (Kappa = 0.692, agreement = 82%), threat framing (Kappa = 0.698, agreement = 84%), strategic framing (Kappa = 0.628, agreement = 86%), and normative framing (Kappa = 0.656, agreement = 78%). Disparities were discussed and resolved.

In addition, because the measure of opportunities framing, threat framing, strategic framing, and normative framing were treated as an interval variable (i.e., 1-5), I generated a set of dummy variables to check whether treating the variable as interval vs. as a family of categorical variables produced a meaningful difference in results. The purpose of this check was to determine whether the manner in which I coded these data for IVs approximated an interval scale, because this was an assumption of the multiple regression analyses that I used. For each of these IVs, four dummy variables were generated and then entered into regression models where voting outcome and strength of board support for their recommendations were the DVs, respectively. I then compared the magnitudes of the regression coefficients of the dummy variables for each IV and examined the magnitudes of regression coefficients for dummy

variables representing successive levels of the variable. A steady progression in impact on the DV from category 1 to category 5 would indicate that treating these categories as interval variables is reasonable.

In general, the progression in magnitudes of coefficients of the dummy variables on voting outcomes was relatively steady and I found increasing first-order linear relationships for three of the IVs (opportunity framing: $\Delta = .16, .11, .17$; threat framing: $\Delta = .22, .12, .14$; strategic framing: $\Delta = .12, .09, .05$); the only exception was for normative framing, which showed nearly zero increase in coefficients between the two sequential dummy variables ($\Delta = .00, .04, .01$). Furthermore, I compared the R of each dummy variable with the continuous measure of each IV on voting outcomes and found that the R of the dummy variable was comparable to the R of the continuous measure (opportunity framing: $\Delta = .02$; threat framing: $\Delta = .05$; strategic framing: $\Delta = .04$; normative framing: $\Delta = .01$), suggesting that treating these IVs as interval variables was reasonable. Based on these results, I argue that treating these four IVs as interval variables was reasonable for my purposes.

4.3.1 Descriptive Statistics and Correlations

Table 4-2 reports the descriptive statistics and zero-order correlations of the proposal-level data. As expected, voting outcome was significantly positively associated with several strategy indicators except normative framing and urgency highlighting. Furthermore, the average percentage of approval was 11.2% (SD = 10.2%), confirming the previous finding that, in general, other shareholders were not in favor of shareholder social proposals.

Insert Table 4-2 about here

4.3.2 Regression Analyses of Voting Outcome

Hierarchical regression analysis was used to test the hypotheses. Table 4-3 reports the results of multiple regression analyses where the dependent variable was the voting outcome. Standardized regression coefficients were reported in order to compare the regression coefficients to the correlations when such comparisons were necessary. Robust standard errors were reported due to the existence of heteroskedasticity. Following Carlson and Wu's (2012) suggestion, I used the expanded OLS analysis framework (Carlson & Kunkel, 2011) to organize the multiple regression analyses. This framework differs from the traditional framework of hierarchical regression analysis by not incorporating control variables in every regression model. Instead, the expanded OLS analysis framework includes control variables only in the last regression models in hierarchical analyses. The advantage of not including control variables in some regression models is to ensure that the empirical analyses focus on the causal effects between the IVs and the DV as stated in the study hypotheses and to rule out the confounded effects caused by control variables (Carlson & Wu, 2012; Spector & Brannick, 2011). IVs were entered into regression models in pairs. Therefore as shown in Table 4-3, opportunity framing and threat framing were incorporated in Model 1; strategic framing and normative framing were included in Model 2; Model 3 included peer grouping and urgency highlighting; Model 4 included coalition building and repeated submitting; Model 5 included all the IVs; Model 6 included all control variables; and Model 7 was the full model, including all IVs and control variables.

Insert Table 4-3 about here

Hypothesis 1 predicts that the extent to which a proposal is framed as an opportunity is positively associated with voting outcomes, while Hypothesis 2 suggests that the extent to which

a proposal is framed as a threat is also positively associated with voting outcomes. Model 1 in Table 4-3 indicates that the coefficient of opportunity framing ($\beta = .23$, $p < .001$) and that of threat framing ($\beta = .28$, $p < .001$) were significantly positive; therefore, both Hypothesis 1 and Hypothesis 2 were supported.

Hypothesis 3 predicts that the extent to which a proposal is framed in a strategic manner is positively associated with voting outcomes, while Hypothesis 4 suggests that the extent to which a proposal is framed in a normative manner is also positively associated with voting outcomes. As noted in Table 4-3, Model 2 indicates that only the coefficient of strategic framing was significant and positive ($\beta = .24$, $p < .001$) and thus it seems that only Hypothesis 4 was supported.

Hypothesis 5 predicts that peer effects should have a positive effect on voting outcomes, while Hypothesis 6 suggests that highlighting urgency also should have a positive effect on voting outcomes. Model 3 indicates that the coefficient of peer grouping is significantly positive ($b = .06$, $p < .05$) and thus only Hypothesis 5 was supported, whereas the empirical results of Model 3 did not support Hypothesis 6.

Hypothesis 7 predicts that coalition building should have a positive effect on voting outcomes, while Hypothesis 8 suggests that repeated submitting also should have a positive effect on voting outcomes. Model 4 indicates that the coefficient of coalition building was significant and positive ($\beta = .03$, $p < .10$) and the coefficient of repeated submitting was also significant and positive ($\beta = .16$, $p < .001$); thus, both Hypothesis 7 and Hypothesis 8 were supported.

Above, I discussed the empirical results of Model 1 through Model 4, which offered preliminary empirical evidence for my hypotheses testing. Model 5 through Model 7 provide

supplemental analyses for the testing of these hypotheses. Model 5 includes all the IVs. Model 7 includes all the IVs and control variables. The regression results of Model 5 confirm that Hypothesis 1, Hypothesis 2, Hypothesis 5, and Hypothesis 7 were supported. However, Model 5 does not offer empirical support for Hypothesis 3, which was supported by Model 2. In particular, Model 5 indicates that the coefficients strategic framing became insignificant and the coefficients of normative framing became significant. These changes were due to multicollinearity. Strategic framing was relatively highly related to opportunity framing ($r = .68$), moderately related to normative framing ($r = -.22$), and to some relatively low extent related to threat framing ($r = .19$). I suspect that the multicollinearity resulted from these non-zero correlations led to attenuation effects that the magnitude of the coefficient of strategic framing was attenuated and also became insignificant (Darlington, 1990). Considering the correlation between strategic framing and voting outcomes ($r = .24$) and the large R^2 ($= .241$) of Model 2, I would argue that Hypothesis 3 was still supported.

The attenuated effect also influenced the estimation of normative framing, which has a correlation of $-.07$ with the DV ($p > .05$). Model 2 showed that normative framing was not significantly associated with voting outcomes, but Model 5 and 7 indicate significant impacts of normative framing. Empirical results of these regression models likely suggest that Hypothesis 4 was supported. However, I still argue that Hypothesis 4 was not supported and the significant empirical results in Model 5 and 7 were due to the attenuation effects of the multicollinearity among these IVs (Darlington, 1990). Table 4-4 summarizes the results of hypothesis testing.

Insert Table 4-4 about here

4.3.3 Examining the Joint Effects of Issue Selling Strategies

The expanded OLS analysis framework also enabled me to identify the unique

contribution of each strategy. R_u refers to “Unique R” and represents the unique contribution an IV makes to the DV beyond that offered by all of the variables in the regression model. I report R_{u1} , which was computed without control variables and R_{u2} , which was computed with control variables.

R_{u1} was calculated in the following way. First, the baseline for the comparison is the R of Model 5; second, another R was obtained from a regression model where all the IVs were included except the focal IV (e.g., opportunity framing); third, I subtracted this R from the R of the baseline model (Model 5) and the resulting difference was R_{u1} for the focal IV (e.g., opportunity framing). R_{u1} represented the unique contribution an IV makes to the DV; hence a greater R_{u1} indicates more contribution made by the focal IV, suggesting that this specific strategy has a stronger unique role in determining the voting outcomes. R_{u2} was computed in a similar way but the baseline model for comparisons was Model 7 where control variables were included.

By looking at R_{u1} , I could identify the unique contribution of each strategy. That is, R_{u1} provides an indication of the variance in outcomes that can only be provided by variable. In other words, R_{u1} is an indication of how much R will drop if that variable is dropped from the regression equation. For voting outcomes as the DV, threat framing would have the largest unique contribution ($R_{u1} = .095$), followed by opportunity framing ($R_{u1} = .030$), repeated submitting ($R_{u1} = .012$), and coalition building ($R_{u1} = .010$). Furthermore, this indicator also suggests that other strategies such as strategic framing ($R_{u1} = .000$), normative framing ($R_{u1} = .003$), peer grouping ($R_{u1} = .004$), and urgency highlighting ($R_{u1} = .000$) would have little unique contributions to voting outcomes. As a result, one important implication of the analysis of the unique contribution of each strategy is that the joint effects of threat framing, opportunity

framing, coalition building, and repeated submitting would account for a large proportion of the variations in voting outcomes and that strategic framing, normative framing, peer grouping, and urgency highlighting have little unique explanatory power to account for the variations in voting outcomes. In other words, threat framing, opportunity framing, coalition building, and repeated submitting together would largely determine the voting outcomes, regardless of whether or not the proponents use strategic framing, normative framing, peer grouping, and urgency highlighting.

Using Model 7 as the baseline model for comparison also indicates the unique R of each control variable. I found that the issues addressed by shareholder social proposals and the industry had a big influence on voting outcomes. Specifically, the 15 issue dummy variables together had a unique R of .106 and the 10 industry dummy variables had a unique R of .008. As demonstrated by Model 6, these control variables would explain a large proportion of the variations in the voting outcomes ($R = .532$). To further explore the effect of control variables, I specifically excluded the issue dummy variables and industry dummy variables from Model 6 and found that other control variables would account for much less variation in voting outcomes ($R = .274$). These results provided evidence that the specific issue addressed makes a difference. In particular, the issues addressed by the proposals were likely to affect the voting outcomes to some extent. That is, shareholders were likely to vote for proposals addressing certain issues regardless of the characteristics of the proponents as well as their packaging strategies and selling strategies.

R_{u2} was computed when all the control variables were included in the regression analysis. As certain issues made a larger unique contribution ($R_{u2} = .107$), other strategies that would have unique non-trivial contributions included coalition building ($R_{u2} = .021$), threat framing (R_{u2}

= .018), and opportunity framing ($R_{u2} = .008$). These results imply that the joint effects of issues addressed, coalition building, threat framing, and opportunity framing would largely determine the voting outcomes, because other variables offered little unique contributions.

The unique contribution and joint effects of these strategies can also be demonstrated by checking the zero-order correlations (r_{xy}) and model R_s reported by Table 4-3. Model 1 showed that opportunity framing ($r_{xy} = .21$) and threat framing ($r_{xy} = .26$) together had a R of 0.349, smaller than the sum of their zero-order correlations (0.47), suggesting that the effect of opportunity overlapped with the effect of threat framing on voting outcomes. Model 2 ($R = .240$) suggested that strategic framing ($r_{xy} = .24$, $b = .24$) had a dominant effect than normative framing ($r_{xy} = -.07$, $b = -.02$). Similarly, Model 3 ($R = .067$) suggested that peer grouping ($r_{xy} = .06$, $b = .06$) had a dominant effect than urgency highlighting ($r_{xy} = -.02$, $b = -.03$) and Model 4 ($R = .161$) suggested that repeated submitting ($r_{xy} = .17$, $b = .16$) had a dominant effect than coalition building ($r_{xy} = .04$, $b = .03$). Furthermore, a comparison between Model 1 ($R = .349$) and Model 5 ($R = .383$) suggested that adding strategic framing, peer grouping, and repeated submitting would have slight increase in the explanatory power ($\Delta R = .033$). Therefore, I further concluded that although voting outcomes were largely determined by the joint effect of opportunity framing, threat framing, peer grouping, and repeated submitting, in fact, only the combination of opportunity framing and threat framing would to a large extent determine voting outcomes of shareholder social proposals. Peer grouping, and repeated submitting would have marginal effects.

4.3.4 Robustness Check

I conducted a set of supplemental analyses to check the robustness of my primary analyses. The purpose of these supplement analyses was to check whether the empirical results

reported by my primary analyses would substantively change in certain research settings. If the empirical results did not vary substantively when such settings were changed, I could conclude that the empirical results of my primary analyses were robust. First, I compared the empirical results reported by the expanded-regression framework with the empirical results of the traditional regression-reporting framework. Second, I used the natural-logarithm value of voting outcomes instead of the raw value of voting outcomes to avoid the biasness potentially caused by the data skewness. Third, coalition building and repeated submitting can be measured in two ways. On the one hand, in my primary analyses, coalition building was measured as the number of proponents and repeated submitting was measured as the number of order in a proposal sequence. On the other hand, both variables can be measured as dummy variables. I used the dummy variables in the supplemental analyses to see if the empirical results would cause substantively changes. Fourth, some control variables can be measured by multiple indicators. In my primary analyses, I used only one of the multiple indicators. To test the robustness of the empirical results, I used other indicators in the supplemental analyses.

Reporting Framework. To check the robustness of the empirical results, I also reported the regression results following a more traditional framework in which control variables were included in every regression model. Table C-1 reports the regression results where the DV was voting outcomes and Table C-2 reports the regression results where the DV was the strength of boards' objection to shareholder social proposals.

Here, Null Hypothesis Significance Testing (NHST) was used to test my hypotheses, thus the focus of the empirical testing was interpreting the sign and the significance level of each regression coefficient, regardless of the magnitude of the coefficient (Nickerson, 2000). I compared the sign and the significance level of each regression coefficient and found that the

empirical results did not vary substantially from the results reported by Table 4-3 and Table B-1. The only difference was in the case in which the DV was voting outcomes, the regression results of the expanded OLS analysis framework did not support Hypothesis 4, but the regression results from the more traditional framework provided strong empirical support for this hypothesis. More specifically, Model 3 and 6 in Table C-1 all indicated that normative framing would be significantly positively associated with voting outcomes, providing a strong support for Hypothesis 4. This finding indicated that normative framing would significantly affect the voting outcomes of shareholder social proposals. However, my primary analyses did not provide empirical support for this hypothesis. Despite this difference, I argue that the robustness check would not severely affect the results and interpretations of my dissertation. Instead, the results of the robustness check were generally consistent with those from my primary analyses.

Voting Outcome. Because the distribution of the data of this DV was highly skewed, I used the natural logarithm value in the robustness check analysis. In addition, I did a robustness check in which several outliers (i.e., percentage vote for was greater than 55%) were deleted. I compared the sign and the significance level of each regression coefficient and found that the sign and the significance level of each regression coefficient did not vary substantially from the results reported by Table 4-3.

Coalition Building. The selling strategy of coalition building was measured by two indicators. The first was a dummy variable reflecting whether a shareholder social proposal was submitted by more than one proponent. The second indicator was the number of the proponents of a shareholder social proposal. To empirically test my hypotheses, I used the number of proponents of a shareholder social proposal in the above regression analyses. To test the robustness of the empirical findings, I then used the dummy variable instead of the number of

proponents and also entered both of them into regression models. In an examination of the sign and the significance level of each regression coefficient, I found that neither the sign nor the significance-levels substantively changed from prior empirical results reported by Table 4-3 and Table B-1.

Repeated Submitting. Similarly, the selling strategy of repeated submitting was measured by two indicators. The first was a dummy variable reflecting whether a shareholder social proposal was resubmitted. The second indicator was the numeric order of the submission of the proposal in a sequence. In the empirical analyses described above, repeated submitting was measured by the numeric order of the submission of the proposal in a sequence. To test the robustness of the empirical findings, I then used the dummy variable to measure repeated submitting. By comparing the sign and the significance level of each regression coefficient, I found that, in general, the empirical results of this robustness check did not substantively change from the results reported in Tables 4-3 and B-1. The only change was that when repeated submitting was measured as the dummy variable and coalition building was also measured by a dummy variable, the coefficient of repeated submitting became significant when the DV was the strength of boards' objection to shareholder social proposals. In other words, Hypothesis 8 seemed to be supported when both repeated submitting and coalition building were measured by dummy variables. However, such changes did not lead to higher R. Therefore, the use of two dummy variables only offered weak support for Hypothesis 8 when the DV was the strength of boards' objection to shareholder social proposals. But, this finding might imply that the boards are likely to provide weaker support to recommend voting against shareholder social proposals resubmitted by a group of proponents. In other words, shareholder social proposals resubmitted by a group of proponents are more likely to be successfully sold to the boards. However, it seems

that the boards have a very vague attitude toward the resubmitted and co-sponsored proposals. That is, the boards do not pay attention to the number of proponents or how many times a proposal is resubmitted, but do, in general, if the proposal is co-submitted and resubmitted.

Control Variables. In the previous empirical analyses, firm size was measured as the natural logarithm of total assets. To test the robustness, I replaced the total assets by the total number of employees and found that the empirical results did not change substantially. I also used return on equity (ROE) instead of return on assets (ROA) to check the robustness. Again, by comparing the sign and the significance level of each regression coefficient, I found that the sign and the significance level of each regression coefficient reported by this robustness check did not substantively change from prior empirical results reported by Table 4-3 and Table B-1.

4.3.5 Major Findings

Table 4-4 summarizes the results of hypotheses testing. In general, I found moderately strong support for my theory from the proposal-level empirical analyses. Except Hypothesis 4 and Hypothesis 6, all other hypotheses were supported. Specifically, the likelihood of successfully selling a shareholder social proposal to other shareholders would be determined by the packaging strategies and selling strategies such as opportunity framing, threat framing, strategic framing, peer grouping, coalition building, and repeated submitting. In contrast, normative framing and urgency highlighting were unlikely to affect the success of shareholder social proposals sold to other shareholders. Moreover, the analysis of a unique contribution made by each strategy demonstrated that voting outcomes could be largely determined by the joint effects of opportunity framing, threat framing, coalition building, and repeated submitting. However, due to the limitations in measuring the extent of boards' objection to shareholder social proposals, most of the hypotheses of the supplemental analysis were not supported by the

empirical results, as demonstrated by Table B-2.

CHAPTER 5 Discussions and Conclusion

5.1 Summary of Major Findings

In this dissertation, I attempted to explore the micro-processes of shareholder social activism through which shareholders interacted with targeted firms as well as the micro-processes that could affect the effectiveness and success of shareholder social activism. To do this, I adopted the logic of issue selling (Dutton & Ashford, 1993) to develop a theory with respect to the approaches of linguistically framing and presenting the contents of shareholder social activism. From the perspective of issue selling, I considered shareholder social activism as the actions taken by the sponsoring shareholders (the proponents) to sell their issues to buyers both inside and outside a firm. Broadly, buyers could be the boards of directors, top management teams, or other shareholders of the targeted firm. Built on the assumption that words, vocabulary, and language are meaningful (Loewenstein, 2011) and that certain words and vocabularies that are used to frame the contents of an issue could affect buyers' perceptions of and responses to an issue (Dutton & Ashford, 1993), I further investigated some specific approaches through which proponents linguistically frame the contents of shareholder social activism as well as the approaches of presenting shareholder social activism. In particular, my dissertation focused on the packaging strategies and selling strategies used by proponents.

To explore the framing strategies and presenting strategies, I conducted a comprehensive qualitative analysis of 1,621 shareholder social proposals submitted to S&P 500 firms from 1994 to 2012. I found several approaches that were used by the proponents to linguistically frame the contents of their proposals. Adopting the logic of issue selling, I categorized them into six packaging strategies, including opportunity framing, threat framing, strategic framing, normative framing, peer grouping, and urgency highlighting. This qualitative analysis also revealed

different approaches by the proponents to present their social proposals. In a similar vein, I classified them into two categories—coalition building and repeated submitting.

To examine the effectiveness of these packaging strategies and selling strategies, I conducted a quantitative analysis based on the 1,621 shareholder social proposals. Using voting outcomes as the dependent variable, the quantitative analysis showed that the effectiveness of shareholder social proposals could be largely determined by the joint effects of opportunity framing, threat framing, coalition building, and repeated submitting and that other packaging strategies would make little unique contribution to the effectiveness and success of shareholder social activism.

5.2 Theoretical Implications

This work is expected to make two major theoretical contributions to the literature of shareholder social activism. First, it provides a communicative-based theoretical framework for shareholder social proposals and thus could contribute to the literature of shareholder social activism (Sjostrom, 2008). By generalizing the logic of issue selling to the field of shareholder social activism and then defining shareholder social activism as the actions of proponents who attempt to “sell” social issues to the firm, the dissertation extends the understanding of shareholder social activism. Traditionally, shareholder social activism is defined as the use of ownership position to actively influence company policies and practices with respect to social concerns and social issues (Ryan & Schneider, 2002; Sjostrom, 2008). Based on the traditional definition, studies on shareholder social activism adopt a “means-end” perspective and largely focus on the effects on the firm and ignore the process of shareholder social activism (Sjostrom, 2008). My study takes a different perspective and focuses on the micro-process of shareholder social activism. In particular, this dissertation looks at the communication strategies of

linguistically packaging and presenting the contents of shareholder social activism, highlighting the use of specific words and vocabulary in framing the contents. Based on the qualitative analysis of shareholder social proposals, I show that proponents could frame the contents of their social proposals in different ways. The study also demonstrates that proponents could adopt different selling strategies to present their proposals. I believe that revealing these communication strategies could add insights to the understanding of shareholder social activism.

Second, in addition to highlighting the micro-processes and identifying the packaging and presenting strategies, this work emphasizes the impacts of these strategies on the effectiveness of shareholder social activism. The effectiveness of shareholder activism has long been examined, but previous studies have not reached a conclusion (Sjostrom, 2008). Although I do not directly address this research debate, my work offers some valuable insights through which to explore the effectiveness of shareholder social activism. Unlike previous studies that have almost dichotomized shareholder social activism as either effective or ineffective, I argue that the effectiveness of shareholder social activism could be determined by packaging strategies and selling strategies of the proponents. I emphasize and empirically confirm the influence of words and vocabulary used to frame the meanings of the content as well as the impact of the selling strategies on the effectiveness of shareholder social activism. My argument implies that shareholder social activism could be more effective if it is linguistically framed and sold by certain strategies. From this perspective, I would suggest that a contingent perspective based on the packaging strategies and selling strategies might explain the inconsistent empirical findings of prior studies and that future studies on the effectiveness of shareholder social activism should adopt a contingent perspective and take into consideration how the proponents deliver their ideas and claims.

This work also offers several theoretical considerations with respect to issue selling, although it might not directly contribute to this body of work. These theoretical considerations might be valuable and could potentially shed some light on future issue-selling studies. The first theoretical consideration is that one issue can be sold to multiple buyers, resulting in complexities and difficulties in dealing with multiple buyer groups. Previous studies of issue selling focus on the issues sold by middle managers to top managers and view top managers as the only group of buyers. When the logic of issue selling was generalized to shareholder social activism, I demonstrate that the issues—hereby the social proposals—sold by the sponsoring shareholders could be sold to multiple buyer groups. In particular, shareholder social proposals can be directly sold to two buyer groups—other shareholders and the boards of directors. Specifically, the proponents directly sell their proposals to the boards of directors by making requests that the boards of directors should adopt/abandon certain policies or actions; they also directly sell their proposals to other shareholders by requesting other shareholders vote for their proposals. Multiple groups of buyers might introduce new complexities associated with issue selling attempts. For example, each group of buyers might view one proposal differently and then respond differently, resulting in a situation in which one issue is successfully sold to one buyer group but might not be successfully sold to another. Therefore, future studies should examine the complexities caused by multiple buyer groups as well as the resulting influence on issue selling.

The second theoretical consideration is the possibility that sellers may apply different packaging and selling strategies to selling one issue to different buyer groups and that the effectiveness of one certain strategy could differ across buyer groups. The complexities caused by the emergence of multiple buyer groups may enable scholars to rethink the strategies of

packaging and presenting issues. It is possible that the proponents use specific strategies to sell an issue to one buyer group and other strategies to sell the same issue to another buyer group. In addition, the effectiveness of a certain packaging or selling strategy might vary across buyer groups. One might question whether a certain strategy that could affect the effectiveness of issue selling to a specific buyer group would also work to another buyer group. The supplemental analysis of the strength of board objections to shareholder social proposals in my work might offer some preliminary results, although the limitations in theorizing and measuring this construct made the results questionable and largely constrained the implications analysis. Specifically, the supplemental analysis shows that the packaging strategies and selling strategies that affect voting outcomes could not affect the strength of board objections to shareholder social proposals. As noted earlier, such results might be explained by the problems in theorizing and measuring; however, further studies should look at the complexities caused by multiple buyer groups and examine the mechanisms and strategies through which sellers could effectively and successfully sell their issues to the multiple buyer groups.

The third consideration is that issue selling could be generalized to other research fields and studying issue selling in new research contexts might potentially add new insights. For example, my study adopts the logic of issue selling to study shareholder social activism and finds a new strategy of presenting issues that was not recognized by prior studies on issue selling. In particular, I find a selling strategy—repeated submitting—that is not included in research on middle-manager issue selling but is widely used by the proponents of shareholder social proposals. This selling strategy was not applicable to middle managers because the unfavorability of the top managers was a kind of “red light” and deterred the middle managers from resubmitting the proposal (Dutton et al., 2002). However, the unfavorability viewed by the

middle managers as a deterrent to resubmitting a proposal did not stop the shareholders from resubmitting. Shareholders were independent of the top managers and had large discretion over their activities. The negative consequences such as perceived risks, psychological unsafety, downsizing conditions, and career uncertainty that were applicable to middle managers were unlikely to affect the proponents of shareholder social proposals. From this perspective, I emphasize a context factor—the unfavorability of the issue buyers—in determining the availability of the strategies that could be used by the issue sellers. Future studies should look at more context factors and examine the effects in determining strategies that are available to issue sellers.

5.3 Research Limitations

My work suffers from several limitations. First, I just focus on shareholder social proposals, but ignore other forms of shareholder social activism. Other forms of shareholder social activism, such as letter writing and direct communication to top executives, might have some special attributes that shareholder social proposals share. In particular, filing shareholder proposals represents an attempt of the proponent to communicate with the firm through a public and formal channel, where the issues addressed, the contents of the communication, the approaches to frame and present the issues, and the responses from the firm are all available to the public. Although these characteristics of filing shareholder social proposals provide an opportunity to focus on the strategies of linguistically framing and then presenting the contents of the proposals, the findings based on the analysis of shareholder social proposals may not be generalized to other forms of shareholder social activism. In other words, the exclusive focus on shareholder social proposals may limit the generalizability of my theory. Future studies should include other forms of shareholder social activism and then test whether my theory still holds.

Second, the research methodology can be refined. For example, I code the data and assign scores to many variables, such as the packaging strategies and selling strategies, and the strength of boards' support for their voting outcomes. Although I had another coder who coded 50 randomly chosen proposals and the Cohen's Kappa coefficients suggested that the two coders reached a substantial agreement on the 50 proposals, it did not exclude the possibility that the codes of the 1,621 proposals were biased by my personal knowledge, expertise, and personality. To ensure the reliability of the measurement, a content analysis based on more reliable methods should be conducted. For example, to more accurately code and assign scores to the variables of packaging strategies, selling strategies, and the strength of boards' support for their voting outcomes, a content analysis based on word frequency should be conducted to verify whether previous findings still hold.

One should also note the overlap between opportunity framing and strategic framing, as suggested by their high correlation ($r = .68$). Although I define them as independent constructs, the data suggested that they overlapped to some extent and the regression results were severely impacted by this co-linearity. As a result, future studies should address this issue. For example, one could combine these two constructs into a more meaningful composite or more clearly distinguish the meanings of them.

In addition, as discussed in Chapter 4, the validity and reliability of the strength of board objections to shareholder social proposals—an important construct proxying the effectiveness and the success of shareholder social proposals sold to the boards of directors—are questionable. Future studies should find a more valid construct to proxy the effectiveness and the success of shareholder social proposals sold to the boards of directors as well as more reliable measures for this construct.

Furthermore, my dissertation focused on S&P 500 firms and the sample consisted of 1,621 shareholder social proposals. The sample based on S&P 500 firms might be biased. One problem is that although the sample covered a broad range of social proposals, the size was smaller than that of previous studies. For example, Proffitt and Spicer (2006) collected 2,158 shareholder proposals with respect to international human rights and labor standards from 1969 through 2003. One might expect that the number of shareholder social proposals would be much larger than 1,621 if the sample was not limited to S&P 500 firms. Therefore, future studies should expand the sample and incorporate as many proposals as possible.

5.4 Practical Implications

This work also offers a practical implication. Specifically, my dissertation provides some insights into how the proponents of shareholder social activism can effectively achieve their goals by combining the packaging and selling strategies. It is obvious that taking any of the strategies needs the proponents to allocate resources. Owing to the limited resources owned by the proponents, one problem facing the proponents of shareholder social activism is that among the many strategies to frame and present their activism, which strategies should be used to ensure that their proposals are sold successfully?

My dissertation answers this question by conducting an expanded OLS analysis. By checking the unique contribution of each strategy, Chapter 4 demonstrated that the joint effects of threat framing, opportunity framing, coalition building, and repeated submitting would account for a large proportion of the variations in voting outcomes and that strategic framing, normative framing, peer grouping, and urgency highlighting have little unique explanatory power to account for the variations in voting outcomes. A further analysis of zero-order correlations, beta-coefficients, and model R demonstrated that although voting outcomes were largely

determined by the joint effect of opportunity framing, threat framing, peer grouping, and repeated submitting, in fact, only the combination of opportunity framing and threat framing could to a large extent determine voting outcomes of shareholder social proposals and that peer grouping, and repeated submitting could have marginal effects.

From the discussion above, my dissertation points out that to more effectively initiate shareholder social activism, the proponents should combine opportunity framing and threat framing. Other strategies that would have margin effects should be adopted only when proponents own extra resources.

5.5 Conclusion

Building on the logic of issue selling, my dissertation explores the micro-processes of shareholder social activism through which shareholders interacted with targeted firms and also addressed which micro-processes could affect the effectiveness and success of shareholder social activism. To this end, I develop a theory with respect to the approaches of linguistically framing the contents of and of presenting shareholder social activism. Based on a qualitative (descriptive) analysis on 1,621 shareholder social proposals, I identified six packaging strategies that were used by the proponents to linguistically frame the contents of their proposals and two selling strategies used by the proponents to present their proposals. Subsequently, a quantitative analysis demonstrated that the effectiveness of shareholder social proposals would be largely determined by the joint effects of opportunity framing, threat framing, coalition building, and repeated submitting and that other packaging strategies would have little unique contribution to the effectiveness and the success of shareholder social activism.

My dissertation could make contributions to the understanding of shareholder social activism from two perspectives. First, my dissertation provides a communicative-based

theoretical framework for shareholder social proposals and thus could contribute to the literature of shareholder social activism by specifically identifying the communication strategies of linguistically packaging the contents of shareholder social activism and of presenting it to the firm and highlighting the use of words and vocabularies in framing the contents of shareholder social activism. Second, my dissertation emphasizes the impacts of these packaging and presenting strategies on the effectiveness of shareholder social activism by demonstrating that the effectiveness of shareholder social activism would be determined by the packaging strategies and selling strategies of the proponents. My dissertation underscores that the effectiveness of shareholder social activism could be largely determined by combining opportunity framing and threat framing and that other strategies could have marginal effects.

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TABLES & FIGURES

Table 3-1. Distribution of Shareholder Social Proposals Across Firms

Number of social proposals received by a firm (N)	Number of firms receiving N proposals (K)	Percentage of firms receiving N proposals (=K/299)	Total number of proposals received by the firms (=N*K)	Percentage of total number of proposals (=N*K/1,621)
1	56	24.45%	56	3.45%
2	30	13.10%	60	3.70%
3	29	12.66%	87	5.37%
4	20	8.73%	80	4.94%
5	13	5.68%	65	4.01%
6	13	5.68%	78	4.81%
7	9	3.93%	63	3.89%
8	9	3.93%	72	4.44%
9	6	2.62%	54	3.33%
10	5	2.18%	50	3.08%
11	6	2.62%	66	4.07%
13	2	0.87%	26	1.60%
14	1	0.44%	14	0.86%
15	1	0.44%	15	0.93%
16	7	3.06%	112	6.91%
17	1	0.44%	17	1.05%
18	3	1.31%	54	3.33%
20	1	0.44%	20	1.23%
22	1	0.44%	22	1.36%
23	2	0.87%	46	2.84%
25	2	0.87%	50	3.08%
27	2	0.87%	54	3.33%
28	1	0.44%	28	1.73%
31	3	1.31%	93	5.74%
37	1	0.44%	37	2.28%
43	1	0.44%	43	2.65%
56	1	0.44%	56	3.45%
57	1	0.44%	57	3.52%
66	1	0.44%	66	4.07%
80	1	0.44%	80	4.94%
Total	229	100%	1,621	100%

Note: N denotes the number of shareholder social proposals received by a firm; K denotes the number of firms that received a specific number of proposals.

Table 3-2. Distribution of Shareholder Social Proposals Across Firms

Number of social proposals received by a firm (N)	Number of firms receiving N proposals (K)	Percentage of firms receiving N proposals (=K/299)	Total number of proposals received by the firms (=N*K)	Percentage of total number of proposals (=N*K/1,621)
1-15	200	87.34%	786	48.49%
16-30	20	8.73%	403	24.86%
31 & above	9	3.93%	432	26.65%
Total	229	100%	1,621	100%

Note: N denotes the number of shareholder social proposals received by a firm; K denotes the number of firms that received a specific number of proposals.

Table 3-3. Top 30 Firms in Receiving Shareholder Social Proposals

Rank	Firm	SIC	Num. of proposals (N)	Percentage* (=N/1,621)
1	Exxon Mobil Corp.	2911	80	4.94%
2	Altria Group Inc.	2111	66	4.07%
3	Chevron Corp.	2911	57	3.52%
4	General Electric Co.	9997	56	3.45%
5	Wal-Mart Stores	5331	43	2.65%
6	ConocoPhillips	1311	37	2.28%
7	DuPont, E.I. de Nemours	2820	31	1.91%
7	Loews Corp.	6331	31	1.91%
7	PepsiCo Inc.	2080	31	1.91%
10	Ford Motor Co.	3711	28	1.73%
11	Citigroup Inc.	6199	27	1.67%
11	Yum! Brands Inc.	5812	27	1.67%
13	Boeing Co.	3721	25	1.54%
13	Home Depot Inc.	5211	25	1.54%
15	Coca-Cola Co.	2080	23	1.42%
15	JP Morgan Chase & Co.	6020	23	1.42%
17	Procter & Gamble	2840	22	1.36%
18	IBM	7370	20	1.23%
19	Dominion Resources Inc.	4911	18	1.11%
19	Donnelley, R.R. & Sons	2750	18	1.11%
19	Pfizer Inc.	2834	18	1.11%
22	Merck & Co Inc.	2834	17	1.05%
23	Abbott Laboratories	2834	16	0.99%
23	Ameren Corp.	4931	16	0.99%
23	Dow Chemical	2821	16	0.99%
23	Johnson & Johnson	2834	16	0.99%
23	Kroger Co.	5411	16	0.99%
23	McDonald's Corp.	5812	16	0.99%
23	Reynolds American Inc.	2111	16	0.99%
30	Caterpillar Inc.	3531	15	0.93%
	Total		850	52.44%

* Percentage denotes the ratio of the number of shareholder social proposals submitted to a firm (N) to the total number of shareholder social proposals (1,621).

Table 3-4. Distribution of Shareholder Social Proposals across Years

Year	Num. of proposals (N)	Percentage	Year	Num. of proposals (N)	Percentage
1993*	2	0.12%	2003	78	4.81%
1994	37	2.28%	2004	112	6.91%
1995	37	2.28%	2005	109	6.72%
1996	42	2.59%	2006	126	7.77%
1997	34	2.10%	2007	108	6.66%
1998	38	2.34%	2008	128	7.90%
1999	46	2.84%	2009	111	6.85%
2000	80	4.94%	2010	122	7.53%
2001	82	5.06%	2011	124	7.65%
2002	83	5.12%	2012	122	7.53%
			Total	1,621	100%

**With very few exceptions, most firms started their filings of financial reports in 1994 and the number of proposals submitted in 1993 looks much smaller.*

Table 3-5. Distribution of Shareholder Social Proposals Across Industries

SIC-1	Industry	Num. of proposals (N)	Percentage
0	Agricultural products	3	0.19%
1	Mining and construction	111	6.85%
2	Food, tobacco, textile, apparel, wood products, paper, chemicals, and petroleum refining	631	38.93%
3	Plastics product, leather products, stone and concrete products, metal, industrial and commercial machinery and transportation equipment, computer equipment, and measuring and analyzing instruments	192	11.84%
4	Transportation, communication, electric, gas, and sanitary services	172	10.61%
5	Wholesale trade and retail trade	212	13.08%
6	Finance, insurance, and real estate	181	11.17%
7	Hotel, personal services, and business services	62	3.82%
8	Health services, legal services, educational services, social services, and other professional services	1	0.06%
9	Public administration	56	3.45%
Total		1,621	100%

Standard Industrial Classification (SIC) Codes, United States Department of Labor, www.osha.gov/pls/imis/sic_manual.html.

Table 3-6. Distribution of Shareholder Social Proposals Across Industries and Years

SIC-1	0	1	2	3	4	5	6	7	8	9
Year	Number of Proposals									
1993			2							
1994		3	17	4	3	2	5	1		2
1995		1	20	2	1	3	4	2		4
1996		1	17	7	4	2	3	3		5
1997	1	1	13	5	6	1	3	1		3
1998		1	11	12	4	2	3	1		4
1999		2	15	7	3	6	8	1		4
2000		2	38	7	4	8	11	5		5
2001		3	39	11	6	9	8	3		3
2002		1	32	10	9	15	8	5		3
2003		3	29	9	8	15	6	3		5
2004		6	46	12	12	13	14	4		5
2005	1	7	51	10	9	17	8	1		5
2006	1	6	56	14	9	22	12	5		1
2007		9	40	13	11	20	8	5		2
2008		11	49	14	12	18	17	5		2
2009		13	37	17	14	14	12	4		
2010		14	38	15	16	16	18	4	1	
2011		16	45	12	16	13	15	5		2
2012		11	36	11	25	16	18	4		1

Table 3-7. Top 15 Individual Proponents and Top 20 Institutional Proponents

Top 15 Individual Proponents				Top 20 Institutional Proponents			
Rank	Name	Num. of proposals (N)	Percentage*	Rank	Name	Num. of proposals (N)	Percentage*
1	Evelyn Y. Davis	59	4.72%	1	Office of the Comptroller of the City of New York	146	11.67%
2	James Leas	8	0.64%	2	Harrington Investments, Inc.	56	4.48%
3	Carl Olson	6	0.48%	3	People for the Ethical Treatment of Animals (PETA)	36	2.88%
3	Patricia T. Birnie	6	0.48%	4	Trillium Asset Management Corporation	35	2.80%
3	Raymond B. Ruddy	6	0.48%	5	AFL-CIO Reserve Fund	34	2.72%
6	Gloria J. Eddie	5	0.40%	6	Domini Social Investments LLC	33	2.64%
6	Gregory N. Connolly	5	0.40%	7	Province of Saint Joseph of the Capuchin Order	30	2.40%
6	Thomas Strobhar	5	0.40%	7	Walden Asset Management	30	2.40%
9	Bartlett Naylor	4	0.32%	9	New York City Employees' Retirement System	22	1.76%
9	Thomas T. Gniewek, Jr.	4	0.32%	10	Nathan Cummings Foundation	21	1.68%
11	John Jennings	3	0.24%	11	Missionary Oblates of Mary Immaculate	20	1.60%
11	Martha Burk	3	0.24%	11	Sisters of Mercy	20	1.60%
11	Richard A. Dee	3	0.24%	13	Green Century Equity Fund	19	1.52%
11	Stephen Viederman	3	0.24%	14	Trinity Health System	16	1.28%
11	Tracy Burt	3	0.24%	15	Adrian Dominican Sisters	15	1.20%
	Total	123	9.83%	15	Christian Brothers Investment Services, Inc.	15	1.20%
				15	Free Enterprise Action	15	1.20%

	Fund		
15	National Legal and Policy Center	15	1.20%
15	Sisters of Charity of Saint Elizabeth	15	1.20%
15	Sisters of Saint Dominic of Caldwell New Jersey	15	1.20%
	Total	608	48.60%

** The percentage of social proposals by one proponent to the total 1,251 proposals. Please also note that the percentage may not be accurate because the proxy statements of 370 proposals did not release the names and other information about the proponents.*

Table 3-8. Shareholdings of Proponents

	Percentage shareholdings of first proponent		Percentage shareholdings of all proponents	
	Individuals	Institutions	Individuals	Institutions
Average	0.022%	0.093%	0.022%	0.114%
SD*	0.288%	0.247%	0.288%	0.271%
Minimum	0.000%	0.000%	0.000%	0.000%
Maximum	3.836%	2.984%	3.836%	2.984%

* *SD=Standard Deviation.*

Table 3-9. Distribution of Proposals by Type of Proponents and Stakeholder Group

Stakeholder group	Individual proponents		Institutional proponents		Unknown proponents	
	Num. of proposals (N)	Percentage *	Num. of proposals (N)	Percentage *	Num. of proposals (N)	Percentage *
Customer	2	0.84%	72	7.10%	16	4.32%
Employee	40	16.88%	190	18.74%	58	15.68%
Government	74	31.22%	193	19.03%	48	12.97%
Natural environment	70	29.54%	307	30.28%	141	38.11%
Community and other societal members	51	21.52%	252	24.85%	107	28.92%
Total	237	100.00%	1,014	100.00%	370	100.00%

* The percentage of the number of proposals within each stakeholder group to the total number of proposals of each type of proponent.

Table 3-10. Categories of Shareholder Social-Proposal Issues

Stakeholder group	Issue	Num. of Proposals (N)	Percentage
Customers	Customer safety	90	5.55%
	<i>Total proposals with customer issues</i>	90	5.55%
Employees	Diversity & equity	113	6.97%
	Employee welfare & working conditions	175	10.80%
	<i>Total proposals with employee issues</i>	288	17.77%
Government	Lobbying and political contributions	292	18.01%
	Political neutrality	23	1.42%
	<i>Total proposals with governmental issues</i>	315	19.43%
Natural environment	Animal welfare	78	4.81%
	Biodiversity	14	0.86%
	Climate change & Global warming	93	5.74%
	Sustainability	333	20.54%
	<i>Total proposals with environmental issues</i>	518	31.96%
Community and other societal members	National health care reform	40	2.47%
	Health spending	19	1.17%
	Human rights	143	8.82%
	Philanthropy	41	2.53%
	Public health: HIV/AIDS	15	0.93%
	Public health: smoking	98	6.05%
	Local community welfare and other society welfare	54	3.33%
	<i>Total proposals with community and societal issues</i>	410	25.29%
Total		1,621	100.00%

Table 3-11. Proposals with International Issues vs. Domestic Issues

Stakeholder group	International		Domestic	
	Num. of proposals (N)	Percentage	Num. of proposals (N)	Percentage
Customers	6	0.37%	84	5.18%
Employees	145	8.95%	143	8.82%
Government	4	0.25%	311	19.19%
Natural environment	44	2.71%	474	29.24%
Community & other societal members	154	9.50%	256	15.79%
Total	353	21.78%	1268	78.22%

Table 3-12. Packaging and Framing Strategies of Shareholder Social Proposals

Packaging & framing strategy	Num. of proposals (N)	Percentage *	Definition & Descriptions
Opportunity framing	330	20.36%	The statements of a shareholder social proposal explicitly or implicitly claim that adoption of the resolution offers certain opportunities the firm, such as enhancing productivity, strengthening reputation, attracting and maintaining talented employees, and so forth.
Threat framing	648	39.98%	The statements of a shareholder social proposal explicitly or implicitly claim that, if the resolution is not adopted, the firm will face certain threats such as public and environmental risks, managerial opportunism, damages in reputation, boycotts, higher employee turnover, and so on.
Both opportunity & threat framing	111	6.85%	The statements of a shareholder social proposal explicitly or implicitly point out simultaneously opportunities that have resulted from the adoption of the resolution and the threats caused by the rejection of the resolution.
Strategic framing	247	15.24%	The statements of a shareholder social proposal explicitly or implicitly claim that the adoption of the resolution can strengthen the firm's competitive advantage and create more shareholder values in the long run.
Normative framing	1459	90.01%	The statements of a shareholder social proposal explicitly or implicitly claim that the adoption of the resolution can benefit certain stakeholders other than shareholders and emphasize the intrinsic and normative gains resulted from adoption of the resolution.
Both strategic & Normative framing	190	11.72%	The statements of a shareholder social proposal explicitly or implicitly point out that adoption of the resolution not only enhances the firm's competitive advantage and creates more shareholder values in the long run, but also generates normative and intrinsic benefits to other non-shareholding stakeholders.

Peer grouping	205	12.65%	The statements of a shareholder social proposal explicitly or implicitly claim that the resolution has been adopted or what is proposed in the resolution has been done by certain firms considered as peers to the focal firm.
Urgency highlighting	460	28.38%	The statements of a shareholder social proposal explicitly or implicitly highlight the urgency of the adoption of the resolution, such as setting a deadline for the accomplishment of the resolution.

** The percentage of the proposals packaged and framed by a certain strategy of the total 1,621 shareholder social proposals.*

Table 3-13. Selling Strategies of Shareholder Social Proposals

Selling strategy	Num. of proposals (N)	Percentage	Definition & Descriptions
Coalition building	600	37.01% *	One shareholder social proposal is submitted by two or more proponents to a given firm in a given year.
Repeated submitting	1,214	74.89% **	The proponents repeatedly submit one shareholder social proposal to a specific firm in two or more years. If the shareholder social proposal is submitted by a coalition of proponents, the composite of the coalition may vary across years.

* *The percentage of co-sponsored proposals of the total 1,621 proposals in the sample.*

** *The percentage of repeatedly submitted proposals of the total 1,621 proposals in the sample.*

Table 3-14. Distribution of Co-Sponsored Proposals by the Number of Proponents

Num. of proponents	Num. of proposals (N)	Percentage *	Num. of proponents	Num. of proposals (N)	Percentage *
2	157	30.31%	18	1	0.19%
3	80	15.44%	19	3	0.58%
4	74	14.29%	21	5	0.97%
5	75	14.48%	24	1	0.19%
6	43	8.30%	29	1	0.19%
7	15	2.90%	35	1	0.19%
8	14	2.70%	44**	1	0.19%
9	13	2.51%	56**	1	0.19%
11	13	2.51%	117**	1	0.19%
12	2	0.39%	192**	1	0.19%
13	3	0.58%	243**	1	0.19%
14	3	0.58%	322**	1	0.19%
15	1	0.19%	344**	1	0.19%
17	5	0.97%	439**	1	0.19%
			Total	518	100%

* The percentage of the proposals with a certain number of proponents of the total 518 co-sponsored proposal.

** All eight proposals are submitted by Mr. James Leas and a group of co-sponsors to IBM and propose the same resolution.

Table 3-15. Distribution of Sequences of Social Proposals by the Number of Sequences Received by Firms

Number of sequences received by a firm	Num. of firms (K)	Percentage*	Num. of repeatedly submitted proposals (N)	Percentage**
1	76	50.00%	220	18.12%
2	36	23.68%	200	16.47%
3	12	7.89%	106	8.73%
4	9	5.92%	132	10.87%
5	3	1.97%	53	4.37%
6	5	3.29%	95	7.83%
7	2	1.32%	39	3.21%
8	2	1.32%	51	4.20%
9	2	1.32%	59	4.86%
10	1	0.66%	35	2.88%
12	1	0.66%	49	4.04%
15	2	1.32%	102	8.40%
18	1	0.66%	73	6.01%
Total	152	100%	1,214	100%

* Percentage is calculated as the number of firms receiving a certain number of sequences divided by the total number of firms (152).

** Percentage is calculated as the number of proposals received by a firm with a certain number of sequences divided by the total number of repeatedly submitted proposals (1,214).

Table 3-16. Distribution of Sequences of Social Proposals by the Number of Proposals of the Sequences

Num. of proposal of a sequence	Num. of sequences	Percentage *	Num. of proposal of a sequence	Num. of sequences	Percentage *
2	185	48.30%	8	5	1.31%
3	96	25.07%	9	3	0.78%
4	46	12.01%	10	4	1.04%
5	18	4.70%	11	1	0.26%
6	17	4.44%	13	1	0.26%
7	7	1.83%	Total	383	100%

** The percentage is calculated as the number of sequences of a certain number of proposals divided by the total number (383) of sequences.*

Table 4-1. Definition and Operationalization of Variables

Variable	Definition	Measurement		Data Source
Dependent Variable				
Success of shareholder social proposals	Strength of boards' objection to social proposals	The number of reasons cited by a board to support their recommendation	New*	Content analysis of annual proxy statements
	Voting outcome	The percentage of approval votes for a shareholder social proposal	New*	Current reports (8-K), quarterly reports (10-Q)
Independent Variables				
Opportunity framing	Proposal statements that claim opportunities resulted from the adoption of the resolution.	5-point scale	New*	Content analysis of annual proxy statements
Threat framing	Proposal statements that claim the threats resulted from the rejection of the resolution.	5-point scale	New*	Content analysis of annual proxy statements
Strategic framing	Proposal statements that claim the competitive advantage and shareholder value creation resulted from the adoption of the resolution.	5-point scale	New*	Content analysis of annual proxy statements

Normative framing	Proposal statements that claim the intrinsic benefits and normative values accrued for non-shareholding stakeholders resulted from the adoption of the resolution.	5-point scale	New*	Content analysis of annual proxy statements
Peer grouping	Proposal statements that claim the peers and what has done by the peers.	A dummy indicator coded as “1” if the strategy is used, and coded as “0” otherwise	New*	Content analysis of annual proxy statements
Urgency highlighting	Proposal statements that indicate a deadline of the accomplishment of the resolution.	A dummy indicator coded as “1” if the strategy is used, and coded as “0” otherwise	New*	Content analysis of annual proxy statements
Coalition building	A proposal that is sponsored by more than one proponent.	A dummy indicator coded as “1” if the strategy is used, and coded as “0” otherwise	New*	Content analysis of annual proxy statements
		The number of the proponents	New*	

Repeated submitting	A proposal is submitted to the same firm in more than one year.	A dummy indicator coded as “1” if the strategy is used, and coded as “0” otherwise The order of the submission of the proposal; e.g., the first submission is coded as “1”, and the third submission is coded as “3”.	New* New*	Content analysis of annual proxy statements
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Control Variables

Financial performance		Return on asset (ROA), return on equity (ROE)	Brammer & Millington, 2004	COMPUSTAT
Slack resource		The total annual cash flow from a firm’s operations, financing, and investing activities, scaled by its total assets	Waddock & Graves, 1997	COMPUSTAT
Firm size		The natural logarithm value of total assets, and the natural logarithm value of the number of total employees	Graves & Waddock, 1994	COMPUSTAT
Industry dummy		Nine industry dummies based on one-digit SIC codes.	Holl & Rothenberg, 2008	COMPUSTAT

Issue dummy	Fifteen industry dummies based on the 16 issues the resolutions addressing: Customer safety, Diversity & equity, Employee welfare & working conditions, Lobbying and political contributions, Political neutrality, Animal welfare, Biodiversity, Climate change & Global warming, Sustainability, National health care reform, Health spending, Human rights, Philanthropy, Public health: HIV, Public health: smoking, and Local community welfare and other society welfare.	New*	Content analysis of annual proxy statements
Prior CSP	MSCI ESG ratings (former KLD ratings): community, diversity, employee relations, environment, human rights, and product.	Hillman & Keim, 2001 Johnson & Greening, 1999 Waddock & Graves, 1997	MSCI ESG database

Note: * This measure is new and has not been used in previous studies.

Table 4-2. Descriptive Statistics and Correlations (Proposal-Level Data)

Variable	# Obs.	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Voting outcome	1603	.11	.10	1.00													
2 Voting outcome (log)	1603	-2.53	.84	.87	1.00												
3 Strength of support	1621	2.07	.51	.06	.07	1.00											
4 Opportunity framing	1621	1.40	.88	.21	.22	.01	1.00										
5 Threat framing	1621	1.67	.96	.26	.26	.08	-.08	1.00									
6 Strategic framing	1621	1.30	.78	.24	.24	.15	.68	.19	1.00								
7 Normative framing	1621	2.81	1.08	-.07	-.06	-.10	-.10	-.10	-.22	1.00							
8 Peer grouping	1621	.13	.33	.06	.03	.09	.07	.00	.09	.00	1.00						
9 Urgency highlighting	1621	.28	.45	-.02	-.01	.02	-.04	-.01	.00	.03	.06	1.00					
10 Coalition building (dummy)	1621	.37	.48	.07	.06	.06	.11	-.03	.08	.16	-.03	.03	1.00				
11 Coalition building	1539	3.72	18.69	.04	.06	.04	-.01	.09	.00	-.08	-.03	.03	.20	1.00			
12 Repeated submitting (dummy)	1621	.75	.43	.05	.15	.00	.01	.09	.04	.04	-.05	-.02	.10	.05	1.00		
13 Repeated submitting	1621	1.91	1.91	.17	.22	.07	.08	.13	.10	.01	-.07	-.09	.12	.07	.58	1.00	
14 Firm size (log assets)	1600	4.63	.65	-.08	-.07	.01	-.10	.08	-.03	-.11	-.11	-.09	-.08	.02	.12	.23	1.00
15 Firm size (log employees)	1584	4.81	.57	-.19	-.15	.06	-.14	-.01	-.11	-.03	-.02	-.04	.04	.08	.10	.16	.48
16 Financial performance (ROA)	1600	.07	.07	-.06	-.05	.06	.05	.03	.02	.05	.01	.00	.06	.03	.05	.03	-.19
17 Financial performance (ROE)	1600	.31	3.72	-.03	-.03	.00	-.02	-.02	-.02	.05	-.01	-.02	-.01	.00	-.05	-.04	-.02
18 Slack resource	1582	.01	.03	.02	.01	-.02	-.03	.02	-.03	.00	-.01	.02	-.03	-.01	-.03	-.05	-.07
19 Community CSP	1511	.48	1.17	-.14	-.15	.14	-.11	.08	-.02	.01	-.04	-.05	.02	.09	.03	.01	.18
20 Diversity CSP	1511	1.95	1.86	-.19	-.19	.07	-.13	.03	-.08	-.06	-.02	-.07	-.08	.13	.04	.09	.41
21 Employee relations CSP	1511	.02	1.31	-.15	-.13	.04	-.02	-.01	-.07	.06	-.03	-.05	-.01	.03	.01	-.02	.14
22 Environment CSP	1511	-.57	1.76	-.01	-.05	.07	-.07	.03	-.04	-.03	.04	-.10	-.01	-.01	-.09	-.02	-.16
23 Human rights CSP	1455	-.44	.72	.01	-.01	.07	.01	-.01	.00	-.10	-.02	-.01	.03	-.02	-.13	-.11	-.27
24 Product CSP	1511	-1.08	1.26	.16	.21	-.10	.07	.03	.01	-.08	.05	.05	-.06	.08	-.05	-.07	-.40

Variable	15	16	17	18	19	20	21	22	23	24
15 Firm size (log employees)	1.00									
16 Financial performance (ROA)	.07	1.00								
17 Financial performance (ROE)	.01	-.07	1.00							
18 Slack resource	-.07	.05	.03	1.00						
19 Community CSP	.21	.02	-.01	.04	1.00					
20 Diversity CSP	.30	.11	-.01	-.01	.36	1.00				
21 Employee relations CSP	-.03	.05	-.03	.02	.18	.23	1.00			
22 Environment CSP	.03	-.01	.00	.03	.32	.15	-.02	1.00		
23 Human rights CSP	-.20	-.13	.02	.08	.12	-.06	.05	.39	1.00	
24 Product CSP	-.29	-.04	.00	.01	-.06	-.22	.02	.14	.12	1.00

Note: SD=Standard Deviation. Correlations greater than 0.05 are significant at the $p<0.05$ level. Firm size, financial performance, slack resource, and CSP variables are at year t-1, other variables are at year t.

Table 4-3. Hierarchical Multiple Regression by Expanded OLS Analysis (DV=Voting Outcome)

<i>IV</i>	r_{xy}	Model 1		Model 2		Model 3		Model 4		
		Coef.	SE	Coef.	SE	Coef.	SE	Coef.	SE	
Opportunity framing	.21	.23***	.003							
Threat framing	.26	.28***	.003							
Strategic framing	.24			.24***	.004					
Normative framing	-.07			-.02	.002					
Peer grouping	.06					.06*	.010			
Urgency highlighting	-.02					-.03	.005			
Coalition building	.04							.03 ⁺	.000	
Repeated submitting	.17							.16***	0.001	
<i>Control variable</i>										
Firm size (log assets)	-.08									
Financial performance (ROA)	-.06									
Slack Resource	.02									
Community CSP	-.14									
Diversity CSP	-.19									
Employee CSP	-.15									
Environment CSP	-.01									
Human CSP	.01									
Product CSP	.16									
Issue dummies			NO		NO		NO		NO	
Industry dummies			NO		NO		NO		NO	
R-Squared			.122		.058		.005		.026	
R			.349		.240		.067		.161	

IV	Model 5		Model 6		Model 7		R_{u1}	R_{u2}
	Coef.	SE	Coef.	SE	Coef.	SE		
Opportunity framing	.20***	.005			0.14***	0.00	.030	.008
Threat framing	.27***	.003			0.18***	0.00	.095	.018
Strategic framing	.03	.006			0.03	0.01	.000 [^]	.000 [^]
Normative framing	-.04 ⁺	.002			0.07*	0.00	.003	.003
Peer grouping	.06 ⁺	.010			0.06*	0.01	.004	.003
Urgency highlighting	.00	.005			-0.01	0.01	.000	.000
Coalition building	.01	.000			0.07**	0.00	.010	.021
Repeated submitting	.11***	.001			0.08**	0.00	.012	.004
Control variable								
Firm size (log assets)			-.11**	.006	-0.13**	0.01		.005
Financial performance (ROA)			.00	.047	-0.04	0.04		.001
Slack Resource			.02	.070	0.03	0.07		.005
Community CSP			-.03	.003	-0.03	0.00		.001
Diversity CSP			-.08**	.002	-0.08**	0.00		.003
Employee CSP			-.08**	.002	-0.07**	0.00		.003
Environment CSP			.01	.002	-0.02	0.00		.000
Human CSP			-.07**	.004	-0.05 ⁺	0.00		.005
Product CSP			.06*	.002	0.04 ⁺	0.00		.001
Issue dummies		NO		YES		YES		.107
Industry dummies		NO		YES		YES		.008
R-Squared		.147		.283		.366		
R		.383		.532		.605		

Note: ⁺ p<0.10; * p<0.05; ** p<0.01; *** p<0.001; standardized regression coefficient (Coef.) and robust standard error (SE) reported. r_{xy} denotes the zero-order correlation. R_u denotes the unique R of each variable. R_{u1} is computed on Model 5 and R_{u2} is computed on Model 6. Control variables are at year t-1, other variables are at year t. There are 15 issue dummies and 9 industry dummies (see Table 4-1).

[^] This result might be explained by the multicollinearity among opportunity framing, strategic framing, and normative framing and the differences in their correlations with the DV. I computed R_{u1} and R_{u2} of these two IVs when opportunity framing was specifically excluded: for strategic framing, R_{u1} = .033 and R_{u2} = .008; for normative framing, R_{u1} = .002 and R_{u2} = .003.

Table 4-4. Summary of Hypotheses Testing Results

<i>Hypothesis</i>	<i>Voting outcomes</i>
H1 <i>The extent to which a shareholder social proposal is framed as an opportunity is positively associated with its success.</i>	Supported
H2 <i>The extent to which a shareholder social proposal is framed as a threat is positively associated with its success.</i>	Supported
H3 <i>The extent to which a shareholder social proposal is framed in a strategic manner is positively associated with its success.</i>	Supported
H4 <i>The extent to which a shareholder social proposal is framed in a normative manner is positively associated with its success.</i>	Not supported*
H5 <i>Shareholder social proposals that claim what has been done by peer firms are more likely to be successfully sold than shareholder social proposals that do not.</i>	Supported
H6 <i>Shareholder social proposals that claim the urgency of resolutions are more likely to be successfully sold than shareholder social proposals that do not.</i>	Not supported
H7 <i>Shareholder social proposals that are sponsored by a group of shareholders are more likely to be successfully sold than shareholder social proposals that are sponsored by a single shareholder.</i>	Supported
H8 <i>Shareholder social proposals that are repeatedly submitted are more likely to be successfully sold than shareholder social proposals that are submitted only once.</i>	Supported

Note:

* Supported by if the regression analysis was conducted by the traditional reporting framework in which all control variables were included for each model.

Figure 3-1. The Basic Model of Shareholder Social Activism as Issue Selling

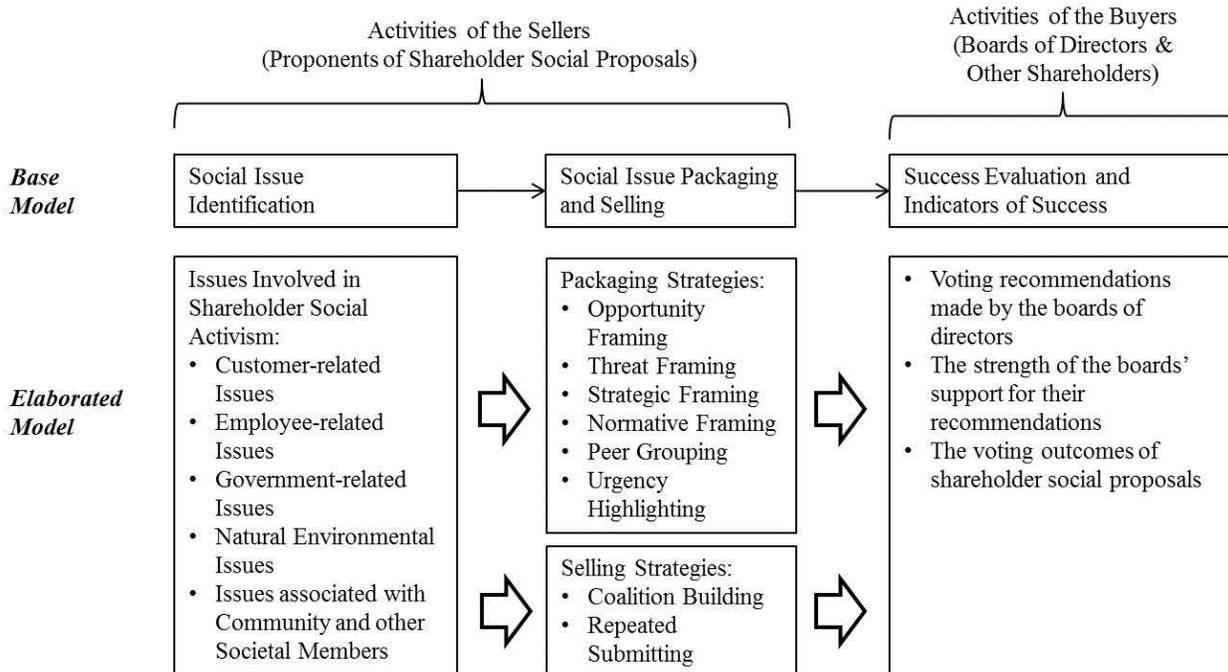


Figure 3-2. Trends in Shareholder Social Proposals During 1994-2012.

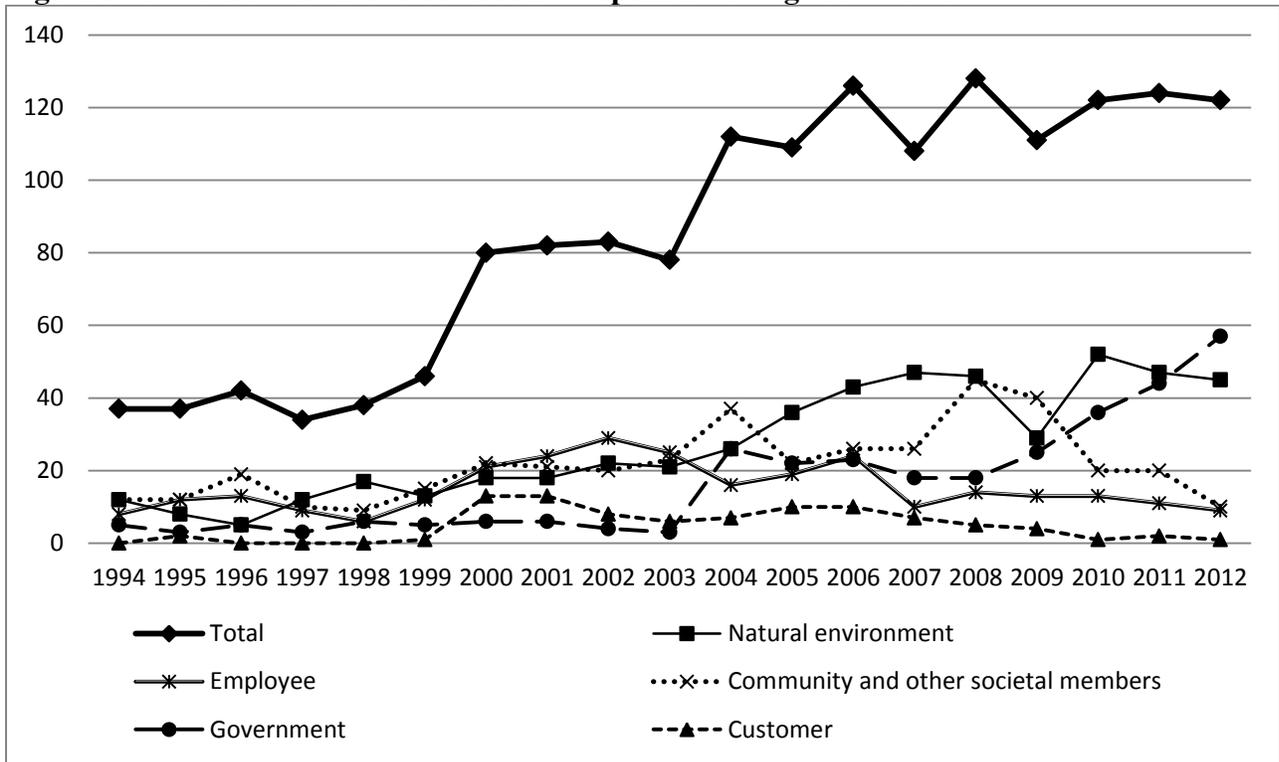
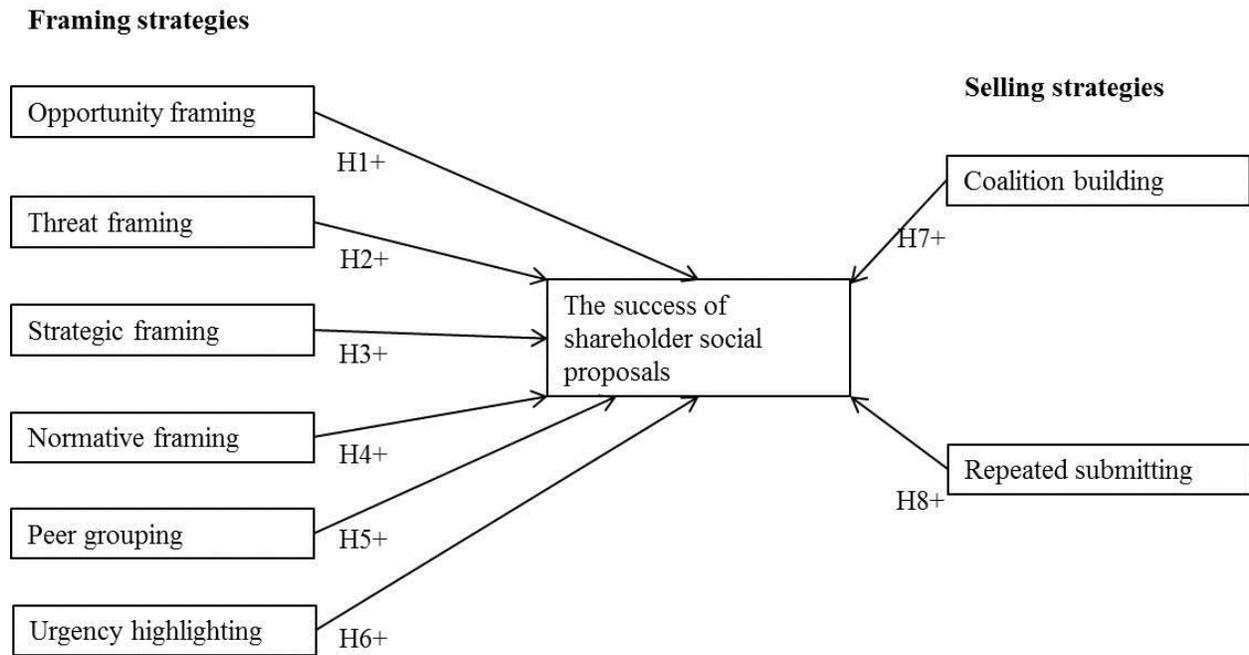


Figure 4-1. Theoretical Model of Hypotheses Development



APPENDIX A: Descriptions of Data Sources

A-1: Definitive Proxy Statement (DEF 14A), Quarterly Report (10-Q), and Current Report (8-K)

Definitive Proxy Statement (DEF 14A)

The U. S. Stock Exchange Commission (SEC) “requires that shareholders of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934 receive a proxy statement prior to a shareholder meeting, whether an annual or special meeting. The information contained in the statement must be filed with the SEC before soliciting a shareholder vote on the election of directors and the approval of other corporate action. Solicitations, whether by management or shareholders, must disclose all important facts about the issues on which shareholders are asked to vote”.

According to SEC regulations, the proxy statement includes: voting procedure and information; background information about the company's nominated directors including relevant history in the company or industry, positions on other corporate boards, and potential conflicts in interest; board compensation; executive compensation, including salary, bonus, non-equity compensation, stock awards, options, and deferred compensation. Also, information is included about perks such as personal use of company aircraft, travel, and tax gross-ups. Many companies will also include pre-determined payout packages for if an executive leaves the company. In addition, information is included about who is on the audit committee, as well as a breakdown of audit and non-audit fees paid to the auditor.

Quarterly Report (10-Q)

According to SEC regulations, quarterly report is an unaudited document reporting the financial results for the quarter and noting any significant changes or events in the quarter.

Quarterly reports contain financial statements, a discussion from the management, and a list of

"material events" that have occurred with the company (such as a stock split or acquisition).

Generally, quarters end in March, June, September, and December, and quarterly reports are filed a few weeks later.

Current Report (8-K)

Current report is a very broad form used to notify investors of any material event that is important to shareholders or the United States Securities and Exchange Commission. This is one of the most common types of forms filed with the SEC. Current report can be used to announce certain significant changes in a public company, such as a merger or acquisition, a name or address change, bankruptcy, change of auditors, or any other information which a potential investor ought to know about

A-2: MSCI ESG STATS (former KLD Social Ratings)

KLD Research & Analytics, Inc. (KLD), founded in 1988, is an independent investment research firm providing authoritative sustainability research and indexes and also the leading firm offering sustainability research for institutional investors. In 1990, KLD launched the Domini SocialSM index (DS 400 Index), a socially screened capitalization-weighted index of 400 common stocks. DS 400 Index has been commonly viewed as the first social investment benchmark in the U.S. In 2001, KLD created the Broad Market SocialSM Index (KLD BMS Index) as a response to market demands for a wider universe of socially screened equities. The KLD BMS Index is the most extensive socially screened benchmark to date. Also in 2001, KLD created the Large Cap SocialSM Index (KLD LCS Index), which tracks the performance of the largest socially screened US equities, based on market capitalization. As of November, 2009, KLD is a part of RiskMetrics Group, and in 2011, the former database was renamed as MSCI ESG STATS database. In 2010, MSCI ESG STATS covers the largest 3,000 U.S. companies by

market capitalization. The MSCI ESG STATS database can be accessed through Wharton Research Data Service.

The MSCI ESG STATS ratings model contains more than 50 environmental, social, and governance (thereby ESG) indicators covering seven ESG categories for three topic areas. The first topic area only includes environmental category; the second topic area is social issues, including five categories such as community, human right, employee relations, diversity, and customers; the last topic area contains only governance category. Besides, MSCI ESG STATS also include ratings data for firms in industries with controversial business issues, such as alcohol, gambling, firearms, military, nuclear power, and tobacco.

For each of the seven categories, there are many rating items, which are classified into either strength or concern. Items classified as strengths refer to positive CSP and, in contrast, items classified as concerns represent negative CSP. All rating items are demonstrated by follows:

Environment ESG rating items include: (1) strengths: beneficial products and services, pollution prevention, recycling, clean energy, management system, and other environmental strength; and (2) concerns: regulatory problems, substantial emission, climate change, negative impact of products and services, land use & biodiversity, non-carbon emission, and other environmental concerns.

Community ESG rating items are: (1) strengths: charitable giving, innovative giving, community engagement, and other community strength; and (2) concerns: community impact.

Human rights ESG rating items contain: (1) strengths: indigenous people relations strength, and human rights policies & initiatives; and (2) concerns: operation in Burma, operation in Sudan, and other human right concerns.

Employee relations ESG rating item include: (1) strengths: good union relations, cash profit sharing, employee involvement, health and safety, supply chain policies, programs, & initiatives, and other benefits and programs; and (2) concerns: poor union relations, health and safety concerns, supply chain controversies, and labor-management relations controversies.

Diversity ESG rating items contain: (1) strengths: representation strength, board of directors strength, work/life benefits, woman & minority contracting, gay & lesbian policies, employment of underrepresented groups, and other diversity strength; and (2) concerns: workforce diversity controversies, representation concerns, and board directors concerns.

Product ESG ratings items are: (1) strengths: quality, benefits to economically disadvantaged, and access to capital; and (2) concerns: product safety, marketing/contracting concern, antitrust, and customer relations concern.

Governance ESG rating items include: (1) strengths: reporting quality, and public policies; and (2) concerns: reporting quality, public policies, governance structure controversies, and business ethics controversies.

A-2.1: How CSP Scores Were Calculated From ESG Ratings

As demonstrated by Chapter 4, the scores of an individual CSP dimension were used in this dissertation. Below I describe how the CSP scores were calculated from ESG ratings. As noted above, ESG ratings are organized into seven categories, including the environment, community, human rights, employee relations, diversity, and product. Each category further includes strengths and concerns. Last, strength and concern are measured by varying numbers of items, each of which is coded as “0” or “1”. For example, the strength of the environment ESG rating include six items: beneficial products and services, pollution prevention, recycling, clean energy, management system, and other environmental strengths; and the concern of the environment ESG rating includes seven items: regulatory problems, substantial emission, climate

change, negative impact of products and services, land use and biodiversity, non-carbon emissions, and other environmental concerns.

To create a score of environment CSP, I first summed up the ratings of the six strength items and also the ratings of the seven concern items. Then the sum of the concern items were subtracted from the sum of the strength items. The resulting score represented the score of environment CSP. In a similar way, I generated the unstandardized scores of community CSP, human rights CSP, employee relations CSP, diversity CSP, and product CSP.

A-3: COMPUSTAT

Standard & Poor's COMPUSTAT database started in 1962 offering financial, statistical, and market information on both active and inactive companies worldwide. COMPUSTAT North America contains information on companies in the U.S. and Canada. COMPUSTAT Global includes fundamental and market information of non-U.S. and non-Canadian companies. Because the sample of this dissertation was drawn from Fortune's 500 and Standard & Poor's 500, I collected fundamental information from COMPUSTAT North America.

APPENDIX B: A Supplemental Analysis

Regression Analyses of the Strength of Boards' Objection to Shareholder Social Proposals:

As discussed in Chapter 3, one buyer group of shareholder social proposals was the boards of directors. The proponents often provided statements such as, "we request the board of our company adopt this resolution." Therefore, the attitudes and response of the boards toward a proposal would reflect the effectiveness and success of the proposal. From this perspective, the voting recommendations made by the boards represented their attitudes and responses.

Unfortunately, out of the 1,621 shareholder social proposals I identified, only one proposal was recommended to vote in favor of. All other 1,620 proposals were objected to by the boards. To further explore the boards' attitudes and responses, I looked at the strength of their objections to shareholder social proposals. Chapter 3 briefly showed that the strength of board objections to shareholder social proposals varied substantively across issues, although their recommendations were extremely consistent. In Chapter 3, I argued that the strength of board objections would be reflected by how many reasons they used to support their "vote-against" recommendation.

Chapter 3 briefly mentioned that six reasons that were used by the boards to support their voting recommendations.

The six reasons included that (1) the firm has established specific organizations, committees, policies, or programs to deal with the issues mentioned in the shareholder proposals; (2) what is requested by the resolution of the proposal has already been done by the firm; (3) current firm behavior benefits the shareholders and the adoption of the proposal will negatively impact shareholder value; (4) the adoption of the proposal adds unnecessary costs; (5) the adoption of the resolution in a social proposal is not in the interest of the shareholders; and (6) this proposal was submitted and voted in prior years and had received overwhelming rejections

from shareholders.

The reason that was most frequently cited by the boards to support their recommendations was that the firm had already established specific organizations, committees, policies, or programs to deal with the issues mentioned in the shareholder proposals. In 1,514 out of the 1,621 proposals (93.40%), this reason was cited by the boards to support their recommendations. For example, when requested to adopt the code of conduct developed by the International Labor Organization, the board of Abercrombie & Fitch rejected this resolution by arguing that, *“for nearly a decade, the company has had in place a code of conduct applicable to vendors. The vendor code ... incorporates substantially all of the conventions of the International Labor Organization”* (Abercrombie & Fitch proxy statement, 2010).

The second most frequently cited reason was that the proposal resolution request had already been achieved. Out of 1,621 proposals in the sample, 1,233 (76.06%) proposals were rejected by the boards citing this reason. Typical statements by the boards include that the company already substantially complies with the demands of the proposal and firmly believes that it has already done what is requested by this proposal.

The third most frequently cited reason was that the current behavior benefits the shareholders and the adoption of the proposal will negatively impact shareholder value. This reason was cited by boards in 403 (24.86%) proposals that were rejected. One typical example is the statement made by the board of Yum! Brand that rejected a proposal requesting the firm make all its restaurants smoke-free. The board argued that, *“...consumers have many restaurant choices. If enacted, this proposal would place us at an unfair competitive disadvantage. By banning smoking only in our restaurants, it is likely some of our smoking customers would choose to frequent another establishment, resulting in lost sales and diminished shareholder*

value” (Yum! Brand proxy statement, 2004).

The fourth reason was that the adoption of the proposal adds unnecessary costs. This reason was cited by boards in 104 (6.42%) proposals that were rejected. One example is the statement made by the board of AT&T to reject a proposal requesting the firm to report lobbying expenses and political contribution. The board claimed that, “*the proposal would require an unwarranted expenditure of funds by your Company (AT&T) and would be uniquely applicable only to your company (AT&T) and not to our competitors, unions, or any other participants in the process*” (AT&T proxy statement, 2004).

The fifth reason was that the adoption of the resolution was not in the interest of the shareholders. This reason was cited by boards in 36 (2.22%) proposals that were rejected. Typically, the boards argued that the proposal was neither necessary nor in the shareholders’ best interests because the issues mentioned were not related to the firm’s business operations.

The sixth reason was that the proposal had been submitted and voted on in prior years and had received overwhelming rejection from shareholders. This reason was cited to support the boards’ rejections to 28 (1.73%) social proposals.

In general, the six categories of reasons were cited by the boards of directors to support their recommendations. I also note that these reasons were not mutually exclusively and that the boards could use more than one of them as the supporting statements to their recommendations. I propose that the strength of the board objections to a social proposal can be represented by the number of the reasons cited. The more reasons cited, the stronger the board’s objections to the social proposal. That is, a proposal rejected by the board citing only one reason was likely to be more successful than a proposal rejected by the board citing three reasons. The score of this variable ranged from “1” to “6”. At the one end, a “1” indicated that only one reason was used by

the boards to support their recommendations and suggested that the proposal was most likely to be successfully sold. At the other end, a “6” indicated that six reasons were used by the boards to support their recommendations, which suggested that the proposal was least likely to be successfully sold. The average number of reasons used by the boards to support their recommendation was 2.07, suggesting that, on average, the boards provided moderately weak support for their recommendations of voting against shareholder social proposals. However, the standard deviation (0.51) implied that there were some variations in this variable.

Therefore, the indicator of the success of shareholder social proposals in this supplemental analysis was the strength of the boards’ objection to shareholder social proposals, proxied by the number of reasons used to support the boards’ voting recommendations. However, the use of the number of reasons was hard to validate and the reliability of this measure was not guaranteed. As a result, the strength of board objections was only used as the measure of the effectiveness and success of shareholder social proposals in this supplemental analysis.

Hierarchical regression analyses were used to test the hypotheses. Table 4-5 reports the results of multiple regression analyses where the dependent variable was the strength of boards’ support for their recommendations. Standardized regression coefficients were reported in order to compare the regression coefficients to the correlations when such comparisons were necessary. Robust standard errors were reported due to the existence of heteroskedasticity. The expanded OLS analysis framework was also adopted. IVs were entered into regression models in pairs. Opportunity framing and threat framing were incorporated in Model 1; strategic framing and normative framing were included in Model 2; Model 3 included peer grouping and urgency highlighting; Model 4 included coalition building and repeated submitting; Model 5 included all

the IVs; Model 6 included all control variables; and Model 7 was the full model, including all IVs and control variables.

Insert Table B-1 about here

I proposed that the number of the reasons used by boards to support their voting recommendations represents the extent to which a shareholder social proposal was successfully sold. With one exception, it was recommended by the boards to vote against all other shareholder social proposals. Therefore, I argue that the number of reasons should be negatively associated with the success of a proposal. That is, more successfully sold proposals are associated with fewer reasons offered by the boards. In other words, the more reasons cited by the boards to support their voting recommendations, the less likely that the proposals are successfully sold.

Following the logic above, Hypothesis 1 predicts that the extent to which a proposal is framed as an opportunity is negatively associated with the strength of the support from boards, while Hypothesis 2 suggests that the extent to which a proposal is framed as a threat is also negatively associated with the strength of the support from boards. Model 1 in Table 4-5 indicates that none of the coefficients was significantly negative and thus both Hypothesis 1 and Hypothesis 2 were not supported.

Hypothesis 3 predicts that the extent to which a proposal is framed in a strategic manner is negatively associated with the strength of the support from boards, while Hypothesis 4 suggests that the extent to which a proposal is framed in a normative manner is also negatively associated with the strength of the support from boards. Model 2 indicates that only the coefficient of normative framing was significantly negative ($b = -.07, p < .05$) and thus it seems that only Hypothesis 4 was supported.

Hypothesis 5 predicts that peer effects should have a negative effect on the strength of

support from boards, while Hypothesis 6 suggests that highlighting urgency also should have a negative effect on the strength of support from boards. Model 3 indicates that none of the coefficients was significantly negative and thus both Hypothesis 5 and Hypothesis 6 were not supported.

Hypothesis 7 predicts that coalition building should have a negative effect on the strength of board support, while Hypothesis 8 suggests that repeated submitting also should have a negative effect. Model 4 indicates that none of the coefficients was significantly negative and thus both Hypothesis 7 and Hypothesis 8 were not supported.

Model 5 includes all the IVs and Model 7 added the control variables to the regression model. The empirical results reported by Model 5 and 7 could differ slightly from that reported by Model 1 through 4. In particular, Model 5 and 7 demonstrate that opportunity framing was significantly negatively associated with the DV, providing seemingly plausible empirical support for Hypothesis 1. However, I argue that this may be the result of the suppression effect of the multicollinearity among IVs (Darlington, 1990). Table B-2 summarizes the results of hypotheses testing of this supplemental analysis.

Insert Table B-2 about here

The expanded OLS analysis framework also enabled me to identify the unique contribution of each strategy to the strength of board objections to shareholder social proposals. I calculated the compared R_u to show the unique contribution of each strategy. Similar to the voting outcomes, I computed R_{u1} and R_{u2} for the strength of board objections to shareholder social proposals. R_{u1} was computed based on Model 5 and R_{u2} was computed based on Model 7. R_{u1} indicated that compared with other strategies, opportunity framing ($R_{u1} = .017$), strategic framing ($R_{u1} = .007$), normative framing ($R_{u1} = .013$), peer grouping ($R_{u1} = .013$), and coalition

building ($R_{u1} = .007$) would have non-trivial unique contribution. However, when the control variable included issue dummies and industry dummies are accounted for, only opportunity framing ($R_{u2} = .006$), strategic framing ($R_{u2} = .019$), normative framing ($R_{u2} = .010$), and peer grouping ($R_{u2} = .015$) would have a non-trivial unique contribution. In particular, these results imply that the strength of board objections to shareholder social proposals could be largely determined by the joint effects of the strategies mentioned above.

Table B-1. Hierarchical Multiple Regression by Expanded OLS Analysis (DV= the Strength of Boards' Objection to Shareholder Social Proposals)

<i>IV</i>	<i>r_{xy}</i>	Model 1		Model 2		Model 3		Model 4		
		Coef.	SE	Coef.	SE	Coef.	SE	Coef.	SE	
Opportunity framing	.01	.02	.016							
Threat framing	.09	.09*	.020							
Strategic framing	.15			.14**	.027					
Normative framing	-.10			-.07*	.014					
Peer grouping	.09					.09**	.050			
Urgency highlighting	.02					.01	.030			
Coalition building	.04							.04	.001	
Repeated submitting	.07							.05 ⁺	.008	
<i>Control variable</i>										
Firm size (log assets)	.01									
Financial performance (ROA)	.06									
Slack Resource	-.02									
Community CSP	.14									
Diversity CSP	.08									
Employee CSP	.04									
Environment CSP	.07									
Human CSP	.07									
Product CSP	-.10									
Issue dummies			NO		NO		NO		NO	
Industry dummies			NO		NO		NO		NO	
R-Squared			.008		.027		.008		0.004	
R			.087		.163		.089		0.069	

<i>IV</i>	Model 5		Model 6		Model 7		R_{u1}	R_{u2}
	Coef.	SE	Coef.	SE	Coef.	SE		
Opportunity framing	-.14**	.030			-0.10*	0.03	.017	.006
Threat framing	.03	.016			0.05	0.02	.002	.002
Strategic framing	.21**	.041			0.18**	0.04	.007	.019
Normative framing	-.08*	.015			-0.11**	0.02	.013	.010
Peer grouping	.09**	.049			0.11**	0.05	.013	.015
Urgency highlighting	.02	.030			0.06*	0.03	.001	.004
Coalition building	.03	.001			0.02	0.00	.007	.005
Repeated submitting	.04	.007			0.04	0.01	.003	.002
<i>control variable</i>								
Firm size (log assets)			-.06	.032	-0.05	0.03		.001
Financial performance (ROA)			.08**	.228	0.09**	0.23		.007
Slack Resource			-.03	.413	-0.03	0.40		.002
Community CSP			.11***	.012	0.10***	0.01		.009
Diversity CSP			.04	.008	0.03	0.01		.001
Employee CSP			-.02	.011	0.00	0.01		.000
Environment CSP			.03	.010	0.06 ⁺	0.01		.003
Human CSP			.04 ⁺	.019	0.05 ⁺	0.02		.000
Product CSP			-.13***	.014	-0.14***	0.01		.016
Issue dummies	NO		YES		YES			.060
Industry dummies	NO		YES		YES			.011
R-Squared	0.055		0.095		0.156			
R	0.233		0.307		0.395			

Note: ⁺ p<0.10; * p<0.05; ** p<0.01; *** p<0.001; standardized regression coefficient (Coef.) and robust standard error (SE) reported. r_{xy} denotes the zero-order correlation. R_u denotes the unique R of each variable. R_{u1} is computed on Model 5 and R_{u2} is computed on Model 7. Control variables are at year t-1, other variables are at year t. There are 15 issue dummies and 9 industry dummies (see Table 4-1).

Table B-2. Summary of Hypotheses Testing Results of the Supplemental Analysis

<i>Hypothesis</i>	<i>Strength of Boards' Objection</i>
H1 <i>The extent to which a shareholder social proposal is framed as an opportunity is positively associated with its success.</i>	Weakly supported
H2 <i>The extent to which a shareholder social proposal is framed as a threat is positively associated with its success.</i>	Not supported
H3 <i>The extent to which a shareholder social proposal is framed in a strategic manner is positively associated with its success.</i>	Not supported
H4 <i>The extent to which a shareholder social proposal is framed in a normative manner is positively associated with its success.</i>	Supported
H5 <i>Shareholder social proposals that claim what has done by peer firms are more likely to be successfully sold than shareholder social proposals that do not.</i>	Not supported*
H6 <i>Shareholder social proposals that claim the urgency of resolutions are more likely to be successfully sold than shareholder social proposals that do not.</i>	Not supported
H7 <i>Shareholder social proposals that are sponsored by a group of shareholders are more likely to be successfully sold than shareholder social proposals that are sponsored by a single shareholder.</i>	Not supported
H8 <i>Shareholder social proposals that are repeatedly submitted are more likely to be successfully sold than shareholder social proposals that are submitted only once.</i>	Not supported**

Note:

* Significant but contrast to the hypothesized direction.

** Weakly supported if both repeated submitting and coalition building were measured by dummy variables.

APPENDIX C: Regression Analysis by Traditional Reporting Framework

Table C-1. Robustness Check: Hierarchical Multiple Regression (DV=Voting Outcome)

<i>IV</i>	<i>r_{xy}</i>	Model 1		Model 2		Model 3		Model 4	
		Coef.	SE	Coef.	SE	Coef.	SE	Coef.	SE
Opportunity framing	.21			.15***	.003				
Threat framing	.26			.18***	.003				
Strategic framing	.24					.17***	.004		
Normative framing	-.07					.11***	.003		
Peer grouping	.06							.05 ⁺	.009
Urgency highlighting	-.02							-.02	.005
Coalition building	.04								
Repeated submitting	.17								
<i>Control variable</i>									
Firm size (log assets)	-.08	-.11**	.006	-.11**	.006	-.10**	.006	-.11**	.006
Financial performance (ROA)	-.06	.00	.047	-.02	.044	-.01	.047	.00	.048
Slack Resource	.02	.02	.070	.03	.067	.03	.070	.02	.071
Community CSP	-.14	-.03	.003	-.04	.003	-.04	.003	-.03	.003
Diversity CSP	-.19	-.08**	.002	-.07*	.002	-.06*	.002	-.08**	.002
Employee CSP	-.15	-.08**	.002	-.07**	.002	-.07**	.002	-.08**	.002
Environment CSP	-.01	.01	.002	.01	.002	.00	.002	.00	.002
Human CSP	.01	-.07**	.004	-.07*	.004	-.06*	.004	-.07*	.004
Product CSP	.16	.06*	.002	.05 ⁺	.002	.07**	.002	.06*	.002
Issue dummies			YES		YES		YES		YES
Industry dummies			YES		YES		YES		YES
R-Squared			.283		.324		.308		.285
R			.532		.569		.555		.534

<i>IV</i>	Model 5		Model 6	
	Coef.	SE	Coef.	SE
Opportunity framing			.14 ^{***}	.004
Threat framing			.18 ^{***}	.003
Strategic framing			.03	.005
Normative framing			.07 [*]	.003
Peer grouping			.06 [*]	.009
Urgency highlighting			-.01	.005
Coalition building	.08 ^{***}	.000	.07 ^{**}	.000
Repeated submitting	.11 ^{***}	.001	.08 ^{**}	.001
<i>Control variable</i>				
Firm size (log assets)	-.15 ^{***}	.006	-.13 ^{**}	.006
Financial performance (ROA)	-.02	.047	-.04	.044
Slack Resource	.02	.069	.03	.067
Community CSP	-.02	.003	-.03	.003
Diversity CSP	-.09 ^{**}	.002	-.08 ^{**}	.002
Employee CSP	-.07 ^{**}	.002	-.07 ^{**}	.002
Environment CSP	-.02	.002	-.02	.002
Human CSP	-.07 [*]	.004	-.05 ⁺	.004
Product CSP	.04 ⁺	.002	.04 ⁺	.002
Issue dummies		YES		YES
Industry dummies		YES		YES
R-Squared		.316		.366
R		.562		.605

Note: ⁺ p<0.10; ^{*} p<0.05; ^{**} p<0.01; ^{***} p<0.001; standardized regression coefficient (Coef.) and robust standard error (SE) reported. r_{xy} denotes the zero-order correlation. Control variables are at year t-1, other variables are at year t. There are 15 issue dummies and 9 industry dummies (see Table 4-1).

Table C-2. Robustness Check: Hierarchical Multiple Regression (DV= Strength of Boards' Objection to Shareholder Social Proposals)

<i>IV</i>	r_{xy}	Model 1		Model 2		Model 3		Model 4	
		Coef.	SE	Coef.	SE	Coef.	SE	Coef.	SE
Opportunity framing	.01			.03	.018				
Threat framing	.09			.10**	.021				
Strategic framing	.15					.15**	.030		
Normative framing	-.10					-.10**	.017		
Peer grouping	.09							.12**	.053
Urgency highlighting	.02							.05 ⁺	.032
Coalition building	.04								
Repeated submitting	.07								
<i>Control variable</i>									
Firm size (log assets)	.01	-.06	.032	-.07 ⁺	.031	-.07 ⁺	.031	-.05	.032
Financial performance (ROA)	.06	.08**	.228	.08*	.230	.07*	.218	.09**	.227
Slack Resource	-.02	-.03	.413	-.03	.414	-.03	.400	-.03	.402
Community CSP	.14	.11***	.012	.10***	.012	.10***	.012	.11***	.012
Diversity CSP	.08	.04	.008	.04	.008	.04	.008	.03	.008
Employee CSP	.04	-.02	.011	-.02	.011	-.01	.010	-.02	.010
Environment CSP	.07	.03	.010	.04	.010	.04	.009	.04	.010
Human CSP	.07	.04 ⁺	.019	.05 ⁺	.019	.04	.019	.05 ⁺	.019
Product CSP	-.10	-.13***	.014	-.17***	.014	-.13***	.014	-.14***	.014
Issue dummies			YES		YES		YES		YES
Industry dummies			YES		YES		YES		YES
R-Squared			.095		.126		.148		0.111
R			.307		.354		.385		0.333

<i>IV</i>	Model 5		Model 6	
	Coef.	SE	Coef.	SE
Opportunity framing			-.10*	.029
Threat framing			.05	.018
Strategic framing			.18**	.041
Normative framing			-.11**	.018
Peer grouping			.11**	.051
Urgency highlighting			.06*	.032
Coalition building	.04	.001	.02	.001
Repeated submitting	.03	.008	.04	.008
<i>Control variable</i>				
Firm size (log assets)	-.06	.034	-.05	.033
Financial performance (ROA)	.09**	.233	.09**	.229
Slack Resource	-.03	.422	-.03	.405
Community CSP	.11***	.013	.10***	.012
Diversity CSP	.04	.008	.03	.009
Employee CSP	-.02	.011	-.00	.011
Environment CSP	.05	.010	.06 ⁺	.009
Human CSP	.04	.019	.05 ⁺	.019
Product CSP	-.13***	.015	-.14***	.014
Issue dummies		YES		YES
Industry dummies		YES		YES
R-Squared		0.101		0.156
R		0.318		0.395

Note: ⁺ p<0.10; * p<0.05; ** p<0.01; *** p<0.001; standardized regression coefficient (Coef.) and robust standard error (SE) reported. r_{xy} denotes the zero-order correlation. Control variables are at year t-1, other variables are at year t. There are 15 issue dummies and 9 industry dummies (see Table 4-1).

