

The Liability of Conservative Business? Political Ideology and Shareholder Activism in Corporate America¹

Abstract

Corporations have become frequent targets of shareholder activism on environmental and social issues. Scholars have used agency theory and corporate opportunity structure to explain how shareholder activists select corporate targets, but both accounts remain fragmented and incomplete. I argue that, in addition to agency problem, the occurrence of shareholder activism is a function of both corporate opportunities and threats to social movements. I develop and test the “opportunity-threat” framework on the production of corporate targets in the case of shareholder activism that seeks to improve corporate political transparency and accountability in the United States from 2000 to 2018. Using a longitudinal, firm-level shareholder activism dataset and the novel Longitudinal Corporate Elites and Employees Contributor Database, I systematically examine the conditions under which firms are more likely than others to be targeted by shareholder activists. After controlling for both agency and opportunity theoretic explanations, corporate elites’ political conservatism still significantly increases a firm’s likelihood of becoming the target of shareholder activism. Contrary to the prediction from the opportunity perspective that political liberalism benefits a movement, political conservatism serves as a key component of corporate opportunity structure that signals corporate threats to social movements and motivates activists. This paper concludes by discussing its implications to social movement studies, political sociology, and corporate governance.

Keywords

shareholder activism, shareholder political transparency activism, political ideology, corporate political activity

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