

The Power of Shareholder Activism: Blacklisting the Corporation¹

Abstract

Corporations have become frequent targets of shareholder and social activism that seeks to improve corporate social and political responsibility. Movement scholars have demonstrated that social activists can affect corporate behavior through the mechanisms of political and market disruption. Yet very few sociological studies have examined whether shareholder activists can politically and financially disrupt the target firms. This study uses shareholder political transparency activism as an illustrative case to demonstrate that shareholder activism can increase the target firm's political risk and market uncertainty. Using a unique panel dataset on shareholder activism and the novel Longitudinal Corporate Political Outcomes Database for SP1500 firms from 2000 to 2018, I employed the flexible conditional difference-in-differences method with CEM matching to estimate the causal effect of shareholder activism on firms' invited congressional hearings, PAC campaign donation returns, and awarded federal government contracts as well as security analysts' recommendation ratings. DID estimators show that shareholder political transparency activism can reduce the target firm's invited testimonies before Congress and increase the amount of campaign donation returns by politicians. It also can lead security analysts to downgrade the target firm's stock rating. Although I find a negative association of shareholder political transparency activism with awarded contracts, it is not statistically significant. Three mechanisms can moderate the relationship, including media attention to corporate political behavior and protest, the co-targeting of secondary stakeholder activism, and corporate receptivity to prior shareholder activism. This paper concludes by discussing its implications for working-class shareholder activism and social movements studies.

¹ Direct correspondence to Yongjun Zhang, University of Arizona, Department of Sociology, Social Science Building, Room 436C, Tucson, Arizona 85721.

Homepage: <https://yongjunzhang.com>; Email: yongjunzhang@email.arizona.edu

Note: results may change due to new data availability and analyses.