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THROUGH THE MUD OR IN THE BOARDROOM: EXAMINING ACTIVIST TYPES AND THEIR STRATEGIES IN TARGETING FIRMS FOR SOCIAL CHANGE

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Research summary: *We examine the variety of activist groups and their tactics in demanding firms' social change. While extant work does not usually distinguish among activist types or their variety of tactics, we show that different activists (e.g., social movement organizations vs. religious groups and activist investors) rely on dissimilar tactics (e.g., boycotts and protests versus lawsuits and proxy votes). Further, we show how protests and boycotts drag companies "through the mud" with media attention, whereas lawsuits and proxy votes receive relatively little media attention yet may foster investor risk perceptions. This research presents a multifaceted view of activists and their tactics and suggests that this approach in examining activists and their tactics can extend what we know about how and why firms are targeted.*

Managerial summary: *The purpose of this study was to examine how different types of activist groups behave differently when targeting firms for social change. We find that traditional activist groups rely on boycotts and protests, whereas religious groups and activist investors rely more on lawsuits and proxy votes. Additionally, we find that protests and boycotts are associated with greater media attention, whereas lawsuits and proxy votes are associated with investor perceptions of risk.*

INTRODUCTION

Activists frequently attempt social change by using tactics to try to influence organizations' social practices (Baron, 2005; Eesley and Lenox, 2006). Given that activists lack formal power to change corporations, and that organizations are often unresponsive to activists' requests (King, 2008), scholars have been especially curious about how activists successfully influence corporations to attend to social issues (such as racial diversity or environmental sustainability, e.g., Davis and Zald, 2005; Eesley and Lenox, 2006; Rojas, 2006, 2007; Walker, Martin, and McCarthy, 2008). Research has found that social movements can indeed affect a firm, including its social practices (Eesley and Lenox, 2006; King, 2008; King and Soule, 2007) and stock prices (King and Soule, 2007). Recently, scholars demonstrated that activists can also impact analysts' perceptions of environmental risk, which are a professional assessment of a firm's environmental vulnerabilities (i.e., a potential liability due to flawed environmental practices), and resultant potential economic consequences (Vasi and King, 2012). Risk analysts

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perceive that shareholder activists' interests are potentially aligned with those of the firm and its shareholders; as such, shareholder activism is believed to send a strong signal to investors about the potential liabilities of ignoring firm environmental behavior (Vasi and King, 2012). Thus, analysts' ratings of firms' environmental risk can indirectly have a negative impact on firms' financial performance (Vasi and King, 2012) via changing the perception of risk among potential investors.

Scholars in this area have examined the question of which firms are more likely to be targets of stakeholder activism (King, 2008; Rehbein, Waddock, and Graves, 2004), and found that activists tend to target larger, consumer-oriented, and more visible firms in order to draw media attention to the cause (King, 2008; Rehbein *et al.*, 2004). In addition to choosing which firms to target, activist groups also choose from a number of tactics (Frooman, 1999), including letter-writing campaigns (Smith and Cooper-Martin, 1997), shareholder resolutions (Frooman, 1999), and boycotts (Paul and Lydenberg, 1992), which have the potential to inflict different operational costs via public relations expenses, legal fees, and managerial attention (Lenox and Eesley, 2009). Such tactics may attract more or less attention and scrutiny from government regulators, and may also impact a firm's reputation and thus its ability to attract and retain customers, employees, and shareholders. Furthermore, we know that the wide array of tactics used against companies often vary in their level of effectiveness (Eesley and Lenox, 2006; Giugni, 1998; King, 2008). However, we know little about what factors might guide an activist group's choice of tactic to use against a firm. In recent years, scholars have suggested that firms can profit by reducing costs from interference by activist groups through greater attention to the impact of their operations on society (Hart, 1995; Jones, 1995; Rowley and Moldoveanu, 2003). Furthermore, research shows that within an industry, managerial perceptions about different stakeholders' abilities to influence the firm on social issues vary widely (Henriques and Sharma, 2005). Yet without greater knowledge of firms' likelihood of facing particular activists' tactics, it is difficult to ascertain more precise implications for firm strategy.

Moreover, not all activist organizations are the same (Eesley and Lenox, 2006). Religious groups and activist investors may use tactical influence tools to shape corporate approaches to social issues (Eesley and Lenox, 2006; Vasi and King, 2012), but their targeting behavior of firms has neither been explicitly examined, nor compared to other activist groups about which we know more (e.g., social movement organizations). These different types of stakeholders are growing in number and power (Bhagat, Bizjak, and Coles, 1998), and might vary significantly in key variables, which are known to affect the activism process, such as opportunity structures, ability to effectively target corporations for social change, or their sources of influence over the firm (Frooman, 1999; Henriques and Sharma, 2005). Thus, it is important to understand not only whether firms are at risk of being targeted by activist, and with what tactics, but also what types of activists are likely to initiate particular targeting behavior.

While previous research has been important in establishing how activists successfully initiate corporate social change and which firms they are likely to target, we argue that this research is limited in two fundamental ways: Scholars have generally not empirically differentiated, first, between the types of activist groups involved, and second, between their varied tactics. In fact, theory development (e.g., den Hond and de Bakker, 2007; Frooman, 1999; Rowley and Moldoveanu, 2003) has outpaced empirical work examining the variety of activist groups and their tactical choices. This oversight by prior work may be due to disciplinary differences; while social movement scholars tend to focus on social movement organizations, and their protests and boycotts (King, 2008; King and Soule, 2007), scholars in governance and finance literatures are more likely to examine shareholder resolutions (e.g., Dimson, Karakaş, and Li, 2014). Furthermore, methodological limitations exist for scholars seeking to study such diverse phenomena, such as lack of availability of comparable data across stakeholder groups and across their tactics. Importantly, some scholars have started to examine the managers' varied perceptions of their different stakeholders (Henriques and Sharma, 2005; Sharma and Henriques, 2005); however, there is currently no empirical scholarship that examines the various, objective actions taken by many different stakeholder activists, and with a large database of various actions across industries and firms in one social movement. We seek to remedy these issues.

We examine these elements of the multifaceted nature of stakeholder activism against firms. We ground our inquiry in the recent scholarship

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suggesting that firms are influenced by activists' tactics through two primary mechanisms of social change: negative media attention and the important, yet under-researched, environmental risk perceptions (c.f. Vasi and King, 2012). While previous work assumes that these mechanisms of change are used by different stakeholders, currently little empirical research examines which activist groups are more likely to use a particular tactic to affect these very different mechanisms of firm influence.

Clearly, tactics have different implications for how they impact firms and firm strategy. Through our approach, we are able to show that activists' tactics vary with respect to both the type of activist and the impact that the tactic has on media attention and environmental risk perceptions. We theorize that these differences are driven in part by activist group ideology with respect to corporate interests (den Hond and de Bakker, 2007). We find that social movement organizations (SMOs) are more likely to rely on the often-studied extra-institutional, confrontational tactics of protests and boycotts. Thus, SMOs make tactical choices that have the most media attention drawn to their event, attempting to portray organizations' environmental practices as shameful. These actions are consistent with an ideological stance that is relatively more anti-corporate and radical in nature (den Hond and de Bakker, 2007). The less-studied activist investors and religious groups behave quite differently; we find that these activist groups are more likely to use institutional means of conflict resolution, civil lawsuits, and proxy votes. Thus, these groups make tactical choices that influence analysts' perceptions of environmental risk, pressuring the firm through their investors, rather than publicly dragging firms "through the mud" via extensive media attention. These tactics arguably reflect more of a reformative and moderate ideology with respect to corporations (den Hond and de Bakker, 2007).

Investigating variation in activist types and tactics against firms

Prior stakeholder and social movement theory has suggested three models for the targeting behavior of activist groups—interest-based, identity-based, and ideology-based models (den Hond and de Bakker, 2007; Rowley and Moldoveanu, 2003). Empirical work has been limited on this topic (Rehbein *et al.*, 2004). However, these models of stakeholder activism have been criticized for not adequately distinguishing among activists within one movement (den Hond and de Bakker, 2007). Therefore, we examine all known stakeholder activists within one movement (the environmental sustainability movement), and posit that ideology can in part drive activists' choices (den Hond and de Bakker, 2007). We argue that activists groups tend to vary systematically in their ideology, and choose tactics that will have the intended effect of either dragging companies publicly through the mud in more radical efforts for change, or seeking corporate reform through relatively private, moderate tactics that place pressure on shareholders. This is consistent with the popular notion that there are two camps in the corporate environmental sustainability movement; one that is confrontational and radically-reformative, and another that is incremental and pragmatic (Hoffman, 2009). While prior work (Vasi and King, 2012) demonstrated that activists' more reformative tactics primarily relate to environmental risk perceptions, and in turn, to reduced firm performance, we lack a comprehensive examination of the effects of different tactics on these underlying theoretical mechanisms of coercing social change. Furthermore, we currently lack an examination of which activist groups are more likely to use a particular tactic that works through these two very different, largely indirect mechanisms of pressure (Frooman, 1999).

A fairly consistent assumption underlying prior literature is the idea that tactics like boycotts, protests, rallies, and demonstrations are explicitly intended to generate negative media attention for the firm, and therefore, are more successful to the extent that they are more contentious, threatening, and aggressive (den Hond and de Bakker, 2007; King, 2008; King and Soule, 2007; Vasi and King, 2012). For example, in 2008, in their infamous successful protest targeting Unilever's use of rainforest-depleting palm oil in their Dove products, Greenpeace activist protestors dressed as orangutans and protested outside Unilever headquarters and factories, draping banners on the building which subverted the company logo (see www.greenpeace.org). Such tactics thus might arguably be construed as publicity stunts and organizational smear campaigns relative to other influence tactics, and are seen as more disruptive, aggressive and radical (den Hond and de Bakker, 2007). It is believed that the use of these aggressive tactics is reserved for when a stakeholder has no means by which to influence an organization

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internally (King, 2008); we add that these tactics are more likely used by those groups whose ideology conflicts with appearing supportive of corporate interests. Hence, protests and boycotts are often regarded as "extra-institutional" tactics since they are used generally outside of legitimized, institutional means for corporate insiders seeking reform (King, 2008; Vasi and King, 2012). This suggests that activist groups that ideologically position themselves as relatively antagonistic to corporate interests, such as many environmental social movement organizations (SMOs) (Lyon, 2010), might be more likely to rely on these tactics (den Hond and de Bakker, 2007).

By contrast, activist groups with access to internal means of influencing an organization—or who are not ideologically opposed to corporate interests—might use different tactics. For these groups, members' expectations about what tactics are legitimate avenues to engage in reform are likely to be constrained to those that are not seen as radical or overly damaging to corporate interests. Furthermore, because owning stock in companies is likely to not be seen as conflicting with group anti-capitalist ideology as with most SMOs, relatively moderate activist groups may be more likely to choose shareholder activism to influence companies. In contrast to extra-institutional tactics, institutional tactics are those tactics that are enacted using an established, traditional mechanism for resolving conflict with corporations, such as the legal system or proxy vote procedures (Vasi and King, 2012). Additionally, whereas lawsuits could be intended as a form of public shaming, and thus, garner media attention, relative to protests and boycotts, we argue that because civil lawsuits are enacted within an accepted institutional structure to resolve corporate conflict (i.e., the legal system), lawsuits are more likely to generate environmental risk perceptions for firms, rather than the damaging media attention associated with—and we argue as intended by—radical, extra-institutional tactics. As such, we argue that activist groups that are less ideologically opposed to corporate interests, such as religious groups and investor activists, will be relatively more likely to use institutional rather than extra-institutional tactics, thus trying to influence firms in relatively reformative rather than more radical ways.

Hypothesis 1: Extra-institutional tactics (protests and boycotts) will be associated with a greater effect on event media attention than institutional tactics (proxy votes and civil lawsuits), whereas institutional tactics will be associated with a greater effect on assessments of environmental risk than extra-institutional tactics.

Hypothesis 2: Religious groups and activist investors will be associated with more institutional tactics relative to social movement organizations (SMOs), whereas SMOs will be associated with more extra-institutional tactical actions relative to religious groups and activist investors.

METHODS

We created a database of activists' actions against firms in the United States that centered on firms' impact on the natural environment during the period 1971–2003 (see Eesley and Lenox, 2006). Data on protests, boycotts, and letter-writing campaigns were collected from the LexisNexis Academic database of U.S. newspaper articles ranging from January 1, 1971, to November 25, 2003 (Lexis Nexis Academic, 2003).[1] Data on civil lawsuits were collected through the LexisNexis Legal Research database of Federal and State civil lawsuits pertaining to environmental issues.[2] Proxy vote data were collected from the Investor Responsibility Research Center (IRRC).[3]

Firm level data were gathered from Standard & Poor's Compustat Annual Dataset. Additional data were collected from activists' annual reports and websites and by contacting officials from

[1] We searched using keywords including: *stakeholder*, *environmental group*, *NGO*, *firm*, and *company*. We also searched for the names of the actions, such as *boycott*, *protest*, and so on. These words were searched in combination as well to narrow to the relevant actions (e.g., *boycott* AND *environmental group*, *stakeholder* AND *protest*). It was not necessary that all of the words be present in a given article for it to be a hit in the search. Searching was an iterative process that involved as many combinations of these words as possible, and we stopped searching only upon reaching a level of confidence that all records from each year were retrieved. Records were retained when we could identify the stakeholder group, the firm, and the request (>99.5 percent).

[2] Appellate court data were not used.

[3] Proxy votes are included because they are often initiated by secondary stakeholders who specifically buy enough shares to initiate a proxy vote. This was reinforced by comments via e-mail from a nun in one of the religious groups who wished to remain anonymous, yet noted that the Sisters usually try to purchase a few more shares than the minimum required to file a proxy vote. Exclusion of proxy votes does not significantly change our results.

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the group when necessary. Since our focus is on U.S.-based proxy votes, U.S.-based lawsuits, and actions reported in U.S. newspaper articles, we do not analyze actions against non-U.S. headquartered firms. While the use of media-based data bounds the empirical results to apply only those actions with a minimal level of public awareness, newspaper data on activist events are a "methodological staple" to examine questions of collective action (see Earl *et al.*, 2004, for a review, as well as King, 2008; McAdam and Su, 2002: 704; Vasi and King, 2012).

Firms were also matched to the Toxic Release Inventory (TRI) by the U.S. Environmental Protection Agency, to the Factiva newspaper database, to the Kinder, Lydenberg, Domini, and Company (KLD) investor database, to the Herfindahl-Hirschman Index in the Wharton Research Data Services database. The resulting database includes 1,376 observations of 331 firms that were targeted by activists during the period of the study.

Dependent variables

We created a dependent variable by examining the five types of activist actions in our data, coded as dummy variables: lawsuits, protests, boycotts, letter-writing campaigns, and proxy votes. Given the results of Hypothesis 1 (discussed below), we also collapsed these tactics into a dummy variable representing extra-institutional (boycotts, protests, and letter writing) or institutional (civil suits and proxy votes) tactics.

A second dependent variable of interest was the media attention received by the event. We gathered the count of the newspaper articles mentioning the event in the focal year using Factiva database searches, excluding the one used to code the event (*Event media attention*) given previous literature (King, 2008; King and Soule, 2007). We took the natural log of this variable (plus a constant of one) to address the skew in the distribution of this variable and to retain those events with a value of 0.[4]

A third dependent variable of interest was investor environmental risk perceptions. While the other research (Vasi and King, 2012) investigating this variable as it relates to activism against firms used the Innovest iRatings,[5] these data are not available in any overlapping years with our panel. Therefore, we instead used the KLD negative ratings in the year following the event to proxy for investor environmental risk reactions, coding KLD negative as equal to 1 if the sum of its weaknesses exceeded the sum of its strengths on the rated seven dimensions in a given year (King and McDonnell, 2015) and 0 otherwise.

KLD is an investment advisor for socially-oriented investors and they have historically used the information as a factor in investment decisions (Graves and Waddock, 1994; Harrison and Freeman, 1999). While some scholars use the KLD to proxy environmental performance (Chatterji and Toffel, 2010), given the fundamental purpose of KLD is to indicate risk to investors interested in socially responsible investment, an arguably better characterization of these data are investor perceptions (Walls *et al.*, 2011, 2012).[6]

Independent variables

We coded each type of activist consistent with prior research (Eesley and Lenox, 2006) using a set of dummy variables. Our sample includes religious groups (*Activist religious*), activist investors (such as pension fund managers and socially responsible investment groups, labeled *Activist investors*), and nongovernmental organizations (such as issue advocacy groups, labeled *SMO*). Activist individuals serve as a referent group in our data (*Activist individuals*).

Controls

We include a number of controls that may affect the general likelihood of a firm being targeted. Financially sound firms often have slack resources that can be deployed to satisfy activist demands (Eesley and Lenox, 2006), and firms that are not as

[4] The Factiva database goes back to 1980, and so for these regressions, we drop the 1.4 percent of our observations before the year 1980.

[5] RiskMetrics acquired both Innovest (iRatings) and KLD in 2009, now referring to iRatings-equivalent data as Intangible Value Assessment ratings, from which we used the Environmental Pillar Score. Both products are marketed and actively used as tools for investors as risk indicators to judge environmental and socially responsible investment choices.

[6] To demonstrate additional validity for this proxy, we were able to access iRatings scores for 2013 and correlated these with the most current KLD ratings available (2012). This showed that indeed KLD negative scores for all rated firms in 2012 correlated significantly positively with iRatings risk scores ($N = 2{,}613$, $r = 0.20$, $p < 0.0001$).

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financially sound might be more likely to be targeted (King, 2008). We measure the firm's cash flow[7] to capture the financial health of the firm. We define *Firm cashflow* as income before extraordinary items (i.e., income after interest and taxes), plus depreciation and amortization.

Reviews of empirical studies on firm environmental responsiveness indicate that visibility may be more important than firm size in attracting attention (Bowen, 2002; Getz, 1995; King and Lenox, 2000). To this end, we measure *Firm advertising intensity* as the natural logarithm of firm advertising expenditures, plus one over firm assets.[8] Research also demonstrates the important role that firms' previous media attention has in activists' targeting of firms (King, 2008), and therefore, we control for the amount of media attention for each firm in the year prior to the target year (*Past media attention general*) by counting newspaper articles that mentioned the firm for the year prior to the target year using Factiva database searches (King, 2008).

Similarly, because some firms are more likely to be targeted when they have greater reputations or are more engaged in corporate social responsibility (e.g., Briscoe and Safford, 2008; King and McDonnell, 2015), we include dummy variables to control for *Firm reputation* (measured by firms' presence in the Fortune Most Admired [FMA] list in the target year)[9] and whether or not the firm was responsive to being targeted in the prior year (*Firm cooperated prior year*). We also control for firms' ratings of corporate social responsibility using the KLD investment database (*In KLD* is equal to 1 if the firm was listed in the database),[10] *KLD positive* is equal to 1 if the sum of the seven strengths exceeded the sum of its weaknesses in a given year and 0 otherwise (King and McDonnell, 2015).

We operationalize firm size using the firm's total assets during the time an action was initiated against the firm (*Firm size*) from the Compustat Annual Dataset. Firm assets best capture the underlying logic—that larger firms could have greater reserves of capital to fight activist actions.[11]

It could also be that certain activists could be more likely to target firms that are worse performing (rather than better) on their environmental pollution. We use data on facility emissions of toxic chemicals as collected in the Toxic Release Inventory (TRI) by the U.S. Environmental Protection Agency.[12] We calculate relative environmental performance (i.e., controlling for industry, year, and size) with a quadratic function used previously in the literature (see King and Lenox, 2002; Lenox, 2006). This measure has been used by a number of papers in the literature as a measure of environmental performance and is highly correlated with other indicators such as spills, accidents, and hazardous waste sites (Delmas, Russo, and Montes-Sancho, 2007; Kassinis and Vafeas, 2006; King and Lenox, 2000, 2002; Klassen and Whybark, 1999; Russo and Harrison, 2005). To capture the size of different activists, we measure the total financial assets of an activist at the time an action was initiated (*Activist size*).[13] Activist size ranges from $20,000 to $400 million with a mean of $117,000. We measure the total financial assets of an activist at the time an action was initiated. Many activists issue an annual report; for groups that did not, we searched Charity Navigator or similar websites, which report financial statements for nonprofit groups, or wrote an email to the group, explaining the project and simply asked for the numbers.[14]

[7] Alternative measures of accounting profits, such as Return on Assets (ROA), are subject to accounting conventions that may distort the underlying financial strength of the firm.

[8] We add 1 to avoid negative values from taking the logarithm of 0. We assumed missing values to be 0.

[9] Fortune Most Admired data begin in 1991. We retain the observations before 1991 by assigning a 0 to those records. The earliest year when an FMA firm appears in our data is 1997, so this is unlikely to influence our results.

[10] KLD data begin in 1991, and therefore, our models, which use KLD, retain the years and firms not covered by this database by assigning a 0 to those records. The results are robust to removing them as only 12 percent of our sample is before 1991.

[11] We explored alternative measures such as firm sales and firm employees. Each of these measures is highly correlated with firm assets and had minimal effects on our estimates when used in place of Firm size (assets).

[12] The list of reportable chemicals has been amended a number of times over the last 15 years. To ensure comparability, we focus on the 246 "core" chemicals that have consistently been required to be reported. Facilities only need to report emissions of chemicals if they emit more the 25,000 lbs. or use 10,000 lbs. of that chemical.

[13] Previous work has found that the financial assets of the activist is a good proxy for the resource base of the stakeholder group and is highly correlated with alternative measures such as group membership and group expenditures (Eesley and Lenox, 2006). In the case of activist investors such as pension funds, we measure the total amount of investments that they control. For individuals, a referent category in our analyses, we measure the total amount of the investment that they control in the targeted firm, or 0 otherwise. We ran robustness tests using a dummy variable that was equal to 1 if the activist size was below the median for that type of activist and found similar results. Interested readers may contact the corresponding author with additional questions about the dataset.

[14] For smaller activists, multiple years of financial data were often not available. In these cases, we used data from the current year in

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Scholars have found that, in general, stakeholders are less likely to target firms perceived as innovative (Strickland, Wiles, and Zenner, 1996). We measure firm innovativeness by calculating the natural logarithm of firm R&D expenditures, plus one over firm assets (*R&D intensity*). We control for the *Firm concentration of ownership* using the Herfindahl-Hirschman Index (from the Wharton Research Data Services [WRDS] database) due to possible differences among activists in targeting firms of different concentration of proxy votes (Strickland *et al.*, 1996).

We also coded the data in order to control for the possibility that events in our sample may not be independent. Specifically, we added a count of the *Number of activists involved in each action.* We also control for the number of firms that were targeted in each action (*Number of firms in each action*), a dummy variable for actions that transpired across multiple years (*Multi-year action*), as well as a count of how many times activists targeted firms in any particular year (*Activist frequency per year*). We also report models in which we control for the number of times the firm was targeted in a given year (*Firm frequency per year*). Finally, we include industry sector and year dummy variables as well as firm and activist fixed-effects to control for potential sources of unobserved heterogeneity in our sample.

Estimation

Since many firms are only targeted once, yet in every year there are some firms targeted, we used pooled OLS and probit models on our time series, cross-sectional data.[15] An individual firm is rarely targeted year after year. Time series fixed-effects are inappropriate since many of our variables do not vary or are not observed (due to only one action) over time within a firm. Breusch-Pagan tests fail to reject the null, supporting our pooled OLS approach and suggesting heteroskedasticity is not an issue and pooled OLS is efficient. We obtained variance inflation factor scores for all independent variables and all were in the acceptable range (below eight), indicating multicollinearity was not a concern. In models not shown, we ran generalized least squares regression and found similar results, indicating serial autocorrelation is not likely to be biasing our results. We also found similar results using zero-inflated models for our event media attention dependent variable.

RESULTS

Table 1 presents summary statistics for each of our variables. Table 2 presents the estimates from a series of models examining the type of tactics and their effects on the underlying proposed mechanisms of pressure: environmental risk perceptions and event media attention (Hypothesis 1). Table 3 presents the estimates from a series of models predicting the type of activist tactic from the type of activist group as well as effects on the two mechanisms of pressure for change (Hypothesis 2).

Model 1 shows positive and significant coefficients on civil suits ($p < 0.001$) and proxy votes ($p < 0.01$) as tactics in increasing environmental risk perceptions in the following year relative to protests and boycotts. Predictably due to the low number of observations ($N = 12$), letter-writing campaigns did not have significant effects. As hypothesized, in Model 2, protests ($p < 0.05$) and boycotts ($p < 0.01$) result in significantly less of an effect on environmental risk perceptions in the following year relative to civil suits and proxy votes. Thus, when we combine protests, boycotts, and letter-writing campaigns into *extra-institutional* in Model 3, we find consistent results that extra-institutional tactics result in significantly less ($p < 0.05$) of an effect on environmental risk perceptions (institutional tactics, as the inverse, result in significant effects on environmental risk perceptions). Model 4 shows that a similar pattern holds when including all tactic variables (proxy votes are the baseline). Yet, when we examine media attention, we find the opposite results by tactic. As hypothesized, Table 2, Model 5, shows that relative to protests and boycotts, institutional tactics of civil suits and proxy votes result in significantly less of an effect on media attention to the event. Model 6 shows that relative to civil suits and proxy votes, protests and boycotts are associated with significantly more media attention related to the

which the data were collected (2003), under the assumption that these smaller groups do not significantly change size from year to year.

[15] The sample is constructed such that each observation represents a unique activist–request–firm pairing. Thus, we will have multiple observations of the same action if more than one activist undertakes the action or if more than one firm is targeted by the action. Therefore, our observations are independent across actions but not necessarily within actions. To address this potential source of heteroskedasticity, we cluster around the action using the White/Sandwich estimator of variance (Greene, 2003).

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Table 1. Descriptive statistics

Variables	N	Mean	Std. dev.	Min	Max
Extra-institutional	1,369	0.15	0.35	0	1
Protest (N = 225)	1,369	0.16	0.10	0	1
Boycott (N = 92)	1,369	0.07	0.24	0	1
Civil suit (N = 456)	1,369	0.33	0.48	0	1
Letter (N = 15)	1,369	0.01	0.10	0	1
Proxy (N = 581)	1,369	0.42	0.49	0	1
Activist size (in 1,000s)	1,240	117.00	61.34	20.98	40.01
Ln(activist size)	1,240	11.67	2.14	3.04	15.20
Activist religious	1,369	0.19	0.39	0	1
Activist investor	1,369	0.19	0.40	0	1
Activist individual	1,369	0.09	0.29	0	1
SMO	1,369	0.05	0.22	0	1
Firm cashflow	1,202	2,511.58	2,509.93	−24,091.00	27,030.00
Firm cooperated prior year	1,369	0.05	0.06	0	1
Past media attention	1,168	1,984.10	3,773.11	0	30,085.00
Ln(past media attention)	1,168	5.57	2.78	0	10.31
R&D intensity	1,202	0.02	0.04	0	0.21
Ln(R&D intensity)	1,202	0.02	0.04	0	0.19
Firm assets (1,000,000s)	1,202	338,109.60	613,422.70	15.20	10,514,500.00
Ln(firm assets)	1,202	9.93	1.27	0.92	13.87
Relative emissions	1,140	−0.01	0.15	−0.86	0.88
Adv. intensity[a]	1,202	0.00	0.03	0	0.20
Ln(adv. intensity)	1,202	0.02	0.03	0	0.14
Firm freq. per year	1,369	2.15	1.08	1	11
Activist freq. per year	1,369	1.22	5.03	0	31
Multi-year action	1,369	0.39	0.49	0	1
Num. firms	1,369	1.26	0.30	1	13
Num. of actions	1,369	1.99	1.54	1	11
Number of tactics	1,369	1.01	0.07	1.00	2.00
Number of activists	1,369	1.05	0.24	1.00	3.00
Firm concentrated	1,369	0.06	0.24	0	1
Media attention	1,168	2,339.18	4,238.76	0	30,085.00
Ln(media attention)	1,168	5.68	2.86	0	10.30
Event media attention	1,168	2.46	12.92	0	382.00
Ln(event media attention)	1,168	0.51	0.90	0	5.95
In KLD	1,259	0.51	0.50	0	1
KLD positive	1,259	0.03	0.18	0	1
KLD negative	1,259	0.32	0.47	0	1
Firm reputation	1,369	0.11	0.32	0	1

[a] Advertising intensity mean = 0.004.
N = 1,369 actions, 331 firms, 281 activists. Industrial sectors most targeted include petroleum refining (SIC 2911), plastic manufacturers (SIC 2821), paper mills (SIC 2621), and electric utilities (SIC 4911).

event ($p < 0.001$). Consistent with these results, Model 7 verifies that combining protests, boycotts, and letter-writing campaigns—*extra-institutional* tactics—are associated with significantly more media attention ($p < 0.001$). Model 8 shows similar patterns hold when all tactics are included (letter writing is the baseline).

Table 3, Model 1 shows that activist SMOs are significantly ($p < 0.001$) more likely to use protests, and tests of differences in coefficients show they are significantly more likely than religious groups, activist investors, or individuals to use this tactic ($p < 0.001$). In Model 2 ($p < 0.001$), we found the same pattern of results but with a stronger likelihood for boycotts. Model 3 shows that relative to individuals, activist investors were significantly less likely to use civil suits ($p < 0.05$). This effect is due to the fact that individuals frequently use civil suits and proxy votes (76% of their actions are these two tactics) and is therefore due to our reference group. Tests of coefficients show that religious groups are marginally more likely than SMOs to use civil suits

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Table 2. Estimating *activist actions* by activist type[a]

Variables Specification	(1) KLD negative following year Probit	(2) KLD negative following year Probit	(3) KLD negative following year Probit	(4) KLD negative following year Probit	(5) Ln event media attn OLS	(6) Ln event media attn OLS	(7) Ln event media attn OLS	(8) Ln event media attn OLS
Civil suit	2.777***			1.438	−1.301***			0.299
	(0.734)			(0.766)	(0.081)			(0.218)
Proxy	1.384**				−1.626***			−0.012
	(0.464)				(0.128)			(0.201)
Letter[b]	1.386	0.003		0.117	−1.577***	−0.057		
	(1.164)	(0.992)		−0.987	(0.211)	(0.193)		
Protest		−1.251**		−1.063*		1.583***		1.725***
		(0.472)		(0.522)		(0.091)		(0.223)
Boycott		−1.869***		−1.842***		0.939***		1.088***
		(0.494)		(0.498)		(0.21)		(0.297)
Extra-institutional (protests/boycotts/letter)			−1.226**				1.347***	
			(0.404)				(0.09)	
Activist religious	−0.298	−0.304	−0.376	−0.262	0.136*	0.112	0.150*	0.011
	(0.294)	(0.297)	(0.283)	(0.296)	(0.062)	(0.062)	(0.066)	(0.057)
Activist investor	0.109	0.0751	0.060	0.086	0.201***	0.181***	0.219***	0.199**
	(0.235)	(0.231)	(0.246)	(0.230)	(0.043)	(0.045)	(0.047)	(0.061)
SMO	−0.237	−0.192	−0.322	−0.303	0.0365	0.109	0.152*	−0.015
	(0.468)	(0.459)	(0.417)	(0.470)	(0.076)	(0.068)	(0.075)	(0.074)
Controls								
Firm cashflow[c]	−0.000	−0.000	−0.000	−0.146	0.000	0.000	0.000	0.000
Firm cooperated prior year	−0.333	−0.432	−0.187	0.354**	0.604***	0.688***	0.679***	0.556***
Past media attention	0.354**	0.366**	0.397***	0.359*	0.042*	0.025	0.006	0.090
R&D intensity	−7.200*	−6.175	−6.752	6.968	−1.101	−0.533	−0.960	−0.741
Activist size	−0.038	−0.037	−0.040	0.359*	−0.035***	−0.030***	−0.039***	−0.033***
Firm size (assets)	0.325*	0.358*	0.293	0.000	0.000	−0.000	−0.004	−0.022
Firm relative emissions	−0.177	−0.052	−0.038	−1.408	−0.242	−0.261	−0.294	−0.246
Firm adv. intensity	−0.426	−1.097	−0.439	−7.416*	1.926	2.050*	1.607	2.067
Firm conc. ownership	7.270	7.441	6.177	−0.583	−0.507	−0.467	−0.595	−0.526
Ln(event media attention)	0.285	0.299	0.247	0.000	—	—	—	—
KLD negative	2.571***	2.506***	2.357***	2.540***	−0.002	0.016	0.126	−0.047
KLD positive	−1.130*	−1.283*	−1.390*	−1.225*	0.065	0.074	0.071	0.073
Firm reputation	−0.487	−0.514	−0.545	−0.469	−0.010	−0.033	0.063	−0.109*
Firm freq. per year	−0.226*	−0.246**	−0.187	−0.230*	0.045***	0.038***	0.043***	0.045***
Multi-year action	0.170	0.194	−0.127	0.241	0.072	0.060	0.074	0.088
Number of activists	−0.133	−0.130	−0.159	0.000	−0.160***	−0.136***	−0.140***	−0.122***
Number of tactics	—	—	—	−0.158	0.924*	1.096*	0.519	0.994
Activist freq. per year	−0.066*	−0.066*	−0.070	−0.0704*	−0.005	−0.001	0.001	−0.006

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Table 2. Continued

Variables	(1) KLD negative	(2) KLD negative	(3) KLD negative	(4) KLD negative	(5) Ln event	(6) Ln event	(7) Ln event	(8) Ln event
Specification	following year Probit	following year Probit	following year Probit	following year Probit	media attn OLS	media attn OLS	media attn OLS	media attn OLS
Constant	−5.784***	−4.749**	−3.740*	−4.729**	1.012*	−0.684	0.032	−0.638
Observations[d]	489	489	489	489	1175	1175	1175	1175
Sector dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year dummies	Included	Included	Included	Included	Included	Included	Included	Included
Activist dummies	Included	Included	Included	Included	Included	Included	Included	Included
Firm dummies	Included	Included	Included	Included	Included	Included	Included	Included
Adjusted/pseudo R-sq.	0.669	0.667	0.661	0.670	0.666	0.675	0.629	0.655

[a] *, **, *** indicate significance levels of $p < 0.10$, $p < 0.05$, and $p < 0.001$, respectively. Individual activists are the referent group. Extra-institutional and institutional are coded as the inverse of one another. Robust standard errors are used. Standard errors for controls are dropped to save space.
[b] Results hold when removing letter-writing campaigns.
[c] Italicized controls indicate variables of particular interest in light of prior literature.
[d] Number of observations changes in Models 4–6 because we are no longer restricted to only the firms that are rated in the KLD.

(p = 0.06). Model 4 shows that activist SMOs were significantly less likely to use proxy votes, relative to both individuals ($p < 0.001$) and religious groups and activist investors ($p < 0.001$). However, religious groups and activist investors are not significantly more likely to use this tactic relative to individuals (who frequently use proxy votes).

Model 6 shows that it is the use of institutional tactics by activist investors that relates to significantly ($p < 0.01$) greater environmental risk perceptions in the following year. When activist investors use other extra-institutional tactics, we do not see this same effect, yet it is very rare in our data for activist investors to use other types of tactics. Similarly Model 7 shows the same result for religious groups who are associated with significantly greater environmental risk perceptions when using institutional tactics ($p < 0.01$).[16]

We also examined whether SMOs are associated with fewer institutional actions in favor of more extra-institutional actions. Table 3 Models 1–4 show that activist SMOs are significantly more likely to use protests and boycotts relative to civil suits and proxy votes. Model 5 adds that extra-institutional actions are significantly more likely for activist SMOs and institutional actions (the inverse of extra-institutional) are significantly more likely for religious groups and activist investors. This is similar to how Models 6 and 7 showed that the effects of religious groups and activist investors on environmental risk perceptions were due to their particularly effective use of institutional tactics, rather than the use of institutional tactics in general by any type of activist. In contrast, in Model 8 when we interact SMOs and extra-institutional tactics, we find that the media attention effects primarily result from the use of extra-institutional tactics. The effect is driven more by the tactic than by SMOs being particularly effective with this tactic relative to other groups.

Finally, in examination of the first four control variables listed in Table 3, we find several interesting firm targeting patterns not anticipated in light of the extant literature. First, while high R&D is thought to protect firms from activism (Vasi and

[16] Furthermore, we verified that a majority of both religious groups and activist investors taking action against firms with regards to the natural environment were members of the Interfaith Center for Corporate Responsibility (>60 percent for both groups). This shows further evidence that these groups are acting within well-institutionalized mechanisms.

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Table 3. Regressions predicting the use of different tactics and the use of tactics by stakeholder type[a]

Variables Specification	(1) Protests Probit	(2) Boycott Probit	(3) Civil suits Probit	(4) Proxy votes Probit	(5) Extra-institutional Probit	(6) KLD neg. following yr Probit	(7) KLD neg. following yr Probit	(8) Ln Event media attn OLS
Extra-institutional (protests/boycotts/letter)[b]								1.415***
								(0.096)
Institutional (civil suits/proxy votes)						1.212	0.882	
						(0.641)	(0.656)	
Activist religious	−0.193	0.0368	−1.014*	0.361	−0.964***	−0.137	−2.222**	0.159**
	(0.239)	(0.424)	(0.431)	(0.237)	(0.213)	(0.322)	(0.815)	(0.059)
Activist investor	−0.543	0.279	−2.687***	0.719**	−0.420*	−2.659*	−0.021	0.225***
	(0.300)	(0.332)	(0.589)	(0.264)	(0.189)	(1.220)	(0.281)	(0.054)
SMO	0.885***	1.454***	0.690*	−1.491***	0.978***	−0.452	−0.293	0.166*
	(0.198)	(0.409)	(0.273)	(0.264)	(0.205)	(0.488)	(0.477)	(0.072)
SMO × extra-institutional								−0.079
								(0.111)
Activist investor × institutional						2.803*		
						(1.245)		
Religious × institutional							2.242**	
							(0.853)	
Controls								
Firm cashflow (E-02)[c]	0.007**	−0.006	−0.054*	−0.005	0.002	0.000	0.000	0.002**
Firm cooperated prior year	1.783***	−0.112	0.270	−12.78***	−4.395	0.878	−0.587	0.113
Past media attention	0.049	0.407***	−0.451***	0.527***	−0.333	−0.243	0.493**	0.009
R&D intensity	−35.390**	1.215	16.000***	0.136	−3.478	1.362	1.444	−1.164
Firm size (assets)	0.025	0.028	0.191	−0.062	0.088	0.219	0.196	−0.004
Firm relative emissions	0.308	0.721	−0.495	0.666	0.539	1.088	1.372	−0.284*
Firm adv. intensity	5.933	−10.960	12.870	−5.639	3.941	−18.770	−19.340	1.746
Firm conc. ownership	0.075	0.965	0.361	−6.539	−10.260*	0.549	−0.682	−0.587
Ln(event media attention)	—	—	—	—	—	0.503**	0.688*	—
In KLD	−0.007	−0.093	−1.469*	0.333	2.054***	1.047**	—	0.065
KLD negative	0.930**	−0.550	0.303	−0.591*	0.198***	2.381***	2.494***	0.113
KLD positive	−1.277**	0	0	0.025	0.164	−1.268	−1.180	0.033
Fortune reputation	0.421	−5.190***	−2.431***	0.482	0.179	−0.310	−0.171	0.052
Firm freq. per year	0.0264	−0.300**	−0.018	0.077	−0.915	−0.197	−0.160	0.047***
Multi-year action	−1.221***	−0.025	−0.322	1.883***	−0.710**	0.086	0.175	0.092
Number of activists	−0.0557	0.478***	0.199	−0.293***	0.255***	−0.228	−0.112	−0.146***
Number of tactics	−1.661*	5.519***	0	0	−0.027	—	—	0.496
Activist freq. per year	−0.147	−0.009	0.159***	0.071	−0.118	−0.092	−0.069	0.001
Constant	2.473*	−4.720**	−3.854**	−1.861	−0.118	−4.899*	−4.368*	0.000
Observations[d]	1175	1175	1175	1175	1175	412	412	1175

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Table 3. Continued

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Specification	Protests Probit	Boycott Probit	Civil suits Probit	Proxy votes Probit	Extra-institutional Probit	KLD neg. following yr Probit	KLD neg. following yr Probit	Ln Event media attn OLS
Sector dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year dummies	Included	Included	Included	Included	Included	Included	Included	Included
Activist dummies	Included	Included	Included	Included	Included	Included	Included	Included
Firm dummies	Included	Included	Included	Included	Included	Included	Included	Included
Adjusted/pseudo R2	0.515	0.504	0.628	0.789	0.531	0.693	0.696	0.701

[a] *, **, *** indicate significance levels of $p < 0.10$, $p < 0.05$, and $p < 0.001$, respectively. Individual activists are the referent group. Tests of coefficients indicate significant differences across SMOs and religious groups and activist investors; see the text for details. The number of tactics drops from some models due to a few multi-tactic actions. Standard errors are robust. Standard errors for controls are dropped to save space.
[b] Results hold when removing letter-writing campaigns.
[c] Italicized controls indicate variables of particular interest in light of prior literature.
[d] Number of observations changes in Models 6 and 7 because the dependent variable limits us to only examine firms rated by the KLD.

King, 2012), we find that R&D relates to fewer protests but to *greater* civil suits. Perhaps this is because the general public and the media may look more favorably on more R&D intensive firms, yet investors and others who are the relevant audience to influence via civil suits may be less inclined to look past risks, especially when firms are making costly R&D investments. We also find that while slack resources are believed to relate to greater activism (Lenox and Eesley, 2009), cash flow is associated with greater protests but fewer civil suits, perhaps because it signals resources available for legal defense. While past research finds previous media attention can protect firms from protests (King and Soule, 2007), we find that it is associated with *greater* boycotts and proxy votes, maybe because media attention makes more types of stakeholder groups aware of the firm, placing it on their radar. Finally, while extant research suggests that firms who cooperate with activists are more likely to be targeted in the future (Briscoe and Safford, 2008), we find that this is only true for extra-institutional tactics; firms' prior cooperation might actually serve as a *protective* function from being targeted with proxy votes. One might argue that this is because proxy votes are seen as less necessary if firms are seen as being more responsive to stakeholder demands by cooperating. These findings underscore the value of our approach we advance by showing how, when examined in concert with other action types, we can learn more about what places firms at more or less risk of specific targeting actions.

Robustness and limitations

There are two main sources of bias to be concerned about in newspaper data: selection bias and description bias. The fact that not all activist events are covered by newspapers, and potentially, not all are included in databases of proxy votes and lawsuits, and those that are covered are not a random sample of all events that took place is the source of selection bias. Description bias refers to the accuracy of the reporting of events that are covered. Earl *et al.* (2004) conclude that the type of event, its location, and the issue involved all impact its selection for coverage, but the "hard facts" of the event are typically accurate in newspapers. The data collection we use attempts to deal with these potential biases. First, the newspaper database we searched covers regional and local newspapers in addition to

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national papers. This reduces selection bias due to geography (Davenport and Ball, 2002; Earl *et al.*, 2004; Oliver and Maney, 2000). Second, we did not sample days of the newspaper to code, and we coded all events by hand. This also reduces selection bias by not introducing further sources of selection. Since we coded the "hard facts" of the events (what type of action, the year, the activist, and the firm involved) rather than impressions, interpretations of events, and so on, we increase confidence in the accuracy of our data.

Our results are robust to a number of specifications. We present models using various specifications of our dependent variable and using various estimators. Our results are robust to models using zero-inflated regressions. Finally, we were able to control for stable sources of unobserved heterogeneity between firms by making full use of our data and including fixed-year effects and firm random-effects. Restricting our data to just the most recent data (1988–2003) as well as to only Fortune 1500 firms yields similar results. We found similar results when using several different cutoffs to examine only the largest firms, and also when dropping the proxy votes, as coverage of these actions may be focused on larger firms. In addition, we ran models in which we also controlled for the count of newspaper articles in which the firm was mentioned along with any social issues *other* than the environmental issues (*Media attention other social issues*) in the Factiva database for the focal year (e.g., human rights, health, labor concerns, animal rights, etc., King, 2008). Results again were consistent with those reported.

Furthermore, we use observational data and so caution is warranted before making causal interpretations of the results. Actions may not be independent in the sense that some may be coordinated campaigns across activists over time. We control for this by controlling for years, activists, and firms in some of our models, thus controlling for firms that tend to attract multiple activists.[17] Since we lack a variable that meets the exclusion restriction, we are not able to run Heckman selection regressions. Instead, we run our analyses on a sample that is conditioned on having been targeted. In addition, there could be cross-sectional correlation in the error terms across the equations; however, seemingly unrelated regression (SUR) models cannot result in efficiency gains when both sets of right-hand variables are identical (Greene, 1997: 676).

One additional concern is that there may be an endogenous process, where previously targeted firms improve their operations, and subsequently, emit less pollution or otherwise improve. Lagging the independent variables is one way to reduce potential endogeneity bias. As an added test, we checked whether the error terms were correlated with extra-institutional tactics or the type of activist and did not find significant correlations (Bednar, 2012). We continue to find significant coefficients in the same directions when including the outcome of the action (whether the firm made the change) as a control variable. However, we lose many observations due to missing data, so we report the results without this control. This provides some reassurance that endogeneity is not biasing our observed relationships.

DISCUSSION AND CONCLUSION

Stakeholder and social movement theorists have generally not differentiated among types of activists or examined their choices across multiple types of tactics; our research suggests dissimilar models of targeting behavior for different types of activists, demonstrating the importance of incorporating this level of granularity in models of activism. Meanwhile, separately, finance researchers often focus on activist investors (e.g., Dimson *et al.*, 2015), with whom our results concerning activist investors are largely consistent. Such scholars might wonder why these stakeholders would ever consider any other type of tactic. In our data, there is only one case of this happening, when an activist investor collaborated with SMOs in a boycott against an oil company. Nonetheless, although it is rare, future research may wish to explore the motivation behind and results of collaboration among different types of activists. This is particularly interesting when activists use tactics that are seemingly inconsistent or unproductive. The open questions of when stakeholders collaborate with other activists, use multiple tactics, or use more complex mechanisms of indirect influence such as pressuring suppliers (Frooman, 1999; Henriques and Sharma, 2005)

[17] One limitation that is present for all of our actions, including proxy votes, is that there may be some planning activities that occur sometime prior to the actual event, making the determination of when the activist began to plan which firm to target challenging to empirically observe.

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remain interesting and important areas for future research.

Existing literature has theorized about when stakeholder activists act (Aguilera *et al.*, 2007; den Hond and de Bakker, 2007; Rowley and Moldoveanu, 2003) and the types of firms that are likely to be targeted based on opportunity structures (e.g., McDonnell and King, 2013). Building on this, we add the insight that the behavior of stakeholder activist groups is potentially shaped by the intended mechanism of different tactics, which vary depending on group ideological stance in favor of reformation or radical change. Of course, there are many other characteristics of stakeholder activists that are also important for future research in this area, including group history and knowledge, experience, possible information asymmetries, sources of power over firms as well as resource dependencies, and varying opportunity costs of different tactics they might choose.

Our work builds on Soule and King's (2008) finding that stakeholder activists are aware of other activists' targeting behaviors, and their contention that with increased organizational density, they specialize in the use of tactics and in their goals. Similarly, radical flank theory (Haines, 1984) posits that activists function at a system level, such that by comparison with more radical groups, more moderate groups look more reasonable, and thus, are more effective in making change through co-existing in a larger system than is typically examined empirically.

A primary means for creation of meaningful and impactful social change is through activists' influence of organizations' social practices (King and Pearce, 2010). Prior work in this area has focused on regulatory, cognitive and normative dimensions and has shown that social movements may influence all three (Hiatt *et al.* 2009). This paper contributes to this work by showing that different types of activists appear to use different targeting strategies to create change among firms.

While prior work identified large, visible firms as being particularly likely to be targeted (King, 2008), we clarify that this result may be limited to certain activist groups and tactics, such as SMOs and extra-institutional tactics. By contrast, religious groups and activist investors appear to be targeting a distinct mechanism of pressure on firms through environmental risk perceptions. Social movement organizations choose tactics that have less direct impact on firm risk perceptions (and arguably, will be less likely to change firm behavior) because they are playing a bigger game in which attracting attention helps them win influence in the court of public opinion. Civil suits and proxy votes are more damaging in terms of environmental risk and are favored by the religious groups that and activist investors who are looking to change firm behavior. Therefore, our research contributes by studying variation across activist groups and their tactics, demonstrating that it is critical for our understanding of stakeholder activism as well as avoiding over-generalization from more narrow perspectives.

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