

CEO Activism and Firm Value

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Abstract

We investigate the increasingly common practice of CEOs taking public stances on social and political issues (CEO activism). We find that CEO activism stems from a CEO's personal ideology and its alignment with investor, employee, and customer ideologies. We show that CEO activism results in positive market reactions. Furthermore, firms with CEO activism realize increased shareholdings from investors with a greater liberal leaning, who rebalance their portfolios towards these firms. Our results suggest that investors' socio-political preferences are an important channel through which CEO activism affects equity demand and stock prices. Notably, CEOs are less likely to be fired when their activist stances generate positive market responses.

Keywords: CEO activism, firm value, institutional investors.

JEL Classification Numbers: G34

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1. Introduction

Over the last decade, business leaders have increasingly engaged in CEO activism—the practice of CEOs taking public stances on social and political issues that are often unrelated to their core business operations and that may (or may not) be accompanied by actions. Examples of CEO activism include, Tim Cook (Apple) and Marc Benioff (Salesforce) expressing their views in support of LGBT rights; Satya Nadella (Microsoft) and Mark Zuckerberg (Facebook) on immigration; Bob Iger (Walt Disney) and Howard Schultz (Starbucks) on gun control; and Kevin Plank (Under Armour) on climate change.¹ Given the increasing prevalence of CEO activism and the widespread attention it generates, we examine factors that predict CEO activism and estimate the relationship between activism and firm value.

While CEO activism may appear to be at odds with a CEO's traditional role as a value-maximizing agent of the shareholders, survey and experimental evidence suggests that CEO activism may be the result of market forces and the demands of investors, employees, and other stakeholders. For instance, BlackRock CEO Larry Fink, in his annual letter, called on company leaders to take a more active role in addressing societal issues (Morris 2019). Similarly, Weber Shandwick and KRC Research (2018) find that a large percentage of Millennials believe that CEOs have a responsibility to speak out on social and political issues.² According to Chatterji and Toffel (2018), some CEOs engage in activism because they think that companies should have a higher purpose beyond maximizing shareholder value, other CEOs point to their corporate values to explain why they choose to take a public stance, and for many CEOs, speaking out is a matter of personal conviction. Sometimes leaders point to multiple motivations for their CEO activism decisions. In addition, Hambrick and Wowak (2021) posit that CEO activism stems foremost from a CEO's personal values, but that it is facilitated (or suppressed) by the CEO's expectation of support from stakeholders. They further predict that CEO power, celebrity status, and narcissism can amplify the odds of the CEO's values manifesting in activism.

¹ See Appendix A for more examples of CEO Activism.

² Other survey and experimental data that suggest that stakeholders expect corporate executives to be involved in conversations and debates about social issues include Sorkin (2018), Larecker et al. (2018), Chatterji and Toffel (2019), and Korschun et al. (2019).

We examine these predictions using a novel dataset of news articles and tweets in which CEOs of S&P 500 companies engage in CEO activism. We first document an upward trend in the proportion of firms with activism events, from 0.98% in 2011 to 37.53% in 2019, which suggests that CEO activism is becoming more prevalent and (possibly) more acceptable, though many CEOs continue to remain silent on social and political issues. Consistent with the theoretical predictions of Hambrick and Wowak (2021), we find that CEOs' personal beliefs and the alignment of their beliefs with those of stakeholders are strong predictors of activism. We also show that celebrity CEOs, more powerful CEOs, and younger CEOs are more likely to engage in activism. Among firm characteristics, firm size, CSR index, R&D expense, and stock volatility are positively associated with activism, whereas leverage reduces the likelihood of activism.

We then proceed to investigate the relation between CEO activism and firm value, by analyzing investors' reactions to CEO activism. Over the last decade, many institutional investors have placed increasing importance on behaviors that contribute to corporate social responsibility and sustainability (e.g., Krueger et al. 2020, Hartzmark and Sussman 2019, McCahery et al. 2016, Rau et al. 2022). Prior studies suggest that institutional investors have been using their ownership and monitoring to encourage socially responsible behavior of their portfolio firms. For instance, Dyck et al. (2019) and Chen et al. (2020) show that institutional ownership is positively associated with outcomes related to environmental and social responsibility. Furthermore, BlackRock, State Street, and Vanguard each launched campaigns to increase board gender diversity among their portfolio holding companies (Gormley et al. 2020). The shareholdings of these "Big Three" institutional investors are also associated with decreased carbon emissions (Azar et al. 2021). In addition, Pan et al. (2022) show that shareholders with stronger inequality aversion rebalance their portfolios away from companies with high CEO pay ratios more so than do investors with weak inequality aversion. Hence, investors may exhibit a positive preference for CEO activism behavior, especially that which demonstrates a commitment to environmental and social causes.

Alternatively, investors may react negatively to CEO activism if they believe that CEOs should not act as social/political advocates or if the CEO's statements do not align with the views of the investors or other important stakeholders. In this regard, CEOs may knowingly take activist stances that contrast with

the ideologies of their stakeholders due to strong personal convictions, for personal benefits (e.g., building social capital among like-minded peers, attracting attention, or gaining favor from politicians), or because they mis-calibrate the alignment of their beliefs with those of stakeholders. For example, following Kevin Plank's (Under Armour) remarks complimenting President Trump, the firm's stock was downgraded, and one analyst commented that the CEO's comments might "make it nearly impossible to effectively build a cool urban lifestyle brand in the foreseeable future" (Chatterji and Toffel 2018). Other examples of CEOs facing backlash for their activist stances include some of the public stances taken by the CEOs of Goya, Levi Strauss & Co., CrossFit, and Oracle.³ As different investors may subscribe to different points of view, it is not obvious *ex ante* how investors will react to CEO activism and whether it is beneficial for firm value on average.

To estimate investors' response to CEO activism, we first consider the announcement returns surrounding CEO activism events. A major advantage of analyzing announcement returns is that they are less likely to be driven by reverse causality or omitted firm or CEO characteristics. We find that, on average, investors respond positively when CEOs engage in activism. For instance, three-day median CARs around CEO activism events are 0.20% ($p < 0.01$). Importantly, not all activist stances generate a positive response, as the CARs are significantly positive when CEOs speak out on topics related to diversity and the environment (median returns range from 0.06% to 0.23%), but they are insignificant when CEOs speak out on politics. We also find that more credible CEO stances—such as those that are accompanied by an action or those that are aligned with CEOs' political contributions—generate a higher market response. In contrast, activism in which CEOs take a public stance that is especially counter-normative or seemingly very risky is perceived less favorably.

³ For instance: (i) people have boycotted Goya after Robert Unanue, CEO of Goya Foods, praised President Trump (CNN, 7/10/2020); (ii) Chip Bergh, CEO of Levi Strauss & Co., assumed he would receive hate mail and threats in response to his stance against gun violence—which he did (Noguchi 2018); (iii) Reebok and hundreds of gyms cut ties with CrossFit after founder Greg Glassman's tweet and comments about George Floyd's killing (WSJ, 6/10/2020); and (iv) Oracle's CEO was put on the spot when a group of Oracle workers launched a petition urging their employer to join numerous other companies in opposing President Trump's immigration ban (Chatterji and Toffel 2018).

To gain further insights as to when CEO activism may be more beneficial, we test the predictions of Melloni et al. (2019), who predict that CEO activism is more likely to create value when competition and polarization are high (increasing the need for differentiation) and when firms pursue a niche product strategy (wherein high margins charged to customers with similar views make up for the loss of customers with opposing views). We document that the announcement returns are indeed higher for firms operating in more competitive environments. We also find weak evidence that market reacts more positively to activism events for firms operating in more polarized markets. However, we do not observe differences in CARs for firms with niche versus mass-market product strategies. In line with the positive market reaction, we estimate a positive relation between CEO activism and an alternative measure of firm value—Tobin's Q—which is robust to the use of entropy balancing and instrumental variables estimations.

We then analyze whether the positive market response is due to an increased investor demand, as some investors may prefer to invest in firms with CEO activism if they perceive CEO activism as an additional signal of the firm's strategy regarding environmental and social responsibility. To this end, we examine yearly changes in institutional ownership and document a positive relationship between CEO activism and changes in institutional ownership. Consistent with the idea that CEO activism may cater to certain investors, we show that investors with a greater liberal leaning (proxied by either their Democratic leaning⁴ or inequality aversion) increase their ownership more relative to investors with a lower liberal leaning. We also examine institutional investors' portfolio rebalancing decisions as a function of CEO activism. Controlling for investor, firm, and year fixed effects, we find a positive association between the change in a stock's portfolio weight and CEO activism. Importantly, we observe that only investors with a greater liberal leaning increase their allocations to stocks with CEO activism. These results provide support for the notion that some investors have a sufficiently strong preference for CEO activism that their responses

⁴ For instance, the Democratic Party platform places more emphasis on issues related to environmental protection, anti-discrimination laws, affirmative action, and employee protection. Furthermore, survey evidence suggests that 96% of Democrats believe Congress should ensure that companies address social issues, compared to 65% of Republicans (Di Giuli and Kostovetsky 2014).

affect equity demand and stock prices. However, the modest stock price reactions to CEO activism suggest that the intrinsic value of the firm is likely not affected considerably.

We conclude our analysis by considering some of the consequences that CEO activism has for the CEOs themselves. To this end, we analyze whether engaging in activism impacts a CEO's likelihood of being forced out of the company. The positive investor response to CEO activism may suggest that CEOs who take public stances face a lower likelihood of being fired, as boards may consider institutional investors' preferences when making CEO retention decisions. Alternatively, boards may view CEO activism negatively and might be more likely to fire the CEO, regardless of investor preferences. Consistent with the former, we estimate a negative relation between CEO activism and involuntary turnover likelihood, which suggests that shareholders vis-a-vis the board of directors are less likely to punish CEOs who engage in activism. Importantly, the negative relation between CEO activism and turnover likelihood is only present when considering activism events that engender positive announcement returns. Furthermore, CEO activism events that are accompanied by boycotts increase the likelihood of CEOs being forced out.

In light of our findings of a positive market response to CEO activism, a natural question that arises is why all CEOs do not choose to speak up. We posit that it is likely important for activism behavior to be perceived as genuine to avoid the risk of being criticized as hypocrites. Additionally, our tests show that not all types of CEO activism are beneficial and not all firms benefit from activism equally, suggesting that the type of CEO activism and the firm's operating landscape may be critical factors in a CEO's decision to take activist stances publicly. Lastly, certain CEO characteristics, such as having relatively little power over the board or not having much celebrity status, might preclude some CEOs from engaging in activism.

2. Related Literature and Contributions

This paper contributes to the relatively new literature on CEO activism. Several recent studies use experiments to study employees' and consumers' hypothetical responses to CEO activism (Chatterji and Toffel 2019, Korschun et al. 2019, Durney et al. 2022, and Burbano 2021). Whereas experimental studies

offer useful insights, they typically focus on a single type of CEO activism⁵ and may be subject to social desirability bias, wherein participants respond in the way they feel is the most socially acceptable (Aksoy et al. 2022, LaViers and Sandvik 2022). Furthermore, experimental settings often induce artificial awareness of CEO activism, which potentially biases researchers towards finding an effect that might not actually manifest in the real world.

Other papers have examined CEO activism empirically but have similarly confined their samples to a single activism behavior, limiting the generalizability of their findings. For instance, Bedendo and Siming (2021) focus on the decision of 26 CEOs to withdraw from President Trump's business advisory council. They find a negative shareholder response to CEOs' decision to resign from the council, which they attribute to firms losing the benefits that come from their CEOs being politically well-connected. Similarly, Hou and Poliquin (2022) focus exclusively on how CEO support for stricter gun control impacts customers' store-level visits of four major retailers and find that customer visits decreased by 3% after the activism events.

Two studies consider more than one specific type of activism event, but they offer contrasting evidence. First, Bhagwat et al. (2020) use a sample of 293 activism events to analyze sociopolitical marketing decisions and company policies, such as Amazon's decision to remove Confederate flag merchandise from its website, Chipotle's policy to ban guns from its stores, and J.C. Penney's Mother's Day advertisement that featured two lesbian mothers. They estimate negative average investor reactions to these events. Second, Gangopadhyay and Homroy (2020) develop a theoretical framework to explain CEO

⁵ For instance: (i) Chatterji and Toffel (2019), who analyze the effect of Tim Cook's activist remarks opposing Indiana's Religious Freedom Restoration Act and find that experimental participants are more likely to purchase Apple products if they are exposed to Tim Cook's activism; (ii) Durney et al. (2022), who use an experimental setting to show that retail investors purchase less stock of a sporting goods store if the CEO takes a stance on gun control that differs from their own personal views on gun control; (iii) Burbano (2021), who finds that employees decrease their effort when their views on gender identity-driven bathroom access are misaligned with their employer's views but do not alter their effort when their views are aligned with their employer's views; and (iv) Korschun et al. (2019), who suggest that consumers' reactions to corporate activism on the death penalty, abortion, and immigration vary based on the strategic positioning of the company.

activism decisions based on consumer preferences, which they test empirically in a sample of 187 activism events. They find that CEO activism increases ROA by 3%, which they attribute to increased sales turnover.

Our paper differs from the above studies along three primary dimensions. First, we use a broader sample of events over a longer period of time than in previous studies. This allows us to examine CEO activism on a broad range of social, environmental, and political issues and identify the different instances in which activist behaviors have positive, negative, and negligible effects on firm value. That our results show varying market responses across topics (e.g., diversity, environment, and politics) suggests that differences in topics can serve as a potential channel to explain the mixed evidence in prior studies that focused on isolated activist stances. Furthermore, our detailed characterization of each event allows us to provide a more complete picture of this growing phenomenon by identifying effect heterogeneity along several dimensions that have not been studied before (e.g., credibility, degree of controversy, riskiness, media bias, whether it is accompanied by an action, and whether it is more likely to capture the CEO's personal belief or the firm's attitudes towards the topic). Second, unlike other studies that mostly focus on the customer and employee channels, we focus on the investor demand channel and shed new light on how investors react to CEO activism. We find evidence that institutional investors, especially those with a liberal leaning, favor CEO activism. Our results suggest that investors' preferences are an important driver of the positive market reaction to CEO activism. Lastly, prior studies provide very limited evidence on the determinants of CEO activism and the ramifications of such behavior for the CEOs themselves. We explicitly test existing theories of activism behavior (e.g., Hambrick and Wowak 2021, Melloni et al. 2019) and provide new evidence on the role of stakeholder-CEO ideological alignment in explaining the incidence of CEO activism. Moreover, an important takeaway from our findings is that CEO activism can impact the likelihood that a CEO is fired.

Our paper is also related to several other strands of literature. First, our findings provide new insights to the decades-long conversation about the CEO's role as an agent of shareholders and the debate on whether companies should have a higher purpose beyond maximizing shareholder value. In this respect, our paper is related to the literature on corporate social responsibility (e.g., Karpoff 2021, Di Giuli and

Kostovetsky 2014, Gurun et al. 2021, Painter 2021). We provide novel evidence suggesting that CEO activism can be another channel—distinct from traditional CSR initiatives—through which companies can build loyalty among like-minded stakeholders and strengthen their corporate image in relation to competing firms.

Second, our paper is related to research on firm and CEO involvement in politics (e.g., Babenko et al. 2020, Ovtchinnikov and Pantaleoni 2012, Cooper et al. 2010). Prior studies have extensively studied traditional ways used by corporations to influence political outcomes and policy changes, such as lobbying, political campaign contributions, and connections with politicians. In contrast to these behind-the-scenes efforts that typically aim to generate direct financial payoffs for the company,⁶ we provide evidence on a new approach that firms can potentially use to shape public policy—social, environmental, and political activism. This emerging approach is more transparent, and it enables firms to expand their influence to social causes that are often unrelated to firms' core operations.

Lastly, we contribute to the debate over a central question in finance, economics, and management about the extent to which CEOs' actions and attributes matter for corporate policies and firm performance (e.g., Fee et al. 2013, Graham et al. 2013). For instance, prior research has found that CEOs' personal characteristics and actions can impact their firms' value (Cline et al. 2018), financial policies (Custódio and Metzger 2014), investment decisions (Schoar and Zuo 2016), innovation (Sunder et al. 2017), and corporate social responsibility (Cronqvist and Yu 2017). Our findings show that CEOs' public activist stances can impact stock prices, potentially by signaling corporate values and culture.

3. Data and descriptive statistics

3.1. Sample

Our sample includes all firms that were part of the S&P 500 at any point from 2011 to 2019, excluding utilities and financials.⁷ We identify the characteristics of the CEOs of these firms using data

⁶ See, for example, Lawton et al. 2013, Werner 2017, Hillman et al. 2004.

⁷ Our empirical results are similar if we include utilities and financials.

from BoardEx, which provides information on the CEO's age, tenure, and directorships. We obtain annual accounting information from Compustat and stock return data from CRSP. The data availability requirements led to a final sample of 3,570 firm-year observations for 457 firms and 793 unique CEOs. We present the descriptive statistics of firm characteristics in Table 1. The median firm in our sample has book assets of \$9.43 billion, a Tobin's Q (i.e., market-to-book ratio) of 1.98, and ROA of 15%.

3.2. Defining and measuring CEO activism

To capture instances of CEO activism, we rely on the sociopolitical topics identified by Larcker et al. (2018) and Bhagwat et al. (2020). We construct our measure of CEO activism using news articles from Google News search, which provides a continuous and relatively comprehensive archive of articles from thousands of publishers and magazines. We also include data from Twitter, as an increasing number of CEOs and firms register for Twitter accounts and share their posts. We remove duplicate activism events featured in Google News and Twitter.

Given the recent emergence of CEO activism, defining what constitutes CEO activism is inevitably subjective and recent studies offer several variations of the term. Unlike "investor activism," which typically entails considerable effort or outlay of resources, CEO activism may or may not be accompanied by an action. Hence, we follow recent papers on the topic and define "CEO activism" as a CEO taking a public stance on some matter of current social, environmental, or political debate, which does not necessarily require an action to accompany the CEO's statement (e.g., Larcker et al. 2018, Chatterji and Toffel 2018, Hambrick and Wowak 2021, Bhagwat et al. 2020).

It is important to note that although we adopt the term "CEO activism," our sample includes both: (i) activism events that are likely to be expressions of the CEO's personal beliefs ("CEO activism") and (ii) activism events that are ambiguous as to whether they articulate a personal belief or represent a firm's broader public relations strategy ("firm activism"). In this regard, we attribute both "CEO activism" and "firm activism" to CEOs, as it is often difficult to delineate between a CEO's personal beliefs and their firm's stance. Furthermore, the statements CEOs make are frequently associated with their companies and

vice versa. Our definition also includes activism events regardless of whether they are related or unrelated to the firm's business operations, as CEOs may describe seemingly peripheral issues as integrally important to their firms and as it can be difficult to distinguish between "core" and "tangential" topics (Hambrick and Wowak 2021). Appendix B provides a detailed description of our data collection and data cleaning process, as well as the process used to categorize each event, in which several research assistants independently classified the details of each activism event.

3.3. Descriptive statistics

Our sample contains 1,402 unique CEO activism events. Panel A of Table 2 presents the frequency distribution of our keywords. The most popular topics include issues related to LGBT, the environment, inclusion, renewable energy, the Trump administration, and climate change. Most of the activism events have a liberal (74%) or neutral (25%) ideological leaning, with very few (1%) capturing a conservative ideological stance. In our sample, 37% of the events are directly related to firms' core business operations and 42% of the events are accompanied by actions. Please see Appendix B for this and other cross-tabulations of the data.

Panel B of Table 2 reports the proportion of firms with activism events each year and shows that the percent of firms with at least one activism event in a given year has increased from 0.98% in 2011 to 37.53% in 2019.⁸ Panel C of Table 2 reports the proportion of activism by industry. We observe that firms operating in industries producing non-durable goods (apparel, tobacco, toys) and wholesale/retail services have more activism events, with 16.98% and 13.79%, respectively. In contrast, firms in the machinery, healthcare, construction, and oil/gas sectors are the least likely to engage in activism (6.57%–8.79%). Panel D of Table 2 reports the proportion of activism events by geographical region. We note that firms located in the southern regions have the lowest incidence of activism events, whereas firms in the western part of

⁸ It is possible that the topics that we examine have become more popular over time, which could potentially contribute to the upward trend in CEO activism over our sample period. To assess this possibility, we rely on a monthly Google Trends index, which captures how often a word was searched for during the month. We observe that most of our keywords have relatively stable trends over our sample period (i.e., they do not display dramatic swings in the number of Google searches over time).

the United States are more likely to engage in activism. Panel E of Table 2 shows that 70.20% of CEOs never take public stances on activist topics and 6.61% have engaged in over 10 activism events during our sample period.

4. Determinants

This section examines firm and CEO characteristics that may lead to CEO activism. Prior studies suggest that CEO activism might reflect a CEO's personal ideology and/or corporate values and strategy (Chatterji and Toffel 2018, Hambrick and Wowak, 2021, Bedendo and Siming 2021). For instance, according to Hambrick and Wowak (2021)'s theory of CEO activism, CEOs take public stances on issues that align with their personal ideology, i.e., liberal (conservative) CEOs will be more likely to engage in CEO activism on liberal (conservative) topics. Furthermore, their stakeholder alignment model predicts that CEOs may be motivated not only by their own personal values systems, but also by the prevailing values systems among key stakeholders (e.g., investors, employees, and customers), as stakeholders with liberal ideologies might lobby the CEO to engage in liberal activism, whereas stakeholders with conservative ideologies may lobby the CEO to take conservative stances or to not engage in liberal activism. Hambrick and Wowak (2021) further propose that CEO characteristics may help explain variations in CEO activism. For instance, a CEO's power may be especially relevant in predicting activism behavior, as such CEOs can act without fear of sanctions by their boards. Additionally, they posit that the higher the level of a CEO's celebrity status and narcissism, the more likely the CEO will be to engage in activism.

To help gauge a CEO's ideological leaning, we rely on political donations as manifestations of the CEO's political and social ideology (e.g., Hambrick and Wowak 2021, Ansolabehere et al. 2003, Francia et al. 2005). We collect data on political contributions from the Federal Election Committee (FEC) website, which we manually match to our sample CEOs. Like prior literature, we construct a measure of a CEO's democratic leaning, which is the percentage of contributions to Democrats relative to total contributions to both Democrats and Republicans. If no campaign contributions are found for the CEO, we follow prior literature and set CEO's democratic leaning to 0.5, which indicates political neutrality and corresponds to

a CEO who has given exactly the same amount to Republicans and Democrats (e.g., Hong and Kostovetsky 2012, Di Giuli and Kostoevsky 2014, Hutton et al. 2015, Francis et al. 2016).⁹

To capture stakeholder ideologies, we create the following democratic leaning variables, described in detail in Appendix C: (i) employee democratic leaning (i.e., the weighted average democratic leaning of the states in which the firm operates based on the county of the firm's headquarters and state-level employment data from Infogroup);¹⁰ (ii) customer democratic leaning (i.e., the value-weighted average democratic leaning of retail, business, and foreign customers); and (iii) institutional investor democratic leaning (i.e., the value-weighted average democratic leaning of the states in which institutional investors are headquartered).¹¹ We also include the following CEO characteristics in our analysis: (i) CEO/Chairman duality and CEO tenure (to proxy for CEO power); (ii) the total number of non-activism news articles and tweets featuring the company or the CEO, scaled by total assets (to capture the CEO's celebrity status); (iii) the relative total pay of the CEO to the next-highest paid executive (to proxy for narcissism);¹² and (iv) CEO age and gender.

In addition to being spurred by the CEO's personal ideology and characteristics, and the ideologies of stakeholders, activism may be prompted by a firm's overall culture and CSR strategy (Chatterji and Toffel 2018, Bedendo and Siming 2021). To account for differences in corporate values, we include CSR index and Fortune's 100 best companies indicator.¹³ We also add several other firm characteristics, such as

⁹ It is possible that CEOs may engage in activism to signal their political affiliation and potentially benefit from their alliance with the government. We conduct two analyses to explore this possibility: (i) we read a random sample of news articles related to President Trump and observe that only 10% of the news articles contain statements in support of the President, 15% are neutral, and the rest express no support; (ii) we estimated a probit regression in which the dependent variable equals one if the government is a customer in a given year, zero otherwise. We do not find evidence to suggest that CEO activism increases the likelihood of obtaining government contracts.

¹⁰ As a robustness check, we follow Di Giuli and Kostoevsky (2014) and use principal component analysis that combines President vote Democrat%, Congress Delegation Democrat%, and State government Democrat% to measure the political tilt of the firm's employees. Our results are very similar if we use this measure instead.

¹¹ As a robustness check, we follow Pan et al. (2022) and exclude the following largest national institutional investors: BlackRock Institutional Trust Company, Capital Research Global Investors, CapitalWorld Investors, Fidelity Management & Research Company, Geode Capital Management, JP Morgan Chase & Company, Melon Bank, State Street Corporation, T. Rowe Price Associates, The Vanguard Group, and Wellington Management Company. Our results remain similar.

¹² This measure is based on one of the narcissism indicators developed by Chatterjee and Hambrick (2007).

¹³ Fortune's list of "100 Best companies to Work For" is based upon an extensive U.S. employee survey that covers a wide spectrum of detailed questions about wages and benefits, worker training, hiring practices, job satisfaction,

firm size, stock return, ROA, asset tangibility, leverage, R&D expense, stock volatility, asset turnover, and cash holdings. All regressions include Fama-French 48 industry dummies and year fixed effects to capture time trends and differences across industries. We cluster standard errors at the firm level to account for multiple observations per firm. Control variables are measured at the year-end prior to the activism event. All variable definitions are in Appendix C.

In Column 1 of Table 3 we focus on the factors that predict liberal CEO activism, as it allows us to directly test the alignment between the ideological leaning of the public stance taken by the CEOs and the democratic leanings of the CEOs and stakeholders. We estimate a probit model, in which the dependent variable is a dummy that equals one if there is at least one liberal activism event during the year, and zero otherwise. Consistent with the theoretical predictions developed by Hambrick and Wowak (2021), we observe that the stronger the CEO's democratic leaning the greater the incidence of liberal activism. A potential concern with this result, however, is that our measure includes not only instances of CEOs' personal stances, but also instances of firm activism that may represent a corporate position and be unrelated to CEOs' personal views. To validate whether a CEO's democratic leaning can predict firm activism, we separate events into CEO activism if they originate from CEOs' personal Twitter accounts (which are more likely to reflect CEOs' personal beliefs) and firm activism if they originate from corporate Twitter accounts or from the news (which are more likely to be aligned with the firm's strategy and be vetted by investor relations personnel and lawyers). In Column 2 (3), the dependent variable is equal to one if there is at least one liberal CEO (firm) activism event, zero otherwise. We observe that a CEO's democratic leaning is positively related to the likelihood of both CEO and firm activism, with the coefficients being statistically significant at 1% and 5% levels, respectively. These results indicate that a CEO's personal beliefs can determine not only their decision to engage in activism as an individual, but also that their beliefs are likely to be instrumental in setting the firm's strategy to engage in corporate activism.

fairness, and management's credibility. Prior literature has shown that companies on this list exhibit superior long-horizon returns due to higher levels of employee satisfaction (Edmans 2011).

The estimates on the stakeholder democratic leaning variables in Columns 1–3 provide weak evidence that stakeholder ideologies can compel an otherwise reluctant CEO to engage in activism. To examine the role of stakeholder ideologies further, we examine whether stakeholder ideologies might strengthen a CEO's personal inclination to engage in liberal activism if they align with the CEO's own ideology. For instance, the combination of a liberal CEO and liberal stakeholders may significantly increase the incidence of liberal activism. To test this conjecture, we combine the CEO's and stakeholders' democratic leanings using principal component analysis and define the *Democratic leaning alignment* variable as the first principal component from this orthogonal linear transformation.¹⁴ Our results, in Column 4, show that a stronger alignment of the CEO's and stakeholders' democratic leanings leads to an increased likelihood that the CEO engages in liberal activism.

In Column 5, we examine the determinants of engaging in CEO activism in general, wherein we include all events, regardless of their ideological leanings.¹⁵ The dependent variable in Column 5 is a dummy that equals one if there is at least one activism event during the year, and zero otherwise. We also include an alternative measure of stakeholder alignment, a *Strong alignment* indicator variable, which equals one if the CEO's ideology is aligned with at least two stakeholder groups (investors, employees, or customers), i.e., the democratic leaning of the aligned parties is either above/at or below 50%, zero otherwise. Importantly, Column 5 continues to show that CEOs are more likely to engage in activism when they have strong ideological alignment with their stakeholders. Our results are robust if we require an alignment between all stakeholder groups.¹⁶

¹⁴ The eigenvalues for the principal components are: 1.24, 1.08, 0.90, and 0.79, respectively. The loadings of CEO, employee, customer, and investor democratic leanings on the first principal component are all positive and equal to 0.42, 0.28, 0.55, and 0.50, respectively.

¹⁵ Given the very small number of conservative events (1% of the sample), we do not analyze them separately.

¹⁶ As an example of when the ideological leaning of a firm's employees might differ from that of the firm's customers, consider industries known for employing more liberal workers, such as the technology and software industries (Levy 2020). While the ideological leanings of the workers of a company like Apple might lean liberal, customers from all places on the ideological spectrum own iPhones. As such, the activism of CEOs in these types of firms might resonate with one group of stakeholders, while alienating another group.

Among observable CEO characteristics, we find that CEO power and celebrity status are positively related to the decision to engage in activism. Additionally, younger CEOs have a greater likelihood of expressing their views publicly. We also find that firm size, CSR index, R&D expense, and stock volatility are positively related to the likelihood of CEO activism, whereas greater leverage reduces the incidence of activism. These results, however, should be interpreted with caution because they could reflect both supply side and demand side effects. In particular, the public may expect prominent CEOs (those from large, visible, high-profile firms) to speak out more (demand side), and more visible CEOs might find it easier to engage in activism because of their relatively greater position of influence (supply side). For instance, Tim Cook's personal stance on LGBTQ rights likely would not change if he were the CEO of a smaller company, but his willingness to take public stances might decrease if he felt his remarks would be less influential due to him leading a less prominent company. Likewise, younger CEOs might be more outspoken on activism issues (supply side) and, at the same time, stakeholders might place different expectations on younger vs. older CEOs to engage in activism (demand side). Hence, the results of our determinants tests should be viewed as descriptive.

5. CEO activism and firm value

In this section, we examine shareholder reactions to CEO activism, by focusing on CEO activism announcement returns, market valuations, and changes in institutional ownership.

5.1. Announcement returns

This sub-section provides evidence on the announcement returns to CEO activism and explores the heterogeneity and cross-sectional variation in the market response.

5.1.1. Main result

We compute cumulative abnormal returns (CARs) by employing a standard market-adjusted return model, where the abnormal return is calculated as the difference between a firm's return and the value-weighted market (CRSP) index return. We calculate cumulative abnormal returns over one- [0], two- [0:1],

and three-day [0:2] windows, with time $t = 0$ being the activism event date. Our results are robust if we estimate CARs over alternative windows, e.g., [-1:1], [-2:2], [-1:3].

Panel A in Table 4 presents the announcement returns over the different event windows. We observe positive and statistically significant mean and median announcement returns to CEO activism events across all windows. The mean two- and three-day CARs are 0.17% ($p < 0.01$) and 0.23% ($p < 0.01$), respectively, whereas the median two- and three-day CARs are 0.12% ($p < 0.01$) and 0.20% ($p < 0.01$), respectively. The CEO activism events at the 75th percentile of the CAR distribution realize abnormal returns of 1.52% ($p < 0.01$), whereas the events at the 25th percentile realize abnormal returns of -1.00% ($p < 0.01$). While most CEO activism events engender positive market reactions, a meaningful fraction of the events are reacted to negatively by investors. Nevertheless, the aggregate effect of CEO activism is positive and translates into a \$10–\$27 million gain in shareholder value, based on the median announcement returns and the median market capitalization of \$13.72 billion. Figure 1, which plots a K-density graph for activism events over a three-day window [0:2], suggests that activism events are fairly normally distributed and that our results are not likely to be driven by extreme outliers.¹⁷

Panel B of Table 4 explores the possibility that our event windows do not fully capture the effect of CEO activism by examining stock returns over various windows during the interval of [-10:10]. We observe a significant pre-announcement price run-up over the [-3:-1] window, which indicates an anticipation of activism events. On the other hand, we do not find evidence to suggest that investors underreact to CEO activism, as the returns over the post-announcement windows are insignificant. Furthermore, we do not observe that CEO activism events are followed by significant return reversals over the 10, 20, or 60 trading days following the event. We also conduct two placebo tests, in which: a) we generate random dates for the sample firms and examine market reactions around these placebo dates, and b) we analyze market reactions to “false” activism events, i.e., news/tweets that contain keywords from our

¹⁷ We used the default options of Stata’s `kdensity` command, which estimates the kernel density using the Epanechnikov kernel with the optimal bandwidth that minimizes the mean integrated square error under the assumption of normality.

list but that do not represent CEO activism. In both cases, we observe that placebo tests yield no significant effects, confirming that our announcement returns results are picking up investor reactions to CEO activism rather than a market reaction to *any* news/tweets.

A potential concern that one might have is that our estimates of investors' reactions to CEO activism might be contaminated by reactions to other news, such as earnings announcements. To examine this possibility, we count the number of days between each event and the firm's closest earnings announcement. In Figure 2, we plot a histogram of the distribution of days until or after the closest earnings announcement. We find that only 5.5% of the events occur within the 5-day, $[-2,+2]$, window around earnings announcements. In general, the distribution of event timing is relatively flat, suggesting that CEO activism events do not cluster around or away from earnings announcements.¹⁸ Figure 3a (3b) presents the distribution of events around positive (negative) earnings surprises. Whereas the distribution of events around positive earnings announcements is very similar to the general distribution, Figure 3b shows relatively less density in the weeks immediately before or after a negative earnings surprise. This suggests that a CEO may be a little less likely to engage in activism right before or after negative news about their firm's earnings is publicized.

Our results are also robust if we omit activism events: (i) that are potentially contaminated by other confounding events, such as dividend payments, dividend announcements, merger announcements, or earnings restatements that occur within ± 5 days of the CEO activism events, and (ii) that feature "immigration," "tax," "Trump," "fiscal cliff," "tariffs," and "debt ceiling" keywords, as activism events related to these topics may contain fundamental information about the firm.

¹⁸ Among our events, 97.2% occur within the 91-day, $[-45,+45]$, window around the closest earnings announcement date. Any events that occur more than 45 days before the next earnings announcement (i.e., < -45) and more than 45 days after the most recent earnings announcement (i.e., > 45) are tagged with a day-count of -45 and 45, respectively. Earnings announcements must occur within 35 days of the fiscal quarter-end date for the first three quarters and within 60 days of the fiscal year-end date, so variations in announcement timings can occur such that some activism events occur more than 45 days before (after) the next (most recent) earnings announcement. Because of this, the uptick in event frequency in the rightmost bar is due to this bin capturing a wider range of event times than the other bins. Our results are robust if we exclude activism events overlapping with earnings announcements, i.e., those that occur within the 5-day, $[-2,+2]$, window around earnings announcements.

Our findings, which show a positive overall market reaction to CEO activism, contrast with Bhagwat et al. (2020), who document negative average market reactions to sociopolitical marketing decisions and policies. We attribute the disparity in results to differences in: a) the definition of CEO activism (for example, we include topics related to corporate social responsibility and politics, which Bhagwat et al. (2020) exclude). Furthermore, most of the events in Bhagwat et al. (2020) reflect tangible changes to firms' marketing and operations decisions, and the negative investor reactions that they estimate may be due to this departure from the firm's status quo. In contrast, our sample includes many instances of activism that are not accompanied by an action or a change in the firm's business operations; b) the sample size, i.e., Bhagwat et al. (2020) use only 293 activism events initiated by 143 firms, whereas we use a much broader set of events; and c) the sample period, our sample includes activism in the most recent years (sample ending in 2019 vs. 2016), during which activism became more prevalent and, arguably, more acceptable.

5.1.2. Activism heterogeneity

In Panel A of Table 5, we analyze the announcement returns separately for activism related to diversity, the environment, politics, and other social issues. We observe a positive median market response to activism related to diversity, the environment, and other social issues, but not to activism related to politics. These results are consistent with survey evidence that suggests that people are more supportive of CEOs speaking up on diversity- and environment-related issues than they are about CEOs speaking up on politics (Larcker et al. 2018).

In Panel B of Table 5, we investigate heterogeneity in the market's response to CEO activism by examining whether market reactions differ based on the activism event's level of riskiness, credibility, and media bias. We use two measures to assess the riskiness of each activism event. First, we divide activism events into less and more controversial based on the topics they cover (see keyword classification in Appendix B). For instance, taking a stance in support of clean air or combatting poverty is less controversial, and may be more likely to generate a positive market response, than taking a stance on more controversial

topics such as gun control, immigration, LGBT rights, or the Trump administration. Column 1 shows a positive market response in both categories with differences between the two sub-samples significant only in one out of three windows. We note that the positive reaction to controversial activism events is limited to topics related to diversity and the environment (e.g., LGBT, climate change), whereas the market reaction is insignificant for topics related to politics and other social issues (e.g., President Trump, gun control, abortion, and immigration). Second, we measure the riskiness of each event by distinguishing between vivid and non-vivid activism. Following Hambrik and Wowak (2021), we consider events vivid if they represent statements/behaviors that stand out, are counter-normative, or are seemingly very risky, whereas events representing bland and innocuous statements are considered non-vivid. Column 2 shows that very vivid activism events (those with an average vividness score above 2) represent only 11% of the sample events. Furthermore, whereas the market response to these highly vivid events is not significant, it is significantly lower than the market response to more innocuous activism behaviors for all event windows (i.e., events with an average vividness score less than or equal to 2). Taken together, these results suggest that less risky activism is perceived more positively by investors.

Prior literature suggests that CEO and corporate communications might not be always credible, especially when CEOs have incentives to exaggerate their claims or when the authenticity of their proclamations is hard to verify (Crilly et al. 2016, Crilly et al. 2012). Hence, we examine whether market reactions vary with the credibility of the activism events. We measure credibility along two dimensions. First, we consider activism credible if the ideological tilt of the activist stance coincides with CEOs' political ideology, as measured by their political donations. To this end, we focus on a sample of liberal and conservative activism (excluding neutral activism events) and compare more credible events (i.e., where a Democrat CEO takes a liberal stance or a Republican CEO takes a conservative stance)¹⁹ with the rest of the sample (i.e., where a Republican CEO takes a liberal stance or a Democrat CEO takes a conservative stance). The results in Column 3 show that only activism that is aligned with a CEO's personal ideology

¹⁹ This test excludes CEOs with neutral political leaning. Most of the events in this sub-sample represent Democrat CEOs taking liberal stances.

generates a significantly positive response, which is significantly larger than the response to less credible activism.

Second, we posit that statements accompanied by actions might be perceived as more credible. Hence, we classify each activism event into one of three categories: a) no action, no cash flow implications (i.e., symbolic statements aimed at “raising awareness” with no obvious direct cash flow implications, e.g., Salesforce’s Marc Benioff calls for a “new capitalism” where billionaires pay higher taxes); b) actions with low to medium cash flow implications (i.e., activist behaviors that include CEO actions or company initiatives that entail some cash flow consequences, e.g., Oracle sponsoring a summit on workforce equality); c) actions with high cash flow implications (i.e., activist behaviors that include CEO actions or company initiatives that entail substantial cash flow consequences, e.g., PayPal’s decision to cancel its North Carolina expansion over LGBT discrimination law). Refer to Appendix B for more examples of each type of activism. Column 4 shows that 813 (58%) of the activism events are not accompanied by actions and have no direct cash flow implications, and only 44 (3%) of the activism events are likely to have high cash flow implications. We observe that the market reaction is positive for both types of activism, though the response is higher for more credible activism (i.e., events accompanied by actions with high cash flow implications).

Lastly, in Column 5, we explore whether market reactions vary with the liberal or conservative orientation of the news source. We rely on Ad Fontes Media to classify news providers as either those with a liberal bias or those with a conservative bias. Here, our sample excludes tweets and is reduced to the 185 activism events that are featured in news sources for which an Ad Fontes Media classification is available. We find that a substantially greater proportion of CEO activism events are featured in the liberal leaning media (141 versus 44). Furthermore, activism featured in conservative leaning media sources generates a significant negative market reaction, which is significantly less than the market reaction realized by events featured in liberal leaning media sources.

5.1.3. Cross-sectional variation

To shed additional light as to when CEO activism may be perceived more favorably, we test the theoretical arguments advanced by Melloni et al. (2019), which suggest that CEO activism is likely to create more value when competition and polarization are strong (increasing the need for differentiation) and when firms pursue niche product strategies (wherein high margins charged to customers with similar views make up for the loss of customers with opposing views).

We test these conjectures in Panel C of Table 5. We classify firms as operating in a highly-competitive industry if the Herfindahl-Hirschman Index is at or below the sample median, otherwise firms are classified as operating in a non-competitive industry. We consider firms as operating in highly-polarized environments if their polarization index is above the sample median, and to be operating in low-polarization environments otherwise. Following Kaplan et al. (2022), we measure polarization using partisan spatial sorting in the American electorate and construct the polarization index as the first principal component of polarization metrics for employees, customers, and investors. See Appendix C for details. Lastly, firms with profit margins above the sample median are classified as pursuing a niche product strategy, with the rest classified as pursuing a mass-market strategy.

Consistent with the notion that firms facing harsh competition or those operating in polarized environments may benefit more from CEO activism, we observe that the average market reactions to CEO activism are significantly positive for these firms over all event windows. However, for firms operating in concentrated industries and less polarized environments, the market reactions are generally insignificant. Furthermore, the market response for firms in competitive industries (polarized environments) are significantly higher than the market response to CEO activism for firms operating in non-competitive industries (less polarized environments) in two (one) out of three event windows. While firms with niche strategies do realize positive, statistically significant announcement returns, we do not find support for the conjecture that activism creates more value for firms with niche strategies than for firms with mass-market strategies.

5.1.4. CEO activism vs firm activism

As we discuss above, our activism sample includes events featuring either the CEO or the firm. However, firms might not always be personified by their CEOs, and corporate values might differ from the values of the firm's CEO.²⁰ Panel D separately examines the market reaction to CEO activism and firm activism. In Column 1, we combine news-based events with events from corporate Twitter accounts and classify these events as firm activism, and we compare them to tweets that originate from CEOs' personal accounts, which are classified as CEO activism. The results show that the market reactions are positive and significant in both sub-samples, with no significant differences between the firm activism and CEO activism sub-samples, suggesting that investors respond similarly to both CEO and firm activism.

In Columns 2 and 3, we use alternative ways to separate firm and CEO activism. In Column 2, we conjecture that activism made in response to external events or pressures is more likely to represent firm strategy compared to proactive activism that is initiated by the CEO. For instance, consistent with the notion that corporations "rainbow-wash" their brand-image during Pride month,²¹ we find that 35% of LGBT-related activism occurs in June. Similarly, 71% of gun-related activism events occur within two weeks of the most recent mass shooting (suggesting that most gun-related activism is likely prompted by recent instances of high-profile gun violence).²² Hence, in Column 2, we classify activism events as firm activism if they follow: (i) Pride Month (for LGBT-related activism) or a mass shooting (for gun-related activism); (ii) a corporate scandal; (iii) a financial restatement; (iv) a lawsuit; or (v) the recent activism efforts of other CEOs (i.e., the focal event occurs less than 7 days after other CEOs' activism on the same topic). The rest of the events are classified as CEO activism, as they are likely pro-active stances taken by the CEO

²⁰ For instance, Bedendo and Siming (2021) find that the decision of most CEOs to withdraw from President Trump's business advisory council was driven more by their personal political ideologies than their firm's overall CSR strategy. Similarly, we observe that liberally leaning CEO activism occurs in firms with low- and high-CSR scores, suggesting that CEO statements are not always aligned with firm strategy. We do not observe that the effect of CEO activism on firm value varies with firm strategy, as proxied by CSR scores.

²¹ For a discussion about rainbow-washing, see <https://www.forbes.com/sites/katehardcastle/2021/06/22/proud-of-pride-or-rainbow-washing-how-do-retailers-step-up-to-the-mark/?sh=400134a93b32>.

²² We use the historical mass shooting list provided on Wikipedia to identify the dates of mass shooting events (see https://en.wikipedia.org/wiki/List_of_mass_shootings_in_the_United_States).

independent of firm strategy. In Column 3, we classify events as firm activism if they are related to the firm's core business operations (more likely to represent firm strategy) and as CEO activism if they are unrelated to the firm's operations (more likely to represent personal beliefs). The results in Columns 2 and 3 are consistent with our earlier findings and show no significant differences in market reactions between the firm activism and CEO activism sub-samples. Yet, we acknowledge that it is often difficult to differentiate between CEO activism and firm activism, as CEOs are the figureheads of their organizations.²³

5.2. Tobin's Q

In this section, we use Tobin's Q as an alternative measure of firm value.²⁴ Column 1 of Table 6 presents estimates from a pooled OLS model with standard errors clustered at the firm level to account for multiple observations per firm. We include the same set of controls as used in our earlier analysis of the determinants of CEO activism, measured at the year-end prior to the activism event. Our variable of interest, *# of activism events*, is the annual count of unique news articles and tweets that capture CEO activism events. We observe that the coefficient on the *# of activism events* is positive and significant, indicating that CEO activism is associated with a statistically significant increase in Tobin's Q.²⁵

This result, however, is likely to be biased by confounding factors. For example, corporate culture—which is notoriously difficult to measure—may affect both the decision to speak up on social issues and firm value. Furthermore, firms with CEO activism may have a greater proportion of stakeholders with aligned values, and synergies around this alignment might affect firm value directly and not through CEO activism itself. Alternatively, CEOs may feel empowered to make social statements when they expect the firm performance to be good. To reduce potential differences between firms with and without CEO

²³ Unfortunately, our sample includes only 9 CEOs who moved between S&P 500 firms during our sample period, which precludes us from using CEO movements between firms to delineate between firm effects versus CEO effects.

²⁴ We measure Tobin's Q as the market value of assets divided by the book value of assets. Market value of assets is book value of total assets minus book value of equity plus market value of equity. Our results are robust to the use of different measures of Tobin's Q (e.g., Peters and Taylor 2017).

²⁵ Our results are robust if we use a dummy variable that equals one if there is at least one activist event, and zero otherwise, as our independent variable. Our results are also robust if we use an alternative measure of *# of activism events* that only includes CEO activism events that are not accompanied by an action. Furthermore, our results hold if we only consider activism events originating from CEOs' personal Twitter accounts.

activism that may confound our analysis, we re-run our analysis using entropy balancing. This procedure is a generalization of propensity score matching that weights control sample units to achieve covariate balance, adjusting for random and systematic inequalities in the variable distributions between the treatment and control groups (Hainmueller 2012). Compared to other matching methods, entropy balancing is more flexible because it allows observation weights to vary smoothly, thus retaining larger samples and improving efficiency. We employ the Hainmueller and Xu (2013) matching procedure and estimate balancing weights in the binary treatment framework, i.e., by using an indicator that equals one if there is at least one activism event during the given year, zero otherwise. The covariates that we use to balance the treatment group (firms with CEO activism in a given year) and control group (firms without CEO activism in a given year) are the same as those in Column 1 of Table 6, including measures of stakeholder ideologies and their alignment with the CEO's ideology. The results are displayed in Column 2 of Table 6. Relative to Column 1, we observe a drop in the magnitude of the estimated coefficient on *# of activism events* from 0.037 to 0.026, however, the coefficient remains significant at the 10% level. In terms of economic significance, an additional CEO activism event increases the average Tobin's Q by 1%. This effect of CEO activism on firm value is larger than the one obtained from our analysis of activism announcement returns, suggesting that whereas entropy balancing helps create a counterfactual control group to overt bias related to observable covariates, it does not remove hidden bias that might arise from unobserved covariates.

We also employ an instrumental variables estimation as an alternative approach to alleviate the concern that unobservable characteristics drive both CEO activism and firm value. Our instrument is based on directors' prior exposure to CEO activism and is motivated by studies that provide many examples of the propagation of corporate practices through director networks (e.g., Bouwman 2011, Bizjak et al. 2009, Fracassi 2017, Babenko et al. 2022). For instance, Hambrick and Wowak (2021) suggest that directors with prior exposure to CEO activism elsewhere may be more receptive to activism behavior and may encourage the CEO of the focal firm to speak up, or at least not discourage such behavior. Hence, we expect directors' prior exposure to CEO activism to be positively related to the likelihood of CEO activism at the focal firm,

as CEOs in these firms will be more likely to act without fear of backlash from their boards.²⁶ At the same time, it is quite unlikely that prior CEO activism events in other firms would have a direct effect on the current firm value of the focal firm.

To decrease the likelihood that directors with prior activism exposure were brought onto the focal firm's board *because* of their exposure to activist CEOs, we restrict our measure to include only directors who were already serving on the focal firm's board at the time of the CEO activism event in the other firm.²⁷ Furthermore, to reduce the possibility that individual director characteristics might be affecting our estimates, we only include directors' exposure to CEO activism that occurred in the year immediately preceding the year of the activism in the focal firm (i.e., $t-1$). Doing so allows us to capture directors' exposure to activism *per se*, rather than time-invariant director characteristics. The board activism exposure instrument is the number of directors on the board who served as a director on another firm's board wherein the CEO engaged in activism in the prior year.

The results of the first-stage estimation are reported in Column 3 of Table 6 and show that our instrument is significantly related to the likelihood of CEO activism. The second-stage estimation is reported in Column 4 of Table 6 and shows that the coefficient on the predicted value of CEO activism remains positive and significant at the 10% level. The magnitude of the coefficient, however, is about three times larger than the coefficient on *# of activism events* from the OLS estimation in Column 1. As discussed in Jiang (2017), two potential explanations for this common phenomenon are: (i) that the 2SLS coefficient measures a local average treatment effect that may be larger than the population average treatment effect or (ii) that our instrument is weak. Given that the Kleibergen-Paap test rejects the null of underidentification

²⁶ Anecdotal evidence suggests that CEOs could be fired for their activist behavior. For instance, many thought that Emmanuel Faber, CEO of Danone, who was "a star among environmentalists and climate activists" and was well-known for making the food company more environmentally conscious, was ousted because of climate-related activism (Walt 2021). Hence, it is likely that CEOs would take into account board views when making their activist decisions. Our results are robust if we restrict our instrument to only include CEO activism events that generated an either positive or insignificant market response at other firms, as directors are most likely to be receptive of CEO activism if the activism events they were exposed to previously resulted in non-negative market reactions.

²⁷ Our results are robust if we remove directors who were exposed to CEO activism in firms that operate in the same industry/location as the focal firm, which mitigates the potential concern that employees respond to CEO activism by leaving the company and then accepting employment with a competing firm.

(p -value < 0.01) and the Cragg-Donald Wald F -statistic for weak instruments is 98.71, it is more likely that our instrument is capturing a local average treatment effect rather than being weak.

These results notwithstanding, we acknowledge that our attempts to mitigate endogeneity concerns have significant limitations, as we are unable to completely rule out the possibility that our estimates related to Tobin's Q might: (i) reflect the sorting of activist CEOs and/or directors with activism exposure into firms with higher valuations or (ii) be driven by other unobservable factors. We therefore urge readers to exercise considerable caution in interpreting these results.

5.3. Institutional ownership

Our results thus far suggest that investors respond positively to CEO activism. In this section, we examine whether the positive market response may arise through an increased investor demand channel, as certain investors may prefer to invest in firms with CEO activism if they perceive these firms as more socially responsible. We start by analyzing changes in institutional investor ownership around CEO activism events in Panel A of Table 7, where the dependent variable is the annual change in the institutional ownership of a given firm's shares. Following other studies that analyze the determinants of changes in institutional holdings, we add share turnover and inverse stock price to our list of control variables (Hong and Kacperczyk 2009, Gompers and Metrick 2001, Chen et al. 2007). The results show a positive relation between CEO activism and changes in institutional ownership, which is in line with the valuation effects implied by the announcement returns.

Next, we examine whether changes in institutional investor ownership vary with the socio-political preferences of the investors by separating changes in ownership based on the democratic leaning of the institutional investors in Columns 2 and 3 (democratic leaning is measured as described in our determinants tests in Section 4). Investors with an above the annual sample median of democratic leaning are classified as having high democratic leaning, and the rest of the investors are classified as having low democratic leaning. We observe that investors with higher democratic leaning indeed increase their ownership in response to CEO activism more than do other investors (p -value < 0.10 for the difference in coefficients).

In Columns 4 and 5, we use the inequality aversion measure developed by Pan et al (2022) as an alternative metric of investor preferences. This variable is the first principal component of the following three state-level variables of investors' headquarters: minimum wage, the difference between a state's maximum and minimum personal income tax rates, and democratic leaning. We find that the positive relationship between CEO activism and institutional investors' ownership is present only for investors with an above the annual sample median level of inequality aversion (p -value < 0.01 for the difference in coefficients between Columns 4 and 5). These results indicate that investors' preferences can at least partly explain the market reaction to CEO activism.

To further examine the reactions of institutional investors to CEO activism, we investigate the investors' portfolio rebalancing activities in Panel B of Table 7. Specifically, for each stock in each institutional investor's portfolio we compute the annual change in the stock's portfolio weight, measured as the stock's current portfolio weight minus the stock's portfolio weight in the prior year. Weights are computed (in %) using prices of the prior year to reflect active rebalancing decisions rather than simply changes in stock prices. For example, to compute the weight change in 2012, we use 2011 prices to compute the dollar value of portfolio holdings in both 2011 and 2012. We next estimate investor-stock-year level regressions, wherein the dependent variable is a stock's annual weight change within an institution's portfolio. We include institutional investor fixed effects, stock fixed effects, and year fixed effects and double-cluster standard errors by the investor's HQ state and by stock. The coefficients are multiplied by 1,000 for the ease of presentation. In Column 1, we find that the coefficient on our activism measure is positive and statistically significant, meaning that investors rebalance their portfolio holdings to weight more heavily firms with CEO activism. In Columns 2–5, we separate investors based on their socio-political preferences and restrict the sample to investors with high (low) democratic leaning in Column 2 (3) and high (low) inequality aversion in Column 4 (5). We observe a significantly positive relationship between CEO activism and portfolio rebalancing only in the sub-samples of investors with higher democratic leaning and higher inequality aversion, further suggesting that investors' preferences moderate their reactions to CEO activism.

Overall, the evidence in this section shows that some institutional investors prefer CEOs to engage in activism, and they increase their holdings when the CEO takes public activist stances. However, the modest price reaction to CEO activism events suggests that the intrinsic value of the firm is likely not affected substantially.

6. Ramifications for CEOs

We conclude our analysis by examining the consequences of CEO activism for the CEOs themselves and studying the relationship between activism and CEO turnover. Given investors' positive response to CEO activism, CEOs who engage in activism may face a lower likelihood of being fired, as directors are likely to consider institutional investors' preferences when making CEO retention decisions. Alternatively, if boards view CEO activism negatively, they might be more likely to fire the CEO, irrespective of investor preferences. Column 1 of Table 8 presents estimates from a probit estimation in which the dependent variable equals one if the CEO was forced out and zero otherwise. We define CEO turnover as forced if the CEO was younger than 62 years old at the time of departure or if the data collected from news articles and Capital IQ directly mentions that the CEO departure was forced. In addition to all the controls used in our determinants analysis, we also control for board size, board independence, and board busyness. The results show that the coefficient on *# of activism events* is significantly negative. This suggests that, holding other firm and CEO characteristics constant, boards of directors do not appear to be likely to dismiss CEOs for engaging in CEO activism.

In Column 2, we examine whether the likelihood of being fired is moderated by the market reaction generated by the activism event by decomposing our *# of activism events* measure into *# of activism events-positive CAR* and *# of activism events-negative CAR*, which capture the number of activism events that engendered positive and negative announcement returns, respectively. We find that the coefficient on the *# of activism events-positive CAR* is negative and significant at the 1% level, whereas the coefficient on the *# of activism events-negative CAR* is insignificant (p -value < 0.10 for the difference in coefficients). The results show that only CEO activism events that generate a positive market response can reduce the

probability of the CEO being forced out. These results, however, also suggest that CEO activism that is perceived negatively by investors does not increase the likelihood of dismissal. To explore when CEO activism could potentially backfire, we hand-collect data on boycotts,²⁸ as activism events alongside corporate boycotts may reflect cases with a particularly negative stakeholder response. In Column 3, we interact our activism measure with the boycott dummy. The results show that CEO activism events that are accompanied by boycotts do increase the likelihood of CEOs being fired.

The positive investor reactions to CEO activism beg the question as to why some CEOs choose to *not* take public stances on social, environmental, and political issues. Given the results we find, one equilibrium may be for all CEOs to publicly take a stance on all issues that align with the values and opinions of the majority of their stakeholders. If, however, these activist stances are perceived as disingenuous public relations tactics, or if they conflict with prior knowledge about the CEO's values and opinions, stakeholders may respond especially negatively. For example, if a CEO's prior political contributions have been made solely to politicians known for proposing anti-LGBT laws, stakeholders may be unlikely to believe the CEO's pro-LGBT activist remarks. Even worse, they may publicly criticize the CEO and the firm as hypocrites (Quiroz-Gutierrez 2021). In addition, our cross-sectional tests show that CEO activism might not be beneficial for all firms. For instance, we find no significant market response to activism for firms in less concentrated and less polarized industries. Similarly, not all CEO activism behaviors are perceived favorably, as we find that CEO activism featured in the conservative leaning media generates a negative average market response, and the market's response to highly risky activist stances is insignificant. Lastly, CEO characteristics, such as lack of power or celebrity status might preclude CEOs from engaging in activism. These and other possible scenarios likely lead to an equilibrium in which some, but not all, CEOs choose to take public stances on social, environmental, and political issues.

²⁸ We identify boycotts by searching Google News using the following keywords: boycott, cancel, sit-in, protest, and backlash.

7. Conclusion

Until recently, corporate leaders rarely plunged into thorny social and political discussions. However, this has changed quite rapidly over the last decade, as CEOs have begun taking public stances on social, environmental, and political issues that affect their investors, employees, customers, and communities. As CEOs start to more actively engage in activism, it is important to understand why CEOs take public activist stances and whether such stances affect firm value.

Using a large-scale dataset of CEO activism events, we document that CEOs' ideological leanings and their alignment with the ideologies of other stakeholders are important factors in the decision to engage in activism. We find that CEO activism, on average, is associated with positive market returns. Additional tests show that this effect is accompanied with an increase in institutional ownership, especially among investors with a higher Democratic leaning and greater inequality aversion, who rebalance their portfolios to place greater weight on firms with activist CEOs. These results suggest that investor demand can be a channel through which a firm's activist stance on social responsibility and sustainability can attract the attention of institutional investors and affect equity valuations. However, as evidenced by the price reaction to CEO activism events, this effect is quite modest. Lastly, we find evidence that boards of directors view CEO activism favorably, as activist CEOs are less likely to be fired.

Overall, we show that CEO activism is becoming more acceptable in society writ large. Whereas conventional wisdom suggests that managers should abstain from commenting on contentious social or political topics, our empirical analysis shows that CEO activism may help firms bolster the identification that their stakeholders, especially investors, have with the firm.

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Figure 1. Kernel density estimation for activism events

This figure shows the kernel density estimation of returns around activism events, based on the [0:2] event window.

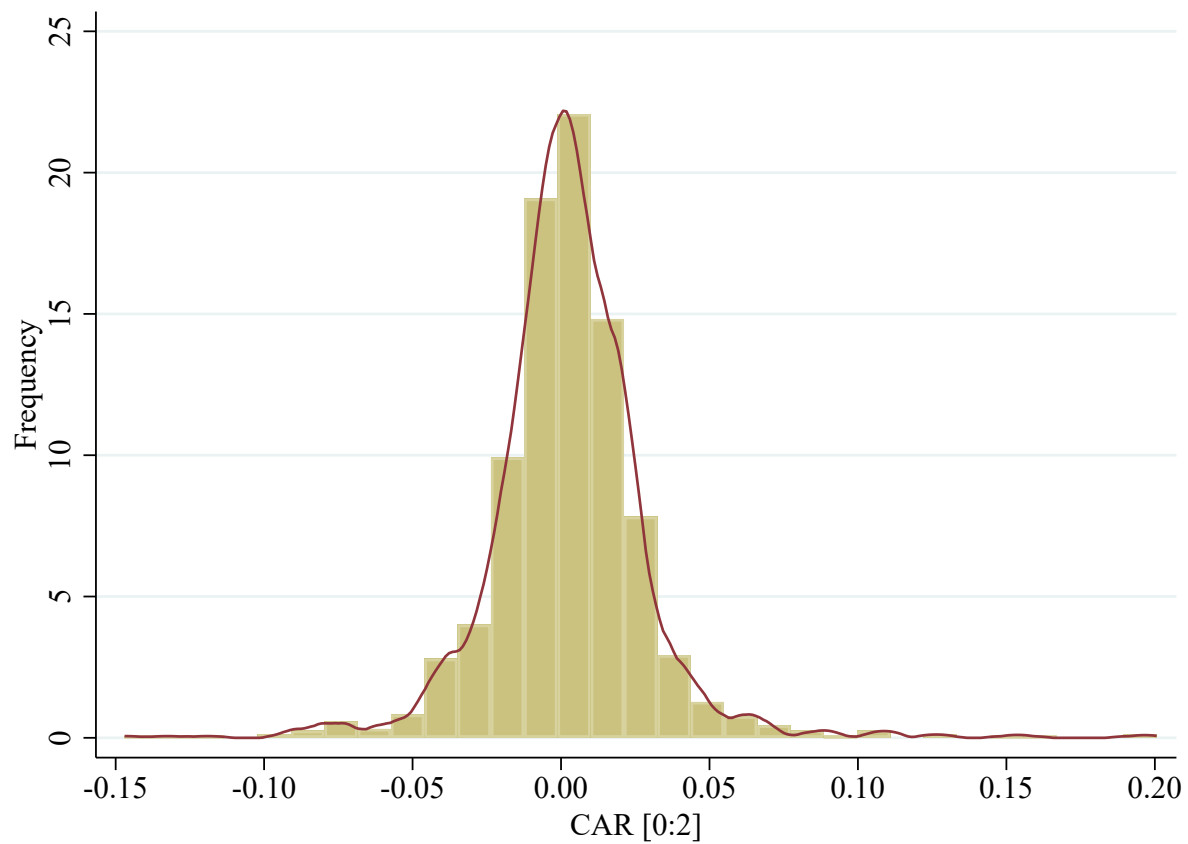


Figure 2. CEO activism and earnings announcements

For each of our 1,402 activism events, we count the number of days between the event and the firm's closest earnings announcement. We then plot a histogram of the distribution of days until or after the closest earnings announcement. Among our events, 97.2% occur within the 91-day, $[-45,+45]$, window around the announcement date. Any events that occur more than 45 days before the next earnings announcement (i.e., < -45) and more than 45 days after the most recent earnings announcement (i.e., > 45) are tagged with a day-count of -45 and 45, respectively.

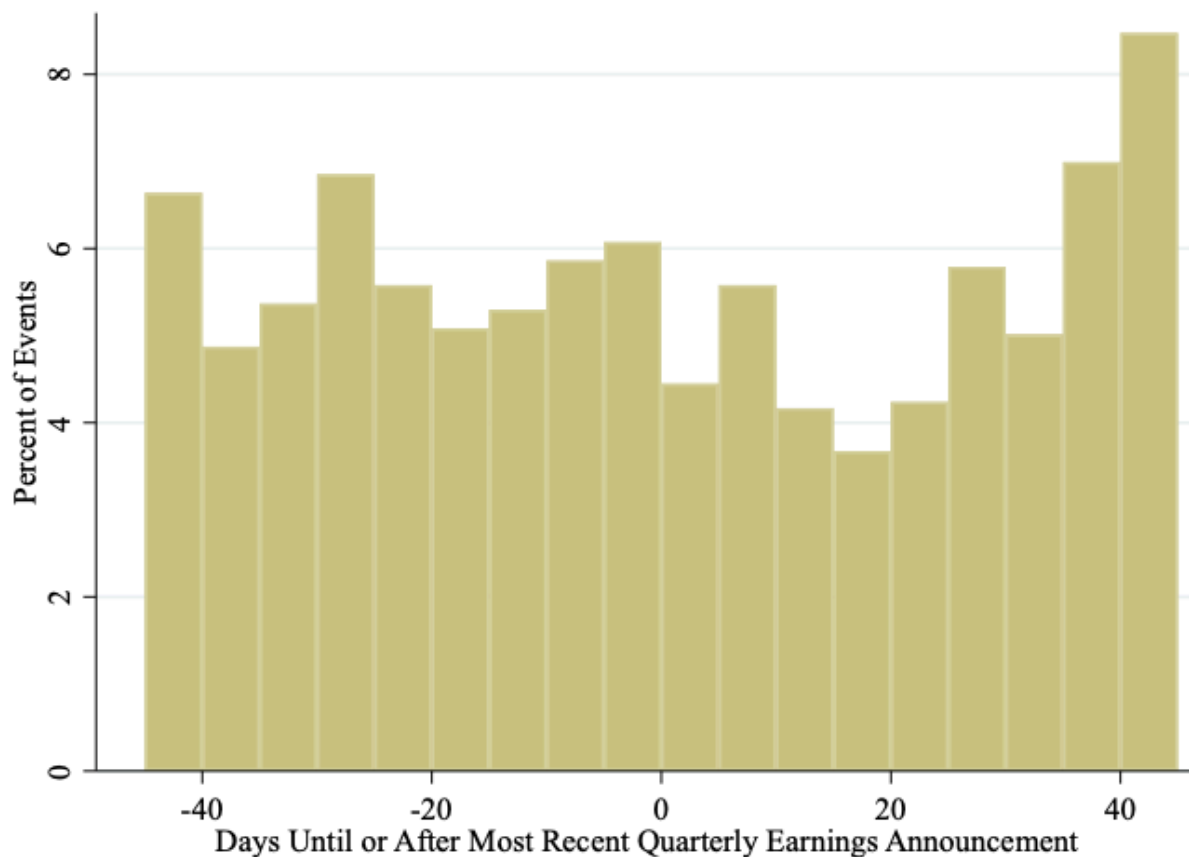


Figure 3. CEO activism and positive versus negative earnings announcements

For each of our 1,402 activism events, we count the number of days between the event and the firm's closest earnings announcement. We then separate events based on whether the closest earnings announcement contained a positive versus negative earnings surprise. In Figure (a), we plot a histogram of the distribution of days until or after the closest earnings announcement if that announcement contained a positive earnings surprise. In Figure (b), we plot the distribution when the closest earnings announcement contained a negative earnings surprise.

(a) Closest Earnings Announcement Contains a Positive Earnings Surprise



(b) Closest Earnings Announcement Contains a Negative Earnings Surprise

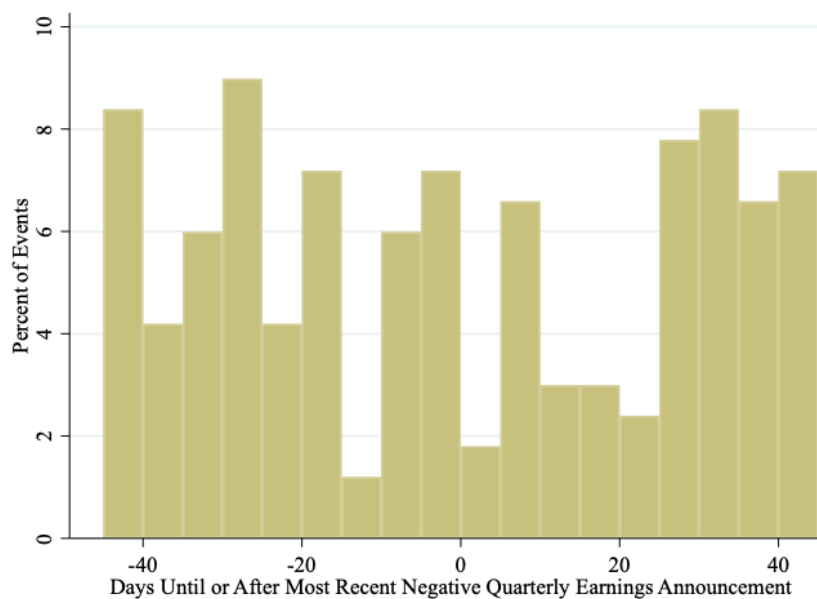


Table 1. Descriptive statistics

This table presents descriptive statistics, based on a sample of 457 firms over the period 2011–2019 (3,570 firm-year observations). Variable definitions are given in the Appendix C.

	N	Mean	Standard deviation	25 th percentile	Median	75 th percentile
	(1)	(2)	(3)	(4)	(5)	(6)
<i>CEO activism</i>						
# of activism events	3,570	0.39	1.81	0.00	0.00	0.00
# of firm activism events (news + corporate twitter)	3,570	0.33	1.48	0.00	0.00	0.00
# of CEO activism events (CEO twitter)	3,570	0.06	0.72	0.00	0.00	0.00
<i>Dependent variables</i>						
CEO activism dummy	3,570	0.11	0.31	0.00	0.00	0.00
Liberal activism dummy	3,570	0.10	0.29	0.00	0.00	0.00
Liberal activism dummy - firm	3,570	0.09	0.29	0.00	0.00	0.00
Liberal activism dummy - CEO	3,570	0.01	0.12	0.00	0.00	0.00
Tobin's Q	3,570	2.43	1.49	1.45	1.98	2.83
Change in institutional ownership	3,312	0.02	0.15	-0.04	-0.01	0.03
Forced CEO turnover	3,570	0.05	0.22	0.00	0.00	0.00
<i>Firm characteristics</i>						
Firm size (in billions)	3,570	24.12	43.58	4.61	9.43	23.68
Stock return	3,570	0.05	0.33	-0.13	0.03	0.19
ROA	3,570	0.16	0.10	0.11	0.15	0.20
Asset tangibility	3,570	0.26	0.23	0.09	0.17	0.36
Leverage	3,570	0.15	0.12	0.07	0.13	0.21
CSR index	3,570	2.34	3.53	0.00	2.00	4.00
Fortune's 100 best company	3,570	0.04	0.21	0.00	0.00	0.00
R&D/Sales	3,570	0.05	0.12	0.00	0.01	0.06
Stock volatility	3,569	0.02	0.01	0.01	0.02	0.02
Asset turnover	3,570	0.48	0.44	0.23	0.35	0.57
Cash/Assets	3,570	0.15	0.15	0.04	0.10	0.21
Share turnover	3,549	0.03	0.04	0.01	0.02	0.00
Inverse stock price	3,569	0.03	0.04	0.01	0.02	0.03
Board size	3,570	10.50	1.97	9.00	11.00	12.00
% independent directors	3,570	0.83	0.10	0.78	0.88	0.90
% busy directors	3,570	0.34	0.20	0.20	0.33	0.45
Boycott dummy	3,570	0.00	0.07	0.00	0.00	0.00
Board activism exposure	3,570	0.33	0.77	0.00	0.00	0.00

Table 1 (continued)

	N	Mean	Standard deviation	25 th percentile	Median	75 th percentile
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Firm characteristics (cont'd)</i>						
HHI	3,569	0.11	0.10	0.06	0.08	0.11
Stakeholder polarization	3,570	0.00	1.00	-0.75	-0.16	0.80
Profit margin	3,570	0.21	0.19	0.13	0.20	0.30
<i>CEO characteristics</i>						
CEO celebrity status	3,570	0.03	0.05	0.01	0.02	0.04
CEO narcissism	3,570	2.24	2.26	1.41	2.12	2.77
CEO/Chair duality	3,570	0.50	0.50	0.00	1.00	1.00
CEO tenure	3,570	1.48	0.75	0.92	1.50	2.04
CEO age	3,570	57.15	6.51	53.00	57.00	61.00
CEO gender	3,570	0.96	0.19	1.00	1.00	1.00
<i>Democratic leaning</i>						
CEO democratic leaning	3570	0.47	0.22	0.50	0.50	0.50
Employee democratic leaning	3570	0.60	0.13	0.52	0.60	0.69
Customer democratic leaning	3570	0.50	0.06	0.48	0.51	0.52
Investor democratic leaning	3570	0.57	0.03	0.55	0.57	0.59
Democratic leaning alignment	3570	0.00	1.00	-0.65	0.12	0.69
Strong alignment	3570	0.78	0.42	1.00	1.00	1.00

Table 2. CEO activism

Panel A presents the number and proportion of the ten most frequent keywords, based on a sample of 1,402 activism events over the period 2011–2019. Panel B reports the proportion of firms with activism events stratified by year. Panel C reports the proportion of firms with activism events, stratified by 12 Fama-French industry categories, Panel D reports the proportion of firms with activism events, stratified by geographical region, and Panel E reports the proportion of CEOs engaging in activism, stratified by the frequency of activism events.

Panel A: Most frequent keywords

	N	%
LGBT	249	17.76
Environment	192	13.69
Inclusion	105	7.49
Renewable	100	7.13
Trump	69	4.92
Climate change	64	4.56
Violence	63	4.49
Pollution	57	4.07
Poverty	56	3.99
Refugee	40	2.85

Panel B: Activism by year

	Percentage of activism events
2011	0.98%
2012	1.71%
2013	3.61%
2014	2.88%
2015	6.67%
2016	9.02%
2017	15.71%
2018	24.74%
2019	37.53%
Full sample	10.95%

Panel C. Activism by industry

	Percentage of activism events
Food, tobacco, textiles, apparel, leather, and toys	16.98%
Cars, TV's, furniture, and household appliances	12.94%
Machinery, trucks, planes, paper, and commercial printing	6.57%
Oil, gas, coal extraction and products	8.79%
Chemicals and applied products	10.98%
Computers, software, and electronic equipment	12.05%
Telephone and television transmission	12.86%
Utilities	-
Wholesale, retail, and some services	13.79%
Healthcare, medical equipment, and drugs	8.06%
Financials	-
Mines, construction, building materials, transportation, and entertainment	8.71%
Full sample	10.95%

Panel D. Activism by geographical region

	Percentage of activism events
Midwest	10.59%
Northeast	9.65%
Southeast	7.42%
Southwest	8.79%
West	16.84%
Full sample	10.95%

Panel E. Frequency of activism events

	Percentage of CEOs
0 activism events	70.20%
Between 1 and 5 activism events	18.24%
Between 6 and 10 activism events	4.96%
> 10 activism events	6.61%

Table 3. Determinants

This table presents estimates from probit estimations using a panel of firm-year data. The dependent variable in Columns 1 and 4 is a dummy variable that equals one if there is at least one liberal activism event during the year, zero otherwise. The dependent variable in Column 2 (3) is a dummy variable that equals one if there is at least one CEO (firm) liberal activism event during the year, zero otherwise. The dependent variable in Column 5 is a dummy variable that equals one if there is at least one activism event during the year, zero otherwise. All regressions control for year and 48 Fama-French industry fixed effects and include a constant (not shown). Variable definitions are in Appendix C. *t*-statistics are shown in parentheses. Standard errors are adjusted for heteroskedasticity (White, 1980) and are clustered by firm. *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

	=1 if liberal activism			=1 if activism	
	Full	CEO	Firm	Full	Full
	(1)	(2)	(3)	(4)	(5)
<i>Democratic leaning & alignment</i>					
CEO democratic leaning	0.425** (1.99)	1.515*** (3.58)	0.432** (1.96)		
Employee democratic leaning	0.308 (0.62)	1.021 (0.92)	0.171 (0.33)		
Customer democratic leaning	1.343* (1.75)	-1.320 (-0.93)	1.476* (1.85)		
Investor democratic leaning	-2.430 (-1.06)	16.446* (1.91)	-3.576 (-1.55)		
Democratic leaning alignment				0.119** (2.00)	
Strong alignment					0.284** (2.37)
<i>Firm characteristics</i>					
Ln(Firm size)	0.800*** (11.59)	0.602*** (4.47)	0.815*** (11.56)	0.794*** (11.42)	0.799*** (12.13)
Stock return	-0.094 (-0.77)	0.399** (2.05)	-0.159 (-1.24)	-0.101 (-0.83)	0.009 (0.07)
ROA	0.214 (0.23)	0.889 (0.47)	0.596 (0.63)	0.162 (0.18)	0.427 (0.52)
Asset tangibility	-0.110 (-0.21)	-0.810 (-1.00)	-0.203 (-0.39)	-0.119 (-0.24)	-0.263 (-0.57)
Leverage	-2.854*** (-4.02)	-0.929 (-0.63)	-2.848*** (-3.91)	-2.845*** (-4.02)	-3.185*** (-4.87)
CSR index	0.043** (2.23)	0.058* (1.81)	0.040** (2.03)	0.041** (2.17)	0.044** (2.48)
Fortune's 100 best company dummy	0.023 (0.11)	-0.054 (-0.18)	-0.052 (-0.25)	0.017 (0.08)	0.120 (0.58)
R&D/Sales	1.600*** (3.81)	4.745** (2.24)	1.476*** (3.84)	1.563*** (3.84)	1.670*** (4.20)
Stock volatility	27.620*** (2.61)	-11.944 (-0.55)	30.356*** (2.79)	25.486** (2.37)	32.231*** (3.32)
Asset turnover	-0.321 (-1.51)	0.482 (1.28)	-0.353 (-1.61)	-0.311 (-1.46)	-0.398* (-1.86)
Cash holdings	-0.624 (-1.12)	-0.927 (-1.01)	-0.707 (-1.21)	-0.569 (-1.03)	-0.869* (-1.72)

Table 3. continued

	=1 if liberal activism			=1 if activism	
	Full	CEO	Firm	Full	Full
	(1)	(2)	(3)	(4)	(5)
<i>CEO characteristics</i>					
CEO celebrity	5.099*** (4.59)	5.808 (1.33)	5.087*** (4.52)	4.978*** (4.59)	5.199*** (4.70)
CEO narcissism	-0.005 (-0.14)	0.058 (1.33)	-0.015 (-0.42)	-0.003 (-0.08)	-0.020 (-0.57)
CEO/Chair duality	0.258** (2.12)	-0.107 (-0.46)	0.309** (2.45)	0.248** (2.05)	0.260** (2.24)
Ln (CEO tenure)	0.068 (1.04)	-0.122 (-0.77)	0.070 (1.05)	0.061 (0.94)	0.042 (0.70)
CEO age	-0.023** (-2.35)	-0.034* (-1.66)	-0.020** (-2.07)	-0.023** (-2.38)	-0.021** (-2.25)
CEO gender	0.393 (1.61)	-0.011 (-0.03)	0.380 (1.52)	0.348 (1.41)	0.414* (1.81)
Industry and year fixed effects	Yes	Yes	Yes	Yes	Yes
Number of observations	3,283	1,371	3,283	3,283	3,327
Adjusted R-squared	0.439	0.416	0.440	0.437	0.440

Table 4. Cumulative announcement returns

This table presents announcement returns for CEO activism, based on a sample of 1,402 activism events over the period 2011–2019. Panel A presents announcement returns for the windows from day 0 to day +2. Panel B presents announcement returns for windows from day -10 to day -1 and from day +3 to day +10. For mean, median, and 25th/75th percentiles asterisks indicate the differences from zero based on a *t*-test, signed rank test, and *t*-stats derived from quintile regressions, respectively. *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

Panel A: Main result

	Mean	25 th percentile	Median	75 th percentile
	(1)	(2)	(3)	(4)
CAR [0]	0.13%***	-0.57%***	0.07%***	0.76%***
CAR [0:1]	0.17%***	-0.85%***	0.12%***	1.17%***
CAR [0:2]	0.23%***	-1.00%***	0.20%***	1.52%***

Panel B. Anticipation and underreaction

	Mean	Median
	(1)	(2)
CAR [-10:-7]	0.04%	0.07%
CAR [-6:-4]	0.04%	0.06%
CAR [-3:-1]	0.14%**	0.20%***
CAR [+3:+6]	0.01%	0.10%
CAR [+7:+10]	-0.08%	-0.03%

Table 5. Activism heterogeneity

This table presents median announcement returns for CEO activism, based on a sample of 1,402 activism events over the period 2011–2019. Panel A splits events up by topic. Panel B considers differences in the event's riskiness, credibility, and media bias. Panel C considers differences in the firm's level of competition, polarization, and niche strategy. Variable definitions are in Appendix C. Panel D considers different ways to separate events into CEO activism versus firm activism. In Column 1, news-based events and tweets from corporate Twitter accounts are classified as firm activism, whereas tweets that originate from CEOs' personal accounts are classified as CEO activism. In Column 2, we classify activism events as firm activism if they follow: (i) Pride month (for LGBT-related activism) or a mass shooting (for gun-related activism); (ii) a corporate scandal; (iii) a financial restatement; (iv) a lawsuit; or (v) the recent activism efforts of other CEOs (i.e., the focal event occurs less than 7 days after other CEOs' activism on the same topic). The rest of the events are classified as CEO activism. In Column 3, we classify events as firm activism if they are related to the firm's core business operations and as CEO activism if they are unrelated to the firm's operations. Asterisks indicate the differences from zero or differences between sub-samples, based on a signed rank and Wilcoxon rank-sum tests, respectively. *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

Panel A: Topics

	Diversity N=445	Environment N=484	Politics N=103	Other N=370
	(1)	(2)	(3)	(4)
CAR [0]	0.06%	0.10%*	-0.04%	0.06%*
CAR [0:1]	0.17%**	0.16%**	-0.12%	0.11%
CAR [0:2]	0.23%***	0.18%*	-0.24%	0.26%**

Panel B: Riskiness, credibility, and media bias

	Controversy	Vividness	Credibility	Cash flow implications	Liberal Media bias
	(1)	(2)	(3)	(4)	(5)
High	N=570	N=148	N=303	N=44	N=141
CAR [0]	0.00%	-0.13%	0.16%***	0.08%	0.04%
CAR [0:1]	0.08%*	-0.13%	0.23%***	0.38%***	0.16%*
CAR [0:2]	0.18%**	0.00%	0.37%***	0.40%***	0.24%*
Low	N=832	N=1,254	N=443	N=813	N=44
CAR [0]	0.13%***	0.09%***	0.01%	0.07%*	-0.29%**
CAR [0:1]	0.16%***	0.15%***	0.11%	0.17%***	-0.43%*
CAR [0:2]	0.20%***	0.20%***	0.20%	0.27%***	-0.32%**
Difference					
CAR [0]	-0.13%*	-0.21%**	0.16%*	0.01%	0.32%**
CAR [0:1]	-0.09%	-0.28%*	0.12%**	0.21%*	0.59%***
CAR [0:2]	-0.02%	-0.20%	0.16%**	0.13%*	0.56%***

Panel C. Cross-sectional variation

	Competition	Polarization	Niche strategy
	(1)	(2)	(3)
High	N=695	N=705	N=701
CAR [0]	0.07% ^{**}	0.11% ^{***}	0.07% ^{**}
CAR [0:1]	0.22% ^{***}	0.20% ^{***}	0.18% ^{***}
CAR [0:2]	0.33% ^{***}	0.20% ^{***}	0.28% ^{***}
Low	N=707	N=697	N=701
CAR [0]	0.07% [*]	0.01%	0.07%
CAR [0:1]	0.03%	0.06%	0.06%
CAR [0:2]	0.02%	0.20% ^{**}	0.10%
Difference			
CAR [0]	0.00%	0.10% [*]	0.00%
CAR [0:1]	0.19% ^{**}	0.14%	0.12%
CAR [0:2]	0.32% ^{**}	-0.01%	0.18%

Panel D. CEO activism vs firm activism

	CEO tweets vs news & firm tweets	Pro-active vs Reactive	Unrelated vs related
	(1)	(2)	(3)
CEO activism	N=216	N=436	N=885
CAR [0]	0.11% [*]	0.08%	0.05% [*]
CAR [0:1]	0.24% ^{**}	0.23% ^{**}	0.12% ^{**}
CAR [0:2]	0.42% ^{***}	0.23% ^{**}	0.16% ^{***}
Firm activism	N=1,186	N=966	N=517
CAR [0]	0.06% ^{**}	0.07% ^{**}	0.08% ^{**}
CAR [0:1]	0.10% ^{***}	0.09% ^{**}	0.16% ^{**}
CAR [0:2]	0.14% ^{***}	0.14% ^{***}	0.20% ^{**}
Difference			
CAR [0]	0.05%	0.01%	-0.03%
CAR [0:1]	0.14%	0.14%	-0.04%
CAR [0:2]	0.28%	0.08%	-0.04%

Table 6. Tobin's Q

This table presents estimates from ordinary least squares estimations using a panel of firm-year data. The dependent variable in Columns 1, 2, and 4 is Tobin's Q. The dependent variable in Column 3 is the *# of activism events*. Column 2 reports the results using an entropy-balanced sample. Column 3 is the first stage of a 2SLS model in which the number of activism events is instrumented using a board's prior exposure to CEO activism. Column 4 reports the results of the second stage estimation. All regressions control for year and 48 Fama-French industry fixed effects and include a constant (not shown). Variable definitions are in Appendix C. *T*-statistics are shown in parentheses. Standard errors are adjusted for heteroskedasticity (White, 1980) and are clustered by firm. *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

	Tobin's Q	Tobin's Q	1 st stage: # of activisms	2 nd stage: Tobin's Q
	(1)	(2)	(3)	(4)
# of activism events	0.037*** (2.75)	0.026* (1.90)		0.125* (1.70)
Board activism exposure			0.427*** (4.44)	
Ln(Firm size)	-0.201*** (-3.74)	-0.123 (-1.54)	0.428*** (2.99)	-0.249*** (-3.70)
Stock return	0.423*** (4.13)	0.339* (1.89)	0.046 (0.80)	0.418*** (4.13)
ROA	3.108** (2.50)	6.636*** (4.26)	0.687 (1.00)	3.045** (2.52)
Asset tangibility	0.510** (2.15)	-0.328 (-0.79)	0.085 (0.29)	0.502** (2.16)
Leverage	-2.208*** (-6.16)	-3.459*** (-4.59)	-1.292*** (-3.60)	-2.079*** (-5.90)
CSR index	-0.013 (-1.47)	-0.014 (-0.79)	-0.022 (-1.31)	-0.011 (-1.25)
Fortune's 100 best company dummy	0.185 (1.18)	0.192 (0.85)	-0.215 (-0.87)	0.203 (1.37)
R&D/Sales	1.369** (2.53)	2.683*** (3.54)	0.765* (1.95)	1.297** (2.43)
Stock volatility	-9.028 (-1.39)	5.799 (0.43)	12.063* (1.77)	-9.820 (-1.52)
Asset turnover	-0.597*** (-5.87)	-1.002*** (-5.30)	-0.221** (-2.47)	-0.575*** (-5.68)
Cash holdings	1.718*** (4.48)	1.596** (2.45)	0.279 (0.59)	1.690*** (4.48)
CEO celebrity	5.361*** (3.37)	1.940 (1.47)	2.759* (1.68)	5.036*** (3.35)
CEO narcissism	0.005 (0.62)	0.026 (0.87)	-0.018 (-1.08)	0.007 (0.74)
CEO/Chair duality	0.165** (2.56)	0.506*** (4.57)	0.113 (0.76)	0.152** (2.38)
Ln (CEO tenure)	0.079* (1.91)	0.083 (1.27)	0.056 (1.09)	0.074* (1.74)
CEO age	-0.010* (-1.74)	-0.009 (-1.13)	-0.022 (-1.59)	-0.008 (-1.28)
CEO gender	-0.138 (-0.92)	0.188 (1.00)	0.232 (1.18)	-0.160 (-1.06)

Table 6 (continued)

	Tobin's Q	Tobin's Q	1 st stage: # of activisms	2 nd stage: Tobin's Q
	(1)	(2)	(3)	(4)
CEO democratic leaning	0.073 (0.41)	0.268 (0.95)	0.687* (1.95)	0.013 (0.07)
Employee democratic leaning	0.237 (0.81)	-0.948** (-2.22)	0.551 (1.30)	0.192 (0.65)
Customer democratic leaning	-0.200 (-0.37)	-0.343 (-0.51)	0.466 (0.76)	-0.216 (-0.40)
Investor democratic leaning	-0.523 (-0.48)	4.370** (2.14)	-1.893 (-1.33)	-0.285 (-0.26)
Strong alignment	-0.048 (-0.58)	0.190 (1.55)	-0.150 (-1.40)	-0.037 (-0.45)
Year and industry fixed effects	Yes	Yes	Yes	Yes
Number of observations	3,569	3,569	3,569	3,569
Adjusted R-squared	0.582	0.643		0.573
Cragg-Donald Wald <i>F</i> -statistic			98.71	
Kleibergen-Paap Wald <i>F</i> -statistic			19.74	

Table 7. Institutional investors' ownership change

This table presents estimates from ordinary least squares estimations. The dependent variable in Column 1 of Panel A is the change in the fraction of institutional ownership. The dependent variable in Column 2/3 (4/5) of Panel A is the change in the fraction of institutional ownership with high/low democratic leaning (inequality aversion). The dependent variable in Column 1 of Panel B is the change in a stock's weight in an institutional investor's portfolio. In Column 2/3 (4/5) of Panel B we restrict the sample to institutions with high/low democratic leaning (inequality aversion). All regressions in Panel A (Panel B) control for year and 48 Fama-French industry (institutional investor, stock, and year) fixed effects and include a constant (not shown). Variable definitions are in Appendix C. *T*-statistics are shown in parentheses. Standard errors are adjusted for heteroskedasticity (White, 1980) and are clustered by firm (investor's HQ state and firm) in Panel A (Panel B). *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

Panel A: Change in institutional ownership

	Change in institutional ownership				
	Total	High democratic leaning	Low democratic leaning	High inequality aversion	Low inequality aversion
	(1)	(2)	(3)	(4)	(5)
# of activism events	0.002*** (2.70)	0.002** (2.54)	0.001** (2.03)	0.001*** (3.61)	-0.000 (-0.98)
Ln(Firm size)	-0.013*** (-4.47)	-0.007*** (-3.15)	-0.005*** (-5.27)	-0.001 (-1.55)	0.001* (1.90)
Stock return	0.027*** (2.62)	0.028*** (3.17)	-0.002 (-0.77)	0.007** (2.07)	-0.001 (-0.53)
ROA	-0.031 (-1.01)	-0.034 (-1.30)	0.004 (0.32)	-0.000 (-0.02)	-0.005 (-0.83)
Asset tangibility	0.022 (1.13)	0.020 (1.34)	0.002 (0.32)	0.007* (1.88)	-0.001 (-0.24)
Leverage	0.017 (0.58)	0.015 (0.61)	0.002 (0.17)	0.001 (0.13)	-0.017*** (-2.79)
CSR index	0.000 (0.02)	0.000 (0.12)	-0.000 (-0.29)	-0.000 (-1.49)	0.000 (0.79)
Fortune's 100 best company dummy	0.001 (0.09)	0.002 (0.27)	-0.000 (-0.16)	0.004 (1.09)	0.004** (2.18)
R&D/Sales	-0.042** (-2.34)	-0.025* (-1.73)	-0.014** (-2.39)	-0.027** (-2.35)	0.001 (0.27)
Stock volatility	0.727 (1.32)	0.547 (1.21)	0.193 (1.01)	-0.480*** (-2.82)	0.073 (0.65)
Asset turnover	-0.031*** (-4.37)	-0.025*** (-4.45)	-0.007*** (-3.03)	-0.001 (-0.93)	-0.001 (-1.05)
Cash holdings	-0.019 (-0.76)	-0.007 (-0.37)	-0.012* (-1.72)	0.016** (2.21)	-0.013*** (-2.95)
Share turnover	0.001*** (5.28)	0.000** (2.02)	0.001*** (10.19)	0.001*** (10.53)	-0.002*** (-38.99)
Inverse stock price	-0.248*** (-2.65)	-0.189* (-1.92)	-0.136*** (-3.88)	0.016 (0.65)	0.005 (0.21)
Democratic leaning & stakeholder alignment controls	Yes	Yes	Yes	Yes	Yes
CEO characteristics controls	Yes	Yes	Yes	Yes	Yes
Year and industry fixed effects	Yes	Yes	Yes	Yes	Yes
Number of observations	3,292	3,291	3,292	3,278	3,281
Adjusted R-squared	0.046	0.190	0.510	0.100	0.014

Panel B: Portfolio rebalancing

	Institutional rebalancing				
	Total	High democratic leaning	Low democratic leaning	High inequality aversion	Low inequality aversion
	(1)	(2)	(3)	(4)	(5)
# of activism events	0.003* (1.78)	0.005** (2.56)	0.002 (0.74)	0.006** (2.77)	0.003 (1.07)
Institutional investor, stock, and year fixed effects	Yes	Yes	Yes	Yes	Yes
Number of observations	1,506,753	831,784	674,966	511,987	994,735
Adjusted R-squared	0.035	0.041	0.029	0.033	0.060

Table 8. CEO turnover

This table presents estimates from probit estimations. The dependent variable is a dummy that equals one if the CEO was fired during the year, and zero otherwise. All regressions control for year and 48 Fama-French industry fixed effects and include a constant (not shown). Variable definitions are in Appendix C. *T*-statistics are shown in parentheses. Standard errors are adjusted for heteroskedasticity (White, 1980) and are clustered by firm. *, **, *** denotes significance at 0.10, 0.05, 0.01 levels, respectively.

	=1 if forced out		
	(1)	(2)	(3)
# of activism events	-0.078** (-2.03)		-0.105** (-2.43)
# of activism events – positive CAR		-0.143*** (-2.88)	
# of activism events – negative CAR		-0.036 (-0.85)	
# of activism events × boycott			0.105* (1.71)
Boycott			0.266 (0.59)
Ln(Firm size)	0.042 (0.82)	0.047 (0.92)	0.043 (0.82)
Stock return	-0.164 (-1.25)	-0.168 (-1.27)	-0.171 (-1.29)
ROA	0.057 (0.11)	0.068 (0.14)	0.064 (0.13)
Asset tangibility	-0.115 (-0.50)	-0.101 (-0.44)	-0.121 (-0.53)
Leverage	-0.247 (-0.67)	-0.258 (-0.70)	-0.251 (-0.69)
CSR index	0.022* (1.96)	0.022* (1.91)	0.022* (1.93)
Fortune's 100 best company dummy	-0.073 (-0.46)	-0.077 (-0.48)	-0.060 (-0.38)
R&D/Sales	0.863*** (2.63)	0.871*** (2.65)	0.866*** (2.64)
Stock volatility	15.162** (2.22)	15.431** (2.26)	15.237** (2.23)
Asset turnover	0.130 (1.45)	0.132 (1.47)	0.131 (1.46)
Cash holdings	-0.566 (-1.60)	-0.549 (-1.55)	-0.558 (-1.59)
Ln(Board size)	0.171 (0.79)	0.173 (0.80)	0.162 (0.76)
% independent directors	-0.393 (-1.09)	-0.411 (-1.14)	-0.380 (-1.05)
% busy directors	-0.035 (-0.18)	-0.034 (-0.17)	-0.019 (-0.10)
Democratic leaning & stakeholder alignment controls	Yes	Yes	Yes
CEO characteristics controls, year and industry fixed effects	Yes	Yes	Yes
Number of observations	3,389	3,389	3,389
Pseudo R-squared	0.064	0.066	0.066

Appendix A: Examples of activism events

CEO, Company	Keyword	Headline/Tweet	Date	Source
<i>Diversity – Firm activism</i>				
Ginni Rometty, IBM	LGBT	IBM CEO, Business Group Call on Congress to Pass LGBT Rights Bill	03/07/19	Axios.com
Howard Schultz, Starbucks	Gay Marriage	Starbucks CEO Holds His Ground on Gay Marriage	03/28/13	CNN.com
Denise Morrison, Campbell Soup	Glass ceiling	Campbell CEO Denise Morrison: It's time to 'shatter' glass ceiling	03/08/18	Bizjournals.com
Jeff Bezos, Amazon	Same-Sex	Amazon's Jeff Bezos Donates \$2.5 Million to Support Same-Sex Marriage Measure	07/27/12	GeekWire.com
John Milligan, Gilead Sciences	Inclusion	@GileadSciences sponsored plenary at #2018usca featuring a panel discussion on #EndingHIV through inclusion	09/07/18	Twitter (corporate)
<i>Diversity – CEO activism</i>				
Rami Rahim, Juniper Networks	Discrimination	I support the greater business community in taking a stand against discrimination of any kind	04/08/16	Twitter (personal)
Satya Nadella, Microsoft	Inclusion	Proud of all our employees who support and advocate for equal rights and inclusion as we celebrate #pride2018	06/02/18	Twitter (personal)
<i>Environment – Firm activism</i>				
Kevin Plank, Under Armour	Climate change	"Climate Change is Real": Under Armour Kevin Plank Unhappy with Trump's Paris Withdrawal	06/02/17	Washington Post.com
Ed Bastian, Delta Airlines	Environment	Delta CEO: Environmental Issues are "Existential Threat" to Growth	12/13/19	AJC.com
Rex Tillerson, ExxonMobil	Renewable	ExxonMobil CEO Mocks Renewable Energy in Shareholder Speech	05/27/15	Politico.com
Ramon Laguarta, Pepsico Inc	Pollution	We're proud to sign up to @newplasticcon's global commitment to help eliminate plastic pollution. Collaboration among businesses, NGOs, and governments is key to creating a future where plastics need never become waste.	10/29/18	Twitter (corporate)
<i>Environment – CEO activism</i>				
Tim Cook, Apple	Climate change	An important moment in the fight against climate change. Government can't do it alone. Apple is committed to clean energy #cop21	12/15/12	Twitter (personal)
Satya Nadella, Microsoft	Paris accord	The Paris Agreement is good for the US economy & the environment. We & other US companies urge @potus to stay in the Paris Agreement.	06/01/17	Twitter (personal)

Appendix A. (continued)

CEO, Company	Keyword	Headline/Tweet	Date	Source
<i>Politics – Firm activism</i>				
Tim Cook, Apple	Brexit	"We're a big believer in the UK" Tim Cook gives Brexit vote of confidence	02/10/17	Cbronline.com
Steve Wynn, Wynn Resorts	Obama	Casino magnate Steve Wynn trashes Obama	07/19/11	Money.cnn.com
Marc Benioff, Salesforce	Taxes	Salesforce's Marc Benioff backs higher taxes, renews critique of capitalism	11/21/19	Finance.yahoo.com
<i>Politics – CEO activism</i>				
Wilmot Hastings Jr, Netflix	Trump	Hey @realdonaldtrump, I'm an American Muslim and I already carry a special id badge. Where's yours?	11/19/15	Twitter (personal)
Andrew Anagnost, Autodesk	Trump	Trump told rust belt voters he'd fight to bring back their factory work. Automation makes that nearly impossible	12/08/16	Twitter (personal)
Jeff Bezos, Amazon.com	Trump	Congratulations to @realdonaldtrump. i for one give him my most open mind and wish him great success in his service to the country.	11/10/16	Twitter (personal)
<i>Other – Firm activism</i>				
John Mackey, Whole Foods	Obamacare	Whole Foods CEO John Mackey Calling Obamacare Fascist is Tip of the Iceberg	01/18/13	The Guardian.com
Marc Benioff, Salesforce	Pay gap	Salesforce's Marc Benioff Urges His Fellow CEOs to Close the Gender Pay Gap	01/18/17	Fortune.com
Mark Fields, Ford	Immigration	Ford CEO on Trump Immigration Ban: "We Do Not Support This Policy"	01/30/17	Business Insider.com
Bob Iger, Disney	Abortion	Disney CEO Says it Will Be "Difficult" to Film in Georgia if Abortion Law Takes Effect	05/29/19	Reuters.com
Tom Linebarger, Cummins	Dreamers	Cummins is proud to stand #withdreamers who make our company and our communities stronger #DefendDACA	09/02/17	Twitter (corporate)
<i>Other – CEO activism</i>				
Chuck Robins, Cisco	Immigration	Must end cruel policy of separating accompanied minors from their parents, simply un-American. We need policies that reflect our values and do what's right for society	06/19/18	Twitter (personal)
Bob Iger, Disney	Gun	By not acting to stop gun violence, we are failing our children and failing our country	05/19/18	Twitter (personal)
Arthur Peck, GAP	Equal pay	Proud to support the California pay equity pledge. At @gapinc., every day is equal pay day because it's the right thing to do.	07/03/19	Twitter (personal)

Appendix B. Data construction

B.1 Keyword list

Our keyword list is based on Larcker et al. (2018) and Bhagwat et al. (2020) and includes the following keywords: *abortion, Brexit, carbon tax, clean air, clean water, climate change, Clinton, debt ceiling, Democrat, discrimination, dreamers, environment, equal pay, ethnicity, fiscal cliff, gay marriage, glass ceiling, global warming, government shutdown, gun, harassment, healthcare, homosexual, human rights, inclusion, indigenous people, immigration, land conservation, LGBT, lesbian, Nazi, Obama, Obamacare, Paris accord, pay gap, pollution, poverty, prison, racial, refugee, religion, renewable, Republican, same-sex, tariffs, taxes, travel ban, Trump, violence, war, white supremacists, #keepfamilies together*.²⁹ These keywords fall into four broad categories of activism: diversity, the environment, politics, and other social issues. These categorizations are reported in the table below, where keywords are also split based on their degree of controversy.

Category	Less controversial	More controversial
Diversity	discrimination, ethnicity, glass ceiling, harassment, inclusion, racial, religion	gay marriage, homosexual, lesbian, LGBT, same-sex
Environment	clean air, clean water, environment, pollution, renewable	carbon tax, climate change, global warming, land conservation, Paris accord
Politics	debt ceiling, Democrat, fiscal cliff, government shutdown, Republican, tariffs, taxes	Brexit, Clinton, Obama, travel ban, Trump
Other	dreamers, equal pay, healthcare, human rights, indigenous people, Nazi, pay gap, poverty, prison, violence, war.	abortion, gun, immigration, Obamacare, refugee, white supremacists, #keepfamilies together

B.2 Web scraping procedure

We build a web scraper using Python to extract news from Google News containing these keywords.³⁰ Following the method described in Coscia and Rios (2012), we apply the following set of rules when

²⁹ Our results are robust if we use a more comprehensive list of keywords, which includes all words used by Larcker et al. (2018), as well as several terms from the ProCon.org website that provides a rather comprehensive list of controversial social issues. The augmented list of keywords includes the following words: *ad, advertisement, advocate, boycott, budget sequestration, Bush, cap-and-trade legislation, Charlottesville, controversial, disease, diversity, education, foreign trade, gender equality, Gore, homelessness, income inequality, Kerry, McCain, military, NAFTA, politics, pride parade, progressive, public policy, Romney, sanctions, sexual, social, sustainability, terrorism, transgender, veterans, @AMarch4OurLives, #metoo*.

³⁰ Google News allows us to search a wide range of media sources and find articles that, at times, are not included in Factiva or LexisNexis. For instance: (i) We will stand for our values in trade and immigration, eBay CEO Devin Wenig says (CNBC 1/17/17); or (ii) Pepsi chief executive joins criticism of North Carolina law on LGBT rights (the Guardian 4/2/16). News articles are also more likely to capture a broader set of activism events, as they are likely to echo activism events featured on other social media outlets or TV interviews. Yet, it is possible that journalists may add bias by selecting which activism events to cover and by offering interpretation or spin. Our results are robust if we omit news articles with negative or positive spin, which we identify by: (i) having research assistants manually inspect each news article (they classified 85% of news articles as neutral (i.e., no obvious spin)); and (ii) using a bag-

collecting news articles: (1) we perform several searches for each S&P 500 CEO with different query term schemes: <“first name AND last name AND keyword” >, <“first name AND last name AND firm name AND keyword”>, <“last name AND keyword”>, <“last name AND firm name AND keyword”>, <“firm name AND CEO AND keyword”>, <“firm name AND chief AND keyword”>, <“firm name AND executive AND keyword”>; (2) we restrict the query results to be within the tenure years for each CEO, and we limit all search results to be before December 31, 2019. For example, Tim Cook was promoted to be the CEO of Apple in August of 2011. To search for his stance on climate change, we search for “Tim Cook + climate change”, “Tim Cook + Apple + climate change”, “Cook + climate change”, “Cook + Apple + climate change”, “Apple + CEO + climate change”, “Apple + chief + climate change”, “Apple + executive + climate change” from August 1, 2011 to December 31, 2019. We then extract the news article titles, date information, and the link to the article from these queries. To extract data from Twitter, we manually identify sample CEOs’ and firms’ Twitter accounts. We search for each CEO and firm name in Twitter and keep a record of the usernames. As multiple users can share the same Twitter handle, we collect usernames that are verified by Twitter. We adopt another Python web scraper to extract all the tweets posted and retweets shared by sample CEOs and firms. Each tweet needs to contain at least one of the activism keywords in our list above to be included in the sample.

B.3 Identifying activism events and removing non-activism events

We clean the data in a two-stage process. First, we remove duplicate news articles and tweets, keeping the earliest one (duplicate tweets are generally the result of a company’s Twitter account retweeting their CEO’s personal tweet). Second, we trained several research assistants to manually review each news story and tweet to ensure each event captures an instance of CEO activism, and not a non-activism event that happens to contain one of our keywords. For example, Southwest Airlines CEO Gary Kelly tweeted the following, “I am especially grateful for our people and their unwavering devotion to Southwest Airlines. My thanks and my congratulations to them on these outstanding results despite a very challenging environment.” While this tweet contains the word “environment,” it is not an example of environment-related activism. The RAs (independently) rated each event on a one to five scale, with 1 meaning “definitely not activism” and 5 meaning “definitely activism.” We then take the mean of the RAs’ classifications and only keep events with an average score of three or higher.³¹ For news headlines and tweets that we retain as capturing actual activism events, the RAs categorized several other details about each event, as we describe below.

of-words method (Loughran and McDonald 2011) to assess the tone of news headlines (using this approach, we classify 57% of news as neutral). We also include a variable that counts the number of duplicate articles generated by an activism event to capture the potential media dissemination effect. Our results are robust to these alternative specifications.

³¹ Our results are robust if we impose a higher cut-off point.

B.4 Ideological leaning of the event

The RAs labeled each activism event as capturing either a liberal, neutral, or conservative ideological stance. To aggregate their responses, we classified an event as liberally leaning if all RAs labeled it as liberal, and we classified it as conservatively leaning if all RAs labeled it as conservative. If there were any disagreements in the labels, or if all RAs labeled the event as neutral, we classified the event as neutral. In the table below, we provide examples of activism events with different ideological leanings.

Score	Example
1 (Liberal)	I stand with #Dreamers (Twitter, 9/6/17, Rami Rahim, Juniper Networks.)
2 (Neutral)	Instead of punting on a budget because of party divisiveness, we should be working together to get the job done - not for Republicans or Democrats - but for every single citizen of the United States (Twitter, 3/27/19, Kevin Johnson, Starbucks)
3 (Conservative)	Netflix CEO Intended to Boost Charter Schools in Donations to Anti-Abortion Legislators (CNN.com, 6/3/19, Reed Hastings, Netflix)

B.5 Activism with and without actions

The RAs also recorded whether the CEO activism event involved an action beyond simply taking a verbal or written stance on an issue, and whether these actions likely had low-moderate or high direct cashflow implications for the CEO or the firm. Events without actions include symbolic proclamations that likely have zero direct cash flow consequences. Events with low to moderate cashflow implications include proclamations that are accompanied by actions that entail some direct cash flow consequences, such as sponsoring a conference or a fundraising event, partnerships, or other internal operational decisions (e.g., actions to promote diversity, commitments to reduce the firm's carbon footprint, introducing an LGBT-friendly version of a product). Events with high cashflow implications include proclamations accompanied by actions that entail significant direct cashflow consequences, such as large donations or costly policy decisions that impact operations and that are aimed to exert economic influence (e.g., moving operations to another location).³² In the table below, we provide examples of activism events with different cashflow implications.

Score	Examples
1 (No Action, zero cashflow implications)	AT&T CEO Calls for Dialogue on Racial Tensions: 'Tolerance Is for Cowards'. (Wall Street Journal, 09/29/16, Randall Stephenson, AT&T)
2 (Action, low/moderate cashflow implications)	IBM sponsors Executive Forum in Bangalore to discuss LGBTI inclusion in India. (gaystarnews.com, 02/10/16, IBM)

³² Only 5% of the events in our sample involve political donations or lobbying. Our results are robust if we omit activism events involving political donations, lobbying, or all events in the politics category.

3 (Action high cashflow implications) Netflix Won't Film Series in North Carolina Over Anti-LGBT Law. (WashingtonBlade.com, 1/10/19, Reed Hastings, Netflix)

B.6 Vividness of the activism event

The RAs also labeled the vividness of each event to capture the degree to which the statements/actions stand out. They were told that a highly vivid statement/action is one that is exceedingly counter-normative and/or seemingly very risky, whereas non-vivid statements/actions elicit little attention and are rather innocuous. In the table below, we provide examples of activism events with different vividness scores.

Score	Example
1 (not vivid)	in honor of dr. king, let's aspire to a world where grace and tolerance and inclusion are valued again. (Twitter, 1/16/17, Devin Wenig, Ebay)
2 (somewhat vivid)	I'm in NYC today and it fills me with great #pride to see the Manhattan store celebrating in a big way. We've come so far and still have a ways to go to ensure #lgbtq rights are protected in workplaces and communities everywhere (Twitter, 6/1/19, Sasan Goodarzi, Intuit)
3 (very vivid)	Microsoft to Trump: You're going to have to go through us to deport Dreamers who work here (CNBC.com, 09/05/17, Microsoft)

B.7 Relatedness to the firm's business operations

Finally, the RAs categorized whether or not the activism event was related or unrelated to the business operations of the company. In the table below, we provide examples of activism events with different levels of relatedness to the firm's business operations.

Score	Example
1 (Obviously related)	Our 'Food Journey' is Linked to Improving Our Environmental Impact, Spam-Maker Hormel CEO says (CNBC.com, 10/10/19, Jim Snee, Hormel)
2 (Unclear)	Today the U.S. House passed legislation to ensure people from all countries are treated the same in the green card process. This promotes a fair high-skilled immigration system that's good for business and our economy (Twitter, 7/10/19, Sasan Goodarzi, Intuit)
3 (Obviously unrelated)	Heartbroken by the violence in #charlottesville. hate and intolerance are a betrayal of what we stand for as americans (Twitter, 8/13/17, Indra Nooyi, Pepsico)

B.8 Cross-tabulations

Below we provide select cross-tabulations of different types of activism.

B.8.1. Ideological leaning and cashflow implications

	No Action, zero cashflow implications (N=813)	Action, low/moderate cashflow implications (N=545)	Action high cashflow implications (N=44)
Liberal (N=1,033)	40.58%	30.60%	2.50%
Neutral (N=353)	16.83%	7.85%	0.50%
Conservative (N=16)	0.57%	0.43%	0.14%
Total	57.98%	38.88%	3.14%

B.8.2. CEO/firm activism and relatedness

	Related (N=517)	Unrelated (N=885)
CEO activism (CEO tweets) (N=216)	3.57%	11.84%
Firm activism (firm tweets and news) (N=1186)	33.31%	51.28%
Total	36.88%	63.12%

B.8.3. CEO/firm activism and reactivity

	Reactive (N =966)	Pro-active (N=436)
CEO activism (CEO tweets) (N=216)	10.06%	5.35%
Firm activism (firm tweets and news) (N=1186)	58.84%	25.75%
Total	68.90%	31.10%

Appendix C: Variable definitions

Variable	Definitions
Panel A: Dependent variables	
<i>CEO activism dummy</i>	Indicator variable that equals one if there is at least one activism event during the given year, zero otherwise.
<i>Liberal activism dummy</i>	Indicator variable that equals one if there is at least one liberal activism event during the given year, zero otherwise.
<i>Liberal activism dummy - firm</i>	Indicator variable that equals one if there is at least one activism event featured in corporate Twitter account or news outlets during the given year, zero otherwise.
<i>Liberal activism dummy - CEO</i>	Indicator variable that equals one if there is at least one activism event featured in CEO's personal Twitter account during the given year, zero otherwise.
<i>Tobin's Q</i>	Market value of assets divided by book value of assets. Market value of assets is book value of total assets minus book value of equity plus market value of equity.
<i>Change in institutional ownership</i>	Annual change in the fraction of institutional ownership.
<i>Change in portfolio weight</i>	For a given stock within an institution's portfolio, annual change is computed as the current portfolio weight minus the portfolio weight in the prior year, where both weights are computed (in %) using prices of the prior year.
<i>Forced CEO turnover</i>	Indicator variable that equals one if the outgoing CEO is younger than 62 years old or if the information collected from news and Capital IQ indicates that they were forced, zero otherwise.
Panel B: Firm characteristics	
<i>Firm size</i>	Book value of total assets.
<i>Stock return</i>	Buy-and-hold abnormal return (BHAR) for the twelve months ending at the fiscal year-end. The market index is the CRSP value-weighted return.
<i>ROA</i>	Operating income before depreciation, scaled by book value of total assets.
<i>Asset tangibility</i>	Net property, plant, and equipment divided by total assets.
<i>Leverage</i>	Book value of debt divided by market value of total assets.
<i>CSR index</i>	Sum of all of the CSR strengths minus all of the CSR concerns, obtained from KLD Research & Analytics.
<i>Fortune's 100 best company dummy</i>	Indicator variable that equals one if the firm is included in the Fortune's 100 best company list during a given year, zero otherwise.
<i>R&D/Sales</i>	Research and development expense, scaled by sales.
<i>Stock volatility</i>	The standard deviation of daily stock returns over the fiscal year.
<i>Asset turnover</i>	Sales divided by market value of assets.
<i>Cash/Assets</i>	Cash, scaled by total assets.
<i>Share turnover</i>	Trading volume scaled by the shares outstanding at the end of the previous period.
<i>Inverse stock price</i>	One divided by the stock price at the beginning of the fiscal year.

Appendix C: Variable definitions (*continued*)

Panel B: Firm characteristics (continued)	
<i>Board size</i>	Number of directors on the board.
<i>% independent directors</i>	Percent of directors who are unaffiliated with the firm beyond their directorship.
<i>% busy directors</i>	Percent of independent directors who serve on three or more boards.
<i>Boycott dummy</i>	Indicator variable that equals one if a company experiences a boycott in a given year, zero otherwise.
<i>Board activism exposure</i>	Number of independent directors exposed to CEO activism in other firms in year $t-1$.
<i>Competition</i>	Indicator variable that equals one for firms operating in industries with Herfindahl-Hirschman Index at or below the sample median, zero otherwise.
<i>Stakeholder polarization</i>	Indicator variable that equals one if the polarization index (constructed following Kaplan et al. 2022) is above the sample median, zero otherwise. We first compute separate polarization indices for employees, consumers, and investors. Investors and business customers are assigned polarization indices in their headquarters' states. Retail customers and employees are assigned polarization index in the state of their location, based on the information from Infogroup. Indices are aggregated to the firm level using a value-weighted approach, with sales (for customers), number of employees (for employees), and ownership (for investors) serving as weights. We then combine employee, consumer, and investor polarization indices using principal component analysis to obtain the overall polarization index, which is the first principal component of this linear transformation.
<i>Niche strategy</i>	Indicator variable that equals one if a firm's profit margin is above sample median, zero otherwise. Profit margin is defined as operating income before depreciation, scaled by total sales.
Panel C: CEO characteristics	
<i>CEO celebrity status</i>	Number of non-activism news articles and tweets featuring a company or CEO during a given year, scaled by total assets.
<i>CEO narcissism</i>	The relative total pay of the CEO to the next-highest paid executive.
<i>CEO/Chair duality</i>	Indicator variable that equals one if the CEO is also the Chair of the board, zero otherwise.
<i>CEO tenure</i>	Number of years in the position of CEO.
<i>CEO age</i>	CEO's age as reported in BoardEx.
<i>CEO gender</i>	Dummy variable that equals one if the CEO is male, zero otherwise.
Panel D: Stakeholder democratic leaning	
<i>CEO democratic leaning</i>	The percentage of contributions to Democrats relative to total contributions to both Democrats and Republicans. If no campaign contributions are found for the CEO, we follow prior literature and set CEO's democratic leaning to 0.5, which indicates political neutrality and corresponds to a CEO who has given exactly the same amount to Republicans and Democrats.

Appendix C: Variable definitions (*continued*)

Panel D: Stakeholder democratic leaning (continued)	
<i>Employee democratic leaning</i>	The value-weighted average of democratic leaning, with the number of employees serving as weights. For employees located at the firm's headquarters we use the fraction of voters that voted in support of the Democratic candidate in the county of the firm's headquarters in the most recent election. For the rest of the employees, we use the fraction of voters that voted in support of the Democratic candidate in the given state in the most recent election. State-level employment data is obtained from Infogroup. For companies with missing Infogroup data, we use the fraction of voters that voted in support of the Democratic candidate in the county of the firm's headquarters in the most recent election.
<i>Customer democratic leaning</i>	The value-weighted average of democratic leaning of business, domestic retail, and foreign customers, with sales serving as weights. For business customers, we use the fraction of voters that voted in support of the Democratic candidate in the county of their headquarters in the most recent election. For domestic retail customers, we use state-level sales data from Infogroup to construct a value-weighted democratic leaning measure. For companies with missing Infogroup data, we use the most recent nation-wide democratic leaning value, as customers of large S&P 500 firms are very likely to be spread nation-wide. For foreign customers, we use the percent of voters that voted for the Democratic candidate in the most recent election, obtained from the Database of Political Institutions 2020, which covers electoral results data for about 180 countries for 45 years, 1975–2020.
<i>Investor democratic leaning</i>	The holdings-weighted average democratic leaning of institutional investors. Democratic leaning is defined as the fraction of voters that voted in support of the Democratic candidate in an institutional investor's headquarters state in the most recent election.
<i>Democratic leaning alignment</i>	The first principal component of applying principal component analysis to: (i) CEO democratic leaning; (ii) employee democratic leaning; (iii) customer democratic leaning; and (iv) investor democratic leaning. The index is standardized to have zero mean and a standard deviation of 1.
<i>Strong alignment</i>	Indicator variable that equals one if the CEO's ideology is aligned with at least two stakeholder groups (employees, customers, or investors), i.e., the democratic leaning of the aligned parties is either above/at or below 50%, zero otherwise.