Why firms speak up: Evidence from Black Lives Matter and Stop Asian Hate

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ABSTRACT. We explore whether and how firms' past controversies influence their propensity to engage in sociopolitical activism. To do so, we analyze public communications across social media platforms from Fortune 500 companies in two significant moments: the peak of the Black Lives Matter movement in 2020 and the peak of the Stop Asian Hate movement in 2021. Our results reveal that firms that have experienced more past controversy are more likely to make social media statements that publicly align with the Black Lives Matter and Stop Asian Hate movements. However, the relationship between a firm's past controversies and its sociopolitical activism is tempered by a firm's standing among its stakeholder groups, specifically if the firm is rated as attractive to customers, employees, or investors. In essence, our study underscores that corporate alignment with social movements is a strategic maneuver, shaped by the perceived benefits to the firm's reputation.

INTRODUCTION.

While historical precedent demonstrates protest groups advocating for businesses and authorities to address various issues (Wang, Soule, Rao 2019), contemporary business leaders are increasingly taking proactive roles in sociopolitical activism by publicly addressing social and political matters (Chatterji and Toffel 2019; Fan 2019). This transformation is evident in the public communications of corporations and their executives during significant events like the nationwide Black Lives Matter protests in 2020 and the Stop Asian Hate protests following the 2021 Atlanta spa shooting. Notably, approximately two-thirds of Fortune 500 companies or their leaders released statements aligned with the Black Lives Matter movement in 2020, and over forty percent did the same during the peak of the Stop Asian Hate movement in the subsequent year. This research contributes to comprehending why certain firms exhibit a greater propensity for sociopolitical engagement. It approaches this phenomenon from a strategic impression management perspective.

Social movements offer insights to firms about stakeholders' values and concerns, creating opportunities and pressures for firms to participate in sociopolitical activism on issues garnering public attention and support. Such activism can manifest in diverse ways, ranging from minimal-cost statements to substantive actions. We define activism as any method through which a firm displays alignment with a social movement, including both "cheap talk" and costly commitments. This definition draws from CEO activism research, encompassing communication on social or political matters that doesn't entail costly actions or alignment with core business activities (Hambrick and Wowak 2021). Notably, we avoid distinguishing between CEO and firm activism due to the intertwined nature of a leader's communications and the firm's stance (Branicki, et al. 2021).

Given that firm sociopolitical activism lacks immediate monetary costs (Hambrick and Wowak 2021) or widespread financial benefits (Wang, et al. 2022; Chen, Dechow, and Tan 2022), the decision to engage hinges on assessing the action's reputational consequences and its subsequent impact on firm performance. While existing research suggests that firms employ impression management when targeted

by social movements (McDonnell and King 2013), this study advances that perspective by examining a firm's decision to partake in activism even when not directly targeted by movements. In such cases, firms weigh potential positive attention against the risk of backlash. Favorable attention contributes to a firm's reputation and attracts value-creating stakeholders (i.e., customers, employees, and investors), potentially enhancing firm performance, without necessitating the firm to invest in improving the quality of their product, service, financial outlook, or work environment (Barney 1991; Rindova, et al. 2005; Burbano 2016). However, backlash can arise from opposing factions (Hambrick and Wowak 2021**;** Burbano 2021) or from supporters finding the firm's communications inadequate or inauthentic (Li and Soule 2021; Douglas 2021).

We propose that firms embrace activism as an impression management tactic, which is particularly useful in the face of reputational threat (King 2008; McDonnell and King 2013). This study posits that firms with more past controversies are more likely to engage in sociopolitical activism. If activism doesn't involve impression management, firms with more controversies might engage less due to underlying stakeholder management apathy, extending to lower sociopolitical activism rates. Conversely, if activism serves impression management purposes, firms with past controversies are expected to engage more. Past controversies shape the reputational costs and benefits of sociopolitical activism. Firms with controversies have more to gain from countering negative histories, motivating them to reaffirm commitments to stakeholders. Silence or ambiguity from negatively perceived firms can be seen as negative, while the same from less controversial firms is less likely to be interpreted negatively. In contrast, firms with less controversial track records do not have the same incentive to pursue reputational gains, and their silence or ambiguity is less likely to be seen as hateful. Moreover, the potential backlash from participating in social movements is riskier for such firms because if they make a misstep, the negative attention stands in sharp contrast to previously untarnished narratives about the firm. Considering that firms engage in sociopolitical activism for impression management, which has downstream implications for firm performance (Barney 1991; Rindova, et al. 2005), we also expect the relationship between past controversy on sociopolitical activism to be tempered by firm’s stable

stakeholder relationships since stable stakeholder relationships serve as a buffer between blows to reputation and associated monetary losses.

We find empirical support for our main hypothesis in both the Black Lives Matter and Stop Asian Hate contexts. Across ordinary least squares (OLS), logistic, and propensity score models, including theoretically relevant controls, we find that past controversy is positively associated with sociopolitical activism. This finding provides evidence that firms engage in activism at least in part to strategically manage their reputations and that this activism is not simply an expression of the values or personality of corporations and their leaders. Neither is their activism a mere random reaction to social unrest in the business environment. We also find some evidence that the relationship between social activism and firm reputation is moderated by the stability of stakeholder relationships and firm status. While firms with powerful brands (stable customer relationships) may engage in activism at equal or higher rates than other firms, a history of past controversies and scandals is not the driving factor in their activism. We find consistent but less robust results for firms with highly rated workplaces (i.e., stable employee relationships), and highly favored stocks (i.e., stable investor relationships). In total, our results provide empirical support that suggests past controversies preceding the rise of a social movement increase a firm's incentive to engage in activism in alignment with the social movement; this is especially true when the anticipated reputational benefits of this activism could potentially substitute for otherwise stable stakeholder relationships based on the firm's substantive qualities and core business.

We draw on insights from research on organizational reputation, impression management, and the interaction between social movements and organizations to contribute to the literature on corporate and CEO sociopolitical activism. Research in this area has posed several explanations for variation in sociopolitical activism between firms. *Upper echelon theory* suggests that activism may not be a strategic decision at all, but instead an expression of business leaders' values and beliefs (Briscoe, Chin, and Hambrick 2014; Maak, Pless, and Voegtlin 2016; Gupta, Briscoe, and Hambrick 2017; Hambrick and Wowak 2021). *Stakeholder alignment* models frame the firm's decision to engage in activism as an assessment of the benefits of aligning with the values and beliefs of some stakeholders versus the cost of

alienating others (Bermiss and McDonald 2018; Burbano 2021; Hambrick and Wowak, 2021). Other research has considered institutional pressures and governance structures to be key antecedents of activism (Marquis, Glynn, and Davis 2007; Bedendo and Siming 2020; Chen, Dechow, and Tan 2022). Our study proposes a novel perspective, that strategic impression management as a driving force behind sociopolitical activism, and empirically examines its application across multiple contexts.

THEORY.

Firm reputation.

Reputation is an intangible asset that encapsulates both the broad perceptions stakeholders hold of an organization and its proven ability to generate value (Rindova 2005). A favorable reputation holds significance for businesses as it can translate into enduring competitive advantage (Barney 1991). It also amplifies the organization's allure to stakeholders like customers, employees, and investors, fostering value-driven relationships and augmenting performance (Fombrun and Shanley 1990; Weigelt and Camerer 1988; Deephouse 2000).

The construct of reputation is often characterized as a multifaceted reservoir, encompassing stakeholder assessments across diverse aspects of a business (e.g., managerial competence, product/service quality, long-term investment potential, innovation, financial stability, talent attraction and retention, societal and environmental responsibility, and use of corporate assets). These elements collectively shape an organization's reputation (Fombrun and Shanley 1990; Hall 1992; Hall 1993; Jones, et al. 2000). Rindova (2005) delineates reputation into two dimensions: (1) perceived quality and (2) prominence. The perceived quality facet views reputation as the aggregate of stakeholder evaluations of specific attributes, such as an organization's ability to deliver quality products and services. This perspective draws mainly from an economic standpoint (Milgrom and Roberts 1986; Shapiro 1983; Weigelt and Camerer 1988). Conversely, the prominence dimension perceives reputation as the comprehensive impression an organization leaves on stakeholders, informed by their knowledge and

emotional responses. This view aligns more with an institutional outlook (e.g., Hall 1992; Fombrun 1996; Deephouse 2000).

Considering both economic and institutional perspectives, organizational reputations can fortify or crumble due to: 1) changes in signals of organizational quality that update stakeholder judgments of various organizational attributes, and 2) changes in media rankings, evaluations from powerful third parties, and affiliations with high-status actors, which recalibrate global perceptions of the organization's prominence (Rindova 2005).

The quality aspect of reputation often transforms at a gradual pace. Upgrading inputs and processes to signal quality to stakeholders can be resource intensive (Rindova 2005), and establishing or re-establishing faith in product/service quality and business practices might span years (Hall 1993). Moreover, alterations in inputs and processes might not effectively reach a broad spectrum of stakeholders if not communicated adeptly. After experiencing a substantial reputational setback—like widespread product flaws or organizational misconduct—rebuilding credible indicators of quality can be prolonged (Hall 1993).

Contrastingly, organizations can effectively cultivate or uphold prominence irrespective of judgments about product/service quality. This is primarily achieved by capturing a disproportionately large share of public attention (Rindova 2005). Media reputation, the aggregate evaluation of a firm by the media, alone has been demonstrated to impact firm performance (Deephouse 2000). Moreover, activist criticism of organizations for societal transgressions seldom directly harms targets through boycotts or protests, but rather by tarnishing the organization's reputation via negative media coverage (King 2008; Briscoe and Gupta 2016). In essence, influential media outlets and other third-party evaluators can swiftly and effectively shape an organization's reputation through their narratives.

Sociopolitical activism as impression management.

Consequently, it logically follows that organizations have much to gain by nurturing and safeguarding their prominence, employing a variety of strategies or maneuvers for impression management that can sway perceptions of their entity (Goffman 1959; Hooghiemstra 2000). Faced with potential damage to their reputation, firms are particularly inclined to employ impression management tactics (McDonnell and King, 2013). To effectively shape impressions, firms must align with stakeholders' perceptions of what is true and important (Hooghiemstra 2000), simultaneously diverting attention from aspects of the firm that have been questioned (McDonnell and King 2013; Pope, et al. 2023). Various strategies exist for impression management, including making prosocial claims, engaging in corporate social responsibility initiatives, and strategically revealing business practices or metrics (Hooghiemstra 2000; McDonnell and King 2013; Pope, et al. 2023).

We consider firm sociopolitical activism as another potential impression management device **t**hat organizations especially deploy during periods of intensified social movement activity. In contrast to prosocial claims and strategic disclosures, which highlight an organization's positive attributes, sociopolitical activism doesn't mandate divulging any organizational information. Instead, firm activism entails expressing a stance on social or political matters, often by amplifying the concerns or demands of a social movement.

Social movements, accompanied by media coverage, broadcast potent messages about what the public deems factual and meaningful, thus creating opportune moments for organizational impression management. These movements shape the public agenda, channeling considerable attention and concern toward specific issues (Meyer 2003). As a social movement gains momentum, media outlets are increasingly motivated to cover pivotal issues and events linked to the movement, capturing public interest. Beyond merely reacting to public engagement, media also wield substantial influence over public understanding and opinions (McCombs and Shaw 1972). As a social movement gains traction and secures media spotlight, the issues it champions ascend in significance to the public. During periods of escalated social movement activity, organizations can glean insights from the signals social movements convey regarding stakeholder priorities and sentiments, facilitating the crafting of communications and actions

that resonate with stakeholders. If well-received, such actions bolster the organization's reputation and might even enhance performance.

Risks of sociopolitical activism.

Engaging in sociopolitical activism carries inherent risks. Even when a social movement is popular, stakeholders often hold polarized perspectives on both the movement itself and the appropriateness of corporate involvement in activism (Li and Soule 2021). Consequently, sociopolitical activism by corporations often faces intense scrutiny. Taking a stance on a social or political issue exposes organizations to the potential alienation of stakeholders that oppose the stance (Burbano 2021). Moreover, it risks unsettling those who harbor reservations about private organizations venturing into the social and political realms (Friedman 1970), and even those who align with the stance but perceive the activism effort as disingenuous, feeble, or hypocritical (Li and Soule 2021).

In the case of the Black Lives Matter movement, some firms, such as Netflix, Nike, and Ben & Jerry's garnered positive media attention from press outlets like the New York for addressing racial injustice in the United States (Hsu 2020; Douglas 2021). Conversely, others faced harsh criticism. For example, Amazon, the NFL, and L'Oreal found themselves on a list of "Companies that Got it Wrong Speaking on Black Lives Matter" due to perceived hypocrisy stemming from past racial-related incidents (Douglas 2021). Amazon was then further criticized by stakeholders and the media for its abysmal share of black employees in leadership positions, the NFL for silencing star quarterback Colin Kaepernick's effort to bring attention to police brutality in the United States, and L'Oreal for disassociating from employee, Munroe Bergdorf , after she took a stand against racism surrounding Charlottesville's Unite the Right rally in 2017 (Douglas 2021). Similarly, YouTube faced backlash for a $1 million donation towards racial equality due to perceived inadequacies in their monitoring of racist content (Hsu 2020).

Yet other organizations and their leaders were criticized for releasing statements without undertaking impactful actions or making substantial donations relative to their perceived resources. For example, Virgil Abloh, a renowned designer for luxury brands Louis Vuitton and Off-White donated $50

in support of the cause, which stood in stark contrast to the extremely high prices of the luxury products he designs (Douglas 2021). Additionally, other entities were criticized for the content of their communication. The fashion brand Pretty Little Thing, for instance, received backlash for sharing an image depicting a white and a black hand under the phrase “stand together,” which was perceived as showing a shallow grasp of the issues surrounding police brutality and racism (Douglas 2021).

Past controversy and sociopolitical activism.

Organizations encounter a complex interplay of risks and rewards when deliberating on whether and how to engage in sociopolitical activism, which likely explains the diverse spectrum of firm behaviors. In our dataset, we observed that 67% of Fortune 500 companies issued public statements aligned with the Black Lives Matter movement, while 42% made statements aligned with the Stop Asian Hate movement; the remainder remained silent. We contend that firms' historical controversies, or incidents capable of negatively influencing public perception, mold the varying reputational rewards and risks they confront when embarking on sociopolitical activism.

If organizations indeed use activism to strategically navigate stakeholder and public perceptions, we anticipate that firms with a history of greater controversy will be more likely to partake in activism. This inclination stems from the incentive to dilute existing negative narratives through positive attention. Firms, especially when facing reputational threats, frequently resort to impression management strategies such as heightened prosocial claims to safeguard their position (McDonnell and King 2013). This predisposition to reputation management, instilled by past controversial incidents, drives firms to continually seek opportunities for positive perception shaping. For instance, long after the Valdez oil spill in 1989, ExxonMobil persists in highlighting its environmental protection commitment by publicizing operational changes, positioning itself as an environmental champion, and showcasing affiliations with "marine partners" to underscore its eco-friendly endeavors. During periods marked by intensified social movement activity, this inclination may manifest as heightened rates of sociopolitical activism.

Firms with more checkered pasts also encounter heightened risks in maintaining silence or adopting ambiguous stances. Ambiguity and silence also permit audiences to formulate their own interpretations of the firm's stance (Eisenberg 1984), which could lean more negatively if the firm's reputation has been marred by controversies (Kelley and Michela 1980). Such firms are more susceptible to future targeting by social movements (Dorobantu, Henisz, and Nartey 2017), driving them to proactively engage to avert potential repercussions.

Conversely, firms with fewer historical controversies possess less incentive to actively seek impression management avenues, particularly in the realm of sociopolitical activism, which inherently carries backlash risks. Positive attention might not significantly bolster their already positive track record, but the prospect of adverse repercussions looms larger. Opting for silence or ambiguity becomes a safer choice for these firms. With a lower propensity for activist mobilization against them (Dorobantu, Henisz, and Nartey 2017), these firms can fly under the radar, avoiding the polarized waters of sociopolitical engagement. Additionally, when a firm's reputation has not previously suffered damage, stakeholders are more likely to attribute positive motives to the firm's silence or ambiguity (Kelley and Michela 1980).

Hypothesis 1: Firms with more past controversy are more likely to partake in sociopolitical activism.

Stability of stakeholder relationships.

So far, we contend that firms with more past controversy engage in activism more because their incentives nudge them in that direction. However, we acknowledge that this effect is unlikely to be uniform across all firms. Not every organization burdened by a history of scandals is equally driven to embrace social activism to rehabilitate its reputation. Given that much of a firm's reputation emanates from the quality of its core business activities (Rindova, et al. 2005), enterprises that consistently attract and retain value-generating stakeholders (i.e., consumers, employees, and investors) due to strong brands, exceptional workplaces, or favorable financial projections possess a safeguard against reputational erosion and the subsequent financial losses stemming from controversial incidents. In essence, despite the

controversies that might tarnish their public image, stakeholders maintain their incentive to engage with firms that consistently meet their requirements as customers, employees, or investors. For instance, Apple's enduring brand allure, cultivated through years of delivering beloved products, continues to draw customers, employees, and investors despite a history of well-publicized past controversies. While these firms might still partake in activism, the motivation would not typically arise from a necessity to rectify their flawed reputations. Conversely, enterprises with less compelling core value propositions find strong impetus to leverage opportunities that replenish their reputational capital, predisposing them to adopt an activist stance during periods of heightened social movement activity.

At first glance, this expectation stands in contrast to the work of McDonnell and King (2013) who theorize and find that firms with robust reputations react to reputational threats (social movement boycotts) with intensified use of impression management tactics (prosocial claims) because they have "more to lose" in terms of reputation.

McDonnell and King (2013), however, seek to explain a firm's immediate *reactive* response to targeting by a social movement, while we aim to explain how a history of past threats to reputation shapes a firm's proclivity to *proactively* manage its reputation in times of heightened social movement activity, even when not directly threatened by a social movement. When reacting to an immediate reputational threat, firms should be concerned with how far they have to fall. In contrast, when deliberating on proactive sociopolitical activism, firms are more concerned with what they can gain by countering previous controversies. Firms already equipped with stakeholder relationships that have endured prior controversies lack the same drive to restore their reputation in response to those incidents. However, firms lacking a robust reputation for perceived quality among pivotal stakeholder groups find strong incentives to engage in activism, aiming to enhance their prominence to offset their deficiencies.

Hypothesis 2: The relationship between past controversy and activism will be weaker for firms with stable stakeholder relationships.

Customers.

Organizations rely on their customers' financial support for their products and services, which forms the foundation of their profitability. While customers occasionally consider an organization's social stance and actions in their purchasing choices (Maignan Ferrell 2004), their primary motivation stems from the perceived value they anticipate from the products or services offered by the firm. Key factors that guide customers' decisions include indicators of quality like advertisements, customer feedback, prior experiences, and brand reputation (Milgrom and Roberts 1986; Kirmani and Rao, 2000). Businesses that offer high-quality products and boast strong brand recognition possess a greater capacity to retain customers even in the face of controversies or reputational setbacks. As a result, the overall worth of a firm, influenced by consumer buying decisions, becomes less susceptible to shifts in global reputation or public sentiment if the firm upholds a robust brand presence. Due to experiencing fewer adverse consumer reactions resulting from controversial incidents, such firms exhibit reduced incentives to rectify reputational damages through proactive means of impression management, including activism.

Hypothesis 2A: The relationship between past controversy and activism will be weaker for firms with stronger brands.

Employees.

Organizations rely on their workforce to generate goods and services. While employees may indeed consider an organization's social positions when making decisions about employment (Bermiss McDonald 2018; Burbano 2021), their primary drivers revolve around compensation, benefits, and other job attributes (Hackman and Oldham 1976; Jones 1996). Employees hinge their decisions on indicators of work quality, such as workplace reviews, word-of-mouth referrals, and personal experiences when evaluating where to apply and ultimately decide to work (Jones 1996). Their commitment to a workplace is also shaped by the specific characteristics of the work environment (Hackman and Oldham 1976; Morris et al. 1992). Therefore, organizations that provide favorable work environments are more adept at retaining and drawing in employees despite instances of reputational controversies. Consequently, we anticipate that employee choices, and consequently the overall value of the firm, will be less responsive to

shifts in global reputation or public sentiment if the firm sustains a high-quality, favorably regarded workplace across various dimensions. In cases where these firms face fewer consequences due to contentious incidents (such as retaining employees and their commitment despite the firm's compromised reputation), the motivation for these firms to mend reputational losses through proactive impression management techniques, like activism, is comparatively weaker.

Hypothesis 2B: The relationship between past controversy and activism will be weaker for firms with more favorable workplaces.

Investors.

Enterprises rely on investors to secure resources and capital necessary for producing goods and services that are subsequently sold for profit. While investors' decisions are influenced by factors like their mood, sentiments toward the organization, and risk evaluation (Slovic 1987; Lucey and Dowling 2005), which may be affected by a firm's reputation and social activism, their primary objective remains to maximize the anticipated return on their investment. Investors and analysts draw on indicators of excellence, such as financial stability, strategic direction, and leadership, to inform their investment choices (Breton and Taffler 2001). Organizations that are projected to perform well financially are better positioned to attract investors, even in the face of contentious incidents or reputational challenges. Consequently, investor decisions, and thus the overall worth of the organization, should be less responsive to shifts in global reputation or public sentiment if the firm effectively signals quality future stock performance. If a firm encounters fewer negative consequences (i.e., doesn't lose investors) despite its compromised reputation, the incentive to rectify reputational losses through proactive impression management methods, including activism, diminishes.

Hypothesis 2C: The relationship between past controversy and activism will be weaker for firms with more favorable stock outlooks.

METHODS.

Data Collection.

To gain insight into sociopolitical activism, we examine the behavior of Fortune 500 companies during the peaks of the Black Lives Matter movement in 2020 and at the peak of the Stop Asian Hate movement in 2021. We selected Fortune 500 firms as our sample because of their heightened exposure to stakeholder expectations, including expectations that they take leadership positions in support of social causes.

The year 2020 witnessed the prominent emergence of the Black Lives Matter movement, capturing both the national spotlight and the attention of corporate leaders (Buchanan, et al. 2020). This movement, publicly supported and endorsed by media, revolved around reforms in governmental institutions, particularly law enforcement agencies. It created an opportune moment for companies to align with the movement through activism, thereby fostering stakeholder relationships and reaping associated reputational gains. These factors create an ideal context for our study, however, given the unprecedented scale and unique nature of the Black Lives Matter movement, we also extend our inquiry to assess the generalizability of our insights in the context of the Stop Asian Hate movement. While the Stop Asian Hate movement also garnered significant attention and elicited a variety of corporate activism responses, its scope and impact did not reach the same nationwide magnitude as the Black Lives Matter movement.

To conduct an in-depth analysis of the interrelation between a firm's prior controversies and its engagement in sociopolitical activism during the Black Lives Matter and Stop Asian Hate movements, we curated an original dataset. This dataset serves to enhance our comprehension of the factors driving variation in firm activism. Our data collection process involved scraping statements from corporate Twitter accounts and CEO LinkedIn profiles. Additionally, we manually searched across company websites, press releases, and news sources to ensure an all-encompassing coverage of Fortune 500 statements linked to each movement. We collected these statements from all companies on the 2020 Fortune 500 list during the peak Black Lives Matter period in the summer of 2020 (i.e., May 25, 2020 -

August 31, 2020) and the peak Stop Asian Hate movement in the spring of 2021 (i.e., March 16, 2020 - May 31, 2020).

Our search yielded 738 statements in response to Black Lives Matter made by 336 firms. Overall, 67.2% of Fortune 500 firms made at least one statement specifically in response to the death of George Floyd and the associated Black Lives Matter protests. In comparison, we found 409 statements in response to the Stop Asian Hate movement made by 211 firms. Overall, 42.2% of Fortune 500 firms made at least one statement specifically in response to the Atlanta spa shootings and the associated Stop Asian Hate protests. For a comprehensive analysis, we integrated the statement data from each movement with pertinent company-level attributes. These attributes encompassed dimensions such as reputational risk, brand prominence, workplace ratings, financial performance, industry categorization, and firm revenue. Furthermore, our analysis incorporates individual-level data on CEO political affiliations and ecological-level data concerning the political climate and demographic composition of the company's headquarters state.

Variables.

Activism. Our study focuses on sociopolitical activism as our dependent variable of interest. We operationalize activism as a binary variable, characterized by a value of one (1) if a company or its leader(s) issued a public statement through various communication channels (such as company websites, blogs, social media, news outlets, or press releases) aligned with either the Black Lives Matter or the Stop Asian Hate movement. Conversely, the binary variable takes on a value of zero (0) if our comprehensive search did not yield any evidence of a publicly released statement regarding these movements.

Past Controversy. Our primary independent variable of interest is past controversy. To quantitatively measure past controversy, we use the RepRisk Reputational Risk Index (RRI), which tracks and gauges the number and nature of controversial incidents with the potential to adversely impact a firm's reputation across stakeholder groups. This index comprehensively assesses a firm's exposure to environmental, social, and governance (ESG) reputational risk. The RRI derives insights from an

extensive array of over 100,000 public sources encompassing local, regional, national, and international platforms, including print, online, and social media, governmental bodies, regulatory bodies, think tanks, newsletters, and various online sources. It identifies and evaluates incidents capable of influencing a firm's reputation, employing factors such as frequency of mentions across sources, recency, severity, and novelty to assign appropriate weights to each incident. Consequently, the RRI provides a dynamic gauge of the prevailing media and stakeholder attention on a firm's ESG-related concerns. Notably, this index transcends the limitations associated with analyzing company reports, as it integrates insights from a diverse range of independent third-party sources, enhancing the accuracy of assessing a firm's actual risk management performance. Additionally, we consider an alternative measure of past controversy by employing the raw count of reputational risk incidents since the inception of the database in 2007. To ensure the robustness of our findings, we assess our results using the logged raw count of controversial incidents over the past 2 years, 5 years, and 10 years for each firm.

Top-rated brand. We include the variable "Top-rated brand" to serve as both a control and moderating variable in our analysis. This binary variable indicates whether a company is featured in Tenet's 2020 list of the "Top 100 Most Powerful Brands." Tenet employs a weighted composite score amalgamating favorability and familiarity perception metrics to assess brand strength and its potential influence on business outcomes. This measure is equal to one (1) if the company appears on the list and zero (0) if absent.

Top-rated workplace. Similarly, we introduce the variable "Top-rated workplace," which also functions as both a control and moderating variable. This binary variable denotes whether a company is listed on one or more "Best Places to Work" rankings compiled by Fortune magazine, Glassdoor, and Zippia. It is coded as one (1) if the company is featured on any of these lists and zero (0) if not.

Top-rated stock. Incorporating "Top-rated stock" as both a control and moderating variable, we assess investor perceptions of company value. We employ two measures to evaluate this variable. Firstly, we use a continuous measure, the firm's price-to-earnings ratio, extracted from the COMPUSTAT database. Secondly, we construct an indicator variable assigned a value of one (1) if the company is

present on any publicly available stock recommendation lists from Kiplinger published in 2019, and zero (0) otherwise.

Stability of stakeholder relationships. We synthesize the aforementioned variables "Top-rated Brand," "Top-rated Workplace," and "Top-rated Stock" to construct a composite measure termed "Stability of Stakeholder Relationships." This measure can take two forms: (1) a binary indicator (equal to one if any of the individual variables is present and zero if none are present) and (2) a sum of the three individual variables. This composite measure serves as a moderating variable in our analysis.

Firm Status. To measure general company status, we rely on Fortune magazine's "Most Admired Companies" list. This list aggregates ratings from senior executives, outside directors, and industry analysts across nine dimensions, encompassing aspects such as management quality, social responsibility, innovation, and financial soundness. The binary variable "Firm Status" is assigned a value of one (1) if the company is included on the list and zero (0) if it is not.

CEO Political Affiliation. We gather information on CEO political contributions from Open Secrets, which maintains a database of such contributions. Based on donation history, we categorize CEOs as likely Democrat (coded as 1), Republican (coded as 0), or Neither. We coded CEOs who donated more to Democrat candidates as one (1) and those who made no donations or more donations to Republican candidates as zero (0). We assess the robustness of our results with an alternative definition of democrat CEOs: those who only donated to democrat candidates.

Firm Size. Firm size is quantified using the (logged) revenue of the firm, as reported by Fortune magazine in its ranking of the 500 largest U.S. firms.

Firm Performance. Firm performance is evaluated using Tobin's Q statistic from the previous year. Tobin's Q is computed as the ratio of market value of assets to replacement costs of assets, and is acquired from the COMPUSTAT database.

Sociopolitical Environment. We acknowledge the impact of a firm's local sociopolitical environment on their decision to engage in sociopolitical activism. To account for this, we control for political preferences by considering the share of votes for Democrat candidates in the preceding

presidential election within the state of the firm's headquarters. Additionally, we control for the black and Asian population shares in the state, reflective of the Black Lives Matter and Stop Asian Hate movements' concerns. For robustness, we also use Crowd Counting Consortium (CCC) protest data as an alternative measure of the sociopolitical environment; we do not find significant effects and its inclusion does not alter our findings.

Industry. Firm industry is categorized based on the 2-digit NAICS classification. As a robustness check, we utilize 4-digit SIC codes and FIC codes, derived from textual analysis of product descriptions in 10-K filings, confirming the consistent results across different industry classification systems.

Summary Statistics.

In this section, we present summary statistics for the key variables employed in our analysis. Table 1A and 1B below offer an initial overview of the data's central tendencies and distributions, for the Black Lives Matter period and Stop Asian Hate period, respectively, providing a foundation for subsequent analyses and interpretations.

[INSERT TABLE 1A: SUMMARY STATISTICS FOR BLM]

[INSERT TABLE 1B: SUMMARY STATISTICS FOR SAH]

ANALYSIS AND RESULTS.

Data Summary.

Our dependent variable of interest is firm sociopolitical activismt. In our sample, we find that 67% of companies (312) made statements in alignment with the Black Lives Matter movement while 33% did not (154). In comparison, 42.2% of companies (211) made statements in alignment with the Stop Asian Hate movement while 57.8% did not (289).

Our primary explanatory variable is past controversy, measured by the Reputational Risk Index (RRI), is our key explanatory variable. Mathematically, the RRI values range from 0 to 100, but within

our sample, the RRI ranges from 0 to 60. The RRI reflects each firm's past controversies (i.e., risky events related to environmental, social, and governance (ESG) issues). It is weighted by recency, severity, novelty, and visibility, creating the best available estimate of the extent to which firms are exposed to ESG risks and, therefore, reputational loss. Scores from 0-25 reflect low risk exposure. Most of the companies in our sample (77.6%) record values in this range. Scores from 26-49 (17.2 % of our sample) reflect medium risk exposure. Scores in this range are common for large multinational corporations because of their capacity to have significant environmental and social impact and their visibility among media outlets and other stakeholders. Scores from 49-60 (the remaining 5.2 % of our sample) reflect high risk exposure. Despite our sample containing only large Fortune 500 companies, the average company in our sample has a low RRI score. Within the sample, the RRI is skewed toward 0, with a mean of 18.0 and a standard deviation of 13.5 index points.

Figure 2 shows the distribution of RRI scores among the sample of Fortune 500 companies, both leading up to George Floyd's death in May 2020 and leading up to the Atlanta spa shootings in March 2021. The heavy skew of RRI scores towards zero indicates that many of the sampled companies had not experienced recent, severe, or novel-enough controversies to meaningfully affect their reputation during this time. As expected, firms with higher scores, which reflect an accumulation of more recent, severe, novel, and publicly discussed controversies, had more tarnished reputations.

[INSERT FIGURE 1A: Distribution of RRI scores: BLM]

[INSERT FIGURE 1B: Distribution of RRI scores: SAH]

Figure 3 shows the distribution of levels of past controversy (RRI) for firms that made a statement about racial inequality versus the distribution for those that did not make a statement. Firms that made a statement had higher levels of past controversy (Kolmogorov – Smirnov Test: p=0.000).

[INSERT FIGURE 2A: Kernel density plot of past controversy: BLM]

[INSERT FIGURE 2B: Kernel density plot of past controversy: SAH]

Table 1 shows correlations between the variables in our analysis. Out of all the variables in our model, past controversy, our key explanatory variable correlates most highly with our dependent variable, activism. As expected, past controversy, as measured by the RRI has a notable positive correlation with firm size, firm status, and if the firm made the list of strong brands. Large firms, high-status firms, and firms with strong brands receive more media and stakeholder attention for scandals, which is reflected in the RRI measure.

[INSERT TABLE 2A: CORRELATIONS FOR BLM]

[INSERT TABLE 2B: CORRELATIONS FOR SAH]

Analysis.

To analyze the effect of past controversy, along with these other key variables, on the likelihood of firm or CEO activism, we use both a linear regression model (OLS) for less biased and more easily interpretable estimates and a logistic regression model for technical correctness in estimating a binary outcome (Deke 2014). Our outcome variable of interest, *activism* (Y), is binary. It takes the value of one (1) if a firm made a statement in alignment with the social movement, and zero (0) if not. We predict the likelihood of activism with our main independent variable of interest, *past controversy* (X), which is measured by the RRI, as well as the set of theoretically relevant control variables (Z). We include industry fixed effects in all models. The term u_i in the specifications represents unobservable sources of variation in the outcome.

OLS Specification:

$$E[Y] = a + b_1X_i + b_2Z_i + \cdots + u_i$$

Logistic Specification:

$$logit[\Pr(Y = 1)] = a + b_1X_i + b_2Z_i + \cdots + u_i$$

$$where \qquad logit(p) = \log\left[\frac{p}{1-p}\right]$$

Table 2 and Figure 4, below, show our main results. In all models, we observe a positive and significant relationship between past controversy and the likelihood of a firm and/or the firm's CEO making a statement in line with the social movement for both the Black Lives Matter and Stop Asian Hate movements. This relationship holds when controlling for industry, firm size, firm performance, brand power, workplace favorability, financial outlook, firm status, CEO political affiliation, and key features of the firm's sociopolitical environment. For our analysis, we excluded seven companies that did not have RRI data, as well as companies, such as private companies, that did not have available data from either the annual or monthly COMPUSTAT databases. We run our analysis on a final sample between 417 and 454 companies, depending on which control variables we include in the analysis.

The results support Hypothesis 1 across both of our contexts (i.e., Black Lives Matter and Stop Asian Hate), suggesting that past controversy is positively related to a firm's propensity to engage in activism. This relationship between past controversy and activism is robust across both linear and logistic models including different sets of controls.

[INSERT TABLE 3: MAIN ANALYSIS]

According to our linear models, a one-percent increase in past controversy (RRI) index is associated with a 0.5% increase in the likelihood of activism in the Black Lives Matter context and a 0.4% increase in the Stop Asian Hate context. A one-standard-deviation increase in past controversy (RRI) is associated with a 5.5% greater likelihood of making a statement in the Black Lives Matter context and a 5.9% greater likelihood of making a statement in the Stop Asian Hate context.

Propensity score model. Although our OLS and logistic regression models do not cleanly identify a causal relationship between past controversy and activism, we can rule out any temporal endogeneity. Our

explanatory and control variables are measured before protest events prompted waves of activism, therefore activism behavior did not drive the variance in any of the explanatory variables. These designs are, however, still prone to selection and omitted variable biases. We are especially cognizant of selection bias because of strong correlations between covariates in our model. Firm size, status, and brand power correlate significantly with our measure of past controversy. To address selection bias, we implement a propensity score model.

To build the model, we first categorize firms into treatment and control groups, based on whether they are high or low in past controversy. Firms with RRI scores at or above the mean (RRI>=17.5) make up the treatment group; firms with RRI scores below the mean (RRI<17.5) comprise the control group. To generate propensity scores, or the likelihood that observations are treated based on theoretically relevant covariates, we estimate a logit model for our constructed treatment dummy and use fitted values from that model as estimates of the propensity score.

Figure 5 shows the change in our sample resulting from matching. The distributions of the propensity scores before matching are quite different between the treatment and control groups, and most of our covariates are statistically different between the control and treatment groups. After matching, however, the distributions of the propensity scores are nearly identical between treatment and control groups.

[INSERT FIGURE 3A: Kernel density plot of before and after matching: BLM]

[INSERT FIGURE 3B: Kernel density plot of before and after matching: SAH]

Figure 3A shows results for the Black Lives Matter context, including the Kernel density distributions of the probability of a firm having a higher-than-average RRI given other firm characteristics before matching (n=427) on the left, and the Kernel density distributions of the probability of a firm having a higher-than-average RRI given other firm characteristics after matching (n=450) on the right. Figure 3B panels show results for the Stop Asian Hate context, including a. Kernel density distributions

of the probability of a firm having a higher-than-average RRI given other firm characteristics before matching (n=425) on the left, and Kernel density distributions of the probability of a firm having a higher-than-average RRI given other firm characteristics after matching (n=438) on the right.

Using the ***teffects*** package in Stata, which treats propensity scores as error-prone estimates unlike its main alternative, ***psmatch2***, we estimate the average treatment effect of treated observations (ATET). In the Black Lives Matter context, we find the ATET observations to be 0.106 (p=0.009), meaning the average likelihood of activism if all firms had high past controversy would be 11% higher. In the Stop Asian Hate context, we find the ATET observations to be 0.204 (p=0.084), meaning the average likelihood of activism if all firms had high past controversy would be 20% higher. Although, this result is not significant at the p=0.05 level. Our method of propensity score matching imputes the missing potential outcome for each treated observation by using an average of the outcomes of similar untreated observations based on the propensity score. We estimate comparable average treatment effects on the treated observations using inverse probability weighting (Black Lives Matter: 0.08 (p=0.088) and Stop Asian Hate: 0.17 (p=0.069), another strategy to account for selection bias.

Moderation effects. Thus far, the results of our analysis support the theory that activism is a strategic decision based on the reputational tradeoffs associated with engaging in the movement. That is, firms do not randomly participate in activism, nor do they simply operate based on leaders' or stakeholders' personal ideologies. To further assess the validity of our proposed mechanism, we analyze the boundary conditions of the relationship between past controversy and sociopolitical activism. If it is true that firms strategically participate in activism to manage their reputations, we would not necessarily expect the relationship between past controversy and activism to look the same across all firms. Notably, firms differ with respect to the monetary costs they incur from reputational damage, and from a strategy perspective, reputational loss matters only to the extent that it lessens current value-creating stakeholder contracts or dissuades future ones.

As articulated in Hypothesis 2, we expect the relationship between past controversy and activism to be weaker for firms that hold more powerful positions with stakeholder groups (i.e., firms with particularly strong brands, highly rated workplaces, and highly favored stocks) because their stakeholder relationships are likely to withstand blows to the firm's reputation. To test this, we regressed the dependent variable, *activism* (Y), on our independent variable of interest, *past controversy* (X), each of our measures of *power amongst stakeholder groups* (P), the interaction between *past controversy* and each of our measures *power amongst stakeholder groups*, as well as the set of theoretically relevant control variables (Z). We include industry fixed effects (FE) in all models. The term u_i in the specification represents unobservable sources of variation in the outcome. In this analysis, we are interested in the sign and significance of the coefficient on the interaction term (b_3). We expect this coefficient to be negative, showing that the relationship between past controversy and activism weakens for firms with more power among stakeholders, and therefore more stable stakeholder relationships.

OLS Specification:

$$E[Y_i] = b_0 + b_1X_i + b_2P_i + b_3X_i * P_i + b_4Z_i + u_i$$

Logistic Specification:

$$logit[\Pr(Y = 1)] = a + b_1X_i + b_2P_i + b_3X_i * P_i + b_4Z_i + u_i$$

$$where \qquad logit(p) = \log\left[\frac{p}{1-p}\right]$$

Below we show the results of this analysis using measures of stability among different stakeholder groups. Table 3 shows the results of our test of Hypothesis 2, which predicts a moderating effect of the stability of all value-creating stakeholder relationships. Since we do not differentiate between stakeholder groups yet in this hypothesis, we construct two alternative aggregate measures of stakeholder stability to test our hypothesis, including (1) "total stakeholder stability," the sum of our indicator variables for customer, employee, and investor stability, which takes on an integer value from 0-3; and (2) "any stakeholder stability," an indicator variable that assumes the value of 1 for firms that have at least one of the following characteristics: customer, employee, or investor stability. If a firm does not

have any of these characteristics, both variables assume the value of 0. Table 3A shows the moderating effect of "total stakeholder stability," which substantiates hypothesis 2 and is robust across OLS and Logit models in both the Stop Asian Hate and Black Lives Matter contexts. Table 3B shows the moderating effect of "any stakeholder stability," which we expect to be relatively weaker. Our results using this alternative measure also substantiate hypothesis 2, producing the expected direction of the effect across all models in both contexts, however, the result is only statistically significant at the $p<0.05$ level in the OLS models.

[INSERT TABLE 4A: MODERATION ANALYSIS FOR BLM H2]

[INSERT TABLE 4B: MODERATION ANALYSIS FOR SAH H2]

We next perform the same analyses with separate measures of the stability of stakeholder relationships for each of the three key value-creating stakeholder groups: customers, employees, and investors. First, we ensure our findings between these analyses are not overly conflated by confirming that these three measures are not significantly correlated with one another. Referring to tables 2A and 2B, indeed, there is very little correlation between these measures.

Tables 5-7 shows the results of this analysis using the three measures of stability of stakeholder relationships for the specific stakeholder groups: consumers (table 5), employees (table 6), and investors (table 7). Table 5 shows the moderating effect of customer stability. Our measure is an indicator variable that takes on the value of 1 if the firm made Tenet's 2020 list of the Top 100 Most Powerful Brands, and 0 if not. Our results partially substantiate hypothesis 2A. We observe the expected effect across all models in both contexts, however, the result is only statistically significant at the $p<0.05$ level in the OLS models.

[INSERT TABLE 5A: MODERATION ANALYSIS FOR BLM H2A]

[INSERT TABLE 5B: MODERATION ANALYSIS FOR SAH H2A]

Table 6 shows the moderation effect of employee stability. Our measure is an indicator variable that takes on the value of 1 if the firm made either the *Fortune* magazine, Glassdoor, or Zippia "Best

Places to Work" lists, and 0 if not. Our results partially substantiate hypothesis 2B. We observe the expected effect across all models in both contexts, however, the result is only statistically significant at the $p<0.05$ level in the OLS models.

[INSERT TABLE 6A: MODERATION ANALYSIS FOR BLM H2B]

[INSERT TABLE 6B: MODERATION ANALYSIS FOR SAH H2B]

Table 7 shows the moderation effect of investor stability. To proxy for this, we use the price-to-earnings ratio, which reflects the public's expectations of stock values. Our results partially substantiate hypothesis 2C. We observe the expected effect across all models in both contexts, however, the result is only statistically significant at the $p<0.05$ level for the OLS and Logit models in the Black Lives Matter context.

[INSERT TABLE 7A: MODERATION ANALYSIS FOR BLM H2C]

[INSERT TABLE 7B: MODERATION ANALYSIS FOR SAH H2C]

To further explore these boundary conditions, for which our regression results provide initial support, we conduct a subsample analysis. Table 8A shows the standardized effect sizes of past controversy on activism for different cuts of the data in the Black Lives Matter context. After eliminating firms with especially stable stakeholder relationships, we see significant effects between past controversy and activism, with a one standard deviation change in past controversy leading to a 9.5-16.7% increase in the likelihood of a firm engaging in activism. We do not see a significant effect of past controversy on activism when we look at only firms with especially stable stakeholder relationship.

Table 8B shows the standardized effect sizes of past controversy on activism for different cuts of the data in the Stop Asian Hate context. After eliminating firms with high power or status by our various measures, we see significant effects between past controversy and activism, with a one standard deviation change in past controversy leading to a 7.3-13.1% increase in the likelihood of a firm engaging in activism. We do not see such robust effects when we look at only firms with stable stakeholder

relationships. The one exception is that we do still see a significant effect of past controversy on activism for firms with stable consumer relationships.

[INSERT TABLE 8A: SUBSAMPLE ANALYSIS: SAH]

[INSERT TABLE 8B: SUBSAMPLE ANALYSIS: SAH]

In summary, we find broad support for Hypothesis 2, although not robust across all models in both contexts. We find the expected negative coefficients for the interaction terms across all measures and all statistical models in both movement contexts, but not all our results are statistically significant. Taken together, these results still provide initial evidence that firms with stable stakeholder relationships are less driven by past controversy when deciding to engage in activism.

Additional Analysis. According to our theoretical framework, firms engage in activism to manage their reputations, particularly to maintain prominence and manage global perceptions of the firm. In light of this perspective, we anticipate that the specific nature of prior controversies a firm has encountered might not significantly impact its activism decisions. As such, our analysis uses broad measures of past controversy that include every type of incident, including any environmental, social, or governance (ESG)-related risk incidents. To validate this assumption, we investigate whether past ESG-related controversies differentially forecast a firm's likelihood to engage in activism. Given the right-skewed distribution of risk events per firm, we employ the logarithmically transformed count of past controversial incidents while accounting for the proportions of E, S, and G-related risk occurrences. Our findings yield ambiguous and inconclusive outcomes across both the Black Lives Matter and Stop Asian Hate contexts. This suggests that either the specific incident type is not a decisive factor or that our current ESG classification lacks precision, possibly masking more intricate distinctions in risk event categorization.

Moreover, we do not identify any discernible impact of past controversies related to racial inequality when compared to other varieties of past controversies. To explore this notion within the boundaries of our dataset, we utilize RepRisk's categorical classifications pertaining to race and racial inequality. This category encompasses events explicitly tagged as racism/racial inequality, as well as

instances of discriminatory employment practices, human rights transgressions, unfavorable working conditions, and social discrimination. Overall, our analysis reveals no conclusive indications of the incident type influencing activism choices. This absence of discernible patterns lends support to the conceptual understanding that a firm's reputation is an amalgamation of multiple quality metrics, collectively contributing to the overall perception of the firm.

DISCUSSION AND CONCLUSION.

We find that firms with more controversial pasts are more likely to make statements addressing racial equity during the peak of the Black Lives Matter and Stop Asian Hate movements. We find the relationship between past controversy and activism to be moderated by stable stakeholder relationships. Firms with stable stakeholder relationships (strong brands, highly rated workplaces, or highly favored stocks) may engage in activism at equal or greater risk, but they are not as driven by an attempt to recover their image after past controversies. These results support the notion that firms act in line with their expected payoffs. Past controversy has a weaker effect on activism for firms with stronger stakeholder contracts, which presumably shield the firm from the monetary consequences associated with reputational change. Overall, our findings suggest that firms use reputational logic in engaging in sociopolitical activism. Firms that have had recent hits to their reputation tend to proactively participate in sociopolitical activism more to build moral capital, especially when needed to substitute for the lack of perceived quality among key stakeholders.

Across both the Black Lives Matter and Stop Asian Hate contexts, our results exhibit remarkable consistency, confirming that the validation of our theory is not contingent on specific characteristics of a singular context. However, it's worth noting that both the Black Lives Matter and Stop Asian Hate movements focused on racial equality and gained momentum following violent acts against individuals from the respective communities. Further research is needed to explore whether our perspective can effectively explain instances of sociopolitical activism that arise outside periods of heightened social movement activity and instances of conservative activism, which are comparatively rare.

Our research contributes to the expanding domain of nonmarket strategy, which seeks to understand firm behavior outside core market activities. While extensive research has examined Corporate Social Responsibility (CSR) initiatives (see Lindgreen and Swaen 2010), with a focus on corporate philanthropy, strategic communication has garnered less emphasis. As companies increasingly take stances on social and political issues and engage in activism, this aspect gains relevance. Specifically, our paper contributes to the understanding of CEO and corporate activism by applying an impression management perspective to explain variation in corporate and CEO sociopolitical activism. This perspective complements upper-echelon theory, stakeholder alignment theory, and models of institutional pressures and governance structures in explaining firm sociopolitical activism.

As multiple established perspectives on firm-level activism behavior now exist, further exploration is warranted to discern the contexts where each of these influences is most pertinent. For instance, certain sociopolitical actions or actions from specific types of firms may be more strongly influenced by leaders' and stakeholders' beliefs, rather than a strategic assessment of reputational payoffs. As companies continue to engage in various political and social issues in diverse ways, there remains much to uncover about the boundary conditions of the antecedents and consequences proposed in existing literature.

This study sheds new light on the nature of corporate engagement in the social sphere, highlighting its reputation-driven nature. This insight has implications for how we understand corporate involvement in social issues. While a firm may possess the capacity to be a pareto-optimal change agent on a particular social issue (Kaul and Luo 2018), that firm is likely not approaching social change from this perspective. Rather, our findings suggest they are approaching social issues from the perspective of improving their reputation, meaning society is unlikely to reap the full theoretical benefits of corporate involvement in social issues. In addition, reputational logic may incent firms toward “cause-washing,” or taking as little action as possible while also reaping reputational benefits.

Conversely, if firms operate based on reputational logic, there might be less concern about leaving corporate leaders in charge of social solutions, as their actions should align with the preferences

of their stakeholders. However, this alignment is contingent on powerful news outlets reflecting the majority of stakeholders' views; if this alignment is lacking, media angles might steer firm behavior away from both efficiency and stakeholder preferences. Continued empirical analysis examining the motivations and impacts of firm engagement in social activism across diverse contexts is crucial for comprehending the tangible risks and rewards of corporate involvement in social issues. This is particularly pertinent due to the ongoing rigorous debates among researchers, business leaders, political figures, and the public regarding the morality, motivation, and impact of profit-driven entities participating in social and political matters.

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Table 1A. Summary Statistics: Black Lives Matter

Variable	Mean	SD	Min	Max
Dependent Variable				
Activism (BLM)	0.67	0.47	0	1
Independent Variable				
Past controversy	17.55	13.384	0	60.03425
Control Variables				
On top-rated brand list	0.18	0.383	0	1
On top-rated workplace list	0.24	0.428	0	1
On top-rated stock list	0.15	0.353	0	1
On Fortune most admired list	0.09	0.286	0	1
Democrat CEO	0.24	0.426	0	1
Firm size (log of revenue)	9.72	0.893	8.640295	13.16918
Performance (Tobin's Q)	1.94	1.362	0.81463	11.88676
P/E ratio	13.94	39.535	-242.0303	255.1818
State share of democrat votes	0.5	0.083	0.2749201	0.9086382
State black population	0.09	0.074	0.0083639	0.5518761

Table 1B. Summary Statistics: Stop Asian Hate

Variable	Mean	SD	Min	Max
Dependent Variable				
Activism (SAH)	0.42	0.494	0	1
Independent Variable				
Past controversy	16.44	12.837	0	57
Control Variables				
On top-rated brand list	0.18	0.383	0	1
On top-rated workplace list	0.24	0.428	0	1
On top-rated stock list	0.15	0.353	0	1
On Fortune most admired list	0.09	0.286	0	1
Democrat CEO	0.25	0.431	0	1
Firm size (log of revenue)	9.72	0.893	8.640295	13.16918
Performance (Tobin's Q)	2.03	1.639	0.873225	13.56459
P/E ratio	20.02	68.617	-479.75	419.8
State share of democrat votes	0.53	0.081	0.3228617	0.9214969
State Asian population	0.03	0.023	0.0068895	0.0866715

Figure 1A. Distribution of RRI scores in May 2020, before the peak of Black Lives Matter.

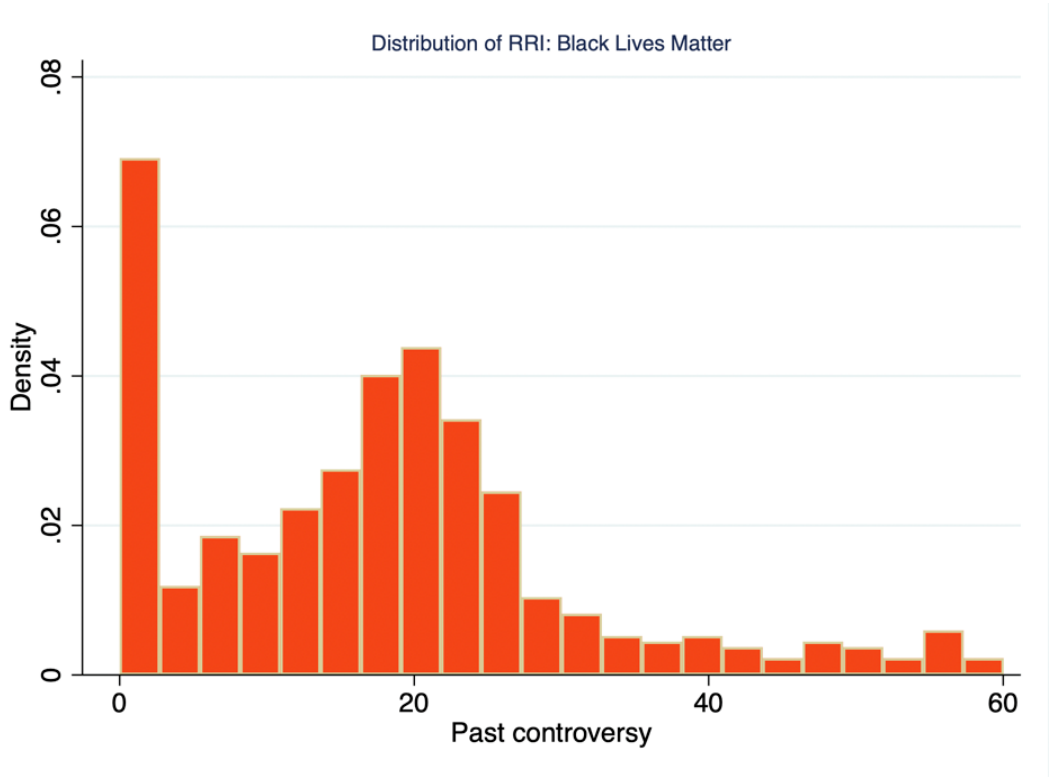

Figure 1B. Distribution of RRI scores in March 2021, before the peak of Stop Asian Hate.

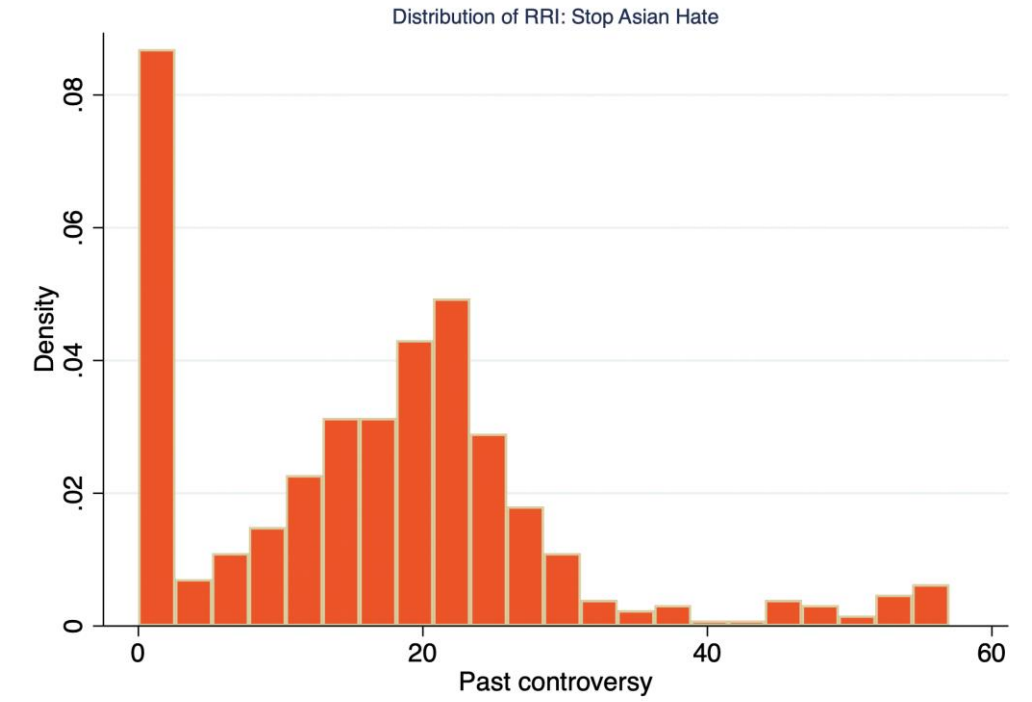

Figure 2A. Kernel density plot of past controversy (RRI) for firms that engaged in activism compared to firms that did not: BLM

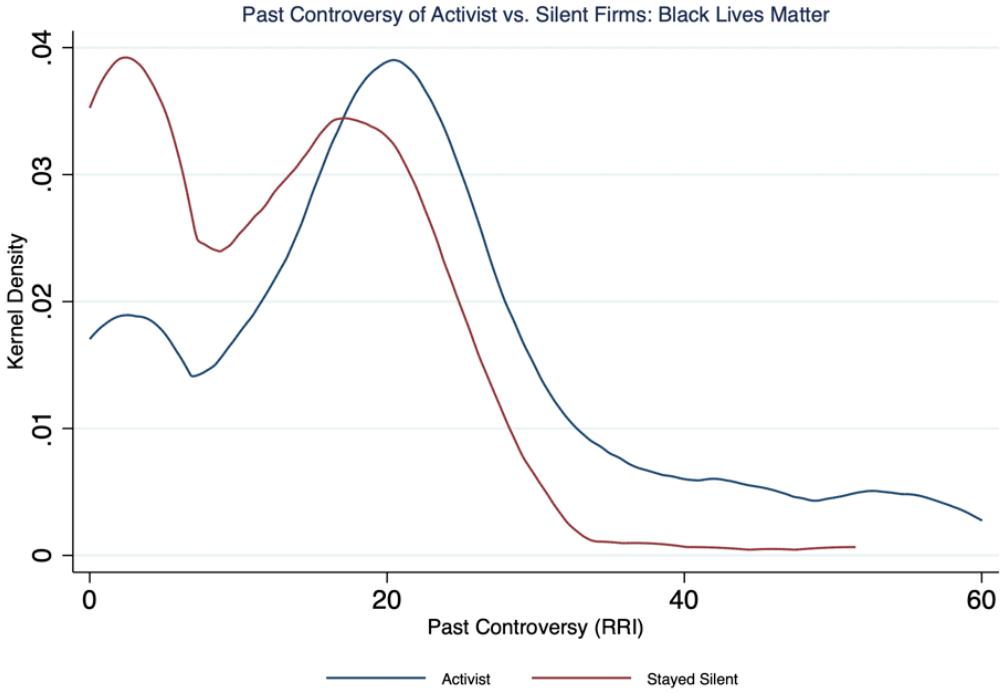

Figure 2B. Kernel density plot of past controversy (RRI) for firms that engaged in activism compared to firms that did not: SAH

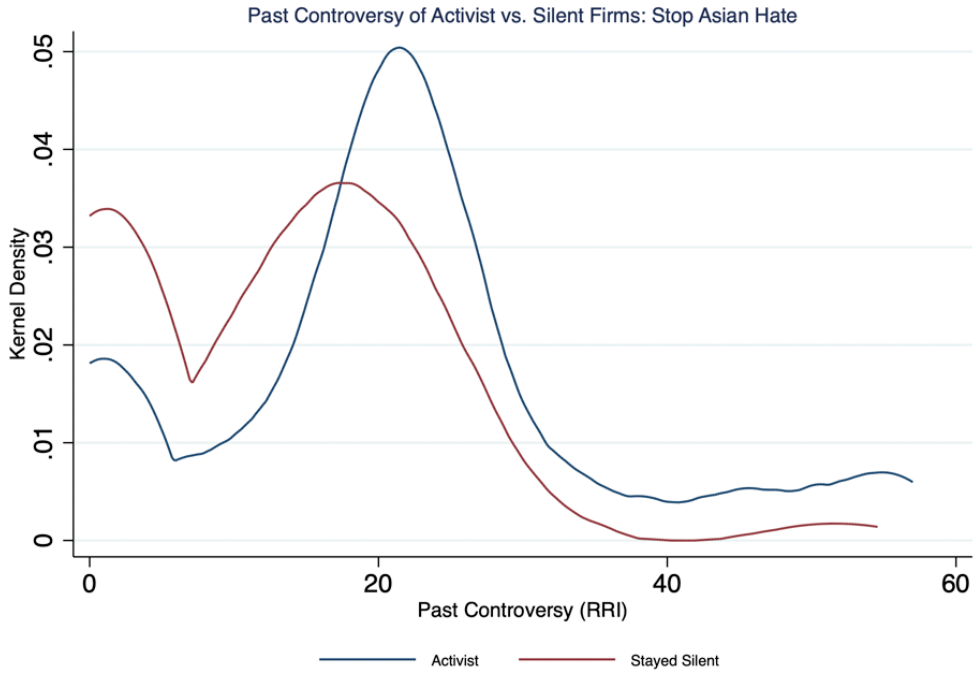

Table 2A. Correlations: Black Lives Matter

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Activism (BLM)	1											
(2) Past controversy	0.329	1										
(3) On top-rated brand list	0.306	0.512	1									
(4) On top-rated workplace list	0.135	0.221	0.141	1								
(5) On top-rated stock list	0.187	0.321	0.305	0.044	1							
(6) On Fortune most admired list	0.187	0.441	0.469	0.203	0.427	1						
(7) Democrat CEO	0.086	0.079	0.049	0.076	-0.007	0.051	1					
(8) Firm size (log of revenue))	0.275	0.546	0.484	0.212	0.398	0.443	-0.047	1				
(9) Performance (Tobin's Q)	0.109	0.163	0.15	0.121	0.296	0.274	0.044	0.006	1			
(10) P/E ratio	0.047	-0.038	0.028	0.063	0.126	0.118	-0.007	0.005	0.237	1		
(11) State share of democrat votes	0.23	0.131	0.143	0.069	0.15	0.121	0.139	0.045	0.21	0.067	1	
(12) State black popoulation	-0.027	-0.089	0.024	-0.057	0.019	0.005	-0.011	-0.002	-0.076	-0.025	-0.021	1

Table 2B. Correlations: Stop Asian Hate

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Activism (SAH)	1											
(2) Past controversy	0.345	1										
(3) On top-rated brand list	0.331	0.459	1									
(4) On top-rated workplace list	0.236	0.21	0.133	1								
(5) On top-rated stock list	0.176	0.307	0.293	0.04	1							
(6) On Fortune most admired list	0.222	0.416	0.461	0.203	0.422	1						
(7) Democrat CEO	0.088	0.095	0.087	0.086	-0.001	0.035	1					
(8) Firm size (log of revenue))	0.277	0.538	0.479	0.2	0.397	0.435	-0.014	1				
(9) Performance (Tobin's Q)	0.065	0.185	0.117	0.101	0.3	0.252	0.052	-0.004	1			
(10) P/E ratio	0.003	0.001	-0.007	-0.051	0.06	0.033	-0.006	-0.001	0.228	1		
(11) State share of democrat votes	0.23	0.136	0.146	0.069	0.143	0.13	0.138	0.054	0.187	0.057	1	
(12) State asian popoulation	0.262	0.161	0.1	0.144	0.15	0.11	0.117	0.03	0.275	0.063	0.687	1

Table 3. The main effect of past controversy on sociopolitical acticism

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy (RRI)	0.005*	0.041**	0.004*	0.030*
	(0.00)	(0.01)	(0.00)	(0.01)
On top-rated brand list	0.169**	2.245**	0.194**	1.021**
	(0.06)	(0.76)	(0.07)	(0.36)
On top-rated workplace list	0.06	0.36	0.169**	0.944**
	(0.05)	(0.32)	(0.05)	(0.30)
On top-rated stock list	0.08	0.74	0.05	0.28
	(0.07)	(0.50)	(0.07)	(0.39)
On Fortune most admired list	-0.15	-0.37	-0.05	-0.34
	(0.09)	(0.89)	(0.09)	(0.55)
Firm size (log of revenue)	0.076*	0.480*	0.071*	0.364*
	(0.03)	(0.21)	(0.03)	(0.18)
Performance (Tobin's Q)	0.02	0.16	-0.01	-0.03
	(0.02)	(0.12)	(0.01)	(0.08)
Democrat CEO	0.05	0.37	0.02	0.11
	(0.05)	(0.31)	(0.05)	(0.28)
State share of democrat votes	0.795**	4.283**	0.37	1.63
	(0.26)	(1.62)	(0.35)	(1.97)
State black (Asian) population	0.05	0.48	3.249**	18.555*
	(0.28)	(1.80)	(1.24)	(7.22)
Industry FE	YES	YES	YES	YES
Constant	-0.654*		-0.694*	
	(0.32)		(0.33)	
Observations	454	450	449	440

SE in parentheses

$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Figure 3A. Kernel density distributions of the probability of a firm having a higher-than-average RRI given other firm characteristics: BLM.

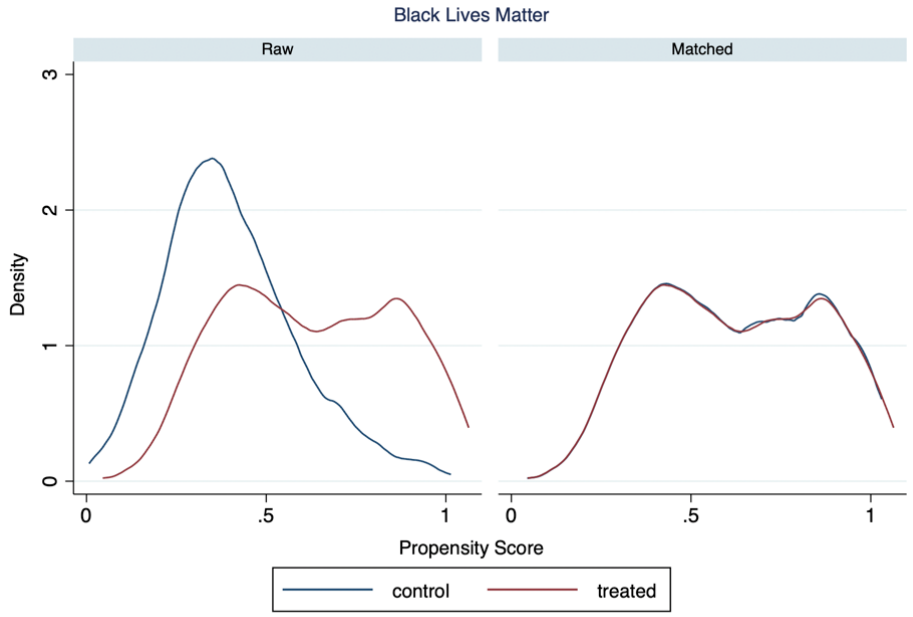

Figure 3B. Kernel density distributions of the probability of a firm having a higher-than-average RRI given other firm characteristics: SAH

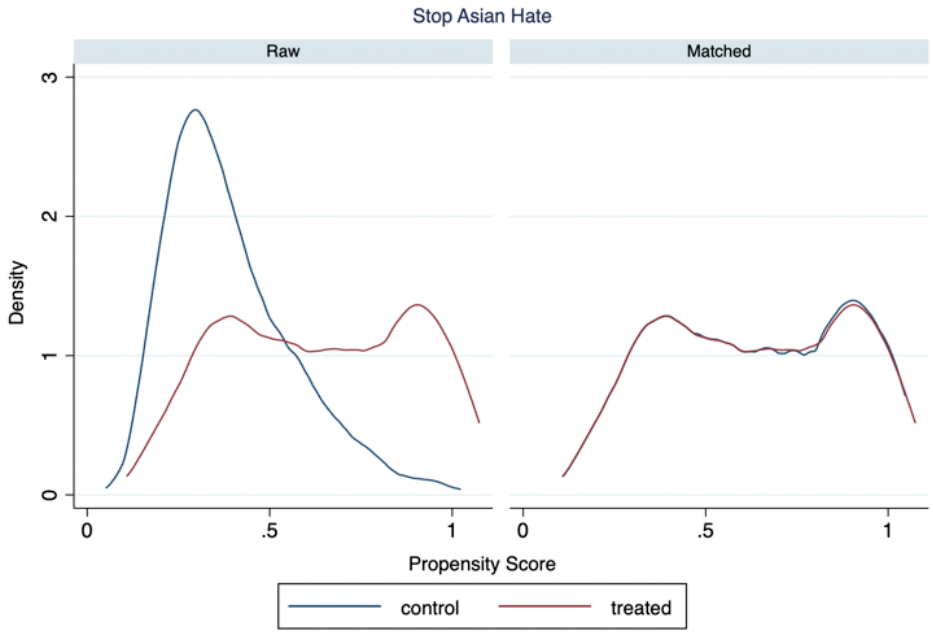

Table 4A. The moderating effect of stakeholder standing.

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy	0.011***	0.057***	0.010***	0.061***
	(0.00)	(0.02)	(0.00)	(0.02)
Stakeholder standing	0.08	0.29	0.05	0.38
(sum of brand, workplace, and stock list)	(0.06)	(0.37)	(0.06)	(0.36)
Past controversy X Stakeholder standing	-0.006***	-0.031	-0.006**	-0.036**
(sum of brand, workplace, and stock list)	(0.00)	(0.02)	(0.00)	(0.01)
On top-rated brand list	0.255**	2.695**	0.289***	1.384**
	(0.08)	(0.87)	(0.08)	(0.45)
On top-rated workplace list	0.10	0.55	0.231***	1.190**
	(0.07)	(0.43)	(0.07)	(0.39)
On top-rated stock list	0.08	0.78	0.05	0.27
	(0.06)	(0.50)	(0.07)	(0.39)
Firm size (log of revenue)	0.069*	0.472*	0.069*	0.34
	(0.03)	(0.21)	(0.03)	(0.18)
Performance (Tobin's Q)	0.02	0.18	0.00	0.00
	(0.02)	(0.12)	(0.01)	(0.08)
Democrat CEO	0.04	0.33	0.02	0.11
	(0.05)	(0.31)	(0.05)	(0.28)
State share of democrat votes	0.764**	4.229**	0.33	1.56
	(0.26)	(1.64)	(0.35)	(2.00)
State black (Asian) population	0.09	0.54	3.451**	19.201**
	(0.27)	(1.81)	(1.23)	(7.34)
Industry FE	YES	YES	YES	YES
Constant	-0.665*		-0.745*	
	(0.31)		(0.33)	
Observations	454	450	449	440

SE in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4B. The moderating effect of stakeholder standing.

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy	0.012***	0.059**	0.009**	0.058**
	(0.00)	(0.02)	(0.00)	(0.02)
Stakeholder standing	0.180*	0.49	0.07	0.34
(on at least one list)	(0.07)	(0.44)	(0.08)	(0.49)
Past controversy X Stakeholder star	-0.012**	-0.04	-0.008*	-0.04
(on at least one list)	(0.00)	(0.02)	(0.00)	(0.02)
On top-rated brand list	0.218**	2.382**	0.244***	1.285**
	(0.07)	(0.78)	(0.07)	(0.41)
On top-rated workplace list	0.06	0.45	0.193**	1.100**
	(0.06)	(0.39)	(0.06)	(0.35)
On top-rated stock list	0.06	0.77	0.04	0.20
	(0.06)	(0.50)	(0.07)	(0.38)
Firm size (log of revenue)	0.069*	0.463*	0.067*	0.33
	(0.03)	(0.21)	(0.03)	(0.18)
Performance (Tobin's Q)	0.01	0.15	0.00	-0.02
	(0.02)	(0.12)	(0.01)	(0.08)
Democrat CEO	0.04	0.31	0.02	0.11
	(0.05)	(0.31)	(0.05)	(0.28)
State share of democrat votes	0.778**	4.313**	0.36	1.62
	(0.26)	(1.63)	(0.35)	(1.99)
State black (Asian) population	0.08	0.52	3.100*	17.758*
	(0.27)	(1.81)	(1.25)	(7.37)
Industry FE	YES	YES	YES	YES
Constant	-0.673*		-0.701*	
	(0.31)		(0.33)	
Observations	454	450	449	440

SE in parentheses

$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 5. The moderating effect of customer standing.

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy	0.010***	0.047**	0.008**	0.047**
	(0.00)	(0.01)	(0.00)	(0.02)
On top-rated brand list	0.483***	3.816*	0.408***	1.939**
	(0.12)	(1.66)	(0.11)	(0.64)
Past controversy X On top-rated brand list	-0.013***	-0.07	-0.009*	-0.04
	(0.00)	(0.05)	(0.00)	(0.02)
On top-rated workplace list	0.05	0.25	0.164**	0.910**
	(0.05)	(0.33)	(0.05)	(0.30)
P/E ratio	0.00	0.01	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
On Fortune most admired list	-0.10	-0.16	-0.02	-0.16
	(0.09)	(0.87)	(0.09)	(0.54)
Firm size (log of revenue)	0.088**	0.564*	0.075*	0.36
	(0.03)	(0.22)	(0.03)	(0.18)
Performance (Tobin's Q)	0.02	0.13	0.00	-0.02
	(0.02)	(0.12)	(0.01)	(0.08)
Democrat CEO	0.03	0.28	0.00	-0.03
	(0.05)	(0.33)	(0.05)	(0.29)
State share of democrat votes	0.795**	4.356**	0.12	0.40
	(0.27)	(1.67)	(0.38)	(2.07)
State black (Asian) population	0.03	(0.16)	3.862**	21.203**
	(0.29)	(1.83)	(1.29)	(7.44)
Industry FE	YES	YES	YES	YES
Constant	-0.810*		(0.65)	
	(0.32)		(0.35)	
Observations	423	419	423	414

SE in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 6. The moderating effect of employee standing.

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy	0.008**	0.052***	0.008**	0.045**
	(0.00)	(0.02)	(0.00)	(0.01)
On top-rated workplace list	0.196*	0.93	0.346***	1.661**
	(0.09)	(0.59)	(0.09)	(0.52)
Past controversy X On top-rated work	-0.007*	-0.04	-0.010*	-0.04
	(0.00)	(0.03)	(0.00)	(0.02)
On top-rated brand list	0.164*	2.147**	0.217**	1.107**
	(0.07)	(0.76)	(0.07)	(0.37)
P/E ratio	0.00	0.01	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
On Fortune most admired list	-0.09	-0.06	-0.01	-0.13
	(0.09)	(0.87)	(0.09)	(0.54)
Firm size (log of revenue)	0.080*	0.562*	0.067*	0.33
	(0.03)	(0.22)	(0.03)	(0.18)
Performance (Tobin's Q)	0.02	0.12	0.00	-0.02
	(0.02)	(0.12)	(0.01)	(0.08)
Democrat CEO	0.03	0.24	-0.01	-0.06
	(0.05)	(0.33)	(0.05)	(0.29)
State share of democrat votes	0.865**	4.313*	0.23	0.78
	(0.27)	(1.68)	(0.38)	(2.09)
State black (Asian) population	-0.03	-0.18	3.789**	20.856**
	(0.29)	(1.84)	(1.23)	(7.34)
Industry FE	YES	YES	YES	YES
Constant	-0.728*		(0.62)	
	(0.33)		(0.35)	
Observations	423	419	423	414

SE in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 7. The moderating effect of investor standing.

	Black Lives Matter Activism		Stop Asian Hate Activism	
	OLS	LOGIT	OLS	LOGIT
	Model 1	Model 2	Model 3	Model 4
Past controversy	0.006**	0.054***	0.005*	0.035*
	(0.00)	(0.02)	(0.00)	(0.01)
Investor standing	0.002*	0.018*	0.00	0.00
(P/E ratio)	(0.00)	(0.01)	(0.00)	(0.00)
Past controversy X Investor Standing	-0.000*	-0.001*	0.00	0.00
(P/E ratio)	(0.00)	(0.00)	(0.00)	(0.00)
On top-rated brand list	0.156*	2.252**	0.202**	1.074**
	(0.07)	(0.80)	(0.07)	(0.37)
On top-rated workplace list	0.05	0.28	0.165**	0.910**
	(0.05)	(0.33)	(0.05)	(0.30)
On Fortune most admired list	-0.12	-0.21	-0.05	-0.29
	(0.09)	(0.85)	(0.09)	(0.54)
Firm size (log of revenue)	0.085**	0.567*	0.071*	0.35
	(0.03)	(0.22)	(0.03)	(0.18)
Performance (Tobin's Q)	0.02	0.10	0.00	-0.02
	(0.02)	(0.12)	(0.02)	(0.09)
Democrat CEO	0.04	0.31	0.00	-0.04
	(0.05)	(0.33)	(0.05)	(0.29)
State share of democrat votes	0.820**	4.343**	0.20	0.67
	(0.27)	(1.68)	(0.38)	(2.07)
State black (Asian) population	-0.08	-0.27	3.702**	20.489**
	(0.29)	(1.84)	(1.30)	(7.39)
Industry FE	YES	YES	YES	YES
Constant	-0.737*		(0.61)	
	(0.33)		(0.35)	
Observations	423	419	423	414

SE in parentheses

$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 8A. Subsample analysis: The effect of a one-SD change in Past Controversy on the likelihood of activism (BLM)

Stakeholder Group	High Standing (On list)	Low Standing (Not on list)
Consumers	2.30%	11.4%**
	(p=0.73) n=86	(p=0.001) n=365
Employees	0.20%	9.5%**
	(0.12) n=107	(p=0.003) n=341
Investors	-0.01%	9.5%**
	(p=.86) n=137	(p=0.004) n=316
Any group (at least one of above)	3.70%	16.7%***
	(p=0.26) n=247	(p=0.001) n=205

$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 8B. Subsample analysis: The effect of a one-SD change in Past Controversy on the likelihood of activism (SAH)

Stakeholder Group	High Standing (On list)	Low Standing (Not on list)
Consumers	11.0%*	8.5%**
	(p=0.04) n=86	(p=0.001) n=360
Employees	4.60%	8.4%**
	(p=.447) n=107	(p=0.001) n=336
Investors	0.70%	7.3%**
	(p=.90) n=127	(p=0.002) n=318
Any group (at least one of above)	6.50%	13.1%**
	(p=0.07) n=235	(p=0.001) n=171

$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$