BE OPEN OR OVERWHELMED?

HOW CEOS' EXPOSURE TO MULTIPLE INSTITUTIONAL LOGICS SHAPES STRATEGIC RESPONSES TO SHAREHOLDER ACTIVISM

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CERTIFICATE OF ORIGINALITY

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__________________________ (Signed)

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ABSTRACT

Previous research has paid little attention to how managerial perception of multiple institutional logics shapes organizational decision-making. I consider shareholder-activist demands based on two distinct beliefs—shareholder logic and stakeholder logic—as a typical case of logic plurality. Drawing on managerial cognition literature, I theorize the effect of CEOs' prior exposure to institutional plurality on managerial decisions on responses to shareholder activism. I predict that experienced logic plurality triggers CEOs' need for cognitive closure—the desire for definite (as opposed to ambiguous) opinions, thus increasing CEOs' tendency to resist following activism instead of showing receptivity to them. I further suggest that inherent inconsistency in activist-proposed issues enhances CEOs' need for cognitive closure driven by prior exposure to logic plurality. In contrast, cognitive complexity weakens CEOs' perception of conflicting aspects of institutional logics, while career breadth enhances CEOs' capability to reconcile potential inconsistencies between different logics. My research directs scholarly attention to the role of managerial cognition in organizational responses to institutional logics and offers insights for scholarship on managerial decision-making in the context of shareholder activism.

Keywords: institutional logic, shareholder activism, CEO, managerial decision-making, cognition

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INTRODUCTION

Managers often face multiple inconsistent stakeholder demands for changes in corporate practices (Dorobantu, Henisz, & Nartey, 2017; Hoskisson, Hitt, Johnson, & Grossman, 2002). These demands differ in their underlying institutional logics—socially constructed values and beliefs that prescribe appropriate behaviors for organizations (Thornton & Ocasio, 2008; Zajac & Westphal, 2004). Such diverse demands pose increasing challenges to managerial decision-making because key stakeholders usually hold competing expectations regarding corporate goals and means to achieve them (Battilana, Obloj, Pache, & Sengul, 2022; Pache & Santos, 2010). One primary challenge for business organizations concerns the logic tension between shareholder primacy and stakeholder interests (Lewis & Carlos, 2022). Although corporate social responsibility (CSR) has become a salient issue for the evaluation of manager competence over the past two decades (Shin, Lee, & Bansal, 2021), defenders of shareholder primacy tend to regard CSR as a managerial intention to deviate from shareholder value maximization (DesJardine, Marti, & Durand, 2021).

Prior research has focused on how inconsistent demands affect firm strategic actions (e.g., Goodstein, 1994; Oliver, 1991). Scholars in this tradition largely portray similar responses by managers, which are contingent on the structure and nature of demands, including origins of divergence among demands (Pache & Santos, 2010), demand-issue salience (Bundy, Shropshire, & Buchholtz, 2013), and the anticipated outcome of conformity (Durand, Hawn, & Ioannou, 2019). However, these theorizations largely rely on the assumption that managers are aware of the beliefs underlying each demand and make optimal strategic responses accordingly. The assumption may not be held in many cases because these organizational decision-makers differ in sensitivity to the incompatibility of multiple institutional logics (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Voronov & Yorks, 2015). Emerging behavioral perspectives highlight that the process of interpretation underpinning managerial decision making is based on prior socialization and personal experiences, which is termed "socially constituted agency" (Westphal & Zajac, 2013: 624). Therefore, it is necessary to explore individual differences among managers in responding to external demands underpinned by different institutional logics.

In this research, I develop my theory on how multiple institutional logics affect managerial decision-making in the context of shareholder activism. Shareholder activists' demands often differ in their underlying institutional logics, and interactions with shareholder activists expose target firms' CEOs to different logics (Lee, Gupta, & Hambrick, 2022; Lok, 2010). In particular, I focus on two institutional logics activists hold: the shareholder logic—maximizing shareholder value as the corporate purpose—and the stakeholder logic—balancing stakeholder interests as corporate responsibility (Ioannou & Serafeim, 2015; Lewis & Carlos, 2022). Specifically, I ask how CEOs' interactions with distinct types of activists in their near careers shape their subsequent attitudes toward activism.

Building on the concept of cognitive closure from social psychology (Kruglanski, 1989; Webster & Kruglanski, 1994), I posit that interacting with activists based on two logics in the past enhances CEOs' perception of shareholder-stakeholder logic incompatibility and triggers their need for cognitive closure—the desire for a definite opinion on a decision, as opposed to confusion and ambiguity. In this case, CEOs tend to adopt less receptive and more resistant responses to follow-up shareholder activism on average. I further predict that this relationship is amplified by inherent inconsistency in plural institutional logics, which is manifested by the financial irrelevance of activist-proposed issues. Moreover, I propose two representative attributes relevant to the cognitive process in ambiguous environments—cognitive complexity and career breadth. I predict that cognitive complexity weakens CEOs' perception of conflicting aspects of institutional logics, while career breadth enhances CEOs' capability to harness logic plurality, both of which weaken the effect of CEO prior exposure to logic plurality on less receptive (more resistant) responses to shareholder activism. I find evidence consistent with my theory in a 16-year sample of CEOs serving for S&P 1500 firms receiving shareholder proposals.

My research contributes to three streams of research. First, I contribute to shareholder activism research by challenging the unrealistic assumptions that shareholder activism is a simple aggregation of campaigns or proposals (David, Bloom, & Hillman, 2007; DesJardine et al., 2021). In contrast, I differentiate the nature of activist demands in terms of the socially-constructed beliefs—shareholder primacy and stakeholder orientation. I also highlight the institutional logics behind different types of shareholder activism. Second, I delve more deeply into organizational responses to institutional plurality by incorporating the role of managerial exposure to institutional logics. Different from research focusing on structural characteristics of institutional logics (Lewis & Carlos, 2022; Pache & Santos, 2010), my findings suggest that both the subjective incompatibility between institutional logics and agents' perceptions of incompatibility affect organizational actions. Although managers exposed to multiple logics are more likely to resist shareholder demands on average, cognitive complexity and problem-solving capabilities buffer manager-perceived logic incompatibility. Third, by theorizing the role of CEOs' need for cognitive closure in CEO decision making in the face of inconsistent demands, I also enrich the understanding of socially-constituted decision making (Westphal & Zajac, 2013) and managerial cognition (Helfat & Peteraf, 2015).

THEORY

Firm Responses to Shareholder Activism and Its Underlying Institutional Logics

Shareholder proposal submission is one of the most common tools for "shareholder democracy" used by activists because it is a relatively low-cost way to initiate follow-up interactions with firm managers (Ferri, 2012). In most research, this form of shareholder activism is merely portrayed as an expression of dissatisfaction (Lee et al., 2022), a tool for governance improvement (Gillan & Starks, 2000; Renneboog & Szilagyi, 2011), or an extraction of private benefits (Matsusaka, Ozbas, & Yi, 2019). However, little research unpacks the socially constructed nature of shareholder activism—shareholder activists' demands represent the salient expectations underpinned by certain institutional logics (Friedland & Alford, 1991; Greenwood et al., 2011; Lee & Lounsbury, 2011). This omission limits the understanding of firm responses to shareholder activism because institutional logics in the business domain significantly shape corporate governance. For instance, the logic of shareholder value leads to CEO evaluation criteria (Shin et al., 2021), shifting board structures (Joseph, Ocasio, & McDonnell, 2014), and security analysts' view of CSR (Ioannou & Serafeim, 2015).

Institutional logic plurality broadly refers to the situation in which an organization is subject to multiple social beliefs, values, and norms (Greenwood, Díaz, Li, & Lorente, 2010; Kraatz & Block, 2008). Although logic plurality has been highlighted in the context of hybrid organizations (Besharov & Smith, 2014; Dunn & Jones, 2010), business organizations increasingly face similar challenges originating from the tension between shareholder logic and stakeholder logic (Ioannou & Serafeim, 2015; Lewis & Carlos, 2022).

Shareholder beliefs in corporate domains can be underpinned by shareholder logic[1] or

[1] "Shareholder logic" is substantively similar to other terms with different wordings, such as agency logic (Ioannou & Serafeim, 2015) and the logic of shareholder value (Joseph et al., 2014).

stakeholder logic (Ioannou & Serafeim, 2015; Westphal & Zajac, 2001). Shareholder logic, highlighting shareholder wealth maximization as the main goal for corporate managers, has dominated the corporate governance domain since the 1980s (Joseph et al., 2014). After the early 2000s, stakeholder logic has increasingly gained traction and has been seen as a core principle of business practices (Shin et al., 2021). Regarding the case of shareholder demands, wealth-oriented demands (e.g., adjusting firm strategies and increasing dividends) embody shareholder logic, while socially oriented demands (e.g., reducing greenhouse gas emissions and developing employee-friendly policies) are rooted in stakeholder logic (Lee et al., 2022; Lewis & Carlos, 2022). I do not simply regard the shareholder logic and stakeholder logic as contradictory, but they indeed compete to some extent due to limited firm resources to distribute between two types of issues (Battilana et al., 2022). Instead, I theorize interactions with activists holding both logics as a necessary condition for decision-makers' exposure to institutional logics.

CEOs are concerned about shareholder activism and its underlying institutional logics because they, as key strategic decision-makers, are expected to carefully consider demands from critical external audiences, including shareholder activists (Lee et al., 2022; Leicht & Fennell, 2008). CEOs are typically responsible for deciding the basic position for responses to shareholder activism, which is a critical part of non-market strategies (Gamache et al., 2020). Shareholder activist demands are thus closely associated with CEO career outcomes. For instance, prior research has shown that firms receiving shareholder proposals experience greater CEO compensation (Ertimur, Ferri, & Muslu, 2011) and CEO turnover (Buchanan, Netter, Poulsen, & Yang, 2012). In alignment with the theorization that individual cognition of institutional plurality is not generated autonomously but instead triggered by the interaction with social actors who hold certain logics (Greenwood & Suddaby, 2006; Voronov & Yorks, 2015), I suggest that CEO perception of institutional environments would be activated during the interactions with shareholder activists embedded in different logics.

In response to activist demands, managers can adopt three possible direct responses. First, the management of a targeted firm may negotiate with the shareholder activists to persuade them to withdraw their proposals, which implies that managers have either agreed to or resolved the activists' demands before finalizing proxy statements (Bauer, Moers, & Viehs, 2015). Prior research agrees that shareholder proposal withdrawal typically indicates progress or promise made by target firms regarding activist-proposal issues (Gamache, Neville, Bundy, & Short, 2020; McDonnell et al., 2015) and that proposals withdrawn are more likely to be implemented than other proposals (Baloria, Klassen, & Wiedman, 2019). Second, firm management can challenge a proposal by requesting specific regulatory activities. The request, if approved by the regulator, would exclude unqualified and unwanted proposals from proxy statements (Hadani, Doh, & Schneider, 2018). Finally, the proposal is likely to appear on proxy statements and enter the voting stage without any specific managerial action (Clark & Crawford, 2012). In addition to direct responses, firms may also take various impression management tactics to indirectly respond to activism, including information disclosure and symbolic adoption of activist-proposed practices (Bourveau & Schoenfeld, 2017; Hiatt, Grandy, & Lee, 2015).

Prior research has primarily focused on various antecedents of firm responses to shareholder activism. Research at the activist level highlights the roles of activist identity and power. Bauer et al. (2015) find that a proposal is likely to be withdrawn due to activists' successful negotiations with the management when the activist is influential (institutional investors or labor unions) and has large institutional ownership. At the firm level, Rehbein, Logsdon, and Van Buren (2013) find that firms with higher CSR performance are more likely to dialogue with and persuade shareholders to withdraw socially oriented proposals because these activists represent stakeholders who possess the key resources that firms depend on for their survival and legitimacy. Hadani et al. (2018) suggest that politically active firms have the capability to fight back against shareholder activists. Moreover, Benton (2017) shows that firms nested within cohesive board interlock networks tend to reinforce managerial autonomy, thus buffering managers from activist pressure. These studies explicitly or implicitly assume that firm responses to activism are driven by managers' motivation to maintain firm legitimacy and that bargaining power between managers and shareholder activists determines to what extent firms comply with activist demands. However, how manager traits change the pattern of firm responses is largely absent in extant research. One exception is the study by Gamache et al. (2020), which provides evidence that CEO regulatory focus—an important motivation trait of managers—shapes firm responses to shareholder activism. In the present research, I further theorize that cognition, instead of rational choices, significantly affects managers' attitudes toward shareholder activism.

Managerial Cognition Triggered by Institutional Logic Plurality

Recent work has started to incorporate individual cognitive capability in institutional theory (Voronov & Yorks, 2015). The apprehension of institutional arrangements involves both cognition (i.e., tacit knowledge and intuitive understanding) of institutions and affective attachment to institutions. It is through interaction with "valued others" who hold social beliefs that a person is exposed to certain institutional logics (Voronov & Yorks, 2015). This experience of incompatibility between logics, in turn, motivates social actors with discretion (in my setting, CEOs) to manage such conflicts (Greenwood et al., 2011).

CEO cognition has proven to be a key mechanism of how CEOs affect corporate strategic decisions (Kaplan, 2008; Liu, Fisher, & Chen, 2018). To conceptualize how CEOs perceive and respond to co-existing institutional logics, I build on the theory of managerial cognition (Helfat & Peteraf, 2015; Walsh, 1995; Webster & Kruglanski, 1994). This research stream emphasizes managerial cognitive capability as an individual manager's ability to execute the mental processes that constitute cognition, including attention, perception, and problem-solving. First, managerial cognitive capabilities involve strategic actions of sensing the external environments and seizing opportunities for the organization. Following this, in the process of perception, managers interpret information about emerging patterns in the environment and allocate their attention to different subsets of perceptual information (Chase & Simon, 1973; Ocasio, 1997). Finally, managers apply their knowledge and experience to search for solutions to achieve given goals in problem-solving and reasoning (Gazzaniga et al., 2010). When coping with external demands, managers engage in cognitive activities to generate responsive solutions.

The need for cognitive closure, which refers to an individual's desire for a definite opinion rather than ambiguity, confusion, or inconsistency, is particularly relevant to managerial decision-making in the face of inconsistent demands (Hahn, Preuss, Pinkse, & Figge, 2014; Kruglanski, 1989). The need for closure manifests as the motivation for clear-cut solutions, preference for predictability in future situations, and tendency to resist information that challenges one's existing beliefs (Fu et al., 2007; Webster & Kruglanski, 1994). This cognitive characteristic can be situational (i.e., different across situations) or chronic (i.e., stably different across individuals). On the one hand, the need for issue-specific cognitive closure can be triggered by situations characterized by high environmental noises, time pressure, and information processing workload in dealing with issues (Kruglanski & Freund, 1983; Kruglanski & Webster, 1991). Under these conditions, individuals tend to reduce ambiguity specific to certain decision-making issues. On the other hand, cognitive closure can be a dispositional and nonspecific attribute—that is, individuals differ in the level of need for cognitive closure (Webster & Kruglanski, 1994). In this sense, managers with a high need for cognitive closure are less open to ambiguous information in the decision-making process (Disatnik & Steinhart, 2015). I thus expect that the need for cognitive closure plays a critical role in the situational and chronic differences in managerial sensitivity to logic plurality.

HYPOTHESES

CEOs' Past Exposure to Logic Plurality and Strategic Responses to Shareholder Activism

In a field characterized by various beliefs about organizational legitimacy, divergent institutional logics can co-exist and impact organizational decisions (Greenwood et al., 2011). Shareholder activists are typical change initiators in business fields (Eesley, Decelles, & Lenox, 2016). The submission of shareholder proposals is a common tool for shareholder activists to initiate follow-up dialogues with target firms (Lee et al., 2022). Take the United States as an example. Shareholders who submit a proposal to firms are expected to meet with the firm, either in person or via teleconference, to discuss the demand details[2]. In this sense, shareholder activist campaigns act as key carriers of underlying institutional logics for target firm managers.

Although many firms have considered both shareholder and other stakeholder interests in their strategies (Battilana et al., 2022), activists' demands make both logics salient in managers' minds by pushing the demands and beliefs to the front of the stage. The perceived logic plurality can be especially tricky to reconcile because different institutional logics "seek exclusive and undivided loyalty" from social actors (Coser, 1974: 4). Moreover, given limited managerial attention and firm resources, managers need to prioritize issues they regard as salient and

[2] See U.S. Securities and Exchange Commission, "Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8: A Small Entity Compliance Guide".

feasible (Bundy et al., 2013; Durand, Hawn, & Ioannou, 2019). In this sense, interactions with activists holding two distinct beliefs lead to higher anticipated difficulty in CEO positions (Lee et al., 2022) and potential damage to CEO careers (DesJardine et al., 2021).

Notably, recent shareholders' critiques of public companies regarding their progress in tackling social and environmental challenges illustrate this point. For instance, after BlackRock's CEO Larry Fink encouraged businesses to deliver environmental, social, and governance practices in his 2022 annual letter to CEOs, he became the target of both ESG opponents and proponents, and BlackRock became the arena of social contestation to some extent. The divergent social evaluations affected Fink in a negative manner. "I am trying to address the misconceptions… For the first time in my professional career, attacks are now personal," he said in a public interview (Olinga, 2022). A similar case is the contrasting shareholder activist demands faced by Chevron Corp. A pro-environment shareholder advocacy group, As You Sow, requests Chevron to cut emissions generated by the use of the company's products in 2021, while Vivek Ramaswamy urged the Chevron CEO to "liberate" the company from constraints by pro-environment shareholders in 2022 (Ramkumar, 2022). Overall, demands from shareholder activists typically represent a broader scope of societal contestations and make the plural institutional logics underlying businesses explicit and publicized.

Building on the managerial cognition literature, I predict that shareholder demands situationally trigger CEOs' need for cognitive closure. First of all, intense and inconsistent shareholder demands increase the load for CEO information processing, and inconsistency between their demands further leads to noise for managerial decision-making due to the absence of clear-cut solutions for complying with both logics (Lee et al., 2022). Information overload and environmental noises trigger CEOs' need for closure due to being wedged between two distinct beliefs (Kruglanski, Shah, Pierro, & Mannetti, 2002). Cognitive closure encourages CEOs to exclude information inconsistent with their "frozen" mental models (Liu, Friedman, Barry, Gelfand, & Zhang, 2012). As the executive director of a U.S.-based nonprofit analyzing shareholder proposals indicated, the political turmoil was affecting the capital markets, forcing companies to take sides in divisive issues that they did not intend to get involved in (Vanderford, 2023). The scenario makes CEOs tend to avoid conflicts in strategies they need to implement in the future. Thus, applying for proposal omission would be a desirable option for CEOs inclined to avoid demand ambiguity because activists would find it much harder to resubmit similar topics in the next several years if the proposals are excluded from proxy statements.

Moreover, limited time for managers to actively react to shareholder proposals before including them in proxy statements heightens CEO-perceived urgency in forming judgments and thus triggers the need for cognitive closure (Kruglanski & Freund, 1983). For instance, in the U.S., target companies have a maximum of 14 days to request the Securities and Exchange Commission (SEC) to omit a certain shareholder proposal after receiving it[3], and the time for negotiation with shareholder activists is also relatively limited (Matsusaka, Ozbas, & Yi, 2021). The time spent on dealing with shareholder proposals may crowd out managers' energy. As Michael Littenberg, a law expert in the U.S. capital market, suggested, "There's an increasing amount of proposal fatigue. The more proposals that companies get, the more proposals they have to spend time thinking about." (Vanderford, 2023). In this case, it is relatively low-cost for target firms to request the SEC to exclude a resolution from the proxy statement by simply filing a no-action letter (Hadani et al., 2018).

Thus, previous interactions with wealth-oriented and socially-oriented shareholder activists

[3] See U.S. Securities and Exchange Commission, "Shareholder Proposals: Staff Legal Bulletin No. 14L".

expose CEOs to different logics. The experienced logic plurality triggers CEOs' need for cognitive closure in similar situations and thus motivates CEOs to avoid ambiguity and contradictions manifested by different institutional logics (Disatnik & Steinhart, 2015; Seo & Creed, 2002). Given that the issue of who corporations are responsible to is still far from consensus (Battilana et al., 2022), I expect that CEOs have the discretion to show less receptivity to shareholder activism as well as resist activists' demands.

> *Hypothesis 1 (H1): CEOs' past exposure to both shareholder logic and stakeholder logic is positively (negatively) associated with firms' resistant (receptive) responses to shareholder activism.*

Inherent Inconsistency in Activist Demands as Amplifier of Logic Plurality

My main theoretical argument is that past exposure to both shareholder logic and stakeholder logic affects CEO cognitive tendency and thus subsequent attitude toward shareholder activist demands. To support the mechanism of my theorization, I next focus on the factors for CEO-perceived logic plurality. I first theorize the moderating role of objective consistency between shareholder logic and stakeholder logic in my main effect. Given that managers usually analyze shareholder demands case by case (Ferri, 2012), the coexistence of contrasting shareholder proposals is likely to trigger CEOs' perception of logic incompatibility. In the context of shareholder activism, inherent consistency in shareholder logic and stakeholder logic typically manifests as financial materiality (i.e., the relevance to financial performance) of activist-proposed issues. Financial materiality is widely used to evaluate whether an issue is critical for creating shareholder return. As a leading institutional investor BlackRock stated: "We are not likely to support…matters that are not material to how a company delivers long-term shareholder value" (BlackRock, 2022).

Given that shareholder logic is usually dominant in business domains (Lewis & Carlos, 2022), CEOs typically use financial performance as a primary decision frame. The financial materiality of sustainability issues represents the extent to which investors perceive a specific issue as financially relevant, which typically varies across industries (Krueger, Sautner, & Starks, 2020). Financially material issues are associated with the performance and competence of companies in a certain industry. For example, the customer privacy issue is generally seen as financially material for e-commerce companies because these companies leverage consumer data to provide users with relevant services and face the potential costs associated with regulatory oversight and reputational risks of consumer privacy violations. In contrast, greenhouse gases (GHG) emissions and air quality issues are not financially material for e-commerce companies because GHG emission and air pollution problems do not directly pose costs for their businesses.[4]

The materiality of activist-proposed issues is critical for firms to coordinate with stakeholder demands because it is particularly challenging for managers to reconcile non-material issues with financial performance improvement (Eccles & Serafeim, 2013). As such, when previously facing a large proportion of financially immaterial issues proposed by shareholder activists, CEOs' need for cognitive closure is more likely to be triggered and take a defensive manner in responding to shareholder activism. In contrast, CEOs coping with more financially material demands are less inclined to perceive the logic incompatibility underlying activist demands; accordingly, their need for closure is less likely to be activated. Thus, CEOs with experience in interacting with two groups of shareholder activists are more likely to push back similar activism when a large proportion of shareholder activist demands are financially immaterial.

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[4] The examples of financial materiality are extracted from the Sustainability Accounting Standards Board Materiality Map. More details are given in the data-and-variable section.

Hypothesis 2: The relationship between CEOs' past exposures to logic plurality and firms' resistant (receptive) responses to shareholder activism is strengthened by the financial immateriality of issues proposed by socially oriented shareholder activists.

CEO Cognitive Attributes as Attenuators of Perceived Logic Plurality

My theorization so far has focused on logic plurality underlying shareholder activism as a highly ambiguous situation that triggers CEOs' need for cognitive closure. However, cognition research also suggests that individual differences in cognitive traits affect the extent to which the need for cognitive closure is situationally activated (Webster & Kruglanski, 1994). Prior research has highlighted the two processes of cognitive reaction: (1) perception and attention allocation and (2) problem-solving (Helfat & Peteraf, 2015; Walsh, 1995). Thus, I present two cognitive characteristics that would weaken CEO-perceived institutional logic plurality: cognitive complexity and career breadth. In particular, cognitive complexity weakens CEOs' perception of conflicting aspects of plural institutional logics, while career breadth enhances CEOs' capability to harness potential conflicts in plural institutional logics.

CEO cognitive complexity. Managerial cognition is especially relevant in managers' stance on complex sustainability issues (Hahn et al., 2014). In an ambiguous environment, external stimuli tend to form different representations in managers' mental models, leading to confusion about what to do next (Simon, 1955). Although sensing multiple institutional logics is challenging for CEOs in general, prior interactions with shareholder activists can also be used by CEOs with superior cognitive capacities to apprehend seemingly contrasting shareholder beliefs (Smith et al., 2016; Voronov & Yorks, 2015). In particular, I focus on cognitive complexity, defined as the degree of an individual's mental representations of external reality in differentiated and nuanced manners (Graf-Vlachy, Bundy, & Hambrick, 2020).

As CEOs have a particular role in integrating ideas from internal and external constituents to make coherent strategies (Walsh & Fahey, 1986), cognitive complexity is one of the most critical cognitive resources for CEOs in the face of various beliefs and demands. A complex cognition enables CEOs to form sophisticated and differentiated (as opposed to unitary) representations of what happens around them (Calori, Johnson, & Sarnin, 1994; Scott, 1962). In other words, cognitively complex CEOs can process different demands simultaneously and incorporate the elements into a comprehensive consideration instead of treating demands separately. In this way, these CEOs can better accommodate the seemingly contradictory stimuli implicit in activist demands by focusing on the complementary aspects of demands.

Besides, cognitively complex CEOs can develop nuanced, instead of black-and-white, thinking (Graf-Vlachy et al., 2020). For example, CEOs high on cognitive complexity would identify shareholder activists' beliefs based on a continuum of shareholder logic and stakeholder logic, instead of a "black-and-white" category. Thus, when exposed to multiple logics, these CEOs are likely to reconcile the demands from different arrays of activists instead of adopting the oversimplified view of pushing back the demands. Beyond the dichotomous mindset, cognitively complex CEOs focus less on the strategic ambiguity driven by activist demands. In sum, interactions with both wealth- and socially-oriented shareholder activists are less likely to activate cognitively complex CEOs' need for cognitive closure.

> *Hypothesis 3: The relationship between CEOs' past exposures to logic plurality and firms' resistant (receptive) responses to shareholder activism is weakened by CEO cognitive complexity.*

CEO career breadth. While the patterns of perception and attention allocation affect managerial judgment, managers' knowledge, experience, and schemas shape their search for problem solutions (Cyert & March, 1963; Simon, 1955). Cognitive capabilities can improve through practice and the accumulation of career experience (Ericsson & Lehmann, 1996). Career breadth, thus, indicates how varied an individual's work experience is throughout the career (de Vries, Walter, Van der Vegt, & Essens, 2014). Unlike inborn cognitive attributes, career breadth reflects more on the accumulation of managers' cognitive abilities across their careers, including cognitive flexibility and the variety of cognitive schemas (Mueller, Georgakakis, Greve, Peck, & Ruigrok, 2021). Leadership researchers have widely suggested that CEOs with a generalist profile possess a wide range of skills and experience that transcend specific functions or tasks, whereas CEOs with a specialist profile have a more limited but deeper set of expertise in a particular domain (e.g., Chen, Huang, Meyer-Doyle, & Mindruta, 2021; Custódio, Ferreira, & Matos, 2013).

The issues in the intersection between financial earning and sustainability are characterized complex and cross-domain (Battilana et al., 2022; Hahn et al., 2014). To reconcile the shareholder and stakeholder logics, CEOs need to have experience in handling complex situations and combining different factors in decision making. As Pache and Santos (2021) suggested, to effectively navigate these complex institutional environments, leaders need to comprehend the complexity surrounding them, understand various institutional actors' beliefs, and communicate in culturally appropriate languages when negotiating with them. I suggest that CEO career breadth increases CEO capability to harness logic plurality because CEOs with a broad career can signify awareness of multiple paradigms (e.g., community norms, shareholder expectations, and regulatory trends) and adapt themselves to unfamiliar decisions more quickly (Crossland, Zyung, Hiller, & Hambrick, 2014). Diverse experiences in functional work also develop CEOs' cognitive maps that facilitate problem-solving in a complex environment (Calori et al., 1994; Li & Patel, 2019). Thus, career breadth enables CEOs to have more solutions to harness logic plurality.

Besides, various professional experiences also enhance CEOs' cognitive abilities to incorporate knowledge gained from different fields (e.g., strategy, finance, law, and human resources) into a complex decision (Li & Patel, 2019). Shareholder activist demands holding a certain institutional logic share similarities to some extent. Thus, CEOs with diverse careers can learn from past interactions with shareholder activists and reply to their demands with diverse knowledge. In this sense, career breadth enables CEOs to build fruitful dialogues with shareholder activists instead of taking a defensive manner toward them.

Hypothesis 4: The relationship between CEOs' past exposures to logic plurality and firms' resistant (receptive) responses to shareholder activism is weakened by CEO career breadth.

I summarize my theoretical framework in Figure 1.

=== Insert Figure 1 about here ===

METHOD

Context, Data, and Sample

I test my theory in the context of shareholder proposals in U.S. public firms. The submission of shareholder proposals is suitable for capturing institutional logics underlying activists' demands that target CEOs face due to its following characteristics. First, shareholder proposal submission, as a tool of activism, does not require a large equity stake in a target company. It is relatively inexpensive and accessible to shareholders with small ownership in the company; it is thus called "low-cost" activism and used by various stakeholders seeking corporate changes. For any proposal submitted for a shareholder meeting to be held before 1st January 2022, proposals can be submitted by shareholders who possess a minimum threshold of ownership, which is either $2,000 or 1% of the outstanding shares[5]. However, these shareholder

[5] The amended rule for shareholder proposal submission was applied to any proposal submitted for an annual or special meeting to be held on or after January 1, 2022. See "Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8", https://www.sec.gov/corpfin/procedural-requirements-resubmission-thresholds-guide.

proposals have no legal force on the target firm (i.e., nonbinding proposals). Second, given that the SEC regulates that a person may submit no more than one proposal, directly or indirectly, for the same shareholders' meeting, the intensity, and dispersion of shareholder proposals in different topics reflect to what extent target managers have a high load for interacting with activists and coping with relatively inconsistent demands, which is helpful for me to capture CEOs' exposure to institutional logics. Third, managers' various attitudes toward shareholder activism can be captured through their actions in dealing with shareholder proposals.

I focused on Standard and Poor's 1500 firms and first collected CEO data from the Execucomp database. I then matched it with shareholder proposal data from Institutional shareholder services (ISS) and financial materiality data from the Sustainability Accounting Standards Board (SASB). I also extracted data on control variables from multiple sources, including the data on board directors from BoardEx financial performance and shareholder return data from Compustat, CSR data from the Thomson Reuters ASSET4 database, institutional investor ownership data from Factset, and analyst coverage from the I/B/E/S database. Since the shareholder proposal data is available from 2006, my sample period was 2006 to 2021.

To nuancedly capture CEOs' reactions to each shareholder proposal, I constructed a shareholder-proposal-level dataset by including information on each CEO and each shareholder proposal submitted to a firm in which a CEO serves. The final sample included managerial responses to 5,655 dyad observations, consisting of 1,258 distinct CEOs. In robustness checks, I also conducted analyses with a firm-level dataset, in which I included firms without any shareholder proposals.

Dependent variable

Firm responses to shareholder activism. Following McDonnell, King, & Soule (2015) and

Gamache et al. (2020), I coded three types of managerial responses to climate shareholder proposals: (1) receptive response as reflected by withdrawn proposals, (2) resistant responses as reflected by applying for proposal omission, and (3) no specific action before a proposal enters the voting stage.

Specifically, proposal withdrawal is typically the direct result of productive dialogue between firms and activists and firm receptivity to activists' demands (SEC, 2022). Consistent with McDonnell et al. (2015), I coded this response as a receptive response. In contrast, seeking the SEC's approval to omit a proposal from the proxy statement indicates a firm's antagonism towards shareholder activists. I treated this response as resistant, no matter whether the SEC approves the target firm's request. It is similar to the label "challenge" (David et al., 2007) and "hostility" (McDonnell et al., 2015). Although some companies first applied for the omission of a shareholder proposal and then reached agreements with shareholder activists—which indicates two strategic responses presented, only one response was taken for a shareholder proposal in most cases. I coded *receptive responses to shareholder activism* and *resistant responses to shareholder activism* as binary variables.

If a firm takes no action before a proposal enters the proxy statement, the proposal is most likely to enter the final vote stage of shareholder conferences, which indicates firms' neutral stance toward activists (McDonnell et al., 2015). I regard the neutral response as a benchmark instead of coding a third dependent variable. In robustness checks, I also treat strategic responses as an ordinal variable with three different values.

Independent variables

CEOs' exposure to logic plurality. To reflect shareholder logic and stakeholder logic, I distinguished wealth-oriented shareholder proposals (e.g., those demanding strategy change with the aim of increasing financial performance) and socially-oriented shareholder proposals (e.g., those in line with the interests of society and the environment at large) by referring to the ISS database classifications. Specifically, wealth-oriented shareholder proposals cover ISS-identified purely "governance-related" topics, while socially-oriented proposals cover at least one of the "environment-related" and "social-related" topics[6].

CEOs' prior interaction with wealth-oriented and socially-oriented shareholder activists is proxied by the number of both types of shareholder proposals. In line with the conceptualization of institutional logics in the context of shareholder activism, I developed a new composite measure of CEOs' exposure to both shareholder logic and stakeholder logic by multiplying the degree of proposals' distribution dispersion and the count of shareholder proposals filed by shareholder activists in the past two years. This measure captures the joint effect of how intensively a CEO interacts with shareholder activists and to what extent the logics held by these activists is distributed dispersedly. First, given that a shareholder activist is permitted to submit no more than one proposal to a firm in a year, the count of shareholder proposals presents the intensity of managerial interaction with shareholder activists (Matsusaka et al., 2021). Second, a high degree of proposals' distribution dispersion represents that shareholder activist demands are evenly distributed in two logics (Hadani et al., 2018; Vasi & King, 2012). Finally, this value in the two prior years captures CEOs' interactions with both types of activists in the recent past (Lee et al., 2022)[7].

Specifically, the degree of distribution dispersion among two categories of shareholder

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[6] Specifically, I made use of the data field "issagendaitemid" in ISS database and link the agenda ID with 2022 ISS Code Mapping (see https://www.issgovernance.com/iss-proposal-category-enhancements/). I also identified wealth-oriented proposals with ISS label "GOV" and socially-oriented proposals with ISS label "SRI" (i.e., socially responsible investing) according to Gamache et al. (2020) and adjusted the category of shareholder demands according Lee et al. (2022); the results were consistent.

[7] We also used the aggregated number of shareholder proposals for previous one year and previous three years in robustness checks.

proposals is inversely indicated by the Herfindahl–Hirschman Index (HHI), as many studies on competition (e.g., Flammer, 2015). The formula is specified as follows:

The degree of proposals' distribution dispersion = $1 - ((Proportion_w)^2 + (Proportion_s)^2)$

, where $Proportion_w$ is the proportion of wealth-oriented shareholder proposals in all proposals submitted to a firm in the prior two years, while $Proportion_s$ is the fraction of socially-oriented shareholder proposals in the prior two years. A firm without any shareholder proposal in the past two years was assigned the value of zero.

Inconsistency between proposed issues and financial performance. I proxied the consistency between social issues and financial performance with the financial materiality of activist-proposed social issues. Consistent with Khan, Serafeim, & Yoon (2016), I employed the financial materiality map provided by the SASB, which is the subset of environmental, social, and governance issues most germane to financial performance and enterprise value. For each issue, SASB conducts materiality tests and consults broad informants from companies, investors, and subject-area experts; the standard-setting process is also oversight and approved by the independent SASB Standards Board.

To match the materiality issues of each industry to the core topic of shareholder demands reflected in proposals, I made use of the category of shareholder proposals generated by ISS, which classified shareholder proposals into different issue topics (e.g., equity compensation plan, toxic emissions, animal welfare).[8] I manually mapped each ISS category of shareholder proposal topic to SASB industry-level materiality issues according to category description and materiality issue definition. I could only map socially-oriented shareholder proposals to the SASB materiality issues because the SASB standard is not associated with pure governance issues (e.g.,

[8] I also manually checked the classification provided by the ISS.

dividends payment and executive arrangements). In this way, I mapped 42 shareholder proposal topics with 14 SASB materiality issues. Given that the SASB only defines socially oriented issues, I code issues raised by wealth-oriented shareholder proposals as financially material. Finally, I employed a variable labeled *demand inconsistency*, defined by the fraction of shareholder-activist-proposed issues that were not included in the industry's financial-materiality issues.

CEO cognitive complexity. Following Graf-Vlachy et al. (2020), I used CEOs' language patterns in the question-and-answer sections of quarterly earnings conference calls to capture CEO cognitive complexity. I conducted analyses in the 2022-version software of Linguistic Inquiry and Word Count (LIWC). Three dictionaries capture keywords related to three distinct dimensions of cognitive complexity: (1) differentiation, (2) nuance, and (3) comparison.

First, differentiation refers to language that indicates distinctions or contrasts (e.g., "but," "except," and "however"). Second, the language of nuance expresses (un)certainty about outcomes or actions. The frequently-used weak words from this dictionary were "some," "could," "might," and "kind of," while the frequently-used strong words included "all," "always," "will," and "never." Third, comparison words are those that make non-absolute comparisons among objects, as opposed to superlative words (e.g., "more," "earlier," and "harder"). Both differentiation and comparison dimensions are computed as the fraction of these words to the total number of words used by a CEO, while the nuance dimension is estimated as the fraction of weak words to the sum of both weak and strong words in a CEO's answers. Finally, I measured *CEO cognitive complexity* as the average of standardized values of differentiation, nuance, and comparison dimensions on an annual basis.

CEO career breadth. I extracted executives' employment information from the BoardEx database and coded each executive's employment experience before their CEO position in a focal firm. I proxy CEO career breath based on their past functional experience diversity. Executive functions were classified into eight tracks based on the scheme by Cannella, Park, and Lee (2008) and Crossland et al. (2014): (1) production/operations, (2) R&D/engineering, (3) accounting/finance, (4) management/administration, (5) marketing/sales, (6) personnel/labor relations, (7) law, and (8) other. I measured a CEO's career breadth by taking the sum of distinct functional areas the CEO had worked in before serving the focal firm.

Control variables

I controlled for the factors that potentially affect CEOs' responses to shareholder activism. At the firm level, I controlled for *firm size* calculated as the logged value of firm assets), *financial performance* reflected by ROA (return on assets), *book-to-market ratio* measured as the ratio of a firm's book value to market capitalization, and *shareholder returns* (the total compounded return to shareholders in a year), measured as the total compounded return to shareholders in a year (Hadani et al., 2018; Lee et al., 2022). Given that institutional ownership is associated with the withdrawal of shareholder proposals (Bauer et al., 2015), I also included *institutional ownership*—the proportion of shares owned by institutional investors archived by Thomson Reuters from firm-disclosing 13F reports. I further included the logged number of security analysts covering a firm, which is labeled as *analyst coverage*, because analysts can be an alternative pressure source of compliance to shareholder demands (Gamache et al., 2020).

At the CEO level, I controlled for *CEO duality*, a dichotomous variable indicating a CEO serves as the board chair and *CEO ownership*, the natural logarithm of a CEO's shares in a firm, which is associated with CEO power in a firm (Daily & Johnson, 1997; Krause, Semadeni, & Cannella, 2014). To account for factors of governance structures, I also included board-level control variables, including *board size* calculated as the logged number of board of directors and *board independence* measured as the proportion of independent directors on the board.

To control for a firm's tendency to engage in social issues, I included CSR performance, rated by Thomson Reuters, as a control variable (Brauer, Wiersema, and Binder, 2022; David et al., 2007). Furthermore, I controlled for *the identity of shareholder activists*, coded as a dichotomous variable indicating institutional investor activists who submit a proposal (Bauer et al., 2015).

To control for the historical pattern of a firm's responses, I also added variables of *prior receptivity to socially-oriented activism* and *prior receptivity to wealth-oriented activism* were also included in the model (Gamache et al., 2020). Specifically, this measure captures the degree of imbalance among three types of managerial responses: negative (i.e., proposal omission request), neutral (i.e., no specific action), and positive (i.e., proposal withdrawn) manners. The JF index was generated from the formula: $Positive^2 - Positive*Negative=Total^2$ if $Positive>Negative$; 0 if $Positive=Negative$; and $Positive*Negative–Negative^2=Total^2$ if $Negative>Positive$, where *Positive* denotes the number of shareholder proposals with affirmative managerial responses, *Negative* signifies the number of negative responses, and *Total* represents the aggregate number of shareholder proposals submitted to the firm in a year; the final variables are continuous measures ranging from –1 to 1. I then took the average of a firm's receptivity to wealth-oriented (socially-oriented) shareholder activism in the past two years.

Finally, industry dummies and year dummies are included to account for unobservable characteristics related to industry and time trends. To better account for each firm's business sustainability risks and opportunities, I used Sustainable Industry Classification System (SICS®)

to group companies.[9]

Estimations

Since my sample included only firms with shareholder proposals filed by shareholder activists, it may be subjected to sample selection bias. I thus employed the two-stage Heckman model to address this potential bias (Heckman, 1979). In the first stage, I included all S&P 1500 firms and then used a Probit model to predict the probability of being targeted by shareholder activists. I included the *industry median of the count of shareholder proposals* and *state median of the count of shareholder proposals* as instruments in the first-stage model, in addition to basic predictors, including *firm size*, *financial performance, institutional ownership*, and *analyst coverage*. Given the binary nature of the dependent variables of strategic responses, I employed random-effects logit models in the second stage.[10] I clustered standard errors by firms and lagged the independent variables by one year for all the analyses. For each hypothesis test, I used two models in which dependent variables are receptive and resistant responses to shareholder activism.

It is not intuitive to interpret the estimated coefficients on interaction terms in nonlinear models (Norton, Wang, & Ai, 2004); therefore, I followed prior studies (Li, 2018; Wiersema, Nishimura, & Suzuki, 2018) and employed a simulation-based approach of nonlinear models developed by King, Tomz, and Wittenberg (2000) and Zelner (2009) to test my moderating hypotheses (H2, H3, and H4). This approach generated estimation parameters by 1,000 simulations and graphically portrayed the effect of MLS conditional on different values of moderators (e.g., logistic regressions). The graphs generated by the STATA command "intgph"

[9] The industry classification is generated by the SASB has created the SICS to better categorize companies that share similar resource traits, as well as sustainability risks and opportunities. Companies are divided into 11 vertical sectors and, at its most granular level, 77 industries.

[10] In robustness checks, I also tested fixed-effects logit models and found consistent results.

represent how the baseline effect varied across the value of moderators, holding all other explanatory variables at their mean values.

RESULTS

The preliminary results of the second stage of Heckman models are shown in Table 2. The results for Model 1 of Table 1 show a negative and significant coefficient for CEOs' exposure to logic plurality on receptive responses to shareholder activism (β = –0.047, p = 0.005), while Model 2 shows a positive and significant coefficient for CEOs' exposure to logic plurality on resistant responses to shareholder activism (β = 0.040, p = 0.006). The overall results support H1 that CEOs' past exposure to logic plurality is positively associated with firms' resistant responses to shareholder activism and negatively associated with receptive responses. In terms of economic significance, as CEO exposure to logic plurality increased by one standard deviation, the probability of receptive responses to shareholder activism decreased by approximately 2.26 percent, and the probability of receptive responses to shareholder activism increased by approximately 2.28 percent.

The result of Model 3 presents a significantly negative coefficient for the interaction term of CEOs' exposure to logic plurality and shareholder-activist demand inconsistency on receptive responses to shareholder activism (β = –0.068, p = 0.060), while Model 4 presents a significantly positive coefficient for the interaction term of CEOs' exposure to logic plurality and demand inconsistency on resistant responses to shareholder activism (β = 0.070, p = 0.025). These results suggest that past financially immaterial shareholder demands intensify CEOs' exposure to logic plurality, thus decreasing the CEOs' tendency to agree with shareholder activists and increasing the CEOs' tendency to resist shareholder activism. Figure 2 plots this interaction effect. Figure

3a (Figure 3b) indicates that the negative (positive) effect of CEOs' exposure to logic plurality on the probability of receptive (resistant) responses was stronger when a larger portion of shareholder demands faced by a CEO in the past two years was more inherently inconsistent (i.e., the fraction of financially immaterial proposed issues at the level of mean plus one standard deviation) than when proposed issues' inherent inconsistency was at its average level.

=== Insert Figure 2 about here ===

H3 predicted that the relationship between CEOs' past exposures to logic plurality and firms' resistant (receptive) responses to shareholder activism would be weakened by CEO cognitive complexity. The result of Model 5 shows the positive but statistically insignificant coefficient for the interaction term of CEOs' exposure to logic plurality and CEO cognitive complexity on receptive responses to shareholder activism ($\beta = 0.034$, $p = 0.192$), while Model 6 presents a statistically significant and negative coefficient for the interaction term of CEOs' exposure to logic plurality and CEO cognitive complexity on resistant responses to shareholder activism ($\beta = -0.065$, $p = 0.004$), lending support for H3. These results suggest that CEO cognitive complexity mainly reduces the tendency of the CEO-perceived-logics-plurality effect of resistant strategies in response to shareholder activism, instead of alleviating the reduction in the CEOs' receptive strategies driven by past logics-plurality exposure. Figure 3b plots the interaction effect by showing that the negative effect of CEOs' exposure to logic plurality on the probability of resistant responses was weaker when a CEO had a more complex cognition (i.e., the level of mean plus one standard deviation) than when a CEO's cognitive complexity was at its average level.

=== Insert Figure 3 about here ===

The result of Model 7 presents a significantly positive coefficient for the interaction term of

CEOs' exposure to logic plurality and CEO career breadth on receptive responses to shareholder activism (β = 0.061, p = 0.007), while Model 8 presents a significantly negative coefficient for the interaction term of CEOs' exposure to logic plurality and CEO career breadth on resistant responses to shareholder activism (β = –0.048, p = 0.014). These results suggest that the effect of previous exposure to logic plurality on resistant responses to shareholder demands is weakened by CEO career breadth. Figure 4 plots this interaction effect. Figure 4a (Figure 4b) indicates that both the effects of CEOs' exposure to logic plurality on the probability of receptive and resistant responses were weaker when a CEO had a broader range of functional experience during the career (i.e., the level of mean plus one standard deviation) than when a CEO's career breadth was at its average level.

=== Insert Figure 4 about here ===

Endogeneity and Robustness Checks

My findings may be subject to endogeneity concerns because shareholder activists' target is not randomly distributed among firms. I used instrumental variable estimations to alleviate this concern. I used the *industry median of the count of shareholder proposals* and *state median of the count of shareholder proposals* as instruments. I then estimated the main effect in the second stage. The second-stage results shown in Models 1 and 2 of Table 3 indicate the consistency with my estimations in the main analyses (Model 1: β = –0.105, p = 0.000; Model 2: β = 0.039, p = 0.081).

I also conducted several robustness checks, including an alternative measure for CEO exposure to logic plurality. Specifically, I replaced the original CEO exposure to logic plurality measured in two years prior to a focal year with a measure with the value one year prior (Models

3 and 4 of Table 3) and the average value three years prior (Models 5 and 6 of Table 3). Besides, I employed an alternative measure for target firms' responses to shareholder activism by treating strategic responses as an ordinal variable with three different values. In particular, the alternative dependent variable equals –1 for the case of proposal omission request, 0 for the case of no specific action, and 1 for the case of proposal withdrawn. The results are shown in Model 7 of Table 3. The results in these five models show consistency with the main analyses.

Finally, I limited the sample to job-hopping CEOs (i.e., CEOs who changed companies they served in the prior two years) to exclude the alternative explanation that my findings are driven by the self-enhancing tendency of a firm's reluctant attitude towards shareholder activism (Models 8 of Table 3). The results are consistent with full-sample analyses.

Supplementary Analyses

Differentiated effects of CEO exposure to logic plurality on wealth- and socially-oriented activism. In the main hypotheses, I predict the relationship between CEOs' past exposure to institutional logics and strategic responses to shareholder activism because I primarily focus on the lasting effect of CEO-perceived logics plurality. However, CEOs and stakeholders who influence CEOs may treat wealth-oriented and socially-oriented shareholder proposals differently (Hubbard, Christensen, & Graffin, 2017; Gamache et al., 2020). I thus further test CEOs' differentiated responses to wealth- and socially-oriented activism driven by logic plurality. I differentiated strategic responses to wealth- and socially-oriented proposals as the dependent variables. The coefficients in Models 1 and 2 of Table 4 suggest that CEO exposure to logic plurality has no significant effect on receptive responses to wealth-oriented activism (β = –0.049, p = 0.182) but has a significantly negative effect on receptive responses to socially-oriented activism (β = –0.182, p = 0.045). This result indicates that the effect of CEO exposure to logic plurality on receptive responses is mainly driven by CEOs' reactions to socially-oriented activism. In contrast, the effect of CEO exposure to logic plurality on resistant strategies in response to shareholder activism is mainly driven by both wealth- and socially-oriented activism. As shown in Models 3 and 4 of Table 4, CEO exposure to logic plurality is positively associated with resistant responses to wealth-oriented activism ($\beta = 0.063$, $p = 0.005$) and resistant responses to socially-oriented activism ($\beta = 0.044$, $p = 0.020$).

Effect of past exposure to logic plurality on CEOs' use of CSR language. To further establish the mechanism where CEO-perceived logic plurality affects CEO cognition regarding shareholder demands, I examine how CEOs' past exposure to logic plurality influences the use of CSR-related language in earnings conference calls. Executives' cognition is typically reflected in their language and discourse (Crilly, 2017). I thus proxy CEO attitude toward socially-oriented demands from shareholders with CEOs' use of CSR-related language in earnings conference calls, in which executives try to present overall performance and convey their strategic plans to shareholders. Making use of the dictionary developed by Pencle & Mălăescu (2016), I calculate the frequency of CSR-related words, including words related to the environment, employee relations, and community, throughout the transcripts of earnings conference calls, including presentations and question-and-answer sections. The coefficient in Model 5 of Table 4 indicates that CEOs' use of CSR-related language in earnings conference calls was negatively associated with CEOs' past exposure to logic plurality ($\beta = -0.016$, $p = 0.001$), providing extra support for the cognition effect of CEO-perceived logic plurality.

DISCUSSION AND CONCLUSIONS

This study examines how CEOs' previous exposure to multiple institutional logics influences their strategic choices on how to deal with ongoing shareholder activism. I theorize that shareholder activists' requests vary in their underlying institutional logics, namely shareholder logic and stakeholder logic. Building on the social psychology notion of cognitive closure, I argue that experiencing activists with different logics in the past activates CEOs' need for cognitive closure (i.e., the preference for a clear and consistent opinion on given issues). In this situation, CEOs tend to respond to activist demands in less receptive (i.e., dialogues with activists to withdraw proposals) and more resistant (i.e., requests to regulators to exclude proposals) manners. I further find that this relationship is intensified by inherent incongruity in plural institutional logics, which is reflected by the financial irrelevance of of the issues suggested by activists. Additionally, I propose two relevant attributes related to the cognitive process in ambiguous contexts—cognitive complexity and career breadth. Results indicate that cognitive complexity reduces CEOs' perception of conflicting aspects of institutional logics, while career breadth enhances CEOs' ability to utilize logic plurality, both of which attenuate the effect of CEO prior exposure to logic plurality on less cooperative (more deceptive) responses to shareholder activism.

Theoretical Implications

Firm responses to shareholder activism. My first contribution is to extend the research on target firms' strategic responses to shareholder activism by focusing on the nature of activist demands. On the one hand, past literature often treats shareholder activism as a whole (David et al., 2007; Ertimur et al., 2011), either focusing only on socially-oriented shareholder activism (e.g., Hadani et al., 2018; McDonnell, King, & Soule, 2015) or governance-related demands (e.g., Renneboog & Szilagyi, 2011). In this research tradition, theorizations also fail to capture the different beliefs manifested in activist demands. To complement these studies, I regard shareholder activism as a carrier of institutional logics, to which target firms' decision-makers are exposed. I also extend the emerging insights by Lee et al. (2022) and regard wealth-oriented demands and socially-oriented demands as beliefs underpinned by shareholder logic and stakeholder logic, respectively.

On the other hand, I enrich research on antecedents of firm responses to shareholder activism. Although emerging research suggests that resource dependence and power structure between activists and the management affect legitimacy concerns and, thus, compliance behaviors of firms, rational managerial decisions are implicit in these findings. However, different idiosyncratic preferences and socialization experiences of CEOs influence firm strategies for responding to various stakeholder demands (Gamache et al., 2020). Adopting an cognition perspective, my research shows that firm responses to shareholder activism are indeed affected by a nuanced CEO cognition change due to different activist demands in the near past.

Microfoundation of organizational responses to institutional plurality. I also offer insights into how institutional plurality affects organizational actions. The central view of institutional theory is that institutions affect decision-making because certain beliefs are taken for granted (Scott, 2001). Relatively few studies in this tradition incorporate managers' perception and apprehension of institutional logics into consideration (Powell & Rerup, 2017). As Westphal and Zajac (2013) review, prior research usually portrays managers as savvy actors who conform to prevailing institutional demands and decouple culturally appropriate policies from actual practices. It could be problematic to accept this coarse-grained assumption without considering the behavioral characteristics of managers in the face of plural institutional logics. Constituents around organizations hold certain beliefs when requesting organizational leaders' actions, but leaders do not always take for granted the beliefs and values implicit in constituents' demands. In this sense, one of the cores for understanding institutional logic plurality is the perspective of "a sentient actor looking out at a heterogeneous environment" (Kraatz & Block, 2017: 3). Although scholars call for more understanding of individuals' roles in working institutions to enhance the microfoundation of institutional theory (Felin & Foss, 2019; Powell & Rerup, 2017), relatively few studies consider how organizational responses to institutional demands differ according to individuals' decision-making patterns (Voronov & Yorks, 2015). By focusing on organizational agents' exposure to institutional logics, I direct new attention to how institutional demands trigger agents' cognitive reactions.

Besides, most institution research regards incompatibility in institutional logics as subjective and determined by either external evaluators (e.g., Lewis & Carlos, 2022) or within-organizational opinion divergence (e.g., Glynn, 2000). Conceptual research in this tradition also theorizes that organization responses to institutional pressure depend on the nature of demand conflict (Besharov & Smith, 2014) and institutional logic centrality and compatibility in the field (Pache & Santos, 2010). In contrast, I highlight the objective understanding of institutional logics and incorporate individual-level cognition on these logics into the decision-making process in response to institutional environments. In this sense, my research echoes research on the microfoundation of organizational paradox (Miron-Spektor, Ingram, Keller, Smith, & Lewis, 2018).

Managerial cognition and decision making. Finally, my study extends the understanding of managerial decision making in responding to multiple external demands from a cognitive lens. Managers typically face various demands in their daily work, some of which are incompatible and even conflicting (Smith, Lewis, & Tushman, 2016). However, scholars rarely focus on how plural demands prescribed by shareholders shape strategic decision-making. By theorizing and testing the effect of past interaction between activists and managers with different cognition and capability attributes, I enrich the understanding of socially-constituted decision making in incompatible-demand contexts (Westphal & Zajac, 2013). My theoretical mechanism also highlights the role of an important cognitive status—the need for cognitive closure, which is largely discussed in social psychology literature but less so in management scholarship. Given that inconsistent demands are often the cases faced by contemporary managers in a polarized world, managerial cognition changes triggered by complex environments could be very important in many other situations, including political activities under partisan polarization (Benton, Cobb, & Werner, 2022) and selection under shifting social trends (Bednar, Westphal, & McDonald, 2022). Scholars may extend this line of research and enrich the discussion on managerial cognition (Helfat & Peteraf, 2015).

Managerial Implications. From a practical standpoint, the present study especially has implications for both corporate leaders and shareholder activists. Responding to shareholder proposals is a critical issue for stakeholder governance and non-market strategies: based on data estimated by the SEC, a company's direct cost of responses to one shareholder proposal ranges from 20,000 to 150,000 US dollars[11]. Board directors in firms vulnerable to potential shareholder activism may consider CEOs' past experience in dealing with cross-domain issues and their cognitive attributes (e.g., cognitive complexity as reflected by their language uses). Managers are also supposed to foster "hybrid leadership" termed by Pache and Santos (2021) to better build dialogues with and thereby secure their legitimacy and survival in complex institutional environments. To facilitate a better engagement of stakeholders, managers need to make good use of their past experience in communicating with activists and reduce the impact of negative

[11] The US Securities and Exchange Commission, Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8, https://www.sec.gov/rules/proposed/2022/34-95267.pdf

cognitive reactions triggered by past interactions. For shareholder activists, my findings indicate an important factor for corporate opportunity structure—CEOs' cognition in dealing with shareholder activism. Activists may achieve certain goals with lower costs if they approach CEOs who face a more consistent demands from activists in the past. However, CEOs may resist the activists strongly if previous campaigns have elicited their negative cognitive responses, resulting in high costs for the activists.

Future Research Opportunities

This study indicates several possibilities for future research. First, various forms of institutional plurality may affect managerial decision-making and cognitive frames. Although I theorize shareholder activism underpinned by shareholder value maximization and stakeholder orientation is one of the salient forms, scholars may consider, for instance, the coexistence of family logic and corporate logic (Chung & Luo, 2008) or the competition between professional logic and market logic (Dunn & Jones, 2010). More opportunities for nuanced theorizations and operationalization may lie in the categories of institutional logics (Durand & Thornton, 2018). By showing the degree to which multiple institutional logics are contrasting, scholars can have a deeper understanding of managerial responses to institutional arrangements.

Second, direct evidence of changes in managerial cognition driven by external demands and stakeholder beliefs can be helpful for enriching the scholarship of managerial decision making in a heterogenous field. I do not include a direct measure of CEOs' need for cognitive closure in the present study but instead rely on reasoning and anecdotal evidence. In further research, behavioral methods (e.g., lab experiments and surveys) are promising in advancing managerial cognition research. Besides, developing context analysis methods with cutting-edge technologies (e.g., mechine learning) may also be helpful for directly capture managerial cognition changes.

Conclusions

In this paper, I have attempted to bridge organizational responses to institutional plurality with managerial cognition. I focus on shareholder-activist demands based on different institutional logics—shareholder primacy and stakeholder orientation—and examine the effect of CEOs' previous exposure to the coexisting institutional logics on managerial choices of firm responses to shareholder activism. I demonstrate that experienced logic plurality triggers CEOs' desire for definite and unambiguous opinions, thus increasing CEOs' tendency to resist subsequent activist requests instead of showing cooperation. I also contend that inherent incongruity in activist-suggested issues amplifies this effect driven by CEO-experienced logic plurality. Conversely, CEO cognitive complexity reduces CEOs' sensitivity to conflicting representations of two institutional logics, while CEO career breadth enhances CEOs' ability to resolve problems in aligning with both logics. I hope that this study encourages more studies on managerial decision-making triggered by ambiguous external demands and heterogeneous environments.

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Figure 1. Theoretical framework

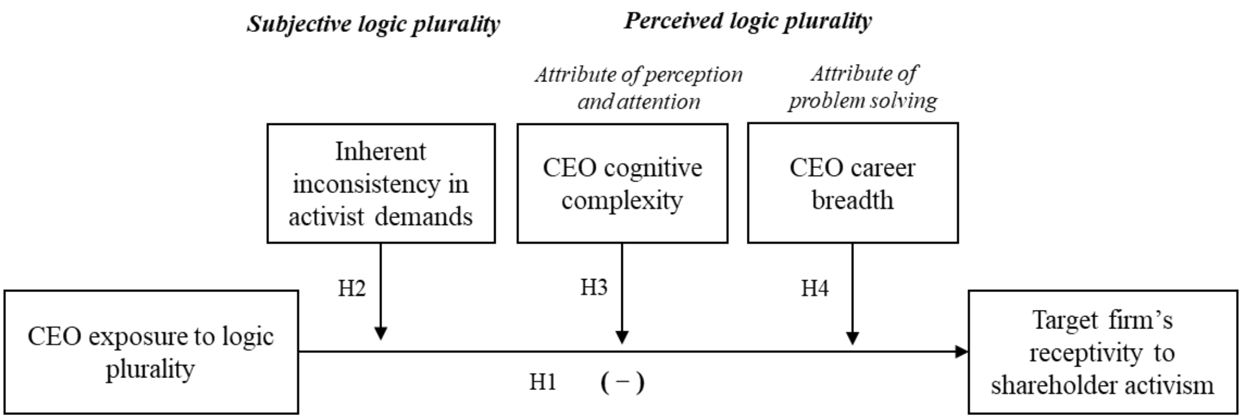


Figure 2. Moderating effect of inconsistency in activist demands

Figure 2a

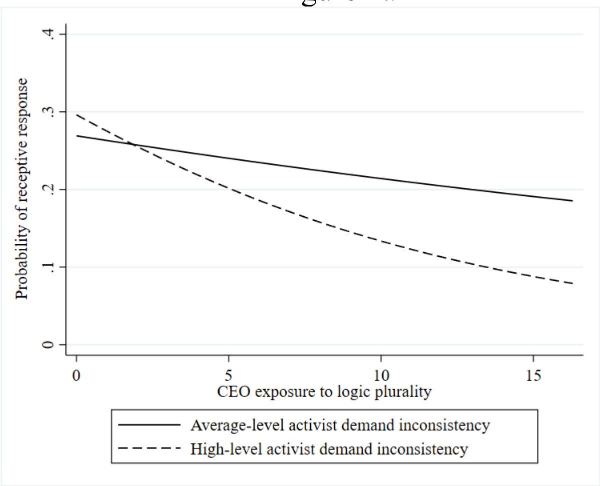
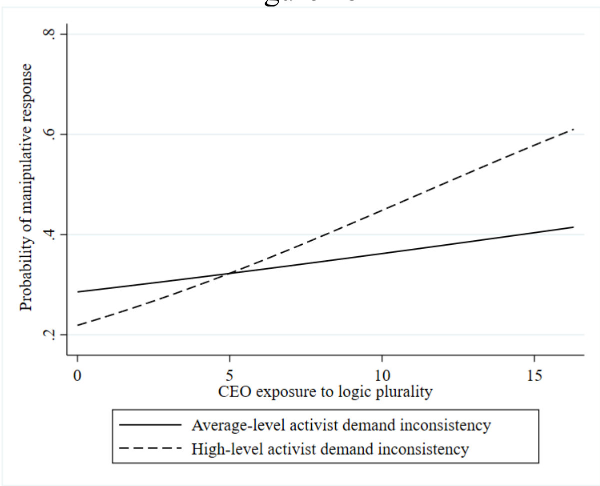


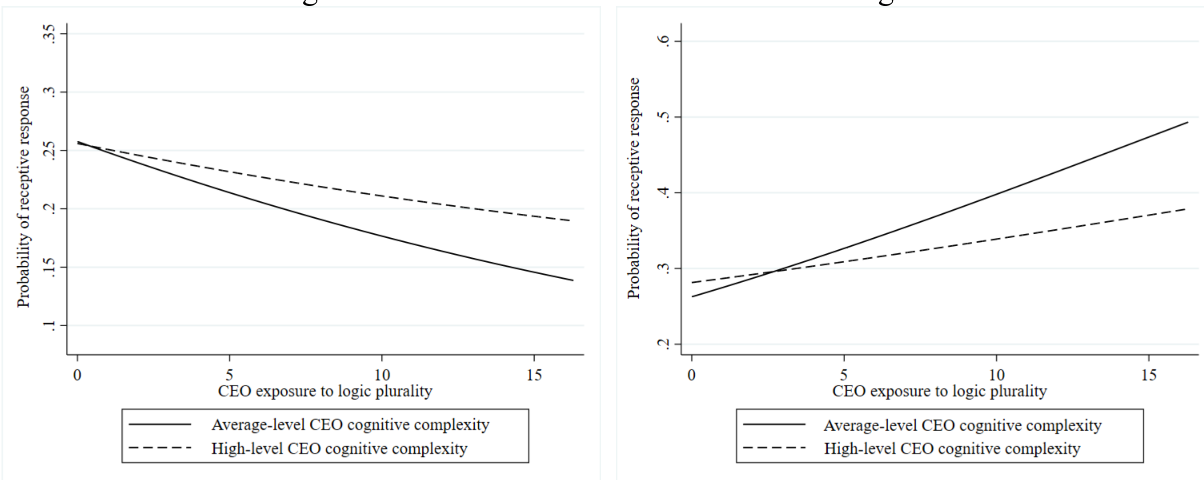
Figure 2b



Note. Figure 2a (Figure 2b) plots the predicted probability of a target firm's receptive (resistant) response at different levels of *CEO exposure to logic plurality* in samples with average-level (mean) and high-level (mean plus one standard deviation) activist demand inconsistency by holding all other variables at their mean values.

Figure 3. Moderating effect of CEO cognitive complexity

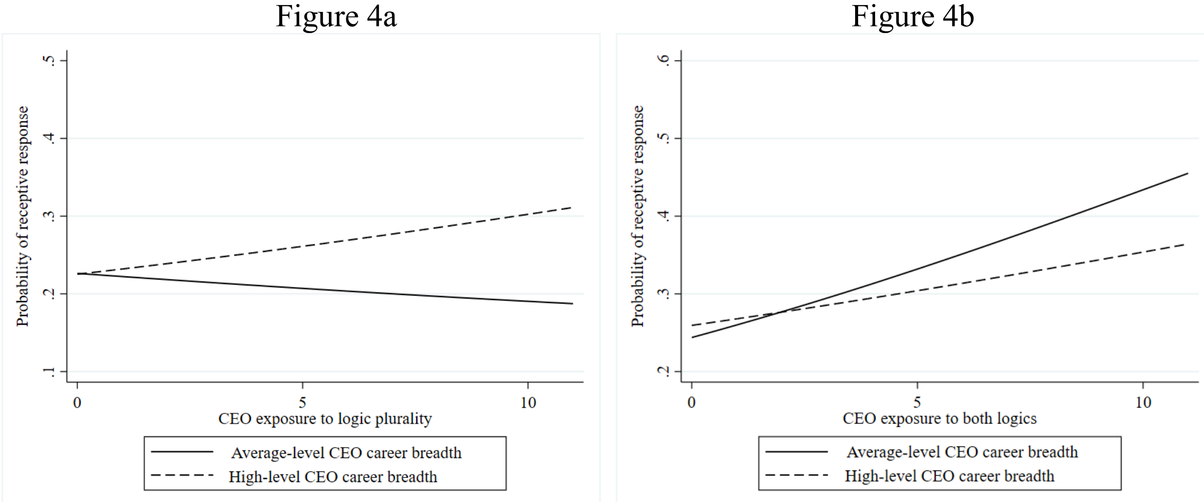
Figure 3a Figure 3b



Note. Figure 3a (Figure 3b) plots the predicted probability of a target firm's receptive (resistant) response at different levels of *CEO exposure to logic plurality* in samples with average-level (mean) and high-level (mean plus one standard deviation) CEO cognitive complexity by holding all other variables at their mean values.

Figure 4. Moderating effect of CEO career breadth

Figure 4a Figure 4b



Note. Figure 4a (Figure 4b) plots the predicted probability of a target firm's receptive (resistant) response at different levels of *CEO exposure to logic plurality* in samples with average-level (mean) and high-level (mean plus one standard deviation) CEO career breadth by holding all other variables at their mean values.

Table 1. Descriptive statistics

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9
1	Receptive responses	0.28	0.45									
2	Resistant responses	0.34	0.48	-0.13								
3	CEO exposure to logic plurality	2.37	2.91	-0.09	0.19							
4	Demand inconsistency	0.21	0.36	0.05	-0.02	0.03						
5	CEO cognitive complexity	0.16	0.64	-0.01	0.04	-0.03	-0.04					
6	CEO career breadth	2.93	0.99	0.01	0.07	0.05	0.02	0.12				
7	Firm size (logged)	10.60	1.64	-0.06	0.15	0.49	0.05	0.07	0.16			
8	Return on assets	0.28	0.19	0.03	0.03	-0.04	0.07	-0.07	0.03	-0.35		
9	Book-to-market ratio	0.48	0.37	0.01	0.04	0.07	0.03	0.01	0.01	0.40	-0.56	
10	Shareholder returns	0.13	0.30	-0.06	-0.02	-0.04	-0.03	-0.03	0.00	-0.10	0.06	-0.20
11	Institutional ownership	0.77	0.14	0.07	-0.12	-0.35	-0.17	-0.06	-0.08	-0.53	0.12	-0.12
12	Analyst coverage (logged)	1.89	1.58	-0.04	-0.01	0.03	-0.04	0.05	0.01	-0.16	0.21	-0.34
13	CEO duality	0.01	0.12	0.00	0.03	0.02	0.05	0.01	-0.04	0.01	0.01	-0.02
14	Board size	11.20	2.12	-0.05	0.09	0.27	-0.04	0.10	0.06	0.58	-0.15	0.22
15	Board independence	0.84	0.09	-0.06	0.08	0.27	-0.04	0.06	0.16	0.29	-0.04	0.05
16	Institutional investor activist	0.34	0.47	0.21	-0.18	-0.05	0.07	-0.03	-0.03	-0.04	-0.00	0.02
17	Activist target breadth	28.03	35.74	-0.14	-0.07	-0.10	-0.13	0.02	0.00	-0.12	-0.03	-0.02
18	CSR performance	48.07	15.84	-0.03	0.07	0.05	0.03	0.13	0.22	0.16	0.13	-0.03
19	Prior receptivity to socially-oriented activism	-0.00	0.41	0.07	-0.06	-0.11	0.01	0.02	0.01	-0.06	-0.01	-0.01
20	Prior receptivity to wealth-oriented activism	-0.12	0.39	0.08	-0.08	-0.17	0.04	-0.03	-0.06	-0.11	0.05	-0.05

	Variables	10	11	12	13	14	15	16	17	18	19
11	Institutional ownership	0.07									
12	Analyst coverage (logged)	0.08	-0.07								
13	CEO duality	-0.06	-0.03	0.05							
14	Board size	-0.10	-0.40	-0.07	-0.04						
15	Board independence	0.03	-0.06	0.05	0.01	0.22					
16	Institutional investor activist	-0.04	0.01	-0.00	-0.01	-0.05	-0.04				
17	Activist target breadth	-0.01	0.14	-0.00	0.02	-0.06	-0.02	-0.22			
18	CSR performance	-0.08	-0.15	-0.04	-0.01	0.15	0.21	-0.07	-0.00		
19	Prior receptivity to socially-oriented activism	0.02	0.03	-0.03	0.05	-0.08	-0.07	0.00	0.03	-0.01	
20	Prior receptivity to wealth-oriented activism	-0.02	0.09	0.00	0.03	-0.06	-0.06	0.05	-0.04	-0.07	0.10

Table 2. The effect of CEO prior exposure to logic plurality on strategic responses to shareholder activism

	Model 1 Receptive responses	Model 2 Resistant responses	Model 3 Receptive responses	Model 4 Resistant responses	Model 5 Receptive responses	Model 6 Resistant responses	Model 7 Receptive responses	Model 8 Resistant responses
CEO exposure to logic plurality	**-0.047**	**0.040**	**-0.033**	**0.029**	**-0.035**	**0.062**	**-0.188**	**0.220**
	(0.005)	**(0.006)**	**(0.072)**	**(0.069)**	**(0.077)**	**(0.000)**	**(0.010)**	**(0.000)**
Demand inconsistency			0.123	-0.359				
			(0.340)	(0.007)				
CEO exposure to logic plurality × Demand inconsistency			**-0.068**	**0.070**				
			(0.060)	**(0.025)**				
CEO cognitive complexity					-0.001	0.184		
					(0.993)	(0.022)		
CEO exposure to logic plurality × CEO cognitive complexity					**0.034**	**-0.065**		
					(0.192)	**(0.004)**		
CEO career breadth							0.020	0.079
							(0.778)	(0.234)
CEO exposure to logic plurality × CEO career breadth							**0.061**	**-0.048**
							(0.007)	**(0.014)**
IMR	0.539	0.268	0.569	0.213			0.715	0.645
	(0.005)	(0.157)	(0.003)	(0.264)			(0.027)	(0.039)
Firm size (logged)	0.091	0.305	0.106	0.292	-0.107	0.180	0.028	0.486
	(0.238)	(0.000)	(0.173)	(0.000)	(0.032)	(0.000)	(0.827)	(0.000)
Return on assets	0.916	0.651	0.949	0.614	0.269	0.719	0.911	1.513
	(0.008)	(0.068)	(0.006)	(0.085)	(0.502)	(0.083)	(0.087)	(0.004)
Book-to-market ratio	-0.081	0.185	-0.062	0.168	-0.211	0.203	0.283	0.481
	(0.557)	(0.156)	(0.653)	(0.200)	(0.192)	(0.182)	(0.193)	(0.015)
Shareholder returns	-0.188	0.346	-0.179	0.342	-0.192	0.357	-0.145	0.450
	(0.153)	(0.006)	(0.175)	(0.007)	(0.215)	(0.016)	(0.480)	(0.016)
Institutional ownership	1.030	-0.115	1.023	-0.124	0.939	0.268	0.864	-0.034
	(0.003)	(0.729)	(0.003)	(0.709)	(0.022)	(0.500)	(0.129)	(0.951)
Analyst coverage (logged)	0.001	-0.020	0.001	-0.021	-0.017	0.025	0.047	-0.036
	(0.977)	(0.440)	(0.958)	(0.413)	(0.572)	(0.386)	(0.275)	(0.380)
CEO duality	-0.363	-0.260	-0.365	-0.271	-0.837	-0.211	-0.212	-0.559
	(0.161)	(0.331)	(0.160)	(0.309)	(0.042)	(0.605)	(0.607)	(0.183)
Board size	-0.009	-0.035	-0.014	-0.035	-0.008	-0.056	-0.001	-0.061
	(0.644)	(0.063)	(0.503)	(0.072)	(0.745)	(0.013)	(0.984)	(0.044)
Board independence	0.273	0.878	0.280	0.850	0.334	1.193	-1.084	0.298
	(0.500)	(0.027)	(0.490)	(0.033)	(0.501)	(0.016)	(0.098)	(0.626)
Institutional investor activist	0.895	-0.912	0.895	-0.907	0.956	-1.058	0.892	-0.772
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Activist target breadth	-0.007	-0.007	-0.007	-0.007	-0.009	-0.007	-0.009	-0.007
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

CSR performance	-0.001	0.004	-0.001	0.004	-0.002	0.003	0.002	0.004
	(0.803)	(0.093)	(0.722)	(0.077)	(0.558)	(0.272)	(0.529)	(0.252)
Prior receptivity to socially-oriented activism	0.356	-0.139	0.344	-0.132	0.278	-0.155	0.397	-0.002
	(0.000)	(0.063)	(0.000)	(0.078)	(0.003)	(0.074)	(0.000)	(0.986)
Prior receptivity to wealth-oriented activism	0.134	-0.289	0.141	-0.290	0.183	-0.230	0.063	-0.245
	(0.141)	(0.000)	(0.123)	(0.000)	(0.081)	(0.012)	(0.625)	(0.030)
Constant	-1.434	-4.726	-1.663	-4.278	1.019	-3.415	-0.814	-6.352
	(0.277)	(0.002)	(0.212)	(0.005)	(0.309)	(0.010)	(0.667)	(0.001)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5655	5629	5655	5629	4196	4178	2899	2869
Pseudo R^2	0.150	0.114	0.150	0.115	0.134	0.129	0.165	0.117

Note. P-values reported in parentheses; robust standard errors clustered by firms; the observations varies among models because logit regressions drop a small portion of observations due to the repeated values of dependent variables.

Table 3. Robustness checks

	Model 1 Receptive responses	Model 2 Resistant responses	Model 3 Receptive responses	Model 4 Resistant responses	Model 5 Receptive responses	Model 6 Resistant responses	Model 7 Receptivity	Model 8 Receptivity
CEO exposure to logic plurality	**-0.105**	**0.039**					**-0.053**	
	(0.000)	**(0.081)**					**(0.000)**	
CEO exposure to logic plurality (past 1 year)			**-0.137**	**0.066**				**-0.168**
			(0.000)	**(0.008)**				**(0.024)**
CEO exposure to logic plurality (past 3 year)					**-0.019**	**0.017**		
					(0.072)	**(0.068)**		
IMR	0.401	0.096	0.401	0.369	0.372	0.344		
	(0.001)	(0.392)	(0.028)	(0.041)	(0.043)	(0.060)		
Firm size (logged)	0.162	0.125	0.079	0.324	0.015	0.337	-0.128	0.016
	(0.010)	(0.024)	(0.275)	(0.000)	(0.838)	(0.000)	(0.000)	(0.874)
Return on assets	0.655	0.221	0.798	0.546	0.680	0.567	0.229	-0.319
	(0.002)	(0.282)	(0.017)	(0.109)	(0.040)	(0.096)	(0.367)	(0.645)
Book-to-market ratio	-0.096	0.111	-0.125	0.170	-0.094	0.157	-0.159	-0.825
	(0.224)	(0.111)	(0.332)	(0.163)	(0.462)	(0.199)	(0.104)	(0.010)
Shareholder returns	-0.162	0.162	-0.280	0.310	-0.247	0.291	-0.274	-0.409
	(0.031)	(0.016)	(0.026)	(0.009)	(0.048)	(0.015)	(0.004)	(0.214)
Institutional ownership	0.574	-0.081	0.969	-0.071	1.182	-0.180	0.569	1.069
	(0.004)	(0.651)	(0.004)	(0.825)	(0.000)	(0.575)	(0.020)	(0.152)
Analyst coverage (logged)	0.010	-0.019	-0.005	-0.017	0.001	-0.021	-0.007	-0.003
	(0.533)	(0.182)	(0.837)	(0.498)	(0.956)	(0.397)	(0.702)	(0.960)
CEO duality	-0.210	-0.161	-0.313	-0.301	-0.364	-0.276	-0.176	0.793
	(0.165)	(0.290)	(0.229)	(0.263)	(0.160)	(0.301)	(0.426)	(0.103)
Board size	-0.007	-0.017	-0.016	-0.032	-0.010	-0.034	0.003	-0.124
	(0.521)	(0.103)	(0.404)	(0.079)	(0.618)	(0.064)	(0.830)	(0.012)
Board independence	0.201	0.636	0.137	1.163	0.107	1.165	-0.252	0.271
	(0.394)	(0.004)	(0.728)	(0.003)	(0.785)	(0.002)	(0.397)	(0.764)
Institutional investor activist	0.527	-0.543	0.915	-0.942	0.918	-0.943	0.950	1.443
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Activist target breadth	-0.006	-0.003	-0.008	-0.006	-0.007	-0.006	-0.000	0.002
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.485)	(0.358)
CSR performance	-0.001	0.002	-0.001	0.004	-0.001	0.003	-0.002	-0.006
	(0.432)	(0.070)	(0.677)	(0.093)	(0.818)	(0.117)	(0.172)	(0.312)
Prior receptivity to socially-oriented activism	0.170	-0.084	0.352	-0.178	0.368	-0.188	0.276	0.037
	(0.000)	(0.040)	(0.000)	(0.015)	(0.000)	(0.010)	(0.000)	(0.887)
Prior receptivity to wealth-oriented activism	0.060	-0.160	0.131	-0.284	0.148	-0.283	0.228	0.580
	(0.252)	(0.000)	(0.138)	(0.000)	(0.095)	(0.000)	(0.001)	(0.105)
Constant	-7.553	-6.282	-0.421	-4.751	-0.212	-4.614		
	(0.972)	(0.989)	(0.733)	(0.000)	(0.866)	(0.000)		
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Observations	6038	6038	6029	6003	6029	6003	6352	740
Pseudo R^2			0.149	0.112	0.146	0.112	0.079	0.145

Note. P-values reported in parentheses; robust standard errors clustered by firms.

Table 4. Supplementary analyses

	Model 1 Receptive responses to wealth-oriented activism	Model 2 Receptive responses to socially-oriented activism	Model 3 Resistant responses to wealth-oriented activism	Model 4 Resistant responses to socially-oriented activism	Model 5 CEO-used CSR language
CEO exposure to logic plurality	**-0.049**	**-0.039**	**0.063**	**0.044**	**-0.016**
	(0.182)	**(0.045)**	**(0.005)**	**(0.020)**	**(0.001)**
Firm size (logged)	-0.034	-0.223	0.159	0.264	0.113
	(0.671)	(0.000)	(0.007)	(0.000)	(0.000)
Return on assets	0.328	0.453	0.152	0.015	0.210
	(0.611)	(0.251)	(0.766)	(0.974)	(0.059)
Book-to-market ratio	0.052	-0.113	0.516	-0.246	0.026
	(0.832)	(0.497)	(0.002)	(0.177)	(0.535)
Shareholder returns	-0.447	-0.180	0.303	0.293	0.138
	(0.086)	(0.241)	(0.092)	(0.077)	(0.001)
Institutional ownership	1.769	0.442	0.049	-0.635	-0.259
	(0.009)	(0.248)	(0.917)	(0.131)	(0.016)
Analyst coverage (logged)	-0.020	-0.005	0.001	-0.087	-0.012
	(0.700)	(0.861)	(0.983)	(0.008)	(0.148)
CEO duality	-0.547	0.002	0.027	-0.918	-0.089
	(0.122)	(0.996)	(0.936)	(0.035)	(0.427)
Board size	-0.041	-0.009	-0.008	-0.048	-0.045
	(0.321)	(0.693)	(0.785)	(0.061)	(0.000)
Board independence	0.912	0.299	0.866	0.981	0.560
	(0.238)	(0.531)	(0.121)	(0.068)	(0.000)
Institutional investor activist	1.089	0.528	-0.914	-0.968	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.977)
Activist target breadth	-0.003	0.008	-0.004	-0.012	-0.000
	(0.114)	(0.000)	(0.000)	(0.000)	(0.967)
CSR performance	-0.003	-0.003	0.000	0.006	-0.001
	(0.457)	(0.344)	(0.936)	(0.037)	(0.099)
Prior receptivity to socially-oriented activism	0.079	0.401	-0.016	-0.200	0.040
	(0.670)	(0.000)	(0.894)	(0.043)	(0.121)
Prior receptivity to wealth-oriented activism	0.263	0.001	-0.371	-0.147	0.087
	(0.152)	(0.996)	(0.001)	(0.190)	(0.001)
Constant	-2.761	1.900	-3.109	-2.259	0.316
	(0.047)	(0.046)	(0.004)	(0.050)	(0.659)
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Observations	2517	3524	2624	3491	4539
Pseudo R^2	0.273	0.121	0.092	0.167	
R^2					0.359

Note. P-values reported in parentheses; robust standard errors clustered by firms.