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Shin, Shoonchul; Lee, Juyoung; Bansal, Pratima

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From a Shareholder to Stakeholder Orientation: Evidence from the Analyses of CEO Dismissal in Large U.S. Firms

Shoonchul Shin
Assistant Professor
Business School
Aalborg University
Fibigerstræde 11, 9220 Aalborg Øst, Denmark
ORCID: https://orcid.org/0000-0003-4035-8851
Email: shoonchuls@business.aau.dk

Juyoung Lee
Assistant Professor
Faculty of Business
The Hong Kong Polytechnic University
11 Yuk Choi Rd, Hung Hom, Kowloon, Hong Kong
ORCID: https://orcid.org/0000-0001-6201-8722
Email: juyoung.lee@polyu.edu.hk

Pratima (Tima) Bansal
Professor
Ivey Business School
Western University
1255 Western Road, London, ON N6G 0N1, Canada
ORCID: https://orcid.org/0000-0002-7899-9622
Email: tbansal@ivey.ca

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Correspondence: Shoonchul Shin, Aalborg University, Business School, Fibigerstræde 11, Office 64, 9220 Aalborg Øst, Denmark. Email: shoonchuls@business.aau.dk

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RESEARCH SUMMARY

The post-Enron era is marked with growing discourse of stakeholders, sustainability, and corporate social responsibility (CSR). Yet, commentators debate whether U.S. corporations have indeed moved towards a stakeholder orientation, given the difficulties in measuring such a shift. We assess this shift by examining corporate governance practices, especially the prevalence of shareholder- and stakeholder-oriented practices in CEO dismissals. Using data on large firms in 1980–2015, we found that, before the 2000s, CEOs were less heavily penalized for poor firm performance when they demonstrated a shareholder orientation by downsizing and refocusing the corporation and more heavily penalized for CSR activity. This trend, however, reversed after the early 2000s. This paper provides evidence of the evolution of U.S. firms' governance practices from a shareholder towards stakeholder orientation.

MANAGERIAL SUMMARY

Many people are skeptical of the assertion that U.S. corporations have become more stakeholder-oriented over time. It's no wonder, as scant evidence exists for this claim. We tackle this claim head on by analyzing firm practices in 1980–2015 that contributed to CEO dismissal when the firm was performing poorly. Some practices, such as downsizing and firm refocusing, are associated with a shareholder orientation and others, such as CSR, are associated with a stakeholder orientation. We found strong evidence for a growing trend towards a stakeholder orientation. When the firm was performing poorly before the 2000s, CEOs were more likely to be dismissed for CSR activities and less likely to be dismissed for downsizing or refocusing the firm. This trend reversed in the early 2000s.

1 INTRODUCTION

> "In the Business Roundtable's view, the paramount duty of management and of boards of directors is to the corporation's stockholders; the interests of other stakeholders are relevant as a derivative of the duty to stockholders." (Business Roundtable, 1997)

> "While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders." (Business Roundtable, 2019)

In September 1997, the Business Roundtable, a group of nearly 200 chief executive officers (CEOs) from large U.S. firms, published a statement declaring that the primary purpose of a corporation is to maximize shareholder value (see above 1997 quote). This statement represents a distinct ideology of American business, known as an agency logic or a shareholder primacy model of corporate governance. Just over two decades later, however, the group changed position to release a new statement defining corporate purpose in terms of the interests of various stakeholder groups, such as employees, customers, suppliers, and communities (see above 2019 quote). This appears to reflect an important shift in the purpose and practice of U.S. corporations.

Under the agency logic, the social responsibility of business is to generate economic returns for shareholders and governments are mandated to set the rules of the game for business in order to protect societal concerns (Friedman, 1970; Jensen & Meckling, 1976). The shareholder value ideology rapidly grew in prominence during the takeover wave of the 1980s, when hostile tender offers, leveraged buyouts, and corporate restructuring were prevalent (Davis et al., 1994; Fligstein, 2001; Hoskisson & Hitt, 1994; Useem, 1996). In the late 1980s and 1990s, shareholder primacy became the doctrine taught in business schools and championed by institutional investors, academics, and the business press (Davis, 2009; Jung & Shin, 2019).

The decade of the 2000s, however, was characterized by corporate disasters—especially, the Enron accounting scandal, the financial crisis, and the British Petroleum's (BP) oil spill—that heightened public skepticism about shareholder primacy (Flammer, 2013; Guerrera, 2009; Stout, 2012). Such disasters were accompanied by the growing discourse of stakeholders, sustainability, and corporate social responsibility (CSR) in the U.S. business and financial community (Flammer & Ioannou, 2020; Harrison et al., 2020; Ioannou & Serafeim, 2015; Marti & Gond, 2017). Within the stakeholder perspective, firms should go beyond shareholder value to contribute to a larger social purpose, such as sustainable growth, equitable employment practices, and social and environmental well-being (Freeman, 1984; Jones, 1995).

Despite the increasing prominence of stakeholder perspective in business discourse, commentators often debate whether, in the recent two decades, U.S. corporations have indeed moved from a shareholder towards stakeholder orientation. Some studies point to the continued entrenchment of shareholder value maximization as a primary corporate purpose (Henderson, 2020; Reich, 2008; Sundaram & Inkpen, 2004). Others suggest the emergence of a new logic and the weakening of the agency logic (Kiron et al., 2012; Lubin & Esty, 2010; Sneirson, 2008; Waddock, 2008). However, these studies offer mostly anecdotal evidence. The primary aim of this paper is to contribute to the debate by offering one approach to assessing the presence of shareholder or stakeholder orientation among U.S. corporations. Specifically, we examine how practices with a shareholder or stakeholder orientation affect the board of directors' decision to dismiss or retain a CEO with records of poor economic performance.

In formulating the theoretical framework, we apply an institutional lens, which argues that organizations are seen as legitimate when their practices are consistent with prevailing institutional logics or norms (Suchman, 1995; Thornton & Ocasio, 1999). We suggest that a firm's engagement in socially accepted practices will influence how the board evaluates a CEO in conditions of poor firm performance, and thus, moderate the effect of poor firm performance on CEO dismissal. Specifically, we argue that during performance downturns, CEOs who take actions consistent with prevailing logics are less likely to elicit blame for poor firm performance than their counterparts. Certain business practices, such as workforce downsizing and business refocusing, are aligned more with a shareholder orientation than a stakeholder orientation. The growing prominence of stakeholder perspective should reveal that boards respond increasingly less positively to practices with a shareholder orientation and more positively to practices with a stakeholder orientation.

We analyze changes over time in the effect that shareholder- or stakeholder-oriented practices have on CEO dismissal under conditions of poor firm performance. We analyze these changes using a sample of large U.S. firms from 1980 to 2015. Our findings are two-fold. First, we find that, before the 2000s, CEOs are *less* likely to be dismissed for poor firm performance when their firm has downsized and refocused, but this effect vanishes in the 2000s. Second, we find that, before the 2000s, CEOs with high levels of CSR activity are *more* likely to be dismissed for poor firm performance, and less likely to be dismissed after the early 2000s. The findings offer evidence of the evolution of U.S. businesses from a shareholder towards stakeholder orientation.

2 BACKGROUND AND HYPOTHESES

We argue that reasons for CEO dismissal are not strictly agency or governance problems, but also shaped by the institutional points of reference that boards use in evaluating a CEO. We suggest that one such referent is business practice widely accepted as consistent with prevailing institutional logics. Based on these arguments, we examine the link between socially accepted practices and CEO dismissal during the time when a stakeholder orientation has emerged as an ideological challenge to the agency logic. In this section, we highlight differences between the agency and stakeholder perspectives, noting how their valued goals are associated with different business practices. We then turn to hypotheses that relate such practices to CEO dismissal.

2.1 Shareholder-oriented practices

During the late 1980s and 1990s, the agency logic prevailed to govern the agenda and direction of large U.S. firms (Davis, 2009; Fligstein, 2001; Useem, 1996). The predominance of the agency logic meant that managers should run their firms according to what stock markets deem the best interests of shareholders. Shareholder primacy was then linked to a set of practices that could satisfy investors and analysts—most notably, downsizing of the workforce and selling off unrelated businesses to refocus on core competencies.

Within the agency perspective, downsizing through layoffs is a normal practice, in which employees are regarded as costs to be cut (Dial & Murphy, 1995). Before the 1980s, workforce downsizing was generally viewed as "an aberration from normal organizational functioning" or even as an indicator of organizational decline (Cameron et al., 1993, p. 20). But subsequently over time, downsizing was accepted as an appropriate practice for creating shareholder value (Fligstein & Shin, 2007). Furthermore, it became a popular expression for describing how U.S. firms could adjust to the economic slowdown of the 1980s (Useem, 1996).

The popularity of downsizing as a proactive strategy was related to a shareholder orientation in U.S. firms. In particular, mass layoffs continued unabated even in the 1990s when the U.S. economy was recovering from recession; they were actually more common than in the 1980s (Datta et al., 2010). In this regard, Jung (2015) found that layoff announcements were more frequent in firms with agency governance mechanisms, such as stock option plans, independent directors, and chief financial officers on the board. Moreover, Budros (1997) argued that downsizing was granted institutional status, so firms downsized for legitimacy, rather than economic, concerns. Relatedly, McKinley et al. (2000) argued that the diffusion of downsizing contributed to its legitimacy as benefiting shareholders. This notion was so widely accepted that downsizing continued to prevail, despite the lack of evidence that it contributed to the firm's economic performance (Datta et al., 2010).

Another was refocusing the business through divestitures. During the 1960s and 1970s, many U.S. corporations grew rapidly by acquiring other firms in unrelated industries and structuring them as a collection of multiple divisions within a single firm (Fligstein, 1990). But in the 1980s, such practice of conglomerate diversification became de-institutionalized, as the market for hostile takeovers developed (Davis et al., 1994; Hoskisson & Hitt, 1994). Bhagat et al. (1990) argued that hostile takeovers reflected the de-conglomeration of U.S. businesses and a return to core competencies. Specifically, firms that were acquired were stripped into separate business units for sale; survivors voluntarily sold off non-core businesses to avoid takeover bids.

The refocusing move was not confined to the takeover market; it prevailed unabated in the 1990s when hostile takeovers disappeared. Dobbin and Zorn (2005) argued that refocusing reflected managers' commitment to shareholder primacy, which was greatly aided by the introduction of stock option plans. Zuckerman (1999) argued that refocusing was related to the industry categories that analysts established for analysis. Diversified firms were inclined to divest non-core divisions and shunned diversification to make their business profiles more fit the classification systems. Jung and Shin (2019) argued that the decline in diversification was linked to the rise of the agency logic in business education. CEOs who earned an MBA in the 1980s had lower propensity for diversifying mergers than their counterparts in earlier decades.

2.2 CSR practices

The ideas of stakeholder orientation and social responsibility were certainly prevalent throughout U.S. business history, but they remained largely marginalized until the 2000s. The Enron accounting fraud of 2001 was a critical moment that triggered public skepticism about the efficacy of shareholder primacy (Harrison et al., 2020; Stout, 2012). Such skepticism was further heightened as the reputation of U.S. financial markets plunged due to the subprime mortgage financial crisis of 2008. Moreover, the BP Deepwater Horizon oil spill of 2010 became a keystone example of how the shareholder primacy model of corporate governance could harm firms, local communities, and natural environments (Flammer, 2013). Consequently, the post-Enron era is marked by renewed attention to the importance of a firm's stakeholder orientation and CSR practices for innovation, long-term performance, and social well-being.

Within the stakeholder perspective, CSR is perceived as a core business function that is vital to the firm's competitive success (Freeman, 1984; Jones, 1995; McWilliams & Siegel, 2001). Previously, the primary motives for CSR were ethical, rather than economic, considerations (Carroll, 1999). But in the post-Enron era, CSR has increasingly become a normal practice, in which it is viewed as a legitimate part of the firm's strategy. This interpretation of CSR was bolstered by the growing literature on the "business case for CSR," which suggests that CSR can positively influence financial performance (Eccles et al., 2014; Vogel, 2005). The notion of CSR as strategy became further legitimated as the idea of socially responsible investment gained significance in the investor and analyst communities (Marti & Gond, 2017). In this regard, Ioannou and Serafeim (2015) demonstrated a substantive shift in the way investment analysts reacted to a firm's high CSR activity; while analysts were generally skeptical of high CSR in the early 1990s, they became more supportive of the same activity in the mid-2000s. Taken together, the evolution of CSR from a peripheral (i.e., ethical) to a key strategic issue portends that the stakeholder perspective can provide a legitimate lens for interpreting corporate behavior.

2.3 Research hypotheses

We now develop hypotheses that explain how a shareholder or stakeholder orientation can manifest in corporate governance practices, specifically CEO dismissal for poor firm performance. We offer an institutional theory framing, arguing that the actions that CEOs take in times of poor performance are interpreted as legitimate or not in light of the prevailing logics of corporate governance at particular periods of time.

Institutional theory argues that managers gain reputation within a firm when they use practices that help legitimate the firm in its external environment (Fligstein, 1990, 2001; Joseph et al., 2014; Thornton & Ocasio, 1999). We posit that the firm's engagement in socially accepted practices provides a context for directors of the board to judge CEOs in conditions of poor firm performance. This is particularly so because there is much ambiguity in making sense of the causes of poor performance (Haleblian & Rajagopalan, 2006; Shin, 2019). Given the shared belief in the benefits of accepted practices, the board may rely on these practices in judging whether poor performance is due to management issues or other factors—i.e., internal or external attribution. Then, while poor performance negatively influences the board's perceptions of CEOs, such negative perceptions may be contingent on whether CEOs are associated with accepted practices. Accordingly, the well-established relationship between poor performance and CEO dismissal may vary with the firm's level of conformity to or deviation from accepted practices.

On the one hand, the relationship between poor performance and dismissal may be *weakened* in firms that use widely accepted practices. This means that the board is likely to make an external attribution if poor performance is combined with high levels of conformity. When firms use practices that embody the prevailing logics, they demonstrate that they are enacting collectively valued goals in an appropriate and desirable manner (Suchman, 1995). The performance problems that arise within the normal course of business may not be subject to blame, as they are by definition due to factors beyond the control of managers (Semadeni et al., 2008). Then, CEOs who use accepted practices may gain internal support for their initiatives even during poor performance, because their ways of doing business are viewed as appropriate to managing performance. As such, the blame for poor performance may not be laid squarely upon management when CEOs employ widely approved practices for reaching valued goals.

On the other hand, the relationship between poor performance and dismissal may be *strengthened* in firms that deviate from accepted practices. This means that the board is likely to make an internal attribution if poor performance is combined with high levels of deviation. Deviant behaviors are not easily understood and approved because they do not fit shared views about what a real organization is and does (Kennedy, 2008). Then, when the firm is performing poorly, evaluators' attention may be directed to the deviation itself as a primary target for blame. Moreover, because the merits of deviating from accepted practices defy easy interpretation (Staw & Epstein, 2000), the deviation may lead to the perception that the CEO's strategy is not effective for managing performance problems. Thus, under conditions of poor performance, the board may react even more negatively to CEOs associated with the deviation.

Finally, it is notable that the board may not invoke accepted practices in evaluating a CEO when the firm is performing well. High economic performance is interpreted as a general indicator of leadership quality; as such, CEOs may achieve reputation primarily through strong performance (Wowak et al., 2011). Then, whatever practices CEOs undertake could be approved, as long as the firm's performance is positive. This means that during high performance, the board need not rely on accepted practices for CEO evaluation, because there is already stark evidence for CEO quality. Thus, CEOs may not be penalized for the deviation under conditions of high performance.

Consequently, these considerations suggest that socially accepted practices influence CEO dismissal as they offer a heuristic cue that helps the board evaluate a CEO during poor firm performance. From this perspective, examining changes over time in practices that likely lead to CEO dismissal under conditions of poor performance can be effective for assessing whether U.S. corporations have moved from a shareholder towards stakeholder orientation in their actual governance practices. If the growing prominence of a stakeholder orientation in business discourse has been accompanied by a shift in the way U.S. corporations are governed, we should observe changes in the way the board reacts to CEO actions that support shareholder primacy or social responsibility in conditions of poor firm performance.

Shareholder-oriented practices. First, we test for the effect that a firm's engagement in shareholder-oriented practices has on the relationship between poor firm performance and CEO dismissal over time. The rise in the prominence of the agency logic implies that under conditions of poor performance, the board will evaluate a CEO based on the practices that satisfy financial markets. Notably, agency logic is embodied in the practices of workforce downsizing and business refocusing—ones that are widely accepted as appropriate to generating economic returns for shareholders. Then, CEOs of a shareholder-oriented firm may avoid blame for the firm's poor performance if the firm has downsized and refocused. We thus posit that within an institutional context of shareholder primacy, the likelihood that the board makes an attribution to the CEO for poor firm performance will be *smaller* in firms with higher levels of downsizing and refocusing. Therefore:

Hypothesis (H1-a). *During the late 1980s and 1990s, the higher a firm's engagement in workforce downsizing and/or business refocusing, the weaker the relationship between poor firm performance and CEO dismissal*.

With a stakeholder perspective, workforce downsizing and business refocusing are often not considered appropriate, because they impose a variety of costs for key stakeholders. Downsizing through layoffs implies social costs that affect the well-being of victims and survivors alike, such as job insecurity and depression (Datta et al., 2010). Refocusing through divestitures can be costly because it disrupts the relationships with employees, suppliers, and customers (Berrone et al., 2010; Fligstein & Shin, 2007; Semadeni & Cannella Jr, 2011). For instance, workers can face reduced employment prospects; suppliers can face an increased risk of terminating contracts; customers can face service interruption; and local communities can suffer economic and welfare losses due to the relocation of divested businesses.

Notable in this regard is Bettinazzi and Feldman's (2021) research on a relationship between stakeholder orientation and divestiture activity. According to them, firms are motivated to divest businesses when the costs of divesting to stakeholders are less than those of internally resolving stakeholder conflicts. In particular, divestitures are less likely to occur in firms with higher stakeholder orientation, because these firms have greater ability to coordinate the interests of stakeholders. This suggests that divestitures are not perceived to be suitable options for firms with a stakeholder orientation, as those transactions can disrupt the ongoing contribution of stakeholders to competitive advantage. Then, CEOs of a stakeholder-oriented firm may elicit blame for the firm's poor performance if the firm has divested businesses or laid off employees. We thus posit that within an institutional context of stakeholder orientation, the likelihood that the board makes an attribution to the CEO for poor firm performance will be *greater* in firms with higher levels of downsizing and refocusing. Therefore:

Hypothesis (H1-b). *Over time since the early 2000s, a firm's engagement in workforce downsizing and/or business refocusing will have played a reduced role in weakening the relationship between poor firm performance and CEO dismissal*.

CSR practices. We then test for changes over time in the effect that a firm's engagement in CSR practices has on the relationship between poor firm performance and CEO dismissal. From an agency perspective, CSR practices are not seen as legitimate, because they can be interest of managers and impose a cost on shareholders (Friedman, 1970; Jensen & Meckling, 1976). In particular, CSR can harm the firm's market value since managers tend to invest in CSR to advance their own prestige and reputation. Firms need to focus on creating economic returns for shareholders, and leave social issues to governments and civil societies. CEOs of a shareholder-oriented firm, then, are likely to be blamed for the firm's poor performance if the firm has engaged in CSR practices. We thus posit that within an institutional context of shareholder primacy, the likelihood that the board makes an attribution to the CEO for poor firm performance will be *greater* in firms with higher levels of CSR practices. Therefore:

Hypothesis (H2-a). *During the late 1980s and 1990s, the higher a firm's engagement in CSR, the stronger the relationship between poor firm performance and CEO dismissal*.

Within the stakeholder perspective, CSR is perceived as a strategic resource and capability rather than a threat to firm profits (Fombrun, 1996; Jones, 1995; Kramer & Porter, 2011; Porter & Kramer, 2002). In this emerging paradigm, CSR initiatives are treated in a similar way as investments, and they are expected to generate economic benefits for a corporation. Indeed, a substantial body of evidence suggests that CSR activity can positively influence the bottom-line performance (Eccles et al., 2014; Marti & Gond, 2017). Moreover, institutional investors and analysts become increasingly supportive of CSR initiatives, hence reinforcing the positive link between CSR and performance (Hong & Kacperczyk, 2009; Ioannou & Serafeim, 2015). Then, CEOs of a stakeholder-oriented firm could avoid blame for poor performance if the firm has engaged in CSR practices. We thus posit that, within an institutional context of stakeholder orientation, the likelihood that the board makes an attribution to the CEO for poor firm performance will be *smaller* in firms with higher levels of CSR practices. Therefore:

Hypothesis (H2-b). *Over time since the early 2000s, a firm's engagement in CSR will have played a reduced role in strengthening the relationship between poor firm performance and CEO dismissal*.

3 RESEARCH METHODS

3.1 Sample

Our sample included 217 U.S. publicly traded firms, which were listed among the 100 largest firms by Fortune magazine from 1980 to 2015. We constrained the sample to firms in manufacturing industries—ones denoted by Standard Industrial Classification (SIC) codes 20 to 39—to increase historical comparability of the data. We excluded foreign subsidiaries because their parent companies are operating independent of the U.S. economic systems. We excluded privately-held firms because they are not subject to market discipline. When two firms merged, we attributed the consolidation to the firm that acquired managerial control. For each sample firm, we followed the CEO's identity using annual reports. When a new CEO name appeared in annual reports, we confirmed this change by searching the *Wall Street Journal*. After excluding interim CEOs, we identified 845 CEOs, 636 of which were replaced during the research period.

3.2 Dependent variable

CEO dismissal takes 1 if CEOs forcibly discharged from the firm. We followed Shen and Cannella's (2002:1198-9) procedures to code dismissal. We first evaluated 636 CEO successions using newspaper articles retrieved from the *Wall Street Journal*, and then, we examined CEO age and continuity in board membership at the time of succession. We identified dismissals when CEOs were reported to depart as both CEO and board member before the age of 64 for reasons other than death, illness, acceptance of comparable positions at other organizations, or merger and acquisition. Consequently, we identified 212 dismissals occurring at 126 unique firms.

3.3 Independent variables

Our hypotheses revolve around the interaction of firm financial performance with the firm's level of prior engagement in shareholder- or stakeholder-oriented practices. Our primary indicator of firm performance is industry-adjusted return on asset (ROA). ROA is equal to net income before extraordinary items divided by total assets for a given fiscal year. We made industry adjustment by subtracting from a focal firm's ROA the industry median ROA of the firms in Compustat in a given 3-digit SIC code and year. Data were from Compustat.

We focus on two shareholder-oriented practices: workforce downsizing and business refocusing. First, we measured the level of downsizing as percentage change in the number of employees from year *t*-2 to *t*-1. Lower values on the percentage measure indicate that CEOs are more active in downsizing. Data were from Compustat. Second, we measured the level of refocusing as numerical change in the entropy index of diversification from year *t*-2 to *t*-1 (Palepu, 1985). Lower values on the change in diversification entropy indicate that CEOs are more active in refocusing. We computed the entropy index for each firm using sales data at the 4-digit SIC code levels in Compustat Business Segment file.

We measured the level of stakeholder-oriented practices using CSR rating data from Kinder, Lyndenberg, and Domini & Co. Inc. (KLD). KLD CSR scores have been regarded as the most comprehensive data available to measure a firm's social and environmental performance. KLD dataset is based on ratings of several dimensions of CSR characteristics of firms, each of which is tabulated in terms of “strengths” and “concerns.” Following Flammer (2015), we used the total number of CSR strengths in the following dimensions: (1) community relations, (2) diversity issues, (3) environmental issues, (4) employee relations, and (5) human rights. We distinguished CSR strengths from concerns because CSR and CSiR (corporate social irresponsibility) are theoretically distinct constructs (Strike et al., 2006).

3.4 Control variables

We controlled for several firm-level characteristics. Firm size was measured as the natural logarithm of total assets, to account for greater expectations that CEOs are larger firms will follow accepted practices. Institutional ownership was measured as the percentage of the firm’s outstanding shares held by institutional investors. Data were from Thomson Financial’s 13f Institutional Holdings. We added the cumulative number of the firm’s experiences in dismissal from 1980 to *t*-1, to account for the firm-specific propensity to dismiss CEOs. We also included dummy variables for the years 1980 to 2015 to account for any period effects in our time series.

We controlled for several CEO characteristics to capture the power and influence CEOs have in the board room. CEO duality takes 1 if CEOs were also board chair. CEO origin takes 1 if CEOs had been employed by the firm for less than two years prior to appointment. CEO age6163 takes 1 if CEOs’ age was 61, 62, or 63 in a year. CEO age64up takes 1 if CEOs’ age was 64 or above in a year. Finally, we controlled for CEOs’ functional backgrounds that reflect their cultural and cognitive characteristics (Jensen & Zajac, 2004). We grouped CEO backgrounds into four categories: Finance/law CEO (finance, accounting, and law); Technical CEO (production, engineering, and research); Sales CEO (sales, marketing, and advertising); General CEO (general management and administration). Data were manually collected from *Who’s Who in Finance and Industry* and the *Wall Street Journal*.

3.5 Estimation methods

We used Cox proportional hazard event history models (Blossfeld et al., 2007) to estimate the likelihood of CEO dismissal. The Cox model is a popular semiparametric approach for analyzing longitudinal and survival data with time-varying covariates while controlling for time dependence. It is useful over other parametric models (such as Weibull, Exponential, and Lognormal) particularly when one does not have a justification for the specification of a baseline hazard rate. The Cox model is also effective for dealing with the problem of right-censoring, which arises when an event of interest (i.e., CEO dismissal) does not occur during the observation period. In the Cox model, the hazard rate for the *i*th individual is given by:

$$h_i(t) = h_0(t)\exp\left(\beta_1 \mathrm{X}_{1,i} + \cdots + \beta_k \mathrm{X}_{k,i}\right)$$

where $h_0(t)$ is the baseline hazard rate and $\mathrm{X}_{k,i}$ represents time-varying covariates (Box-Steffensmeier & Stanfill, 2008). Although the Cox model is appropriate for dealing with problems of unknown probability distributions, it is premised on the assumption that population hazard functions are proportional (Singer & Willett, 2003). We thus analyzed Schoenfeld residuals to test the proportional hazard assumption. The results confirmed that the explanatory variables analyzed satisfy the proportionality assumption underlying the Cox model. We clustered the data by CEO and broke each CEO's history into firm-year spells. This allowed covariates to be updated from year to year throughout the CEO's tenure. Each of the annual spells was treated as right-censored, except for the spells that terminated in CEO dismissal. The Cox regression analyses were performed using the stcox procedure in Stata/SE 14.2.

4 RESULTS

Table 1 presents means, standard deviations (SDs), and correlations between the variables used in the analysis of CEO dismissal. Tables 2 and 3 present Cox models predicting the likelihood of

CEO dismissal. Each model is estimated across different periods of time, each with the length of ten years, for comparison.

[Insert Tables 1 and 2 Here]

4.1 Shareholder-oriented practices

Table 2 presents the models of CEO dismissal on ROA and its interaction with downsizing and refocusing (Hypothesis 1). We focus on models for the three non-overlapping sub-periods—that is, 1982–1991, 1992–2001, and 2006–2015. It is noteworthy here that we report the results for the sub-period 2006–2015 rather than for 2002–2011, since the early to mid-2000s is a transition period in the legitimation of a stakeholder orientation. But Figures 2 and 3 use the results for all sub-periods to depict the changing roles of downsizing and refocusing in CEO dismissal.

Within each sub-period, the first model is a baseline model that includes ROA, downsizing, refocusing, and controls (Models 1, 5, and 9). Notably, the coefficient estimates for ROA remain negative and significant across the different sub-periods ($p < .05$). In Model 5, the coefficient of –7.10 ($p = .000$) indicates that when ROA is as low as one SD below the mean, the CEO dismissal rate increases by 78.9 percent.[1] Meanwhile, the estimates for downsizing and refocusing are nonsignificant across the sub-periods examined. Among the controls, CEO duality has the most consistent effect over time on CEO dismissal. In Model 5, for instance, the coefficient of –1.49 ($p = .000$) implies that when CEOs are also board chair, the dismissal rate decreases by 77.5 percent.

The second model at each sub-period adds the interaction term between ROA and downsizing (Models 2, 6, and 10). Of our major interest is the pattern of change in the interaction effect across the different sub-periods. In 1982–1991, the interaction estimate is negative and

[1] The estimate is calculated as (100[exp(coefficient estimate × ROA) – 1]).

nonsignificant (β = –13.91; p = .183); this implies that in the emerging years of shareholder primacy, downsizing is not a critical component for CEO evaluation. However, in 1992–2001, the negative interaction estimate becomes significant (β = –16.50; p = .012); this indicates that the effect of poor performance on CEO dismissal is *weaker* the higher the level of downsizing. By contrast, in 2006–2015, the interaction estimate becomes *positive* and significant (β = 24.51; p = .001), indicating that the effect of poor performance on CEO dismissal is *stronger* the higher the level of downsizing.

Figure 1 illustrates the contrasting role of downsizing in CEO dismissal between the two sub-periods of 1992–2001 and 2006–2015. Each plot depicts the effect of ROA on dismissal at three levels of change in employees: high workforce expansion (one SD above the mean), mean (the mean), and high workforce downsizing (one SD below the mean). Plot A shows that, when ROA declines, the dismissal rate increases more rapidly for high expansion (bold line) than for high downsizing (dotted line). Specifically, at low levels of ROA (one SD below the mean), the dismissal rate increases by 197.2 percent for high expansion, and 15.3 percent for high downsizing. By contrast, Plot B shows that, when ROA declines, the dismissal rate increases most rapidly for high downsizing (dotted line). Meanwhile, it is noteworthy that when ROA is positive, the three lines in each plot are relatively narrow and parallel-sided. This implies that when firm performance is satisfactory, the dismissal rate remains relatively similar irrespective of whether or not the firm has downsized workforce.

The third model at each sub-period adds the interaction term between ROA and refocusing (Models 3, 7, and 11). We found a very similar pattern with downsizing. Specifically, the interaction estimate is positive and nonsignificant in 1982–1991 (β = 2.71; p = .838). But the estimate becomes negative and significant in 1992–2001 (β = –13.79; p = .001). This indicates that in the shareholder primacy era, the effect of poor performance on CEO dismissal is weaker the higher the level of refocusing. Meanwhile, in the last sub-period 2006–2015, the interaction estimate is positive and nonsignificant (β = 1.63; p = .852).

The last model at each sub-period includes both interaction terms, i.e., those for ROA with downsizing and ROA with refocusing (Models 4, 8, and 12). It is notable that in all full models, the interaction estimates remain substantially unchanged in size and significance. The results of Variance Inflation Factors (VIF) test show that multicollinearity problem is not severe in our regression models (mean VIF = 3.69 in Model 4; 3.82 in Model 8; 4.04 in Model 12). Taken together, the results show that, within an institutional context of shareholder primacy, the relationship between poor performance and CEO dismissal is weakened by high levels of downsizing and refocusing. They provide support for Hypothesis 1-a.

[Insert Figures 1 through 3 Here]

Changing role of downsizing and refocusing. Figure 2 depicts changes over time in the role of downsizing in CEO dismissal over a 10-year rolling window between 1980 and 2015. At each sub-period, the figure compares the effect of low ROA on the dismissal rate between the two groups of CEOs: high workforce expansion (open bar) and high workforce downsizing (filled bar). Notably, the group difference is negligible in the early sub-periods. But it becomes pronounced especially for the sub-periods of the late 1980s and 1990s.[2] For instance, in the sub-period 1989–1998, low ROA leads to increase in the dismissal rate by 171.3 percent for high expansion, and 31.8 percent for high downsizing. However, such group difference becomes reduced and eventually reversed, as the analysis includes data for more recent years, especially

[2] The interaction effect of ROA and downsizing is negative and significant for all sub-periods between 1984 and 2001 (p < .05).

from 2002 onwards. In the last sub-period, low ROA leads to increase in the dismissal rate by 8.05 percent for high expansion, and 101.5 percent for high downsizing. The results imply that the board's reaction to downsizing has increasingly become negative in the post-Enron era.

Figure 3 depicts the changing role of refocusing in CEO dismissal. At each sub-period, it compares the effect of low ROA on the dismissal rate between the two groups of CEOs: high diversification (open bar) and high refocusing (filled bar). Similar to the analysis of downsizing, the group difference is negligible in the early sub-periods. But it becomes pronounced especially for the sub-periods of the 1990s and early 2000s.[3] For instance in 1992–2001, low ROA leads to increase in the dismissal rate by 132.8 percent for high diversification, and 47.8 percent for high refocusing. Meanwhile, the difference becomes reduced, as the analysis includes data for more recent years, especially from 2004 onwards. The results provide support for Hypothesis 1-b.

[Insert Table 3 Here]
[Insert Figures 4 and 5 Here]

4.2 CSR practices

Table 3 presents the models of CEO dismissal on ROA and its interaction with total CSR strengths for the two sub-periods of 1992–2001 and 2006–2015 (Hypothesis 2). At each sub-period, the first model is a baseline model including ROA, CSR strengths, CSR concerns, and controls; the others add one or both of the interaction terms for ROA with CSR strengths and ROA with CSR concerns. According to the results, the interaction estimate for ROA and CSR strengths is *negative* and significant for 1992–2001 ($\beta = -2.65$; $p = .002$); by contrast, it is *positive* and significant for 2006–2015 ($\beta = 1.11$; $p = .005$). This indicates substantial change in the role of CSR in CEO dismissal; while in the shareholder primacy era, the effect of poor

[3] The interaction effect of ROA and refocusing is negative and significant for all sub-periods between 1988 and 2006 ($p < .05$).

performance on dismissal is strengthened by high CSR activity, that effect is weakened by the same activity in the post-Enron era. Meanwhile, the interaction estimate for ROA and CSR concerns is nonsignificant in both sub-periods (Models 3 and 7). With both interaction terms added, the interaction estimate for ROA and CSR strengths remains unchanged (Models 4 and 8).

Figure 4 illustrates the contrasting role of CSR strengths in dismissal between the two sub-periods of 1992–2001 and 2006–2015. Each plot presents the effect of ROA on the dismissal rate at three levels of CSR strengths: high CSR strengths (one SD above the mean), mean (the mean), and low CSR strengths (one SD below the mean). Plot A shows that, when ROA declines, the dismissal rate increases most rapidly for high CSR strengths (bold line). In Plot B, by contrast, the increase is most rapid for low CSR strengths (dotted line). Again, in both plots, the three lines are relatively flat at high levels of ROA. The results provide support for Hypothesis 2-a.

Changing role of CSR. Figure 5 illustrates changes over time in the role of CSR strengths in dismissal between 1992 and 2015. At each sub-period, the figure compares the effect of low ROA on the dismissal rate between the two groups of CEOs: high CSR strengths (open bar) and mean CSR strengths (filled bar). It displays two striking trends. First, in the early sub-periods between 1992 and 2006, the effect of low ROA on dismissal is significantly stronger for CEOs with higher CSR strengths. For instance, in 1992–2001, low ROA leads to increase in the dismissal rate by 171.5 percent for high CSR strengths, and 69.8 percent for mean CSR strengths. Second, in the recent sub-periods between 2004 and 2015, the effect of low ROA on dismissal is weaker for CEOs with higher CSR strengths. For instance, in 2006–2015, low ROA leads to increase in the dismissal rate by 44.7 percent for high CSR strengths, and 103.0 percent for mean CSR strengths. The results indicate substantial changes in the board's reaction to CSR;

while in the shareholder primacy era, the board reacts negatively to high CSR activity, it reacts positively towards the same activity in the post-Enron era. They provide support for Hypothesis 2-b.

[Insert Table 4 Here]

4.3 Robustness checks

We conducted several sets of robustness checks that all confirm our findings, as summarized in Table 4. To begin with, we used alternative measures of refocusing. The first is the number of unrelated business divestitures. A business divestiture is defined as unrelated when the primary SIC code of the divested business unit is different from that of the divesting firm at the 2-digit level. The second is the number of unrelated M&As. An M&A is defined as unrelated when the 2-digit SIC code of the acquiring firm's primary business does not match with that of the target firm. The third is percent change in total assets.

Moreover, we used alternative measures of CSR engagement. The first is the ASSET4 database, which contains times series data on ESG (Environmental, Social, and Governance) ratings from the year 2002. In the analysis, we used "ESG score" as a proxy for CSR practices and "ESG controversies score" as a proxy for CSiR practices. The second is an aggregate net KLD CSR score. It is noteworthy here that our findings are consistent with Hubbard et al.' (2017) research which analyzed the effect of net CSR score on the relationship between firm performance and CEO dismissal in 2003 to 2008. Specifically, we show that the effect of poor performance on dismissal becomes stronger for CEOs with higher net CSR score in the sub-periods between 1992 and 2007. We extend their study by showing that such role of CSR is reversed for recent years, especially from 2010 onwards.

Finally, we used alternative measures of performance, including total shareholder return (TSR), earnings per share (EPS), and Tobin's Q. TSR is equal to the change in year-end stock prices, plus annual dividends, divided by the prior year-end stock price. EPS is equal to net income divided by the number of outstanding shares for a given year. Tobin's Q is equal to the market value of total assets divided by the book value of total assets. These measures are calculated annually and are industry adjusted.

5 DISCUSSION AND CONCLUSION

The primary aim of this study was to weigh in on the debate as to whether or not the stakeholder perspective is growing in prominence over time. To do so, we examined the business practices that contributed to CEO dismissal under conditions of poor firm performance. Workforce downsizing and business refocusing signal an institutional context that supports shareholder primacy. CSR practices, on the other hand, signal an institutional context that supports a stakeholder orientation. We examined how shareholder- or stakeholder-oriented practices affect CEO dismissal and how such effects have changed over the last 35 years.

We found significant changes over time in the way boards of directors react to CEO practices that support shareholder primacy or stakeholder orientation. Specifically, before the 2000s, the effect of poor performance on CEO dismissal was weakened by high levels of downsizing and refocusing, but it was strengthened by high levels of CSR activity. This trend, however, reversed after the early 2000s. The findings suggest that, in the post-Enron era, the stakeholder perspective had become legitimated across the population of large U.S. firms, reflected by the penalties imposed on CEOs for their low commitment to social responsibility.

Our study provides evidence for an understanding of the cultural-normative processes associated with board perceptions and evaluations of CEOs during times of emergence of a stakeholder orientation. Specifically, we show that the growing prominence of a stakeholder orientation has led to changes in the way the board evaluates CEOs who are associated with shareholder- or stakeholder-oriented practices. Most strikingly, the board's reaction to CSR activity has substantially changed over time: while in the shareholder primacy era, boards react adversely to high CSR activity; in the post-Enron era, they react favorably towards the very same activity. We also show that, as the stakeholder perspective gains prominence, boards become increasingly adverse to the use of shareholder-oriented practices. Therefore, this paper suggests that the characteristics of the prevailing institutional logics provide an important context when evaluating the quality of an organization's leaders.

Our findings reinforce the institutional argument that organizational goals, practices, and politics evolve in tandem with changes in higher-order institutional logics (Joseph et al., 2014; Ocasio & Kim, 1999; Thornton & Ocasio, 1999). This paper shows that when an organization is using practices that embody the prevailing logic, managers are also held in greater esteem inside the organization. Specifically, within an institutional context with an agency logic, CEOs associated with the practices of downsizing and refocusing can gain internal support and avoid career penalty even during poor performance. By contrast, CEOs operating within a stakeholder logic can derive reputation from their commitment to taking social responsibility rather than shareholder primacy.

Consequently, this study suggests that the "rules of the game" for managers in large U.S. firms have changed over the past two decades, as the stakeholder perspective increasingly gained popularity as an alternative to shareholder primacy. Under the agency logic, the game was to increase the firm's market value. As such, managers were able to advance their careers by committing to practices that satisfied financial markets (Davis, 2009; Useem, 1996).

Subsequently, as the movement towards a stakeholder orientation gained significant momentum, managers were expected to increase profits in a fashion to meet the expectations of a wide range of stakeholders. This study suggests that the changing rules of the game for CEO success are manifested in the way the board evaluates and treats CEOs with a stakeholder orientation.

This study offers a foundation for future research on the role of CSR in corporate governance. One feasible extension of this study would be to investigate the fate of agency logic in other countries. The Anglo-American model is purported to be introduced into many firms in Europe and Asia during the 1990s and 2000s (Ahmadjian & Robbins, 2005; Fiss & Zajac, 2004). Some commentators even argued for the diffusion of shareholder primacy as the world's standard (Hansmann & Kraakman, 2000). Meanwhile, there is evidence of the global CSR movement gaining significance over the past decades, and some countries, including the United Kingdom, Belgium, Canada, Denmark, and the Netherlands, instituted progressive policies towards CSR initiatives (Aguilera et al., 2007). In this regard, Williams and Conley (2005:495-96) opined that "the historically unified Anglo-American front may be breaking down as a result of CSR advocates' actions and governments' and companies' reactions." Therefore, there is a need for research on the institutional processes that affect the clash between shareholder- and stakeholder-based corporate governance systems.

Future research could also explore how the changing views and expectations of CSR have affected the way institutional investors react to a firm's high CSR activity. We know that the SRI movement has increasingly risen to prominence within the U.S. investor community (Marti & Gond, 2017; Revelli, 2017). It would be fruitful to examine whether institutional investors reward or punish firms for their high levels of CSR and how such rewards and penalties have changed over time. Given that institutional activism was a primary trigger for the rise of shareholder primacy, examining the changing relationship between CSR and institutional ownership can help improve our understanding of the changing corporate governance systems.

In recent years, there has been much talk of CSR, stakeholders and sustainability, yet the corporate governance literature seems relatively steadfast in its assumption that corporate downsizing and refocusing are suitable responses to poor performance. Our research reveals that such actions are not objective, but interpretive and the appropriateness of such actions has changed over time. Both researchers and practicing managers would be served well by recognizing that the corporate governance practices associated with poor or good performance must be interpreted within the prevailing institutional structures at the time, and much has changed in recent years.

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ON-LINE APPENDICES
Additional tables supporting the analyses in the paper can be found at www.timabansal.com.

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TABLES AND FIGURES

TABLE 1 Descriptive statistics, 1992–2015

Variable		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	CEO succession	0.108	0.310																
2	CEO dismissal	0.040	0.197	0.590															
3	CEO duality	0.793	0.405	0.023	-0.039														
4	CEO origin	0.227	0.419	0.012	0.020	-0.041													
5	Age6163	0.186	0.389	-0.002	0.025	0.094	-0.001												
6	Age64up	0.166	0.372	0.300	0.008	0.115	-0.007	-0.213											
7	Finance/law CEO	0.279	0.449	0.001	-0.029	0.018	-0.073	-0.011	0.014										
8	Technical CEO	0.311	0.463	0.002	0.019	-0.054	0.007	0.044	0.066	-0.418									
9	Cumulative number of CEO dismissal, 1980 to t-1	0.922	0.999	-0.035	-0.016	-0.115	0.247	-0.102	-0.085	-0.082	-0.023								
10	Cumulative number of CEO dismissal, squared	1.848	3.280	-0.028	-0.022	-0.140	0.191	-0.092	-0.069	-0.095	-0.003	0.906							
11	Institutional ownership, t-1	0.648	0.151	-0.031	-0.020	0.007	0.092	0.020	-0.066	0.043	0.048	0.084	0.090						
12	Total assets (logged), t-1	9.556	1.157	0.022	0.012	0.006	-0.095	0.003	0.007	-0.002	-0.017	0.024	0.036	-0.135					
13	ROA (industry-adjusted), t	0.056	0.133	-0.044	-0.078	-0.030	-0.075	0.016	-0.003	-0.073	-0.031	-0.034	-0.028	-0.050	0.135				
14	Workforce downsizing (%): Change in employees, t-2 to t-1	0.011	0.184	-0.004	0.005	-0.087	-0.048	-0.011	-0.030	0.027	-0.035	-0.051	-0.020	0.065	-0.003	0.066			
15	Business refocusing: Change in diversification entropy, t-2 to t-1	-0.005	0.175	0.006	0.027	-0.030	0.012	0.017	-0.009	-0.012	-0.021	0.001	0.005	-0.002	0.005	-0.043	0.106		
16	Total CSR strengths, t-1	4.348	3.791	0.003	0.025	-0.044	-0.014	-0.041	-0.061	-0.134	-0.070	0.126	0.090	-0.009	0.601	0.233	0.002	0.009	
17	Total CSR concerns, t-1	3.295	2.479	0.018	0.031	0.039	-0.016	0.032	0.019	0.071	0.120	0.067	0.024	-0.042	0.432	-0.020	-0.077	-0.013	0.187

N = 2,876; all correlation coefficients greater than .03 or smaller than –.03 are statistically significant at $p < .05$. The analysis starts in 1992 due to availability of KLD CSR ratings.

TABLE 2 Cox models of CEO dismissal on workforce downsizing and business refocusing

	Early era of shareholder primacy				Shareholder primacy era				Post-Enron era			
	1982–1991				1992–2001				2006–2015			
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO duality	-1.32	-1.38	-1.32	-1.37	-1.49	-1.58	-1.51	-1.63	-1.52	-1.58	-1.51	-1.56
	(0.44)	(0.44)	(0.44)	(0.44)	(0.36)	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
CEO origin	-0.08	0.08	-0.07	0.10	-0.02	0.01	-0.02	0.02	0.07	0.12	0.07	0.13
	(0.48)	(0.48)	(0.48)	(0.48)	(0.37)	(0.37)	(0.37)	(0.37)	(0.40)	(0.40)	(0.40)	(0.40)
Age6163	0.99	1.02	0.99	1.02	0.45	0.43	0.53	0.50	0.56	0.58	0.56	0.59
	(0.40)	(0.40)	(0.40)	(0.40)	(0.33)	(0.33)	(0.33)	(0.33)	(0.40)	(0.40)	(0.40)	(0.40)
Age64up	0.21	0.24	0.21	0.23	0.06	0.03	0.07	0.02	0.14	-0.02	0.15	-0.00
	(0.52)	(0.52)	(0.52)	(0.52)	(0.40)	(0.40)	(0.41)	(0.41)	(0.51)	(0.52)	(0.51)	(0.52)
Finance/law CEO	0.82	0.80	0.83	0.82	-0.49	-0.46	-0.55	-0.57	-0.98	-1.11	-0.99	-1.13
	(0.48)	(0.48)	(0.48)	(0.48)	(0.37)	(0.36)	(0.38)	(0.38)	(0.49)	(0.50)	(0.49)	(0.51)
Technical CEO	1.12	1.08	1.13	1.09	0.08	0.05	0.13	0.13	-0.16	-0.18	-0.16	-0.17
	(0.47)	(0.47)	(0.47)	(0.47)	(0.32)	(0.32)	(0.32)	(0.32)	(0.40)	(0.40)	(0.40)	(0.40)
Cumulative number of CEO dismissal	0.75	0.61	0.76	0.60	0.14	0.11	0.16	0.12	-0.13	-0.13	-0.13	-0.13
	(0.69)	(0.70)	(0.69)	(0.70)	(0.39)	(0.39)	(0.39)	(0.40)	(0.41)	(0.42)	(0.41)	(0.42)
Cumulative number of CEO dismissal, squared	-0.40	-0.39	-0.41	-0.39	0.02	0.02	0.01	0.02	-0.01	-0.03	-0.01	-0.02
	(0.43)	(0.43)	(0.43)	(0.43)	(0.15)	(0.15)	(0.15)	(0.16)	(0.11)	(0.12)	(0.11)	(0.12)
Institutional ownership	-1.72	-1.92	-1.70	-1.89	-0.37	-0.27	-0.43	-0.15	-0.56	-0.39	-0.59	-0.45
	(1.07)	(1.07)	(1.07)	(1.07)	(0.88)	(0.89)	(0.88)	(0.89)	(0.92)	(0.92)	(0.93)	(0.92)
Total assets (logged)	-0.21	-0.25	-0.21	-0.25	0.22	0.22	0.23	0.23	0.05	0.06	0.05	0.05
	(0.16)	(0.16)	(0.16)	(0.16)	(0.11)	(0.12)	(0.12)	(0.12)	(0.14)	(0.14)	(0.14)	(0.14)
ROA (industry-adjusted)	-3.86	-4.94	-3.77	-4.80	-7.10	-7.03	-7.63	-8.40	-4.83	-4.97	-4.89	-5.08
	(1.34)	(1.52)	(1.43)	(1.56)	(1.38)	(1.39)	(1.42)	(1.50)	(1.92)	(1.70)	(1.95)	(1.73)
Workforce downsizing	0.21	0.11	0.22	0.12	0.97	1.03	1.12	1.31	-0.92	-2.16	-0.95	-2.20
	(0.89)	(0.91)	(0.89)	(0.91)	(0.65)	(0.67)	(0.65)	(0.64)	(1.18)	(1.22)	(1.20)	(1.23)
Business refocusing	-1.65	-1.64	-1.65	-1.66	0.23	0.53	-0.12	0.05	0.33	0.16	0.44	0.41
	(1.01)	(1.01)	(1.02)	(1.01)	(0.64)	(0.64)	(0.71)	(0.71)	(1.12)	(1.05)	(1.26)	(1.23)
Workforce downsizing × ROA		**-13.91**		**-14.64**		**-16.50**		**-12.38**		**24.51**		**24.80**
		(10.44)		**(10.66)**		**(6.57)**		**(6.05)**		**(7.45)**		**(7.47)**
Business refocusing × ROA			**2.71**	**6.05**			**-13.79**	**-9.55**			**1.63**	**2.98**
			(13.30)	**(13.87)**			**(4.24)**	**(4.09)**			**(8.76)**	**(7.93)**
Observations	1719	1719	1719	1719	1547	1547	1547	1547	1092	1092	1092	1092
Unique firms	196	196	196	196	164	164	164	164	119	119	119	119
Unique CEOs	371	371	371	371	347	347	347	347	234	234	234	234
CEO dismissals	43	43	43	43	59	59	59	59	41	41	41	41
Log likelihood	-158.8	-157.8	-158.7	-157.7	-226.7	-223.8	-222.5	-220.6	-151.1	-147.7	-151.1	-147.6

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. Outliers for which changes in total employees and assets >2.5 are removed. The variable of interest is in bold.

TABLE 3 Cox models of CEO dismissal on total CSR strengths

	Shareholder primacy era				Post-Enron era			
	1992–2001				2006–2015			
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CEO duality	-1.72	-1.8	-1.76	-1.81	-1.32	-1.34	-1.32	-1.34
	(0.40)	(0.41)	(0.41)	(0.41)	(0.40)	(0.40)	(0.40)	(0.40)
CEO origin	0.27	0.23	0.27	0.23	-0.07	-0.12	-0.09	-0.11
	(0.40)	(0.40)	(0.40)	(0.40)	(0.44)	(0.45)	(0.44)	(0.46)
Age6163	0.10	0.14	0.09	0.14	0.62	0.54	0.63	0.56
	(0.38)	(0.39)	(0.38)	(0.39)	(0.41)	(0.43)	(0.42)	(0.43)
Age64up	0.06	0.13	0.06	0.13	0.24	0.31	0.19	0.30
	(0.44)	(0.44)	(0.44)	(0.44)	(0.54)	(0.54)	(0.54)	(0.54)
Finance/law CEO	-0.24	-0.18	-0.24	-0.18	-0.51	-0.63	-0.46	-0.60
	(0.44)	(0.45)	(0.44)	(0.45)	(0.56)	(0.58)	(0.56)	(0.58)
Technical CEO	0.33	0.43	0.34	0.43	0.39	0.34	0.38	0.30
	(0.37)	(0.38)	(0.37)	(0.38)	(0.47)	(0.47)	(0.47)	(0.48)
Cumulative number of CEO dismissal	-0.23	-0.01	-0.23	-0.01	0.24	0.28	0.23	0.26
	(0.43)	(0.44)	(0.43)	(0.44)	(0.45)	(0.46)	(0.45)	(0.46)
Cumulative number of CEO dismissal, squared	0.11	0.01	0.11	0.01	-0.08	-0.08	-0.08	-0.08
	(0.16)	(0.16)	(0.16)	(0.16)	(0.12)	(0.12)	(0.12)	(0.12)
Institutional ownership	-1.06	-1.26	-1.07	-1.26	-1.38	-1.04	-1.41	-1.12
	(1.15)	(1.14)	(1.15)	(1.14)	(1.17)	(1.19)	(1.18)	(1.19)
Total assets (logged)	-0.11	-0.23	-0.11	-0.23	0.22	0.27	0.23	0.28
	(0.17)	(0.18)	(0.17)	(0.18)	(0.22)	(0.22)	(0.22)	(0.22)
ROA (industry-adjusted)	-6.24	-0.04	-7.39	-0.30	-10.02	-16.48	-13.41	-18.79
	(1.53)	(2.37)	(2.28)	(3.31)	(2.34)	(3.45)	(4.28)	(4.46)
Workforce downsizing	0.67	0.69	0.75	0.70	-0.37	-0.79	-0.46	-0.84
	(0.69)	(0.67)	(0.70)	(0.68)	(1.34)	(1.31)	(1.35)	(1.30)
Business refocusing	-0.35	-0.64	-0.44	-0.64	0.90	0.87	0.82	0.86
	(0.70)	(0.76)	(0.73)	(0.77)	(1.25)	(1.25)	(1.24)	(1.25)
Total CSR strengths	0.16	0.22	0.16	0.22	0.02	-0.01	0.03	-0.01
	(0.07)	(0.08)	(0.07)	(0.08)	(0.06)	(0.06)	(0.06)	(0.06)
Total CSR concerns	0.07	0.06	0.07	0.06	-0.18	-0.15	-0.19	-0.16
	(0.08)	(0.09)	(0.08)	(0.09)	(0.10)	(0.10)	(0.10)	(0.10)
Total CSR strengths × ROA		**-2.65**		**-2.63**		**1.11**		**1.12**
		(0.86)		**(0.86)**		**(0.39)**		**(0.40)**
Total CSR concerns × ROA			**0.61**	**0.11**			**0.93**	**0.70**
			(0.90)	**(1.03)**			**(0.99)**	**(0.88)**
Observations	1327	1327	1327	1327	1053	1053	1053	1053
Unique firms	154	154	154	154	117	117	117	117
Unique CEOs	313	313	313	313	224	224	224	224
CEO dismissals	51	51	51	51	37	37	37	37
Log likelihood	-184.3	-179.2	-184.1	-179.2	-128.8	-125.2	-128.4	-124.9

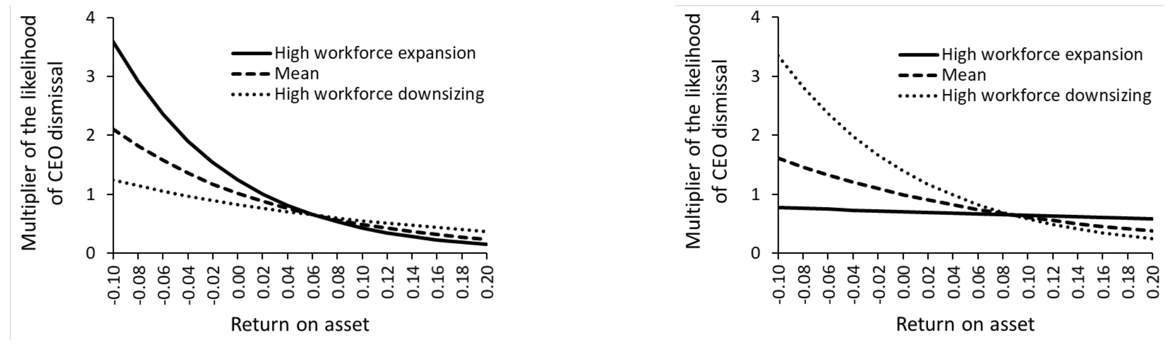
Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. Outliers for which changes in total employees and assets >2.5 are removed. The analysis starts in 1992 due to availability of KLD CSR ratings. The variable of interest is in bold.

TABLE 4 Summary of robustness checks

Variable	Alternative measurement	Data	Finding
Engagement in business refocusing	• Number of unrelated business divestitures, t-2 to t-1 • Number of unrelated M&As, t-2 to t-1 • Percent change in total assets, t-2 to t-1	• SDC Platinum • SDC Platinum • Compustat	Consistent with findings from the use of change in diversification entropy (Appendices 1–6)
Engagement in stakeholder practices	• ESG score, t-1 • Net CSR score (total CSR strengths minus CSR concerns), t-1	• ASSET4 • KLD	Consistent with findings from the use of total CSR strengths (Appendices 7–10)
Firm financial performance	• Total shareholder return (TSR) • Earnings per share (EPS) • Tobin's Q	• Compustat • Compustat • Compustat	Consistent with findings from the use of ROA (Appendices 11–13)

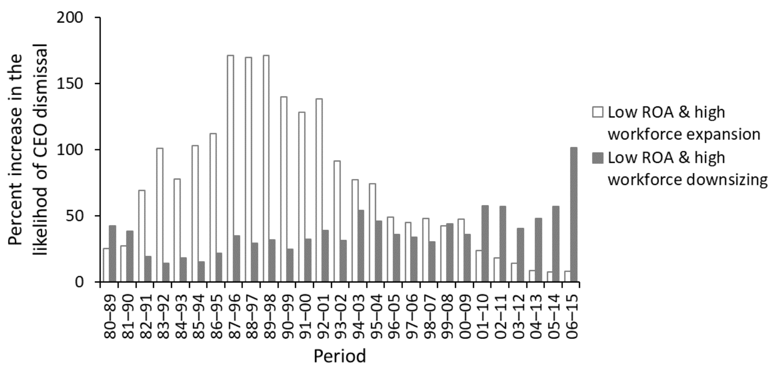
Note: SDC Platinum is used to collect data on the divestitures and M&As that are announced and completed by the parent firms between January 1, 1980 and December 31, 2015. Appendices are available at https://www.timabansal.com.

FIGURE 1 Interaction effect of industry-adjusted ROA and workforce downsizing on CEO dismissal (based on models 6 and 10 in Table 2)



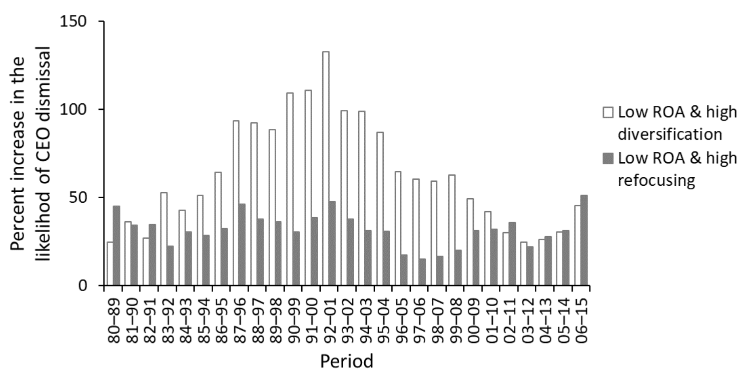
Note: High workforce expansion (downsizing) = one SD above (below) the mean change in employees.

FIGURE 2 Changing role of workforce downsizing in the relationship between poor firm performance and CEO dismissal, 1980–2015



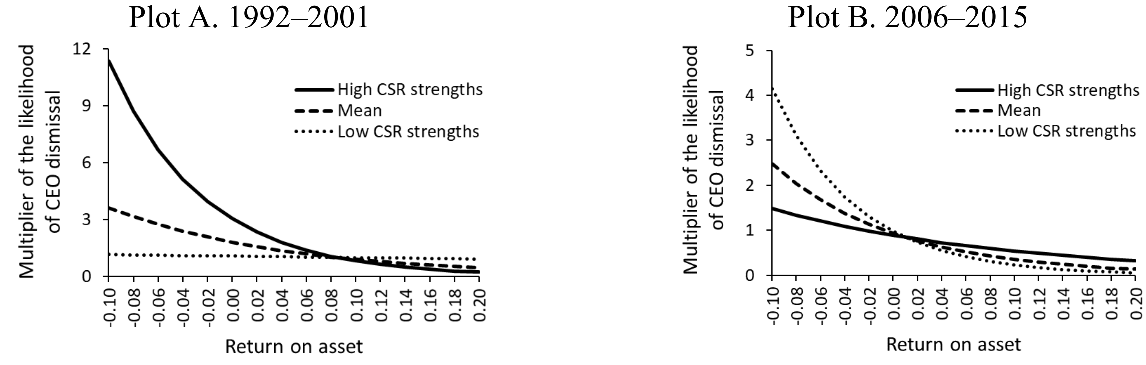
Note: Low ROA = one SD below the mean; high workforce expansion (downsizing) = one SD above (below) the mean change in employees.

FIGURE 3 Changing role of business refocusing in the relationship between poor firm performance and CEO dismissal, 1980–2015



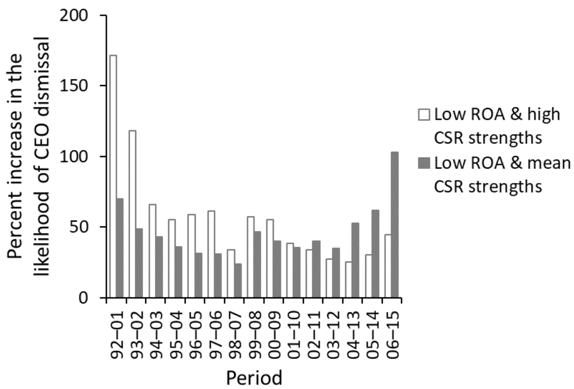
Note: Low ROA = one SD below the mean; high diversification (refocusing) = one SD above (below) the mean change in diversification entropy.

FIGURE 4 Interaction effect of industry-adjusted ROA and total CSR strengths on CEO dismissal (based on models 2 and 6 in Table 3)



Note: High (low) CSR strengths = one SD above (below) the mean.

FIGURE 5 Changing role of total CSR strengths in the relationship between poor firm performance and CEO dismissal, 1992–2015



Note: Low ROA = one SD below the mean; high CSR strengths = one SD above the mean.