Fabrizio Ferraro, Daniel Beunza

Why talk? A Process of Model of Dialogue in Shareholder Engagement

Working paper

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Fabrizio Ferraro

IESE Business School

fferraro@iese.edu

Daniel Beunza

London School of Economics

d.beunza@lse.ac.uk

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Abstract

In explaining how activists engage corporations, social movement theory has provided a compelling account of contentious activism and tempered radicalism. The growing use of dialogue, by contrast, has not received a comparable level of attention. On the basis of a four-year qualitative study of a faith-based coalition of investors, we develop a process model of how shareholder dialogue leads to corporate change. Through repeated engagement activists leverage internal corporate political debate to achieve synthesis. Such dialogue requires raising awareness, building coalitions, and reframing. We contribute to social movement theory by extending the open polity perspective to dialogue, and by outlining how contentious tactics, tempered radicalism, and dialogue are complementary.

A growing consensus has emerged among business and society scholars on the positive effect of engagement between managers and stakeholders. For instance, research in stakeholder theory provides moral and instrumental reasons for why corporation should respond to their stakeholders' claims (Freeman, 1984, 2010), thus creating a space for dialogue (Smith, Ansett, & Erez, 2011; Strand & Freeman, 2013). But whereas there is empirical evidence that a cooperative engagement between the firm and its stakeholders can have positive performance consequences (Henisz, Dorobantu, & Nartey, 2013), the mechanisms that explain successful engagement are not fully understood. One area that remains particularly unclear is stakeholder dialogue with the corporation. While it is clear that dialogue makes up an inevitable component of any stakeholder engagement (Greenwood, 2007; Heath, 2007; Kent & Taylor, 2002; Palazzo & Scherer, 2008), the precise nature and consequences of such dialogue have not been elucidated by existing scholarship. One key reason for this is that the literature is primarily targeted at corporate managers, and focused primarily on the moral arguments for engaging in dialogue, thus neglecting the question of why should dialogue work in changing corporate practices in the first place.

In this respect, social movement theory provides a useful theoretical ground given the recent shift in interest from the state to corporations and the social actors relating to it (de Bakker & den Hond, 2008; de Bakker, den Hond, King & Weber, 2013; King & Pearce, 2010; Soule, 2009; Van Dyke, Soule, & Taylor, 2004). By focusing on those actors intent on affecting corporations (activists) rather than those affected by them (stakeholders), movement scholars have managed to identify the repertoire of available tactics for instilling corporate change. Yet the mechanisms through which dialogue translates into change are not as well understood as those explaining how contentious tactics (Tilly, 1999) lead to it. More recently, the open polity perspective in social movement theory has provided a helpful theoretical framework to link movements' contentious activities and the internal dynamics of the target organization (Zald, Morrill & Rao, 2005). Building on it, researchers have shown that activists can successfully change corporate policies by leveraging internal political divisions (Weber, Rao & Thomas, 2009). Yet direct dialogue between activists and managers remains underexplored, and it is unclear how and when dialogue can lead to changes in corporate policies. Hence the research question that motivates this article: how does stakeholder dialogue translate into organizational change?

We address this question in the context of shareholder engagement. Shareholder engagement denotes a small but growing practice centered on filing shareholder resolutions to express discontent about key aspects of the social and environmental performance of corporations. Resolutions are often complemented with closed-door dialogues with the top management of those firms, often lasting several years (Carleton, Nelson, & Weisbach, 1998; Logsdon & Van Buren, 2009). But whereas a growing literature has established the effectiveness of this activist approach (Dimson, Karakas, & Li, 2013), existing studies have focused on the reputational threat posed by resolutions at the expense of the dialogue with the corporation. This, we contend, has obscured the non-contentious mechanisms by which activists can influence corporations, making it difficult to appreciate the processual nature of stakeholder engagement, the ways in which it leverages the political nature of the corporation, as well as its differences between dialogue and competing forms of activism such as contentious tactics or employee activism.

We analyze shareholder engagement by exploring the activities of the Interfaith Centre for Corporate Responsibility (ICCR), the faith-based investor coalition that pioneered the practice of shareholder dialogue in 1971 and remained at the forefront of it for four decades. To understand the ways in which dialogue creates activist influence, we focus on a selected number of dialogues where these activists were instrumental in driving change, including Ford Motor, Merck & Co, and Wal-Mart Inc. We document, for instance, the ways in which dialogue with ICCR led Ford to shift from supporting anti-climate-change propaganda to becoming the sustainability leader of the American automotive sector. Similarly, we analyze how Merck shifted from suing the South-African government for offering generic anti-HIV drugs to making such drugs widely available. We also consider how Wal-Mart evolved from demonizing activists to changing its labor policies. Finally, we include a number of companies with whom ICCR initiated a dialogue but did not succeed in accomplishing change, including ExxonMobil Corp, Tyson Foods and Dillard's Inc.

Based on our inductive, qualitative study of these cases we propose a process model of stakeholder dialogue, and identify the mechanisms that explain its effectiveness. Specifically, we argue that stakeholders can wield influence by shaping corporate debate. In their meetings with corporations, stakeholders perform three sets of activities: they raise awareness about the issues of concern, build coalitions with potential supporters within the corporation, and reframe the issue in business terms. When shareholders are committed to the dialogue and these encounters are repeated, trust develops among the parties. Eventually, the dialectic exchange between shareholders and managers leads to synthesis, often yielding novel approaches to the issue and authentic shifts in the perspective of both parties.

Our study contributes to the social movement literature by theorizing the rich possibilities of dialogue in bringing about corporate change. It does so by extending the open polity perspective (Zald et al., 2005) and identifying the ways in which dialogue leverages internal political fragmentation to achieve influence. Similarly, our model posits that dialogue unleashes a change "motor" (Van de Ven & Poole, 1995) that sets it apart from other activist tactics. Whereas contentious tactics change by selecting out socially unacceptable corporate practices, dialogue operates by prompting learning on the part of activists and corporations. In change terms, contentious politics can be seen as a form of *evolution*, in which activists contribute to selection. By contrast, dialogue can be seen as a form of *synthesis*, arising from the dialectical encounter and progressive convergence between the positions of activists and corporations. In light of these differences, we suggest that dialogue and contentiousness are complementary in achieving a movement's objectives. We complete our analysis by identifying the conditions under which one is more appropriate than the other, and develop seven propositions stemming from our model.

STAKEHOLDER DIALOGUE IN SOCIAL MOVEMENT THEORY

While public dialogue lies at the core of the early literature on social movements, scholarly interest has shifted to other forms of activism such as contentious politics, leaving a void in our present understanding of private dialogue with corporations. Early scholars of social movements established the importance of dialogue by documenting how activists targeted public dialogue, shaping the categories and frames in which social actors operated (Gamson, 1992; Lounsbury, Ventresca, & Hirsch, 2003; Rao, Monin, & Durand, 2003; Rao, Morill, & Zald, 2005;;). However research has recently shifted its focus from public to private settings, turning to movements that target corporations rather than the state (den Hond & de Bakker, 2007). Yet despite the many insights generated by such turn, this literature has not fully captured the ways in which activists actually use dialogue to exert influence on corporations, nor explained the mechanism whereby it can be effective.

Such void becomes apparent in light of the various strands of existing movement research (Table 1). One important strand centers on activists that operate outside corporations and that resort to so-called contentious tactics. Because these activists lack access to institutional channels to demand change in corporate policies, they naturally resort to what social movement theorists call extra-institutional tactics (McAdam, 1982; Tilly, 1978). Protests are perhaps the quintessential tactic of these movements, as they enable the broadcasting of grievances (Lipsky, 1968) via "repeated public displays" (Tilly 1999,p. 257) against elite power holders (Taylor & Van Dyke, 2004). As movements focused their attention directly on corporations, product boycotts became a key tactic to divert resources away from corporations by leveraging the power of consumers (John & Klein, 2003; Manheim, 2001; Putnam, 1993). The evidence on the effectiveness of protests and boycotts is still mixed (Luders, 2006; Miller & Sturdivant, 1977; Seidman, 2007; Vogel 2005,), but most recent work suggests that these tactics effectiveness is mediated by the reputational threat generated by their media coverage and operates by creating a reputational threat (King, 2008). The effectiveness of social movements' extra-institutional tactics thus extends beyond the street and into the corporate suite.

--- Insert Table 1 here ---

A recent development in the study of contentiousness is the so-called open polity perspective, which conceptualizes organizations as political entities (Zald & Berger, 1978) and suggests that movements are able to influence them because of the organizational embeddedness in society (Zald et al., 2005). In this sense, Weber et al.(2009) showed that the green movement's anti-biotechnology campaigns of the 1980s indirectly affected dialogue and decision-making inside German pharmaceutical companies. In accounting for the effectiveness of these campaigners, the authors reject the possibility that activists were able to pressure the company into reversing its policy. Instead, Weber et al. (2009) underscore the role of organizational politics: as they write, "external contestation translated into technology choices in more intricate ways, mediated by the targeted organizations' existing internal political systems" (2009: 114). Specifically, these authors suggest that activists shaped corporate decisions by tipping the balance of power in internal political conflicts.

A second stream of literature in contemporary movement theory focused on employee activists. This has shown how organizational members advance movement agendas by working within corporations in a variety of contexts, ranging from the military (Katzenstein, 1998) to college campuses (Lounsbury, 2001) and corporations (Bansal, 2003; Meyerson & Scully, 1995; Scully and Segal, 2002, 1999; Raeburn, 2004). Across this literature, the key mechanism linking internal and external activism is mobilization around a shared social identity, as employees identify with the social movement's cause, and actively promote change from within (Meyerson, 2001; Meyerson & Scully, 1995;; Scully & Segal, 2002). As insiders to the corporation, these employee activists --often characterized as tempered radicals-- can better understand the internal polity, exploit organizational and political opportunities, and better modulate their reactions. Their incremental approach to change (Weick, 1992) proves equally effective.

Notwithstanding their impact, neither the contentiousness nor the tempered radicalism literatures provides a way to understand the transformative potential of stakeholder dialogue (table 1). Like contentious activists, dialogue participants establish alliances to advance an alternative frame in an organized fashion. But unlike them, dialogue participants cannot rely on radical rupture such as staging boycotts, strikes or demonstrations, as these would endanger the dialogue. Stakeholders that engage in dialogue find themselves in a liminal position from which they can exploit the opportunities emerging from their access to the polity, but cannot rely on contentious tactics in the process.

Dialogue participants also differ from tempered radicals. The tactics used by tempered radicals are effective because of their local, opportunistic and expressive nature. But partly for this reason, they also lack a systematic, company-wide mechanism to raise collective concerns, thus limiting their effectiveness. Similarly, tempered radicalism does not provide mechanisms for translating small local changes into company-wide change. By contrast, stakeholders who turn to dialogue can risk the consequences of being somewhat disruptive and speak up against the status-quo. Their liminal position gives them both some form of access and a measure of freedom.

In light of the above, we see a gap in the literature. Social movement research lacks a distinct theory of activist engagement that can illuminate how stakeholders leverage dialogue with the corporation. Such theory would advance the open polity perspective (Zald et al., 2005) by better specifying how stakeholders collaborate with contentious activists to penetrate organizational boundaries and reach out to internal activists. It could also explain how stakeholders can champion disruptive change agenda without resorting to contentious tactics. Our study addresses this gap for the case of shareholders.

Why Dialogue Matters in Shareholder Engagement

Despite a growing literature on the practice of shareholder engagement, the role of dialogue in it is still poorly understood. Building on the contentious politics paradigm, the shareholder engagement literature has explained its effectiveness as a result of management caving in to external pressure (Eesley & Lenox, 2006; King & Soule, 2007; Vasi & King, 2012). Yet it has done so by focusing on the more formal and readily observable part of shareholder engagement, resolution filing and voting, at the expense of the informal and collaborative aspect of engagement. The unfortunate consequence, as we argue below, is mixed empirical results and an account of engagement that almost exclusively focuses on reputational threat. In this section we posit the need for a process theory of shareholder dialogue that reveals additional mechanisms of activist influence.

What is shareholder engagement? This activity primarily entails the appropriation of corporate governance mechanisms to for the purpose of social activism. The historical roots of this practice lie in a governance procedure sanctioned by the Securities and Exchange Commission (SEC) in 1942, subsequently appropriated by activists in the 1970s. In 1942, the SEC promulgated the first version of the shareholder resolution rule. According to it, any shareholder owning at least $2000 in a publicly traded firm could file an advisory shareholder resolution (SEC Rule 14-a-8). These resolutions, included in the firm's proxy statements, were non-binding and had to be less than five hundred words long, as well as end with a request to take a specific action. Once distributed in the proxy statement, all shareholders could vote for or against the resolutions. In 1970 a Federal Court allowed for the first time a shareholder proposal that was unrelated to corporate governance to appear on the proxy statement of a corporation, leading the SEC to eventually allow shareholder proposals on social issues. Since then, activists have been filing shareholder proposals on a host of environmental, social and governance issues.

Shareholder engagement is part of a broader shift towards a more active role among investors. This certainly includes the so-called "activist investors" that use their votes to increase shareholder returns, but also shareholders such as ICCR that aim at protecting the interests of *other* stakeholders such as employees or local communities. Despite their different motives, the confluence of activist investors and engaged shareholders has led to a remarkable growth in the number of shareholder proposals over the past decade. Whereas investors filed 597 proposals in the period 1973-1978, they had had filed a total of 1365 proposals by 1989-1993 (Proffitt & Spicer, 2006). Since 2005, at least 1000 proposals have been filed each year (our analysis of the Riskmetrics - IRRC data).

The statistical evidence suggests that shareholder engagement is effective in shaping corporate practices. For instance, firms targeted by shareholder resolutions are more likely to disclose their greenhouse gas emissions (Reid & Toffel, 2009). Similarly, environmental shareholder resolutions positively affect corporate environmental performance (Lee & Lounsbury, 2011). Successful engagement is followed by a one-year abnormal return, and leads to improvements in operating performance, profitability, efficiency, and governance.

Yet despite its growth and effectiveness, our understanding of shareholder engagement remains limited. Is it more or less effective than alternative activist approaches? Under what circumstances should activists to rely on it? More importantly, how exactly does it work? Regarding its relative effectiveness, the literature appears to be inconclusive. Eesley and Lenox (2006) found that more confrontational tactics such as boycotts, protests and lawsuits, typically favored by external stakeholders, were more effective than letter-writing campaigns and shareholder resolutions. On the other hand, Vasi and King (2012) found that shareholder activism through shareholder resolutions had a stronger effect on environmental risk (as perceived by Socially Responsible Investment analysts) than more confrontational activist tactics. Vasi and King (2012) suggest that the different results might stem from the fact that these two tactics target different audiences: shareholder engagement is closely followed by risk analysts, leading to a greater impact on their perceptions of corporate risk, while protests and boycotts are more public, and thus might represent a more imminent threat to corporate reputation and be more effective in triggering corporate policy changes. Notably, however, neither of these studies explores shareholder dialogues directly, but only rely on resolution data.

In this respect, a related set of studies have pointed to dialogue as the critical but underexamined component of shareholder engagement. Evidence from the engagement activity of TIAA-CREF, a large institutional investor in the United States, shows that resolutions are often only used when investors cannot achieve their objectives through private negotiation (Carleton et al., 1998). The reason appears to be that, as Van Buren (2007) correctly notes, shareholders use the resolution (or the threat of one) "to engage in dialogue with corporate managers and to attempt to effect social change" (Van Buren, 2007: 61; see also Logsdon & Van Buren, 2009). This is confirmed by subsequent analyses of resolution withdrawals: Bauer, Moers, and Viehs (2012) consider these as evidence of private negotiation between management and shareholders. Proposals presented by institutional investors and labor unions are more likely to be withdrawn, suggesting that there is a distinct body of expertise in conducting engagement dialogues.

In sum, the emerging literature on shareholder engagement suggests that dialogue is effective, growing in importance, and that it entails a distinct expertise. To advance our understanding of shareholder engagement, we reconceptualize engagement as two distinct components: one that is public and reputation-threatening, the resolution; and one that is private and collaborative in nature, the dialogue. Of these, the reputational threat posed by resolutions has been analyzed at length (King, 2008; King & Soule, 2007), but dialogue has been neglected. Part of the reason might be methodological: existing research designs in this literature entails what Mohr (1982) calls "variance theory" and might not be entirely suitable to capture the temporal and processual dimension of dialogue (Langley, 1999; Mohr, 1982). Lacking an understanding of the process through which activists and corporations influence each other, it is nearly inevitable for researchers to conclude that the driving engine of influence is reputational threat. A process understanding of dialogue can thus better illuminate the entire gamut of reasons why shareholder engagement is effective.

METHODS

Research Setting and Sampling

We conducted a four-year inductive, qualitative study of the shareholder engagement activities of a coalition of primarily religious investors, the Interfaith Center for Corporate Responsibility (ICCR). Founded in 1971 and headquartered in New York, ICCR includes 275 faith-based institutional investors and has more than $100 billion under management. ICCR members are faith-based institutions such as the Unitarian Universalist Association, the Evangelical Lutheran Church in America, and Catholic Healthcare West. Most of the members are orders of Catholic religious women (nuns). However, secular organizations such as Domini Social Investments also participate. It is widely perceived as the cradle of shareholder engagement (Waddock, 2008), and its experience in engaging corporations on environmental, social and governance issues is respected even outside responsible investment circles.

One important feature of the ICCR is that it is a coalition. Engagement is conducted by organizations that are members of ICCR rather than its central office. Our research focused on the engagement dialogues conducted by these members with selected American corporations. By "engagement dialogue" we mean the sequence of interactions (meetings, letters, email messages and phone calls) that take place between a corporation and some member organization of ICCR. Aggregating across the various dialogues undertaken by ICCR's organizational members (ICCR members) provided us with a richer sample of companies and fit with our observation that corporations do not systematically distinguish between ICCR members.

We chose six corporate dialogues as the basis for theory building. Our sampling criteria led us to dialogues in which ICCR had engaged a corporation for at least 10 years. We purposefully combined cases where ICCR had a tangible effect on corporate policies with cases in which ICCR had clearly not been successful despite a long engagement. We ended up focusing on the dialogues with Wal-Mart, Merck, Ford, ExxonMobil, Dillard's, and Tyson. These companies span very different industries (consumer, energy, retail, pharma) and achieved different levels of effectiveness in changing corporate policies.

Data Sources

Our sources include interviews with ICCR members and staff as well as with corporations, participant observation, and archival data (see Table 2).

Interviews. We conducted 56 interviews between ICCR members, staff, and corporate managers. We followed a snowball sampling procedure, starting from the top management of ICCR. After an initial meeting with institution's Director in New York City, we interviewed her staff and the leading members of the coalition. In this, we first spoke with informants with many years of experience, and then interviewed people who were learning the craft. We started with semi-structured interviews and as our theorizing developed we moved towards a more specific interview template (Spradley, 1979). We interviewed informants of different kinds: staff members, members belonging to religious or secular organizations, non-member investors affiliated with ICCR, and managers of the corporations ICCR engaged. In our initial interviews we encountered repeated references to a number of key engagement dialogues with corporations. We then turned to the dialogue participants at those corporations, aiming to obtain their perspective. We interviewed executives from Ford, Merck, Coca-Cola, and Disney.

Unsurprisingly, we did not manage to interview executives from companies where ICCR had not had an effective engagement such as Exxon, Wal-Mart, Dillard's or Tyson. As with the ICCR interviews, we asked our corporate informants to provide specific information about the process through which the dialogue unfolded. Table 3 provides evidence of the variation across our informants.

Observation. We complemented our interviews with direct observations of ICCR members in their meetings. The members meet quarterly to coordinate their activity and these meetings last on average one week. We observed five of these meetings in various locations: New York (three times), Detroit, and Chicago. We also visited ICCR's headquarters fifteen times for both interviews and observation, one annual general meeting in London, and the Investor Day of two large oil and gas multinational corporations. We recognize that these observations are inevitably limited: even though our analysis made clear that the face-to-face meetings with corporate managers are a key feature of shareholder engagement, we were not invited to observe these dialogues directly. However, we remained cognizant of this through the research project, and sought to triangulate our findings by interviewing corporations directly and by relying on the shareholder resolution database as well as the media.

Archival data. Finally, we were given access to ICCR's EthVest proprietary database of shareholder resolutions filed between 1993 and 2010. This dataset consists of all the shareholder resolutions filed by ICCR members, and provides information on the topic of the resolution, the corporation targeted, the names of the individuals and organizations filing as primary filers and the organizations co-filing with them, in addition to the outcome of the resolution (Omitted, Withdrawn, Percentage of Votes received). We used this information to develop an initial understanding of the evolution of the dialogues over time, and to triangulate the information we gathered in the interviews. This information also provided the backbone for the construction of the tables in which we report also additional data on the dialogues we explored in more depth (Tables 4-8). We relied on KLD data to measure the environmental, social, and governance performance of the corporation targeted by ICCR. We used KLD ratings to add an external, measure of the outcomes of the engagement process. We also conducted media searches through Factiva to identify protests targeted at the corporations we studied, an important measure of social movement activism and widely used in the literature (King, 2008; McDonnell & King, 2013; Soule, 2009). We also measured the number of press articles published on the specific issues on which ICCR was engaging the corporation[1]. We used both sources of data to consider the role of social movement activism and public pressure in yielding change in corporate policies.

--- Insert Tables 4 to 8 here ---

Analysis

Given the limitations of the existing literature, we opted for a process approach to theorize stakeholder dialogue (Mohr, 1982; Langley & Trouax, 1994; Langley, 1999). Process theory is a systematic approach for generalizing from empirical phenomena that entail a time-ordered sequence of discrete states and events. Unlike variance theory, where temporal order does not matter, sequential ordering is a crucial aspect of process theory. Process theory is also best suited for situations where two entities gradually combine over time. Process theory not

1 We collected data on public protest events directed at the eight firms from daily news reports in five different national newspapers: the New York Times, Washington Post, Wall Street Journal, Chicago Tribune, and Los Angeles Times (King, 2008). We searched Factiva to identify newspaper articles during the period 1990-2010 by using the following search string: <company name> AND <protest*>. Then we read each article to ascertain that the protest effectively targeted one of the 8 corporations. In order to be considered a public protest, the protest event must have involved more than one person and must have happened publicly. For each distinct issue we also assessed the media coverage of the issue by counting the number of Factiva articles mentioning each issue during the period.

only conveys the relevant antecedents (as variance theory does), but also captures the way in which these antecedents relate to each other. As Mohr (1982: 37) remarks, “to characterize it briefly, [process theory] is the sort that consists of ingredients plus the recipe.”

Process theory is ideally suited to the study of shareholder dialogue. Existing variance studies have been of limited effectiveness in accounting for how, in the absence of a threat, dialogue achieve change. These studies have focused exclusively on shareholder resolutions, isolating quantifiable actions (resolution filing), correlating these actions to outcomes (management caving in to activist demands), and inferring a mechanism (reputational threat) based on them. But by decontextualizing action from its broader context, resolution studies have overlooked alternative mechanisms of influence. Instead, we see shareholder dialogue as a process, that is, a set of steps that unfold over time. More than simply unidirectional influence, we see it as the combination of two entities, namely activists and target companies, that go through different states of gradual approximation. In developing such process approach, we hope to provide the “ingredients plus recipe” of how dialogue can be effective.

How would a process theory of shareholder dialogue look like? In laying out the components of a process account, Mohr (1982) listed three features. These include, first the necessary conditions; second, a necessary probabilistic process; and third, the directional forces that move the focal unit in a characteristic way. In locating those necessary conditions, we looked for recurring patterns among effective dialogues that participants see as necessary and that are consistent with existing theory. Our case analysis pointed to three recurrent patterns: raising awareness, building coalitions and reframing. The dialogue leaders confirmed that these held across the other cases, suggesting that these were necessary conditions. As we probed deeper into the precise ways in which these conditions operated, we eventually learnt that the corporation could not be treated as a monolithic entity, but rather as the locus of debate. This allowed us to identify the probabilistic process that Mohr mentions: collective decision-making in the corporation. As we developed a temporal model of dialogue further, we also understood that the directional force moving the focal unit was internal debate itself. This became particularly clear in our studies of ineffective dialogue, which consistently entailed companies in which there was no debate about the issue at hand, either for ideological reasons or because of their ownership structure.

In terms of analysis, we started by discussing the interviews and observations soon after we had conducted them. Our discussions were captured in memoranda, and these memos were the foundation of the emerging themes we aimed to refine in our fieldwork (Diesing, 1971; Lofland & Lofland, 1995). In these memos we started by using the participants' own conceptualization. We then focused only on a subset of the dialogues we studied, and wrote a chronological narrative of three effective cases and a shorter one of three ineffective ones. We compared the different cases of dialogues we clustered these conceptualizations in higher-level codes, which eventually became our recurring patterns of raising awareness, building coalitions and reframing. As we aggregated cases of effective and ineffective dialogue we also identified commitment and synthesis. In Table 9 we report representative quotes from our informants on these concepts across various cases of dialogues. As we developed our concepts we kept going back to data to confirm that the patterns we identified we not exclusive to our cases. Finally, to ensure the reliability and trustworthiness of our interpretations and analysis (Corley & Gioia, 2004; Lincoln & Guba, 1985) we continuously asked for feedback from our informants on the emerging themes. Through this process, for instance, we decided to rethink the role of one mechanisms (breaching) as informants told us that it was not a pattern very common, but rather one typical of a few ICCR members.

A PROCESS THEORY OF STAKEHOLDER DIALOGUE

The origins of the engagement dialogue can be traced back to the early roots of ICCR. The investor coalition was founded in the 1970s to coordinate the filing of shareholder resolutions among religious investors. In a successful anti-apartheid campaign, the Episcopal Church in 1971 filed a resolution asking General Motors to leave South Africa, and this informal coalition evolved into the ICCR. During the early years, ICCR's engagements barely entailed any dialogue. As Tim Smith, a former director of ICCR, explained to us "for the most part, we really filed the shareholder resolution and then had no contact with the company until we went to the stockholder meeting. And in many cases, it was just giving your speech and waiting for the results."

This approach changed during the 1990s. Starting with the engagements on infant formula and Bhopal, companies began to open negotiations with the ICCR. These were a way for the companies to try and silence the issue, as ICCR member Sister Patricia Daly explained. But the existence of meetings with the companies marked a key shift. The encounters, which the ICCR came to call "dialogues," allowed for a different approach to interact with the companies. At present, ICCR remains one of the leading organizations that advocate for responsible investment, and its two decades of experience in engaging companies through dialogue gave us a unique opportunity to study the phenomenon and explain what makes it effective.

As no systematic data on the precise number of ICCR's dialogues is available, we developed an estimate for the period 1993 to 2010 on the basis of the resolution database. In these years, ICCR members presented 3302 shareholder resolutions to more than 900 different corporations. To get to this number, we organized the resolution data longitudinally, and defined as dialogue every sequence of resolutions targeted by the same ICCR member to the same corporation that had at least 6 resolutions (over the 1993-3010 period). Following this rule, we identified 150 dialogues (less than 5% of the total number of resolutions presented). The actual number of dialogues ICCR conducted is likely to be much lower than this figure, as different ICCR members often file separate shareholder resolutions with the same corporation. Also, some of the corporations targeted would not go beyond defensive tactics, and ICCR presented resolutions despite the absence of dialogue. Despite these limitations, this approach allowed us to corroborate the information emerging from interviews.

In the section we start by reporting on our findings from three cases of effective dialogue, followed by three contrasting cases of ineffective dialogue. We focus on one or two processes for each of the three success cases even though we saw all of them at work in all three cases. Our analysis of the ineffective dialogues provided confirmation of our findings.

The Wal-Mart Dialogue

An extensive literature has documented the stakeholder relations of Wal-Mart, including the company's reactions to activist protests (Ingram, Yue & Rao, 2010) and shift towards environmental responsibility (Humes, 2011; Moreton, 2009,). Far less known is the role of ICCR in this process. Led by Sister Barbara Aires from the Sisters of Charity of St. Elizabeth (NJ), ICCR's engagement with Wal-Mart took place between 1998 and 2007, and led to real but moderate changes in equal employment opportunity rights. Nevertheless, progress eventually stalled, and by the end of the 2000s Wal-Mart's KLD ratings for employment relations were worse than at the beginning of the decade (See KLD ratings for employee relations and diversity in Table 4). Whilst only partially effective, the Wal-Mart dialogue reveals how ICCR activists used dialogue to impress on a corporation the significance of key issues.

ICCR started to engage Wal-Mart in 1998 by filing a resolution on Wages and Human Rights. The initial engagement team included Sister Barbara Aires; Sister Susan Mika of the Benedictine Monastery of St. Scholastica in San Antonio (TX); Maggie Weber, representing the Basilian Fathers of Toronto; and Reverend David Schilling, senior program manager at ICCR. The company responded aggressively to the resolution filing, challenging it at the SEC. Yet the challenge was unsuccessful, and the resolution went ahead.

The engagement team used the resolution as a way to start a dialogue. After several initial meetings with Susan Klooz, legal counsel at Wal-Mart, Sister Barbara made repeated attempts to speak directly to Lee Scott, the company's CEO. She was eventually granted telephone access to him. In that first conversation, Scott told Sister Barbara he did not understand why Wal-Mart should give them access to their managers. Sister Barbara then mentioned the threat of social movements:

> I said, well, you [Wal-Mart] clearly have issues. And you have students in all the campuses thinking of you in one dimension. That is the whole issue of sweatshops around the world. And that's not going to go away. And they're going to be having meetings on campus. But you're going to be always the worst. Because you are the biggest. And he insisted that things were underway to do this and everything. So, we didn't get anywhere. So I called again. And finally I sent a list of people I thought would be good to come to the table. And a meeting was set up in July, the following summer.

In other words, the contentious activity of activists in college campuses helped Sister Barbara gain a foothold with the company, providing her with a threat she could conjure up. ICCR, her argument went, could help the company stave off activist contentiousness through shareholder dialogue.

The first meeting between ICCR and Wal-Mart's CEO was a tense and difficult one, but it nevertheless paved the way for several years of effective dialogue. A team of ten ICCR members flew to Wal-Mart's headquarters in Bentonville (AR) to meet company executives. The discussion at the meeting eventually became intense, giving the activists an opportunity to elicit an emotional reaction from the CEO. As Sister Barbara recalls,

> Midway through the morning, Lee Scott came in. And he sat down at the table. And things got quite heated. Because we had gotten to the point of the minimum wage. And other issues. And how they did it. And some of my colleagues were really ripping into this issue. Because they were representing areas where there were lots of Wal-Marts. And they had interviewed people. And they had pay slips and all that stuff. He was furious.

The activists, in other words, infuriated the very top management of Wal-Mart. It is not surprising that management would react vehemently to activists' challenge, as this was clearly a breach in the dominant interaction order to which top management is accustomed to in dealing with outsiders (deference and avoidance of issues), and the breach might embarrass the company or its managers (Collins, 2004; Garfinkel, 1967; Goffman, 1959).

Months after that initial meeting, however, the relationship evolved to a point where communication took place confidentially, and underperformance could be privately admitted. As Sister Barbara recalls, "I would phone him and say, Mr. Scott? And he would say, 'Yes? What is it now?' And I would say, you know, we just talked to you a month ago. And look at this. What do you mean, you are improving? And he would say, 'I know it's a mess. But we're working on it.'" Over the following years ICCR continued filing resolutions on this issue and on labor standards, receiving high levels of support at Wal-Mart's annual general meetings: 13 percent in 2003, 16 percent in 2004 and 17 percent in 2005. Eventually the company took action on Equal Employment Opportunities (EEO), publishing for the first time a EEO report in 2006 where it disclosed information about the gender and ethnic breakdown of its employees (Birchall & Yeager, 2006). In response, Sister Barbara withdrew a resolution in 2006, and praised the company through a public statement (Associated Press, June 14, 2006).

Dialogue stalled in 2007. ICCR failed to see sufficient progress in Wal-Mart's policies, and did not withdraw a single resolution during 2008, 2009, or 2010. Looking back, Sister Barbara attributes the lack of progress to three factors. First, as Lee Scott's tenure as CEO gave way to Mike Duke in 2009, the personal relationship between her and Scott became far less effective in driving change. Second, the company's decision to focus on environmental performance (Humes, 2011) came at the expense of progress on social issues. The departure of a key ally was another roadblock. Susan Klooz, the legal counsel at Wal-Mart that met with ICCR, was instrumental to the coalition's initial success, but she retired in 2010. According to Sister Barbara, "she was able to speak to these people in the executive committee. She became engaged. And actually, didn't always agree with us. But she did understand what we were trying to do." Klooz was also helpful in getting people to the table, drawing on her inside knowledge of the ups and downs of the company. Her absence contributed to slow down progress.

The change in the tone became clear in our direct observations of ICCR. Between 2009 and 2011 we participated in three ICCR meetings where Wal-Mart was discussed, and in two cases senior Wal-Mart executives were present on the phone. In the first meeting we observed (in New York City), numerous ICCR members left the room and a few told us in private they did not understand why ICCR kept engaging Wal-Mart, given the ineffectiveness. In the second meeting (in Detroit, one year later) ICCR members voiced their frustration about this dialogue. Finally, in the 2011 meeting, held in Chicago, a Wal-Mart executive joined via the phone and started by apologizing and thanking ICCR "for your 20 years of patience and 20 years of persistence."

Raising Awareness

The Wal-Mart dialogue, and specifically the way in which ICCR made issues focal to the company, points to one key mechanism of change induced by shareholder dialogue. ICCR pushed for change at Wal-Mart by *raising awareness*, namely, sensitizing company managers about equal employment opportunities. In the context of stakeholder dialogue, raising awareness has a significant emotional component, as it is grounded in the stakeholders' ability to elicit the empathy of company managers about how activists feel. This helps managers recognize that an issue exists. Yet the practice requires skill, as senior managers might not be used to direct questioning by outsiders and might feel undermined. For that reason, bringing issues to the boardroom requires the rare ability on the part of the activists to create an emotionally charged, but not explosive, situation (Collins, 2004; Garfinkel, 1967; Goffman, 1959).

Raising awareness is one important way in which dialogue differs from both contentiousness and tempered radicalism. Unlike the street activists that typically rely on contentiousness, ICCR members are able to raise awareness while sitting in the same room as managers, voicing their concerns in a setting of civility and mutual respect. This allows them to present a more nuanced message, and makes the message more likely to be listened to. Unlike tempered radicals, ICCR members do not risk losing their jobs by opening their mouths: their status as shareholders means that they have less to lose (Meyerson & Scully, 1995; Scully & Creed, 2005). Indeed, ICCR typically insists on an initial face-to-face meeting as soon as they start to engage with corporate managers.

In addition to the structural and affective elements noted above, raising awareness also entails an element of dissonance (Stark, 2009). Rather than trying to change how managers think, ICCR members raise an issue and let corporate managers consider it without any expectation that it will be readily accepted. As former ICCR officer Leslie Lowe explains, "what we're doing is opening a space from where they had the hard line --this isn't real and it has nothing to do with business-- to opening a crack." Indeed, the expression "opening a space" has a counterpart in the physical space of the conference room where the dialogues take place: ten or twenty people, sitting around a large table and willing to entertain views that differ from their own.

In sum, the Wal-Mart case alerts us to the unique ways in which dialogue allow activists to raise awareness. First, the liminal *position* of ICCR members (investors rather street activists or employees) allows them to voice strong concerns (Lamont & Molnar, 2002, O'Mahony & Bechky , 2008). Second, the interactive *setting* in which they do so --the face to face meeting, typically at the company headquarters-- makes it more likely for the message to elicit empathy. Third, by adopting a strategy of *awareness* rather than persuasion, shareholders can set in motion internal debate within the corporate polity that they can subsequently shape.

The Merck Dialogue

ICCR's dialogue with Merck & Co took place between 2001 and 2007, and points to the effectiveness of building coalitions and reframing issues. ICCR started engaging Merck in 2001 on HIV-AIDS and access to medicine in emerging markets. At the time, the AIDS epidemic was rampant and the drugs that were becoming available in the developed world were not available at all in Africa, or were beyond the means of the patients. Thanks to the activity of ICCR over the following six years, by 2007 Merck had developed a detailed business strategy to deal with HIV-AIDS, had formulated its Access to Health Guiding Principles, and had opened up its pace of progress by issuing a comprehensive set of measurement indicators.

The Merck dialogue was led by Cathy Rowan, Director for Socially Responsible Investments at CHE Trinity Health; by Christina Herman of the Missionary Oblates of Mary Immaculate; and by Sister Judy Byron of the Northwest Women Religious Investment Trust. They initiated dialogue with Merck in 2001 by writing a letter to Merck's Board of Directors.

The letter, signed by Cathy Rohan, Sister Judy and others such as James Gunning (Unitarian Universalist), voiced concern that Merck was not doing enough on HIV-AIDS, asking the company to publish a corporate responsibility report and to disclose its policies on HIV-AIDS in developing countries. Indeed, Merck had at the time been suing the South-African government for importing generic versions of AIDS drugs from an Indian manufacturer, leading other responsible investors and stakeholders to voice their concern. In 2003, the ICCR team filed the first shareholder resolution. Merck agreed to speak with ICCR members and in 2003 it published its first CSR report.

In 2006 ICCR led a benchmarking study of pharmaceutical companies' response to AIDS-HIV. The report wrote of Merck: "the company's HIV/AIDS response appears to be overly driven by philanthropy. Merck should be bringing the full force of its core business strengths to overcome registration lags, pediatric formulations challenges, and a still-tentative licensing approach" (ICCR, , 2006). The report added that access to medicine was not only important in its own right, but also for its business impact. ICCR thus translated a moral frame that activists cared about ("access to medicine") into a business frame that companies could relate to ("emerging markets.")

In its attempt to influence Merck, ICCR went beyond its executives and reached out to the rest of the industry. In 2008 ICCR organized the first Roundtable on Access to Medicine, with numerous pharmaceuticals companies and NGOs. The conference was followed by another one in 2010, part of a broader industry-wide strategy of engagement. As ICCR's Cathy Rowan explained, the coalition was ideally placed to bring people together, because "we don't have a personal interest to gain here. People recognize that." Other members of ICCR shared this view, and ICCR now often refers to itself as having "convening power."

Such inclusive approach proved effective in ICCR's subsequent campaign. In 2010, Merck introduced a novel strategy on access to medicine, Merck's Access to Health Guiding Principles. These were developed internally but with ample consultation with ICCR members. The Guiding Principles were then translated into a set of key performance indicators that, according to Cathy Rowan, put Merck among the early adopters among US pharma companies. The development of the Principles benefited from ICCR's efforts to bring company executives together in the dialogues. As Margaret Kohn explains, "we spent a good, good deal of time coming up with a strategy (...) applicable across therapeutic areas and across functional areas, like research, manufacturing, sales, and marketing." The effectiveness of the Guiding Principles was confirmed by independent industry analyses, where Merck became ranked second among global pharmaceutical companies (Access to Medicine Index[2], 2010).

The dialogue with Merck was characterized by three traits. First, as we saw with Wal-Mart, the activists made a concerted effort to meet in person with key executives at Merck, explained to us Margaret Kohn, Merck's Director of Corporate Responsibility. The challenge was thus not simply a matter of bringing those executives with decision-making power to the table, but about initiating a discussion *within* the corporation. "Even the people that we bring to the table don't have, in some cases, decision-making authority," explained Kohn. "But," she adds, "they at least are empowered to go back and then have those broader discussions."

Second, ICCR adopted a non-confrontational approach that was unique among the activists engaging Merck. Far from limiting the strength of their message, this approach made it more likely to resonate with the target audience. As Kohn explains, "they [ICCR] have a more

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[2] The Access to Medicine index ranks pharmaceutical companies' efforts to improve access to medicine in developing countries. Funded by the Bill & Melinda Gates Foundation, the UK and Dutch governments, the index is prepared by an independent NGO with the support of various research providers.

collaborative way of working. As a result of that, I'm able to get my business colleagues to sit down with them because we've built that relationship of trust and comfort." Indeed, when stakeholders approached Merck more aggressively, Kohn was "unwilling to even bring senior-level people to the table because I didn't want them to be exposed to that level of antagonism." ICCR, this suggests, recognizes that the participant list in a dialogue is itself an outcome of the political processes within the corporation, as an open polity approach suggests (Zald et al., 2005). By understanding the political nature of dialogue, ICCR was better able to pry open the corporation.

A third trait of ICCR's dialogue with Merck was an emphasis on general ideas rather than concrete policies. ICCR sought to shape company policy by setting basic premises rather than dictating concrete policies. This made it easier for Merck to choose a response to the activists' concerns that met the internal constraints of the corporation. In one of the early letters to Merck, for instance, ICCR provided "a menu of feasible, proven solutions" to strengthen the fight against HIV/AID (ICCR letter, 2003). These ranged from price reductions to voluntary non-exclusive licensing, and left it to the company to decide which ones to take up. Similarly, ICCR influenced the development of company policy by commenting on successive drafts elaborated by the company. Recalling one such instance, Kohn explains,

> We had discussions with ICCR and had members of our environmental team and also our public policy team on the phone. We had the discussions, and then, we just went back internally, and we had to have those internal discussions about the pros and cons and what we thought we could effectively do and what we thought really made the most sense for us. We then went back to ICCR, and we said, "you know, we understand this is not as far as you would have liked us to have gone, but … this is what we did."

In other words, ICCR appeared to shape corporate policy by influencing the premises of the decisions rather than dictating actions. Avoiding requests on specific actions allows the company to deal with its own constraints in satisfying the activists' demands. As Kohn explained to us, "ICCR is our greatest stakeholder because they do recognize, I think, the internal struggle and complexities it takes."

Building Coalitions

The Merck dialogue helped us advance our understanding of stakeholder dialogue by pointing to two mechanisms of effectiveness: building coalitions and reframing issues. Regarding coalition building, we noted an effort on the part of ICCR to bring "the right people" to the dialogues. Shaping the list of corporate attendees, we concluded, allows activists to exert an integrative effect within the corporation at three levels. First, it creates common knowledge: when two different corporate actors attend the same dialogue, they are not just exposed to the same emotional appeal but also to each other's response. For instance, if a top manager demonstrates respect for ICCR and concern for the issue, a subordinate at the table will instantly accord legitimacy to the activists.

A second integrative effect is given by the activist's ability to connect disparate corporate units. To the extent that corporations overlook issues that lie across the structural fault lines of the organization, bringing together executives across them is key to address them. Doing this entails bringing both high and low-ranking corporate officers. As Rowan explained, "high-level enough so that it would be applicable across therapeutic areas and across functional areas, like research, manufacturing, sales, and marketing." But also "specific enough that we could develop key-performance indicators and, ultimately, targets."

Finally, building coalitions entails finding internal champions within the company. Because these are often middle managers, their position might be precarious and their views insufficiently echoed. As a senior officer at ICCR, Leslie Lowe, explained to us:

> I see my job as giving the best argument for that person who is somewhere in, I call him the green eyeshade guy, he's in the back room and he knows what the real deal is. The

> people who are hands-on and see day-to-day what's happening, who know that, you know, we really are wasting a helluva lot of product, here. Or, we have these leaky valves that nobody's looked in 12 years and we've been faking the inspection reports and one of these days this refinery is going to blow up.

In other words, by finding internal champions and echoing the concerns, ICCR helps a process of internal transformation. Indeed, in the absence of active coalition building by ICCR, the middle managers described by Lowe might just have turned to the tactics of tempered radicals, risking limited resonance higher up in the hierarchy.

Finally, the Merck case suggests that building coalitions need not be limited to the target company. Indeed, ICCR's success with other pharma firms such as Gilead Science, Johnson & Johnson, Roche, and ViiV Healthcare, can be traced to the industry conferences organized by the coalition around HIV/AIDS. In our interviews, both corporate managers and ICCR members attributed ICCR's ability group the relevant parties to the fact that it is perceived as trustworthy and concerned with the social good. As with the internal polity, ICCR also used industry conferences to promote the reformers and challenge the laggards.

Reframing the Issue in Business Terms

The Merck dialogue also points to reframing as an additional mechanism of effective dialogue. We understood the importance of reframing as we addressed an initial puzzle in our study: ICCR members often referred to their work as "bringing a moral voice" to corporate dialogue, but to our surprise much of their discussions were on the business merits of addressing the activist's issue. While it was true that ICCR members consistently articulated a clear moral voice, we concluded, they were more likely to be successful when they are also able to convincingly translate them in business terms.

Reframing issues in business terms is effective in various ways. First, it brings about a change in the composition of dialogue participants within the corporation, making it relevant for line executives, and enabling internal actors to build coalitions. Second, it provides a language for managers to safely discuss these issues internally, triggering more internal debate than the more divisive moral frame.

The approach taken up by ICCR differs from the form of reframing already documented in the movements literature (Benford & Snow, 2000; Snow & Benford, 1992; Rao et al., 2003). Previous studies have shown how movements targeting corporations reframe their causes in business terms (Armstrong, 2005; Lounsbury et al., 2003; Maurer, Bansal, & Crossan, 2011). In the case of ICCR, the effectiveness of such reframing is shaped by the status of the activists as a shareholder. This allows ICCR to present an alternative way of thinking about an issue in person, at length, in private, and to the top management. Arguably this gives ICCR an advantage over street activists, whose message may end up fragmented into short slogans, or transformed into an adversarial outburst (Benford & Snow, 2000; Gamson, 1992). Similarly, being a shareholder gives ICCR members the chance to voice disagreement in a less tempered, more coordinated and better-targeted form than employee activists.

The Ford Dialogue

As with the case of Wal-Mart, Ford's progress towards environmentalism during the 2000s has been amply documented (Hoffman, 2013). However, the role of shareholder dialogue in advancing this change is less well known. ICCR's dialogue with Ford Motor Company between 1993 and 2010 is regarded as a clear success by the coalition, and provides additional lessons in how dialogue creates influence. As we argue below, it suggests that successful dialogue entails a genuine commitment to long-term engagement, and that dialogue is effective by producing a synthesis between the activists' and the company's position.

ICCR began to engage Ford Motor on global warming during the early 1990s. At the time global warming was not as widely discussed as in the mid 2000s, and Ford was not facing significant public pressure on it (e.g., see our data on protests and media mention in Table 6). In 1993, Sister Patricia Daly of the Dominican order of Caldwell, NJ, filed the first resolution with Ford on Global Warming, asking the company to endorse the CERES principles, a well-known code of environmental conduct. But the initial efforts of ICCR met with limited support at the annual shareholders meeting, and the company did not take action. None of the resolutions filed by ICCR during 1992-1998 was withdrawn. The situation changed when Sister Patricia met William (Bill) Ford, the great-grandson of Henry Ford. Bill Ford had joined the company in the late 1970s, and already had environmental leanings. As Bill Ford himself admits, he was at first isolated: "it was an uphill battle, particularly with top management, who thought I was probably a Bolshevick" (Bonini & Kaas, 2010). Sister Daly came into contact with him in 1997. As she recalls, "Bill Ford met me at the elevator after a stakeholder meeting and he said, Sister, I understand what you're doing. And he said, I'm completely supportive of what you're doing and I'm really hoping I can work with you."

The support of Bill Ford proved crucial to Sister Patricia in her dialogue with the company on global warming during 1998. At the time, companies like Ford and General Motors were funding a lobbying group, the Global Climate Coalition, which denied the existence of global warming. This was in direct contradiction of what ICCR was trying to persuade the companies of: "the precautionary principle that they've got to start thinking of a new way of doing business in the carbon-constrained world." Sister Patricia filed a resolution on Greenhouse Gas Emissions and Lobbying in 1998. It only received 3 percent of the votes, but Bill Ford and other corporate managers started meeting with ICCR members. In January 1999 Bill Ford became Chairman of the Board of Directors, and in December 1999 Sister Patricia received a phone call from him. "We're leaving the Global Climate Coalition," Ford announced. The company's departure prompted a rapid succession of other departures from utilities, and eventually of GM.

ICCR's first success thus confirms the effectiveness of building coalitions, and specifically of finding champions within the target company. The importance of ICCR's role is directly confirmed in Bill Ford's views. He notes,

> When I began speaking out on environmental and social issues more than 30 years ago, the Interfaith Center on Corporate Responsibility was a welcome voice of encouragement among many that were doubtful. They cheered us on when we made progress, and challenged us to move faster and do better when we didn't. Thanks in large part to the work done by the ICCR, today the idea that businesses can do well by doing good is widely acknowledged (ICCR website).

ICCR, in other words, exerted an influence on the company by supporting Bill Ford's change strategy.

Furthermore, Ford was not the only executive that ICCR engaged, but one of a wide coalition. Another key ally was David Berdish, Manager of Social Sustainability at Ford. As Berdish points out, ICCR met with a broad variety of actors in the corporation, and not just with Bill Ford. "They [ICCR] engaged with directors, and then depending on what the topic was, they engaged with product development engineers, purchasing buyers, how they bought, strategy offices and several times they met with Bill Ford."

Was this initial success the result of the dialogues with ICCR, of other NGOs, or of contentious tactics? As Berdish confirmed, the company also engaged in dialogues with other actors, including NGOs such as the Union of Concerned Scientists or the National Resources

Defense Council. But then again, “every single one of those meetings we had with those people included ICCR.” Sister Patricia believes that one key role ICCR played was to help create a bridge between the company and environmental groups who might not otherwise have sat at the same table with the corporate managers. On the other hand, contentious tactics did not seem to take place. “We never got boycott campaigns or people, you know, protesting our brand or whatever,” Berdish explains. Our media search confirmed this point: as Table 6 shows, we could not find any evidence in the media of protests on global warming at Ford until 2004. In other words, Ford decided to leave the GCC despite the low-pressure opposition in the shareholder resolution votes, mild discussions in the media, and lack of protests or boycotts directed at the company. We see this as confirmation of the effectiveness of ICCR’s efforts.

In the following years, ICCR members requested several policy changes at Ford that would eventually make Ford a sustainability leader in the US automotive sector (Bonini & Kaas, 2010). In 2003 ICCR withdrew a resolution on Global Warming as the company accepted to review its policies in order to reduce carbon emissions from its products. A code of conduct was established and various ICCR members actively participated in its development. In 2005 Ford was the first auto manufacturer to release a report on climate risk. In 2008 it established a Greenhouse Gas Reduction Plan, and the company pledged to reduce by at least 30 percent its GHG emissions in its new vehicle fleet by 2020. In both these cases the corporate decisions was prompted by shareholder resolutions presented by ICCR members, and eventually withdrawn. The KLD scores reported in Table 6 shows a marked improvement in the environmental ratings for the company between 1999 and 2010.

The effectiveness of building coalitions is equally borne by ICCR’s progress in human rights in 2003. In this area, Ford lacked a code of conduct, assessment processes, and remediation plans. David Berdish, who was in charge of developing the code, points to ICCR's help in providing background context regarding the UN Global Compact ("they kind of walked me through it.") ICCR also offered advice on multiple drafts. In keeping with the mechanisms we identified for Wal-Mart and Merck, the champions that made up the coalition with ICCR also raised awareness through the company. The code was eventually adopted in 2003, issued as a "Policy Letter" in 2007, and became the backbone of the assessment activity of the working conditions in Ford factories around the globe, applied also to 2000 suppliers at 7500 sites in 60 countries.

Over the years, dialogue evolved into a collaborative relationship between ICCR members and some Ford managers. Dialogues increasingly focused on novel issues such as HIV/AIDS impact in South Africa, India and China, pig iron and slave labor in Brazil. As Berdish notes, "if I had a crisis or if they found some issues that they thought Ford could influence, we found ourselves helping each other out (…) And then they asked us to step up to the plate and take a leadership role when the conflict mineral legislation was first introduced." This, according to Sister Patricia, helped the company have policies in place before the issue matured in the public opinion. As she explains, "Ford is in a position now where they anticipate needing to deal with issues."

Commitment

The Ford dialogue points to the importance of commitment to dialogue between the parties. ICCR members signaled commitment to Ford in two ways. First, ICCR members not only held shares in Ford, but also pledge not to exit the relationship. For instance, Sister Daly referred to herself and Ford as "we," signaling to managers her identification with the corporation despite their divergent views. This was common practice among ICCR members, even for companies with irresponsible practices. ICCR members also signal commitment by living up to the expectations of mutual trust. Especially sensitive is the relationship with the media, as corporations are concerned about the confidentiality of what gets said in the dialogues. By committing to confidentiality about what is said in the meetings, members lose the short-term benefits of media visibility but gain trust. We refer to *commitment* in the context of stakeholder dialogue as a disposition to persist in the face of difficulties in the relationship. The path towards change is fraught with disappointment, and leaving the dialogue to return to more confrontational tactics is always a temptation. Commitment to the dialogue helps activists resist that temptation. Commitment is related to Hirschman's notion of loyalty, and consistent with his insight that "loyalty holds exit at bay and activates voice" (Hirschman, 1970: 78).

Commitment shapes dialogue in two ways. First, commitment allows for incrementalism, that is, the pursuit of numerous small changes rather than one large jump (Lindblom, 1958; Weick, 1992). By giving activists a longer-term horizon, commitment makes short-term incremental change acceptable. In turn, incrementalism helps in various ways. It allows activists to accept corporate responses that do not fully meet their demands. Similarly, activist requests can start from a low bar, with the clear intention of progressively raising standards to achieve the ultimate objective. On climate change, the progression at Ford was clear: from accepting climate risk, to measuring and reporting GHG emissions, to setting reduction goals, and concrete implementation plans. ICCR members who led dialogues such as Pat Daly were very conscious of the incremental nature of the strategy they followed. As she explained, ”what they're giving me now is not what I’m looking for in the end, right? But as long as you know and they know, all right, this is what we're going to agree to this year. You know there's going to be a higher bar next year.”

Second, commitment transforms shareholder engagement from single-issue negotiations to a channel through which shareholders can address multiple emerging issues. Most of the successful dialogues we studied followed this process, and our longitudinal data on the shareholder resolutions presented by ICCR members confirms that the scope of the engagements expanded over the years (see Table 7 on Ford with the full spectrum of resolutions filed by ICCR). The importance of commitment confirms that dialogue does not simply entail a negotiation over a specific issue, but also a relationship through which shareholders (and stakeholders) can channel grievances and concerns, and managers can tap into specific pockets of expertise but also receive early feedback on the steps they are planning to take on the issues.

The commitment shown by ICCR members, as well as the trust it generated in managers, led us to reflect on the role of religion in our explanation of the dialogue process. While ICCR defines itself as a "faith-based" organization, it is also open to secular organizations, and counts among its members large pension funds (TIAA-CREF) and asset management companies such as Legg Mason and Neuberger Berman. These secular members are as active as the religious ones and participate in the dialogues with them, in some cases leading them. It is possible that religion facilitates commitment, and therefore dialogue. But what matters here is whether religion facilitates dialogue by increasing commitment, or through a different path. In this respect, our interviewees appeared to suggest that religion helps dialogue by increasing commitment. For instance, David Schilling explained to us that "moral fiber informs long term commitment." We thus see religion as an important component of ICCR, but not as a competing explanation for effective dialogue.

Synthesis

The case of Ford also suggests that shareholder dialogue leads to a distinct process of organizational change. Dialogue gives companies freedom to articulate their own response to the issues, while bringing the underlying frames closer to that of the activists. This is much preferable to the alternative, namely, when activists force a concrete policy change on corporations. We learnt about this in the case of Ford. In the dialogue on climate change the company altered its policies gradually, first by accepting climate change as an issue, and slowly by acknowledging it as a core business concern and not just a peripheral one. But the activists also converged towards a position consistent with that of management. Furthermore, they did not impose preconceived solutions to the problems, but encouraged management to develop novel policies to address them, and then followed-up on the implementation.

The theoretical significance of synthesis is best seen by reference to the taxonomy of organizational change developed by Van de Ven and Poole (1995). The authors summarize the various mechanisms of change in the literature in four underlying "motors." These include life cycle, evolution, dialectic and teleology mechanisms. We contend that dialogue is a dialectic process. In dialogue, activists challenge corporate practices in direct exchange with management, and management responds with its own reasons and internal constraints. As Van de Ven and Poole (1995) contend, this succession of thesis and antithesis eventually leads to *synthesis*: an integration of two opposing perspectives, sometimes yielding a new strategy that differs from the original as much as from the scenarios that activists conjured up.

The evidence of synthesis in ICCR's engagement is visible in all the successful cases we studied. For instance, in the case of Merck, ICCR helped the firm rethink the impact of HIV-AIDS, allowing it to develop its own strategy on access to medicine. As a Merck executive pointed out, "we'll go out and have the discussions with them, and then we'll come back inside [and] do our work." Merck first listened to ICCR, and then asked itself, "what do we do with this feedback? What makes sense for our business?" Our interviews with ICCR confirm this point: as ICCR's David Shilling explained to us, ICCR approach is that "the company needs to take responsibility for developing its own plans; our goal is to inform them about the issues and general direction (…) we don't micromanage."

Ineffective Dialogues

While the success cases discussed above helped us identify the dynamics of effective engagement, we also examined instances where dialogue failed to produce change. Our interviews with ICCR members pointed us to Tyson, Dillard's and ExxonMobil. Our analysis of these dialogues confirms the role of the mechanisms described above and offers additional lessons.

The case of Tyson points to the importance of debate for dialogue effectiveness. ICCR engaged the company from 2000 to 2010 over human rights, antibiotics, and animal feeding operations. It filed 6 resolutions from 2000 to 2010, but the company failed to make any change at all. In accounting for this, ICCR's Director Laura Berry points out that Tyson's shares are owned "in large part" by the Tyson family. This is consistent with the polity perspective of Zald et al. (2005). In the presence of a cohesive ownership structure such as the Tyson family, internal debates does not function as it does in firms with dispersed ownership and greater managerial control. ICCR's ability to shape debate by speaking to managers only works if those managers are the ultimate decision-makers. By contrast, when the decisive controversies are taking place amongst family members, dialogues with management can be expected to be less effective.

Engagement was similarly ineffective in the case of Dillard's. ICCR engaged the retailer from 1994 to 2010 over Equal Employment Opportunities; labor and vendors' standards; and sustainability. All in all, it filed 20 resolutions. Yet as David Shilling explained, the engagement "did not go anywhere." Although ICCR attended the AGM and even started a dialogue, it only led to modest changes in the supplier code. As Shilling explains, "there wasn't an internal staff that got it. It did not reach the CEO " This inability to convey the meaning and significance of the issues meant that the debate did not spread within the corporation. In other words, Shilling's account suggests that the engagement failure was due to ICCR's inability to effectively build coalitions.

The case of ExxonMobil further confirms the value of a polity perspective. ICCR, led by Sister Patricia Daly, engaged ExxonMobil from 1993 to 2010, filing 109 resolutions on topics ranging from global warming to executive compensation (Table 9). "I'm not quite sure how much influence we've had," Sister Patricia acknowledges. Indeed, ICCR did not withdraw a single resolution during this period. In explaining such lack of success, Sister Patricia stresses the extraordinary cohesiveness of the company: "they really drank the Kool-Aid". This lack of internal controversy is consistent with the rich description of ExxonMobil by Coll (2012). A related difficulty with ExxonMobil was the highly charged nature of the issue -- global warming. According to Leslie Lowe, accepting the existence of global warming was a direct threat to fossil fuel-based energy and the business model of the company. Certainly ICCR had a vision for these firms as "energy" rather than oil companies, and renouncing fossil fuels went beyond what oil companies could possibly accept.

Taken together, the three cases of ineffective engagement offer one important lesson. Activists cannot count on dialogue to influence all companies. When a company resolutely adopts a position on an issue, whether for cultural cohesiveness, ownerhsip structure or its centrality to the business model, the mechanisms outlined above will be ineffectual and alternative routes such as contentious tactics might prove more effective.

A Model of Stakeholder Dialogue

In light of the six cases discussed so far we propose a process model of stakeholder dialogue. This model posits the interaction of two organizational entities over time, leading to a probabilistic outcome of synthesis. The first of these entities is the target corporation. In as much as they are polities, corporations can be characterized by a set of debates between rival coalitions, and such debate can be the target of influence. The second entity is the activist organization representing the interests of stakeholders. This is initially characterized by substantial knowledge of the issue, but less knowledge of how it impacts the corporation. Stakeholder dialogue unfolds as the repeated encounter between the activists and the corporation (see Figure 1). In each encounter, activists raise awareness, build coalitions, and reframe the focal issue. In doing so, they attempt to get the corporate actor to recognize that the issue is real (Admit issue), to debate it (Debate issue), and to take action (Address issue). But the activists are similarly affected. Their encounters with corporations shift their own position from negative affect (Moral outrage), to grasping the complexity of the issue (Understand the opponent), to check and supervise action (Monitor progress), and then expand the dialogue (Bring up new issues). The outcome of this process is a synthesis between the corporate and activist actors, whereby their frames gradually converge. We show this convergence visually in Figure 1 by bringing the organization and the stakeholder closer as they reach synthesis.

--- Figure 1 here ---

Two features of our model are critical. One is symmetry: we conceptualize dialogue as a case of mutual rather than unidirectional influence. As such, our model envisions a dual sequence of states rather than an evolution in the position of the target corporation. The transformation experienced by the activists is critical in this regard, for outraged activists would not be able to help a corporation in moving from debating to addressing the issue. The second key feature of the model is its dynamic nature. Time is critical, in that without sustained and repeated encounters it would impossible to develop commitment and to converge. In other words, commitment is crucial to synthesis, and thus to effective engagement.

DISCUSSION

Our model of shareholder dialogue contributes to the open polity perspective in social movement theory by suggesting a novel pathway through which social movements "*get inside*," that is, affect internal decision-making processes in corporations (Zald et al., 2005: 270). Specifically, whereas much of the existing movement literature posits an evolution whereby activists are primarily focused on curbing corporate practices, our symmetrical and sequential model conceives of influence as a dialectic process, where activist and corporate positions combine to create a durable synthesis. Our model also departs from the literature in that it posits a different internal "engine" propelling change. In this section we first outline the implications of our model for organizational change, and develop various propositions on stakeholder dialogue.

Synthesis vs. Evolution

The presence of synthesis sets dialogue apart from contentiousness in terms of the underlying change mechanism. In contentious tactics, activists create external constraints for managers that make certain courses of action undesirable. For instance the German biotech activists studied by Weber et al. (2009) succeeded in making biotech an unattractive option in Germany. Such emphasis on constraining managers is sharply different from the emphasis on converging with managers that we saw at ICCR. In theorizing the difference between these two, we turned to the four change mechanisms pointed out by Poole and Van de Ven (1989): life cycle, teleology, dialectic, and evolution. Of these, we argue that contentiousness entails an *evolutionary* mechanism of change. That is, in the competitive struggle faced by organizations, contentious activists can intervene by reconfiguring the environment such that non-sustainable projects appear less attractive, and are selected out by the organization. By resisting, threatening and blocking certain practices, contentious activists limit and narrow the options for corporations in the desired direction. This dynamic can also be seen in Ingram et al. (2010)'s study of how the threat of social movement restricted the Wal-Mart's options for locating its superstores.

Seven Propositions on Stakeholder Dialogue

Our model has several theoretical and empirical implications for how organizations react to movements' demands. We outline them below in the form of six theoretical propositions on the complementarity between tactics, the role of uncertainty, internal debate, media, and resource constraints.

We first consider how contentiousness and dialogue relate to each other. Our findings suggest that the two could be complementary in driving a movement's agenda. While dialogue leads to slow and gradual improvement, contention allows for sharp bold strokes. Contention is most effective when the goal is to weed out specific practices for which there is societal consensus on the solution: discrimination, blatant violations of human rights, etc. Dialogue is best suited to broad-ranged, transformative change over a longer time horizon, where activists might not know exactly how economic activity should be modified. Some examples of this include adaptation to climate change, upgrading the standards of supply chains in developing countries, or responding to emerging global trends and issues.

Proposition 1: While contentious activism is more effective on mature issues that can be addressed by weeding out illegitimate practices, dialogue is more effective at shaping *corporate practices on emerging issues.*

The temporal evolution of dialogues suggests another form of complementarity between contentiousness and dialogue. We argue that in the earlier stages of a dialogue contentious tactics can help activists raise awareness about issues within the corporation. As we saw in the Wal-Mart case, the reputational threat raised by contentious activism opened the door to dialogue with ICCR. Our expectations can be formalized as follows:

Proposition 2: Contentious activism complements dialogue by helping participants gain access to corporate management.

Dialogue can be distinguished from contentiousness in how it affects corporate decision-making. According to Weber et al. (2009), contentious activism penetrates corporate boundaries and affects organizational decision-making by raising the uncertainty over the success of future investment processes, weakening the likelihood that these would be perceived as profitable. By contrast, our analysis suggests that dialogue operates by reducing the perceived uncertainty about the material relevance of the focal issue, strengthening managers' confidence in the business merit of addressing the activist concern. This uncertainty reduction is more easily achieved through dialogue because managers can more directly observe and test the reaction of activists to the policy changes they are proposing. That is, in the absence of direct feedback and a relationship of trust with managers, contentious activists might not be able to reduce managerial uncertainty. We suggest the following proposition:

Proposition 3: Whereas contentiousness penetrates organizational boundaries by raising the uncertainty that managers face in their investment decisions, dialogue operates by increasing managers' conviction that the contested issue is relevant to the business.

Our understanding of dialogue also extends the open polity perspective by highlighting the importance of debate in enabling departures from the status quo. Stakeholder dialogue shapes corporate decisions by supporting managers that hold a minority view on an issue, or are open to consider alternative perspectives on the issue. Internal debate on a specific issue is thus necessary for dialogue on it to be effective. If there is no debate on an issue among corporate elites, it is unlikely that dialogue could translate into policy change. Furthermore, since ownership the structure can be a measurable antecedent of top management cohesion, our model would suggest that family-controlled corporations will be less open to enter shareholder dialogues, and thus less likely to change.

Proposition 4: Dialogues are more effective in companies where there is more internal debate on the issue.

Our model of dialogue also speaks to the incidence of the media on dialogue effectiveness. Social movement theory has emphasized that activist tactics are most effective when broadcast widely, as the media can translate localized events into critical reputational threats for the company (Gamson, 1992; King, 2008). By contrast, our model of stakeholder dialogue suggests that activists need to commit to dialogue with the corporation, maintaining confidentiality throughout the engagement process. In terms of effectiveness, we would thus expect that while media attention would facilitate the early stages of dialogue, effective change at a later stage would not benefit and might be imperiled by media attention.

Proposition 5: Whereas contentiousness operates indirectly through media coverage, dialogue operates through the strength of the relationship with the corporation, which is weakened by negative media coverage.

Our model allows us to predict which companies are more likely to comply with the movements' requests. Building on the open polity perspective, scholars have suggested that companies are more likely to comply with contentious movements' demands when these companies are experiencing weakening performance and face reputational decline (King, 2008; King & Soule, 2007). In other words, the more vulnerable companies will comply first. Paradoxically, by targeting vulnerable companies, contentious activists might only engender change from organizations with what Zald et al. (2005) term lower "organizational capacity" for change. On the other hand, our model of dialogue suggests that change stems from management's acceptance of the relevance of the issue, and from organizational capacity. For that reason, the companies that initiate change as a consequence of shareholder dialogue are likely to be those with higher organizational capacity, that is, experiencing growth.

Proposition 6: Whereas the companies that accede to the demands of contentious activists are those that are vulnerable (declining in economic and reputational terms), those that accede to the demands of stakeholder dialogue are the more successful ones (improving in economic and reputational terms).

Finally, our model suggests different level of effectiveness for tempered radicalism and stakeholder dialogue. The work of employee activists can be highly effective in the corporation, and lead to important changes in its policies. Nevertheless, employee activists are typically not connected across companies, and their social movement identity does not necessarily translate into active participation in the movement. Stakeholder dialogue, on the other hand, aims to connect activists within and across corporations, as stakeholders leverage progress in one organization by raising the bar in the others. We would thus expect faster and more thorough diffusion of policy changes in the presence of stakeholder dialogues than in cases where the changes are promoted primarily through employees.

Proposition 7: Issues that are raised primarily by employee activists lead to more *isolated episodes of corporate policy change, and diffuse more slowly in the industry relative to issues raised through stakeholder dialogue.*

CONCLUSION

The propositions developed above illustrate the potential that our understanding of shareholder dialogue can have for social movement theory. In our concluding remarks, we would like to consider how our research can inform other theoretical perspectives. Our analysis, we contend, provides a language to reconcile the insights and contributions of stakeholder theory (Freeman, 1984) with recent theories of the firm that questioned the primacy of shareholders in finance (Zingales, 2000) and strategy (Kim & Mahoney, 2010). Stakeholder theory has long advocated that firms should consider the needs of all the stakeholders affected by its policies (Freeman, 1984). Yet less work has actually focused on more collaborative approaches such as stakeholder engagement (for an exception see Greenwood, 2007; Henisz et al., 2013; Longsdon & Van Buren, 2009). One reason behind it is the lack of theoretical models that integrate organizational politics within processes of stakeholder engagement (Kraatz & Block, 2008). In this respect, our process model of dialogue provides stakeholder theorists with insights on how to integrate stakeholder engagement in their theoretical apparatus. By extending the open polity approach to a collaborative form of engagement (stakeholder dialogue), our model offers a way to theorize collaboration within the context of an open polity approach.

Beyond stakeholder theory, we hope that our contribution might open up a research agenda for the study of dialogue in social movement theory and corporate governance. Within social movement theory, future studies might examine how different activist approaches suit different issues better. Another area of equal importance is corporate governance. As shareholder engagement becomes prevalent, we expect institutional investors to see a major shift in their role. As boundary-spanners between society and management, investors' capabilities will need to be upgraded. Our study of dialogue can hopefully provide a blueprint to design effective shareholder engagement practices.

FIGURE 1

The Dialogue Process

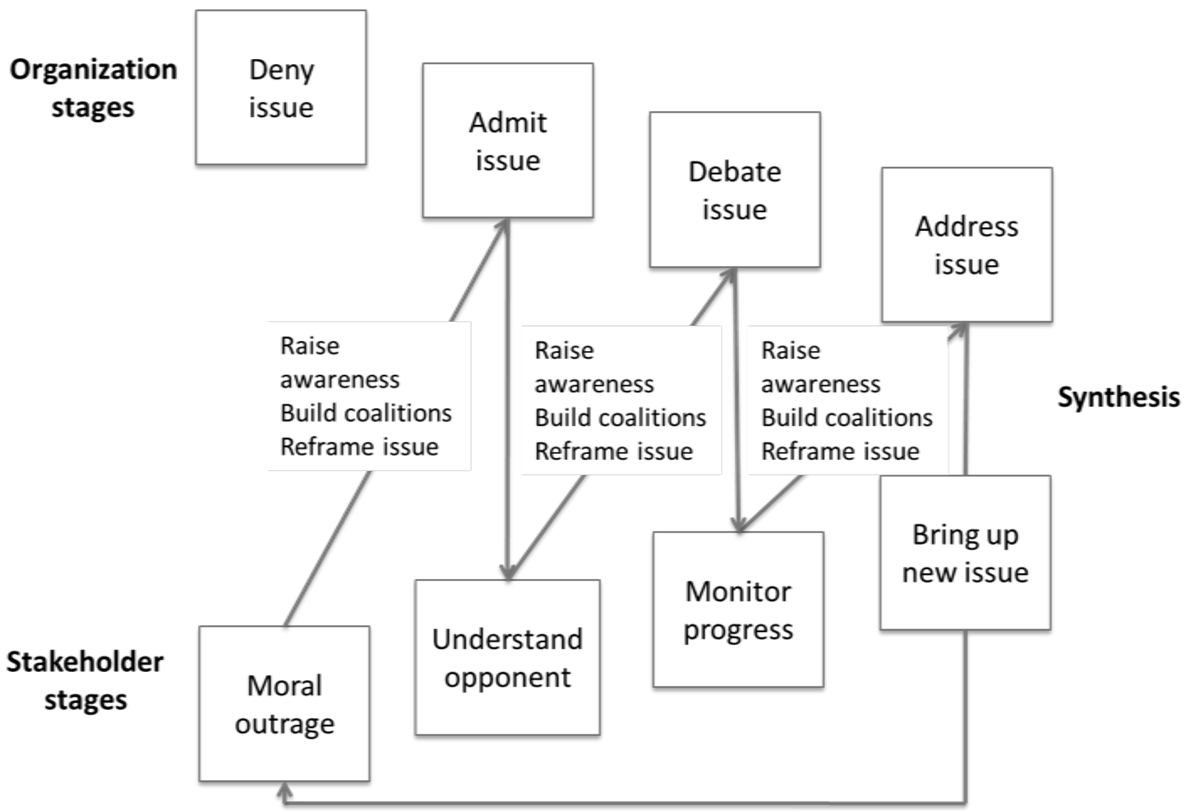

TABLE 1

Contentiousness, Tempered radicalism, and Dialogue

	Contentious activism	**Tempered radicalism**	**Dialogue**
Tactics	Protests Boycotts Strikes	Disruptive self-expression Verbal jujitsu Variable term opportunism Strategic alliance building	Shareholder engagement Stakeholder engagement Private regulatory initiatives
Actors	Social movements	Employees	Both
Structural position	Outsiders	Insiders	Neither outsider nor insiders
Setting	Street	Office	Boardroom
Target	Corporation	Coworkers	Top managers
Framing	Field-wide reframing	Spontaneous Reframing	Reframing in corporate terms
Mechanism	Reputational threat	Small wins through local disruption	Synthesis

TABLE 2

Data Collection and Analysis

Type of Data	Amount of Data	Time of Collection	Use in Analysis and Theory Development
Interview Individual interviews with ICCR members and staff	56 interviews 709 pages	2008-2014	Coded in order to develop the themes. Further analyzed to refine the theoretical concepts we developed, and confirm their validity
Observational Observations of ICCR meetings (Annual meetings, members meetings, …) and participation in the "Issues Prioritization Process"	27 days 233 pages of notes	2008-2012	Coded in order to develop the themes. Further analyzed to refine the theoretical concepts we developed, and confirm their validity
Archival: ICCR data Internal documents from ICCR working groups (meeting minutes, internal reports, planning documents)	More than 340 documents	1998-2014	Added contextual depth in understanding overall activities in ICCR working groups and overall engagement process. Provided historical perspective, and enabled triangulation with interview and observational data.
Archival: **Other sources of data**	4745 shareholder resolutions Public protests (through media mentions) Media attention for the issues KLD ratings for the corporation	1993-2010	Enabled triangulation with interview and observational data.