

**A Theory of Performatization:
How Societal Aspirations Influence the Evolution of Performance**

by

Brenda Jaewon Myung

A dissertation submitted in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy
(Business Administration)
in the University of Michigan
2026

Doctoral Committee:

Associate Professor Christopher Rider, Chair
Associate Professor Erin Cech
Assistant Professor Justin Frake
Professor Scott Page
Professor James Westphal

Brenda Jaewon Myung

bmyung@umich.edu

ORCID iD: [0009-0000-9724-9707](https://orcid.org/0009-0000-9724-9707)

© Brenda Jaewon Myung 2026

Dedication

To my parents, Gyeong-min Kim and Rohae Myung

Acknowledgements

I want to thank Chris Rider, my advisor, mentor, and friend for guiding me through this journey. I could not have asked for a better advisor. Even when I doubted my own abilities, he held me to a higher standard. Not only did he hold this standard but he did everything in his power to help me reach it. From daily meetings before presentations, to reading my work everyday, every document I sent would come back outlined in red. His unwavering support, generosity, and steadfast belief in me has shaped me into the scholar I am today. He has been, and continues to be, my role model as a scholar and colleague. I am grateful and lucky to have been advised by him.

I want to thank Jim Westphal, whose work inspired my research, and my decision to come to Michigan for my doctoral studies. The paper that serves as the foundation of this dissertation was born from his class, and since then he has supported my ideas and has been a mentor for me throughout my time at Michigan. I am grateful to Justin Frake for his honesty, sense of humor and for always making time for last minute methods questions. I would also like to thank Scott Page and Erin Cech for their genuine engagement, and valuable feedback in developing my dissertation. Last, I am grateful to all the faculty in the Strategy Area—Michael Jensen, Maggie Zhou, Cheng Gao, Jordan Siegal, Felipe Csaszar, Brian Wu, and Brit Sharoni—for their guidance and advice throughout my doctoral studies.

My life has been endlessly enriched by dear friends who have laughed with me, supported me, and carried me throughout this journey. Special thanks to my closest friends in Ann Arbor who have guided me through both this program and through life. Thank you, Christine Choi, David Chung, Yunha Cho, Andrew Lee, Susie Choe, and Jusang Lee for your infinite wisdom, care, and love. I also want to thank Olivia Lee, Lydia Kim, Rex Hsieh, Natasha Boryeko, Jamie Lee, Jen Choi, Jeongwon Jang, and Celeste Yi for making me laugh and for keeping me sane with topics outside of Strategy. Thank you to all the students in the Strategy Area for being wonderful colleagues and my comrades in this journey. I want to especially thank Kyle McCullers and Shonita Black for always being there for me whenever I had to vent. I also want to thank my friends outside of Ann Arbor, Steph Song, and Evelyn Kim for being my home

away from home. Their love and support throughout my life and especially over these past six years, have meant the world to me.

Finally, this dissertation is as much my family's as it is mine. I owe everything to my parents, my best friends in the world, Gyeung-Min & Rohae. My mom has always been my biggest cheerleader, offering unwavering support for every decision I have made. She is my role model. Her grace, wisdom and resilience have inspired me throughout my life, and I have always aspired to be more like her. Earning this PhD feels like one small step in that direction.

As a perpetual daddy's girl, my dad always made me laugh with his jokes and humor. No matter where I am or how I am feeling, talking to him makes everything feel a little better. He is the wisest person I know, and his wisdom and clarity has guided me throughout my life. He is my rock and I could not have completed this PhD without his steadfast support. Together, they are the compass that guides my life, and I am endlessly thankful for everything that they have given me.

I also want to thank my brothers, Heejae and Heeyoon. Without their sacrifices I would not have been able to study in the U.S. and complete this PhD program. To Heejae, thank you for holding down the fort in Korea, taking care of our parents while I pursued this journey 10,000 km away. To Heeyoon, thank you for being my friend throughout this journey. Your visits to Michigan were always a welcome respite and made me feel at home.

Every January, our family takes a trip to Hawaii. For the past fifteen years, this tradition has been one of the most important moments of my year. Together, we reflect on the past year and discuss our resolutions for the next. Each time I would return to Ann Arbor healed and refreshed from their wisdom and love. As this chapter comes to close, I look forward to continuing this tradition with them for years to come. I love you!

Table of Contents

Dedication	ii
Acknowledgements	iii
List of Tables	x
List of Figures	xii
List of Appendices	xiii
Abstract	xiv
Chapter 1 A Theory of Performatization	1
1.1 Chapter 1	3
1.2 Chapter 2	4
1.3 Chapter 3	6
1.4 Chapter 4	7
Chapter 2 A Theory of Performatization	12
2.1 The Performance Paradox	12
2.2 The Performatization of Goals	15
2.2.1 Stakeholders and Organizational Goals	15
2.2.2 Imposing Stakeholder Expectations	16
2.3 Stakeholder Expectations and Firm Responses	18
2.3.1 Projection: Defending Past Actions	20
2.3.2 Restriction: Constraining Future Actions	21
2.3.3 Rationalization: Justifying future actions	22
2.3.4 Performatization: Elevating expectations	23

2.4 Characterizing Performatization	26
2.4.1 Imposing Expectations: Scrutiny & Accountability	26
2.4.2 Goal Setting and Conversion to Performance Measures: Aspirations & Standardization	28
2.4.3 Firm Evolution: Reactivity & Variability	29
2.5 Distinguishing Performatization from Alternative Theoretical Accounts	30
2.5.1 Impression management	30
2.5.2 Symbolic compliance and decoupling	31
2.5.3 Isomorphism	31
2.5.4 The business case for diversity	32
Chapter 3 The Performatization of Diversity.....	34
3.1 Introduction.....	34
3.2 Theoretical Development.....	38
3.2.1 Performatization as Aspiration Internalization	39
3.2.2 Behavioral Commitments	41
3.2.3 Structural Enactments	44
3.2.4 Distinguishing Performatization from Alternative Theoretical Accounts	45
3.2.5 Proposition	50
3.2.6 Boundary Condition.....	51
3.3 Data & Methodology	52
3.3.1 Empirical Setting	52
3.3.2 Sample.....	52
3.3.3 Subcorpus identification	53
3.3.4 Identifying features of the financial-performance register	54
3.3.5 Selecting measurement dimensions	54
3.3.6 Measuring Behavioral Commitments	55

3.3.7 Measuring Structural Enactments	56
3.4 Results.....	57
3.4.1 Population-Level and Within-Firm Convergence of Diversity and Financial Language.....	57
3.4.2 Margin Decomposition of Changing Diversity Discourse.....	58
3.4.3 Population-Level Adoption of Structural Enactments	59
3.4.4 Margin Decomposition of Structural Adoption	60
3.5 Discussion & Implications.....	61
Chapter 4 The Stakeholder Dependency Account of Performatization.....	66
4.1 Introduction.....	66
4.2 Theoretical Development.....	68
4.2.1 Institutional investors.....	69
4.2.2 Employees.....	70
4.3 Data & Methodology	71
4.3.1 Sample.....	71
4.3.2 Dependent Variables.....	73
4.3.3 Independent Variables	74
4.3.4 Control Variables.....	75
4.3.5 Estimator choice.....	77
4.3.6 Empirical Specification.....	77
4.4 Results.....	78
4.4.1 Aspiration Ratio	79
4.4.2 Commensuration Ratio	80
4.4.3 Diversity Report.....	81
4.4.4 DEI-Linked Pay	82
4.4.5 Summary across DVs.....	83

4.4.6 Robustness Checks.....	84
4.4.7 Within-Between Decomposition.....	85
4.5 Discussion & Implications.....	87
4.5.1 Interpretation of Findings	87
4.5.2 Adjudicating Among Theoretical Alternatives	90
4.5.3 Limitations and Next Steps.....	91
Chapter 5 Raising the Bar: Societal Aspirations and Organizational Alignment.....	94
5.1 Introduction.....	94
5.2 Theoretical Development.....	99
5.2.1 Internal Origins of Organizational Goals.....	99
5.2.2 External Origins of Organizational Goals.....	101
5.2.3 Societal Aspirations	103
5.2.4 Goal Alignment Driven by Societal Aspirations	105
5.2.5 Differential Alignment Behavior	107
5.2.6 Implications for population level changes	112
5.3 Data & Methodology	112
5.3.1 Empirical Context	113
5.3.2 Sample.....	115
5.3.3 Dependent Variable	115
5.3.4 Independent Variables	116
5.3.5 Control Variables	117
5.3.6 Model Specification	118
5.4 Results.....	120
5.5 Supplementary Analyses.....	123
5.5.1 MeToo Movement	123

5.5.2 Black Lives Matter Movement	124
5.6 Discussion & Implications	127
5.6.1 Distinguishing Performatization from Mimetic Isomorphism.....	128
5.6.2 Contributions.....	129
Chapter 6 Conclusion.....	133
6.1 Contributions.....	134
6.2 Ideal versus Actual Research Design.....	137
6.2.1 Rising Societal Aspirations.....	137
6.2.2 Internalization	138
6.2.3 Stakeholder Alignment	139
6.2.4 Deperformatization	140
6.3 Limitations and Next Steps	141
Figures.....	144
Tables	155
Appendices.....	173
Bibliography	183

List of Tables

Table 1 The Firm-Society Alignment Framework	155
Table 2 Examples of Mechanisms	156
Table 3 Alternative Theoretical Accounts to Performatization	157
Table 4 Events and Regulations that Raised Societal Aspirations for Diversity	158
Table 5 Query terms used for Stakeholder Decomposition of U.S. News Articles	159
Table 6 Balance Table between Regression Sample and Excluded Sample.....	160
Table 7 Descriptive Statistics & Correlation Matrix (n = 9434 firm-years, 2007-2024).....	161
Table 8 Poisson quasi-maximum likelihood regression of Aspiration Ratio on Stakeholder Dependency (9,434 firm-years, 2007–2024)	162
Table 9 Poisson quasi-maximum likelihood regression of Commensuration Ratio on Stakeholder Dependency (9,434 firm-years, 2007–2024)	163
Table 10 Linear probability model of Diversity Report (0/1) on Stakeholder Dependency (9,434 firm-years, 2007–2024)	164
Table 11 Within-Between Decomposition of Stakeholder Dependency (Mundlak-Chamberlain).....	165
Table 12 Comparing Organizational Aspirations and Societal Aspirations	166
Table 13 Descriptive Statistics & Correlation Matrix for 5364 firm-years from 2007 to 2012	166
Table 14 OLS Models of Alignment (#) of Women and Directors of Color for 5364 firm-years from 2007 to 2012.....	167
Table 15 LPM Models of Alignment (0/1) of Women and Directors of Color for 5364 firm-years from 2007 to 2012	168
Table 16 LPM Models of Alignment (0/1) of Diverse Board Members using Treatment Effect Method for 5364 firm-years from 2007 to 2012.....	169
Table 17 LPM Models of Alignment (0/1) of Women Directors after the MeToo Movement .	170

Table 18 LPM Models of Alignment (0/1) of People of Color after the Black Lives Matter Movement	171
Table 19 LPM Models of Alignment (0/1) of Women and Directors of Color from 2008-2022.....	172

List of Figures

Figure 1 The Performatization Process	144
Figure 2 The Wheel of Competitive Strategy (Porter, 1980).....	145
Figure 3 Context in Which Competitive Strategy is Formulated (Porter, 1980)	146
Figure 4 The Evolution of the Performance Construct & Measurement	146
Figure 5 Yearly Panels of Financial and Diversity Discourse; Balanced sample of 300 firms from 9,763 firm years (2007-2024)	146
Figure 6 Convergence between Financial and Diversity Discourse; Within-year split from 9,763 firm-years (2007-2024).....	147
Figure 7 Diversity Discourse K-Density by Period (2007-2025)	148
Figure 8 Adoption Trajectories and firm-Level Heterogeneity in Diversity Structures (2007-2024)	149
Figure 9 Stakeholder Decomposition of U.S. News Articles of Workforce-Diversity Discourse from Factiva (2007-2024)	150
Figure 10 Performance of Firm _i (P _i) Relative to Organizational Aspirations _i (OA _i) and Societal Aspirations (A _{societal})	151
Figure 11 Increase in News Articles Following SEC Rule.....	151
Figure 12 Trends in Director Appointments by Race and Gender	152
Figure 13 Predicted Probability of Change after SEC Rule.....	152
Figure 14 Predicted Probability of Change after MeToo.....	153
Figure 15 Predicted Probability of Change after BLM.....	153
Figure 16 Predicted Probability of Change over Time (Below OA)	154
Figure 17 Predicted Probability of Change over Time (Above OA)	154

List of Appendices

Appendix A: Financial Performance Dictionary	173
Appendix B: Diversity (DEI) Dictionary.....	175
Appendix C: The Five Linguistic Clusters	178

Abstract

Performance differentials are the orienting construct in strategic management. Accordingly, it is often taken for granted that performance is multidimensional and evolving. My dissertation proposes a theory of the social construction and evolution of organizational performance. How do organizations come to value differences once considered inputs—innovation, emissions, or diversity—as ends to be achieved? I develop a *Theory of Performatization*, proposing that performance evolves as organizations internalize *societal aspirations* as goals and align their behavior through goal setting, quantification and disclosure.

My *Theory of Performatization* is developed and tested across four chapters. In Chapter 1, I propose that performatization occurs as firms align with increasing societal aspirations. Drawing on the behavioral theory of the firm (BTOF), I define *societal aspirations* as a novel construct, representing stakeholder expectations for the goals that organizations should pursue and their aspirations for performance on these goals. In Chapter 2, I apply my theory to organizational diversity, and examine the behavioral alignment mechanism of performatization. I leverage natural language processing of corporate filings to develop a measure of performatization. In Chapter 3, I explore how differences in firms' dependency on organizational stakeholders predicts differences in performatization. In Chapter 4, I distinguish *societal aspirations* from organizational aspirations as conceptualized in the BTOF and empirically test how discontinuous increases in societal aspirations condition alignment behavior in corporate board appointments. My dissertation thus, proposes a theory of how external stakeholders influence the social construction and evolution of organizational performance.

Chapter 1 A Theory of Performatization

Performance differentials among firms are the orienting construct in strategy research (Rumelt et al., 1994). Consistent with its standing in the field, the construct of performance is typically taken for granted as financial performance. Seminal works have conceptualized higher performing firms as firms that, “Maximiz[e] profits, or more accurately, present value” (Jensen & Meckling, 1976; p.307), or achieve “high returns over longer periods of time” (Wernerfelt, 1984; p.172). However, an analysis of nearly 300 journal articles finds that while 90% of articles (n = 207) operationalize performance with financial measures, scholars theorize about performance generally (Miller et al., 2013). Extending this general perspective on the performance construct, I consider how performance is socially constructed and evolves with interactions among organizations and societal actors such that differences once considered mere inputs become valued as distinct ends to be achieved.

I develop a theory in which performance is multidimensional and evolves as organizations align their behavior to meet societal aspirations. Organizations rely on stakeholders beyond shareholders for valuable resources, such as legitimacy (DiMaggio & Powell, 1983; J. Meyer & Rowan, 1977), and thus must comply with societal norms and supply accountability for their actions (Hannan & Freeman, 1984). Stakeholders hold expectations for organizational performance, but also hold aspirations for firms to exceed current expectations. I argue that performance evolves as organizations align their behavior with such *societal aspirations* by

setting goals, collecting data, constructing metrics, and disclosing progress. I refer to this process as a behavioral alignment mechanism that accounts for the performatization phenomenon.

Performatization is evident in practice as organizations increasingly aspire for greater performance on goals that stakeholders value, such as improved corporate social responsibility (Margolis & Walsh, 2003), environmental sustainability (Flammer et al., 2019), and demographic diversity (Jackson, 2023; H. Luo & Zhang, 2022; M. Zhang et al., 2023).

Accordingly, there has been renewed interest among strategy scholars to examine performance dimensions valued by stakeholders beyond financial performance (McGahan, 2023), such as organizational purpose (Gartenberg & Zenger, 2023), social impact and grand challenges (Dorobantu & Odziemkowska, 2017; Luo & Kaul, 2019; McGahan & Pongeluppe, 2023).

Thus, my dissertation develops a *Theory of Performatization* to understand the process by which differences—previously considered mere inputs to performance—become recognized and managed as distinct dimensions of performance, ends to be achieved. I address three broadly related questions to substantiate the *Theory of Performatization*. First, what is performance? Second, what is the performatization process by which inputs, once means to an end, become elevated to performance, as ends in and of themselves? Last, how does performatization subsequently shape organizational behavior?

My dissertation and my broader research agenda aims to extend our understanding of organizational performance itself. I propose that performance evolves as a feedback process between organizations and society, in which firms internalize societal aspirations as ends to be achieved. This drives a continuous cycle of change where today's societal aspirations become tomorrow's expectations.

1.1 Chapter 1

In **Chapter 1**, I introduce and develop the *Theory of Performatization* (**Figure 1**). Firms are subject to the expectations and evaluations of stakeholders (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and thus must exhibit socially acceptable—legitimate—behavior to obtain critical resources to survive and thrive. Organizational research has shown that while stakeholders, and society more broadly, hold expectations for the goals that organizations should pursue, they also hold *aspirations* for how well they should perform on these goals (Davis et al., 2005; Freeman, 1984; Hannan & Freeman, 1984).

Stakeholders often pressure firms to *improve* performance on goals that organizations did not consider performance-related at all (Espeland & Sauder, 2007; B. G. King & Pearce, 2010). Failure to meet societal expectations can be financially detrimental, damage reputation (B. G. King & Soule, 2007) and lead to failure despite financial success (e.g. M. Jensen, 2006). Consequently, stakeholders exert control over organizations by aspiring for organizations to pursue and perform better on valued goals (McGahan, 2023; M. W. Meyer & Gupta, 1994).

Thus, I theorize that performatization occurs as organizations internalize evolving societal aspirations as organizational goals. Central to my theory is the concept of *societal aspirations*, which I define as a novel construct that represents expectations that external stakeholders have for the goals that organizations should pursue and aspirations for performance on these goals. As shown in **Figure 1**, performatization occurs when societal actors *increase* societal aspirations, prompting behavioral change, organizational alignment and thus changes in conceptualizations of performance.

This chapter then contrasts performatization with extant theories of organizational behavior. I develop the **Organization-Society Alignment Framework (Table 1)** to characterize the different ways in which organizations respond to societal aspirations. Prior research suggests

that organizations react to stakeholder aspirations by either justifying their behavior or implementing structural changes that are intended to constrain future behavior. I situate performatization as a novel mechanism, by which organizations respond by internalizing stakeholder aspirations as performance goals. I outline six characteristics—standardization,

While **Chapter 1** established performatization as a process initiated by increasing societal aspirations, **Chapter 2** articulates the mechanisms by which performatization occurs, and substantiates it with empirical evidence.

1.2 Chapter 2

In **Chapter 2**, I establish the phenomenon of performatization with a case study of organizational diversity. I then propose the alignment mechanism by articulating the process by which organizational internalize societal aspirations.

Diversity, I propose, represents a paradigmatic example of performatization. While long argued as a means to financial performance (i.e. the business case for diversity) (Milliken & Martins, 1996; Williams & O'Reilly III, 1998), my analysis of corporate statements about diversity indicates that some organizations pursue diversity as a valuable end, *independent* of its effect on financial performance (Ely & Thomas, 2020). This can be observed through firm behavior—such as goal setting (Kalev & Dobbin, 2022), incorporating diversity goals into executive pay (Spierings, 2022), quantifying progress and disclosing diversity performance in annual reports.

I use the case of organizational diversity to theorize the behavioral alignment mechanism by which performatization occurs. As shown in **Figure 1**, I propose that performatization occurs as organizations internalize societal aspirations as goals through goal-setting, quantification and disclosure, which prompts alignment with societal aspirations. Organizations set goals to align

their goals with those of external stakeholders (Keum & Eggers, 2018). Goal-setting in turn, drives quantification and reactivity (Espeland & Sauder, 2007) as organizations strive to meet or exceed performance goals. Organizations also disclose their progress to stakeholders, providing accountability and prompting further alignment with societal aspirations. Thus, the performatization process is a continuous cycle by which organizations internalize societal aspirations as organizational goals, prompting behavioral alignment with stakeholder expectations.

Additionally, I develop a method to measure performatization. Drawing on work in linguistics, I establish a baseline framework for how firms describe financial performance and analyze the convergence of diversity-related language with financial performance language. My argument is that as differences become performatized, organizations mimic the language they use to describe financial performance. To test this argument, I apply computational linguistic analysis of corporate filings (10-K, DEF-14A, and 8-K) from 2000 to 2025. I examine the convergence in diversity and performance language by using several key societal events that have led to changes in aspirations for diversity, and thus changes in performatization over time. By examining how organizations set goals, quantify progress, and disclose performance, I offer a theory of how organizations internalize societal aspirations as goals.

I find empirical support for the performatization of diversity. Between 2007 and 2024, the language that firms use to describe diversity and financial performance in corporate filings converge (**Figure 5**). Diversity discourse rises 143% on aspirational language (from 0.07 to 0.17), overtaking financial discourse after 2020, while financial discourse declines 46% on quantification (from 0.24 to 0.13). The two discourses meet at a more aspirational and less quantified middle ground than either occupied at the start of the period. This convergence holds

both across the full population of firms and within individual firms over time and is driven by both extensive entry — the share of firms using no aspirational language about diversity collapses from roughly one-quarter to nearly zero — and intensive amplification among firms already engaged in diversity disclosure. Together, these patterns establish performatization as an observable phenomenon. By 2024, diversity is described and structured by accountability mechanisms once reserved for financial performance.

While **Chapter 1** established performatization as a process initiated by increasing societal aspirations, **Chapter 2** established the mechanisms of performatization by articulating how organizations internalize societal aspirations. **Chapter 3** explores the conditions under which firms are more likely to performatize.

1.3 Chapter 3

In Chapter 3, I provide exploratory evidence on the conditions under which firms are more likely to performatize. Building on the convergence documented in Chapter 2, I examine whether firms most dependent on stakeholders are also the firms that are more likely to performatize diversity.

The motivation for this chapter comes from a pattern observable in the broader discursive environment. Analysis of U.S. business-press coverage between 2007 and 2024 reveals that diversity discourse has not only grown in volume but has shifted in composition (**Figure 9**). Over the period, the share of diversity coverage co-mentioning investors rose from roughly 2% to 14%. The employee share remained the largest throughout, rising from about 30% to roughly 50%, while the regulator share—which dominated diversity discourse in 2007 at nearly half of all coverage—fell to roughly 35%. The compositional shift suggests that the stakeholder set through which diversity becomes legible as a corporate concern has expanded beyond federal

enforcement to encompass institutional investors, consumers, and labor-market participants. If diversity is being institutionalized as a performance dimension rather than rhetorically adopted as a legitimacy claim, firms most dependent on these stakeholders should performatize earlier and more substantively than otherwise comparable firms.

I develop and test this proposition focusing on two focal stakeholder dependencies whose preferences are aligned with the rising aspiration and for which firm-level dependency varies meaningfully across firms: institutional shareholders and employees. I find that firms more dependent on institutional shareholders and employees are more likely to state their aspirations for diversity. However their aspirations are not necessarily supported by commensuration or structural enactments. The exploratory results suggest that firms may be in the earlier stages of performatization and that stakeholder dependency thus shapes not only whether firms performatize diversity but how completely they do so.

Together, Chapters 1, 2, and 3 offer a theoretical and empirical account of performatization. **Chapter 1** establishes performatization as a process initiated by rising societal aspirations; **Chapter 2** articulates the mechanisms by which organizations internalize these aspirations and documents the phenomenon empirically through linguistic convergence; **Chapter 3** explores the firm-level conditions under which performatization is most pronounced, contributing to a stakeholder-dependency account of why some firms internalize societal aspirations more readily than others. **Chapter 4** empirically examines how societal aspirations prompts differential alignment behavior among firms.

1.4 Chapter 4

In **Chapter 4**, I examine how organizations differentially respond to changes in societal aspirations. I extend the behavioral theory of the firm (BTOF) by distinguishing societal

aspirations from organizational aspirations in three important ways (**Table 12**). First, organizational aspirations serve as *internal* reference points, whereas societal aspirations are *external* reference points. According to the BTOF, internal stakeholders shape an organization's aspirations based on the organization's past performance (i.e. historical aspirations) and its peers' performance (i.e. social aspirations). In contrast, I theorize that external stakeholders hold societal aspirations that are not organization-specific, but rather, generally applicable to all organizations. Second, while organizational aspirations are backward-looking reference points representing a satisficing level of performance, societal aspirations are forward-looking reference points representing aspirations for performance improvement. Third, because organizational aspirations are organization-specific, they account for behavioral changes in a single organization. On the other hand, societal aspirations prompt behavioral changes for multiple organizations with implications about which organization are more or less responsive to societal aspirations.

I argue that as societal aspirations increase beyond current expectations, organizations change their behavior to align with stakeholders' expectations. When stakeholders raise societal aspirations to levels that exceed current performance (i.e. prior or peers' performance) (**Figure 10**), *all* organizations are underperforming vis-a-vis societal aspirations. Thus, on average, rising societal aspirations should prompt behavioral changes for all organizations.

Empirically, I leverage the 2010 SEC Board Diversity Disclosure Rule (SEC Rule) as an event that raised societal aspirations for board diversity. On February 28, 2010, the SEC implemented a rule that required public companies to disclose how diversity is a factor in selecting board candidates. There was no quota or regulated outcome beyond reporting how the board considers diversity. As stated by the SEC Commissioner at the time, the rule was

implemented amidst calls that organizations need “to do better” and “need to do more to achieve diversity in the workplace” (Aguilar, 2010a). I argue that the ambiguity surrounding the SEC Rule created conditions for differences in firm response.

My sample consists of S&P 1500 firms from 2007 to 2023. In 2009, a year before the SEC Rule was passed, White men held 81% of board seats and comprised 76% of new board appointments (**Figure 12**). By 2015—five years after the SEC Rule—White men appointments fell from 76% to 64% and board seats held fell from 81% to 75%. On the other hand, appointments of women and people of color increased from 13% to 24%, and 12% to 16%, respectively. I define behavioral change as the appointment of a director who is *not* a White man. I find that—consistent with the BTOF—firms become *more responsive* to performing below their peers in terms of board diversity. Specifically, the further their performance is below their peers’, the more likely the firm is to appoint a woman or director of color (**Figure 13**).

As a robustness check, I further test my arguments after the 2017 #MeToo movement and the 2020 Black Lives Matter Movement, two notable social movements that saw discontinuous increases in societal aspirations for board diversity. I find that the results are consistent with those observed above (**Figure 14 and 15**). I also find that the effect of performance relative to industry peers becomes stronger as organizational diversity becomes further solidified as a goal dimension to be pursued over time (**Figure 16 & 17**).

The chapters so far establish the performatization process, as depicted in **Figure 1**. **Chapter 1** established performatization as a process initiated by increasing societal aspirations. **Chapter 2** established the mechanisms of performatization by articulating how organizations internalize societal aspirations. **Chapter 3** explored the firm-level conditions under which performatization is most pronounced, presenting exploratory evidence that stakeholder

dependency predicts variation in disclosure behavior. **Chapter 4** demonstrates how rising societal aspirations prompt differential alignment behavior across firms, bringing the process into full circle.

My dissertation proposes a *Theory of Performatization*, in which organizations internalize evolving societal aspirations as performance goals—through goal setting, quantification and disclosure—prompting behavioral change and alignment with societal aspirations. This extends our understanding of how organizational goals and the very conceptualization of performance evolves. My work extends and contributes to the behavioral theory of the firm (BTOF). While research in this tradition acknowledges that external stakeholders influence the multiple goals that organizations pursue, it lacks an explicit theory about *the process* by which organizations come to pursue these goals in the first place. I argue that this process is initiated by external stakeholders through *societal aspirations*, which represent the expectations that external stakeholders hold for the goals that organizations should pursue and their aspirations for performance on these goals. Moreover, I propose a linguistic approach to measure goals that have been internalized. By doing so, I provide future researchers with a methodological tool to examine the internalization of organizational goals.

The Theory of Performatization also offers a novel perspective on how external stakeholders drive organizational change. Scholarship on new stakeholder theory has expanded the definition of stakeholders to those beyond the traditional boundaries of the firm. Performatization provides a mechanism by which such stakeholders can influence organizational behavior by shaping notions of performance. My dissertation also contributes to social movement theory by proposing a framework for understanding how external stakeholders impose widespread social change. I empirically demonstrate that societal aspirations compel

organizations to recalibrate their aspirations and align their behavior with evolving stakeholder *Theory of Performatization* thus, theorizes social change as a feedback process at the organization-society interface, whereby today's stakeholder aspirations become tomorrow's expectations, generating a continuous cycle of change. My research program thus, provides critical insights into how evolving societal aspirations shape organizational goals and performance.

Chapter 2 A Theory of Performatization

“...it is improbable that an organization can continue indefinitely if its goals are formulated arbitrarily, without cognizance of its relations to the environment”
(Thompson & McEwen, 1958)

2.1 The Performance Paradox

Performance, in strategy research has traditionally been conceptualized as financial performance. The focus on profitability as a measure of firm performance likely emerged during the 1980s, when strategy research started to build on insights from economics (Hoskisson et al., 1999; Leiblein & Reuer, 2020; Porter, 1981; Rumelt et al., 1991). Rumelt et al. (1991) notes that the 1980s “has witnessed a minor revolution in strategic management research...as...academics have adopted the language and logic of economics” (Rumelt et al., 1991; p.5). For economists, performance refers to efficiency (Porter, 1981), or the optimal allocation of resources to maximize desired outcomes. Thus, at the firm level, profitability—the firm’s success in maximizing revenue and minimizing costs—became a measure of efficiency, and of performance.

In his book, *Competitive Strategy*, Porter (1980) described high performing firms as firms that have “the ability...to sustain above-average returns” (pg.5). This is also reflected in the resource based view of the firm: “high returns over longer periods of time” (Wernerfelt, 1984; p.172); “the value that an organization creates using its productive assets [in comparison] with the value that owners of these assets expect to obtain” (Barney, 2002; p.26). As a case in point,

Miller et al. (2013) have shown that while scholars theorize about performance in general terms, they use specific financial measures in their methods sections. Among the 290 articles in their sample, they found that while 207 journal articles theorized about performance in general terms, 187 articles use a single, specific measure of performance, such as ROA, sales growth or Tobin's q. This lends support to the claim that for strategy scholars, performance refers primarily to financial performance.

However, the performance construct has received criticism for its lack of clarity. First, there is disagreement about what performance is both conceptually and empirically. As stated in the quotes above, for some, performance entails high returns over “longer periods of time,” (Wernerfelt, 1984; p.172) while for some, performance entails maximizing “profits, or more accurately, present value” (M. C. Jensen & Meckling, 1976; p.307). The same disagreement is reflected empirically, with scholars using a variety of performance measures that have little or no correlation to each other. Using a sample of 73 studies, Miller et al. (2013) found that the average correlation among performance variables within the same category—accounting measures and financial measures—was 0.24, whereas correlations between categories was 0.00. Numerous studies (Gomez-Mejia et al., 1987; Jacobson, 1987; Keats & Hitt, 1988; Murray, 1989) found similar low or null correlations, signifying disagreement about how to define performance. Financial performance has, arguably, been an emphasis borne of scholarly convenience (e.g. easy to measure) and a product of institutionalization within the field (March & Sutton, 1997; Miller et al., 2013), more than an accurate conceptualization of what performance is.

Second, is whether financial performance is a comprehensive measure of firm success. Organizational theory suggests that firms must address issues other than financial performance to

survive. The efficient allocation of resources is only one dimension of survival. Firms rely on stakeholders beyond shareholders for valuable resources such as legitimacy (J. Meyer & Rowan, 1977), and thus must comply with societal norms and be accountable for their actions (DiMaggio & Powell, 1983). For example, studies on social movements show that firms that fail to uphold societal expectations suffer reputational and financial consequences (e.g. King, 2008).

Additionally, there has been renewed interest in strategy research focusing on non-financial dimensions of performance. McGahan (2023) suggests that the value stakeholders seek might not be limited to financial performance. She argues that, “Much more occurs between people in organizations than financial exchange and financial transactions.” She thus, calls for strategy scholars to consider a broader range of performance dimensions because traditional financial measures do not capture the full scope of organizational impact on stakeholders.

The recent interest is not entirely new. Early strategy scholars recognized that firms must pursue multiple goals to survive. For example, Drucker (1958) states that, “no one simple objective is ‘the’ objective of a business; no one single yardstick ‘the’ measure of performances...no one single area ‘the’ most important area” (p.87). Describing early strategy research, Porter (1980) presents two diagrams that represent the firms’ major objectives, which include objectives beyond profitability, such as social responsiveness (**Figure 2**) and societal expectations (**Figure 3**). Thus, the idea that performance is multidimensional has always been a part of strategy, but has been somewhat de-emphasized over time.

Moreover, what constitutes good performance, and thus, firm success changes over time (**Figure 4**). In the 1960s, the dominant financial goal for firms was to maximize market share (Meyer & Gupta, 1994). By the late 1960s and early 1980s, the emphasis shifted to aggressive growth and expansion through mergers and acquisitions, highlighting the importance of size

(Golbe, 2019). With the stock market boom in the 1980s, maximizing shareholder value became, and remains, a critical goal for firms (Meyer, 2002). The concept of performance continues to evolve. In recent years, successful firms have pursued non-financial goals, such as environmental sustainability (e.g. Flammer et al., 2019), social impact (e.g. Kaul & Luo, 2018), and gender & racial diversity (Jackson, 2023). How is it that what was *not* performance comes to be defined as performance, as an end in and of itself?

2.2 The Performatization of Goals

The preceding discussion yields two key insights. The first is that performance is multidimensional, and can reference many different firm outcomes. The second is that the performance construct is not static, but rather evolves over time. This raises three important questions: 1) *How* does a construct become performatized? 2) *Which* firms are likely to engage in performatization. 3) *What* is the role of stakeholders in the performatization process?

2.2.1 Stakeholders and Organizational Goals

Stakeholders are integral to the goals that firms prioritize to the extent that they hold valuable resources that are integral to the survival of the firm (Pfeffer & Salancik, 1978). The primacy of financial performance within strategic management can arguably be attributed to the dominance of a shareholder centric model of the firm, where shareholders were seen as the most important stakeholder (Davis & Kim, 2015; Jensen & Meckling, 1976). This model suggests that firms prioritize financial goals because shareholders are the primary stakeholders that are enfranchised in the firm. However, proponents of stakeholder theory suggest that firms have multiple stakeholders beyond shareholders (Freeman, 1984). To create long-term value, firms must also attend to the needs other stakeholders, who might value performance dimensions beyond financial performance.

In the new stakeholder theory, McGahan (2023) extends Freeman (1984)'s insights by conceptualizing organizations as “tools” for satisfying the purpose of stakeholders, where purpose reflects the shared aims of the firm's enfranchised stakeholders. Enfranchised stakeholders could include employees whose specialized skills are vital to operational success, customers who sustain demand for a firm's products, communities that provide social license to operate, or environmental advocacy groups that influence a firm's sustainability practices. These stakeholders hold resources such as labor, brand loyalty, social legitimacy, and reputational capital, all of which are critical for the long-term success of the firm. Thus, firms succeed when they coordinate stakeholder goals, enabling mutual value creation beyond financial performance. An organization's survival and success depend on its effectiveness and efficiency in serving as a catalyst for stakeholder aims, which may include social, environmental, and other non-financial goals alongside traditional financial goals.

2.2.2 Imposing Stakeholder Expectations

How do firms become aware of and respond to stakeholder expectations? Drawing from the behavioral theory of the firm, I conceptualize the firm as a coalition of stakeholders with different interests (Cyert & March, 1963). Organizational goals are established through a bargaining process among these stakeholders, who might vary across time and contexts. Cyert & March argue that goals take the form of aspiration levels, which serve as benchmarks that catalyze organizational action. Thus, I propose that stakeholders impose their expectations through *societal aspirations*. I define societal aspirations as the expectations that stakeholders hold for *all* firms. Societal aspirations represent the changing expectations that stakeholders hold for firm behavior.

Aspirations and expectations are related but distinct. Expectations are the levels of performance stakeholders presently hold firms to. Aspirations are a forward-looking reference

point that marks the level stakeholders hope current expectations will move towards. An aspiration is therefore a claim about where the expectation should move, not where it is currently. Performatization is the mechanism by which an aspiration becomes an expectation. As firms internalize rising societal aspirations and come to treat the dimension as a goal—setting targets, quantifying progress, disclosing both to stakeholders—societal aspirations are internalized as the firm’s own aspiration. Performatization transforms the status quo standard against which performance is subsequently judged. Today’s aspiration becomes tomorrow’s expectation. I use the two terms in this sense throughout the dissertation: “expectations” for the prevailing standard, “societal aspirations” for the forward-looking reference point that stakeholders aspire for firms to reach.

Research on social movements shows that external stakeholders often push organizations to pursue higher aspirations than those the firms set for themselves. Social movement scholars argue that external stakeholders challenge organizational norms and practices, pressing for unprecedented change on these dimensions. Soule (1997) demonstrated how nationwide protests against South African apartheid in the 1960s–1990s led institutions to divest from South Africa-related securities. Similarly, Lounsbury (2001) showed that advocacy for recycling in the late 1980s prompted universities to adopt recycling programs. These trends are particularly evident in recent years, as stakeholders increasingly demand organizations to improve on issues such as carbon emissions and racial diversity. The Paris Agreement’s net-zero emissions target for 2050, for example, is widely viewed as unattainable under current firm-specific aspirations (Dietz et al., 2021). Meanwhile, following the Black Lives Matter movement, stakeholders have set higher expectations for Black representation in leadership, as evidenced by the 33% increase in Black directors added in 2021 compared to 11% in 2020 (McGregor, 2021).

I further argue that societal aspirations are raised by external stakeholders discontinuously, at a specific point in time. The events that increase societal aspirations beyond current firm performance are often random and exogenous to the firm. Such “political opportunities” (B. G. King, 2008), focus attention on external stakeholders and to their aspirations. For example, the Black Lives Matter Movement grew into a national movement following demonstrations over the death of George Floyd (Buchanan et al., 2020). The movement spread to the corporate sector and subsequently focused attention on the lack of representation of Black leadership in American businesses (McGregor, 2021). **Chapter 3** delves into further detail about the theoretical underpinnings and mechanisms of societal aspirations. For now, I move on to how organizations respond to stakeholder expectations.

2.3 Stakeholder Expectations and Firm Responses

As suggested by stakeholder theory, expanding the focus beyond shareholders offers greater insight into how conceptualizations of performance evolve based on stakeholder expectations of firm behavior. That firms are subject to the expectations and evaluations of stakeholders (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) has been long established. Firms must exhibit socially acceptable—legitimate—behavior to obtain critical resources to survive and thrive. Failure to uphold these expectations can be financially detrimental (e.g. King & Soule, 2007) and even lead to failure despite financial success (e.g. Jensen, 2006).

When stakeholders impose their expectations on firms, the potential for societal change depends on how firms respond. While social gains are maximized when all or most firms alter their performance, the reality is that firms adopt different strategies in response to stakeholder demands. To better understand which responses are most likely to drive societal change and which firms are most likely to lead change, I propose the **Firm-Society Alignment Framework (Table 1)**. This framework categorizes firms' responses along two dimensions: the behavioral

and temporal orientation. The temporal orientation distinguishes between strategies that focus on justifying their behavior *to date* and those that focus on *future* actions. Firms that concentrate on future-oriented strategies are more likely to enact significant changes, while those that emphasize their actions to date may be less inclined to shift their practices.

The *behavioral orientation*, informed by regulatory focus theory (Higgins, 1997), refers to the nature of firms' response, that is, how firms approach the goal of meeting stakeholder expectations. Although regulatory focus theory has mostly been applied to individuals—for example, how CEOs engage with stakeholders (Gamache et al., 2020)—it is highly relevant for characterizing the potential for change within firms. I thus, apply this theory to the firm level, to better understand how different firms may drive societal change. According to this theory, change is pursued either through an *avoidance* or *approach* orientation. An *approach*-oriented firm is focused on achieving positive outcomes, driven by the pursuit of gains and the desire to capitalize on opportunities. These firms are proactive in meeting stakeholder expectations and are likely to embrace change as a means to achieve favorable outcomes. In contrast, an *avoidance*-oriented firm is primarily concerned with preventing negative outcomes, motivated by the desire to avoid losses and minimize risks. These firms are more likely to engage in defensive strategies, which may limit their capacity for substantive change.

By categorizing firm responses according to their temporal and behavioral orientations, the framework provides a clearer understanding of which responses are likely to lead to societal change and which firms are positioned to be agents of that change. The table yields four strategies: *projection* (to date & avoidance), *restriction* (future & avoidance), *rationalization* (to date & approach), and *performatization* (to date & future). **Table 2** shows examples for each strategy.

In the following section, I describe each of these strategies in detail, with a particular emphasis on *performatization*, which refers to how firms respond to stakeholder expectations by internalizing them and treating those expectations as future-oriented performance goals. Performatization involves adopting these external expectations as integral to the firm's strategic objectives, thereby influencing not only how performance is measured but also reshaping the very definition of what constitutes success. By embedding stakeholder demands into their core performance metrics, firms effectively expand the conceptualization of high performance beyond traditional financial outcomes, framing success in broader, multidimensional terms.

2.3.1 Projection: Defending Past Actions

Projection refers to defensive strategies that firms employ to justify their actions to date as aligned with stakeholder expectations. Research rooted in impression management (Elsbach, 1994; McDonnell & King, 2013) has shown that firms defend their reputation by issuing statements that justify their behavior as consistent with societal expectations. By aligning past actions with prevailing societal expectations, firms project an image of commitment to stakeholder expectations, without necessarily making changes (DiMaggio & Powell, 1983; J. Meyer & Rowan, 1977). Elsbach, (1994) found that when the California cattle industry faced increasing societal expectations for food safety and environmental sustainability, firms responded by denying or deflecting blame. Some firms defended themselves by denying involvement, issuing statements such as, "we weren't involved," or "we don't have a food safety problem." Some firms deflected the blame by asserting that, "it wasn't our fault," or by arguing that "the ultimate outcome was positive." By doing so, firms project the image that they are *not* at fault, that their actions are *consistent* with stakeholder expectations, and therefore do *not* need to change current actions. The projection strategy is thus characterized by the phrase, "*we did not do this.*"

Similarly, McDonnell & King (2013) show that when faced with boycotts, firms use prosocial claims—claims that highlight the firm’s corporate social actions in areas *beyond* the dimension addressed by boycotts—to justify the firm’s action to date. By highlighting their corporate social actions, firms present the image that they are *not* worthy of attack, that their actions are *consistent* with stakeholder expectations and, thus do *not* need to change. Thus, projection strategies are defensive mechanisms that allow firms to justify their actions to date in ways that are consistent with stakeholder expectations, reinforcing legitimacy, avoiding substantive change and pre-empting further criticism.

2.3.2 Restriction: Constraining Future Actions

The restriction mechanism involves firms responding to stakeholder expectations by withdrawing from future actions in ways that align with stakeholder expectations. Informed by the regulatory pillar of institutional theory (Scott, 2001), this approach is often characterized by changes to the organization’s policies and structures. These changes signify that the firm *will not* engage in actions that violate stakeholder expectations. Restriction strategies thus, constrain the firm’s future degrees of freedom in ways that are consistent with stakeholder expectations, and is aptly characterized by the phrase, “*we will not do this.*”

Firms that are likely to engage in restriction strategies are those that are perceived to have clearly violated stakeholder expectations. Pfarrer et al. (2008) suggest that after violating stakeholder expectations, firms implement rehabilitative changes to make sure that the transgression doesn’t occur again. As an example, Pfarrer et al. cite the Texaco discrimination scandal (Eichenwald, 1996), where senior executives at Texaco were caught using racist language in reference to underrepresented groups and conspiring to destroy documents that proved the firm’s discriminatory employment practices. Following the scandal, the firm created a special committee to oversee the firm’s diversity efforts and assess its human resources policies.

By implementing these changes, Texaco signaled they *will not* engage in discriminatory practices in the *future*, aligning their actions with stakeholder expectations.

Thus, the restriction mechanism represents a strategy where firms limit their future actions to ensure alignment with stakeholder expectations. By embedding these constraints into their organizational structures, firms not only protect their legitimacy but also create a more predictable and stable operating environment. This structural embedding serves as a protective measure (Thompson, 1967), ensuring that the firm's actions remain within the acceptable bounds of stakeholder expectations and reducing the risk of future misalignment.

2.3.3 Rationalization: Justifying future actions

Rationalization refers to strategies in which firms invoke values that are consistent with stakeholder expectations to rationalize their actions *to date* as consistent with stakeholder expectations. Firms send the message that they have *always been* committed to values consistent with stakeholder expectations, and therefore are not at fault and do not need to change. The rationalization strategy allows firms to control the narrative around their actions, positioning themselves as entities that are not to blame. It is characterized by the phrase, "*we are/have been doing this.*"

The rationalization strategy reinforces the firm's identity as consistent with societal expectations. Elsbach (1994) finds that impression management tactics that reference institutionalized values were effective in mitigating stakeholder concerns. By consistently rationalizing their actions as aligned with stakeholder expectations, firms can reinforce their organizational identity as ethical and socially responsible entities. This consistency helps to solidify the firm's reputation, making it more resilient to external pressures. Rationalization, therefore, serves as a tool for reinforcing the firm's identity in the eyes of stakeholders. This strategy is particularly effective for firms with a long history of engagement in certain values,

such as diversity or sustainability. By repeatedly invoking these values, firms create a strong narrative of consistency, which can be powerful in maintaining stakeholder trust. For example, Ashforth & Gibbs (1990) discuss how organizations use rationalization to maintain a consistent identity and manage their legitimacy in the face of external scrutiny.

A conceptual example is the use of the fairness case for diversity (Georgeac & Rattan, 2023), where organizations justify their diversity efforts on ethical grounds, emphasizing social responsibility over economic benefits. Additionally, firms that claim controversial sociopolitical positions (Hurst, 2023) use this as a rationalization strategy to pre-empt perceived misalignment with stakeholders' sociopolitical preferences. By pre-emptively framing their values as consistent with stakeholder expectations, firms manage stakeholder expectations and maintain legitimacy.

In IBM's 2022 Annual Report, the company states that, "IBM has a long, proud history as a pioneer in diversity and inclusion." Rationalizing that their values have always been aligned with stakeholder expectations pre-empts the company from having to make any changes. Instead, the company can list everything they've done *to date* to meet expectations. For example, the company lists past successes, without necessarily vowing to make changes in the future: "Our focus on creating a diverse and inclusive workplace has led to increased levels of inclusion for women, Black and Hispanic employees" (IBM, 2022). Thus, by demonstrating that their actions to date align with stakeholder expectations, the rationalization strategy positions the firm as blameless, thereby preempting the need for change.

2.3.4 Performatization: Elevating expectations

Performatization refers to the process by which firms respond to stakeholder expectations by committing to future actions that align with those expectations. This strategy involves not only acknowledging that past actions may have fallen short but also involves setting concrete,

measurable goals to meet stakeholder demands. Performatization is characterized by a forward-looking orientation, where firms internalize stakeholder expectations and treat them as performance targets to be achieved, measured, and reported. Firms thus respond by focusing on what they *will do* in the *future* and is aptly characterized by the phrase, “*we will do this.*”

Performatization is distinct in its forward-looking approach, where firms openly commit to future actions, thereby inviting external scrutiny. This approach creates a self-imposed accountability structure that goes beyond merely aligning with stakeholder expectations; it actively involves stakeholders in the process by making commitments publicly known and measurable. This differs significantly from projection, which is defensive and backward-looking, and from restriction, which limits future actions without setting new goals. Unlike other strategies, performatization requires firms to articulate clear, actionable goals that are subject to external validation. This process not only increases transparency but also encourages continuous improvement, as firms must regularly assess and report on their progress. The emphasis on measurable outcomes differentiates performatization from rationalization, where the focus is on justifying actions to date without change.

Performatization involves the internalization of stakeholder expectations, transforming them into actionable goals that guide the firm's future behavior. This internalization process is iterative and dynamic, with firms regularly revising and adjusting their goals in response to ongoing feedback from stakeholders and changes in the external environment. The behavioral theory of the firm (Cyert & March, 1963) provides a useful framework for understanding how organizations set and adapt goals in response to external pressures. Performatization emphasizes the iterative process of goal-setting and adaptation, where firms continuously refine their performance metrics to better meet stakeholder expectations.

A key component of performatization is the use of quantification to translate stakeholder expectations into measurable performance metrics. This process simplifies complex social and ethical expectations into standardized, comparable forms, making it easier for firms to demonstrate their commitment. Espeland & Sauder (2007) highlight the importance of quantification in making organizational performance more transparent and accountable. Performatization leverages this approach by developing metrics such as carbon footprints, diversity indices, or community impact scores, which not only serve as indicators of progress but also as tools for managing uncertainty and demonstrating accountability to stakeholders.

For example, company that commits to reducing its carbon footprint by 50% over the next decade is engaging in performatization. This commitment involves setting measurable goals, implementing strategies to achieve these goals, and regularly reporting progress to stakeholders. By doing so, the company not only addresses stakeholder concerns about environmental sustainability but also holds itself accountable to those stakeholders through transparent reporting and quantifiable outcomes. This process is dynamic and ongoing, distinguishing it from the more static nature of restriction, projection, and rationalization.

Thus, performatization is a strategy that emphasizes future-oriented goal-setting, accountability, and the quantification of stakeholder expectations. It differs from restriction, which avoids future actions, from projection, which defends actions to date, and from rationalization, which aligns actions to date with stakeholder values. Performatization requires firms to internalize stakeholder expectations and translate them into measurable, actionable goals, creating a framework for continuous improvement and transparency.

Figure 1 outlines the performatization process as well as the components of performatization. The framework characterizes three components of performatization: imposing

expectations, the conversion of goals to performance measures, and organizational change.

Imposing expectations involves the scrutiny of external stakeholders that firms are subjected to and the proceeding accountability that firms supply to rationalize their actions. The conversion of goals to performance measures represent the nature of performance measures and outline the baseline requirements for measures to be evaluated by external stakeholders. Organizational change reflects the strategic behaviors that firms exhibit that ultimately results in goals becoming performatized.

2.4 Characterizing Performatization

In the following section, I develop a framework for characterizing the performatization of organizational goals. This framework is organized around three key processes: stakeholders imposing expectations, firms setting goals and converting them into performance measures, and organizational change. Each process involves critical dynamics that contribute to the performatization of organizational goals: scrutiny, accountability, aspirations, standardization, reactivity, and variability.

Stakeholders impose expectations through scrutiny and accountability, compelling firms to adopt goals that align with societal norms. Firms respond by setting aspirations—proactive goals that reflect stakeholder demands—and standardizing them into measurable performance metrics for comparison across industries. In turn, firms engage in reactive behavior to meet these targets, adjusting their strategies and operations to align with performance measures. This results in variability in firm outcomes, as some organizations exceed their goals while others fall short, highlighting the dynamic nature of organizational change driven by external pressures and internal ambitions.

2.4.1 Imposing Expectations: Scrutiny & Accountability

Stakeholders impose their expectations by scrutinizing firm behavior. When firm performance falls short of these expectations, stakeholders exert pressure on firms to adopt their goals and rationally account for their efforts in satisfying the imposed goals. Research on social movements shows how external stakeholders mobilize firms to adopt movement goals, such as the implementation of domestic partnership benefits (Raeburn, 2004), and the prioritization of environmental responsibility (Hoffman & Ocasio, 2001; Lounsbury, 2001). Movements achieve this by holding firms accountable for their behavior through media coverage, extra-institutional tactics and threats of reputational damage. For instance, empirical evidence shows that, in the wake of the Black Lives Matter movement, firms altered their practices, including changes in the composition of board directors, to align with the movement's objectives (Bogan et al., 2021).

Shareholders can also exert pressure on firms to adopt goals that may not initially align with management's priorities. Shareholder activism compels managers to modify business practices to align with the objectives of shareholder proposals. For example, Flammer et al., (2021) demonstrates that environmental shareholder activism significantly enhances the voluntary disclosure of climate change risks. Similarly, Davis & Thompson (1994) illustrate how institutional investors can leverage their power to influence firm behavior. Chen et al. (2020) highlights that institutional shareholders can effectively hold firms accountable to broader societal expectations.

Above, I argued that dimensions become performatized when stakeholders scrutinize firm behavior and impose their expectations on firms. Consequently, dimensions will only be performatized when firms supply accountability in response to external pressure. Firms provide accountability because they rely on stakeholders for resources such as capital, legitimacy and public support (Hannan & Freeman, 1984; Pfeffer & Salancik, 1978). Given stakeholders'

provision of these resources, firms must supply rational accounts of how they are using resources in line with the demands of stakeholders. Moreover, organizations seek legitimacy by conforming to the norms, values, and expectations of their environment. External stakeholders often embody these norms and values, and their demands can represent broader societal expectations. Firms respond to these pressures to maintain legitimacy, which is crucial for their survival and success. Accordingly, studies show that firms reap benefits when they behave in accordance with stakeholder demands. For example, (Flammer et al., 2021) shows that when firms disclose climate change risks in response to shareholder activism, they experience higher valuation post disclosure.

A note on terminology. I distinguish propositions from hypotheses throughout. Propositions are theoretical claims stated at the level of the construct and not tested directly in this dissertation—the claims in Chapters 1, 2, and 4, take this form. Hypotheses are the operationalized, directly testable predictions derived from a proposition for a specific empirical setting—the claims tested in Chapters 3 and 4. Where a hypothesis appears, a proposition precedes it.

Proposition: Firms with greater accountability to stakeholders prioritizing specific goal dimensions are more likely to performatize these dimensions.

2.4.2 Goal Setting and Conversion to Performance Measures: Aspirations & Standardization

According to the behavioral theory of the firm (Cyert & March, 1963), firms set performance aspirations as a heuristic to achieve the goals that they have set. Thus, firms also set goals (aspirations) in response to stakeholder expectations. While aspirations can serve as a heuristic for success, they can also represent proactive, ambitious goals that firms establish to signal their commitment to stakeholders and align with societal expectations (Keum & Eggers,

2018). These goals guide firms' strategic direction and help demonstrate their adherence to broader norms, thus enhancing their legitimacy and public support.

Once goals are set, firms must standardize them into comparable performance measures. Standardization allows stakeholders to evaluate and compare firm performance across the industry. Institutionalization and isomorphism processes enable this comparability by creating shared norms and practices across organizations (Hannan & Freeman, 1984). For example, firms commonly report diversity statistics by measuring the proportion of women and people of color at various levels within the organization. Such shared understandings allow for standardized performance measures that stakeholders use to assess progress.

Proposition: Firms whose aspirations exhibit greater alignment with stakeholder expectations are more likely to publicize and report their progress to accountable stakeholders.

2.4.3 Firm Evolution: Reactivity & Variability

In response to aspirations, firms often engage in reactive behavior to ensure they meet or exceed performance targets. Espeland & Sauder (2007) highlight how firms modify their behaviors and strategies to maximize performance measures. This reactivity is driven by the desire to maintain a positive reputation and avoid negative repercussions from stakeholders. For instance, firms may adopt innovative practices, invest in new technologies, or restructure their operations to improve their performance metrics. This dynamic process of setting aspirations and reacting to performance outcomes creates a continuous cycle of improvement and adaptation, which is crucial for the performatization of organizational goals.

Because the adoption of goals leads to changes in firm behavior, it thus results in variation in the extent to which firms meet stakeholder expectations. Firms that achieve greater levels of performatization are more likely to alter their behaviors in ways that align with

stakeholder expectations. Likewise, depending on where firms stand in relation to stakeholder expectations, the behavior they exhibit will differ as well.

Proposition: Firms that achieve greater levels of performatization are more likely to alter their behaviors to align with stakeholder expectations.

2.5 Distinguishing Performatization from Alternative Theoretical Accounts

The Firm-Society Alignment Framework distinguishes performatization from the other response strategies firms may adopt—projection, restriction, and rationalization. A separate question is how performatization relates to established theoretical accounts of why firms adopt behavioral commitments and structural enactments when societal aspirations rise. As shown in **Table 3**, four accounts are especially relevant for performatization: impression management, symbolic compliance and decoupling, isomorphism, and the business case for diversity. Each predicts firm behavior that can resemble performatization, and in several instances the predictions overlap such that the present design cannot fully separate them. I name each alternative here and state what it predicts, where its predictions overlap with performatization, and where they diverge. Chapter 2 develops the comparison in full, once the two manifestations of internalization—behavioral commitment and structural enactment—are fully theorized. Throughout, I treat performatization as requiring both behavioral commitments and structural enactments; a dimension is performatized when the firm articulates it as a goal in its public language and enacts the structures that bind it to that goal.

2.5.1 Impression management

Impression management predicts that firms issue verbal accounts to manage stakeholder perceptions, most often when they are directly implicated in wrongdoing (Elsbach, 1994; McDonnell & King, 2013). The overlap with performatization is the verbal commitment itself,

where both produce public statements aligning the firm with stakeholder expectations. They diverge on what accompanies the statement. Impression management predicts commitment without structural enactment and predicts it as a reaction to a firm-specific threat.

Performatization predicts commitment and enactment together, arising even when the firm is not implicated, because the aspiration applies to all firms rather than to one. The (BC = 1, SE = 0) cell—commitment without enactment—is therefore the signature of impression management, not of performatization.

2.5.2 Symbolic compliance and decoupling

Decoupling predicts that firms adopt structures in response to legitimacy pressure that are loosely coupled to practice (J. Meyer & Rowan, 1977; Westphal & Zajac, 1994). The overlap with performatization is structural adoption where both predict that firms enact formal mechanisms as aspirations rise. However, while decoupling takes the goal as given and theorizes the gap between policy and practice once it is in play, performatization theorizes how the dimension comes to be treated as a goal in the first place. The two are adjacent rather than opposed in that decoupling describes what can happen after internalization, and performatization describes the process by which internalization occurs. Symbolic compliance, the (BC = 0, SE = 1) pattern of structural enactment without articulated commitment, occupies the cell performatization does not. I note that the present cross-section cannot separate a firm in the early stage of internalization from one engaged in symbolic compliance. Distinguishing the two accounts requires observing whether commitment and enactment couple over time.

2.5.3 Isomorphism

Isomorphism predicts that firms converge on prevailing practices through coercive, mimetic, and normative pressure (DiMaggio & Powell, 1983). The overlap with performatization is cross-firm convergence. Under both accounts, firms come to adopt similar commitments and

structures over time. However, the two accounts diverge on the reference point. Isomorphism predicts movement toward practices peers have already adopted, such that a firm matching its peers is less likely to change—the reference point is the peer, and high performers are less likely to align (Greve, 1998). Performatization predicts movement toward an aspirational level no firm has yet reached, such that even high performers face a gap. The distinguishing test is whether high performers become less likely to change as societal aspirations rise. Chapter 4 finds that high performers became more likely to appoint women directors after MeToo, a pattern more consistent with performatization than isomorphism. The SEC and BLM results, by contrast, are not able to separate the two accounts.

2.5.4 The business case for diversity

The business case predicts that firms value diversity instrumentally, as a means to financial performance, such that commitments and structures concentrate where the diversity–performance return is largest (Edelman et al., 2001; Kelly & Dobbin, 1998). The overlap with performatization is that both predict adoption, yet they diverge on the motivation for adoption. Performatization predicts that stakeholder dependency drives commitment and enactment after expected returns are controlled for, and that justification shifts from the instrumental business case toward the fairness case, in which firms treat diversity as an end they are accountable for (Georgeac & Rattan, 2023). A test that includes both expected returns and stakeholder dependency on the right-hand side would separate the two accounts. The exploratory firm-level analysis in Chapter 3 takes a first step, though it is not able to completely separate the two accounts.

Each of the subsequent chapter delves deeper into the performatization framework introduced in this chapter, offering a more comprehensive exploration of its implications.

Chapter 2 applies the performatization framework to the specific case of organizational

diversity, using concrete examples to establish the phenomenon. This chapter also develops a method for measuring performatization. **Chapter 3** leverages the insights developed in Chapter 1 and Chapter 2 to develop a firm-level theory of performatization. **Chapter 4** investigates how rising societal aspirations prompt differential alignment behavior across firms, focusing on board-diversity outcomes following the 2010 SEC Diversity Disclosure Rule and subsequent social movements.

Chapter 3 The Performatization of Diversity

3.1 Introduction

Researchers and practitioners alike have framed diversity as a means to performance. Commonly referred to as the business case for diversity, the argument has long been that diversity is valuable because it is beneficial for organizational performance (Edelman et al., 2001; Kelly & Dobbin, 1998). Accordingly, research has focused on examining diversity as a means to enhance performance both at the group level (for a review, see Carter & Phillips, 2017; Milliken & Martins, 1996; Williams & O'Reilly III, 1998) and at the organizational level (Herring, 2009; McMahon, 2010).

However, while diversity has historically been conceptualized as a means to performance, many firms have started to value and pursue diversity as an end in and of itself, independent of its effect on performance. This is apparent in three ways: firms explicitly state their goals for diversity, monitor their progress on meeting these goals, and construct accountability mechanisms to meet goals. Large public companies such as Airbnb, Bank of America, Bloomberg, Coca-Cola, GE, Intel, McKinsey, TaskRabbit, and Xerox have publicly announced diversity targets for 2025 and 2030. Although setting diversity goals and posting progress is not new, the trend has "spread like wildfire in the last two years" (Kalev & Dobbin, 2022). Moreover, not only are companies setting goals, but they are also reporting how they measure up against these goals, reporting increases in diversity, as they would financial

performance. Notably, Merck's 2022 Annual Report states the company's diversity goals and its progress on meeting these goals:

The Company's diversity goals include increasing representation in senior management roles (defined as an individual holding either a Vice President or Senior Vice President title) by 2024 of (i) women globally to 40%, up from 31% in 2020, (ii) Black/African Americans in the U.S. to 10%, up from 3% in 2020, and (iii) Hispanics/Latinos in the U.S. to 10%, up from 5% in 2020. As of December 31, 2022, representation in senior management roles at the Company for (i) women globally was 34%, (ii) Black/African Americans in the U.S. was 6%, and (iii) Hispanics/Latinos in the U.S. was 8% (Merck & Co, 2022).

Whereas diversity was previously valued for its effect on performance, organizations have started to value diversity independent of its effect on performance. While three quarters of S&P 500 companies have tied diversity, equity & inclusion (DEI) goals to executive pay (Spierings, 2022), some firms are compensating their top executives for DEI goals even when they have not met key financial objectives. For example, in 2023, Southwest's CEO Robert Jordan's pay increased by 76% (Xiao & Temple-West, 2023) despite a technology malfunction that grounded 16,700 flights and led to an estimated net loss of \$825 million (Bushey & Chávez, 2023). Despite this financial setback, Jordan's compensation was buoyed by progress on DEI goals tied to executive pay, illustrating that not only is diversity valued as an end, but it is being treated as synonymous with performance. Firms are conceptualizing diversity as they would financial performance.

I propose that these changes represent diversity being "performatized" by firms. I introduce performatization to refer to the process by which non-financial dimensions come to be treated as performance — firms set aspirations on the dimension, quantify their progress, and disclose both publicly, in the same way they describe financial performance. Performatization is therefore distinct from valuing the dimension as a means to performance, as in the business case for diversity, where the dimension is valued because it improves financial outcomes. It is also distinct from adopting language about the dimension to manage stakeholder perceptions, as research on impression management has examined. Performatization differs from both in that the dimension is being treated as performance itself — not as a means to performance, and not only as a claim made to manage external stakeholder perceptions.

Although internalization is latent and cannot be directly observed, performatization produces two distinct, observable manifestations: *behavioral commitments* and *structural enactments*. Behavioral commitments are observable in the language firms use to describe a non-financial dimension — the targets they articulate, the metrics they report, and the way they describe their progress. Structural enactments are observable in the formal mechanisms firms put in place to operationalize the dimension as a goal, such as the linking of executive compensation to diversity outcomes, or the publication of standalone diversity-related reports. The two manifestations can co-occur, but they need not. A firm may commit without enacting, or enact without committing. I argue that the two together provide the strongest evidence of internalization.

I develop measures for each manifestation. For behavioral commitments, I draw on work in linguistics to establish a baseline of how firms describe financial performance, and argue that a dimension becomes performatized as firms come to describe it in language that mirrors this

baseline. I capture this convergence through computational linguistic analysis of 10-K and DEF-14A filings for S&P 1500 firms from 2007 to 2024. For structural enactments, I code two binary indicators of diversity practices from the same filings: the linking of executive compensation to diversity outcomes, and the publication of a standalone diversity-related report. The study window was chosen as a period in which societal aspirations for diversity were plausibly rising. The 2024 D.E.I. backlash following the U.S. presidential election arguably marks a shift towards declining societal aspirations for diversity.

This chapter makes three contributions. First, I introduce performatization as a process that complements existing accounts of how firms respond to stakeholder expectations. It builds on research on decoupling, which examines the gap between symbolic and substantive adoption (Bromley & Powell, 2012; J. Meyer & Rowan, 1977; Westphal & Zajac, 1994), and on research on symbolic and impression management, which examines how firms use language to manage stakeholder perceptions (Elsbach, 1994; McDonnell & King, 2013; Westphal & Zajac, 1998). These accounts largely take the legitimacy of a goal as given and examine how firms manage it; performatization addresses the prior question of how a non-financial dimension comes to be treated as a performance goal in the first place. Performatization is distinct from, but not in opposition to, symbolic management and decoupling. Rather than positioning these accounts as competing accounts, I suggest that the patterns they describe—commitment without enactment, or enactment without commitment—may represent earlier or partial stages of the same process of performatization.

Second, I develop a linguistic approach to measure performatization. Drawing on work in linguistics, I establish a framework for how firms describe financial performance and argue that a non-financial dimension becomes performatized when firms come to describe it in the same

way. I capture this convergence through computational linguistic analysis of corporate filings, focusing on two features that define how firms describe financial performance: aspiration-setting and commensuration. Because the measure is grounded in features of language rather than the performatized dimension itself, it is widely applicable to other performance dimensions.

Third, I establish the phenomenon of performatization empirically in the case of organizational diversity, documenting that the language firms use to describe diversity has converged with the language they use to describe financial performance over the period from 2007 to 2024. Based on the findings in this chapter, Chapter 3 examines which firms are more likely to performatize diversity. I argue that firms more accountable to stakeholders for whom diversity is a salient concern are more likely to performatize, and I offer exploratory results to substantiate this claim.

3.2 Theoretical Development

Organizations are goal-driven entities (Cyert & March, 1963), such that their behaviors (Cyert & March, 1963), attention (Ocasio, 1997), and resource allocations (Pfeffer & Salancik, 1978) are oriented toward the goals they pursue. To pursue goals, organizations articulate aspirations: levels of acceptable performance that serve as reference points against which organizations evaluate progress and adjust behavior (Cyert & March, 1963; Greve et al., 2003). Cyert and March (1963) describe firms as routinely monitoring performance against aspirations on operational goals — production, inventory, sales, market share, and profit — through practices like budgeting and performance targets. Aspirations both function as reference points and represent forward-looking commitments through which firms signal alignment with

stakeholder expectations (Keum & Eggers, 2018). Goals therefore guide organizational behavior and demonstrate alignment with broader norms, lending legitimacy and public support.

Firms are subject to the expectations and evaluations of stakeholders (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), but stakeholders also hold aspirations for firms to exceed current expectations and improve performance. Drawing on the behavioral theory of the firm, I characterize such aspirations as societal aspirations, defined as the expectations external stakeholders have for the goals organizations should pursue, and the levels of performance organizations should attain on those goals (Chapter 1).

Prior research shows that firms are responsive to changing societal aspirations. However, studies largely focus on behavioral changes — adjustments to practice or structural reforms — while treating the underlying internalization of these aspirations as given. Firms are typically assumed to respond to stakeholder aspirations without an account of how they come to internalize such aspirations as their own goals. This omission is consequential. Before a firm can change its behavior, it must first come to recognize that a given goal is worth pursuing. Firms may therefore differ not only in how they respond to societal aspirations, but in whether they internalize them at all. *How do firms internalize societal aspirations as organizational goals?*

3.2.1 Performatization as Aspiration Internalization

I argue that internalization is itself a strategic process, which I term performatization. As introduced earlier, performatization is the process by which a non-financial dimension comes to be treated as performance — firms set aspirations on the dimension, monitor their progress, and disclose both publicly. The mechanism underlying this process is socio-cognitive, in two ways. First, it is *cognitive* in the sense that it involves attention and meaning construction. External

stakeholders articulate aspirations for what firms should do, but these aspirations do not automatically translate into organizational goals. They must first be attended to by organizational decision-makers (Ocasio, 1997), interpreted as relevant to the firm, and rendered meaningful through processes of sensemaking (Weick, 1995). Second, it is *social*. The meaning-making process unfolds collectively within the organization, as organizational members orient toward the aspiration through shared discourse and mutual reinforcement. Internalization is complete when the aspiration ceases to be experienced as an external demand and comes to be treated as a organizational goal that is worthwhile to pursue—a basis on which the firm evaluates its own performance.

The term performatization shares its etymological root with performativity, a concept developed across philosophy and economic sociology to describe how discourse and practice can constitute the realities they appear merely to describe (Butler, 1990; Callon, 1998; MacKenzie, 2006). I use the term more specifically, to refer to the organizational process by which a non-financial dimension comes to be treated as performance — that is, when firms set aspirations on the dimension, monitor their progress, and disclose both publicly, in the same way they describe financial performance. Performatization is therefore an organizational form of performativity, in which firms come to treat the dimension as performance through the way they articulate and report on it. My usage is narrower for two reasons. First, I draw on the behavioral theory of the firm, which characterizes organizations as goal-directed entities that set aspirations and monitor performance against them (Cyert & March, 1963; Greve & Teh, 2018). The language firms use to describe a goal therefore reflects whether it has been internalized. Second, the narrower scope allows me to identify an observable empirical signature of performatization that I can document and test.

Internalization is itself unobservable. We cannot directly measure whether a firm has come to view a societal aspiration as a legitimate organizational goal. But internalization produces two distinct, observable manifestations: *behavioral commitments* and *structural enactments*. Both are produced by the same underlying internalization process, but they face different organizational constraints, are observable through different empirical traces, and provide complementary evidence of internalization. The two can co-occur or occur independently. A firm that has begun to internalize the aspiration will typically articulate it linguistically before it adopts the structures to enact it; a firm that does both provides the strongest joint evidence of internalization.

3.2.2 Behavioral Commitments

The first manifestation of internalization is behavioral commitment: the articulation of the aspiration as an organizational goal in the firm's public language. Corporate disclosures — annual reports, proxy statements, and current reports — are the primary medium through which firms publicly articulate goals, frame priorities, and communicate progress to stakeholders (Fiss & Zajac, 2006; Westphal & Zajac, 1998). The language firms use in these documents is the medium through which organizational actors render abstract aspirations into concrete commitments, articulating the aspiration as a goal the firm will pursue, evaluating progress against that goal, and signaling alignment with stakeholder expectations. Behavioral commitment manifests linguistically in two ways: through aspiration-setting and commensuration.

Aspirations. Goal-directed organizations articulate aspirations, levels of performance that serve as reference points for evaluating progress and guiding subsequent behavior (Cyert & March, 1963; Greve, 2003). Aspirations represent commitments that direct organizational

attention (Ocasio, 1997), trigger solution search when performance falls short (Greve, 2003), and signal to internal and external audiences which dimensions the organization treats as worthwhile of pursuit (Keum & Eggers, 2018). Decision-makers form aspirations through historical comparison against the firm's own past performance and social comparison against peers (Bromiley & Harris, 2014; Greve et al., 2003), and these reference points are revealed in the goals, benchmarks, and forward-looking commitments organizations articulate. Aspiration-setting is therefore both an empirical signature of internalization, because internalized goals generate articulated reference points against which performance can be assessed, and a constitutive practice, because the act of setting an aspiration is itself part of how a dimension becomes an object of organizational performance. When firms articulate explicit aspirations on a non-financial dimension in their disclosure — stating targets, specifying time horizons, and benchmarking themselves against past or peer performance — this provides observable evidence that the dimension has been internalized as an organizational goal.

Commensuration. Goal internalization also requires that performance against the goal be quantified. Drawing on Espeland and Sauder (2007), commensuration is the process through which qualitative claims are converted into quantitative form so they can be compared, evaluated, and acted upon. Mazmanian & Beckman (2018) extend this insight by showing through ethnographic study of a hotel-management firm that the production of key numbers is central to how those numbers come to exercise authority within the organization. Quantification is therefore both an empirical characteristic of internalization, because internalized goals are monitored quantitatively, and a constitutive practice, because quantification is itself part of how a dimension becomes an object of organizational performance. As Greve and Teh (2018, p. 27) note, drawing on Perrow (1961), "the consistency and rigor of monitoring the outcomes that

practices are supposed to achieve may provide clues as to the extent to [which] an external goal is internalized." Quantified monitoring of an externally imposed goal can therefore be characterized as evidence for internalization.

I propose that aspiration-setting and commensuration together provide stronger evidence of internalization than either alone. Firms can articulate aspirations relatively cheaply, in language that does not require them to monitor or report on their progress—a pattern that, on its own, is also consistent with impression management. Firms can also quantify dimensions without committing to future action, as occurs with regulatory disclosure compliance. And firms may adopt the language of their peers without internalizing the underlying goal, as institutional theory has long documented (DiMaggio & Powell, 1983). Peer mimicry alone, however, would produce convergence in language among firms within the same industry; it would not predict that diversity discourse comes to resemble financial-performance discourse specifically. I do not claim that the joint presence of aspiration-setting and commensuration rules out these alternatives definitively; rather, it is the pattern most consistent with internalization, and the one least easily explained by any single alternative.

Thus, the empirical signature of internalization is the two together—firms articulating aspirations and quantifying their progress in the same disclosure language, the same two features that define how firms describe financial performance. Financial performance is the most established example of an internalized goal in modern firms (Greve & Teh, 2018). The way firms describe it reflects how organizations articulate aspirations, monitor progress, and report on goals they have internalized. If a non-financial dimension is becoming an internalized goal in the same sense, the language firms use to describe it should come to resemble the language of financial performance, because both are now treated as goals subject to the same evaluative

standards. This convergence—in both aspiration-setting and commensuration—is what I examine as the empirical signature of performatization.

3.2.3 Structural Enactments

The second manifestation of internalization is **structural enactment**: the formal organizational mechanisms through which firms operationalize the aspiration. Such mechanisms include the appointment of a Chief Diversity Officer, the establishment of board diversity committees, the publication of standalone diversity reports, and the linking of executive compensation to diversity outcomes. Structures provide firms with the operational capacity to pursue aspirational goals while simultaneously signaling commitment to stakeholders (DiMaggio & Powell, 1983; Edelman, 1992; Meyer & Rowan, 1977). The institutional theory tradition has long argued that firms adopt formal structures in response to rising societal expectations both to gain legitimacy and to coordinate action toward newly-recognized goals.

The empirical literature on the diffusion of diversity structures supports this account. Edelman (1992) and Kelly and Dobbin (1998) show that early adoption of equal employment opportunity and affirmative action structures in U.S. firms followed regulatory and stakeholder pressure rather than simple efficiency considerations, with firms most exposed to such pressure adopting earliest. Dobbin and Kalev's body of work has documented the subsequent diffusion of diversity-related structures — diversity training, formal grievance procedures, diversity managers, and accountability mechanisms — and shown that adoption patterns reflect institutional and stakeholder pressures rather than productivity gains alone (Dobbin, 2009; Kalev et al., 2006). More recent work has extended this account to corporate governance. Briscoe & Safford (2008) document the adoption of domestic partner benefits, a contentious practice

extending benefits to employees' same-sex partners, showing that firms with progressive workforces and consumer-facing exposure adopted earliest, even when adoption was politically costly. Investor pressure has been similarly documented. Institutional investors increasingly use voting and engagement to push portfolio firms toward formal diversity governance, including board diversity committees, diversity-linked executive compensation, and standalone sustainability reporting (Dimson et al., 2015; Dyck et al., 2019; Flammer & Bansal, 2017; Goranova & Ryan, 2014).

Structural enactments are costlier and slower to implement than behavioral commitments. Where commitment requires only revising disclosure language, enactment requires resource allocation, role creation, and changes to formal authority and incentive systems. Because enactment demands greater organizational resources, it is a more mature signal of internalization (Edelman, 1992; Westphal & Zajac, 1998), and because commitment is cheaper, it is the earlier and more pervasive manifestation. The two are therefore correlated but separable; a firm that has internalized an aspiration is more likely to show both, but firms should be more likely to commit without enacting than enact without committing.

3.2.4 Distinguishing Performatization from Alternative Theoretical Accounts

In this section, I distinguish performatization from four alternative theories that account for why firms adopt behavioral commitments and structural enactments in response to societal aspirations—decoupling, impression management, isomorphism, and the business case for diversity. Because these accounts often predict similar behaviors, distinguishing performatization requires specifying for each what it predicts, where its predictions converge with performatization, and what evidence would separate them. I organize the comparison around the

two empirical manifestations of internalization introduced above—behavioral commitment, the articulation of an aspiration as an organizational goal in the firm's public language, and structural enactment, the adoption of practices or structures that implement it. Their joint presence represents the most complete form of performatization (**Table 3**). I am explicit throughout about where overlapping predictions cannot yet be distinguished with the present research design. For two accounts—decoupling and impression management—I argue the alternative is better understood as an earlier stage of the same process than as a competing process.

Table 3 presents a 2×2 table of behavioral commitment with structural enactment. Performatization is the joint presence of both, which I theorize as the signature of an aspiration that has been internalized as a firm aspiration. The off-diagonal cells correspond to commitment without enactment (impression management) and enactment without commitment (symbolic compliance). I propose that these are not competing mechanisms but earlier or partial stages of internalization—the 2×2 maps onto the progress of internalization rather than onto competing theories. The fourth cell, neither commitment nor enactment, represents inertia.

3.2.4.1 *Decoupling*

Organizations resolve legitimacy pressures by adopting structures that are often decoupled from practice (Edelman, 1992; Meyer & Rowan, 1977; Westphal & Zajac, 1994, 1998). In other words, organizations may adopt structures to align with changing societal aspirations, independent of whether the structures allow firms to improve performance to meet societal aspirations. Performatization takes a related, yet distinct perspective in that the focus is on the upstream process by which an emerging societal aspiration comes to be recognized as an aspiration, a goal, in the first place. This is prior to the structural adoption choices, which is the

focus of decoupling research. As Greve and Teh (2018) argue, studies on decoupling and institutional theory have predominantly examined the diffusion of practices rather than the formation of aspirations, even though it is the aspiration pursued through the practice (e.g., equality, sustainability, diversity) that external stakeholders ultimately demand. The two accounts are complementary rather than opposed. Decoupling focuses on what occurs *after* a societal aspiration has been internalized by the firm. Performatization focuses on how the aspiration comes to be recognized at all. Because internalization cannot be observed directly, I acknowledge that the present research design cannot fully separate early-stage performatization from decoupling in the cross-section: a firm that has articulated a commitment but not yet enacted a structure is consistent with both an aspiration in the process of being internalized and symbolic compliance. Distinguishing the two requires observing whether commitment and enactment become coupled over time, which the panel design proposed in the following chapters is intended to capture.

3.2.4.2 Impression Management

Impression management research argues that firms use verbal accounts to strategically manage stakeholder perceptions of the organization (Elsbach, 1994; McDonnell & King, 2013; Westphal & Zajac, 1994, 1998). Impression management research would predict that firms are most likely to make behavioral commitments if they are directly implicated in wrongdoing.

I distinguish performatization from impression management in three ways. First, impression management is a reactive strategy, by which firms use verbal accounts to *deflect* negative reactions that arise from their own actions (McDonnell & King, 2013; Elsbach, 1994). Performatization is different in that it is invoked when stakeholders aspire for *many* firms to change, rather than one specific firm. In this respect, performatization is closer to sociopolitical

positioning (Hurst, 2023), where firms commit themselves to societal aspirations even when they are not directly implicated.

Second, impression management theorizes verbal accounts broadly, encompassing denials, acknowledgements and deflections that firms use to manage stakeholder perceptions. Performatization is more specific in that firms acknowledge and commit to increasing societal aspirations through aspiration setting and commensuration. Thus, performatization is a strategy for aligning organizations with changing societal aspirations, rather than managing perceptions.

Third, impression management theorizes the use of verbal accounts without necessarily predicting accompanying structural change. Performatization predicts both. The joint manifestation of behavioral commitment and structural enactment is the empirical signature of internalization, and firms that have internalized the aspiration should exhibit both.

3.2.4.3 Isomorphism

Isomorphism predicts that firms come to resemble one another through three mechanisms — coercive, mimetic, and normative pressures— producing convergence on prevailing practices in organizational fields (DiMaggio & Powell, 1983). Isomorphism would predict that firms adopt behavioral commitments and structural enactments not as an internalization or alignment mechanism, but rather as a mimetic or coercive mechanism, because peer organizations have already adopted these practices or because regulators compel a response. The overlap with performatization is that of cross-firm convergence. That is, under both accounts firms increasingly adopt similar behavioral commitments and structural enactments over time.

However, the two accounts diverge on the reference point on which firms converge. Isomorphism predicts organizational change toward practices or performance levels that peers

have already achieved, such that a firm that has achieved a level of performance comparable to its peers is less likely to change. The reference point is that of peers, or the social aspiration, and firms that are performing above their social aspiration—*high performers*—are less likely to align their behavior with societal aspirations (Greve, 1998). On the other hand, performatization predicts that even high performers face pressure to align their behavior with societal aspirations. Societal aspirations represent a higher reference point set by external stakeholders, for which *no firm* is good enough. Thus, when societal aspirations are raised, even high-performers face a discrepancy between their performance and that of societal aspirations.

The test to distinguish isomorphism from performatization is to examine whether high performers become less likely to change as societal aspirations increase. Chapter 4 tests this prediction by examining whether high performers become more likely to appoint a woman or director of color after societal aspirations for board diversity increase. I examined high performers' likelihood of change after three events—the SEC Rule, the #MeToo Movement (MeToo) and the Black Lives Matter movement (BLM). I find that after MeToo, high performers became more likely to appoint women directors, a pattern that is more consistent with performatization than isomorphism. Chapter 4 describes the results in further detail.

3.2.4.4 The business case for diversity

The business case for diversity is the notion that organizations value diversity for instrumental reasons, as a means to greater financial performance (Edelman et al., 2001; Kelly & Dobbin, 1998). Performatization instead proposes that diversity has come to be treated as performance itself — valued not because it produces financial returns but because firms have become accountable for it, as they are for safety (Gaba & Greve, 2019). Firms pursue diversity not because it is good for business but because it has become an expectation, a constraint on

performance. The business case predicts that behavioral commitments and structural enactments increase with expected returns to diversity. Performatization predicts that commitment and structure correlate with stakeholder dependency, controlling for expected returns to diversity.

The business case claims diversity is adopted *because it is beneficial for financial performance*. If so, behavioral commitments and structural enactments should concentrate where diversity has the largest expected financial return, such as industries or firms where the diversity–performance relationship is strongest. Performatization predicts that stakeholder-dependency drives behavioral commitments and structural enactments. A discriminating test would be to include both a measure of expected diversity returns and a measure of stakeholder dependency on the right-hand side. If stakeholder dependency continues to predict performatization after controlling for the expected diversity returns, this suggests that firms have performatized diversity beyond what the business case can explain.

A further distinguishing test concerns the justifications that organizations use for diversity. Georgeac and Rattan (2023) distinguish the business case, which justifies diversity instrumentally as a means to performance, from the fairness case, which justifies diversity as a moral end in itself. The business case predicts that firms continue to justify diversity instrumentally; performatization predicts a shift toward the fairness case, in which firms justify diversity as an end they are accountable for, independent of returns. A shift from instrumental to fairness-based justification in disclosure language over the study period would be evidence for performatization beyond the business case.

3.2.5 Proposition

To this point, I have defined performatization and established how it differs from similar theoretical accounts. Performatization is distinguished by firms adopting *both* behavioral

commitments and structural enactments as societal aspirations are internalized as the firm's aspiration, or organizational goal. The alternatives presented above each predict one manifestation or the other, or predict both for reasons other than internalization. Performatization requires both, and predicts them to move together. Thus, I propose that,

Proposition: As societal aspirations increase, firms become more likely to performatize by internalizing those societal aspirations.

This proposition is not directly testable because internalization is a latent socio-cognitive process. I thus infer internalization through its observable manifestations — behavioral commitments and structural enactments. The proposition states the general claim that firms indeed performatize and the hypotheses in the following chapters derive cross-firm predictions on which firms performatize most strongly when societal aspirations rise.

3.2.6 Boundary Condition

The empirical predictions that follow from the proposition presuppose that societal aspirations on the dimension of interest are in fact rising. This is the boundary condition of the theory: the predictions apply within a context of rising aspirations and are not predicted to hold in periods of stable or declining aspirations. Whether societal aspirations are rising in a given context is not something to be hypothesized within the theory; it is an empirical premise to be established prior to testing the predictions. In the empirical setting of this chapter — organizational diversity from 2007 to 2024 — I establish this boundary condition descriptively in the empirical setting section, using mainstream press coverage, SEC rulemaking activity, and Nasdaq listing-rule developments to document the rising salience of diversity as a domain of stakeholder aspiration over the study period. The boundary condition is satisfied. Within this

period, firms vary in the strength with which they performatize the rising aspiration, and this variation is what the hypotheses are designed to explain.

3.3 Data & Methodology

3.3.1 Empirical Setting

Organizational diversity provides a compelling empirical setting to examine this proposition. Diversity is a highly contentious performance dimension that provides a compelling empirical setting for studying performatization, for two reasons. First, diversity has multiple stakeholder constituencies with potentially divergent preferences — including investors, employees, consumers, and regulators — each of which may exert different forms of pressure on firms. This stakeholder heterogeneity allows me to examine how firm-level dependency on different stakeholders predicts variation in performatization (**Chapter 3**). Second, societal aspirations for diversity rose substantially over the past two decades, particularly following the 2010 SEC Diversity Mandate and social movements such as MeToo (2017) and Black Lives Matter (2020) (**Table 5**). These events raised expectations for organizational diversity, providing a context with clear inflection points through which to observe whether and how firms came to performatize diversity over time. Moreover, firms regularly disclose their diversity practices in corporate statements such as annual reports and proxy filings, providing a large body of text suitable for analyzing how corporate disclosure language evolves over time.

3.3.2 Sample

To construct the corpus, I assembled all available annual reports (Form 10-K) and definitive proxy statements (Form DEF 14A) for S&P 1500 constituents from the SEC EDGAR database, covering fiscal years 2007 through 2024. The window spans the principal regulatory

shocks affecting diversity disclosure — the SEC's 2009 board-diversity proxy rule, the 2020 human-capital disclosure amendment, and the 2021 Nasdaq board-diversity listing rule — so that pre- and post-rule periods are observable for each. I assemble a panel of all S&P 1500 constituents for which both an annual report on Form 10-K and a definitive proxy statement on Form DEF 14A were available within this window, yielding 1,714 firms and approximately 25,354 firm-year observations. Fiscal year 2025 is excluded because filings continued to arrive after the data-collection cutoff (April 2026).

3.3.3 Subcorpus identification

I used AI (Claude Code) to parse the HTML of each document using the BeautifulSoup package. Sentences were segmented using spaCy. I retained sentences only when they (a) contained between 20 and 600 characters and (b) were at least 40 % alphabetic by character count to ensure that the corpus captured linguistic content rather than tables or formatting artifacts.

The financial and diversity subcorpora are drawn from a single underlying sentence pool per firm-year, holding the linguistic environment constant (Baker et al., 2024; Bhatia & Meier, 2025). For each firm-year I assembled a unified pool consisting of every sentence drawn from that firm's 10-K and DEF 14A filings after the cleaning steps described above. The financial subcorpus comprises sentences containing at least one term from a financial-performance dictionary, which combines unigrams from the Loughran-McDonald Master Dictionary (Loughran & McDonald, 2011) restricted to financial-performance nouns, line items from balance sheets, income statements, and cash-flow statements, and a small set of acronyms (e.g., ROA, EPS) absent from Loughran-McDonald; bigrams capture canonical financial-performance phrases (e.g., net income, operating margin, free cash flow). The dictionary contains 44 unigrams

and 55 bigrams (**Appendix A**). The diversity subcorpus is the subset of sentences containing at least one term from a 182-term DEI dictionary adapted from Baker et al. (2024), comprising unambiguous unigrams (e.g., diversity, racial, gender) and disambiguated bigrams (e.g., pay equity, equal opportunity) that protect against false positives from terms with alternative financial meanings — for example, "equity" alone captures shareholders' equity (**Appendix B**). A sentence may belong to both subcorpora. I record the share of overlap per firm-year and report it descriptively.

3.3.4 Identifying features of the financial-performance register

I follow an abductive analytic strategy (Fereday & Muir-Cochrane, 2006; Tavory & Timmermans, 2014), in which candidate features are identified inductively from the data and the subset used for measurement is selected deductively from theory. To identify candidate features, I applied a part-of-speech tagger (spaCy, `en_core_web_sm`) to the financial subcorpus and ranked verbs, adjectives, and adverbs by frequency at the firm level. With AI, I read the frequency-ranked tables across firms, and identified five recurring vocabulary themes — growth and momentum, evaluative comparison, risk and challenge, forward-looking aspiration, and precision and quantification — and codified each as a content-analysis dictionary. A fixed set of terms is applied to text, and density measures are computed mechanically. The five-feature characterization is descriptive. I report it in full in **Appendix C** and do not use it as a measurement model.

3.3.5 Selecting measurement dimensions

Drawing on the linguistics of financial discourse (Bu et al., 2020; Fuoli, 2018) and the sociology of commensuration (Espeland & Stevens, 1998, 2008; Mennicken & Espeland, 2019), I identify two of the five features as constitutive of the performance discourse: **aspirations**,

expressed through goal-setting and forward-looking constructions, and **commensuration**, expressed through the conversion of qualitative claims into commensurable quantitative form. I therefore measure performatization through two ratios corresponding to these two functions. The remaining three features — growth and momentum, risk and challenge, and evaluative comparison—are not used in the convergence measure.

3.3.6 Measuring Behavioral Commitments

Aspiration Ratio. The aspiration ratio captures the prospective orientation of performance reporting — the use of goals, targets, and forward-looking constructions through which firms commit to anticipated future states (Bu et al., 2020; Fuoli, 2018). I measure the aspiration ratio as the share of sentences in the relevant subcorpus containing either (a) a goal noun (goal, target, objective, aspiration, commitment, pledge, benchmark, milestone, metric, KPI) or (b) a forward-looking verbal construction. Forward-looking verbal constructions include futurate infinitives (aspire/aim/plan/intend/commit/expect/strive/seek to), modal-plus-commitment compounds (will continue, will increase, will expand, will improve, will achieve, will invest, will strengthen, will advance, will promote, will develop, will build, will grow, will accelerate, will drive, will ensure, will maintain), the verb anticipate, and temporal anchors (going forward, looking ahead, in the future, by 20XX, over the next X years).

Commensuration Ratio. The commensuration ratio captures the conversion of qualitative claims into commensurable form, which Espeland & Stevens (1998, 2008) identify as the foundation of how firms evaluate performance. I measure the commensuration ratio as the share of sentences containing at least one explicit quantitative anchor — a dollar amount (\$X, optionally followed by million/billion/thousand) or a percentage (X%, percent, percentage points, basis points). I exclude generic numerals — for instance, "the year 2020" or "Item 7" —

and limit the measure to monetary and proportion grounding, because these are the units through which corporate performance is publicly evaluated (Mennicken & Espeland, 2019).

Computing the Ratios. For each firm-year and each subcorpus (financial, diversity), I compute each ratio as a sentence-level proportion — the share of corpus sentences in which the feature appears, bounded in [0, 1]. All regular expressions are case-insensitive and were validated against held-out passages from filings outside the analytical sample.

$$\text{Aspiration}_{i,t,c} = \frac{\text{Aspiration Sentences}}{\text{Total sentences in each corpus}}$$

$$\text{Commensuration}_{i,t,c} = \frac{\text{Commensuration Sentences}}{\text{Total sentences in each corpus}}$$

where *i* indexes firm, *t* indexes year, and *c* indexes subcorpus (financial or diversity). Each ratio is computed separately for the financial and diversity subcorpora, yielding four firm-year measures per observation. The diversity-corpus values serve as the dependent variables in the firm-level analyses; the financial-corpus values establish the baseline against which performatization is observed.

3.3.7 Measuring Structural Enactments

In addition to the linguistic measures of behavioral commitments, I measure structural enactments through two binary indicators of formal diversity governance, each coded from the same 10-K and DEF 14A filings.

3.3.7.1 DEI-linked executive compensation

DEI-linked executive compensation equals one if the filing contains evidence that executive incentive plans include diversity-related criteria, identified through co-occurrence of DEI and compensation keywords, explicit linking constructions, or references to DEI metrics within the incentive plan. This indicator captures whether firms have integrated diversity into the formal incentive structures through which they reward executive performance, mirroring the way they have long incentivized financial outcomes.

3.3.7.2 Named diversity-related report

Named diversity-related report equals one if the filing references a standalone non-financial disclosure document such as a Sustainability, ESG, Corporate Social Responsibility, Diversity, Human Capital, or EEO-1 report. This indicator captures whether firms have committed organizational resources to producing dedicated public-facing documents on diversity, beyond what is included in standard financial disclosures.

3.4 Results

3.4.1 Population-Level and Within-Firm Convergence of Diversity and Financial Language

Figure 5 shows the convergence between the two discourses over time, traced through their mean commensuration and aspiration ratios. In 2007, the registers were clearly distinct: financial discourse had a mean commensuration ratio of 0.24 and a mean aspiration ratio of 0.08, while diversity discourse had a mean commensuration ratio of 0.10 and a mean aspiration ratio of 0.07. Over the study period, the two registers converged. Financial discourse compressed sharply on commensuration (0.24 to 0.13, a 46% decline) and shifted modestly upward on aspiration (0.08 to 0.10, a 25% increase). Diversity discourse declined slightly on

commensuration (0.10 to 0.07, a 30% decrease) and rose sharply on aspiration (0.07 to 0.17, a 143% increase), overtaking financial discourse after 2020. By 2024, the two registers had largely converged, meeting at a more aspirational and less quantified middle ground than either occupied at the start of the period.

Figure 6 presents the yearly means and within-firm z-scored values of the aspiration and commensuration ratios for both discourses, allowing assessment of whether the population-level trends shown in **Figure 5** also hold within firms. The within-firm z-scored aspiration ratio for diversity discourse rises across the study period, crossing zero in 2019 and reaching approximately 0.80 by 2024. The within-firm z-scored aspiration ratio for financial discourse follows a similar but less pronounced upward trajectory, reaching approximately 0.55 by 2024. On commensuration, the within-firm z-scored value for financial discourse declines sharply after 2019, falling from approximately 0.45 to below -1.0 by 2024. The within-firm z-scored commensuration ratio for diversity discourse declines more gradually over the same period. The within-firm patterns are consistent with the population-level trends shown in **Figure 5**.

3.4.2 Margin Decomposition of Changing Diversity Discourse

Figure 7 shows the firm-year distribution of the aspiration and commensuration ratios for diversity discourse across four periods, allowing assessment of whether the shifts in mean values reflect extensive-margin entry, intensive-margin amplification, or both. The aspiration ratio exhibits both extensive and intensive growth. The share of firm-years at zero ($P(0)$) declined from 0.24 in 2007–2009 to 0.01 in 2023–2024, and the period mean rose from 0.07 to 0.17. The distribution shifts rightward across periods, with the mode moving from near zero in 2007–2009 to approximately 0.15 in 2023–2024. The commensuration ratio exhibits extensive entry without

necessarily intensive margin growth. While $P(0)$ drops from .16 to .08, the mean stays relatively flat and the distribution concentrates at a relatively low value, suggesting that new entrants quantify only minimally and earlier-period heavy quantifiers have dialed back. Together, the descriptive patterns indicate that diversity discourse and financial discourse have converged over the study period, meeting at a more aspirational and less quantified register than either occupied at the start. The convergence holds at the population level (**Figure 5**), within firms (**Figure 6**), and is driven by both extensive entry and intensive amplification on the aspiration dimension but extensive entry only on the commensuration dimension. These descriptive patterns establish the phenomenon of performatization in the aggregate.

3.4.3 Population-Level Adoption of Structural Enactments

The left column of **Figure 8** traces the adoption trajectories of two diversity-related structural enactments — DEI-based pay and diversity reports — over the study period. Both begin at low rates: in 2007, 1.3% of firms tied executive compensation to DEI metrics, and 7.5% issued a standalone diversity report. Both then expand, but on different trajectories.

Diversity reporting grows steadily through the early 2010s and accelerates sharply after 2018, reaching 73.0% adoption by 2024 — a near ten-fold increase over the period. The acceleration is concentrated in the 2018–2022 window: adoption rose from 6.1% in 2018 to 63.1% in 2022, adding more new adopters in four years than in the entire preceding decade.

DEI-based pay follows a different and more compressed trajectory. Adoption remains below 1% throughout most of the 2010s before jumping from 2.3% in 2020 to 9.8% in 2021 — a four-fold increase in a single year — and continuing to a peak of 17.2% in 2023. The 2024 reading falls back to 12.3%, a partial reversal that coincides with the year of intensifying public

backlash against corporate DEI initiatives and may reflect either early rollback among adopters or incomplete coverage of late-arriving 2024 filings.

3.4.4 Margin Decomposition of Structural Adoption

The right column of **Figure 8** shows the firm-level adoption rate — the share of years a firm has the structure across each period — distributed across firms in 2007–2014 versus 2015–2024. The two structures show markedly different decomposition patterns.

DEI-based pay shifts almost entirely on the extensive margin. In the early period (2007–2014), 97.7% of firms never adopted, 2.0% adopted in some years, and 0.4% had the structure in every panel year. In the late period (2015–2024), the share of never-adopters fell to 77.1%, partial-adopters rose to 22.3%, and persistent adopters remained essentially flat at 0.6%. The firm-level mean rose from 0.008 to 0.063, but the distribution remains heavily concentrated at zero, with the median firm at zero in both periods. Adoption is spreading, but tentatively and unevenly: most newly-adopting firms have the structure in only a fraction of their late-period years.

Diversity reporting shifts on both margins. In the early period, 79.4% of firms never reported, 19.4% reported in some years, and 1.3% reported in every year. In the late period, only 21.4% of firms never reported; 69.4% reported in some years, and 9.2% reported in every year. The firm-level mean rose from 0.081 to 0.389, the median moved from 0 to 0.388, and the share of never-adopters fell by 58 percentage points. Both extensive entry (firms that previously never reported now do so in at least some years) and intensive amplification (partial-adopters increased the share of years they report) drive the late-period distribution.

Together, the descriptive patterns indicate that the structural enactments of diversity diffused unevenly across the S&P 1500 over the study period. Diversity reporting moved from a minority practice to a near-supermajority baseline through both extensive entry and intensive amplification. DEI-based pay remains a minority practice, and its late-period rise reflects extensive-margin spread among newer adopters rather than intensive-margin commitment from established ones. The 2021–2023 acceleration in both measures coincides with the period of greatest expansion in diversity discourse documented in the prior section. These descriptive patterns extend the phenomenon of performatization from language into structure: firms not only began *speaking* about diversity in the language of financial accountability, they began *enacting* the formal structures of that accountability — though, as the margin decomposition shows, the enactment varies in depth across firms and across structures.

3.5 Discussion & Implications

The descriptive evidence documents a substantial convergence between the language firms use to describe diversity and the language they use to describe financial performance over the period from 2007 to 2024. By the end of the study window, the share of firms using no aspirational language about diversity had fallen from approximately one-quarter to nearly zero, the within-firm trajectory of diversity aspirations had overtaken that of financial aspirations, and the two trajectories had converged on a more aspirational and less quantified middle ground than either had occupied at the start of the period. These shifts are consistent with the proposition that firms have come to internalize the rising societal aspiration for diversity, and have come to describe diversity in the same way they describe financial performance. By 2024, diversity is described in language — and structured by accountability mechanisms — once reserved for financial performance.

The descriptive evidence on structural enactments documents a substantial diffusion of formal accountability practices for diversity over the same period. By the end of the study window, the share of firms issuing standalone diversity reports had risen from less than one in twelve to nearly three in four, with the firm-level distribution shifting on both extensive and intensive margins. DEI-based pay diffused later and more narrowly, rising from below 1% in most pre-2021 years to a peak of 17.2% in 2023, with the firm-level distribution still heavily concentrated at zero. These patterns are consistent with the proposition that firms have come to enact diversity through the same accountability structures once reserved for financial performance — issuing periodic reports against stated goals and tying executive compensation to performance on diversity. They also bear out the cost-asymmetry prediction developed in the theoretical framework. The cheaper structural enactment, the diversity report, diffused both broadly and deeply; the costlier enactment, the linkage of executive pay to diversity outcomes, diffused only at the extensive margin. Together with the linguistic convergence documented earlier, the structural shifts indicate that performatization has not remained rhetorical. By 2024, firms had begun to enact the formal structures of accountability that the language of diversity disclosure had begun to anticipate.

The convergence documented in the preceding sections is consistent with a broader societal shift in which diversity has come to be framed as a performance dimension. To examine whether this shift is observable outside corporate filings, I analyze U.S. business-press coverage of workforce diversity from January 2007 to December 2024, drawn from Factiva.

To capture diversity-related coverage, I used a baseline query containing terms commonly used to refer to workforce diversity in corporate and journalistic contexts (**Table 4**). I then identified stakeholder-conditioned coverage by intersecting the baseline diversity query

with stakeholder-specific queries for investors, employees, consumers, and regulators. Each stakeholder query is composed of terms that capture both the general category and prominent named entities associated with that stakeholder type — for example, BlackRock, Vanguard, ISS, and CalPERS for investors, or EEOC, OFCCP, and Securities and Exchange Commission for regulators. An article is counted toward a stakeholder-conditioned series if it contains at least one diversity term and at least one term from the corresponding stakeholder query. I aggregate counts to the year level and present three views of the resulting series — absolute coverage, indexed growth, and stakeholder decomposition — in **Figure 9**.

Three patterns are visible. First, every type of stakeholder-conditioned coverage rises over the period (Panel A). Coverage co-mentioning investors, employees, consumers, and regulators all increases, consistent with the rising-aspiration account. Second, the rates of increase differ markedly (Panel B). Investor-conditioned coverage grows roughly thirteenfold from its 2007 baseline, and consumer-conditioned coverage roughly twelvefold. Employee-conditioned coverage grows approximately threefold, and regulator-conditioned coverage — in the agency-only specification — less than twofold. Third, the composition of the diversity stream shifts (Panel C). In 2007, articles on workforce diversity were dominated by federal-enforcement coverage. Regulator-conditioned articles accounted for roughly 54 percent of all diversity-related articles, reflecting the centrality of EEOC and OFCCP enforcement actions to the late-2000s diversity discourse. By the early 2020s, that share had fallen to under 20 percent, as investor- and consumer-framed coverage expanded into the gap. This compositional shift is not a substitution — regulator-conditioned coverage continues to grow in absolute terms and reaccelerates after 2023 — but rather an expansion of the set of stakeholders through which diversity is treated as a corporate concern.

Two timing inflections are worth flagging. The first is 2014–2016, when investor- and consumer-conditioned coverage approximately doubled, preceding the inflection in corporate-filings diversity discourse by approximately two years. The second is the 2023 reanimation of the regulatory channel, following the Supreme Court's decision in *Students for Fair Admissions v. Harvard*. Both inflections appear in the press data before the corresponding shifts in corporate disclosure language observed in earlier sections.

One interpretive caveat is warranted. The press-coverage trends are consistent with multiple causal accounts and do not establish that stakeholder attention drives firm behavior. The temporal ordering is, however, consistent with the proposition that firms most exposed to the stakeholders whose attention to diversity has intensified are also the firms most likely to performatize diversity.

These patterns inform existing accounts of how firms respond to stakeholder expectations in three ways. First, the joint adoption of behavioral commitments and structural enactments, and the cost-asymmetric pattern in their adoption, is consistent with the prediction that performatization produces coupling rather than persistent symbolic-substantive gaps. Whereas decoupling research has primarily examined how firms manage divergence between symbolic and substantive adoption, the patterns documented here suggest that for diversity in this period, firms increasingly adopt both. Second, the convergence in aspirations alongside the diffusion of formal accountability structures extends what symbolic management alone would predict. While symbolic management research helps explain why firms articulate aspirations on diversity, it does not predict that firms would also tie executive pay to diversity outcomes or issue standalone diversity reports — practices that subject the firm to evaluation against stated goals. Third, the structure of the convergence — diversity discourse mirroring the structure of financial-

performance discourse, rather than appearing within it as a contributing factor — is consistent with diversity being treated as performance itself, rather than as a means to performance. Together, these patterns position performatization as a process that complements and extends existing accounts by addressing the upstream question of how a non-financial dimension comes to be treated as performance in the first place.

This chapter establishes performatization as a phenomenon at the population level. Within the period of rising societal aspirations for diversity, firms have come to describe diversity in the same way they describe financial performance, and to enact the formal structures of accountability that go with it. Having established the phenomenon, I turn in Chapter 3 to the firm-level question of which firms drive this convergence. Building on the patterns documented here, I propose that firms more dependent on stakeholders attentive to diversity are more likely to performatize diversity. Chapter 3 develops and tests this proposition focusing on two focal stakeholder dependencies whose preferences are aligned with the rising diversity aspiration: institutional shareholders and employees. Regulatory exposure enters as a control to test against the compliance interpretation.

Chapter 4 The Stakeholder Dependency Account of Performatization

4.1 Introduction

In Chapter 2 I show that, within the period of rising societal aspirations for diversity, organizations increasingly describe diversity in the same way they describe financial performance, and have come to enact the formal structures of accountability that go with it. While the phenomenon documented in Chapter 2 occurred at the population level, the stakeholder decomposition analyses (**Figure 9**) provides suggestive evidence that different stakeholder groups vary in the extent to which they are associated with diversity. Coverage conditioned on investor and employee stakeholders grew sharply between 2007 and 2024, while coverage conditioned on regulators declined as a share of the overall diversity discourse. The composition of the diversity discourse thus shifted from a primarily regulatory concern to one shaped by a broader set of stakeholders. This shift is consistent with new stakeholder theory (McGahan, 2023), which recognizes that stakeholders beyond shareholders, such as employees, consumers and society more broadly hold legitimate claims on the firm and shape its goals.

In this chapter, I present an exploratory analysis of how stakeholder dependency influences performatization. I focus on two stakeholder groups whose preferences are, on average, aligned with the rising aspiration and for which firm-level dependency varies meaningfully across firms: institutional investors and employees. Performatization, as theorized in earlier chapters, is a strategy by which firms align their behavior with rising societal aspirations through goal-setting, quantification, and disclosure. If performatization is fundamentally a form of alignment with

stakeholder-driven aspirations, then firms more dependent on the stakeholders shaping those aspirations should be more likely to performatize. I propose that firms more dependent on diversity-aligned stakeholders should be the firms most likely to internalize the rising aspiration as an organizational goal. Consequently, these firms should be most likely to performatize societal aspirations by articulating it as a commitment, quantifying performance against it, and embedding it in formal accountability structures.

Using the measure of performatization developed in Chapter 2, I examine how variation in firm-level stakeholder dependencies, specifically, institutional shareholders, and employees, influences performatization. I operationalize institutional shareholder dependency through four measures: institutional ownership; the Big 3 index funds (BlackRock, Vanguard, and State Street), BlackRock alone, and long-term ownership. The four measures allow me to examine whether different types of institutional shareholders — passive index funds, diversity leaders, and long-horizon investors — shape performatization in distinct ways (Aguilera et al., 2025). I operationalize employee dependency as labor's share of value added, a measure of the firm's structural reliance on labor as the input around which value creation is organized. I estimate four firm-year models — one for each performatization outcome from Chapter 2 (the Aspiration and Commensuration ratios, and the binary indicators of Diversity Report adoption and DEI-linked Pay) — on a unified panel of 9,434 firm-years across 700 S&P 1500 firms from 2007 to 2024.

I find that the empirical patterns are consistent with a register-differentiated account of internalization, in which employee dependency transmits values into the firm's aspirational and commitment-oriented language while leaving numerical accountability for workforce composition unchanged, and in which institutional shareholders operate differently across stewardship blocs — Vanguard and State Street (V&SS) pulling toward both aspirational language and structural

reporting, BlackRock pulling away from the discrete diversity structures and into more diffuse forms of governance integration. Taken together, the patterns suggest that performatization is not a uniform process but a register-differentiated one, whose specific manifestations depend on the configuration of stakeholder dependencies in which a firm is embedded.

4.2 Theoretical Development

Within a context of rising societal aspirations, why do some firms internalize the aspiration more strongly than others? I argue that the answer lies in firms' differential dependency on stakeholders whose preferences are, on average, aligned with the rising aspiration. The salience of any particular stakeholder in firm decision-making varies with the power that stakeholder holds, the legitimacy of their claims, and the urgency with which those claims are pressed (Mitchell et al., 1997). When a stakeholder is highly salient, organizational decision-makers attend more closely to that stakeholder's preferences, and firm behavior comes to reflect those preferences (Ocasio, 1997). Firms vary in their structural dependency on different stakeholder groups for the resources, labor, capital, and legitimacy they need to operate. The greater a firm's dependency on a given stakeholder group, the more weight that group's preferences carry in organizational attention and decision-making. When the dependent-upon stakeholder group is, on average, aligned with a rising societal aspiration, dependency on that group transmits the aspiration into the firm: managerial attention, internal advocacy, and bargaining within the dominant coalition all begin to weigh the aspiration as salient. Aspirations attended to in this way are more likely to be internalized as organizational goals — and thus performatized in both behavioral commitments and structural enactments. For the case of diversity, two stakeholder groups carry on-average diversity-aligned preferences and exhibit meaningful firm-level variation in dependency: institutional investors and employees.

4.2.1 Institutional investors

Institutional shareholders are structurally central to organizations as they hold the capital on which firm operations rest, and they hold the voting power through which corporate elections, mergers, and governance reforms are decided (Bebchuk & Hirst, 2019; Fichtner et al., 2017; Pfeffer & Salancik, 1978). Where institutional ownership is concentrated, decision-makers attend to institutional shareholders' preferences as a feature of the firm's operating environment. Institutional shareholders, in turn, exert significant influence on firms' approach to corporate social responsibility (Connelly et al., 2010; David et al., 2007; Goranova & Ryan, 2014; Neubaum & Zahra, 2006).

Over the past two decades, institutional investors have increasingly incorporated environmental, social, and governance considerations into both their investment screening and their engagement with portfolio firms (Dyck et al., 2019). The largest institutional investors — Vanguard, BlackRock, and State Street — have publicly committed to engaging portfolio firms on diversity-related issues, including board composition, workforce demographic disclosure, and pay equity (Bebchuk & Hirst, 2019; Fichtner et al., 2017). Long-horizon institutional investors such as pension funds, endowments, and dedicated investment funds are especially likely to push portfolio firms toward investments that pay off over extended time horizons, including investments in human capital and stakeholder relations that improve diversity outcomes (Erhemjamts & Huang, 2019; Neubaum & Zahra, 2006).

However, institutional shareholder preferences may vary. Passive index funds, focal stewardship leaders, and long-horizon dedicated holders engage portfolio firms through different incentives and to different degrees (Aguilera et al., 2025). On average across the institutional investor population during the study period, however, institutional ownership transmits diversity-

aligned preferences into the firm. Firms with greater dependency on institutional shareholders — whether measured through institutional ownership concentration, the share of dedicated long-horizon ownership, or the share held by the largest passive index funds — should therefore attend more strongly to rising diversity aspirations and be more likely to internalize them as organizational goals.

4.2.2 Employees

Employees are another stakeholder group whose preferences shape firm behavior, particularly in firms where employee skills are central to value creation (Clarkson, 1995; Hitt et al., 2001). Employee dependency operates through firms' structural reliance on labor as an input to value creation: in firms where labor is a central factor of production, retaining, motivating, and recruiting employees becomes a core organizational task, and employee preferences acquire correspondingly greater salience in decision-making. The strategic human capital tradition (R. Coff & Kryscynski, 2011; R. W. Coff, 1997) emphasizes that firms whose competitive advantage rests on human assets must attend more closely to employee values and concerns than firms whose advantage rests on physical or technological assets. On the question of diversity, the average employee in the U.S. workforce holds preferences favorable to workplace diversity and inclusion. Workforce surveys consistently document broad employee support for diversity-related workplace policies (Pew Research Center, 2019), and the political donations of corporate employees lean diversity-aligned in the median firm (Bonica, 2016; Gupta et al., 2017). Thus, firms with greater dependency on employees should attend more strongly to rising diversity aspirations and be more likely to internalize them as organizational goals.

These two stakeholder groups do not exhaust the relationships through which societal aspirations reach firms, but they represent two stakeholder dependencies for which firm-level

variation is meaningful, empirically observable through publicly available measures, and on average aligned with the rising aspiration of diversity during the study period. Firms more dependent on these stakeholders should attend more closely to the rising aspiration, devote more resources to interpreting and acting on it, and be more likely to internalize it as an organizational goal. Stronger internalization should manifest in both observable forms specified by the performatization framework: in the behavioral commitments firms articulate in their disclosure language, and in their structural enactments.

I expect stakeholder dependency to operate similarly across the linguistic and structural manifestations of performatization, but I do not impose uniformity across them. The two outcomes capture different aspects of internalization — language reflects how the firm articulates its goals, while structures reflect how the firm organizes accountability for performance against those goals — and the stakeholder dependencies through which internalization operates may engage these aspects differently.

Hypothesis 1: The greater an organization's dependency on a stakeholder group whose preferences are on average aligned with a rising societal aspiration, the more strongly it will express behavioral commitments to that aspiration in its disclosures.

Hypothesis 2: The greater an organization's dependency on a stakeholder group whose preferences are on average aligned with a rising societal aspiration, the more likely it is to enact structures supporting that aspiration

4.3 Data & Methodology

4.3.1 Sample

The analytical sample is a panel of 9,434 firm-years across 700 publicly traded firms observed annually between 2007 and 2024. The sample is constructed in eight steps from an analytical sample of 16,984 firm-years across 941 firms for which both Form 10-K and Form DEF 14A filings were successfully retrieved from SEC EDGAR, parsed for diversity-language content, and produced non-missing values on the four performatization outcome variables defined in Chapter 2. The analytical sample represents the universe of publicly traded firms with measurable performatization outcomes in the 2007–2024 window.

The first and largest restriction is the merge with ISS Directors and Compustat, which reduces the sample to 11,272 firm-years across 761 firms (a drop of 33.6 percent of firm-years and 19.1 percent of firms). ISS coverage of board directors is the binding constraint and is the principal source of selection toward larger and better-disclosed firms in the regression sample. The remaining seven restrictions — non-missing standard controls, non-missing regulatory exposure measures, non-missing layered investor measures, non-missing employee dependency, the singleton drop required by firm fixed effects, and the Poisson FE separation drop required by the linguistic-outcome estimator — together remove a further 1,838 firm-years and 61 firms.

The regression sample retains 55.5 percent of the analytical sample's firm-years and 74.4 percent of its firms. A balance table between the analytical sample and the regression sample (**Table 6**) shows that the regression sample is selected toward firms that are larger and more institutionally owned across all four ownership measures (firm size and each of the four institutional measures differ at $p < 0.001$), with marginally higher profitability ($p = 0.006$) and slightly higher Aspiration ($p = 0.005$) and Diversity Report incidence ($p < 0.001$). The selection direction reflects the joint requirement that Compustat financials, layered investor measures, and employee data all be non-missing — coverage of these data sources is denser for larger and better-

disclosed firms. The focal employee-dependency measure, both regulatory-exposure measures, and board demographic composition are statistically indistinguishable between the analytical sample and the regression sample, as are the Commensuration outcome, Leverage, and Growth. The findings should therefore be read as describing the population of large publicly traded firms with comprehensive disclosure rather than the universe of public firms. **Table 7** reports descriptive statistics and the pairwise correlation matrix for all variables in the regression sample.

4.3.2 Dependent Variables

Aspiration Ratio. Share of sentences in the firm-year diversity subcorpus that contain forward-looking language — futurate infinitives, modal-plus-commitment compounds, goal nouns, and temporal anchors. The dimension captures the prospective orientation of the firm's diversity disclosure: the use of goals, targets, and modal-future constructions to bind the firm to anticipated states (Bu et al., 2020; Fuoli, 2018). The ratio is a fractional outcome bounded in $[0, 1]$.

Commensuration Ratio. Share of sentences in the same diversity subcorpus that contain at least one explicit quantitative anchor — a dollar amount or a percentage. The dimension captures the conversion of qualitative claims into commensurable form, which Espeland and Stevens (1998, 2008) identify as the foundation of performance discipline. The ratio is also fractional and bounded in $[0, 1]$.

DEI-Based Pay. Binary indicator equal to one if the firm-year discloses at least one executive compensation metric explicitly tied to a diversity, equity, or inclusion outcome. The indicator is identified through pattern matching of the Compensation Discussion and Analysis

section of the DEF 14A followed by manual verification of borderline cases. Prevalence in the regression sample is 4.3 percent of firm-years.

Diversity Report. Binary indicator equal to one if the firm-year produces a standalone diversity, equity, and inclusion report or contains a comprehensive DEI section meeting recognized reporting frameworks. The indicator is identified through filing-level text screening for diversity-report titles, table-of-contents entries, and cross-references to standalone disclosures. Prevalence rises from approximately 7.5 percent in 2007 to 73 percent in 2024; the regression-sample mean is 26.8 percent.

4.3.3 Independent Variables

Institutional Shareholder Dependency is operationalized through four measures of decreasing breadth, all lagged to t-1 to mitigate simultaneity concerns.

- *Institutional ownership* is the share of the firm held by all 13F-reporting institutions, computed at fiscal-year end from WRDS Thomson Reuters.
- *Big 3 ownership* is the combined share of holdings by Vanguard, State Street, and BlackRock affiliates, identified through manager-name regex matching across all S34 manager numbers linked to each firm.
- *BlackRock ownership* is the share held by BlackRock affiliates alone.
- *Dedicated ownership* is the share held by institutional investors classified as Dedicated under Bushee's (1998) behavioral classification, which identifies investors with low portfolio turnover and concentrated holdings indicative of long-horizon engaged stewardship. The four measures are correlated but not redundant; variance decomposition shows that 29 to 80 percent of each measure's variance is between-firm and the remainder

is within-firm, providing identifying variation for both fixed-effects and pooled specifications.

Employee dependency is the lagged ratio of employees to firm value added. Value added is constructed from Compustat fundamentals as sales less cost of goods sold less selling, general, and administrative expense, plus an estimate of labor compensation drawn from the labor expense field where reported and imputed from employee counts and industry average wages otherwise. The ratio is restricted to firm-years with positive value added and winsorized at the 1st and 99th percentiles by year to reduce the influence of outliers. Higher values indicate greater labor intensity in production. The measure follows the strategic human capital literature in operationalizing labor dependency through the productive role of labor in value creation rather than through headcount alone (Becker & Huselid, 2006; R. W. Coff, 1997).

4.3.4 Control Variables

Regulatory exposure. I include two regulatory-exposure measures in every specification to test against an alternative interpretation. The stakeholder dependency account predicts that variation in performatization across firms reflects variation in firm-level dependency on diversity-aligned stakeholders. An alternative interpretation holds that variation in performatization reflects mandatory-disclosure compliance: firms in heavily regulated industries, or firms subject to specific diversity-disclosure rules, may performatize diversity because they are required to, not because they have internalized the aspiration. If the stakeholder dependency coefficients survive the inclusion of these regulatory-exposure variables, the internalization interpretation is supported; if they do not, the evidence shifts toward a regulatory-compliance account.

Industry regulatory intensity is the natural log of the count of binding regulatory restrictions in the U.S. Code of Federal Regulations targeted at the firm's NAICS3 industry in $t-1$, computed via QuantGov's RegData U.S. 6.0 (Al-Ubaydli & McLaughlin, 2017; McLaughlin & Sherouse, 2019). RegData uses a probabilistic text-mining model to attach NAICS-industry relevance probabilities to every paragraph of the Code of Federal Regulations and counts binding-language tokens (*shall, must, required, prohibited, may not*); the industry-year measure aggregates these across CFR documents weighted by NAICS3 relevance. The variable captures general regulatory burden by industry, lagged.

Nasdaq Diversity $\times$ *Post-2021* is the interaction of Nasdaq listing with a post-2021 indicator, equal to one if the firm is listed on Nasdaq in fiscal year t and t is at or after 2021. The indicator marks the treatment cell for Nasdaq Rule 5605(f), the board-diversity disclosure requirement that became effective August 2021 and was vacated December 2024 by the U.S. Court of Appeals for the Fifth Circuit. The Rule required listed companies to populate a standardized Board Diversity Matrix and either meet a numerical threshold or comply-or-explain in writing. With year fixed effects absorbing the post-2021 main effect and firm fixed effects absorbing the listing main effect, the coefficient on the interaction is the difference-in-differences estimate of the Rule's effect on the outcome.

Firm and board controls. Six standard firm-level controls enter every specification, all lagged to $t-1$. *Firm size* is the natural log of total assets. *Profitability* is return on assets. *Leverage* is the sum of long-term and short-term debt scaled by total assets. *Growth opportunities* is the market-to-book ratio of equity. *Board % directors of color* is the share of non-White directors at fiscal-year end, from ISS Directors. *Board % women directors* is the share of women directors, also from ISS Directors.

4.3.5 Estimator choice

The estimator is matched to outcome. The two linguistic outcomes are fractional proportions bounded in $[0, 1]$. I estimate them via Poisson quasi-maximum likelihood (QMLE) with two-way absorbed fixed effects. Poisson QMLE is consistent for the conditional mean of any non-negative outcome, including fractional outcomes, without imposing the Poisson distributional assumption (Papke & Wooldridge, 1996, 2008) and supports two-way fixed-effect absorption efficiently. The estimator avoids both the boundary pile-up problems that affect OLS on bounded fractional outcomes and the high-dimensional incidental-parameters problem that affects fractional logit when firm fixed effects are included.

For the two binary structural-enactment outcomes (DEI-linked Pay, Diversity Report), I estimate a linear probability model with two-way absorbed fixed effects as the primary estimator. I report linear probability estimates rather than nonlinear binary-response estimates as the primary specification because the fixed-effects requirement is binding for stakeholder dependency identification, and the linear specification accommodates two-way fixed effects without the incidental-parameters problem that affects firm-fixed-effects logit and probit. For the rare DEI-Pay outcome (4.3 percent prevalence), I report King-Zeng rare-events logit (G. King & Zeng, 2001; Tomz et al., 2003) as a robustness check, with year fixed effects only because the estimator does not accommodate firm fixed effects.

Standard errors are two-way clustered on firm and year throughout to account for both within-firm serial correlation across years and within-year cross-firm correlation induced by common shocks.

4.3.6 Empirical Specification

Let F_{it} denote the vector of focal stakeholder dependency channels:

$$F_{it} = (\text{Inst}_{i,t-1}, \text{Big3}_{i,t-1}, \text{Blk}_{i,t-1}, \text{Ded}_{i,t-1}, \text{Emp}_{i,t-1})$$

and Z_{it} the vector of firm and regulatory controls:

$$Z_{it} = (\log(\text{Size}_{i,t-1}), \text{Roar}_{i,t-1}, \text{Lev}_{i,t-1}, \text{Mtb}_{i,t-1}, \text{MinDir}_{i,t-1}, \text{FemDir}_{i,t-1}, \log(\text{RegExp}_{i,t-1}), \text{Post}_{it})$$

For the linguistic outcomes, I estimate by Poisson quasi-maximum likelihood:

$$E[Y_{it}] = \exp(F'_{it}\beta + Z'_{it}\gamma + \alpha_i + \delta_t), \quad \text{for } Y_{it} \in \{\text{Asp}, \text{Comm}\}$$

For the structural enactments, I estimate a linear probability model:

$$Y_{it} = F'_{it}\beta + Z'_{it}\gamma + \alpha_i + \delta_t + \varepsilon_{it}, \quad \text{for } Y_{it} \in \{\text{Pay}, \text{Report}\}$$

Here α_i and δ_t denote firm and year fixed effects, and β and γ the parameters of interest.

Asp and Comm denote the Aspiration and Commensuration ratios; Pay and Report are binary indicators of DEI-linked Pay and Diversity Report adoption.

4.4 Results

Each of the four primary tables reports seven specifications with the same model structure. Model 1 is the controls-only baseline, including the two regulatory-exposure measures, the six standard firm-level controls, and the firm and year fixed effects. Models 2 through 6 introduce the focal independent variables one at a time: Institutional ownership in Model 2, Big 3 ownership in Model 3, BlackRock ownership in Model 4, Dedicated ownership in Model 5, and Employee Dependency in Model 6. Model 7 stacks all five focal variables together as the full model.

Table 8 reports the seven specifications of the Aspiration Ratio model. **Table 9** reports the parallel specifications for the Commensuration Ratio. Tables 9 and 10 report the linear probability estimates for Diversity Report and DEI-linked Pay. The four tables are estimated on the unified sample of 9,434 firm-years across 700 firms with firm and year fixed effects and standard errors two-way clustered on firm and year.

4.4.1 Aspiration Ratio

Three results stand out from **Table 8**. First, Big 3 ownership is positive and significant on Aspiration in the full model (Model 7: +1.320, $p < 0.05$), conditional on Institutional ownership, BlackRock ownership, Dedicated ownership, and Employee Dependency. Run alone (Model 3), the Big 3 ownership coefficient is +0.519 and noisy. The full model reveals that Big 3 ownership is driven by Vanguard and State Street rather than BlackRock. When BlackRock ownership is entered separately in Model 7, its coefficient turns negative (−1.243, n.s.), and the residual Big 3 ownership effect — the V&SS component — comes through.

Second, Dedicated ownership is positive and marginally significant in Model 5 alone (+0.357, $p < 0.10$) but not significant in the full model (+0.264, n.s.). I interpret the Dedicated ownership coefficient as broadly consistent with the institutional-shareholder pattern but unable to be cleanly separated from Big 3 ownership in this sample.

Third, Employee Dependency enters Model 6 at +1.286 (n.s.) and remains positive at +1.143 in the full model (Model 7). The point estimates are large in magnitude — a one-standard-deviation increase in Employee Dependency (0.018) is associated with a 0.021 increase in the log-mean of Aspiration in Model 6, roughly 19 percent of the sample mean. The coefficient is, however, not statistically significant at conventional levels, and the standard errors are large (1.088

in Model 6 and 1.070 in Model 7). The Mundlak decomposition (**Table 11**) reported below clarifies the source of the imprecision. Most of the variation in Employee Dependency is between-firm, and the firm-fixed-effects estimator identifies the coefficient off the within-firm component alone, where a positive effect emerges that achieves marginal significance.

The Nasdaq Diversity $\times$ Post-2021 difference-in-differences term is robustly negative across all seven models, with Model 7 estimating -0.0884 ($p < 0.05$). This pattern is consistent with a shift in the composition of diversity-related disclosure following the introduction of Nasdaq Rule 5605(f). The Rule required firms to provide standardized, numerical disclosure through the Board Diversity Matrix and associated comply-or-explain language. Correspondingly, the negative coefficient on Aspiration suggests a relative reduction in aspiration-coded language, consistent with reallocation toward more commensurated forms of disclosure. One plausible interpretation is that disclosure space shifted toward required numerical reporting and associated explanatory text, with less emphasis on forward-looking aspirational language.

4.4.2 Commensuration Ratio

Three results stand out from **Table 9**. First, Employee Dependency enters the full model (Model 7) at -3.853 ($p < 0.05$), and is similarly significant in Model 6 alone at -3.720 ($p < 0.05$). Considered alongside the Aspiration model — where Employee Dependency is positive but not significant in the firm-fixed-effects specification, and is $+2.695$ ($p < 0.10$) in the within-firm component of the Mundlak decomposition (**Table 11**) — the pattern is a register-differentiated divergence: as firms become more dependent on labor as the input around which value creation is organized, they articulate more aspirational and less numerically commensurated diversity content.

Second, the institutional shareholder measures are uniformly null on Commensuration. Institutional ownership (Model 2: -0.234 ; Model 7: -0.153), Big 3 ownership (Model 3: -0.613 ; Model 7: -0.802), BlackRock ownership (Model 4: -0.575 ; Model 7: $+0.476$), and Dedicated ownership (Model 5: -0.173 ; Model 7: ≈ 0.000) all enter with coefficients statistically indistinguishable from zero. The Big 3 ownership plus BlackRock ownership pattern that emerged on Aspiration does not transfer to Commensuration.

Third, Industry regulatory intensity enters Commensuration at approximately -0.18 across all seven models (Model 7: -0.175 , $p < 0.10$), where it had been null on Aspiration. The Nasdaq Diversity $\times$ Post-2021 term is small and statistically null on Commensuration (Model 7: -0.0145), where it had been robustly negative on Aspiration. The asymmetric regulatory pattern — industry regulatory burden depressing Commensuration but not Aspiration, and the Nasdaq Rule depressing Aspiration but not Commensuration — is taken up in the Discussion.

4.4.3 Diversity Report

Table 10 reports the seven specifications for Diversity Report, the binary indicator of whether the firm-year produced a standalone diversity, equity, and inclusion report. The estimator is the linear probability model with firm and year fixed effects and standard errors two-way clustered on firm and year. Outcome prevalence is 26.8 percent in the regression sample, rising from 7.5 percent in 2007 to 73 percent in 2024.

Two results stand out from **Table 10**. First, the institutional shareholder dependency exhibits a sharp within-bloc divergence on Diversity Report. In the full model (Model 7), Big 3 ownership — capturing the V&SS effect once BlackRock ownership is partialled out — is positive and significant at $+0.970$ ($p < 0.05$), while BlackRock ownership is negative and significant at $-$

1.616 ($p < 0.01$). The two stewardship blocs operate on opposite signs and both are statistically significant. Run alone, BlackRock ownership is also significant in Model 4 (-0.553 , $p < 0.10$); the Big 3 ownership coefficient in Model 3 is small and insignificant (-0.120) because the V&SS positive component and the BlackRock negative component cancel until they are entered separately. Institutional ownership and Dedicated ownership are not significant on this outcome. Second, Employee Dependency enters at -0.880 in Model 6 and -0.877 in Model 7, with standard errors of 0.683; the within-firm Mundlak component is also negative at -0.572 (n.s.), but the between-firm component is $+0.544$ ($p < 0.10$), indicating that across firms, more labor-dependent firms are slightly more likely to issue Diversity Reports while year-over-year increases in labor dependency do not predict adoption.

The Mundlak decomposition (**Table 11**) corroborates the within-bloc divergence. The V&SS positive effect on Diversity Report is significant in both the within-firm ($+1.095$, $p < 0.05$) and between-firm ($+1.969$, $p < 0.01$) dimensions; the magnitudes are close in scale and the effect operates consistently as a long-run firm-level structural difference and as a within-firm response when V&SS ownership rises over time. The BlackRock negative effect is also significant in both dimensions (within: -1.574 , $p < 0.05$; between: -3.548 , $p < 0.01$), with the between-firm component roughly twice the within-firm component.

The Nasdaq Diversity $\times$ Post-2021 term is null on Diversity Report (Model 7: -0.0481 , n.s.), as is Industry regulatory intensity. The standalone-report structure is not driven by the Nasdaq listing rule.

4.4.4 DEI-Linked Pay

Table 11 reports the seven specifications for DEI-linked Pay, the binary indicator of whether the firm's executive incentive plan in t includes diversity-related criteria. Outcome prevalence is 4.3 percent in the regression sample, rising from below 1 percent in most pre-2021 years to a peak of 17.2 percent in 2023 and partially reverting in 2024.

DEI-linked Pay is the only one of the four outcomes for which Employee Dependency does not behave consistently with the stakeholder dependency prediction. In Model 6, Employee Dependency enters at +0.773 (n.s.); in Model 7 it is +0.750 (n.s.). The point estimates are positive, in line with the Aspiration result, but the standard errors are large and the coefficient is not statistically significant at conventional levels. The Mundlak decomposition (**Table 11**) reports a within-firm component of +0.962 (n.s.) and a between-firm component of +0.0371 (n.s.), neither significant. Statistical power for detecting a within-firm effect is limited by the outcome's low base rate (4.3 percent) and short post-diffusion window — most adoption is concentrated in 2021–2023 — and the cross-sectional spread of the structure across firms is narrow.

The within-bloc institutional shareholder pattern that emerged on Diversity Report appears in attenuated form on DEI-linked Pay. BlackRock ownership is negative and significant in Model 7 at -0.827 ($p < 0.05$), and the Big 3 ownership residual is +0.329 (n.s.). The lack of a significant V&SS positive coefficient on DEI-linked Pay — present on Diversity Report — may reflect the lower base-rate of the outcome and the more recent emergence of the structure.

I report the linear probability estimates in the body. Alternative-estimator robustness checks for both binary outcomes are reported in the Robustness Checks section below.

4.4.5 Summary across DVs

The four primary tables reveal a register- and stakeholder-differentiated pattern of internalization. Employee Dependency operates positively on Aspiration (within-firm) and negatively on Commensuration. It does not operate consistently on either of the structural enactments. The institutional shareholder dependency is heterogeneous across stewardship blocs: the V&SS component pulls firms toward both Aspiration and standalone Diversity Report adoption; BlackRock ownership pulls firms away from both the discrete Diversity Report structure and from DEI-linked Pay. Institutional ownership and Dedicated ownership, the two broadest measures, are largely null across the four outcomes, suggesting that the institutional shareholder dependency operates through identity-specific stewardship rather than through generalized institutional-investor presence.

The two regulatory-exposure measures — Industry regulatory intensity and the Nasdaq Rule DiD — are present in every specification and produce one substantive finding each. Industry regulatory intensity depresses Commensuration but not Aspiration. The Nasdaq Rule depresses Aspiration but not Commensuration. Both regulatory findings operate on the linguistic outcomes (Aspiration and Commensuration) rather than on the structural enactments (Diversity Report and DEI-linked Pay).

I take up the theoretical interpretation of these patterns — what they imply for the Theory of Performatization and for the stakeholder dependency framework — in the Discussion.

4.4.6 Robustness Checks

For the two binary structural-enactment outcomes, I estimate four alternative specifications alongside the linear probability model: King-Zeng rare-events logit (King & Zeng, 2001) to address rare-events bias, Firth penalized-likelihood logit (Firth, 1993) to address separation,

conditional logit with firm fixed effects, and Poisson QMLE with firm and year fixed effects. The DEI-linked Pay outcome (4.3 percent prevalence) is the more demanding test for cross-estimator concordance. The BlackRock ownership coefficient is negative across all four alternatives. The two cross-sectional rare-events estimators yield marginally to clearly significant negative coefficients; the two firm-fixed-effects estimators yield negative point estimates that lose statistical significance because dropping the approximately 75 percent of the sample without within-firm switching on the outcome reduces statistical power. None of the four reverses the sign or produces a significant positive coefficient. For Diversity Report (26.8 percent prevalence), the V&SS positive coefficient on Big 3 ownership is statistically significant across all five estimators, despite the point estimates differing by an order of magnitude across functional forms — the LPM coefficient on the probability scale, the logit-family coefficients on the log-odds scale, and the Poisson QMLE coefficient as a semi-elasticity. I treat this concordance as the most robust focal-channel finding in the chapter.

The Mundlak-Chamberlain decomposition reported above (**Table 11**) functions as the principal robustness check for the institutional shareholder and Employee Dependency measures: the within-firm coefficients in the Mundlak specification match the firm-fixed-effects coefficients in the four primary tables, confirming internal consistency, while the between-firm coefficients surface the structural cross-firm variation that the firm-fixed-effects estimator absorbs into the firm dummies.

4.4.7 Within-Between Decomposition

The four primary tables identify each focal independent variable off within-firm variation only; firm fixed effects absorb every firm-level mean. To make the between-firm component

visible, I estimate a Mundlak-Chamberlain decomposition (Chamberlain, 1980; Mundlak, 1978), entering the firm-year deviation from the firm's long-run mean and the firm's long-run mean simultaneously with year fixed effects and standard errors two-way clustered on firm and year. Institutional ownership and Employee Dependency are dominated by between-firm variation (80 and 91 percent of total variance, respectively); Big 3 ownership and BlackRock ownership have substantial within-firm variation (29 to 33 percent between-firm).

Four patterns in **Table 11** update the firm-fixed-effects-only primary tables. First, the V&SS effect on Diversity Report is significant in both dimensions (within +1.095, $p < 0.05$; between +1.969, $p < 0.01$) — the most uniformly robust focal finding in the chapter. Second, the BlackRock ownership effect on Diversity Report is significant in both dimensions (within –1.574, $p < 0.05$; between –3.548, $p < 0.01$), with the between-firm component roughly twice the within-firm component. Third, the Employee Dependency effects on the linguistic outcomes are within-firm rather than between-firm: on Aspiration, the within-firm coefficient is +2.695 ($p < 0.10$) and the between-firm coefficient is –0.371 (n.s.) with the opposite sign; on Commensuration, the within-firm coefficient is –3.932 ($p < 0.05$) versus –1.950 (n.s.) between-firm. Fourth, the Employee Dependency effect on Diversity Report shows the opposite split: between-firm positive and marginally significant (+0.544, $p < 0.10$), within-firm null (–0.572, n.s.). The split direction is consistent with the structural cross-firm component reflecting industry-composition effects (high-labor-dependency industries — retail, hospitality, healthcare — tend to be more disclosure-oriented on workforce composition) rather than the within-firm stakeholder dependency dynamic that the Aspiration finding identifies. Dedicated ownership produces a significant negative between-firm effect on Diversity Report (–0.533, $p < 0.05$) with a null within-firm component.

4.5 Discussion & Implications

The empirical patterns documented in this chapter are exploratory and the focal stakeholder dependencies are correlated, but the patterns across the four outcomes and the Mundlak decomposition together speak to two questions the dissertation has been pursuing: what the Theory of Performatization developed in Chapter 1 implies at the firm level, and how the stakeholder dependency framework developed earlier in this chapter operates across different modes of organizational disclosure and accountability.

4.5.1 Interpretation of Findings

Performatization is register-differentiated. I theorize that performatization consists of two processes — behavioral commitments (Aspiration and Commensuration) and structural enactments (Diversity Report and DEI-linked Pay). Behavioral commitments capture how the firm articulates its values and quantifies its claims, while structural enactments are the formal accountability structures that bind the firm to those claims. Chapter 2 documented that both processes have moved together at the population level over the 2007–2024 period: Aspiration, Commensuration, standalone Diversity Reports, and DEI-linked Pay all rose. The firm-level findings reveal that the general trend is partially generated by stakeholder dependencies that operate differently across registers.

The effect of employee dependency on commensuration is negative and significant which suggests that labor-dependent firms use less numerical, quantified diversity language. The effect of employee dependency on aspiration is positive but is not significant in the firm-fixed effects specification. This provides suggestive but inconclusive evidence that labor-dependent firms use

more aspirational diversity language. The evidence supports the reduction in numerical commensuration, while the increase in aspirational language is in the predicted direction but weak.

The institutional shareholder dependency operates differently across stewardship blocs. The two regulatory-exposure measures operate on behavioral commitments and not on structural enactments. The pattern is not what a single-mechanism account would predict. It is consistent with the more nuanced view that performatization is internally structured — composed of distinct modes of disclosure and accountability — and that different stakeholder dependencies transmit their preferences into the registers most natural to those preferences.

Within-bloc institutional heterogeneity reveals that stakeholder identity matters as much as stakeholder presence. The within-bloc divergence on the Diversity Report outcome — V&SS positive, BlackRock negative, both significant in the full model and robust across both dimensions of the Mundlak decomposition — is the most pronounced finding in the chapter. The stakeholder dependency framework as initially formulated would have predicted that all three large index-fund holders, as diversity-aligned stewardship blocs, should pull firms toward greater performatization. The opposing-sign pattern indicates that the framework needs refinement: institutional shareholder dependency is not monolithic, and its effects depend on the identity of the dependent-upon stakeholder. I propose two interpretations consistent with the broader stakeholder dependency mechanism, neither of which the analysis can adjudicate definitively. The first attributes the pattern to differences in portfolio composition. BlackRock-heavy firms tend to be larger, more institutionally mature firms that maintain integrated human-capital-management architectures — ESG-linked compensation, balanced-scorecard executive incentives, board oversight of human capital, and broader sustainability disclosures — that absorb diversity considerations without requiring a discrete and visible standalone Diversity Report. Smaller, less established firms more

frequently adopt the standalone structure as a legibility device under external scrutiny. Under this reading, the negative BlackRock ownership coefficient reflects a substitution from discrete to integrated forms of diversity-related accountability rather than an absence of attention to diversity. The second attributes the pattern to differences in stewardship strategy across the three large index-fund holders. To the extent that V&SS transmit stronger diversity-aligned attention to portfolio firms than BlackRock — a difference the present sample cannot directly observe — the negative BlackRock ownership coefficient would reflect weaker positive transmission rather than a substitution. Both readings refine the stakeholder dependency framework: dependency on a diversity-aligned stakeholder group raises the probability that diversity is internalized, but the form of internalization — discrete and visible versus integrated and diffuse — depends on which stakeholder bloc transmits the dependency and on the structural disposition of the firms in that bloc's portfolio.

Regulatory exposure operates as a constraint on register, not as a substitute for internalization. The two regulatory-exposure measures included as controls in every specification produce a coherent pattern when read alongside the focal stakeholder dependencies. Industry regulatory intensity depresses Commensuration but not Aspiration, and the Nasdaq Rule depresses Aspiration but not Commensuration. Neither operates significantly on the structural enactments. The asymmetric pattern is consistent with the regulatory exposures shaping which register the firm uses to discuss diversity — heavily regulated industries adopt litigation-conservative postures that discourage specific quantitative commitments, and Nasdaq-listed firms reallocate disclosure space toward the Rule's mandated tabular format — without altering whether the firm engages in performatization at all. The stakeholder dependency coefficients largely survive the inclusion of

these controls, supporting the internalization interpretation against the alternative that the patterns reflect mandatory-disclosure compliance.

Implications for the Theory of Performatization. Taken together, the four findings refine the Theory of Performatization in three ways. First, performatization is internally structured. Behavioral commitments and structural enactments are not interchangeable expressions of a single underlying construct, and within behavioral commitments, the language register is itself differentiated between values-articulation and numerical commensuration. The theory should be read as predicting register-by-stakeholder patterns, not uniform firm-level shifts. Second, the stakeholder dependency framework needs to specify stakeholder identity, not just stakeholder presence. The within-bloc divergence among the three large index-fund holders shows that diversity-aligned stewardship is not uniform across institutional shareholders, and the values-orientation of employees as a stakeholder group differs in form from the numerical-threshold orientation of regulators. Third, the Theory of Performatization is consistent with firm-level heterogeneity in stakeholder dependencies. The population-level convergence that Chapter 2 documents may be partially generated by these heterogeneous stakeholder-by-register effects: firms more dependent on the V&SS stewardship bloc move toward standalone Diversity Reports and aspirational language, firms more dependent on BlackRock integrate diversity into broader governance and compensation architecture, firms more dependent on labor show a significant reduction in numerical commensuration on diversity, with a suggestive but non-significant increase in aspirational language, and firms in heavily regulated industries or under specific listing-rule mandates produce the form of disclosure the rules require. The aggregate population-level convergence may, in part, reflect the heterogeneous firm-level shifts the present analysis surfaces.

4.5.2 Adjudicating Among Theoretical Alternatives

The chapter does not adjudicate decisively between the stakeholder dependency account and the alternatives that motivate the stakeholder-specific tests. A mimetic-isomorphism account would predict that peer-firm performatization absorbs the stakeholder dependency coefficients, which would be testable by adding a peer-firm performatization measure to the right-hand side. A legitimacy-seeking account would predict that broad audience visibility, rather than stakeholder-specific dependency, drives the variation, which would be testable by interacting the stakeholder dependency measures with firm visibility (analyst coverage, press attention). A compliance account would predict that the stakeholder dependency coefficients shrink toward zero once a fuller set of regulatory-exposure measures is included; the inclusion of the two regulatory-exposure controls in every specification of the present analysis is a partial test of this prediction, but a fuller test would partition the sample by regulatory-exposure quartile. These adjudications are the natural extensions of the current analysis and the priority for journal submission.

4.5.3 Limitations and Next Steps

I conclude by noting four limitations of the analysis and the corresponding extensions that would address them. First, the unified regression sample is constructed from the intersection of SEC filings, ISS Directors coverage, Compustat fundamentals, and four institutional-investor data sources. ISS Directors coverage is the binding constraint and selects the sample toward larger and better-disclosed firms. The findings should therefore be read as describing the population of large publicly traded firms with comprehensive disclosure rather than the universe of public firms. Table 6 documents which variables differ between the analytical sample and the regression sample: the focal Employee Dependency measure, both regulatory-exposure measures, board demographic composition, the Commensuration outcome, leverage, and growth are statistically indistinguishable across the two, while the four institutional-investor measures, firm size,

profitability, the Aspiration outcome, and the Diversity Report outcome are higher in the regression sample. Future work could expand the sample by drawing on alternative board-composition data sources that relax the ISS Directors coverage requirement.

Second, the two stakeholder dependencies examined in the chapter — institutional shareholders and employees — are observable and have firm-level variation, but they do not exhaust the relationships through which societal aspirations reach firms. Consumer-facing dependency, regulatory-political dependency beyond the two measures included as controls, and supply-chain dependency are stakeholder dependencies that I plan to examine in future work. The institutional shareholder dependency itself can be sharpened by partitioning the Dedicated ownership category by ESG mandate, isolating the diversity-aligned subgroup within the long-horizon investor population from the broader category. The current Dedicated ownership measure aggregates across stewardship orientations and may obscure the within-Dedicated heterogeneity that a more refined classification would surface.

Third, the DEI-linked Pay outcome is rare (4.3 percent prevalence) and concentrated in the post-2021 period. The linear probability model is the primary estimator because it accommodates two-way fixed effects without the incidental-parameters problem that would affect firm-fixed-effects logit, and the King-Zeng rare-events logit is reported as a robustness check. The two estimators agree directionally on the BlackRock ownership coefficient, but the within-firm power on a 4.3 percent base-rate outcome is limited. Extending the panel forward as more post-2021 data become available, examining the structure within the subsample of firms that have ever adopted DEI-linked Pay, or supplementing the proxy-based DEI-linked Pay measure with external data on executive compensation criteria would sharpen the inferential basis of the DEI-linked Pay analysis.

Fourth, the two regulatory-exposure measures included in every specification provide a partial test of the compliance alternative: if the stakeholder dependency coefficients survive the inclusion of these measures, the internalization interpretation is supported, while if they do not, the compliance interpretation gains credibility. The stakeholder dependency coefficients largely do survive — the Employee Dependency, V&SS, and BlackRock effects are estimated conditional on the regulatory-exposure measures — but a sharper construct-validity exercise would partition the sample by regulatory-exposure quartile and examine whether the stakeholder dependencies operate similarly across the partition. The 2024 vacatur of the Nasdaq Rule by the Fifth Circuit also offers a clean post-treatment comparison that future work can exploit. Both extensions are post-defense priorities.

This chapter presents the firm-level test of the stakeholder dependency proposition that organizes the dissertation. The findings are exploratory and the focal dependencies are correlated, but the patterns across the four outcomes and the Mundlak decomposition together are consistent with a register-differentiated extension of the Theory of Performatization in which different stakeholder dependencies transmit internalization through different modes of disclosure. The chapter does not displace the population-level account developed in Chapter 2 but rather begins to specify the firm-level mechanisms through which the population-level convergence may be generated. Chapter 4 takes up a complementary firm-level question: how within-firm responses to societal aspirations vary with prior firm performance.

Chapter 5 Raising the Bar: Societal Aspirations and Organizational Alignment

5.1 Introduction

Organizations are goal-driven entities (Simon, 1945; Thompson & McEwen, 1958), such that their behaviors (Cyert & March, 1963), attention (Ocasio, 1997), and resource-allocations (Pfeffer & Salancik, 1978) are goal-oriented. Goals are so central to organizational theory that, goals are often taken as given. Yet, the goals that organizations pursue are often the result of a contested process such that stakeholders influence organizations to pursue goals that are valuable to them even if not inherently valuable to organizations (Thompson, 1967). Stakeholders expect organizations to pursue goals for environmental sustainability (Flammer et al., 2019), social impact (Kaul & Luo, 2018), and diversity (H. Luo & Zhang, 2022; M. Zhang et al., 2023). Goals also fade and are replaced by other goals (M. W. Meyer & Gupta, 1994). This begs the question, *how and where do organizational goals come from?*

Cyert & March (1963; p.31) allude to a *process* by which organizations come to pursue goals—“*by some procedure* the coalition arrives at a statement of goals,” However, scholars have yet to theorize just how such a process unfolds, as I do herein. Prior work implies that organizations pursue goals because they are valued by stakeholders outside of the organization’s formal boundaries. For example, organizations aspire to grow larger because stakeholders such as regulators confer legitimacy on large organizations (Greve, 2008). Organizations measure, report, and pursue safety because stakeholders such as employees and customers reward it (Gaba & Greve, 2019). Organizations also invest in improving corporate governance to satisfy key

stakeholders, such as institutional shareholders, trade associations, and the media (Crilly et al., 2012; Rowley et al., 2017).

Organizational research has shown that stakeholders, and society more broadly hold expectations for organizational goals and their performance on these goals (Davis et al., 2005; Freeman, 1984; Hannan & Freeman, 1984). At the same time, stakeholders also have *aspirations* for higher performance on current goals as well as aspirations for firms to pursue different goals. Stakeholders expect organizations to pursue goals and improve performance on goals that organizations did not initially consider performance-related (Espeland & Sauder, 2007; B. G. King & Pearce, 2010). I refer to such aspirations as *societal aspirations*, and propose that discrepancies between current levels of performance and societal aspirations—a performance-aspiration gap—prompts organizations to adopt new goals and align their behavior with societal aspirations.

I extend the behavioral theory of the firm by distinguishing *societal aspirations* from the theory's traditional notion of organizational aspirations in three important ways. First, organizational aspirations serve as *internal* reference points, whereas societal aspirations are *external* reference points. According to the BTOF, internal stakeholders shape an organization's aspirations based on the organization's past performance (historical aspirations) and its peers' performance (social aspirations). In contrast, I theorize that external stakeholders shape societal aspirations that are not organization-specific, but rather, generally applicable to all organizations.

Second, while historical and social aspirations are *backward* and *contemporaneous* reference points that represent a satisficing level of performance, societal aspirations are *forward-looking* reference points that represent aspirations for exceeding current performance. Third, because organizational aspirations are organization-specific, they account for behavioral

changes in a *single* organization. Societal aspirations prompt behavioral changes for *multiple* organizations, with implications about which organizations are more or less responsive to societal aspirations.

When stakeholders raise societal aspirations beyond current performance (i.e., prior or peers' performance), *all* organizations are perceived as underperforming vis-à-vis societal aspirations (**Figure 10**). The perceived underperformance—i.e. the performance-aspiration gap—threatens legitimacy, prompting multiple organizations to modify their goals and behaviors to align performance with societal aspirations in a process I call *stakeholder-driven performance alignment*. This alignment mechanism, thus represents my primary theoretical contribution to the BTOF and organizational theory, more broadly.

I argue that consistent with the BTOF, organizations performing below industry peers (low-performers) become more likely to align their behavior to mitigate performance shortfalls as they face the largest performance-aspiration gap (e.g. Greve, 1998). The BTOF suggests that organizations performing above industry peers (high-performers) are less likely to change, because high-performers are more likely to engage in satisficing behavior (Greve, 1998) and are more likely to discredit divergent feedback from multiple aspirations (Audia & Brion, 2007). However, contrary to the BTOF, even these organizations appear to be underperforming when external stakeholders raise societal aspirations beyond current expectations, exposing such organizations to heightened scrutiny and legitimacy threats. I thus, offer competing hypotheses about whether higher performing organizations become more or less likely to align their behavior with societal aspirations.

An ideal empirical context for testing this theory involves clear variation in societal aspirations—either across time or contexts—with measurable changes in firm-level performance

and behaviors before and after changes in societal aspirations. The 2010 SEC Board Diversity Disclosure Rule (SEC Rule) presents such a context. On February 28, 2010, the SEC implemented a rule that only required public companies to disclose how diversity is a factor in selecting board candidates without mandating appointment behaviors. Because there was no quota or regulated outcome beyond reporting how the board considers diversity, the ambiguity surrounding the SEC Rule created conditions for variations in firm responsiveness. As stated by the SEC Commissioner at the time, the rule was implemented amidst calls that organizations need “to do better” and “need to do more to achieve diversity in the workplace” (Aguilar, 2010a). The quotes show that the SEC Rule embodied a general belief that current levels of board diversity were generally insufficient, reflecting a change in societal aspirations. As such, the 2010 SEC Rule presents an empirical opportunity to examine differential firm responses after a clear elevation in societal aspirations, an assumption that I substantiate in my analyses.

I construct a sample of S&P 1500 firms from 2007 to 2023. In 2009, a year before the SEC Rule was passed, White men held 81% of board seats and comprised 76% of new board appointments (**Figure 12**). By 2015—five years after the SEC Rule—White men's appointments fell from 76% to 64%, and board seats held fell from 81% to 75%. On the other hand, appointments of women and people of color increased from 13% to 24%, and from 12% to 16%, respectively. I define behavioral change as the appointment of a director who is not a White man, because this was the modal appointment prior to the rule's implementation. I find that consistent with the BTOF, as board diversity falls below that of industry peers', firms are more likely to appoint a woman or a director of color (**Figure 13**). On the other hand, high performers became no less likely to appoint a woman or a director of color than before, yielding overall increases in board diversity as low performing firms aligned their behavior with societal aspirations.

Similar alignment behaviors are observed after the 2017 #MeToo movement and the 2020 Black Lives Matter Movement (BLM), two notable social movements that saw discontinuous increases in societal aspirations for board diversity. Supplementary analyses centered on these events yield results consistent with my theorized alignment mechanism—low performers become more likely to appoint a woman or director of color after the #MeToo movement (**Figure 14**) and the BLM Movement (**Figure 15**). However, the behavior of high-performers yields mixed results. Consistent with my theorized mechanisms, after the BLM movement, high-performers became *less likely* to appoint women and directors of color. However, after the #MeToo movement, high-performers became *more likely* to appoint women and directors of color. These results suggest potential variation in societal aspirations, which although beyond the scope of this study, could be examined in future research. Additionally, I find that as societal aspirations for board diversity increase over time, firms become increasingly more responsive to organizational aspirations for board diversity (**Figure 16 and 17**).

Collectively, these results suggest that societal aspirations influence alignment behavior by altering organizational aspirations. Societal aspirations prompt low-performing firms to align their behavior to meet newly salient and elevated aspirations. Thus, societal aspirations, generally applicable to all organizations, drive alignment by generating new aspirations for board diversity.

I offer three main contributions with this paper. First, I extend the BTOF by theorizing the process by which organizational goals emerge and evolve-as organizations continuously align their behavior in response to changing societal aspirations. Second, I introduce an alignment mechanism to social movement and stakeholder theories, through which external stakeholders prompt organizational change by shaping both the goals that organizations pursue and the

performance levels they seek to achieve. Third, I show that low performing organizations become more likely to align with societal aspirations for performance improvement. This suggests that social movements are most likely to succeed when they pressure low-performers to raise the bar, yielding increases in performance overall. Thus, rather than targeting specific organizations, social movements are most likely to succeed when they create the impression that *no* organization is doing good enough.

5.2 Theoretical Development

5.2.1 Internal Origins of Organizational Goals

Goals are central to orienting organizational behavior (Cyert & March, 1963; Selznick, 1957). Classic behavioral theory argues that organizational goals are formulated by the dominant coalition. Cyert & March (1963) identify five operational goals—production, inventory, sales, market share, and profits—that are typically pursued and monitored by all firms. While acknowledging that organizations pursue multiple, evolving goals, their foundational work centered on decision-making around *given* goals, usually financial goals, rather than the process of how those goals come to be pursued. The following quote exemplifies the focus of classic behavioral theory: “*We are not yet in a good position to develop a theory that focuses intensively on the formation of objectives*” (Cyert & March, 1963; p. 46). I, thus, endeavor to extend the BTOF by taking on this theoretical challenge.

Perhaps because of this intellectual history, scholarship generally takes goals as a given and examines the effect of goals—typically financial (Posen et al., 2018; Shinkle, 2012)—on organizational behavior. Although a growing number of studies suggest that organizations pursue goals because they are important to external stakeholders, these studies focus on examining the tradeoffs between externally imposed goals and financial goals, rather than theorizing how

externally imposed goals come to be pursued in the first place. Notably, Greve (2008) shows that firms pay sequential attention to financial goals and size goals, suggesting that organizations pursue size goals because of “managerial beliefs that size affects organizational...legitimacy” (p.478). Similarly, Rowley et al. (2017) show that firms pursue goals for improved corporate governance, imposed by powerful institutional investors, conditional on satisfying aspirations for financial performance. These studies suggest that goals emerge from interactions with external stakeholders.

This implied hierarchy of goals, where externally imposed goals receive lower precedence than financial objectives, becomes tenuous when external goals are directly tied to organizational survival. The case of safety goals in the airline industry provides a critical illustration. Gaba & Greve (2019) find that safety goals carry equal weight as financial goals, particularly when firm survival is at risk. They find that low-profitability airlines exhibit a stronger reaction to safety performance shortfalls than their more profitable counterparts. Heightened sensitivity to safety performance arises because declining safety performance can lead to organizational failure, regardless of financial viability. As noted by the authors, safety is important because it is valued by critical stakeholders—passengers, employees, and insurers—that “react to airline accidents and penalize airlines,” which can have “dire outcomes for an airline’s reputation” (Gaba & Greve, 2019; p.653).

Gaba & Greve (2019) suggest a process where firms align their behavior with the goals and aspirations of external stakeholders who confer legitimacy and control resources necessary for survival (Hannan & Freeman, 1984). Even financial goals are arguably pursued because they reflect the expectations of investors—stakeholders who control access to critical resources, such as capital, which is vital for organizational survival (Greve & Teh, 2018).

Thus, while there is growing interest in the role of stakeholders in shaping the pursuit of organizational goals (e.g., Greve & Teh, 2018), the *process* by which this occurs remains unclear. To this end, I propose a theory that argues that organizations come to pursue goals often because they are valuable to external stakeholders. Moreover, goals evolve when external stakeholders raise their aspirations for organizational performance on these goals, and organizations align their behavior accordingly. Taken together, my theory explains how firm-level behavioral responses to stakeholder expectations can give rise to population level changes—the very outcomes sought by external stakeholders such as social movements—while also advancing a theory of where organizational goals originate. In the following section, I lay out my arguments for the emergence and evolution of organizational goals that occur as a feedback process at the organization-society interface.

5.2.2 External Origins of Organizational Goals

Relatedly, organizational theory holds that organizations are shaped by their external environments. Institutional theory suggests that organizations adopt goals to maintain legitimacy and gain critical resources for survival. Organizations align their behavior with prevailing social norms by adopting goals that are valued and seen as appropriate by external stakeholders (DiMaggio & Powell, 1983; J. Meyer & Rowan, 1977; Scott, 2001). Thus, organizational goals are not only articulated by internal stakeholders but are constructed and internalized from the broader environment, especially from external stakeholders to whom organizations are expected to account for their behavior and performance (Hannan & Freeman, 1984).

Studies suggest that external expectations are internalized as organizational goals through institutional logics, making organizations align their behavior with their normative environment. (Ocasio, 1997; Thornton et al., 2012; Thornton & Ocasio, 1999). Shipilov et al. (2010) suggest

that firms' continued adoption of governance reform practices reflects the firm's acceptance of external stakeholder values as their own goals. Crilly et al. (2012) use qualitative case studies and interviews with executives to show that firms internalize external stakeholder expectations for corporate social responsibility (CSR) as their own goal, pursuing it regardless of conflicting stakeholder demands. Similarly, research has shown that corporate social actions, such as philanthropic giving, are more prevalent in communities with a stronger norm for corporate social actions (Marquis et al., 2007). These studies suggest that firms have internalized external expectations as their own goals.

However, external stakeholders don't just hold expectations for organizations to pursue certain goals but also hold aspirations for firms to *exceed* these expectations. If expectations represent the baseline for acceptable performance, aspirations represent stakeholder demands for future performance that exceeds the baseline. Social movement theory highlights how external stakeholders such as activists agitate for change by constructing a performance gap between how the organization is currently performing and aspirations for how it should be performing (King & Pearce, 2010).

Such aspirations often emerge around social issues, in which current corporate performance is deemed insufficient. The #MeToo movement, for example, is an instance where external stakeholders collectively articulated a new, higher aspiration for gender equity, claiming that firms must do more to ensure that women are represented in leadership (H. Luo & Zhang, 2022; M. Zhang et al., 2023). Similarly, external stakeholders campaign for organizations to focus on and improve their performance on carbon neutrality and sustainability (Hoffman, 1999; Reid & Toffel, 2009).

Aspirational demands also manifest through ranking and rating systems, which not only communicate performance expectations but also embed aspirations for continual improvement. Espeland & Sauder (2007) show that law schools reallocated resources and shifted strategic decisions to improve their rankings, effectively adopting an externally imposed ranking as an explicit goal. Other studies have also shown that organizations align their behavior after being rated poorly on environmental performance (Chatterji & Toffel, 2010) or even when only their peers were rated (Sharkey & Bromley, 2015).

Collectively, these findings suggest that stakeholders are not merely imposing expectations but are also holding organizations accountable to a *higher*, aspirational standard, prompting firms to recalibrate goals and behaviors to align with stakeholder aspirations. This underscores an opportunity to theorize how external stakeholder *aspirations* for greater performance influence organizational goals and condition organizational behavior.

5.2.3 Societal Aspirations

To characterize external stakeholder aspirations for organizations to exceed current expectations and improve performance, I introduce societal aspirations as a novel construct. Extending the logic from the behavioral theory of the firm, I define *societal aspirations* as the expectations that external stakeholders have for the goals that organizations should pursue and their aspirations for performance on these goals. I distinguish societal aspirations from organizational aspirations, as conceptualized in the behavioral theory of the firm, in three important ways (**Table 12**).

First, organizational aspirations serve as *internal* reference points, whereas societal aspirations are *external* reference points. In the behavioral theory of the firm, Cyert & March (1963: 115) conceptualized organizational aspirations as “the organization’s past goal, the

organization's past performance [historical aspiration], and the past performance of other 'comparable' organizations [social aspiration]." Since then, scholarship has focused on the two components—historical and social—to define organizational aspirations. The historical aspiration is specified as the past period's performance (Ref & Shapira, 2017), the average of past performances over multiple periods (Arrfelt et al., 2013), or prior historical aspirations (Greve, 2003; Greve, 1998). The social aspiration is defined as the average performance of a reference group (Greve, 1998), which varies by organizational needs and the situations they find themselves in. Thus, internal stakeholders shape organizational aspirations in ways that are specific to the focal firm's context.

In contrast, *societal aspirations* originate from external stakeholders, such as activists, institutional investors, regulators, and society more broadly. Rather than being firm-specific, societal aspirations are generalized expectations that apply across firms within an organizational field (DiMaggio & Powell, 1983; Hannan & Freeman, 1984). Even social movements, which commonly target a small number of firms, have effects beyond the targeted organization (Yue et al., 2013), such that non-targeted firms align their behavior with movement goals (M. Zhang et al., 2023). This is because social movements articulate new aspirations that all firms are expected to meet, regardless of their individual performance history or their peers' performance. Thus, external stakeholders shape societal aspirations that are not firm-specific, but rather, generally applicable to organizations (i.e., shared).

This leads to the second difference. While organizational aspirations account for *firm-level behavioral change*, societal aspirations account for *changes across multiple firms*. Organizational aspirations explain *intra-firm* variance in behavior, which are attributable to the comparisons that organizations make to prior versions of themselves and to their current peers.

In contrast, societal aspirations help explain *inter-firm* variation in responsiveness to external demands. Such inter-firm variation is attributable to comparisons organizations make between themselves and societal ideals espoused by external stakeholders.

Last, organizational aspirations are *backward-looking reference points* that reflect a satisficing logic: firms compare current performance against aspirations and adjust their behavior if a shortfall is observed (Posen et al., 2018). Societal aspirations, by contrast, are *forward-looking reference points* that are aspirational. Societal aspirations transcend past performance and articulate what performance *should be*. As such, they reflect expectations for progress and improvement rather than benchmarks to satisfy.

In sum, societal aspirations act as external reference points, representing performance levels that *all* organizations should aspire to achieve. When societal aspirations are elevated beyond current expectations, they introduce new aspirations for evaluating organizational performance. Thus, societal aspirations are theoretically distinct from organizational aspirations, and can extend the BTOF by accounting for the emergence and evolution of organizational goals. In the following section, I theorize how the resulting gap between current performance and societal aspirations creates pressure for organizations to realign their goals and behaviors.

5.2.4 Goal Alignment Driven by Societal Aspirations

Societal expectations for organizational goals and appropriate levels of performance are ever present and relatively stable (Scott, 2001). Yet, periods of stability are punctuated by discontinuous rises in societal aspirations (e.g., social movements), where stakeholders raise societal aspirations beyond current expectations, demanding change and performance improvement. When societal aspirations are raised, a performance-aspiration gap is created such

that there is a discrepancy between current levels of performance and aspirations for what performance *should be*. This discrepancy prompts *stakeholder-driven performance alignment*, a process in which firms modify their goals and behaviors to align performance with societal aspirations.

Efforts to align with societal aspirations arise because societal aspirations shift the reference point from a satisfactory internal reference point to an unsatisfactory external reference point. This creates a legitimacy threat, casting the firm as underperforming vis-à-vis evolving societal demands. It is the framing of deficiency and underperformance that prompts organizations to re-evaluate their existing goals and performance, spurring efforts to align behavior with societal aspirations.

Over time, as firms align their behavior with societal aspirations, external expectations should recalibrate as well, gradually converging towards societal aspirations. This dynamic produces a punctuated process of expectation-aspiration updating in which periods of stable expectations are punctuated by discontinuous increases in societal aspirations, and consequently organizational alignment with societal aspirations. The result is a continuous cycle of externally driven change, where today's aspirations become tomorrow's expectations.

Proposition: The more that societal aspirations exceed a firm's performance expectations (i.e., the performance-aspiration gap), the more likely the firm is to align with societal aspirations.

The proposition highlights that firms may respond differently to societal aspirations as a function of their current performance. In the next section, I theorize how firms differentially respond to societal aspirations, particularly as a function of their performance relative to

organizational aspirations. The upshot is that by influencing alignment behavior, societal aspirations, prompt population level changes that align firm behaviors with stakeholders' expectations of firms.

5.2.5 Differential Alignment Behavior

In the section below, I define organizational aspirations as the performance of peer firms, more commonly referred to as social aspirations (Greve, 1998). During periods of change, firms place a greater weight on social aspirations as opposed to historical aspirations because environmental change makes the interpretation of past performance difficult (Berchicci & Tarakci, 2021; Hu et al., 2017). Similarly, I argue that rising societal aspirations also represent periods of change because stakeholders are questioning the adequacy of the status quo, agitating for organizations to change their behavior and improve performance.

When external stakeholders raise societal aspirations beyond current expectations, previously acceptable levels of performance come to be seen as insufficient. As shown in **Figure 10**, all firms are performing below societal aspirations—no firm is “good enough”. However, the size of the performance-aspiration gap differs across firms. Some firms are closer to societal aspirations, while others are farther away. I categorize firms based on this relative position. *High-performers* are those performing above their peers, and thus, closer to societal aspirations. *Low-performers* are those performing below their peers, and thus, farther from societal aspirations. A central proposition of the BTOF is that as performance falls below aspirations—that is, as the performance-aspiration gap increases—firms are more likely to search for solutions to take actions to improve performance and close the gap (Cyert & March, 1963; Greve et al.,

2003). Building on this logic, I theorize that the propensity to align with societal aspirations depends on the performance-societal aspiration gap for these two groups of firms.

When societal aspirations are raised, *low performers*—those already performing below their peers—face the largest performance-aspiration gap. These firms, already more likely to change behavior according to the BTOF (Greve, 1998), now fall short relative to both their peers and societal aspirations. The heightened deficiency increases the salience of performance shortfalls and motivates alignment with societal aspirations to mitigate threats to legitimacy.

Studies on the effects of external ratings and social movements support my argument. Chatterji & Toffel (2010) examine the effect of external environmental ratings on firms' environmental performance improvement. They find that firms receiving poor ratings were more likely to improve their environmental performance than firms receiving positive ratings or no rating at all. Poor ratings, they argue, made previously opaque performance deficiencies visibly salient to firms and key stakeholders. Thus, firms with poor ratings were motivated to improve performance because they faced greater legitimacy threats, including heightened scrutiny, reputational damage (Vogel, 2005), and the risk of alienating key stakeholders (A. A. King & Lenox, 2002). Similarly, when external stakeholders raise societal aspirations, they accentuate the relative deficiencies of low-performing firms, making legitimacy threats more salient, thus motivating these firms to align their behavior with evolving societal aspirations.

Even if societal aspirations do not directly target the firm, societal aspirations can still incite behavioral alignment by aspiring for all organizations to change. Studies have shown that firms align their behavior with stakeholder expectations even if firms are not directly rated or targeted by social movements. Using the same environmental ratings as Chatterji & Toffel (2010), Sharkey & Bromley (2015) show that even firms not rated by external ratings were likely

to improve their environmental performance when their peers were rated. They argue that external stakeholder ratings draw attention to firms' relative positioning, heightening the salience of the issue itself. Ratings also signal stakeholder concern about a specific issue and indicate that firms may be evaluated on that issue in the future. Societal aspirations may have a similar effect as external ratings in that they make salient external stakeholder expectations about the goals that organizations should pursue and aspirations for future performance on these valued goal dimensions. Thus, I hypothesize that,

Hypothesis 1: As societal aspirations increase, firms performing below organizational aspirations are more likely to align compared to before societal aspirations increased.

I have thus far argued that low-performers are most likely to align their behavior with societal aspirations because they face the largest performance-aspiration gap, and receive compounding negative feedback about their performance shortfalls. However, as shown in **Figure 10**, when societal aspirations are raised, even firms performing above industry peers (*high-performers*) appear to be underperforming vis-à-vis societal expectations.

High performers may feel pressured to respond to societal aspirations because they have likely made prior strategic commitments in this domain. For these firms, *failing to align* can expose firms to legitimacy threats, heightened scrutiny, or reputational damage. First, high performers are likely to have reached their position because they have already made commitments to the valued goal dimension. These firms are especially motivated to protect their relative standing and avoid perceptions of hypocrisy (B. G. King, 2008; Rhee & Haunschild, 2006). Luo & Zhang (2022) found that, after the MeToo movement, Weinstein-associated

production teams that *already* had women on their teams were more likely to add women writers, even more than all male teams. This was likely because their prior inclusion of women raised expectations for continued progress, making further action essential to avoid perceptions of hypocrisy. Moreover, firms that have already displayed commitment may be penalized more severely than firms that have not set such expectations at all. Accordingly, J. Zhang & Luo (2013) found that firms that had a self-proclaimed CSR policy were more responsive to activist demands to prevent being seen as hypocritical.

Moreover, firms that have already made prior strategic commitments to the valued goal may find it relatively less costly to align with rising societal aspirations. Research shows that organizations previously aligned with external expectations are more receptive to subsequent stakeholder demands because they have already implemented structures that facilitate further alignment. McDonnell et al. (2015) showed that firms previously targeted by activists were better positioned to respond to future requests because they had implemented structures—CSR committees—that made it easier to accommodate future demands. Shipilov et al. (2010) found that firms that had already adopted initial waves of board reforms—higher performers—were more likely to adopt later reforms, because organizational decision-makers had already internalized stakeholder expectations. Additionally, Luo & Zhang (2022) argued that production teams that already included women likely found it easier to add more women after the MeToo movement because they could leverage their social networks to recruit more women.

Prior strategic commitments confer legitimacy on the firm, which the firm strives to maintain by engaging in further alignment with societal aspirations. Moreover, previously acquired legitimacy acts as a slack resource that *enables* organizations to implement further changes. Desai (2008) shows that firms with higher legitimacy are more likely to see

performance-aspiration gaps as repairable, and are thus more likely to engage in behavior to meet these aspirations. He accordingly finds that railroad companies with greater legitimacy, measured as favorable media attention, expanded more aggressively when ROA declined below the aspiration level than companies with lower legitimacy. Thus, I hypothesize that,

Hypothesis 2a: As societal aspirations increase, firms performing above organizational aspirations are more likely to align compared to before societal aspirations increased.

Although both low- and high-performers receive negative feedback from societal aspirations, while low-performers receive compounded negative feedback from both organizational and societal aspirations, *high-performers* experience conflicting feedback. High-performing firms might be performing below societal aspirations, yet they are performing better than their peers.

Whether the imposition of higher societal aspirations creates a new “problem” for high-performers depends on how decision-makers interpret this feedback. Research grounded in the BTOF suggests that firms performing above aspirations are less likely to change because they perceive their performance as satisfactory (Greve, 2003). Moreover, inconsistent feedback creates opportunities for managers to engage in self-enhancing interpretations (Jordan & Audia, 2012). High-performers may downplay the significance of a secondary aspiration if it casts their performance in an unfavorable light, eliciting weaker-than-expected responses even when performance falls short of that aspiration (Audia & Brion, 2007). For example, high performers may downplay the significance of falling short of societal aspirations and instead emphasize performing above their peers. Elsbach & Kramer (1996) found that when external rankings

conflicted with an organization's self-perceived ranking, members sought to discredit the rankings and justify their positions, though whether such responses led to behavioral changes was outside the scope of the study. Because the "problem" is more ambiguous for high-performers, high-performers may downplay the significance of feedback from a secondary aspiration. Thus, their response is expected to be more muted than that of their low-performing counterparts.

Hypothesis 2b: As societal aspirations increase, firms performing above organizational aspirations are less likely to align compared to before societal aspirations increased.

5.2.6 Implications for population level changes

The implication of the arguments above is that societal aspirations generate population-level changes. Within the behavioral theory of the firm, aspiration motivated changes typically explain within-firm variation in responses to organizational aspirations. In contrast, societal aspirations explain between firm variation in responsiveness, such that heterogeneous responses accumulate into population-level changes. In this way, societal aspirations drive change by shifting organizational aspirations.

5.3 Data & Methodology

I intend for the theoretical arguments above to apply to any new goal and its associated performance in which there is variation in societal aspirations, either across time or contexts. In the absence of a direct empirical measurement, societal aspirations can be conveyed in a number of ways, such as through increased media attention that highlights external stakeholder expectations, or a policy directive that reflects the heightened expectations for the goals that

organizations should pursue and aspirations for performance on these goals. To test my theory, firm-level performance on the given goal dimension should be measurable before and after the shift, and there should also be sufficient variation in how firms respond. The 2010 SEC Board Diversity Disclosure Rule (SEC Rule) presents such a context.

5.3.1 Empirical Context

I use the 2009 SEC Proxy Disclosure Enhancements (SEC Rule) as my empirical context. The SEC Rule is a regulatory intervention aimed at increasing transparency in corporate governance disclosures. Adopted on December 16, 2009, and effective on February 28, 2010, the rule applied to public companies filing proxy statements for fiscal years ending on or after December 20, 2009. This means that firms with fiscal years ending on December 31, 2009, had to include the new disclosures in their proxy filings during the 2010 proxy season (Harmon, 2009).

A key component of the rule was amendments to disclosure regarding the firms' considerations of diversity on their boards. Specifically, the rule requires companies to disclose 1) whether diversity is a factor in identifying potential board candidates, 2) how the board considers diversity, and 3) how the company evaluates the effectiveness of its policy for diversity. There was no quota or regulated outcome beyond disclosing the aforementioned information. Moreover, the regulation allowed discretion in how companies define diversity, ranging from demographic attributes (such as gender and race) to dimensions such as professional background, industry experience, and educational attainment.

The rule was implemented in response to growing investor demands for transparency regarding board diversity, which was increasingly viewed as important to financial performance,

governance, and stakeholder engagement. The adoption reflects a shift in societal aspirations. As noted by Former SEC Commissioner Luis A. Aguilar, “Many investors—from individual investors to sophisticated institutions—asked the Commission to provide for disclosures about the diversity of corporate boards and a company’s policies related to board diversity...The SEC and others have begun to act on this issue.” (Aguilar, 2010a). Aguilar (2010b) further emphasized that organizations need “to do better” and “need to do more to achieve diversity in the workplace.” Thus, the implementation of the SEC Rule reflects stakeholder beliefs that current levels of board diversity were not enough, reflecting heightened societal aspirations for board diversity.

Consistent with this argument, heightened societal aspirations for board diversity is reflected in the discontinuous increase in mentions of “board diversity” in the media. As shown in **Figure 11**, news articles from LexisNexis, that reference “board diversity” increase steadily after 2010.

The SEC Rule, thus, represents an ideal context to test a theory of societal aspirations. First, it marks a clear shift in societal aspirations, offering a before and after period to observe firm responses. If societal aspirations had already begun to rise prior to the rule—and the SEC adopted the rule in response to those rising expectations—then the rule would attenuate any observed effect. If this were the case, my estimates are likely biased toward zero, allowing a conservative test of my theory. Second, the rule did not mandate any specific outcome and allowed firms to define diversity on their own term. The ambiguity surrounding the rule created conditions for differential firm responses, which allows me to observe variation in alignment behavior. Last, board diversity, which is the desired outcome and also performance on the given societal aspiration, is observable and measurable across firms over time.

5.3.2 Sample

My analytical sample consists of firm-year panel data for 894 firms from 2007 to 2012, yielding 5,364 firm-years. The sample contains 972 appointments of 1,115 women and directors of color. I restricted my analytical sample to firms that remained in the S&P 1500 from 2007 to 2022 and that had complete information on the ethnicity and gender of board members. Data on board members, including demographic information, was collected from the ISS (formerly RiskMetrics) database, and firm-level variables were collected from WRDS Compustat.

5.3.3 Dependent Variable

Alignment ($t+1$). My dependent variable is *alignment* with societal aspirations, defined as the appointment of directors who are *not* White men at year $t+1$. ISS uses the following nine categories to define race and ethnicity: Asian (exclude Indian/South Asian), Black/African American, Caucasian/White, Hispanic/Latin American, Indian/South Asian, Middle-Eastern/North African, Native American/Alaskan Native, and Native Hawaiian/Other Pacific Islander. Given limited variation in ethnicity in the data, I define directors of color as all directors who are *not* Caucasian/White.

I use both a count measure of such appointments and also construct an indicator variable to equal 1 if a firm appoints a woman or person of color (POC) at year $t+1$. The appointment of a woman or person of color constitutes alignment in my empirical context because, as stated above, the SEC Rule was implemented in response to calls for greater diversity on corporate boards. Additionally, given the composition of corporate boards in 2009, the appointment of directors who are *not* White men increases board diversity. Although the SEC Rule allows

companies to define diversity freely, I argue that diversity implicitly refers to directors who are *not* White men for two reasons. First, in 2009, a year before the SEC Rule was enforced, White men held 81% of board seats and comprised 76% of new board appointments (**Figure 12**). Second, the examples cited by the SEC Commissioner on how to disclose policies related to board diversity refer explicitly to women and POC. Examples include interviewing and using search firms to identify “candidates who are a minority and/or a woman” (Aguilar, 2010a). Thus, in this context, alignment with societal aspirations is best operationalized as the appointment of women and POC.

5.3.4 Independent Variables

Diversity Performance. Performance is defined as the % of board seats held by directors who are not White men in year t (i.e. board diversity). I use this definition because societal aspirations for greater board diversity supposedly position board diversity itself as a dimension of performance, with higher board diversity reflecting better performance on this valued goal dimension.

Organizational Aspirations. Organizational aspirations are operationalized as the average board diversity of firms in the same 2-digit NAICS industry in year t . Prior research defines aspirations in various ways, most commonly as *social aspirations*, based on a referent group of firms, and/or a combination of *historical aspirations*, based on a firm’s past performance (for a review, see Posen et al., 2018). Following Gaba & Greve (2019), I use the social aspiration level to proxy for organizational aspirations. This is appropriate for my theory and empirical context because, during periods of environmental change, firms place greater weight on social aspirations as opposed to historical aspirations (Greve, 2003; Rowley et al., 2017). Moreover, I

argue that rising societal aspirations prompt firms to adopt goals valued by external stakeholders. In such cases, historical aspirations are less relevant because the said goal may not have been seen as an active goal that firms pursue.

Performance relative to organizational aspirations. Performance relative to aspirations is measured by subtracting organizational aspirations from performance at year t . Because my theory implies differences in behavior between high and low performances, I use a spline specification, where the values are split at 0 to allow for the estimation of different effects both below and above the aspiration (Gaba & Greve, 2019; Shinkle, 2012). Thus, I have two variables that reflect performance relative to organizational aspirations—*Below OA* and *Above OA*.

Below Organizational Aspirations (0/1). To model the treatment effect, I include a dummy variable indicating whether Performance relative to organizational aspirations is less than 0.

Post-SEC (0/1). To model the treatment effect, I include a dummy variable indicating whether year is greater than 2009, indicating the Post-SEC period.

5.3.5 Control Variables

Board characteristics that have been shown to affect the appointment of a woman or person of color include *board size (ln)*, *mean age*, *mean tenure*, and *the proportion of independent directors*. *Board size (ln)*, is defined as the number of directors at firm i at time t transformed by its natural log. This was included because as boards grow larger, firms have less capacity to add new directors (Knippen et al., 2019). *Mean age* and *mean tenure* were included to account for the likelihood that vacancies and anticipated retirements create more opportunities for appointments (Guldiken et al., 2019). *Mean age* is defined as the average age of all board

members at firm i at time t . *Mean tenure* is defined as the average tenure of all board members at firm i at time t . Following prior studies, the *proportion of independent directors* is included to account for corporate governance effects in which independent directors are less entrenched by managerial preferences and more responsive to external pressures (Hillman et al., 2002). Firm-level market and accounting based control variables were included to control for the possibility that more profitable companies are more likely to appoint diverse directors (Hillman et al., 2000). The following performance measures were included: *ROA* (return on assets), *book-to-market ratio*, *debt ratio* and *R&D to sales*.

5.3.6 Model Specification

I use two specifications—a spline function and a treatment effect model. First, I estimate the following model separately for the pre-SEC period (2008 to 2009) and post-SEC period (2010-2011), where $P-OA$ represents *performance relative to organizational aspirations*, and X is the vector of control variables. Firm fixed effects are included to control for all time-invariant factors that might condition the supply of women or people of color. I use a segmented regression instead of using the post-SEC period as an interaction variable to avoid confounding within-firm and between-firm variations. Shaver (2019) argues that fixed effects regressions using interaction terms confounds within-firm and between-firm variations in the interaction coefficient estimates. As a solution, Shaver suggests splitting the sample into sub-samples to assess coefficient estimates at different ranges of the variable of interest.

$$\begin{aligned} & \text{Pr (Alignment)}_{i,t+1} \\ &= \beta_0 + \beta_1(P - OA|P \leq OA)_{i,t} + \beta_2(P - OA|P \geq OA)_{i,t} + \sum \beta X_{j,t-1} \\ &+ \text{Firm FE} \end{aligned}$$

I use both an ordinary least squares (OLS) regression to estimate *alignment* as a count variable, representing the number of women and directors of color that were appointed in $t+1$, and a linear probability model (LPM) regression to estimate *alignment* as an indicator variable, representing whether a woman or director of color was appointed in $t+1$.

Consistent with my proposition—that the greater the gap between societal aspirations and organizational aspirations, the more likely the firm is to align with societal aspirations—I expect β_1 to be *positive* in the post-period. Firms that are performing further below industry peers, should be more likely to appoint women and directors of color, than firms that are performing above industry peers.

Hypothesis 1 predicts that after societal aspirations increase, firms performing below organizational aspirations will be more likely to align compared to before societal aspirations increased. Accordingly, I expect the magnitude of β_1 to be *larger* in the post-period, indicating that firms are *more* likely to align their behavior by appointing women and directors of color, after societal aspirations are raised than before they were raised.

Consistent with my proposition, I expect β_2 to be *negative* in the post-period, indicating that the smaller the gap between societal aspirations and organizational aspirations, the less likely the firm is to align with societal aspirations. **Hypothesis 2a** predicts that after societal aspirations increase, firms performing above organizational aspirations will be more likely to align compared to before societal aspirations increased. Accordingly, I expect the magnitude of β_2 to be *smaller* in the post-period compared to the pre-period. This shows that while firms performing above organizational aspirations are generally less likely to align, this effect weakens after societal aspirations are raised, prompting even these firms to align their behavior by appointing women and directors of color.

Hypothesis 2b predicts that after societal aspirations increase, firms performing above organizational aspirations will be less likely to align compared to before societal aspirations increased. Accordingly, I expect the magnitude of β_2 to be *greater* in the post-period compared to the pre-period.

I estimate the treatment effect of the post-SEC period for firms performing below and above their organizational aspirations to examine whether the relative change is greater among low-performers than high-performers. I use both an ordinary least squares (OLS) regression to estimate *alignment* as a count variable, representing the number of women and directors of color that were appointed in $t+1$, and a linear probability model (LPM) regression to estimate *alignment* as an indicator variable, representing whether a woman or director of color was appointed in $t+1$. I estimate the following model:

$$\begin{aligned} Pr(Alignment)_{i,t+1} \\ = \beta_0 + \beta_1(Below\ OA)_{i,t} + \beta_2(Post\ SEC)_{i,t} + \beta_3(Below\ OA \times Post\ SEC)_{i,t} \\ + \sum \beta_j X_{j,t-1} + Firm\ FE \end{aligned}$$

5.4 Results

Table 13 presents the descriptive statistics and correlation coefficients for the sample. My analytical sample consists of firm-year panel data for 894 firms from 2007 to 2012, yielding 5364 firm-years. The sample contains 972 appointments of 1115 women and directors of color.

Table 14 shows the results for the ordinary least squares model using *alignment* as a count variable, representing the number of women and people of color (POC) that were appointed in $t+1$. **Table 15** shows the results from the linear probability model using *alignment* as an indicator variable, representing whether a woman or director of color was appointed in $t+1$.

Because the results are consistent from both regressions, I use the results from the linear probability model in **Table 15** to interpret the results.

Models 1 and 2 show the probability of appointing a woman or POC in the Pre-SEC period (2007 to 2009), while Models 3 and 4 show the same probability in the Post-SEC period (2010-2012). Model 1 includes only control variables with firm fixed effects for the Pre-SEC period. Consistent with prior studies, as board size increases, firms are less likely to appoint additional directors and as the mean age of board directors increases, firms are more likely to appoint additional directors.

Model 2 includes the main explanatory variables, *Below OA* and *Above OA* with firm fixed effects for the Pre-SEC period. Consistent with my proposition, as *Below OA*, increases, that is, as board diversity decreases relative to the industry average, firms are more likely to appoint women and POC. As *Above OA* increases, that is, as board diversity increases relative to the industry average, firms are less likely to appoint women and POC. Both effects are statistically significant at the 1% level. Model 3 includes only the control variables with firm fixed effects for the Post-SEC period; the results are consistent with prior studies. Model 4 includes the main explanatory variables, *Below OA* and *Above OA* with firm fixed effects for the Post-SEC period.

The hypotheses are interpreted by comparing the effect of *Below OA* and *Above OA* in Model 2 and Model 4. As shown in Model 4, the effect of *Below OA* (0.0421***) in the Post-SEC period is greater than the effect of *Below OA* (0.0329***) from Model 2 in the Post-SEC period. A t-test of the difference between the two coefficients shows that the difference is significant at the 10% level. In other words, after the 2010 SEC Rule, firms with lower board

diversity than industry peers, become *more* likely to appoint a woman or POC, thus, aligning their behavior with raised societal aspirations. Thus, Hypothesis 1 is supported.

As shown in Model 4, the effect of *Above OA* (-0.0315***) is smaller in the Post-SEC period than the effect of *Above OA* (-0.0339***) in the Pre-SEC period. A t-test of the difference between the two coefficients shows that the difference is not statistically significant. In other words, after the 2010 SEC Rule, firms with higher board diversity than industry peers were no less likely to appoint a woman or POC. Although the magnitude is consistent with Hypothesis 2a, the results are not significant. Therefore, Hypothesis 2a and 2b are not supported.

Figure 13 graphs the effects of *Below OA* and *Above OA* on the predicted probability of appointing a woman or POC for the Pre- and Post-SEC periods. The yellow line reflects the effect of *OA* in the Pre-SEC period, while the blue lines reflect the effect of *OA* in the Post-SEC period. As shown in the upper left quadrant, the blue line is steeper than the yellow line. In other words, the effect of *Below OA* becomes greater in the post- period compared to the pre- period. As shown in the right side of the figure, although the blue line is slightly steeper than the yellow line, the difference between the effect of *Above OA* in pre- and post-is smaller than that of *Below OA*.

Table 16 shows the results from the linear probability models of alignment (0/1) from the treatment effect regression model. Model 1 presents the control variables. Model 3 shows how much *Below OA* changed compared to *Above OA* in the Post-SEC period. The interaction between *Below OA X Post-SEC* is positive and significant (0.128***), indicating that firms performing below organizational aspirations are more likely to change in the Post-SEC period than firms performing above organizational aspirations.

Thus, when societal aspirations for board diversity increased, firms that fall further behind the industry average board diversity become *more* likely to align with societal aspirations. In contrast, firms that are further ahead of the industry average board diversity were no less likely to align than they were before the rise in societal aspirations. This suggests that societal aspirations drive change primarily by prompting low performing firms to catch up to industry norms, while high performing firms remain relatively unchanged.

5.5 Supplementary Analyses

To further test my arguments, I apply the same models to the MeToo and BLM movements to examine whether elevated societal aspirations prompt similar patterns of organizational alignment. These two notable social movements also saw discontinuous increases in societal aspirations for board diversity, exerting pressure on firms to increase board diversity.

5.5.1 MeToo Movement

Although the MeToo movement originated in Hollywood, after decades-long sexual harassment by Harvey Weinstein came to light, the movement had effects far beyond Hollywood. The movement heightened awareness of gender inequality in leadership and made salient the importance of gender representation in leadership, such in the C-suite and in corporate boards (Fuhrmans, 2018). Thus, I characterize the MeToo movement as an event that raised societal aspirations for board diversity (M. Zhang et al., 2023), a key aspect of leadership in public companies.

Table 17 presents the results examining the effect of elevated societal aspirations for gender diversity on corporate board appointments following the MeToo movement. The

dependent variable is a binary indicator equal to one if at least one woman was appointed to the board in year $t+1$. The findings are robust to alternative specifications using a count of women appointed to the board. Model 1 shows the effects pre-MeToo period (2015-2017) with those in the post-MeToo period (2018-2020).

Consistent with the main results above, after the MeToo movement, firms with lower board diversity than industry peers, become *more* likely to appoint a woman, thus, aligning their behavior with rising societal aspirations. The difference is significant at the 5% level. However, contrary to the main results above, firms with higher board diversity than industry peers are also more likely to appoint a woman, thus aligning their behavior with rising societal aspirations. This difference is also significant at the 5% level. **Figure 14** graphs the effects of *Below OA* and *Above OA* on the predicted probability of appointing a woman before and after the MeToo movement.

5.5.2 Black Lives Matter Movement

The BLM movement, following the death of George Floyd at the hands of police in 2020, sparked nationwide protests and widespread demands for racial justice (Buchanan et al., 2020). The movement brought renewed attention to systemic racism, and highlighted the significant underrepresentation of Black leaders in corporate hierarchies (Cheng et al., 2020). As a result, I argue that the movement elevated societal aspirations for greater racial diversity in corporate leadership.

Table 18 presents the results examining the effect of elevated societal aspirations for racial diversity on corporate board appointments following the BLM movement. The dependent variable is a binary indicator equal to one if at least one POC was appointed to the board in year

$t+1$. The findings are robust to alternative specifications using a count of POC appointed to the board. Model 1 shows the effects pre-BLM period (2019-2020) with those in the post-BLM period (2021-2022). Note that controls for the proportion of independent directors were removed because of insufficient variation within firms over time.

Consistent with the main results above, after the BLM movement, firms with lower board diversity than industry peers, become *more* likely to appoint a POC, thus, aligning their behavior with rising societal aspirations. The difference is significant at the 5% level. The effects for firms with higher board diversity than industry peers shows surprising results. Contrary to the results from the SEC Rule and the MeToo movement, firms with higher board diversity than industry peers become *less* likely to appoint a POC, thus *misaligning* with rising societal aspirations. This difference is marginally significant at the 10% level. **Figure 15** graphs the effects of *Below OA* and *Above OA* on the predicted probability of appointing a person of color before and after the Black Lives Matter movement.

Collectively, the results from all three events show strong support for Hypothesis 1. When societal aspirations increase, firms performing further below industry norms become more likely to align with societal aspirations. However, the results are mixed for firms performing above industry norms and paints a more nuanced picture. The effect of *Above OA* becomes weaker after the SEC Rule—although not significant—and the MeToo movement, but becomes stronger after the BLM movement. In other words, firms performing above industry norms became no less likely to change after the SEC Rule and MeToo movement, but became less likely to change following the BLM movement.

There are two possible explanations for the observed patterns. First, following the BLM movement, even if firms intended to respond, they may have faced structural constraints—

namely, a limited candidate pool of directors of color, particularly Black directors. In 2016, a year before the MeToo movement, there were 1163 women serving on corporate boards across all firms in the sample. By contrast, in 2019, a year before the BLM movement, there were only 914 directors of color, of whom just 390 were Black. Consistent with this explanation, additional analyses using a binary indicator of Black appointments shows that firms performing above the industry average on board diversity became significantly *less* likely to appoint a Black director following BLM. This difference is significant at the 1% level. This is a stronger effect than the marginal effect from above.

Second, the pattern may reflect variations in *societal aspirations* across different contexts. While societal aspirations appear to have a relatively consistent effect on firms performing below industry norms, their capacity to motivate change among high-performing firms may depend on the degree of legitimacy threat those firms perceive. To explore this further, I plotted how the effect of performing below (*Below OA*) and performing above (*Above OA*) organizational aspirations changes over time (**Figure 16 and 17**). The regression results are shown in **Table 19**. The results show that rising societal aspirations consistently prompt change among firms performing below organizational aspirations. However, for firms performing above organizational aspirations, the period following the MeToo movement saw the greatest increase in alignment among firms performing above industry norms. These analyses are exploratory, but they suggest that variation in the salience and public visibility of societal aspirations may influence whether high-performing firms feel pressure to respond. Future research could examine how different types of societal aspirations affect firms, particularly those performing above industry norms.

5.6 Discussion & Implications

Although organizations are defined by their goals, scholarship has largely taken the origin of these goals for granted. This oversight is particularly critical especially when external stakeholders increasingly impose new expectations on firms, from diversity to sustainability. What is the process by which organizational goals emerge, and how do they evolve? This study examines how organizations come to pursue goals, particularly those that stakeholders or society more broadly expect them to pursue, and how organizations change their behavior to align with these goals. I propose that goals are adopted through a feedback process between organizations and society, as some—though not all—organizations strive to meet societal aspirations for organizational performance. I characterize these expectations as *societal aspirations*, which reflect external stakeholders' expectations for the goals that organizations should pursue and how well they should perform on these goals.

Organizations pursue goals when external stakeholders raise aspirations for performance beyond current expectations. When societal aspirations exceed current levels of performance, organizations experience a performance-aspiration gap that casts prior performance as insufficient, threatening organizational legitimacy. This prompts stakeholder-driven performance alignment, where firms pursue externally imposed goals by aligning their behavior to meet societal aspirations. Consistent with the behavioral theory of the firm, *low-performers*, already performing below their peers, face the largest gap and thus are likely to align their behavior with societal aspirations. Although *high-performers* may be outperforming their peers, they receive inconsistent feedback that they are falling short of evolving societal aspirations. The discrepancy prompts even high-performers to align their behavior to mitigate legitimacy threats and reduce expectancy violations.

My analysis of S&P 1500 firms following the 2010 SEC Board Diversity Disclosure Rule provides support for my theory. *Low-performers*, whose board diversity lagged behind industry peers, were more likely to appoint women and directors of color to reduce salient performance gaps and mitigate legitimacy threats. *High-performers*, in contrast, were no less likely to align their behavior following the SEC Rule. However, additional analyses shows that firms were more likely to align following the MeToo movement, which suggests that further research is needed to understand when high-performers are likely to align with societal aspirations.

5.6.1 Distinguishing Performatization from Mimetic Isomorphism

The low-performer alignment documented above is also consistent with mimetic isomorphism — firms below the industry average appoint women and directors of color because they are copying peers who have already done so. I distinguish my results from mimetic isomorphism by further discussing the behavior of high-performers. Under mimetic isomorphism, only firms below the industry average face pressure to change, because the industry average is the reference point. Firms at or above the industry average have no isomorphic pressure to move — they already exhibit the modal practice. Under alignment, the reference point is the societal aspiration, which sits above the industry average. All firms face a performance-aspiration gap when societal aspirations rise above current performance, including high-performers. Thus, the distinguishing test is the behavior of high-performers after a rise in societal aspirations.

The post-SEC Rule results, on their own, do not separate the two accounts. Low-performers became more likely to align and high-performers showed no significant change — a pattern consistent with both accounts, since low-performer movement is predicted by both and

the absence of high-performer movement rules out neither. The post-MeToo and post-BLM results offer the sharper test. After the MeToo Movement, high-performers became more likely to appoint women and directors of color — a pattern mimetic isomorphism does not predict, because firms already above the industry average should not increase under a mimetic account. After the BLM Movement, high-performers became less likely to appoint — again, a pattern mimetic isomorphism does not predict, because firms above the industry average have no peers to mimic in the upward direction and no isomorphic reason to move downward. Both directions of high-performer movement are inconsistent with mimetic isomorphism and more consistent with the stakeholder alignment mechanism, in which high-performers respond to a reference point beyond the industry average. The mixed direction across the two events is itself informative — it suggests variation in the content of societal aspirations across movements, which I flag as a question for future research rather than resolve here. I therefore argue that the results are distinct from mimetic isomorphism in the high-performer response to MeToo and BLM, and are not distinct in the post-SEC low-performer response taken alone.

5.6.2 Contributions

This study extends and contributes to the behavioral theory of the firm (BTOF). While research in this tradition acknowledges that external stakeholders influence the multiple goals that organizations pursue, it lacks an explicit theory about the process by which organizations come to pursue these goals in the first place. Moreover, although research has long alluded to the influence that external stakeholders have on organizational goals (Gaba & Greve, 2019; Greve, 2008; Rowley et al., 2017), there has been less research examining *how* firms pursue “institutional pressures as externally imposed goals” (Gaba & Greve, 2019). Scholars have highlighted this area as an important area for future research, suggesting that the BTOF is “a

theory that examines goals, but not their external and institutional sources” (p. 20). I answer this call by integrating arguments from the behavioral theory of the firm with institutional theory and social movement theory to argue that this process is initiated by external stakeholders through societal aspirations. My study shows that attention to external goals is conditioned through *societal aspirations*, which are distinct from organizational aspirations. I also show how societal aspirations prompt behavior from low performers, but also high performers, which the BTOF traditionally argues are less likely to change. Thus, societal aspirations beget change from firms that were *least* likely to change according to predictions from the behavioral theory of the firm.

My study also contributes to social movement theory by proposing a framework for understanding how external stakeholders impose widespread social change. Prior research on social movements emphasizes how social movements pressure specific firms to change. However, my study joins a growing number of studies (H. Luo & Zhang, 2022; Yue et al., 2013; M. Zhang et al., 2023) that examine the indirect effects of social movements. I empirically demonstrate that societal aspirations, even when not directed toward a specific firm, prompt organizations to recalibrate their aspirations and align their behavior with evolving stakeholder expectations. The study also offers insights into how social movements might prompt widespread social change (Barnett & Hansen, 1996). The empirical findings suggest that societal aspirations prompt low-performers to close performance gaps by catching up to their peers, while high-performers—particularly those that have internalized stakeholder expectations—play a critical role in raising the bar, setting new standards that push the industry average forward. In this way, societal aspirations help explain how social movements indirectly drive widespread social change by shaping the sequence of organizational responses, identifying which firms raise the bar, and which firms follow.

This study also contributes to institutional theory. Institutional theory suggests that societal norms and widely shared beliefs—institutional logics—condition organizational behavior (DiMaggio & Powell, 1983; J. Meyer & Rowan, 1977; Scott, 2001). Studies within this tradition examine how changes in institutional forces lead to changes in organizational practices and structures (Edelman, 1992; Zajac & Westphal, 2004). However, although such changes are likely conditioned on changes in organizational goals, studies within institutional theory don't explicitly discuss changes in organizational goals. Societal aspirations present an explicit mechanism through which institutional logics become embedded in organizational attention structures (Ocasio, 1997) through organizational goals, prompting the adoption of practices and structures that are consistent with changing institutional norms.

Last, this study has implications for new stakeholder theory. Societal aspirations offer a mechanism for how external stakeholders drive organizational change by shaping organizational goals. As scholarship on new stakeholder theory expands the definition of stakeholders to those beyond the traditional boundaries of the firm, societal aspirations provide a mechanism by which stakeholders can influence firm behavior through the goal-setting process.

In conclusion, this paper proposes a theory of how goals emerge and evolve as a feedback process at the organization-society interface. External stakeholders raise societal aspirations to levels that exceed current performance expectations, prompting organizations to pursue goals that were previously not considered important to performance, consequently aligning their behavior with societal aspirations. Societal aspirations thus provide a theory of externally driven change by affecting the goals that organizations pursue. Moreover, it provides a theory of social change. As firms adjust their behavior to align with prevailing societal aspirations, societal

expectations also evolve, shifting closer to these aspirations. The result is a continuous cycle of externally driven change, where today's aspirations become tomorrow's expectations.

Chapter 6 Conclusion

This dissertation has developed a Theory of Performatization — a process by which non-financial dimensions, once treated as inputs to performance, come to be treated as performance itself—by setting goals, quantifying progress and disclosing both to stakeholders. The central claim across the four chapters is that performatization is initiated by rising societal aspirations, mediated by the internalization of those aspirations as organizational goals, made observable in the language and accountability infrastructure that firms construct around them, and consequential for the differential alignment behavior firms exhibit in response.

The four chapters establish this theory in sequence. Chapter 1 introduces performatization as a mechanism of organizational response to societal aspirations, distinguishing it from projection, restriction, and rationalization, and articulating six characteristics — standardization, variability, scrutiny, accountability, aspirations, and reactivity — that define performatized goals. Chapter 2 establishes performatization as an empirical phenomenon through a case study of organizational diversity. Drawing on computational linguistic analysis of S&P 1500 corporate filings between 2007 and 2024, I document that the language firms use to describe diversity has converged with the language they use to describe financial performance, with the two registers meeting at a more aspirational and less quantified middle ground than either occupied at the start of the period. Chapter 3 offers an exploratory analysis of firm-level differences in performatization. I find that firms most dependent on the stakeholders whose attention to diversity has intensified most rapidly — institutional investors, and employees—are most likely

to performatize diversity. Chapter 4 examines how rising societal aspirations prompt differential alignment behavior across firms, demonstrating that low-performing firms align their board appointments to close the gap between current board diversity and societal aspirations following the SEC's 2010 Board Diversity Disclosure Rule and subsequent social movements (MeToo and BLM), while high-performing firms align under some conditions but not others. Together, the chapters document performatization from its origins in societal aspirations through its empirical signature in disclosure language and ultimately to its observable consequences for firm behavior.

6.1 Contributions

This dissertation contributes to the behavioral theory of the firm by introducing societal aspirations as a novel construct. The construct extends the behavioral theory of the firm in two ways. It provides a theory on the origins of organizational goals, and it accounts for population-level changes in performance beyond the firm-level changes typically accounted for by the theory. The BTOF theorizes organizational change as a response to performance falling short of aspirations, which is anchored on two reference points—the firm's own past (historical aspirations) and its peers' present (social aspirations) (Cyert & March, 1963; Greve, 1998). I introduce societal aspirations as a third reference point, defined as external stakeholders' expectations for the goals organizations should pursue, and acceptable levels of performance on these goals. External stakeholders often raise societal aspirations discontinuously such that they exceed the level of performance firms currently achieve. This generates an aspiration gap that firms address through performatization. Firms internalize societal aspirations as their own aspirations (i.e. as their own goal), adopting structural changes and aligning their behavior with rising societal aspirations.

I distinguish societal from organizational aspirations on three dimensions: externality versus internality, forward-looking versus backward-looking, and organization-general versus organization-specific. While the BTOF predicts that low-performers are more likely to respond to organizational aspirations while high-performers are less likely to, my analysis in Chapter 4 demonstrates that high-performers also respond to rising societal aspiration. Because societal aspirations shift the reference point for all firms in a population at once—rather than firm-by-firm, as historical and social aspirations do—population-wide alignment can occur discontinuously than cascading shifts in the existing two reference points alone would produce.

This account holds under the following conditions. Low-performers must respond more strongly than high-performers, so the response is concentrated where the performance-aspiration gap is largest. This differential must be large enough to move the industry aggregate performance. Moreover, the response must be plausibly driven by internalization rather than by mimetic isomorphism or by a rising supply of qualified candidates. The dissertation's analyses satisfy the first and are consistent with the second. However, the third is yet to be established because the design does not examine internalization directly.

I also contribute to stakeholder theory by offering a mechanism through which stakeholder aspirations are translated into organizational goals. Stakeholder theory has long argued that external stakeholders shape firm behavior, but the mechanisms through which stakeholder expectations translate into firm action have emphasized compliance and perception management. Performatization theorizes that external stakeholder expectations are internalized as organizational goals, prompting the firm to pursue such dimensions as an end in and of itself.

This dissertation extends institutional theory by theorizing the upstream process of decoupling and symbolic compliance. Studies on decoupling take organizational goals as a given and theorize the subsequent gap between structure and practice. Moreover, performatization focuses on the coupling of structure and practice over time, offering a complementary account to decoupling. Performatization on the other hand, theorizes how a dimension becomes a goal in the first place, and how behavioral commitments and structural enactment come to couple over time. Performatization is therefore upstream of decoupling, and offers a complementary perspective to the decoupling literature.

The last contribution is methodological and substantive, addressed to the empirical study of organizational diversity and to non-financial performance dimensions more broadly. Empirically, I introduce a dictionary-based dual-corpus measurement strategy that operationalizes performatization as the structural similarity between how firms describe a non-financial dimension and how they describe financial performance. The measurement can be extended beyond diversity to other non-financial dimensions — sustainability, societal impact, climate change — and offers a quantitative empirical signature for the broader phenomenon of dimensions becoming performatized. Substantively, the diversity case provides an account of how a contested non-financial dimension has been linguistically and structurally reorganized in U.S. corporate disclosure over the 2007–2024 period. The share of firms using no aspirational language about diversity decreased from roughly one-quarter to nearly zero and the within-firm trajectory of diversity aspiration overtook that of financial aspiration after 2020. This establishes diversity as a paradigmatic case of performatization and provides a benchmark against which other non-financial dimensions can be further examined.

6.2 Ideal versus Actual Research Design

This section compares the ideal research design for testing the Theory of Performatization with the design I actually implemented. Performatization is the process by which organizations come to treat a dimension as performance by internalizing societal aspirations as their own aspirations— as something worthwhile to pursue. The process consists of three mechanisms (**Figure 1**): rising societal aspirations, internalization and stakeholder alignment. Together they produce the outcomes of performatization — the transition of aspirations into expectations. The ideal research design would observe each mechanism where it occurs and would link each to its antecedents and consequences. Beyond observing performatization, an ideal design would also examine de-performatization—the reverse process that occurs when societal aspirations fall. A complete theory of performatization would also account for the processes that occur when aspirations fall.

6.2.1 *Rising Societal Aspirations*

Rising societal aspirations are the impetus for performatization. The ideal research design would allow me to observe societal aspirations as (1) unambiguous, (2) codified aspirations (3) articulated by stakeholders. It would also be ideal to have an empirical setting where societal aspirations vary exogenously, such that I could attribute differential firm responses to the external shock rather than confounding characteristics.

In my current research design, I do not directly measure societal aspirations. I treat regulation changes and social movements—the 2010 SEC Rule, the MeToo movement, and the Black Lives Matter movement—as events that *plausibly* raised societal aspirations. Thus, rather than observe societal aspirations at time $t-1$ and t , I substantiate their existence by events that

raise societal aspirations. The treatment is therefore an event assumed to shift societal aspirations, not a measure of the aspirations themselves. Moreover, the societal aspirations are ambiguous such that there is no clear overarching societal aspiration.

I could address this discrepancy by identifying a setting where societal aspirations are explicit and clearly articulated by external stakeholders, such as climate change, where decarbonization targets are codified and widely publicized. I could also interview distinct stakeholder groups—investors, customers, employees—to codify the divergent aspirations they hold for particular sets of firms.

6.2.2 *Internalization*

Internalization is a socio-cognitive process by which organizations internalize societal aspirations as organizational aspirations. It cannot be observed directly, and I theorize that it can be inferred from its behavioral implications — behavioral commitments and structural enactments. The ideal research design would observe internalization directly, such that I could causally identify how internalization shapes firm aspirations. In my current research I infer the internalization mechanism by analyzing the language that firms use in their corporate disclosures as well as their structural enactments.

I could address this discrepancy by interviewing the dominant coalition or observe its decision-making, tracing how decision-makers attend to an emerging aspiration, render it meaningful through sensemaking, and come internalize it as the firm's aspiration. Furthermore, this would allow me to observe the codified firm aspirations that result — the targets firms actually set and track against — rather than inferring them from historical and social aspirations (Greve, 1998).

6.2.3 Stakeholder Alignment

Stakeholder alignment is the process by which organizations implement changes to align with rising societal aspirations. The assumption is that firms do so because they have internalized societal aspirations as their own. It is the final step in the theory of performatization, by which aspirations become expectations.

The ideal research design would observe alignment as driven by firms' internalizing societal aspirations as their own aspirations rather than by alternative processes such as mimetic isomorphism, impression management, or symbolic compliance (see **Table 3**). The current design infers alignment from structural enactments—specifically, the appointment of a woman or director of color following rising societal aspirations. However, a structural enactment consistent with societal aspirations does not establish that the firm responds because it internalized those aspirations. Further, the present design cannot separate alignment from the aforementioned competing mechanisms.

To address these discrepancies, I would observe stakeholder alignment over a panel that measures both empirical manifestations of internalization—behavioral commitments and structural enactments—as well as changes in performance on the dimension of interest, since alignment should move the level of performance itself and not merely the structure surrounding it. The current research design treats these manifestations as separate empirical studies. Observing them together would allow me to identify alignment driven by internalized aspirations and distinguish it from alternative mechanisms. With regard to isomorphism, this would show whether firms move toward an aspirational level not yet achieved by peers rather than simply copying peer practice—something the appointment data alone cannot reveal. As of now, the

current data capture whether a firm made a change but not whether it did so out of internalized aspiration.

A complementary set of tests would address a different alternative, separating stakeholder alignment from symbolic compliance—the case in which a firm enacts a structure without articulating a corresponding commitment. Prior research has established that how firms incorporate women and directors of color—not merely whether they do—distinguishes alignment from symbolic compliance. Knippen et al. (2019) find that under external pressure for diversity, firms tend to add women through newly created board seats rather than replacements, and that women added in this way are less likely to serve on key committees—a pattern they interpret as limited, symbolic progress. Tinsley et al. (2017) similarly show that boards often appoint a woman primarily when another woman has exited, a "gender-matching heuristic" that holds female representation roughly constant rather than expanding it. Drawing on these measures, I could examine whether newly appointed women or directors of color are placed on higher-power committees, such as the nominating committee, rather than seated peripherally, and whether they are added through newly created seats or instead replace incumbent white men in ways that change board composition. To the extent that firms invest appointees with committee power and reshape rather than merely expand the board, these patterns indicate substantive alignment. To the extent that appointments remain peripheral and additive, they are more consistent with symbolic compliance.

6.2.4 Deperformatization

The three mechanisms run in reverse provide a discriminating test of the theory. If performatization is driven by rising societal aspirations, then declining societal aspirations should produce de-performatization — firms reversing their behavioral commitments and

structural enactments as the symmetry of the theory predicts. I could observe de-performatization in a setting where societal aspirations have demonstrably receded—such as the recent retreat from diversity commitments following shifts in the political and regulatory environment—and test whether firms reverse their behavioral commitments and structural enactments as the symmetry of the theory predicts. The current research design does not extend to de-performatization. Together, these four conditions consist of the ideal research design to test the theory of performatization.

6.3 Limitations and Next Steps

The ideal-versus-actual comparison above identifies three gaps the dissertation does not close. Each motivates specific next steps in post-graduation work. The first concern is that the dissertation does not empirically distinguish performatization from the four adjacent theoretical accounts identified in Chapter 1: impression management, symbolic compliance and decoupling, isomorphism, and the business case for diversity. The dissertation begins this work — Chapter 4 shows that high-performers also align after MeToo, a pattern more consistent with performatization than with isomorphism, and Chapter 3 takes a first step toward separating performatization from the business case by showing that firms more dependent on stakeholders are more likely to performatize diversity. However, the dissertation needs further work to empirically distinguish performatization from the alternative theoretical accounts. The next step is to implement the lateral implications outlined in Chapter 1 — the distinguishing predictions that the internalization account makes and that the alternatives do not.

The second concern is whether the linguistic convergence documented in Chapter 2 reflects internalization or mechanical compliance with mandatory disclosure rules. The 2009 SEC Item 407 amendment, the 2020 SEC human-capital disclosure rule, and the 2021 Nasdaq

board diversity rule all compel firms to disclose certain diversity-related information, and the convergence pattern could in principle reflect compliance alone. The dissertation does not yet decompose the convergence into regulatory and internalization components, and this decomposition is the priority for journal submission. Subsequent work will isolate the internalization component from the compliance component. I will identify a subsample of firms not subject to the mandatory disclosure rules and test whether the convergence pattern holds for them as it does for the regulated population. The 2021 Nasdaq board diversity rule offers a particularly clean opportunity. The contrast between Nasdaq-listed and NYSE-listed firms during the rule period, followed by the period after the rule was struck down in late 2024, provides the treatment-control variation against which the linguistic convergence pattern can be tested.

A related measurement question is whether the two-dimensional structure (aspiration and commensuration) captures the full structure of performatization. In future work, I will refine the measurement in two directions. First, I will explore discourse-level measures that capture whether firms integrate aspiration and commensuration within the same passage or use them separately — a refinement that speaks directly to whether commitment and enactment are coupled within the firm. Second, I will explore embedding-based measures of register similarity, computing whether the language firms use about diversity is structurally similar to the language they use about financial performance, without committing in advance to which words count as aspirational or quantified.

The third concern is that the firm-level analysis in Chapter 3 is exploratory, and the inferential basis for the stakeholder-specific claims requires further development. The central limitation is measurement. The stakeholder dependency measures I use — employee dependency and ownership by the Big Three institutional investors — capture stakeholder presence but not

stakeholder aspiration-alignment. Labor-dependent firms are not the same as firms whose employees care about diversity, and the Big Three aggregate investors whose orientations toward diversity differ substantially. Future work will develop more refined measures of stakeholders with rising diversity aspirations. A first step is to identify which institutional investors in the Bushee Dedicated category prioritize diversity in their voting and engagement with portfolio firms, and to test whether the dependency channel operates through those investors specifically rather than through the category as a whole. The broader project is to develop dependency measures that identify which stakeholders within a category hold rising aspirations, rather than treating the category as a whole.

Figures

Figure 1 The Performatization Process

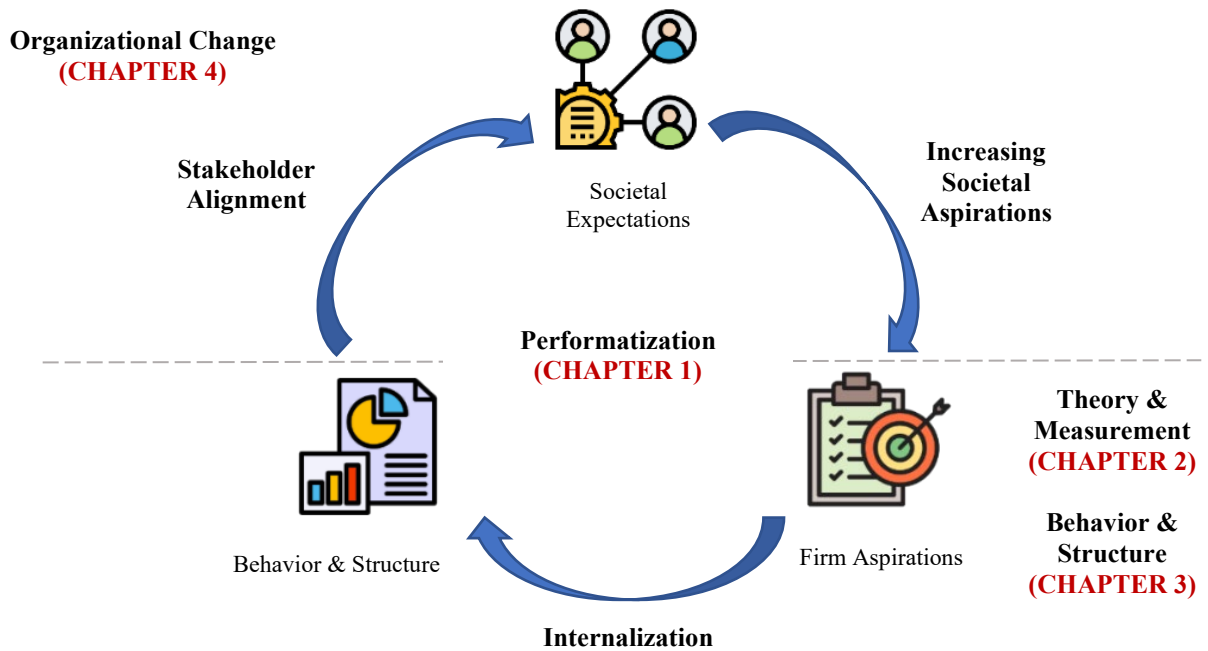


Figure 2 The Wheel of Competitive Strategy (Porter, 1980)



Figure 3 Context in Which Competitive Strategy is Formulated (Porter, 1980)

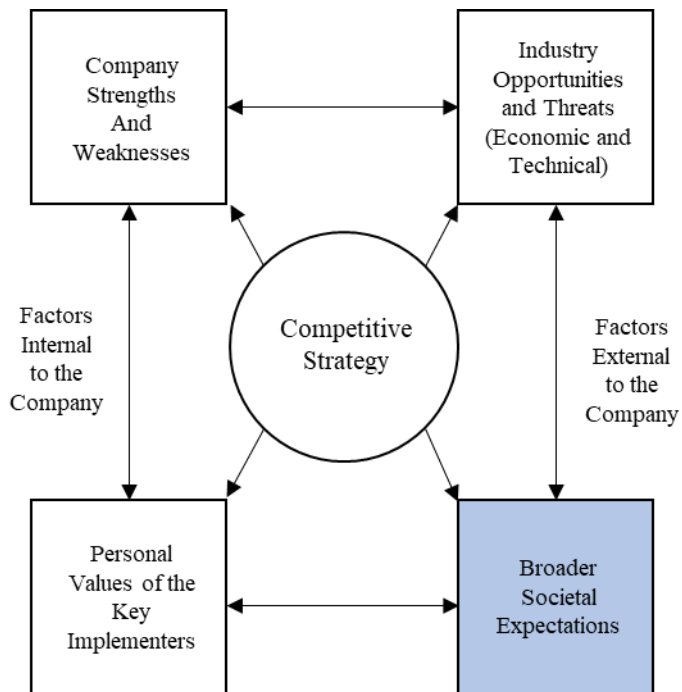


Figure 4 The Evolution of the Performance Construct & Measurement

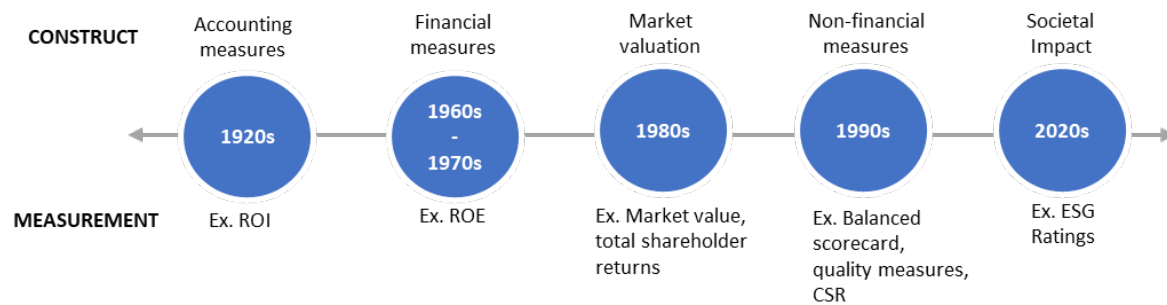


Figure 5 Yearly Panels of Financial and Diversity Discourse; Balanced sample of 300 firms from 9,763 firm years (2007-2024)

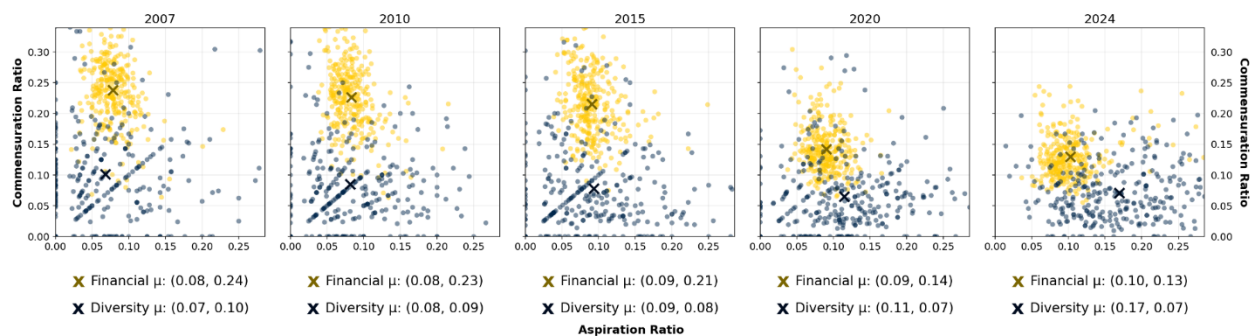


Figure 6 Convergence between Financial and Diversity Discourse; Within-year split from 9,763 firm-years (2007-2024)

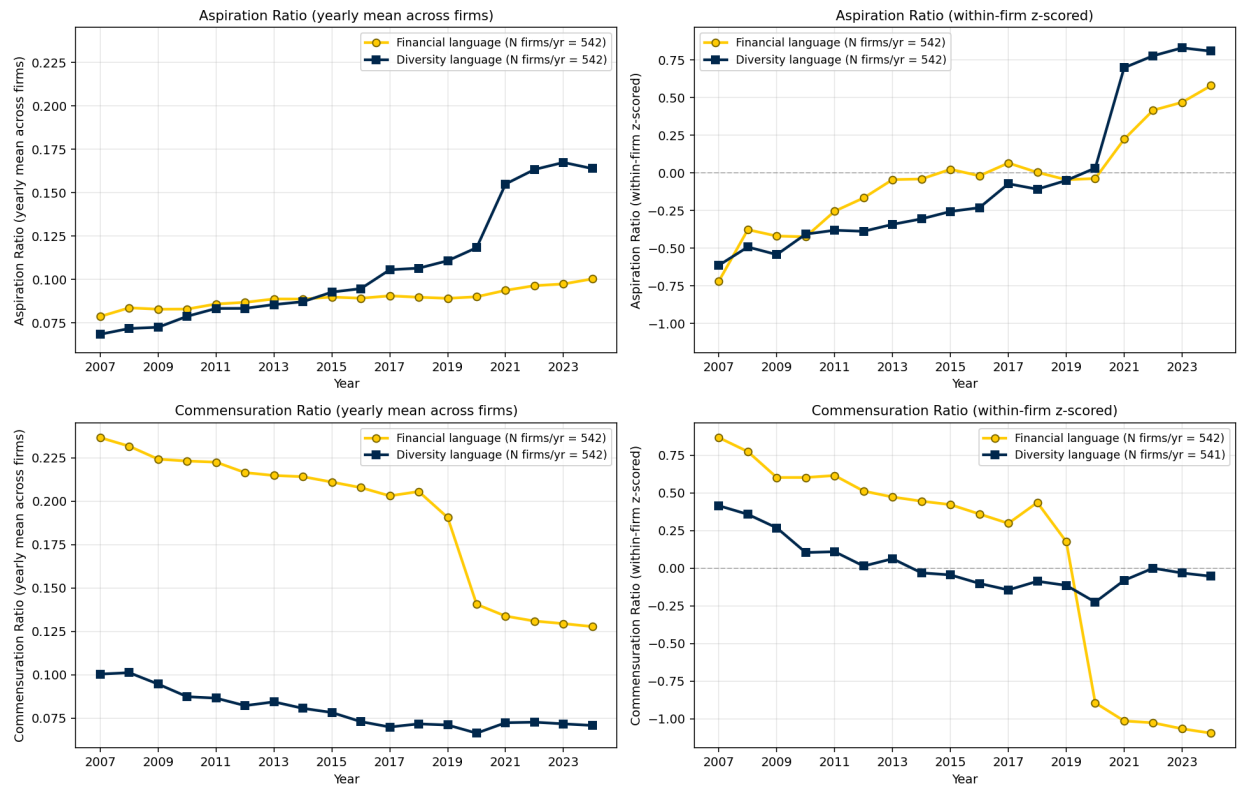


Figure 7 Diversity Discourse K-Density by Period (2007-2025)

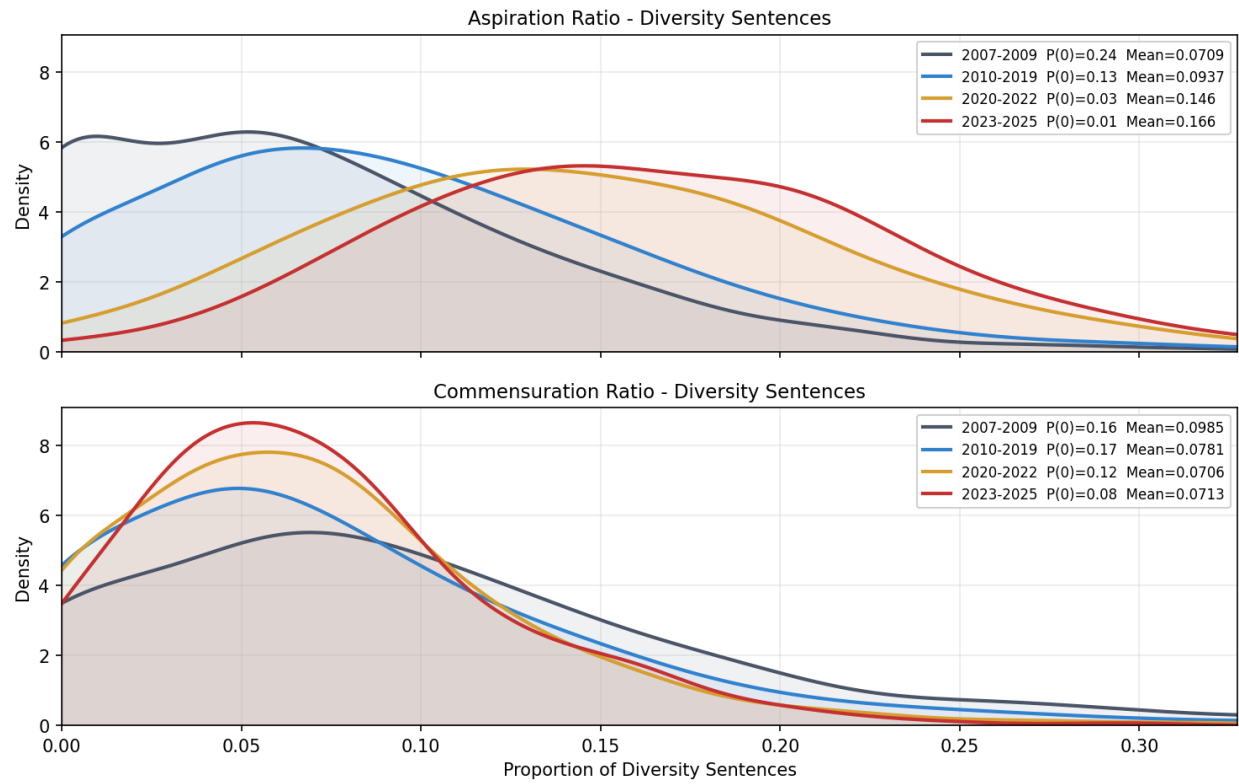


Figure 8 Adoption Trajectories and firm-Level Heterogeneity in Diversity Structures (2007-2024)

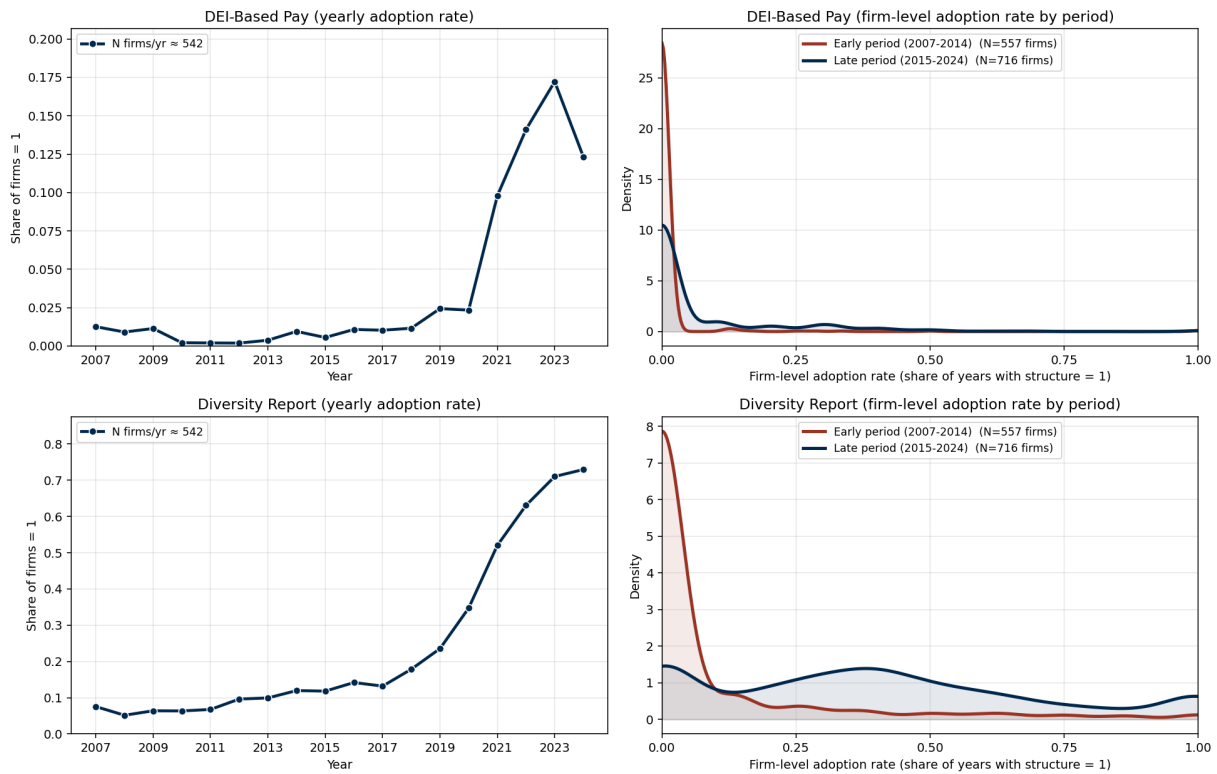


Figure 9 Stakeholder Decomposition of U.S. News Articles of Workforce-Diversity Discourse from Factiva (2007-2024)

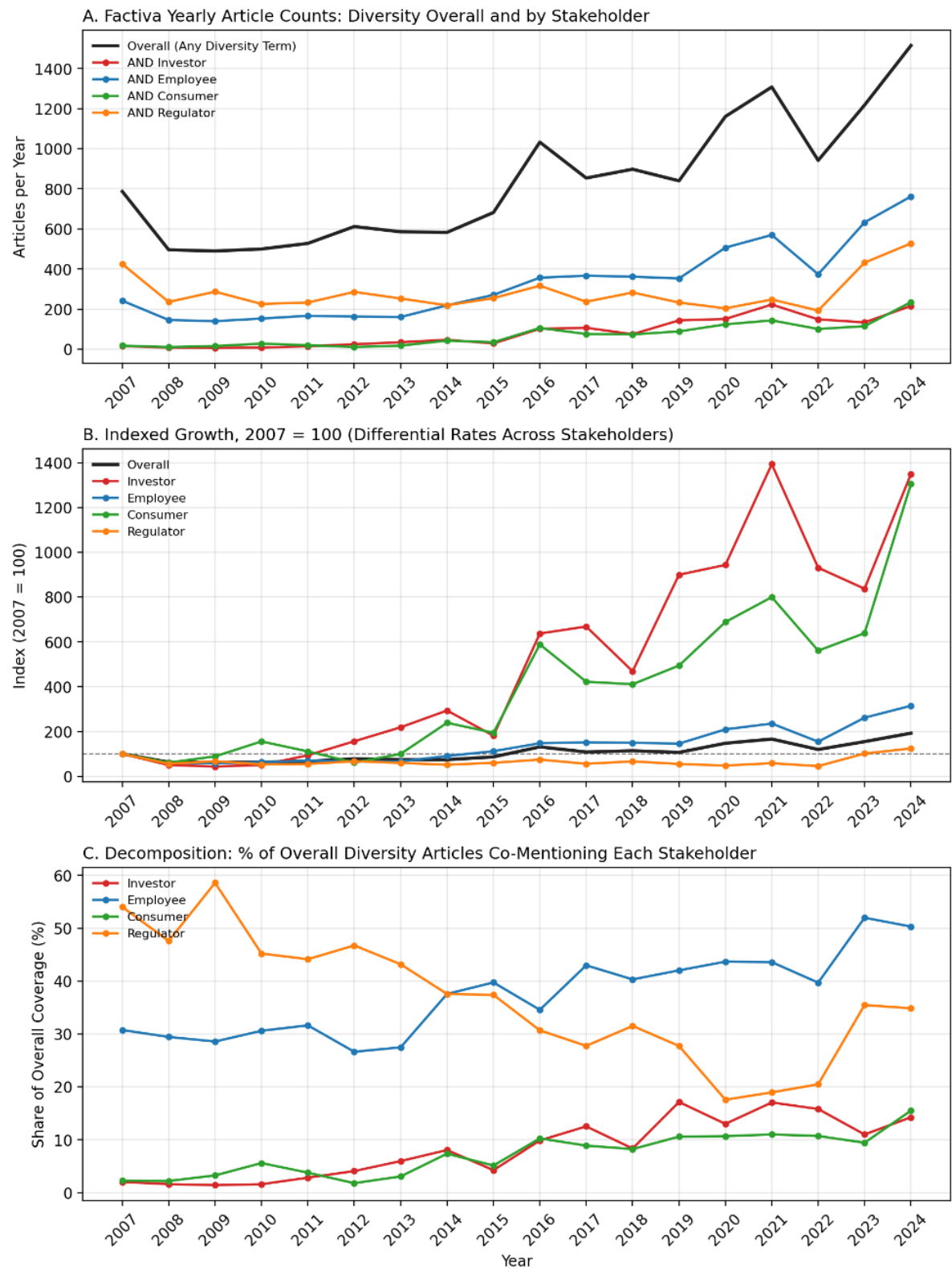


Figure 10 Performance of Firm_i (P_i) Relative to Organizational Aspirations_i (OA_i) and Societal Aspirations (A_{societal})

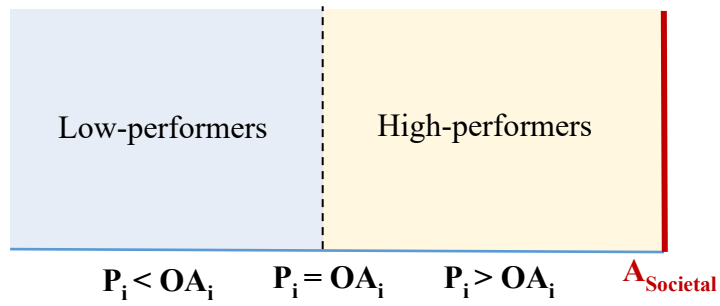


Figure 11 Increase in News Articles Following SEC Rule

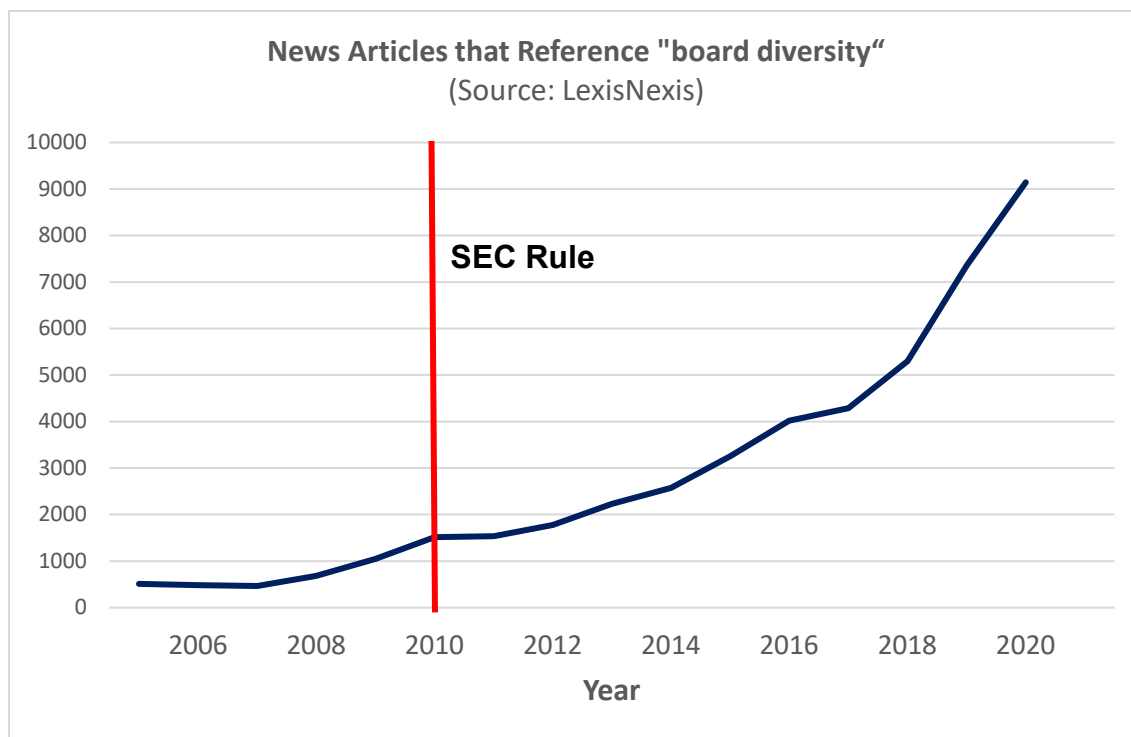


Figure 12 Trends in Director Appointments by Race and Gender

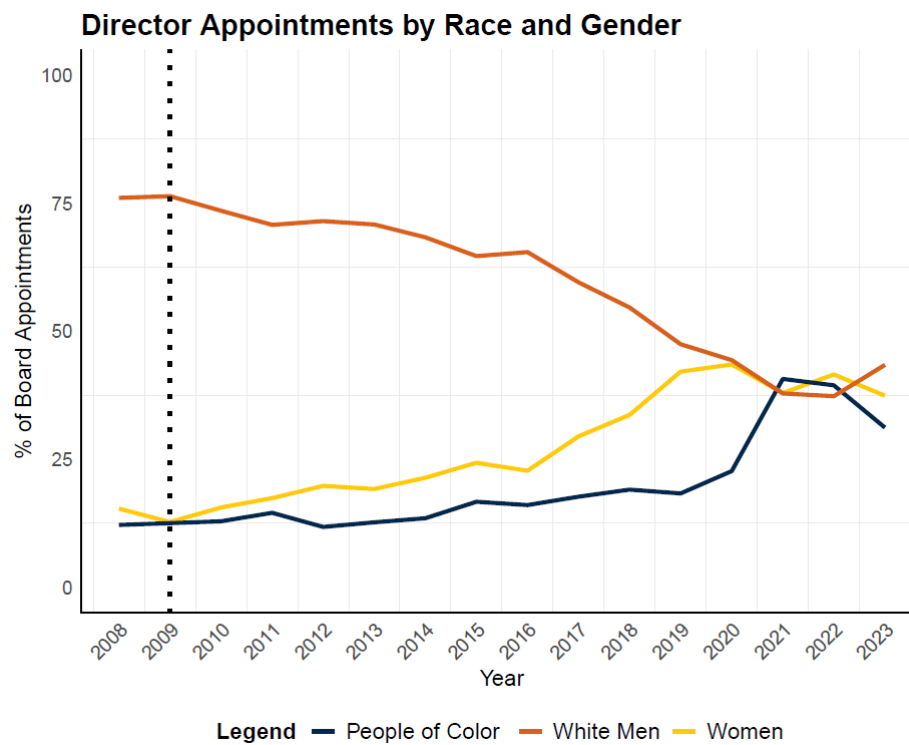


Figure 13 Predicted Probability of Change after SEC Rule

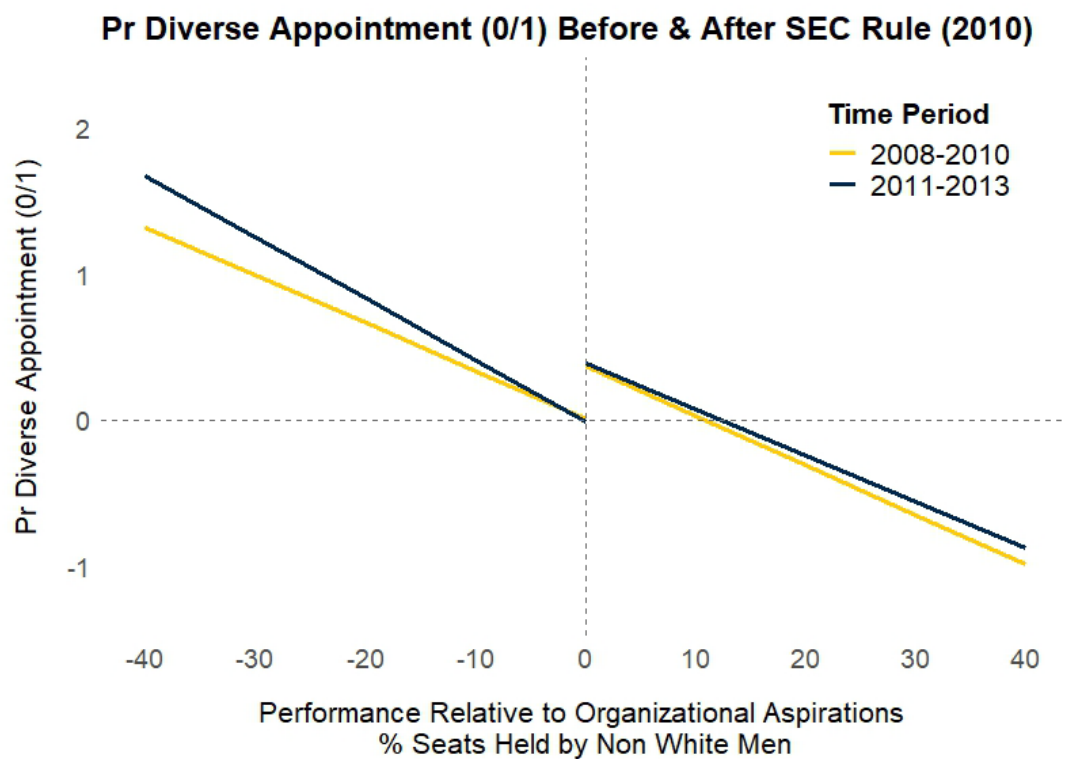


Figure 14 Predicted Probability of Change after MeToo

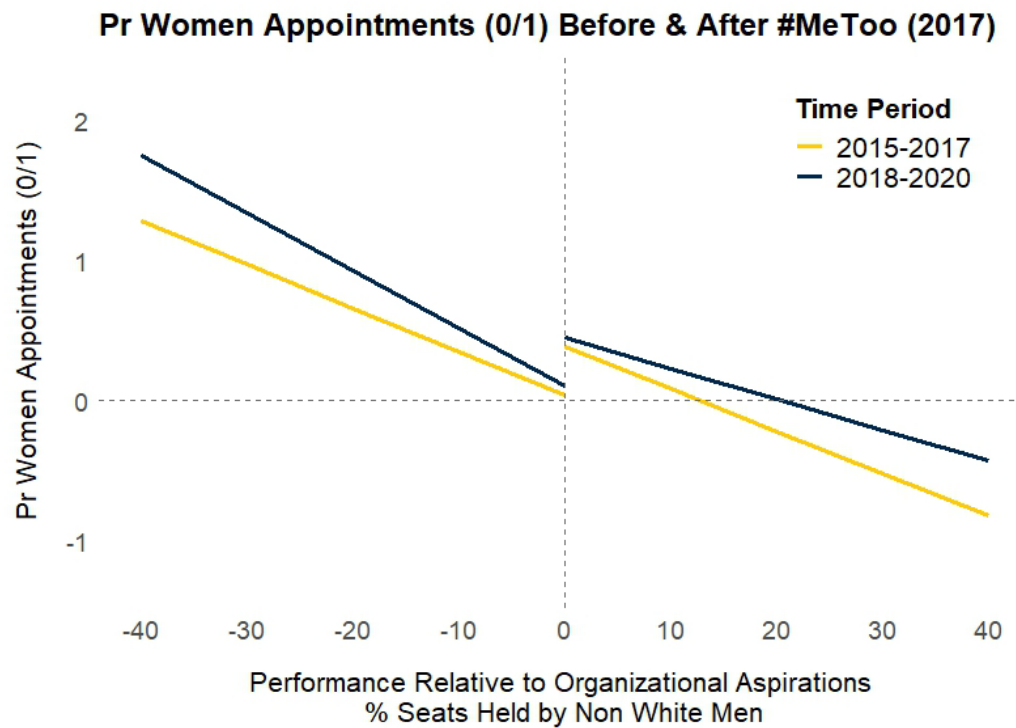


Figure 15 Predicted Probability of Change after BLM

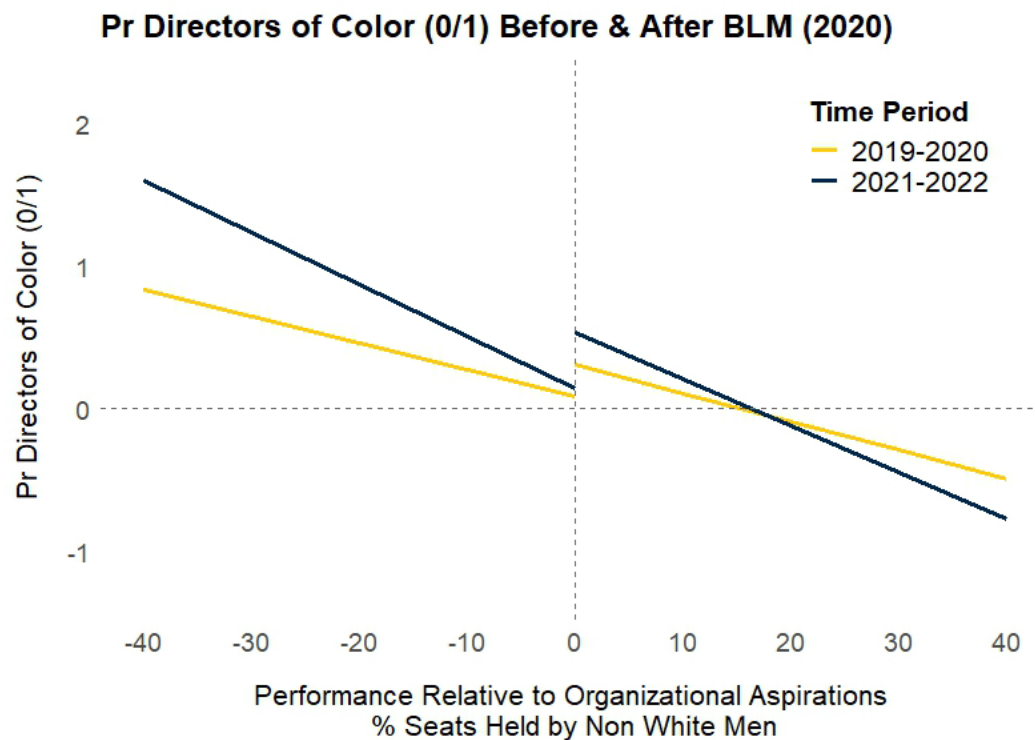


Figure 16 Predicted Probability of Change over Time (Below OA)

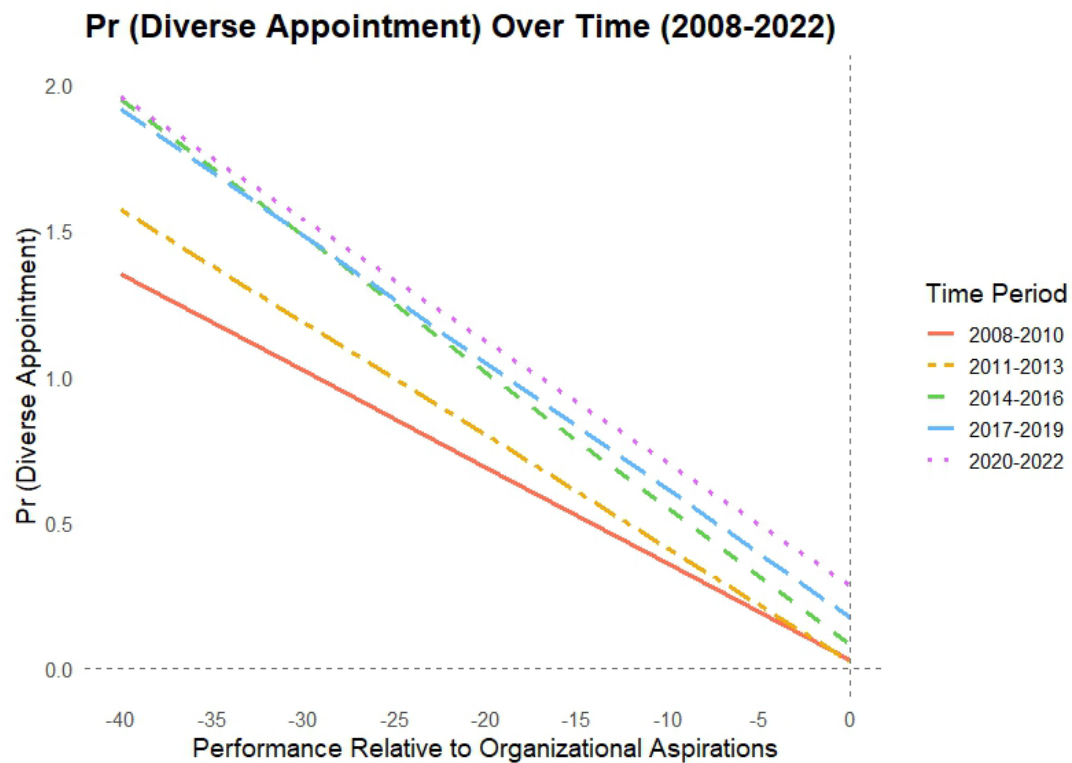
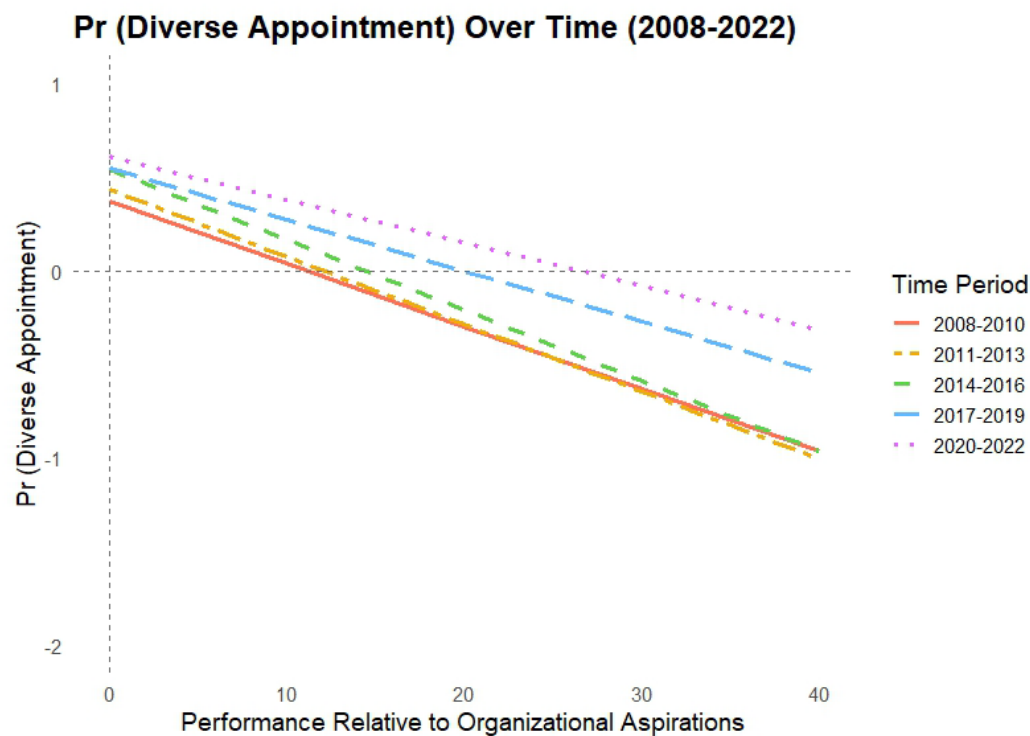


Figure 17 Predicted Probability of Change over Time (Above OA)



Tables

Table 1 The Firm-Society Alignment Framework

Behavioral Temporal	Avoidance	Approach
To date (past + current)	Projection Firms respond by <i>defending</i> their actions <i>to date</i> as aligned with stakeholder expectations We are not / have not been doing this	Rationalization Firms respond by <i>rationalizing</i> their actions <i>to date</i> as aligned with stakeholder expectations We are /have been doing this
Future	Restriction Firms respond by <i>withdrawing</i> from <i>future</i> actions to align with stakeholder expectations We will not do this	Performatization Firms respond by <i>committing</i> to <i>future</i> actions that align with stakeholder expectations. We will do this

Table 2 Examples of Mechanisms

<i>Strategy</i>	<i>Example Type</i>	<i>Examples</i>
<i>Projection</i> <i>(Avoidance, to date)</i>	Conceptual Examples	Prosocial claims (McDonnell & King, 2013); impression management (Elsbach, 1994)
	Real World Examples	“Management believes that it has good relations with its employees. Arch’s responsible and respectful corporate culture has allowed it to attract and retain an experience, talented and high-performing workforce” (Arch Resources, Inc., 2022)
<i>Rationalization</i> <i>(Approach, to date)</i>	Conceptual Examples	Countervailing claims (Hurst, 2023); the fairness case for diversity (Georgeac & Rattan, 2023)
	Real World Examples	“IBM has a long, proud history as a pioneer in diversity and inclusion. We work to ensure employees from diverse backgrounds are engaged, can be their authentic selves, build skills and grow their careers” (IBM, 2022)
<i>Restriction</i> <i>(Avoidance, future)</i>	Conceptual Examples	The adoption of policies and formal structures that are intended to comply with new regulations (Edelman, 1992)
	Real World Examples	Following the Jan.6 attack on the Capitol, the Charles Schwab Corporation announced that the company is “discontinuing our PAC...In light of a divided political climate and an increase in attacks on those participating in the political process, we believe a clear and apolitical position is in the best interest of our clients, employees, stockholders and the communities in which we operate” (The Charles Schwab Corporation, 2021) Following anti-DEI backlash, Harley Davidson, Lowe’s and Ford ends relationship with LGBT+ advocacy group, Human Rights Campaign (Bushey & Rogers, 2024); John Deere released a statement that it will no longer sponsor “social or cultural awareness” events (Associated Press, 2024)
<i>Performatization</i> <i>(Approach, future)</i>	Conceptual Examples	Adoption of performance-based pay programs (Westphal & Zajac, 1998)
	Real World Examples	“We have publicly announced our 2030 aspirations to be 50 percent led by women globally, and in the United States, to reflect the U.S. Census racial and ethnic representation at all job grade levels. Each of our operating units outside the United States has developed locally relevant diversity, equity and inclusion aspirations. Diversity and inclusion metrics, which highlight progress and help drive accountability, are shared with our senior leaders on a quarterly basis” (The Coca-Cola Company, 2022).

Table 3 Alternative Theoretical Accounts to Performatization

		Behavioral Commitments	
		Yes	No
Structural Enactments	Yes	Performatization	Symbolic Compliance
	No	Impression Management	Inertia

Table 4 Events and Regulations that Raised Societal Aspirations for Diversity

Events & Regulations	Regulating Institution	Effective Date	Description
Board Diversity Disclosure Rule	SEC	February 2010	On February 28, 2010, the SEC implemented a new rule requiring public companies to disclose their diversity policies. The rule requires companies to disclose 1) whether diversity is a factor in identifying potential board candidates, 2) how the board considers diversity and 3) how the company evaluates the effectiveness of their policy for diversity. The rule was implemented to foster diversity on corporate boards but more importantly, to satisfy calls from investors requesting information about board diversity.
#Me Too Movement	NA	2017	In 2017 the #MeToo movement advocated against sexual harassment and assault, particularly in the workplace. The movement intensified demands for gender diversity and equitable workplace environments.
Senate Bill 826	California State Government	2018	Public companies headquartered in California need to add at least one female director by the end of 2019. By the end of 2021, boards are expected to have at least two or three female directors.
Black Lives Matter Movement	NA	2020	In 2020, the murder of George Floyd fueled the Black Lives Matter protests and heightened demands for racial justice and equity across institutions, including firms. This led to increased pressure on firms to address racial inequalities, diversify leadership, and commit to concrete diversity and inclusion goals.
Nasdaq Board Diversity Rule	Nasdaq	2021	Listed companies with more than 5 directors are required to have one diverse director by December 31, 2023 and two diverse directors by December 2025 or 2026, depending on their market tier. All firms are required to disclose board level diversity statistics each year and provide an explanation of why they do not have diverse directors if they fail to meet the target.
Human Capital Disclosure Mandate	SEC	November 2022	On August 26, 2020, the SEC updated Regulation S-K, which outlines reporting standards for public companies. One key amendment was made to Item 101 (Description of Business in the 10-K), mandating that companies disclose their human capital resources when material to their business. These changes took effect for fiscal year 2020 10-K filings submitted on or after November 9, 2020. Companies have flexibility in what they disclose. However, commentary around the updates highlighted diversity as a key area of concern
Senate Bill 54	California State Government	September 2023	Proposed bill requires venture capital firms operating in California to report the diversity breakdown of the founders they fund to the state; this includes reporting on the gender and ethnic and racial background of the founders, in addition to the dollar amount given to them.

Table 5 Query terms used for Stakeholder Decomposition of U.S. News Articles

Query	Terms Used
Overall; Diversity (used in all queries)	"workforce diversity" OR "racial diversity" OR "gender diversity" OR "diversity and inclusion" OR "DEI" OR "equal employment" OR "underrepresented"
Investor	investor OR shareholder OR "asset manager" OR "institutional investor" OR "BlackRock" OR "Vanguard" OR "State Street" OR "ISS" OR "Institutional Shareholder Services" OR "Glass Lewis" OR "proxy advisor" OR "CalPERS" OR "CalSTRS" OR "ESG"
Employee	employee OR worker OR workforce OR "labor union" OR talent OR recruiting OR retention OR hiring OR "human capital"
Consumer	consumer OR customer OR shopper OR buyer OR "brand reputation" OR boycott
Regulator	"EEOC" OR "Equal Employment Opportunity Commission" OR "OFCCP" OR "Office of Federal Contract Compliance" OR "Securities and Exchange Commission" OR "Supreme Court" OR SCOTUS OR "Department of Labor" OR "federal contractor"

Table 6 Balance Table between Regression Sample and Excluded Sample

<i>Variable</i>	<i>n_corpus</i>	<i>n_sample</i>	<i>mean_corpus</i>	<i>sd_corpus</i>	<i>mean_sample</i>	<i>sd_sample</i>	<i>diff</i>	<i>t_stat</i>	<i>p_value</i>	<i>sig</i>
<i>Aspiration Ratio</i>	11272	9434	0.107	0.078	0.110	0.078	0.003	2.778	0.005	**
<i>Commensuration Ratio</i>	11272	9434	0.080	0.069	0.078	0.067	-0.001	-1.363	0.173	
<i>DEI-based Pay (0/1)</i>	11272	9434	0.038	0.191	0.043	0.202	0.005	1.754	0.079	.
<i>Diversity Report (0/1)</i>	11272	9434	0.242	0.428	0.268	0.443	0.027	4.353	0.000	***
<i>Institutional ownership (%)</i>	11074	9434	0.853	0.158	0.867	0.138	0.014	6.517	0.000	***
<i>Big 3 ownership (%)</i>	11074	9434	0.176	0.079	0.187	0.074	0.011	10.588	0.000	***
<i>BlackRock ownership (%)</i>	11074	9434	0.076	0.046	0.081	0.044	0.005	8.329	0.000	***
<i>Dedicated ownership (%)</i>	11074	9434	0.122	0.117	0.130	0.118	0.008	5.088	0.000	***
<i>Emp Dependency</i>	11027	9434	0.012	0.017	0.012	0.018	0.000	0.6	0.548	
<i>Industry Regulatory Intensity</i>	10751	9434	9.107	1.613	9.113	1.613	0.005	0.233	0.816	
<i>Nasdaq Diversity X Post-2021</i>	11258	9434	0.095	0.293	0.104	0.305	0.009	2.102	0.036	*
<i>Firm size</i>	11074	9434	8.366	1.694	8.546	1.643	0.181	7.73	0.000	***
<i>Profitability</i>	11074	9434	0.055	0.082	0.058	0.075	0.003	2.761	0.006	**
<i>Leverage</i>	11074	9434	0.236	0.174	0.240	0.172	0.004	1.441	0.150	
<i>Growth</i>	11074	9434	4.779	19.391	4.940	20.317	0.161	0.577	0.564	
<i>Directors of Color (%)</i>	9810	9434	0.222	0.174	0.221	0.174	-0.001	-0.455	0.649	
<i>Women directors (%)</i>	9810	9434	0.189	0.120	0.187	0.119	-0.001	-0.797	0.425	

Table 7 Descriptive Statistics & Correlation Matrix (n = 9434 firm-years, 2007-2024)

Variables	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Aspiration Ratio	.11	.078	1.000								
(2) Commensuration Ratio	.078	.067	-0.063	1.000							
(3) DEI-Based Pay (0/1)	.043	.202	0.220	0.022	1.000						
(4) Diversity Report (0/1)	.268	.443	0.321	-0.030	0.209	1.000					
(5) Institutional ownership (%)	.867	.138	-0.003	0.001	-0.063	-0.058	1.000				
(6) Big 3 Ownership (%)	.187	.074	0.295	-0.099	0.110	0.319	0.223	1.000			
(7) Blackrock Ownership (%)	.081	.044	0.202	-0.093	0.042	0.172	0.224	0.910	1.000		
(8) Dedicated Ownership (%)	.13	.118	0.350	-0.087	0.180	0.395	0.123	0.715	0.610	1.000	
(9) Employee Dependency	.012	.018	-0.061	-0.027	-0.030	-0.067	0.102	-0.087	-0.035	-0.057	1.000
(10) Ind. Regulatory Intensity	9.113	1.613	0.008	-0.009	0.029	0.079	-0.183	0.155	0.108	0.107	-0.058
(11) Nasdaq Div. X Post-2021 (0/1)	.104	.305	0.189	-0.053	0.125	0.207	-0.006	0.288	0.282	0.401	-0.041
(12) Firm Size	8.546	1.643	0.204	-0.030	0.158	0.308	-0.322	0.054	-0.147	0.090	-0.205
(13) Profitability	.058	.075	0.004	0.007	0.008	0.048	-0.071	-0.070	-0.095	-0.050	-0.037
(14) Leverage	.24	.172	0.139	-0.069	0.066	0.181	0.050	0.167	0.056	0.185	-0.052
(15) Growth	4.94	20.317	0.023	-0.007	0.025	0.044	-0.029	0.006	-0.021	0.037	0.018
(16) Directors of color (%)	.221	.174	-0.009	0.028	-0.004	-0.045	-0.052	-0.300	-0.299	-0.180	0.044
(17) Women directors (%)	.187	.119	0.313	-0.048	0.213	0.393	-0.066	0.406	0.273	0.461	-0.072
Variables	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			
(10) Ind. Regulatory Intensity	1.000										
(11) Nasdaq Div. X Post-2021 (0/1)	0.009	1.000									
(12) Firm Size	0.212	-0.013	1.000								
(13) Profitability	-0.045	0.010	-0.055	1.000							
(14) Leverage	-0.041	-0.052	0.207	-0.137	1.000						
(15) Growth	-0.005	0.027	0.019	0.139	0.122	1.000					
(16) Directors of color (%)	-0.050	-0.012	0.044	0.007	-0.095	-0.005	1.000				
(17) Women directors (%)	0.097	0.278	0.332	0.018	0.197	0.067	-0.051	1.000			

Table 8 Poisson quasi-maximum likelihood regression of Aspiration Ratio on Stakeholder Dependency (9,434 firm-years, 2007–2024)

VARIABLES	(1) <i>Aspiration</i>	(2) <i>Aspiration</i>	(3) <i>Aspiration</i>	(4) <i>Aspiration</i>	(5) <i>Aspiration</i>	(6) <i>Aspiration</i>	(7) <i>Aspiration</i>
Firm size	0.0366 (0.0364)	0.0371 (0.0364)	0.0402 (0.0357)	0.0390 (0.0362)	0.0366 (0.0359)	0.0379 (0.0364)	0.0389 (0.0357)
Profitability	−0.124 (0.116)	−0.135 (0.117)	−0.120 (0.115)	−0.120 (0.116)	−0.118 (0.115)	−0.0969 (0.115)	−0.122 (0.114)
Leverage	−0.0353 (0.113)	−0.0400 (0.113)	−0.0323 (0.112)	−0.0353 (0.113)	−0.0381 (0.112)	−0.0371 (0.113)	−0.0410 (0.111)
Growth	−0.000264 (0.000274)	−0.000257 (0.000274)	−0.000235 (0.000272)	−0.000249 (0.000272)	−0.000226 (0.000274)	−0.000269 (0.000275)	−0.000208 (0.000272)
Directors of color (%)	0.133* (0.0752)	0.131* (0.0751)	0.142* (0.0758)	0.137* (0.0756)	0.140* (0.0758)	0.133* (0.0752)	0.143* (0.0759)
Women directors (%)	0.0140 (0.128)	0.0127 (0.128)	0.00631 (0.129)	0.0108 (0.129)	0.00389 (0.129)	0.0142 (0.128)	−0.00355 (0.129)
Industry regulatory intensity	−0.0356 (0.0886)	−0.0329 (0.0883)	−0.0433 (0.0878)	−0.0386 (0.0882)	−0.0498 (0.0877)	−0.0382 (0.0889)	−0.0512 (0.0870)
Nasdaq Diversity × Post-2021	−0.0818** (0.0408)	−0.0810** (0.0408)	−0.0886** (0.0405)	−0.0850** (0.0406)	−0.0842** (0.0408)	−0.0829** (0.0410)	−0.0884** (0.0407)
Institutional ownership (%)		−0.128 (0.157)					−0.264 (0.164)
Big 3 ownership (%)			0.519 (0.378)				1.320* (0.709)
BlackRock ownership (0/1)				0.339 (0.528)			−1.243 (0.954)
Dedicated ownership (%)					0.357* (0.186)		0.264 (0.169)
Employee Dependency						1.286 (1.088)	1.143 (1.070)
Constant	−2.061** (0.847)	−1.977** (0.856)	−2.128** (0.847)	−2.084** (0.848)	−1.987** (0.842)	−2.065** (0.847)	−1.920** (0.846)
Year FE	YES	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES	YES
Observations	9,434	9,434	9,434	9,434	9,434	9,434	9,434

Standard errors two-way clustered at firm and year in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 9 Poisson quasi-maximum likelihood regression of Commensuration Ratio on Stakeholder Dependency (9,434 firm-years, 2007–2024)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Commensuration</i>	<i>Commensuration</i>	<i>Commensuration</i>	<i>Commensuration</i>	<i>Commensuration</i>	<i>Commensuration</i>	<i>Commensuration</i>
Firm size	−0.0446 (0.0369)	−0.0435 (0.0368)	−0.0460 (0.0370)	−0.0479 (0.0372)	−0.0438 (0.0373)	−0.0472 (0.0366)	−0.0457 (0.0374)
Profitability	0.0661 (0.153)	0.0537 (0.151)	0.0678 (0.151)	0.0649 (0.152)	0.0638 (0.153)	−0.0202 (0.147)	−0.0281 (0.144)
Leverage	−0.192 (0.122)	−0.201* (0.121)	−0.196 (0.121)	−0.191 (0.122)	−0.192 (0.121)	−0.195 (0.122)	−0.208* (0.122)
Growth	−0.000573 (0.000374)	−0.000567 (0.000377)	−0.000612 (0.000378)	−0.000606 (0.000374)	−0.000596 (0.000371)	−0.000555 (0.000378)	−0.000575 (0.000379)
Directors of color (%)	−0.0600 (0.0861)	−0.0615 (0.0849)	−0.0720 (0.0847)	−0.0681 (0.0836)	−0.0634 (0.0866)	−0.0570 (0.0857)	−0.0668 (0.0837)
Women directors (%)	0.187 (0.168)	0.180 (0.167)	0.186 (0.167)	0.184 (0.167)	0.189 (0.167)	0.182 (0.167)	0.178 (0.165)
Industry regulatory intensity	−0.192* (0.0985)	−0.186* (0.0973)	−0.182* (0.0975)	−0.188* (0.0979)	−0.185* (0.0983)	−0.188* (0.0985)	−0.175* (0.0974)
Nasdaq Diversity × Post-2021	−0.0256 (0.0575)	−0.0231 (0.0575)	−0.0154 (0.0577)	−0.0182 (0.0577)	−0.0241 (0.0575)	−0.0234 (0.0576)	−0.0145 (0.0575)
Institutional ownership (%)		−0.234 (0.151)					−0.153 (0.187)
Big 3 ownership (%)			−0.613 (0.455)				−0.802 (0.807)
BlackRock ownership (0/1)				−0.575 (0.648)			0.476 (1.068)
Dedicated ownership (%)					−0.173 (0.238)		−5.91e−05 (0.222)
Employee Dependency						−3.720** (1.799)	−3.853** (1.779)
Constant	−0.231 (1.007)	−0.0871 (1.030)	−0.192 (1.006)	−0.191 (1.009)	−0.276 (1.009)	−0.194 (1.010)	−0.0801 (1.045)
Year FE	YES	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES	YES
Observations	9,434	9,434	9,434	9,434	9,434	9,434	9,434

*Standard errors two-way clustered at firm and year in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$*

Table 10 Linear probability model of Diversity Report (0/1) on Stakeholder Dependency (9,434 firm-years, 2007–2024)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Diversity Report</i>	<i>Diversity Report</i>	<i>Diversity Report</i>	<i>Diversity Report</i>	<i>Diversity Report</i>	<i>Diversity Report</i>	<i>Diversity Report</i>
Firm size	0.0315 (0.0200)	0.0315 (0.0199)	0.0310 (0.0201)	0.0282 (0.0201)	0.0315 (0.0200)	0.0310 (0.0200)	0.0250 (0.0202)
Profitability	0.133* (0.0681)	0.126* (0.0678)	0.132* (0.0680)	0.129* (0.0673)	0.132* (0.0683)	0.114 (0.0687)	0.0984 (0.0660)
Leverage	0.0136 (0.0582)	0.00968 (0.0577)	0.0123 (0.0582)	0.0116 (0.0577)	0.0136 (0.0581)	0.0137 (0.0582)	0.0138 (0.0575)
Growth	−0.000385* (0.000212)	−0.000382* (0.000212)	−0.000393* (0.000213)	−0.000413* (0.000215)	−0.000386* (0.000211)	−0.000382* (0.000212)	−0.000396* (0.000213)
Directors of color (%)	0.0212 (0.0354)	0.0201 (0.0361)	0.0192 (0.0356)	0.0147 (0.0356)	0.0211 (0.0351)	0.0218 (0.0354)	0.0183 (0.0360)
Women directors (%)	−0.0187 (0.0887)	−0.0204 (0.0884)	−0.0178 (0.0885)	−0.0159 (0.0885)	−0.0186 (0.0885)	−0.0193 (0.0887)	−0.0213 (0.0876)
Industry regulatory intensity	−0.0405 (0.0448)	−0.0382 (0.0448)	−0.0389 (0.0444)	−0.0359 (0.0439)	−0.0402 (0.0459)	−0.0392 (0.0449)	−0.0369 (0.0451)
Nasdaq Diversity × Post-2021	−0.0533 (0.0318)	−0.0522 (0.0317)	−0.0516 (0.0321)	−0.0475 (0.0318)	−0.0532 (0.0319)	−0.0529 (0.0319)	−0.0481 (0.0314)
Institutional ownership (%)		−0.101 (0.0646)					−0.121 (0.0753)
Big 3 ownership (%)			−0.120 (0.190)				0.970** (0.399)
BlackRock ownership (0/1)				−0.553* (0.273)			−1.616*** (0.549)
Dedicated ownership (%)					−0.00814 (0.126)		0.0254 (0.131)
Employee Dependency						−0.880 (0.683)	−0.877 (0.683)
Constant	0.364 (0.473)	0.431 (0.473)	0.376 (0.477)	0.396 (0.473)	0.362 (0.478)	0.368 (0.474)	0.450 (0.476)
Year FE	YES	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES	YES
Observations	9,434	9,434	9,434	9,434	9,434	9,434	9,434
R-squared	0.561	0.561	0.561	0.561	0.561	0.561	0.562

Standard errors two-way clustered at firm and year in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 11 Within-Between Decomposition of Stakeholder Dependency (Mundlak-Chamberlain)

VARIABLES	(1) <i>Aspiration</i>	(2) <i>Commensuration</i>	(3) <i>DEI_Pay</i>	(4) <i>Diversity_Report</i>
Firm size	0.0585*** (0.0140)	-0.0121 (0.0168)	0.00951** (0.00374)	0.0390*** (0.00692)
Profitability	0.184 (0.211)	-0.109 (0.227)	-0.00142 (0.0340)	0.243*** (0.0720)
Leverage	0.113 (0.0865)	-0.319** (0.128)	-0.00922 (0.0204)	0.0773* (0.0443)
Growth	-0.000356 (0.000299)	0.000397 (0.000306)	3.10e-05 (9.82e-05)	-0.000127 (0.000210)
Directors of color (%)	0.289*** (0.109)	-0.104 (0.114)	-0.000566 (0.0138)	0.00912 (0.0390)
Women directors (%)	0.299** (0.148)	0.177 (0.215)	0.110** (0.0413)	0.178* (0.0908)
Industry regulatory intensity	-0.0256** (0.0107)	0.000785 (0.0155)	-0.00166 (0.00235)	-0.000480 (0.00524)
Nasdaq Diversity × Post-2021	-0.0451 (0.0298)	-0.125*** (0.0453)	-0.0171 (0.0199)	-0.0979*** (0.0289)
Institutional ownership (%) (within-firm)	-0.214 (0.173)	-0.274 (0.183)	-0.0402 (0.0488)	-0.129 (0.0754)
Institutional ownership (%) (between-firm)	0.285 (0.186)	0.0723 (0.225)	-0.0158 (0.0550)	0.0844 (0.100)
Big 3 ownership (%) (within-firm)	0.684 (0.627)	-0.543 (0.800)	0.159 (0.239)	1.095** (0.384)
Big 3 ownership (%) (between-firm)	0.973 (0.879)	1.389 (1.201)	0.0835 (0.250)	1.969*** (0.438)
BlackRock ownership (0/1) (within-firm)	-0.713 (0.905)	0.394 (1.098)	-0.678** (0.316)	-1.574** (0.548)
BlackRock ownership (0/1) (between-firm)	-0.749 (1.352)	-1.439 (2.006)	-0.558 (0.531)	-3.548*** (0.727)
Dedicated ownership (%) (within-firm)	0.0979 (0.150)	0.210 (0.213)	0.0120 (0.0844)	0.0155 (0.114)
Dedicated ownership (%) (between-firm)	-0.423 (0.533)	-0.0722 (0.689)	0.0214 (0.162)	-0.533** (0.238)
Employee Dependency (within-firm)	2.695* (1.420)	-3.932** (1.923)	0.962 (0.674)	-0.572 (0.676)
Employee Dependency (between-firm)	-0.371 (1.249)	-1.950 (1.280)	0.0371 (0.172)	0.544* (0.288)
Constant	-2.910*** (0.254)	-2.535*** (0.269)	0.000107 (0.0639)	-0.209 (0.127)
Year FE	YES	YES	YES	YES
Observations	9,434	9,434	9,434	9,434
R-squared			0.102	0.367

*Standard errors two-way clustered at firm and year in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$*

Table 12 Comparing Organizational Aspirations and Societal Aspirations

	Historical	Social	Societal
Imposed by whom?	Internal Stakeholders	Internal Stakeholders	External Stakeholders
Firm-specific?	Yes	Yes	No
Orientation	Backward	Contemporaneous	Forward

Table 13 Descriptive Statistics & Correlation Matrix for 5364 firm-years from 2007 to 2012

Variables	N	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Alignment (Count)	5364	.208	.471	1.000							
(2) Alignment (0/1)	5364	.181	.385	0.937	1.000						
(3) Below OA	5364	4.924	6.838	-0.058	-0.057	1.000					
(4) Above OA	5364	5.977	9.693	0.052	0.049	-0.444	1.000				
(5) Board Size	5364	9.649	2.416	0.075	0.080	-0.274	0.087	1.000			
(6) Mean Age	5364	62.288	3.538	0.008	0.009	0.101	-0.090	0.084	1.000		
(7) Mean Tenure	5364	9.211	5.024	-0.031	-0.024	0.123	-0.082	-0.080	0.336	1.000	
(8) Ind. Director (%)	5364	.79	.109	0.062	0.062	-0.220	0.112	0.169	-0.019	-0.287	1.000

Table 14 OLS Models of Alignment (#) of Women and Directors of Color for 5364 firm-years from 2007 to 2012

Variables	Model 1 Pre SEC	Model 2 Pre SEC	Model 3 Pre SEC	Model 4 Post SEC	Model 5 Post SEC	Model 6 Post SEC
Below OA		0.0398*** (0.00498)	-0.000260 (0.00141)		0.0478*** (0.00474)	-0.00199 (0.00141)
Above OA		-0.0453*** (0.00494)	0.00208* (0.00109)		-0.0403*** (0.00406)	0.00121 (0.00110)
Board Size	-0.132*** (0.0166)	-0.127*** (0.0152)	0.0103*** (0.00382)	-0.139*** (0.0187)	-0.139*** (0.0165)	0.0122*** (0.00365)
Mean Age	0.0478*** (0.0105)	0.0327*** (0.00962)	0.000907 (0.00233)	0.0698*** (0.0135)	0.0361*** (0.0128)	0.00403 (0.00286)
Mean Tenure	0.00251 (0.00176)	0.00103 (0.00171)	0.000532 (0.00195)	0.0429*** (0.0144)	0.0464*** (0.0138)	-0.00880*** (0.00286)
Ind. Dir (%)	-0.337 (0.227)	0.00831 (0.200)	0.259*** (0.0763)	-0.548** (0.277)	-0.241 (0.264)	-0.0206 (0.0905)
Constant	-1.237* (0.700)	-0.558 (0.635)	-0.179 (0.154)	-2.789*** (0.770)	-0.936 (0.723)	-0.0479 (0.175)
Observations	2,682	2,682	2,682	2,682	2,682	2,682
R-squared	0.395	0.503	0.012	0.377	0.463	0.012
Firm FE	YES	YES	NO	YES	YES	NO

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 15 LPM Models of Alignment (0/1) of Women and Directors of Color for 5364 firm-years from 2007 to 2012

Variables	Model 1 Pre SEC	Model 2 Pre SEC	Model 3 Pre SEC	Model 4 Post SEC	Model 5 Post SEC	Model 6 Post SEC
Below OA		0.0329*** (0.00382)	-0.000181 (0.00117)		0.0421*** (0.00394)	-0.00154 (0.00121)
Above OA		-0.0339*** (0.00351)	0.00162* (0.000915)		-0.0315*** (0.00318)	0.000766 (0.000868)
Board Size	-0.103*** (0.0117)	-0.0981*** (0.0111)	0.0104*** (0.00337)	-0.116*** (0.0149)	-0.115*** (0.0130)	0.00972*** (0.00331)
Mean Age	0.0401*** (0.00784)	0.0284*** (0.00725)	-0.000770 (0.00192)	0.0567*** (0.0113)	0.0289*** (0.0109)	0.00459* (0.00235)
Mean Tenure	0.00182 (0.00118)	0.000705 (0.00115)	0.00131 (0.00149)	0.0346*** (0.0123)	0.0375*** (0.0120)	-0.00754*** (0.00239)
Ind. Dir (%)	-0.304* (0.178)	-0.0337 (0.161)	0.197*** (0.0641)	-0.349 (0.235)	-0.101 (0.226)	0.00889 (0.0744)
Constant	-1.091** (0.511)	-0.588 (0.474)	-0.0561 (0.129)	-2.302*** (0.621)	-0.804 (0.608)	-0.123 (0.141)
Observations	2,682	2,682	2,682	2,682	2,682	2,682
R-squared	0.402	0.497	0.012	0.388	0.477	0.012
Firm FE	YES	YES	NO	YES	YES	NO

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 16 LPM Models of Alignment (0/1) of Diverse Board Members using Treatment Effect Method for 5364 firm-years from 2007 to 2012

VARIABLES	(1)	(2)	(3)
ln (Board Total) (#)	0.112*** (0.0269)	0.0700*** (0.0268)	0.0693*** (0.0268)
Mean Age	0.00263 (0.00181)	0.00375** (0.00176)	0.00384** (0.00176)
Mean Tenure	-0.00432** (0.00198)	-0.00271 (0.00193)	-0.00284 (0.00192)
Ind. Directors (%)	0.108* (0.0563)	0.0582 (0.0552)	0.0569 (0.0551)
ROA	0.0525 (0.0619)	0.0266 (0.0611)	0.0252 (0.0611)
Book-to-Market	0.0344** (0.0160)	0.0390*** (0.0148)	0.0391*** (0.0150)
Debt Ratio	0.000346** (0.000145)	0.000352** (0.000160)	0.000325** (0.000158)
R&D to Sales	0.0264*** (0.00717)	0.0303*** (0.00714)	0.0306*** (0.00701)
Below OA (0/1)		-0.113*** (0.0126)	-0.145*** (0.0140)
Post-SEC (>2009)		0.0133 (0.0147)	-0.0500** (0.0218)
Below OA X Post-SEC			0.128*** (0.0286)
Constant	-0.315*** (0.119)	-0.212* (0.117)	-0.198* (0.117)
Observations	5,364	5,364	5,364
R-squared	0.014	0.035	0.040

Robust standard errors clustered by firm in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 17 LPM Models of Alignment (0/1) of Women Directors after the MeToo Movement

Variables	Model 1 Pre-MeToo	Model 2 Post-MeToo
Below OA	0.0312*** (0.00336)	0.0411*** (0.00368)
Above OA	-0.0302*** (0.00292)	-0.0220*** (0.00324)
Board Size	-0.0966*** (0.0137)	-0.105*** (0.0181)
Mean Age	0.000506 (0.00104)	0.0482*** (0.0134)
Mean Tenure	0.0339*** (0.00958)	0.0185 (0.0131)
Ind. Dir (%)	-0.0541 (0.256)	-0.0475** (0.0232)
Constant	0.849*** (0.276)	-1.899** (0.788)
Observations	2,688	2,688
R-squared	0.419	0.409
Firm FE	YES	YES

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 18 LPM Models of Alignment (0/1) of People of Color after the Black Lives Matter Movement

Variables	Model 1 Pre-BLM	Model 2 Post-BLM
Below OA	0.0187*** (0.00399)	0.0363*** (0.00668)
Above OA	-0.0195*** (0.00496)	-0.0325*** (0.00553)
Board Size	-0.0854*** (0.0181)	-0.150*** (0.0221)
Mean Age	0.0471*** (0.0166)	0.0711*** (0.0236)
Mean Tenure	0.0187 (0.0172)	0.00769 (0.0278)
Constant	-2.081** (0.982)	-2.702* (1.422)
Observations	1,850	1,850
R-squared	0.563	0.541
Firm FE	YES	YES

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 19 LPM Models of Alignment (0/1) of Women and Directors of Color from 2008-2022

Variables	Model 1 2008-2010	Model 2 2010-2013	Model 3 2014-2016	Model 4 2017-2019	Model 5 2020-2022
Below OA	0.0331*** (0.00530)	0.0387*** (0.00508)	0.0468*** (0.00471)	0.0436*** (0.00461)	0.0419*** (0.00459)
Above OA	-0.0334*** (0.00394)	-0.0360*** (0.00395)	-0.0375*** (0.00394)	-0.0273*** (0.00406)	-0.0231*** (0.00399)
Board Size	-0.0927*** (0.0143)	-0.105*** (0.0165)	-0.126*** (0.0177)	-0.114*** (0.0213)	-0.143*** (0.0190)
Mean Age	0.00522 (0.0115)	0.0198 (0.0133)	0.0145 (0.0180)	0.0535*** (0.0156)	0.0430** (0.0212)
Mean Tenure	0.0406*** (0.0122)	0.0528*** (0.0155)	0.0145 (0.0182)	0.0276* (0.0163)	0.0393* (0.0220)
Ind. Dir (%)	-0.138 (0.200)	-0.107 (0.290)	-0.465 (0.323)	-0.660*** (0.249)	0.0497 (0.151)
Constant	0.568 (0.648)	-0.367 (0.747)	0.919 (1.024)	-1.578 (0.963)	-1.165 (1.253)
Observations	1,689	1,689	1,689	1,689	1,689
R-squared	0.516	0.472	0.475	0.449	0.456
Firm FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Appendices

Appendix A: Financial Performance Dictionary

Appendix A and B list the dictionaries used to identify financial and diversity sentences in the corpus. The dictionaries operate at the sentence level: a sentence enters the financial subcorpus if it contains at least one term from the Financial Performance Dictionary, and enters the diversity subcorpus if it contains at least one term from the DEI Dictionary. Sentence membership is non-exclusive: a sentence may belong to both subcorpora.

Source. Adapted from the Loughran-McDonald Master Dictionary (Loughran & McDonald 2011), restricted to nouns and noun phrases that name financial-performance constructs. Supplemented with line items from balance sheets, income statements, and cash-flow statements, and a small number of acronyms not in the Loughran-McDonald list (e.g., ROA, EPS).

Counts. 44 unigrams; 55 bigrams. All matches are case-insensitive; word boundaries enforced.

A1. Unigrams (n = 44)

amortization	ebitda	leverage	profits
assets	eps	liabilities	receivables
capex	equity	liquidity	restructuring
capital	expense	loss	revenue
capitalization	expenses	losses	revenues
debt	gaap	margin	roa
depreciation	goodwill	margins	roe
dividend	impairment	payables	roic
dividends	income	profit	sales
earnings	indebtedness	profitability	writedown
ebit	inventory	profitable	writeoff

A2. Bigrams (n = 55)

basic earnings	free cash flow	organic growth
book value	gross margin	per common share
capital expenditure	gross profit	per diluted share
capital expenditures	income tax	pre-tax income
cash flow	income taxes	pretax income
cash flows	interest expense	profit margin
comparable store	interest income	return on
cost of goods	long-term debt	revenue growth
cost of revenue	net income	same-store sales
cost of sales	net loss	selling general
current assets	net revenue	shareholders equity
current liabilities	operating cash	stockholders equity
diluted earnings	operating expense	total assets
earnings per share	operating expenses	total debt
financial condition	operating income	total liabilities
financial performance	operating loss	total revenue
financial results	operating margin	working capital
financial statements	operating performance	
fiscal year	operating results	

Appendix B: Diversity (DEI) Dictionary

Source. Adapted from Baker et al. (2024). The Baker dictionary uses two categories — unambiguous unigrams and disambiguated bigrams — to avoid capturing financial meanings that would arise from unigram-only matching (e.g., "equity" alone could mean shareholders' equity rather than diversity-related equity). Bigram disambiguation follows the Baker et al. convention.

Counts. 123 unigrams; 59 bigrams. All matches are case-insensitive; word boundaries enforced. The regex permits a trailing 's' for plural forms not separately enumerated.

B1. Unigrams (n = 123)

accessibility	diverse	employee resource groups	nonbinary
accessible	diverse backgrounds	ethnic	nonwhite
accommodation	diverse candidates	ethnicities	people of color
accommodations	diverse perspectives	ethnicity	person of color
affinity group	diverse talent	female	prejudice
affinity groups	diverse workforce	females	prejudiced
african-american	diverse workplace	gender	privilege
allies	diversified	gendered	privileged
ally	diversify	genders	race
allyship	diversifying	harassed	racial
anti-racism	diversity	harassing	racially
anti-racist	diversity committee	harassment	racism
antiracism	diversity council	hispanic	racist
antiracist	diversity data	implicit bias	representation
asian-american	diversity efforts	institutional racism	sexual orientation
belonging	diversity goals	intersectional	stereotype

bias	diversity initiative	intersectionality	stereotypes
biased	diversity initiatives	latina	stereotyping
biases	diversity metrics	latino	structural racism
black	diversity officer	latinx	systemic racism
caucasian	diversity program	lgbt	transgender
chief diversity officer	diversity programs	lgbtq	unconscious bias
cultural competence	diversity report	lgbtq+	under-represented
culturally competent	diversity reporting	lgbtqia	underrepresented
disabilities	diversity strategies	marginalization	underserved
disability	diversity strategy	marginalized	woman
disabled	diversity target	microaggression	women
discriminate	diversity targets	microaggressions	women of color
discriminated	diversity training	multiracial	workforce diversity
discrimination	diversity trainings	non-binary	workplace diversity
discriminatory	employee resource group	non-white	

B2. Bigrams and multi-word terms (n = 59)

board diversity	equity in the workplace	military veteran
board of directors diversity	ethnic diversity	pay equity
dei	fair chance	protected categories
diverse board	fair employment	protected category
diverse directors	fair hiring	protected characteristic
diversity and inclusion	fair pay	protected characteristics
diversity, equity and inclusion	fair treatment	protected class
diversity, equity, and inclusion	gender diversity	protected classes
employee engagement	gender equity	racial diversity

employee retention	health equity	racial equity
employee satisfaction	human capital	social equity
employee well-being	inclusion and diversity	talent acquisition
employee wellbeing	inclusion efforts	talent development
equal access	inclusion initiatives	talent management
equal employment	inclusion strategy	talent pipeline
equal opportunity	inclusive culture	veteran
equal pay	inclusive environment	veterans
equal rights	inclusive leadership	workforce composition
equal treatment	inclusive practices	workforce demographics
equity and inclusion	inclusive workplace	

Appendix C: The Five Linguistic Clusters

Cluster 1: Growth and Momentum

Captures language describing expansion, scale, and upward trajectory. The cluster is concentrated in growth-oriented framings of revenue, earnings, and operational scale.

- **Verbs:** *increase, grow, expand, drive, generate, accelerate*
- **Adjectives:** *high, strong, significant, large*
- **Adverbs:** *significantly, substantially*

Example sentences

"Compared to Commercial Medical products, Medicare contracts generate higher per member per month revenues and higher health care and other benefit costs." — CVS Health Corp, 2024 10-K

"In 2015, our 10 highest volume personal lines states generated 78.5% of our earned premiums." — Cincinnati Financial Corp, 2024 10-K

Cluster 2: Evaluative Comparison

Captures language that situates performance relative to a referent — prior periods, peers, expectations. This cluster reflects the comparative structure of corporate disclosure: performance is rarely reported in absolute terms; it is always framed against a baseline.

- **Verbs:** *compare, result, reflect, offset, exceed*
- **Adjectives:** *favorable, competitive, comparable, relative*
- **Adverbs:** *favorably, partially, respectively, relatively*

Example sentences

"In 2023, our 10 highest volume personal lines states generated 63.5% of our earned premiums compared with 64.5% in 2022." — Cincinnati Financial Corp, 2024 10-K

"Compared to Commercial Medical products, Medicare contracts generate higher per member per month revenues and higher health care and other benefit costs." — CVS Health Corp, 2024 10-K

Cluster 3: Risk and Challenge

Captures downside framing — negative outcomes, adverse impacts, and risk-mitigation language. This cluster dominates aggregate sentence counts because risk-factor sections of 10-Ks saturate the financial performance discourse with downside framing required by SEC disclosure rules.

- **Verbs:** *affect, impact, reduce, decline, decrease*
- **Adjectives:** *adverse, material, negative, potential*
- **Adverbs:** *adversely, negatively, materially*

Example sentences

"Future operating results could be adversely affected if the premium rates requested are not approved or are adjusted downward or their approval is delayed by state or federal regulators."

— CVS Health Corp, 2024 10-K

"If our costs grow significantly, our margins and results of operations may be materially and adversely impacted and we may not be able to achieve our strategic and financial objectives."

— Arthur J. Gallagher Co, 2024 10-K

Cluster 4: Forward-Looking Aspiration

Captures language that expresses commitment to future outcomes — anticipations, expectations, plans, and strategic intentions. This is the cluster that *constitutes a goal* in linguistic terms: the firm projects a future state, expresses commitment to bringing it about, and frames current activity as oriented toward it.

- **Verbs:** *expect, believe, continue, anticipate*
- **Adjectives:** *future, long, potential, strategic*
- **Adverbs:** *forward, generally, currently*

Example sentences

"We believe our consumer-centric strategy will drive sustainable long-term growth and deliver value for all stakeholders." — CVS Health Corp, 2024 10-K

"Pricing life insurance policies includes assumptions for mortality, persistency, expenses and investment earnings while also considering the time value of money related to expected cash flows and a reasonable profit margin." — Cincinnati Financial Corp, 2024 10-K

Cluster 5: Precision and Quantification

Captures language that converts qualitative claims into measurable, quantifiable, or auditable form — estimates, recognitions, recordings, calibrated approximations. This is the cluster that

operationalizes accountability in linguistic terms: the firm commits to specific numerical or quantitative claims that can be subsequently verified or compared.

- **Verbs:** *estimate, recognize, record, report, determine*
- **Adjectives:** *fair, historical, average, estimated*
- **Adverbs:** *approximately, primarily, mainly, largely*

Example sentences

"In 2023, we and The Coca-Cola Company represented approximately 19% and 20%, respectively, of the U.S. liquid refreshment beverage category by estimated retail sales in measured channels." — PepsiCo Inc, 2024 10-K

"Our previously reported segment results have been recast to conform to our new reporting structure and reflect changes in the elimination of inter-segment revenue and allocated corporate technology and shared function expenses." — Cardinal Health Inc, 2024 10-K

Corpus Descriptive Statistics

*This table reports descriptive statistics for the linguistic corpus used to construct the Aspiration and Commensuration ratios in Chapter 2. The sample comprises S&P 1500 firms over fiscal years 2007–2024, with linguistic measures derived from 10-K filings and DEF 14A proxy statements obtained from SEC EDGAR. Firm-years are retained only if both filings are available. *Full = Full Corpus, Financial = Financial subcorpus, Diversity = Diversity subcorpus.*

Panel A: Sample Composition

Firm-years	25,354
Unique firms (CIKs)	1,714
Year range	2007–2024
Mean firm-years per firm	14.8
Inclusion rule	S&P 1500; both 10-K and DEF 14A available

Panel B: Sentences per Firm-Year

	Mean	SD	Min	P25	Median	P75	Max	Share
Full	2,866	939	413	2,272	2,744	3,294	14,656	100.0%
Financial	929	369	57	714	886	1,083	6,239	32.1%
Diversity	42	30	0	23	34	50	359	1.4%

Panel C: Words per Firm-Year

	Mean	SD	Min	P25	Median	P75	Max
Full	82,528	27,904	10,763	64,560	79,121	96,069	414,376
Financial	30,953	12,547	1,909	23,406	29,501	36,348	201,718
Diversity	1,529	1,046	0	876	1,286	1,876	13,097

Panel D: Aggregate Corpus Totals

	Total
Sentences (all firm-years)	72,656,776
Words (all firm-years)	2,092,405,409
Financial sentences	23,551,583
Diversity sentences	1,053,804
Financial words	784,786,785
Diversity words	38,761,755

Notes. Sentence counts are computed after the filtering rules described in the methods section: sentences shorter than 20 characters, longer than 600 characters, or with less than 40% alphabetic content are excluded. Share in **Panel B** reports the within-firm-year ratio of subcorpus sentences to total filing sentences, averaged across firm-years.

Bibliography

- Aguilar, L. A. (2010a). *SEC Speech: Board Diversity: Why It Matters and How to Improve It* (Commissioner Luis A. Aguilar; November 4, 2010). <https://www.sec.gov/news/speech/2010/spch110410laa.htm>
- Aguilar, L. A. (2010b, September 16). *SEC Speech: Diversity in the Boardroom is Important and, Unfortunately, Still Rare* (Commissioner Luis A. Aguilar; September 16, 2010). <https://www.sec.gov/news/speech/2010/spch091610laa.htm>
- Aguilera, R. V., Desender, K. A., & López-Puertas Lamy, M. (2025). From Universal Owners to Owners of the Universe? How the Big Three Are Reshaping Corporate Governance. *Corporate Governance: An International Review*. <https://doi.org/10.1111/corg.12611>
- Al-Ubaydli, O., & McLaughlin, P. A. (2017). RegData: A Numerical Database on Industry-Specific Regulations for All United States Industries and Federal Regulations, 1997–2012. *Regulation & Governance*, 11(1), 109–123. <https://doi.org/10.1111/reg.12107>
- Arch Resources, Inc. (2022, February 16). *Arch Resources, Inc. 2022 10-K Report*. <https://investor.archrsc.com/sec-filings?cat=1&year=2022>
- Arrfelt, M., Wiseman, R. M., & Hult, G. T. M. (2013). Looking Backward Instead of Forward: Aspiration-Driven Influences on the Efficiency of the Capital Allocation Process. *Academy of Management Journal*, 56(4), 1081–1103. <https://doi.org/10.5465/amj.2010.0879>
- Ashforth, B. E., & Gibbs, B. W. (1990). The Double-Edge of Organizational Legitimation. *Organization Science*, 1(2), 177–194.
- Associated Press. (2024, July 18). *John Deere backs away from diversity and inclusion efforts after a conservative backlash* | CNN Business. CNN. <https://www.cnn.com/2024/07/18/business/john-deere-diversity-inclusion-efforts/index.html>
- Audia, P. G., & Brion, S. (2007). Reluctant to change: Self-enhancing responses to diverging performance measures. *Organizational Behavior and Human Decision Processes*, 102(2), 255–269. <https://doi.org/10.1016/j.obhdp.2006.01.007>
- Baker, A. C., Larcker, D. F., McClure, C., Saraph, D., & Watts, E. M. (2024). Diversity Washing. *Journal of Accounting Research*, 62(5), 1661–1709. <https://doi.org/10.1111/1475-679X.12542>
- Barnett, W. P., & Hansen, M. T. (1996). The Red Queen in Organizational Evolution. *Strategic Management Journal*, 17, 139–157.
- Barney, J. B. (2002). Gaining and sustaining competitive advantage. In *Gaining and sustaining competitive advantage* (2nd ed.). Prentice Hall. U-M Catalog Search.
- Bebchuk, L. A., & Hirst, S. (2019). Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy. *Columbia Law Review*, 119(8), 2029–2146.

- Becker, B. E., & Huselid, M. A. (2006). Strategic Human Resources Management: Where Do We Go from Here? *Journal of Management*, 32(6), 898–925. <https://doi.org/10.1177/0149206306293668>
- Berchicci, L., & Tarakci, M. (2021). Aspiration formation and attention rules. *Strategic Management Journal*, n/a(n/a). <https://doi.org/10.1002/smj.3371>
- Bhatia, N., & Meier, S. (2025). What Drives Employee Strategic Salience in Shareholder Communications? A Machine Learning Approach. *Strategy Science*. <https://doi.org/10.1287/stsc.2024.0282>
- Bogan, V., Potemkina, K., & Yonker, S. (2021). What Drives Racial Diversity on U.S. Corporate Boards? *Working Paper*.
- Bonica, A. (2016). Avenues of Influence: On the Political Expenditures of Corporations and Their Directors and Executives. *Business and Politics*, 18(4), 367–394. <https://doi.org/10.1515/bap-2015-0016>
- Briscoe, F., & Safford, S. (2008). The Nixon-in-China Effect: Activism, Imitation, and the Institutionalization of Contentious Practices. *Administrative Science Quarterly*, 53(3), 460–491. <https://doi.org/10.2189/asqu.53.3.460>
- Bromiley, P., & Harris, J. (2014). A Comparison of Alternative Measures of Organizational Aspirations. *Strategic Management Journal*, 35(3), 338–357. <https://doi.org/10.1002/smj.2104>
- Bromley, P., & Powell, W. W. (2012). From Smoke and Mirrors to Walking the Talk: Decoupling in the Contemporary World. *Academy of Management Annals*, 6(1), 483–530. <https://doi.org/10.1080/19416520.2012.684462>
- Bu, H., Connor-Linton, J., & Wang, L. (2020). Linguistic Variation in the Discourse of Corporate Annual Reports: A Multi-Dimensional Analysis. *Discourse Studies*, 22(6), 647–677. <https://doi.org/10.1177/1461445620928231>
- Buchanan, L., Bui, Q., & Patel, J. (2020, July 4). Black Lives Matter May Be the Largest Movement in U.S. History—The New York Times. *The New York Times*. <https://www.nytimes.com/interactive/2020/07/03/us/george-floyd-protests-crowd-size.html>
- Bushee, B. J. (1998). The Influence of Institutional Investors on Myopic R&D Investment Behavior. *Accounting Review*, 73(3), 305–333.
- Bushey, C., & Chávez, S. (2023, January 6). Southwest Airlines operation failures during blizzard to cost up to \$825mn. *Financial Times*. <https://www.ft.com/content/b16f6a6a-19a7-47da-919f-eb589fa51136>
- Bushey, C., & Rogers, T. N. (2024, August 28). Ford changes DEI policies as conservative pressure campaign grows. *Financial Times*. <https://www.ft.com/content/1b317991-ef8c-4f1b-bcca-ff80ac68fa6c>
- Butler, J. (1990). *Gender Trouble: Feminism and the Subversion of Identity*. Routledge.
- Callon, M. (1998). The Laws of the Markets. In M. Callon (Ed.), *The Laws of the Markets* (pp. 1–57). Blackwell.
- Carter, A. B., & Phillips, K. W. (2017). The double-edged sword of diversity: Toward a dual pathway model. *Social and Personality Psychology Compass*, 11(5), e12313. <https://doi.org/10.1111/spc3.12313>
- Chamberlain, G. (1980). Analysis of Covariance with Qualitative Data. *Review of Economic Studies*, 47(1), 225–238. <https://doi.org/10.2307/2297110>

- Chatterji, A. K., & Toffel, M. W. (2010). How Firms Respond to Being Rated. *Strategic Management Journal*, 31(9), 917–945.
- Chen, T., Dong, H., & Lin, C. (2020). Institutional shareholders and corporate social responsibility. *Journal of Financial Economics*, 135(2), 483–504. <https://doi.org/10.1016/j.jfineco.2019.06.007>
- Cheng, J. Y.-J., Groysberg, B., & Healy, P. M. (2020, August 13). Why Do Boards Have So Few Black Directors? *Harvard Business Review*. <https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors>
- Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review*, 20(1), 92–117. <https://doi.org/10.2307/258888>
- Coff, R., & Kryscynski, D. (2011). Invited Editorial: Drilling for Micro-Foundations of Human Capital–Based Competitive Advantages. *Journal of Management*, 37(5), 1429–1443. <https://doi.org/10.1177/0149206310397772>
- Coff, R. W. (1997). Human Assets and Management Dilemmas: Coping with Hazards on the Road to Resource-Based Theory. *The Academy of Management Review*, 22(2), 374–402. <https://doi.org/10.2307/259327>
- Connelly, B. L., Tihanyi, L., Certo, S. T., & Hitt, M. A. (2010). Marching to the Beat of Different Drummers: The Influence of Institutional Owners on Competitive Actions. *Academy of Management Journal*, 53(4), 723–742. <https://doi.org/10.5465/amj.2010.52814589>
- Crilly, D., Zollo, M., & Hansen, M. (2012). Faking It Or Muddling Through? Understanding Decoupling In Response To Stakeholder Pressures. *The Academy of Management Journal*, 55(6), 1429–1448. JSTOR.
- Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. (p. 322). Prentice Hall/Pearson Education.
- David, P., Bloom, M., & Hillman, A. J. (2007). Investor Activism, Managerial Responsiveness, and Corporate Social Performance. *Strategic Management Journal*, 28(1), 91–100. <https://doi.org/10.1002/smj.571>
- Davis, G. F., & Kim, S. (2015). Financialization of the Economy. *Annual Review of Sociology*, 41(Volume 41, 2015), 203–221. <https://doi.org/10.1146/annurev-soc-073014-112402>
- Davis, G. F., McAdam, D., Scott, W. R., & Zald, M. N. (2005, May). *Social Movements and Organization Theory*. Cambridge University Press. Cambridge Core. <https://doi.org/10.1017/CBO9780511791000>
- Davis, G. F., & Thompson, T. A. (1994). A Social Movement Perspective on Corporate Control. *Administrative Science Quarterly*, 39(1), 141–173. <https://doi.org/10.2307/2393497>
- Desai, V. M. (2008). Constrained Growth: How Experience, Legitimacy, and Age Influence Risk Taking in Organizations. *Organization Science*, 19(4), 594–608. <https://doi.org/10.1287/orsc.1070.0335>
- Dietz, S., Gardiner, D., Jahn, V., & Noels, J. (2021). How ambitious are oil and gas companies' climate goals? *Science*, 374(6566), 405–408. <https://doi.org/10.1126/science.abh0687>
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147–160. JSTOR. <https://doi.org/10.2307/2095101>
- Dimson, E., Karaçay, O., & Li, X. (2015). Active Ownership. *Review of Financial Studies*, 28(12), 3225–3268. <https://doi.org/10.1093/rfs/hhv044>

- Dobbin, F. (2009). *Inventing Equal Opportunity*. Princeton University Press.
- Dorobantu, S., & Odziemkowska, K. (2017). Valuing Stakeholder Governance: Property Rights, Community Mobilization, and Firm Value. *Strategic Management Journal*, 38(13), 2682–2703. <https://doi.org/10.1002/smj.2675>
- Drucker, P. F. (1958). Business Objectives and Survival Needs: Notes on a Discipline of Business Enterprise. *The Journal of Business*, 31(2), 81–90.
- Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2019). Do Institutional Investors Drive Corporate Social Responsibility? International Evidence. *Journal of Financial Economics*, 131(3), 693–714. <https://doi.org/10.1016/j.jfineco.2018.08.013>
- Edelman, L. B. (1992). Legal Ambiguity and Symbolic Structures: Organizational Mediation of Civil Rights Law. *American Journal of Sociology*, 97(6), 1531–1576.
- Edelman, L. B., Fuller, S. R., & Mara-Drita, I. (2001). Diversity Rhetoric and the Managerialization of Law. *American Journal of Sociology*, 106(6), 1589–1641. <https://doi.org/10.1086/321303>
- Eichenwald, K. (1996, November 4). Texaco Executives, On Tape, Discussed Impeding a Bias Suit. *The New York Times*. <https://www.nytimes.com/1996/11/04/business/texaco-executives-on-tape-discussed-impeding-a-bias-suit.html>
- Elsbach, K. D. (1994). Managing organizational legitimacy in the California cattle industry: The construction and effectiveness of verbal accounts. *Administrative Science Quarterly*, 39(1), 57–88. <https://doi.org/10.2307/2393494>
- Elsbach, K. D., & Kramer, R. M. (1996). Members' Responses to Organizational Identity Threats: Encountering and Countering the Business Week Rankings. *Administrative Science Quarterly*, 41(3), 442–476. <https://doi.org/10.2307/2393938>
- Ely, R. J., & Thomas, D. A. (2020). Getting Serious About Diversity: Enough Already with the Business Case. *Harvard Business Review*, 98(6), 114–122.
- Erhemjamts, O., & Huang, K. (2019). Institutional Ownership Horizon, the Adoption of Clawback Provisions, and Firm Investments. *Journal of Business Research*, 105, 11–23. <https://doi.org/10.1016/j.jbusres.2019.07.024>
- Espeland, W. N., & Sauder, M. (2007). Rankings and Reactivity: How Public Measures Recreate Social Worlds. *American Journal of Sociology*, 113(1), 1–40. <https://doi.org/10.1086/517897>
- Espeland, W. N., & Stevens, M. L. (1998). Commensuration as a Social Process. *Annual Review of Sociology*, 24, 313–343.
- Espeland, W. N., & Stevens, M. L. (2008). A Sociology of Quantification. *European Journal of Sociology*, 49(3), 401–436. Cambridge Core. <https://doi.org/10.1017/S0003975609000150>
- Fereday, J., & Muir-Cochrane, E. (2006). Demonstrating Rigor Using Thematic Analysis: A Hybrid Approach of Inductive and Deductive Coding and Theme Development. *International Journal of Qualitative Methods*, 5(1), 80–92. <https://doi.org/10.1177/160940690600500107>
- Fichtner, J., Heemskerk, E. M., & Garcia-Bernardo, J. (2017). Hidden Power of the Big Three? Passive Index Funds, Re-Concentration of Corporate Ownership, and New Financial Risk. *Business and Politics*, 19(2), 298–326. <https://doi.org/10.1017/bap.2017.6>
- Fiss, P. C., & Zajac, E. J. (2006). The Symbolic Management of Strategic Change: Sensegiving via Framing and Decoupling. *Academy of Management Journal*, 49(6), 1173–1193. <https://doi.org/10.5465/amj.2006.23478255>

- Flammer, C., & Bansal, P. (2017). Does a Long-Term Orientation Create Value? Evidence from a Regression Discontinuity. *Strategic Management Journal*, 38(9), 1827–1847. <https://doi.org/10.1002/smj.2629>
- Flammer, C., Hong, B., & Minor, D. (2019). Corporate governance and the rise of integrating corporate social responsibility criteria in executive compensation: Effectiveness and implications for firm outcomes. *Strategic Management Journal*, 40(7), 1097–1122. <https://doi.org/10.1002/smj.3018>
- Flammer, C., Toffel, M. W., & Viswanathan, K. (2021). Shareholder activism and firms' voluntary disclosure of climate change risks. *Strategic Management Journal*, 42(10), 1850–1879. <https://doi.org/10.1002/smj.3313>
- Freeman, R. E., 1951-. (1984). Strategic management: A stakeholder approach. In *Strategic management: A stakeholder approach*. Pitman. U-M Catalog Search.
- Fuhrmans, V. (2018, October 23). What #MeToo Has to Do With the Workplace Gender Gap. *Wall Street Journal*. <https://www.wsj.com/articles/what-metoo-has-to-do-with-the-workplace-gender-gap-1540267680>
- Fuoli, M. (2018). Building a Trustworthy Corporate Identity: A Corpus-Based Analysis of Stance in Annual Reports and Corporate Social Responsibility Reports. *Applied Linguistics*, 39(2), 232–256. <https://doi.org/10.1093/applin/amw023>
- Gaba, V., & Greve, H. R. (2019). Safe or Profitable? The Pursuit of Conflicting Goals. *Organization Science*, 30(4), 647–667. <https://doi.org/10.1287/orsc.2018.1280>
- Gamache, D. L., Neville, F., Bundy, J., & Short, C. E. (2020). Serving differently: CEO regulatory focus and firm stakeholder strategy. *Strategic Management Journal*, 41(7), 1305–1335. <https://doi.org/10.1002/smj.3134>
- Gartenberg, C., Prat, A., & Serafeim, G. (2019). Corporate Purpose and Financial Performance. *Organization Science*, 30(1), 1–18. <https://doi.org/10.1287/orsc.2018.1230>
- Gartenberg, C., & Zenger, T. (2023). The Firm as a Subsociety: Purpose, Justice, and the Theory of the Firm. *Organization Science*, 34(5), 1965–1980. <https://doi.org/10.1287/orsc.2022.1650>
- Georgeac, O. A. M., & Rattan, A. (2023). The business case for diversity backfires: Detrimental effects of organizations' instrumental diversity rhetoric for underrepresented group members' sense of belonging. *Journal of Personality and Social Psychology*, 124(1), 69–108. <https://doi.org/10.1037/pspi0000394>
- Golbe, D. L. ; W., Lawrence J. (2019). *Mergers and Acquisitions in the U.S. Economy: An Aggregate and Historical Overview*. Chicago: University of Chicago Press. U-M Articles Search. <https://doi.org/10.7208/9780226032177-006>
- Gomez-Mejia, L. R., Tosi, H., & Hinkin, T. (1987). Managerial Control, Performance, and Executive Compensation. *The Academy of Management Journal*, 30(1), 51–70. <https://doi.org/10.2307/255895>
- Goranova, M., & Ryan, L. V. (2014). Shareholder Activism: A Multidisciplinary Review. *Journal of Management*, 40(5), 1230–1268. <https://doi.org/10.1177/0149206313515519>
- Greve, Greve, H. R., & Greve, P. of E. and O. B. H. R. (2003). *Organizational Learning from Performance Feedback: A Behavioral Perspective on Innovation and Change*. Cambridge University Press.
- Greve, H. R. (1998). Performance, Aspirations, and Risky Organizational Change. *Administrative Science Quarterly*, 43(1), 58–86. JSTOR. <https://doi.org/10.2307/2393591>

- Greve, H. R. (2003). Organizational learning from performance feedback: A behavioral perspective on innovation and change. In *Organizational learning from performance feedback: A behavioral perspective on innovation and change*. Cambridge University Press. U-M Catalog Search.
- Greve, H. R. (2008). A Behavioral Theory of Firm Growth: Sequential Attention to Size and Performance Goals. *The Academy of Management Journal*, 51(3), 476–494.
- Greve, H. R., & Teh, D. (2018). Goal Selection Internally and Externally: A Behavioral Theory of Institutionalization. *International Journal of Management Reviews*, 20(S1), S19–S38. <https://doi.org/10.1111/ijmr.12138>
- Guldiken, O., Mallon, M. R., Fainshmidt, S., Judge, W. Q., & Clark, C. E. (2019). Beyond tokenism: How strategic leaders influence more meaningful gender diversity on boards of directors. *Strategic Management Journal*, 40(12), 2024–2046. <https://doi.org/10.1002/smj.3049>
- Gupta, A., Briscoe, F., & Hambrick, D. C. (2017). Red, blue, and purple firms: Organizational political ideology and corporate social responsibility. *Strategic Management Journal*, 38(5), 1018–1040. <https://doi.org/10.1002/smj.2550>
- Hannan, M. T., & Freeman, J. (1984). Structural Inertia and Organizational Change. *American Sociological Review*, 49(2), 149–164. <https://doi.org/10.2307/2095567>
- Harmon, F. (2009, December 16). *Final Rule: Proxy Disclosure Enhancements*. Securities and Exchange Commission. <https://www.sec.gov/rules/final/2009/33-9089.pdf>
- Herring, C. (2009). Does Diversity Pay?: Race, Gender, and the Business Case for Diversity. *American Sociological Review*, 74(2), 208–224. <https://doi.org/10.1177/000312240907400203>
- Higgins, E. T. (1997). Beyond pleasure and pain. *American Psychologist*, 52(12), 1280–1300. <https://doi.org/10.1037/0003-066X.52.12.1280>
- Hillman, A. J., Cannella, A. A., & Harris, I. C. (2002). Women and Racial Minorities in the Boardroom: How Do Directors Differ? *Journal of Management*, 28(6), 747–763. <https://doi.org/10.1177/014920630202800603>
- Hillman, A. J., Cannella, A. A., & Paetzold, R. L. (2000). The Resource Dependence Role of Corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change. *Journal of Management Studies*, 37(2), 235–256. <https://doi.org/10.1111/1467-6486.00179>
- Hitt, M. A., Bierman, L., Shimizu, K., & Kochhar, R. (2001). Direct and Moderating Effects of Human Capital on Strategy and Performance in Professional Service Firms: A Resource-Based Perspective. *Academy of Management Journal*, 44(1), 13–28. <https://doi.org/10.2307/3069334>
- Hoffman, A. J. (1999). Institutional Evolution and Change: Environmentalism and the U.S. Chemical Industry. *The Academy of Management Journal*, 42(4), 351–371. <https://doi.org/10.2307/257008>
- Hoffman, A. J., & Ocasio, W. (2001). Not All Events Are Attended Equally: Toward a Middle-Range Theory of Industry Attention to External Events. *Organization Science*, 12(4), 414–434. <https://doi.org/10.1287/orsc.12.4.414.10639>
- Hoskisson, R. E., Hitt, M. A., Wan, W. P., & Yiu, D. (1999). Theory and research in strategic management: Swings of a pendulum. *Journal of Management*, 25(3), 417–456. <https://doi.org/10.1177/014920639902500307>

- Hu, S., He, Z.-L., Blettner, D. P., & Bettis, R. A. (2017). Conflict inside and outside: Social comparisons and attention shifts in multidivisional firms. *Strategic Management Journal*, 38(7), 1435–1454. <https://doi.org/10.1002/smj.2556>
- Hurst, R. (2023). Countervailing Claims: Pro-Diversity Responses to Stigma by Association Following the Unite the Right Rally. *Administrative Science Quarterly*, 68(4), 1094–1132. <https://doi.org/10.1177/00018392231203008>
- IBM. (2022). *IBM 2022 Annual Report*. <https://www.ibm.com/annualreport/>
- Jackson, S. R. (2023). (Not) Paying for Diversity: Repugnant Market Concerns Associated with Transactional Approaches to Diversity Recruitment. *Administrative Science Quarterly*, 68(3), 824–866. <https://doi.org/10.1177/00018392231183649>
- Jacobson, R. (1987). The Validity of ROI as a Measure of Business Performance. *The American Economic Review*, 77(3), 470–478.
- Jensen, M. (2006). Should We Stay or Should We Go? Accountability, Status Anxiety, and Client Defections. *Administrative Science Quarterly*, 51(1), 97–128.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Jordan, A. H., & Audia, P. G. (2012). Self-enhancement and learning from performance feedback. *The Academy of Management Review*, 37(2), 211–231. <https://doi.org/10.5465/amr.2010.0108>
- Kalev, A., & Dobbin, F. (2022, September 29). How Companies Should Set—And Report—DEI Goals. *Harvard Business Review*. <https://hbr.org/2022/09/how-companies-should-set-and-report-dei-goals>
- Kalev, A., Dobbin, F., & Kelly, E. (2006). Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies. *American Sociological Review*, 71(4), 589–617. <https://doi.org/10.1177/000312240607100404>
- Kaul, A., & Luo, J. (2018). An economic case for CSR: The comparative efficiency of for-profit firms in meeting consumer demand for social goods. *Strategic Management Journal*, 39(6), 1650–1677. <https://doi.org/10.1002/smj.2705>
- Keats, B. W., & Hitt, M. A. (1988). A Causal Model of Linkages among Environmental Dimensions, Macro Organizational Characteristics, and Performance. *The Academy of Management Journal*, 31(3), 570–598. <https://doi.org/10.2307/256460>
- Kelly, E., & Dobbin, F. (1998). How Affirmative Action Became Diversity Management: Employer Response to Antidiscrimination Law, 1961–1996. *American Behavioral Scientist*, 41(7), 960–984.
- Keum, D. D., & Eggers, J. P. (2018). Setting the Bar: The Evaluative and Allocative Roles of Organizational Aspirations. *Organization Science*, 29(6), 1170–1186. <https://doi.org/10.1287/orsc.2018.1224>
- King, A. A., & Lenox, M. J. (2002). Exploring the Locus of Profitable Pollution Reduction. *Management Science*, 48(2), 289–299. <https://doi.org/10.1287/mnsc.48.2.289.259>
- King, B. G. (2008). A Political Mediation Model of Corporate Response to Social Movement Activism. *Administrative Science Quarterly*, 53(3), 395–421. <https://doi.org/10.2189/asqu.53.3.395>
- King, B. G., & Pearce, N. A. (2010). The Contentiousness of Markets: Politics, Social Movements, and Institutional Change in Markets. *Annual Review of Sociology*, 36(Volume 36, 2010), 249–267. <https://doi.org/10.1146/annurev.soc.012809.102606>

- King, B. G., & Soule, S. A. (2007). Social Movements as Extra-Institutional Entrepreneurs: The Effect of Protests on Stock Price Returns. *Administrative Science Quarterly*, 52(3), 413–442. <https://doi.org/10.2189/asqu.52.3.413>
- King, G., & Zeng, L. (2001). Logistic Regression in Rare Events Data. *Political Analysis*, 9(2), 137–163. <https://doi.org/10.1093/oxfordjournals.pan.a004868>
- Knippen, J. M., Shen, W., & Zhu, Q. (2019). Limited progress? The effect of external pressure for board gender diversity on the increase of female directors. *Strategic Management Journal*, 40(7), 1123–1150. <https://doi.org/10.1002/smj.3014>
- Leiblein, M. J., & Reuer, J. J. (2020). Foundations and Futures of Strategic Management. *Strategic Management Review*, 1(1), 1–33.
- Loughran, T., & McDonald, B. (2011). When Is a Liability Not a Liability? Textual Analysis, Dictionaries, and 10-Ks. *The Journal of Finance*, 66(1), 35–65. <https://doi.org/10.1111/j.1540-6261.2010.01625.x>
- Lounsbury, M. (2001). Institutional Sources of Practice Variation: Staffing College and University Recycling Programs. *Administrative Science Quarterly*, 46(1), 29–56. JSTOR. <https://doi.org/10.2307/2667124>
- Luo, H., & Zhang, L. (2022). Scandal, Social Movement, and Change: Evidence from #MeToo in Hollywood. *Management Science*, 68(2), 1278–1296. <https://doi.org/10.1287/mnsc.2021.3982>
- Luo, J., & Kaul, A. (2019). Private action in public interest: The comparative governance of social issues. *Strategic Management Journal*, 40(4), 476–502. <https://doi.org/10.1002/smj.2961>
- MacKenzie, D. (2006). *An Engine, Not a Camera: How Financial Models Shape Markets*. MIT Press.
- March, J. G., & Sutton, R. I. (1997). Crossroads—Organizational Performance as a Dependent Variable. *Organization Science*, 8(6), 698–706. <https://doi.org/10.1287/orsc.8.6.698>
- Margolis, J. D., & Walsh, J. P. (2003). Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Science Quarterly*, 48(2), 268–305. <https://doi.org/10.2307/3556659>
- Marquis, C., Glynn, M. A., & Davis, G. F. (2007). Community Isomorphism and Corporate Social Action. *The Academy of Management Review*, 32(3), 925–945.
- Mazmanian, M., & Beckman, C. M. (2018). “Making” Your Numbers: Engendering Organizational Control Through a Ritual of Quantification. *Organization Science*, 29(3), 357–379. <https://doi.org/10.1287/orsc.2017.1185>
- McDonnell, M.-H., & King, B. (2013). Keeping up Appearances: Reputational Threat and Impression Management after Social Movement Boycotts. *Administrative Science Quarterly*, 58(3), 387–419. <https://doi.org/10.1177/0001839213500032>
- McDonnell, M.-H., King, B. G., & Soule, S. A. (2015). A Dynamic Process Model of Private Politics: Activist Targeting and Corporate Receptivity to Social Challenges. *American Sociological Review*, 80(3), 654–678. <https://doi.org/10.1177/0003122415581335>
- McGahan, A. M. (2023). The New Stakeholder Theory on Organizational Purpose. *Strategy Science*, 8(2), 245–255. <https://doi.org/10.1287/stsc.2023.0184>
- McGahan, A. M., & Pongeluppe, L. S. (2023). There Is No Planet B: Aligning Stakeholder Interests to Preserve the Amazon Rainforest. *Management Science*, 69(12), 7860–7881. <https://doi.org/10.1287/mnsc.2023.4884>

- McGregor, J. (2021, October 19). *A Third Of Newly Added Corporate Directors Were Black Last Year, Up From 11%*. Forbes. <https://www.forbes.com/sites/jenamcgregor/2021/10/19/a-third-of-newly-added-corporate-directors-were-black-last-year-up-from-11/>
- McLaughlin, P. A., & Sherouse, O. (2019). RegData 2.2: A panel dataset on US federal regulations. *Public Choice*, 180(1), 43–55. <https://doi.org/10.1007/s11127-018-0600-y>
- McMahon, A. (2010). Does Workplace Diversity Matter? A Survey Of Empirical Studies On Diversity And Firm Performance, 2000-09. *Journal of Diversity Management*, 5(2). <https://doi.org/https://doi.org/10.19030/jdm.v5i2.808>
- Mennicken, A., & Espeland, W. N. (2019). What's New with Numbers? Sociological Approaches to the Study of Quantification. *Annual Review of Sociology*, 45, 223–245. <https://doi.org/10.1146/annurev-soc-073117-041343>
- Merck & Co. (2022). *2022 Annual Report on Form 10-K*. Merck.Com. <https://www.merck.com/investor-relations/financial-information/>
- Meyer, J., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83(2), 340–363. JSTOR.
- Meyer, M. W. (2002). Rethinking performance measurement: Beyond the balanced scorecard. In *Rethinking performance measurement: Beyond the balanced scorecard* (1st ed.). Cambridge University Press,. U-M Catalog Search.
- Meyer, M. W., & Gupta, V. (1994). The Performance Paradox. *Research in Organizational Behavior*, 16, 309. Business Source Complete.
- Miller, C. C., Washburn, N. T., & Glick, W. H. (2013). PERSPECTIVE—The Myth of Firm Performance. *Organization Science*, 24(3), 948–964. <https://doi.org/10.1287/orsc.1120.0762>
- Milliken, F. J., & Martins, L. L. (1996). Searching for Common Threads: Understanding the Multiple Effects of Diversity in Organizational Groups. *Academy of Management Review*, 21(2), 402–433. <https://doi.org/10.5465/amr.1996.9605060217>
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *Academy of Management Review*, 22(4), 853–886. <https://doi.org/10.2307/259247>
- Mundlak, Y. (1978). On the Pooling of Time Series and Cross Section Data. *Econometrica*, 46(1), 69–85. <https://doi.org/10.2307/1913646>
- Murray, A. I. (1989). Top management group heterogeneity and firm performance. *Strategic Management Journal*, 10(S1), 125–141. <https://doi.org/10.1002/smj.4250100710>
- Neubaum, D. O., & Zahra, S. A. (2006). Institutional Ownership and Corporate Social Performance: The Moderating Effects of Investment Horizon, Activism, and Coordination. *Journal of Management*, 32(1), 108–131. <https://doi.org/10.1177/0149206305277797>
- Ocasio, W. (1997). Towards an Attention-Based View of the Firm. *Strategic Management Journal*, 18, 187–206.
- Papke, L. E., & Wooldridge, J. M. (1996). Econometric Methods for Fractional Response Variables with an Application to 401(k) Plan Participation Rates. *Journal of Applied Econometrics*, 11(6), 619–632. [https://doi.org/10.1002/\(SICI\)1099-1255\(199611\)11:6%3C619::AID-JAE418%3E3.0.CO;2-1](https://doi.org/10.1002/(SICI)1099-1255(199611)11:6%3C619::AID-JAE418%3E3.0.CO;2-1)
- Papke, L. E., & Wooldridge, J. M. (2008). Panel Data Methods for Fractional Response Variables with an Application to Test Pass Rates. *Journal of Econometrics*, 145(1–2), 121–133. <https://doi.org/10.1016/j.jeconom.2008.05.009>

- Perrow, C. (1961). The Analysis of Goals in Complex Organizations. *American Sociological Review*, 26(6), 854–866. <https://doi.org/10.2307/2090570>
- Pew Research Center. (2019). *Race in America 2019*. Pew Research Center. <https://www.pewresearch.org/social-trends/2019/04/09/race-in-america-2019/>
- Pfarrer, M. D., DeCelles, K. A., Smith, K. G., & Taylor, M. S. (2008). After the fall: Reintegrating the corrupt organization. *The Academy of Management Review*, 33(3), 730–749. <https://doi.org/10.2307/20159433>
- Pfeffer, Jeffrey., & Salancik, G. R. joint author. (1978). The external control of organizations: A resource dependence perspective. In *The external control of organizations: A resource dependence perspective*. Harper & Row. U-M Catalog Search.
- Porter, M. E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. In *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press. U-M Catalog Search.
- Porter, M. E. (1981). The Contributions of Industrial Organization To Strategic Management,. *Academy of Management Review*, 6(4), 609–620. <https://doi.org/10.5465/amr.1981.4285706>
- Posen, H. E., Keil, T., Kim, S., & Meissner, F. D. (2018). Renewing Research on Problemistic Search—A Review and Research Agenda. *Academy of Management Annals*, 12(1), 208–251. <https://doi.org/10.5465/annals.2016.0018>
- Raeburn, N. C. (Nicole C. (2004). Changing corporate America from inside out: Lesbian and gay workplace rights. In *Changing corporate America from inside out: Lesbian and gay workplace rights*. University of Minnesota Press. U-M Catalog Search.
- Ref, O., & Shapira, Z. (2017). Entering new markets: The effect of performance feedback near aspiration and well below and above it. *Strategic Management Journal*, 38(7), 1416–1434. <https://doi.org/10.1002/smj.2561>
- Reid, E. M., & Toffel, M. W. (2009). Responding to public and private politics: Corporate disclosure of climate change strategies. *Strategic Management Journal*, 30(11), 1157–1178. <https://doi.org/10.1002/smj.796>
- Rhee, M., & Haunschild, P. R. (2006). The Liability of Good Reputation: A Study of Product Recalls in the U.S. Automobile Industry. *Organization Science*, 17(1), 101–117.
- Rowley, T. J., Shipilov, A. V., & Greve, H. R. (2017). Board reform versus profits: The impact of ratings on the adoption of governance practices. *Strategic Management Journal*, 38(4), 815–833. <https://doi.org/10.1002/smj.2545>
- Rumelt, R. P., Schendel, D., & Teece, D. J. (1991). Strategic Management and Economics. *Strategic Management Journal*, 12, 5–29. JSTOR.
- Rumelt, R. P., Schendel, Dan., & Teece, D. J. (1994). Fundamental issues in strategy: A research agenda. In *Fundamental issues in strategy: A research agenda*. Harvard Business School Press. U-M Catalog Search.
- Scott, W. R. (2001). *Institutions and Organizations*. SAGE Publications.
- Selznick, P., 1919-2010. (1957). Leadership in administration; a sociological interpretation. In *Leadership in administration; a sociological interpretation*. Row, Peterson. U-M Catalog Search.
- Sharkey, A. J., & Bromley, P. (2015). Can Ratings Have Indirect Effects? Evidence from the Organizational Response to Peers' Environmental Ratings. *American Sociological Review*, 80(1), 63–91. <https://doi.org/10.1177/0003122414559043>

- Shaver, J. M. (2019). Interpreting Interactions in Linear Fixed-Effect Regression Models: When Fixed-Effect Estimates Are No Longer Within-Effects. *Strategy Science*, 4(1), 25–40. <https://doi.org/10.1287/stsc.2018.0065>
- Shinkle, G. A. (2012). Organizational Aspirations, Reference Points, and Goals: Building on the Past and Aiming for the Future. *Journal of Management*, 38(1), 415–455. <https://doi.org/10.1177/0149206311419856>
- Shipilov, A. V., Greve, H. R., & Rowley, T. J. (2010). When do Interlocks Matter? Institutional Logics and the Diffusion of Multiple Corporate Governance Practices. *Academy of Management Journal*, 53(4), 846–864. <https://doi.org/10.5465/amj.2010.52814614>
- Simon, H. A. (Herbert A., 1916-2001. (1945). Administrative behavior: A study of decision-making processes in administrative organization. By Herbert A. Simon. In *Administrative behavior: A study of decision-making processes in administrative organization*. By Herbert A. Simon. Macmillan.
- Soule, S. A. (1997). The Student Divestment Movement in the United States and Tactical Diffusion: The Shantytown Protest. *Social Forces*, 75(3), 855–882. JSTOR. <https://doi.org/10.2307/2580522>
- Spierings, M. (2022, November 27). Linking Executive Compensation to ESG Performance. *The Harvard Law School Forum on Corporate Governance*. <https://corpgov.law.harvard.edu/2022/11/27/linking-executive-compensation-to-esg-performance/>
- Tavory, I., & Timmermans, S. (2014). *Abductive Analysis: Theorizing Qualitative Research*. University of Chicago Press.
- The Charles Schwab Corporation. (2021, January 13). *Schwab to Discontinue its Political Action Committee*. Schwab Brokerage. <https://www.aboutschwab.com/story/schwab-to-discontinue-its-PAC>
- The Coca-Cola Company. (2022). *2022 Business & Sustainability Report*. 2022 Business & Sustainability Report. <https://www.coca-colacompany.com/content/dam/company/us/en/reports/coca-cola-business-sustainability-report-2022.pdf>
- Thompson, J. D. (1967). Organizations in action ; social science bases of administrative theory. In *Organizations in action ; social science bases of administrative theory*. McGraw-Hill.
- Thompson, J. D., & McEwen, W. J. (1958). Organizational Goals and Environment: Goal-Setting as an Interaction Process. *American Sociological Review*, 23(1), 23–31. <https://doi.org/10.2307/2088620>
- Thornton, P. H., & Ocasio, W. (1999). Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958– 1990. *American Journal of Sociology*, 105(3), 801–843. <https://doi.org/10.1086/210361>
- Thornton, P. H., Ocasio, William., & Lounsbury, Michael. (2012). The institutional logics perspective: A new approach to culture, structure and process. In *The institutional logics perspective: A new approach to culture, structure and process* (Vols. 1–xiv, 234 p. ;). Oxford University Press. U-M Catalog Search.
- Tinsley, C. H., Wade, J. B., Main, B. G. M., & O'Reilly, C. A. (2017). Gender Diversity on U.S. Corporate Boards: Are We Running in Place? *ILR Review*, 70(1), 160–189. <https://doi.org/10.1177/0019793916668356>

- Tomz, M., King, G., & Zeng, L. (2003). ReLogit: Rare Events Logistic Regression. *Journal of Statistical Software*, 8(2), 1–27. <https://doi.org/10.18637/jss.v008.i02>
- Vogel, D. J. (2005). Is There a Market for Virtue?: The Business Case for Corporate Social Responsibility. *California Management Review*, 47(4), 19–45. <https://doi.org/10.1177/000812560504700401>
- Weick, K. E. (1995). *Sensemaking in Organizations*. Sage.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180. <https://doi.org/10.1002/smj.4250050207>
- Westphal, J. D., & Zajac, E. J. (1994). Substance and Symbolism in CEOs' Long-Term Incentive Plans. *Administrative Science Quarterly*, 39(3), 367–390. <https://doi.org/10.2307/2393295>
- Westphal, J. D., & Zajac, E. J. (1998). The Symbolic Management of Stockholders: Corporate Governance Reforms and Shareholder Reactions. *Administrative Science Quarterly*, 43(1), 127–153. <https://doi.org/10.2307/2393593>
- Williams, K. Y., & O'Reilly III, C. A. (1998). Demography and Diversity in Organizations: A Review of 40 Years of Research. *Research in Organizational Behavior*, 20, 77–140.
- Xiao, E., & Temple-West, P. (2023, August 27). Investors warn 'fluffy' ESG metrics are being gamed to boost bonuses. *Financial Times*. <https://www.ft.com/content/25aed60d-1deb-4a41-8f39-00c92702b663>
- Yue, L. Q., Rao, H., & Ingram, P. (2013). Information Spillovers from Protests against Corporations: A Tale of Walmart and Target. *Administrative Science Quarterly*, 58(4), 669–701. <https://doi.org/10.1177/0001839213511243>
- Zajac, E. J., & Westphal, J. D. (2004). The Social Construction of Market Value: Institutionalization and Learning Perspectives on Stock Market Reactions. *American Sociological Review*, 69(3), 433–457. <https://doi.org/10.1177/000312240406900306>
- Zhang, J., & Luo, X. R. (2013). Dared to Care: Organizational Vulnerability, Institutional Logics, and MNCs' Social Responsiveness in Emerging Markets. *Organization Science*, 24(6), 1742–1764. <https://doi.org/10.1287/orsc.1120.0813>
- Zhang, M., Briscoe, F., & DesJardine, M. R. (2023). Corporate Boards with Street Smarts? How Diffuse Street Protests Indirectly Shape Corporate Governance. *Administrative Science Quarterly*, 68(4), 1056–1093. <https://doi.org/10.1177/00018392231199717>