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Serving differently: CEO regulatory focus and firm stakeholder strategy

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Abstract

Research summary: A fundamental question in stakeholder strategy research is why firms adopt certain strategies or approaches to engage with key stakeholders. Recent research suggests that CEOs' characteristics can influence their general decisions to engage with stakeholders, however, this work has yet to consider why CEOs might utilize specific stakeholder strategies. In this article, we demonstrate how CEO regulatory focus influences the nature of a firm's stakeholder strategy. Specifically, we argue that CEO prevention focus is positively associated with engagement in governance-oriented initiatives and receptivity to governance-oriented stakeholder activism, while CEO promotion focus is positively associated with engagement in socially-oriented initiatives and receptivity to socially-oriented stakeholder activism. We find strong support for our hypotheses in a sample of 374 publicly-traded firms.

Managerial summary: The strategies a firm uses to engage with stakeholders can influence its performance, yet little is known about what makes firms focus on certain stakeholders over others. To better understand this, we examined CEO regulatory focus in a sample of large public companies. Our findings reveal that the way CEOs view decisions—either based on a sense of duty, obligations, and responsibility or as a means to achieve high ideals—influences their tendency to prioritize shareholder concerns or the concerns of a broader array of stakeholders. This suggests that executives should be aware of their own natural tendencies to inject their motivations into their firm's stakeholder strategy and consider avenues to balance their perspectives for the sake of the firm.

KEYWORDS

CEO decision-making, corporate social responsibility, regulatory focus theory, stakeholder strategy, upper echelons theory

1 | INTRODUCTION

Research in strategic management has long recognized the importance of engaging with key stakeholders (Bundy, Vogel, & Zachary, 2018; Freeman, 1984; Harrison, Bosse, & Phillips, 2010; Jones, 1995) and has often attempted to understand the factors that shape firms' *stakeholder strategies*—the sets of plans and actions used to engage with stakeholders in the pursuit of positive shared value (Bundy, Shropshire, & Buchholtz, 2013; Durand, Hawn, & Ioannou, 2019; Mitchell, Agle, & Wood, 1997). As part of this effort, recent research has drawn on upper echelons theory (Hambrick & Mason, 1984) to focus on the role of the CEO. For example, research in this tradition has considered certain individual-level factors that influence CEOs' decisions to engage with stakeholders—including political and social ideology (Chin, Hambrick, & Trevino, 2013; Hafenbrädl & Waeger, 2017), commitment to ethics (Bansal & Roth, 2000; Muller & Kolk, 2010), hubris (Tang, Qian, Chen, & Shen, 2015), and narcissism (Petrenko, Aime, Ridge, & Hill, 2016; Tang, Mack, & Chen, 2018).

While important, much of the work on the role of the CEO in stakeholder strategy is general and considers the decision of whether to engage with stakeholders in a very broad sense. Research has yet to seriously consider how and why CEOs might pursue more specific stakeholder strategies reflecting unique priorities and goals. This omission is critical, as the pursuit and scope of stakeholder strategies can vary greatly, ranging from being narrowly focused on one or a few stakeholders to being more widely focused on a diverse set of stakeholders (Agle, Mitchell, & Sonnenfeld, 1999; Freeman, 1984). Indeed, due to the tenuous and uncertain relationship between stakeholder strategy and firm performance (e.g., Garcia-Castro & Francoeur, 2016; Hafenbrädl & Waeger, 2017), no consensus stakeholder strategy has emerged, and debate persists regarding how firms should best engage with stakeholders (Khurana, 2007; Stout, 2012). It also means that we know relatively little about why CEOs pursue and implement different stakeholder strategies.

The primary goal of our study is to build and test theory that investigates whether CEOs influence the nature of a firm's stakeholder strategy. In considering the various CEO characteristics that might influence such a strategy, one, in particular, stands out: regulatory focus.

Regulatory focus theory argues that people are jointly motivated through two independent self-regulatory systems: a promotion focus and a prevention focus (Higgins, 1997). Individuals high in promotion focus are driven by desirable end-states—based on ideals and what *could* be (Lanaj, Chang, & Johnson, 2012). In contrast, people high in prevention focus seek to avoid undesirable end-states—based on "oughts" and what *should* be (Lanaj et al., 2012). Both promotion focus and prevention focus independently shape inclinations of how people are motivated to pursue goals but do so through very different strategic means (Brockner, Higgins, & Low, 2004; Crowe & Higgins, 1997; Lanaj et al., 2012). Thus, regulatory focus is not simply about which people will take action (e.g., the general decision to engage with stakeholders), but also about what types of specific actions people will take (e.g., the specific stakeholder strategies that will be employed).

Building on this, we believe CEO regulatory focus shapes the specific nature of a firm's stakeholder strategy. Drawing from the literature surrounding shareholder—versus stakeholder—primacy (e.g., Freeman, Wicks, & Parmar, 2004; Sundaram & Inkpen, 2004), and from research on how shifting logics shape the way corporate leaders view the firm (Ioannou & Serafeim, 2015), we recognize two ways in which CEOs might approach a stakeholder strategy: a *governance-oriented strategy* and a *socially-oriented strategy*. Governance-oriented stakeholder strategies reflect an agency logic (Bednar, 2012; Westphal & Graebner, 2010; Zajac & Westphal, 2004), emphasizing accountability to shareholders and the avoidance of costs associated with the separation of ownership and control. Socially-oriented stakeholder strategies reflect a broader stakeholder logic (Ioannou & Serafeim, 2015) to promote positive social and environmental wellness initiatives usually tied to a wider breadth of stakeholders (e.g., employees, communities, and the environment).

We argue that CEO prevention focus—which emphasizes obligations and "ought" goals—will be associated with an inclination toward governance-oriented strategies that protect shareholders and reducing agency costs, while CEO promotion focus—which emphasizes opportunities and "ideal" goals—will be associated with an inclination toward socially-oriented strategies that benefit a range of constituents. We test our hypotheses on a longitudinal sample of 374 large U.S. firms and consider how CEOs both proactively implement positive stakeholder initiatives and reactively respond to stakeholder activism, finding strong support for our theory.

We make several key contributions to strategic leadership and stakeholder strategy research. First, we provide evidence that attributes of CEOs—and specifically those related to their regulatory foci—influence the specific orientation of their firms' stakeholder strategies; an important refinement to our understanding of firm-stakeholder interactions, which is only beginning to consider the influence of top executives. In this manner, we also offer an important complement to recent work that advances a relatively calculated and strategic portrayal of stakeholder strategy decisions (e.g., Bundy et al., 2013; Durand et al., 2019) by presenting theory and empirical evidence demonstrating that a firm's stakeholder strategy is also grounded in the motivational tendencies of CEOs. Second, our study provides evidence that there are important nuances to consider in firms' stakeholder strategies. Most prior research investigating the role of CEOs considers all stakeholder strategies collectively, typically lumping governance-oriented strategies along with broader socially-oriented strategies (e.g., Tang et al., 2018), or, in some cases, excluding governance-oriented strategies altogether (e.g., Chin et al., 2013). This work neglects the fact that different stakeholder strategies may appeal to different CEOs. Our findings suggest that CEOs high in prevention focus engage in more governance-oriented stakeholder strategies while CEOs high in promotion focus engage in more socially-oriented stakeholder strategies. Finally, we contribute to research on CEO regulatory focus by expanding our understanding of its influence on firm outcomes. In particular, we move beyond a focus on risk-taking and growth tendencies that has characterized prior work (e.g., Gamache, McNamara, Mannor, & Johnson, 2015; Tuncdogan, van den Bosch, & Volberda, 2015) to emphasize regulatory focus' equally important connection with ideals, perceived duties, and responsibilities (Kark & Van Dijk, 2019). Our findings suggest that regulatory focus shapes the fundamental worldview of CEOs, as reflected in the approaches they adopt when engaging with stakeholders.

2 | THEORY AND HYPOTHESES

2.1 | Stakeholder strategy

A firm's stakeholder strategy captures the plans and actions used to engage with stakeholders in the pursuit of positive shared value (Freeman, 1984).[1] The nature of a stakeholder strategy is manifest and primarily varies based on the scope or general orientation of its stakeholder engagement efforts (e.g., governance- and socially-oriented). For example, in his stakeholder approach to strategic management, Freeman (1984) recognized several generic stakeholder strategies that an organization may pursue, often depending on different moral or normative schema.

Key differences among stakeholder strategies are rooted in the stakeholder theory and institutional corporate governance literatures. In stakeholder theory, there exists a long-held discussion surrounding the narrow primacy of shareholders versus the broader primacy of stakeholders in firm strategy (Freeman, 1984; Hillman & Keim, 2001; Jensen, 2002; Karnani, 2011; Stout, 2012). In general, those advocating for shareholder primacy argue for strictly financial fiduciary duties and an overt focus on creating shareholder value, while those advocating for stakeholder primacy recognize moral and normative claims beyond those of owners (Khurana, 2007; Margolis & Walsh, 2003; Stout, 2012; Sundaram & Inkpen, 2004).

This primacy discussion coincides with research documenting the rise of cognitive and institutional logics that may uniquely shape how managers engage with stakeholders (Bednar, 2012; Davis & Thompson, 1994; Ioannou & Serafeim, 2015; Westphal & Bednar, 2008). Logics represent the "sets of assumptions, beliefs, values, and rules by which individuals… interpret organizational reality and what constitutes appropriate behavior" (Thornton & Ocasio, 1999, p. 804; Zajac & Westphal, 2004). In particular, this research has identified the historical dominance of an "agency logic," through which firms and managers have increasingly faced pressure to adopt the practices endorsed by agency theory, including the primacy of shareholders and the minimization of agency costs (Bednar, 2012; Ioannou & Serafeim, 2015; Westphal & Graebner, 2010; Zajac & Westphal, 2004). In addition to the agency logic, however, researchers have recognized a growing "stakeholder logic," which accepts the broader engagement of non-shareholding stakeholders as "a legitimate part of corporate strategy" in the eyes of both shareholders and other influential firm constituents (Herremans, Hershcovis, & Bertels, 2009; Ioannou & Serafeim, 2015, p. 1058).

[1]Stakeholder strategy is sometimes referred to as corporate social responsibility (CSR) or corporate social performance (CSP). We use the term stakeholder strategy as it more fully captures the breadth of the construct, including both proactive and reactive responsiveness to a wide range of primary and secondary stakeholder issues.

Thinking more specifically about how such beliefs might translate into action, we argue that CEOs emphasizing the agency logic and the primacy of shareholders are likely to undertake *governance-oriented stakeholder strategies* that work to avoid the traditional costs associated with the separation of ownership and control (Freeman et al., 2004; Sundaram & Inkpen, 2004). Such strategies focus on adopting an array of agency-derived governance prescriptions, including limiting top management compensation, increasing decision-making transparency, and managing risks through strong governance structures. Conversely, we argue that CEOs emphasizing the stakeholder logic and the pursuit of value for an array of stakeholders are likely to undertake *socially-oriented stakeholder strategies*—such as engaging in corporate philanthropy, showing concern for employee and consumer welfare beyond what is required by law, and prioritizing environmental sustainability (David, Bloom, & Hillman, 2007; Freeman, 1984).

Of course, firms are capable of utilizing governance-oriented strategies and socially-oriented strategies simultaneously, even if drawing from different logics to justify each (e.g., Ioannou & Serafeim, 2015; Phillips, Freeman, & Wicks, 2003). As a result, CEOs have choices in how they might pursue their stakeholder strategies. Some CEOs may engage in more governance-oriented strategies, others more socially-oriented strategies, while others still might engage in high (or low) levels of both strategies. Regulatory focus theory specifically considers the nature and direction of the goals people are motivated to pursue. In this vein, CEO promotion focus and CEO prevention focus are likely to shape the degree to which CEOs pursue different stakeholder strategies.

2.2 | Regulatory focus theory

Regulatory focus theory suggests that people are motivated to pursue goals through two internal mechanisms: a promotion focus and a prevention focus (Higgins, 1998; Lanaj et al., 2012). Someone high in promotion focus will pursue goals based on a striving toward "ideals" or what "could" be (Higgins, Shah, & Friedman, 1997). A promotion focus is associated with a desire to ensure hits, insure against errors of omission, and the tendency to view situations in a gain/non-gain frame (Crowe & Higgins, 1997; Higgins, 1997). In this way, people high in promotion focus "'keep their head in the sky'—thinking about their ideal self, hopes and wishes" (Kark & Van Dijk, 2019, p. 509). Alternatively, someone high in prevention focus will pursue goals based on a striving toward their "ought self" or who they "should" be based on a sense of duty and responsibility (Crowe & Higgins, 1997). A prevention focus is associated with the desire to ensure correct rejections, avoid committing errors, and the tendency to view situations in a loss/non-loss frame (Higgins, 1997). In this way, people high in prevention focus "'keep their feet on the ground'—thinking about their ought self with its demands, expectations and requirements" (Kark & Van Dijk, 2019, p. 509).

Promotion focus and prevention focus are coexisting and independent; they are driven by different neurocognitive systems and have only a low correlation to each other making it possible for people to be high in one, both, or neither foci (Johnson, Chang, Meyer, Lanaj, & Way, 2013; Lanaj et al., 2012). Within a specific context (i.e., work; Lanaj et al., 2012), regulatory focus is generally stable over time. Importantly, regulatory focus is a considered a motivational orientation, and thus reflects individuals' "strategic inclination" toward the achievement of goals, as opposed to capturing more general dispositions (Crowe & Higgins, 1997, p. 117). As such, regulatory focus has a more proximal influence on behavior than personality traits (e.g., extraversion) and self-concept constructs (e.g., hubris, narcissism). Indeed, psychology researchers note that regulatory focus has a more direct effect on work performance (including the ability to innovate) than extraversion, conscientiousness, and other dispositional characteristics (Lanaj et al., 2012). As such, both promotion and prevention focus can be associated with successful goal achievement but do so through different strategic means (Brockner & Higgins, 2001; Higgins, 1997); regulatory focus leads different individuals to set different goals and use different strategies and tactics to achieve those goals (Burmeister-Lamp, Lévesque, & Schade, 2012; Kammerlander, Burger, Fust, & Fueglistaller, 2015).

Among CEOs, both promotion focus and prevention focus can have implications for the firm, including on the nature and form of certain strategies (e.g., Das & Kumar, 2011; Gamache et al., 2015; Kammerlander et al., 2015; McMullen, Shepherd, & Patzelt, 2009; Tuncdogan et al., 2015; Wallace, Little, Hill, & Ridge, 2010). We extend this research by examining the influence of CEO regulatory focus on a multifaceted strategic initiative—stakeholder strategy—and the unique means by which such strategies can be achieved. In developing our hypotheses, we recognize that CEOs can pursue their stakeholder strategies in two primary ways: by proactively dedicating resources toward stakeholder *initiatives*, largely done at their own directive, or reactively responding to stakeholder *activism*, largely as the result of explicit pressure (David et al., 2007; Goranova & Ryan, 2014). Unlike most prior work, we examine both ways of engaging with stakeholders. Additionally, it may seem natural and intuitively appealing to conjecture that CEOs high in promotion focus will generally engage in more stakeholder initiatives and will be more responsive to activism (all seen as potential opportunities), and that CEOs high in prevention focus will generally engage in fewer initiatives and will be less responsive to activism (all seen as potential risks or threats). Alternatively, some may assume that CEOs with a high promotion focus will be more proactive and emphasize investments in stakeholder initiatives, while CEOs high in prevention focus will be more reactive and primarily act by responding to stakeholder activism. Our theory, however, suggests a more nuanced account. We argue that CEO prevention and promotion focus will influence the emphasis on governance- and socially-oriented strategies in *both* proactive and reactive ways, although for different reasons. Finally, it is important to note that our primary interest is in how CEOs deliberately seek to engage with stakeholders to "do good things" and create positive relationships—rather than on avoiding or repairing harm. This is consistent with the idea that the decision to "do good" is fundamentally different than the decision to "avoid harm" (Kölbel, Busch, & Jansco, 2017; Tang et al., 2015).

2.3 | CEO prevention focus

Applying regulatory focus theory to stakeholder strategy, we first argue that CEO prevention focus will motivate CEOs to proactively utilize governance-oriented initiatives. Central to a prevention focus is the "ought self" which inspires a strong sense of duty, obligation, and responsibility (Förster, Higgins, & Bianco, 2003). CEOs high in prevention focus, therefore, are motivated to live up to this sense of duty and obligation (Kammerlander et al., 2015; Kark & Van Dijk, 2019). Arguments promoting an agency logic and shareholder-primacy are reflected heavily in business school education, in social norms across corporate America, and in the popular and business press (Bednar, 2012; Hafenbrädl & Waeger, 2017; Ioannou & Serafeim, 2015; Khurana, 2007; Margolis & Walsh, 2003). Indeed, Bednar recently noted that, "principles of agency theory have become the dominant lens through which corporate governance is viewed" and that "the practices endorsed by agency theory have become synonymous with 'good governance'" (2012, pp. 131–132). Given this noted dominance, the highest obligation and driving motivating force for CEOs high in prevention focus is likely to be a sense of duty and obligation to the shareholders (Kammerlander et al., 2015). CEOs with a high prevention focus are likely to feel that they have been entrusted with the leadership of the firm and have a high sense of responsibility toward maintaining that trust (Gamache et al., 2015). Therefore, when CEOs with a high prevention focus consider what they "ought" to do, it will naturally translate into a greater emphasis on initiatives and arrangements that satisfy their felt obligation to put the shareholder first. Indeed, at the most basic level, this obligation to shareholders is likely to be the primary goal of CEOs high in prevention focus (Kammerlander et al., 2015). Further, the sense of duty associated with prevention focus is likely to be accompanied by a desire for high levels of accountability (Johnson, Smith, Wallace, Hill, & Baron, 2015). As such, CEO prevention focus relates to an emphasis on agency-prescribed governance-oriented initiatives because these coincide with their desires to clearly and visibly display accountability to shareholders.

Additionally, people high in prevention focus have a tendency to worry about "what might happen" and, as such, work to prepare for the worst with an emphasis on preventing mistakes (Halvorson & Higgins, 2013; Johnson et al., 2015). One way for CEOs to protect against mistakes is by ensuring that the board is equipped to monitor their activities and provide advice (Sonnenfeld, Kusin, and Walton, 2013). This monitoring is consistent with both the prevalent agency logic and the prevention-focused desire for vigilance against possible dangers (Förster et al., 2003; Förster & Higgins, 2005). Similarly, a prevention focus is associated with an emphasis on safety and security (Crowe & Higgins, 1997). Good governance practices, including a vigilant and resourceful board combined with well-designed policies, are devised to protect shareholders by preventing managerial opportunism and ensuring responsible strategic decision-making (Daily, Dalton, & Cannella, 2003; Sonnenfeld et al., 2013). CEOs high in prevention focus are thus likely to implement initiatives that reduce agency costs; for instance, through improved monitoring and communication with the board of directors and shareholders. Further, CEOs high in prevention focus are likely sensitive to the potential downside risks associated with not upholding agreed-upon standards of "good governance" as exemplified in popular governance-oriented initiatives.

Finally, a prevention focus is associated with an emphasis on rules and a need for accuracy (Förster et al., 2003; Förster & Higgins, 2005). Governance-oriented initiatives provide CEOs with a high prevention focus some assurances that rules and systems are in place to protect the company's owners. Further, these systems are likely to provide accountability throughout the organization and a greater sense of confidence in the accuracy and transparency of decision-making and financial reporting. Therefore, because of their strong sense of duty, obligation, and responsibility, combined with their desire for accuracy, we believe that CEOs high in prevention focus are likely to engage in governance-oriented stakeholder initiatives.

Hypothesis (H1). *CEO prevention focus will be positively associated with engagement in governance-oriented initiatives.*

While CEOs high in prevention focus are likely to engage in governance-oriented initiatives, they will not be immune from dealing with governance-oriented activism. Governance-oriented activism encompasses issues raised by stakeholders that are geared toward encouraging management to adopt certain governance policies and practices; the overall intention usually being to improve firm governance for the benefit of its shareholders (Goranova & Ryan, 2014). We argue that CEO prevention focus will be reflected in a more receptive stance toward governance-oriented activism. One reason for this is that governance-oriented proposals are likely to align well with how CEOs with a high prevention focus view the purpose of the firm. For example, governance issues are generally brought forward as ways to increase management accountability, reduce agency costs, and enhance the security and safety of shareholders (Gillan & Starks, 2000). This type of activism is likely to match with the natural inclinations of CEOs with a high prevention focus. Consistent with this, Bundy et al. (2013) argued that CEOs will be more responsive to stakeholder issues that are perceived to resonate with their strategic goals and social values.

Further, because a prevention focus is associated with a focus on safety and security (Förster et al., 2003), CEOs with a high prevention focus are likely to see governance-oriented activism as a serious threat that needs to be addressed. In particular, they are likely to see these challenges as a sign that their primary stakeholder—the shareholder—is feeling insecure. Because CEOs high in prevention focus view harmony with shareholders as their desired goal (Kammerlander et al., 2015), governance-oriented activism is likely to prompt a concern that they are not achieving this minimum standard. As such, in an effort to maintain the trust of shareholders, CEOs high in prevention focus are likely to be receptive to such activism. In sum, because governance-oriented activism is likely to align with how high prevention-focused CEOs see the purpose of the firm, and because these CEOs will want to avoid the perceived threat associated with such activism, CEOs with a high prevention focus are likely to be receptive to governance-oriented activism.[2]

Hypothesis (H2). *CEO prevention focus will be positively associated with receptivity to governance-oriented activism.*

2.4 | CEO promotion focus

Drawing on regulatory focus theory, we argue that CEO promotion focus will be associated with a broader stakeholder logic and a proactive emphasis on socially-oriented initiatives. Central to a promotion focus is the "ideal self" which inspires high aspirations and goals (Friedman & Förster, 2005; Higgins, 1997). People high in promotion focus utilize global information processing resulting in a broad scope of attention (Förster & Higgins, 2005). As such, CEOs high in promotion focus are likely to have a broad set of ideal goals for the company that includes but extends beyond financial performance, allowing for consideration of a wide range of social objectives (Agle et al., 1999; Chin et al., 2013). Indeed, a promotion focus is associated with "maximal goals" which are ideal goals that one hopes to achieve (Idson, Liberman, & Higgins, 2000; Kammerlander et al., 2015). As a result, CEOs high in promotion focus will likely aspire to achieve a wide range of goals—thinking that aligns well with the stakeholder logic. A CEO with a high promotion focus, therefore, may set and pursue big-picture goals and ideals consistent with a broad set of socially-oriented initiatives. In this way, socially-oriented

[2]Of note, we do not make specific predictions for the relationship between CEO prevention focus and socially-oriented initiatives or activism. Similarly, below, we do not make specific predictions for the relationship between CEO promotion focus and governance-oriented initiatives or activism. There are a number of conflicting factors that make these relationships unclear. Please see our Supplemental and Robustness Analyses section below for a detailed discussion of this issue and exploratory testing of these relationships.

initiatives are likely perceived as opportunities to go above and beyond stakeholder expectations and fulfill the "ideal self" goals of CEOs high in promotion focus.

A promotion focus is also associated with an enthusiasm for goals that are temporally distant (Kammerlander et al., 2015; Pennington & Roese, 2003). Similarly, a stakeholder orientation is associated with a long-term time horizon as many of the socially-oriented initiatives that CEOs may choose to invest in have more distal time frames to achieve their desired outcomes (e.g., environmental goals), including some long-term financial benefits that may ensue (Eccles, Ioannou, & Serafeim, 2014). Further, individuals high in promotion focus tend to consider a wide range of strategic options, are explorative in nature, and are open to new opportunities (Friedman & Förster, 2005). Therefore, CEOs high in promotion focus are likely to pay attention to—and look favorably on—a broad range of social initiatives, even if they may represent long-term objectives.

Additionally, although the financial benefits of socially-oriented initiatives may be uncertain, the optimistic nature associated with a promotion focus (Halvorson & Higgins, 2013) will lead CEOs high in promotion focus to expect positive outcomes from such strategies and make them less likely to fixate on potential losses (Johnson et al., 2015). People high in promotion focus also emphasize achievement, take pride in accomplishments (Higgins, 1997; Higgins et al., 2001), and are willing to use multiple strategies for success (Lockwood, Jordan, & Kunda, 2002). As a result, CEOs high in promotion focus are likely to be optimistic about the positive contributions of a wide range of socially-oriented stakeholder initiatives. Finally, because people with a high promotion focus tend to "insure against errors of omission" (Crowe & Higgins, 1997, p. 117), these CEOs will be driven to "go-for-it" and will be proactive in trying many of these initiatives thus fulfilling their desire to not miss out on any possibly beneficial opportunity. In summary, regulatory focus theory argues that people high in promotion focus emphasize "ideal" goals and optimistically pursue these goals across a broad range of potential opportunities. This is likely to manifest itself in the implementation of a broad set of social initiatives consistent with a stakeholder logic.

Hypothesis (H3). *CEO promotion focus will be positively associated with engagement in socially-oriented initiatives.*

Although we anticipate that CEOs high in promotion focus will proactively invest in socially-oriented initiatives, they may still have to contend with socially-oriented activism. Socially-oriented activism encompasses issues brought forth by stakeholders that are geared toward encouraging management to adopt certain policies and practices related to environmental, community, consumer, or employee well-being. We argue that CEOs high in promotion focus will be receptive toward socially-oriented activism. Given that a promotion focus is associated with openness to new ideas and opportunities (Halvorson & Higgins, 2013), and aligns with a stakeholder logic (Ioannou & Serafeim, 2015), CEOs with a high promotion focus are likely to perceive socially-oriented activism as an opportunity to reach their broad range of goals and the "ideals" they strive for. A promotion focus is also associated with the willingness to change and "deviate from established paths" (Kammerlander et al., 2015, p. 586). In this vein, stakeholder concerns may present novel scenarios through which CEOs with a high promotion focus can accomplish complementary goals (e.g., Goranova & Ryan, 2014; McDonnell, King, & Soule, 2015). While accommodating such demands often entails substantial policy and practice changes, doing so fulfills these CEOs' desire to capitalize on opportunities that might distinguish the firm from competitors.

Further, many stakeholder activists present their demands in reformative and pragmatic ways that might be seen as mutually beneficial to the firm and the stakeholder in question (Bridoux & Stoelhorst, 2014; den Hond & de Bakker, 2007). Because CEOs with a high promotion focus will not want to miss opportunities (Crowe & Higgins, 1997), their natural tendency will be to respond affirmatively to such proposals. Indeed, prior theory suggests that stakeholder issues categorized as opportunities by the CEO are more likely to receive a positive and substantial response (Bundy et al., 2013; Waldron, Navis, & Fisher, 2013). Thus, rather than risk missing an opportunity for success—an error of omission—CEOs high in promotion focus are likely to respond positively to these stakeholder proposals. Consistent with these arguments and given the expected predisposition toward socially-oriented initiatives as outlined above, socially-oriented activism may provide CEOs high in promotion focus with an additional outlet through which to pursue diverse opportunities, resulting in a tendency to positively respond to such proposals.

Finally, a promotion focus is associated with eagerness, optimism, and a focus on positive outcomes (Friedman & Förster, 2005). As such, when CEOs high in promotion focus consider socially-oriented activism, they are likely to focus on the potential for positive value while being less swayed by the potential downsides (Johnson et al., 2015). In sum, as a result of their tendency to view stakeholder initiatives as opportunities, their desire to avoid errors of omission, and their tendency to respond to ideas with eagerness, optimism and a focus on positive outcomes, CEOs with a high promotion focus are likely to be receptive to socially-oriented stakeholder demands.

Hypothesis (H4). *CEO promotion focus will be positively associated with receptivity to socially-oriented activism.*

3 | METHODS

We drew our sample from firms listed in the S&P 500 at the start of 2006. We collected data for each of these 500 firms from 2005 through 2013 or until the company was acquired, went private, or otherwise ceased operating. We selected the 2005–2013 timeframe because the breadth of economic conditions ensures that our outcomes are generalizable throughout the economic cycle. Further, our primary data set for capturing stakeholder initiatives, KLD, was acquired by MSCI in 2014, and thus created a natural break for the sample ending in 2013. We also conducted several robustness tests to confirm that our results were not driven by our sample frame (e.g., dropping the first year; dropping the last year; adding an additional first year). All results were consistent with those presented below.

To test our hypotheses, we assembled a unique data set from a number of sources, including KLD, ISS (formerly RiskMetrics), Compustat, Execucomp, I/B/E/S, and Thomson Reuters. Further, we collected CEOs' letters to shareholders through online aggregators of annual reports including Mergent Online, Thomson One, and by conducting specific searches of ABI/Inform and Google. Our final data set, after accounting for missing data, consisted of 2,186 observations when predicting engagement in stakeholder-focused initiatives (Hypotheses H1 and H3). Because receptivity to stakeholder activism (Hypotheses H2 and H4) could only be measured for years when a firm was the target of activism, these samples were smaller and varied based on the specific type of stakeholder activism. Our final sample size for predicting receptivity to governance-oriented stakeholder activism consisted of 810 observations while the sample for socially-oriented stakeholder activism included 540 observations.

3.1 | Dependent variables

3.1.1 | Engagement in stakeholder initiatives

We relied on ratings obtained from the KLD database to measure the proactive element of stakeholder strategy. KLD rates firms across a range of governance- and socially-oriented initiatives and is commonly used to capture a firm's stakeholder strategy based on its degree of engagement in such initiatives (Chin et al., 2013; David et al., 2007; Flammer & Kacperczyk, 2016). KLD is widely considered the best and most comprehensive data source available for measuring stakeholder actions (e.g., Barnett & Salomon, 2012; Garcia-Castro & Francoeur, 2016; Petrenko et al., 2016; Tang et al., 2015) and is used by both the academic and investment communities, thus allowing our findings to be understood outside of academic circles (Chatterji & Toffel, 2016; Chin et al., 2013).

Based on our theory, we separated each firm's governance strengths score from its social strengths score (Capelle-Blanchard & Petit, 2017). As a result, *engagement in governance-oriented initiatives* was the total number of strengths a firm scored in KLD's corporate governance category. KLD corporate governance strengths capture efforts to address agency issues between owners and managers (Husted, Jamali, & Saffar, 2016) and is calculated based on eight different components (MSCI, 2015). We measured *engagement in socially-oriented initiatives* as the sum of the total strengths KLD reports across the following categories: community, diversity, employee relations, environment, and human rights (Husted et al., 2016). Following prior research, we excluded the KLD category "Products," because these actions "are tied more directly to economic value than other issue areas" (Capelle-Blanchard & Petit, 2017; Husted et al., 2016, p. 2057). In supplemental analysis, we retained the "Products" category and found consistent results. For both the governance-oriented and socially-oriented measures, we adjusted the total strengths score by subtracting the mean number of strengths for all firms available in each given year (Ioannou & Serafeim, 2015). Doing so allowed us to account for trends in engagement levels across our sample and for occasional changes in the factors KLD uses to capture these measures (Ioannou & Serafeim, 2015). Supplemental analyses without this adjustment, and those using alternative adjustments (e.g., Albuquerque, Koskinen, & Zhang, 2019), resulted in consistent findings.

Although KLD provided a score for both strengths and concerns, using only the strengths scores most closely aligned with our theory and avoided methodological issues associated with using both strengths and concerns in one measure (Flammer, 2015; Flammer & Kacperczyk, 2016; Flammer & Luo, 2017). Importantly, the strengths scores captured engagement in purposeful actions that were designed to create some form of positive stakeholder benefit (Husted et al., 2016; Ioannou & Serafeim, 2015). As such, we focused on firm strengths because these represent the best way to capture CEO decisions to *proactively engage* in initiatives that reflect the firm's stakeholder strategy. That is, given our theoretical interest, focusing on the strengths was an accurate assessment of which initiatives CEOs are focused on dedicating the firm's resources toward (Flammer & Luo, 2017; Husted et al., 2016; Ioannou & Serafeim, 2015). Further, using the strength scores is consistent with suggestions that social responsibility and irresponsibility are distinct constructs (Kölbel et al., 2017; Tang et al., 2015). We consider concern scores in supplemental analyses below.

3.1.2 | Receptivity to stakeholder activism

We captured receptivity to stakeholder activism using the voting status of shareholder proxy proposals, as recorded in the ISS database. Shareholders with a minimum threshold of ownership ($2,000 or 1% of shares outstanding) are permitted to submit nonbinding proposals for vote at a firm's annual meeting (Goranova & Ryan, 2014). These proposals range widely in topic, and the status of proxy proposals provides valuable evidence pertaining to the firm's receptivity to its stakeholders, broadly defined (McDonnell et al., 2015). Given the low threshold of ownership required, many proxy proposals do not come from traditional owners (e.g., those that seek to maximize long-term value). Indeed, activists frequently purchase the minimum shares required simply to utilize proxy proposals to advocate for non-shareholder-specific issues (see: McDonnell et al., 2015).

When faced with a shareholder proxy proposal, the firm has three general options in its response repertoire. The firm could be accommodative (i.e., the proposal is *withdrawn* because the firm is willing to negotiate to address the stakeholder's concerns), the firm could indicate a more neutral stance (i.e., the proposal goes to *vote* at the annual meeting), or the firm could challenge the proposal (i.e., the proposal is *omitted* via the firm's successful challenge to the SEC). Prior research has used these categories to represent decreasing levels of receptivity to a proposal (David et al., 2007; Goranova & Ryan, 2014; McDonnell et al., 2015; Rehbein, Logsdon, & Van Buren, 2013).

We constructed two receptivity variables: one focused on governance-oriented issues and the other focused on socially-oriented issues. To distinguish between proposals, we followed the ISS database classifications; governance proposals are identified by ISS as “GOV” and social proposals are identified by ISS as “SRI” (i.e., Socially Responsible Investing). Following McDonnell et al. (2015) we computed our receptivity measure using the Janis-Fadner (JF) coefficient of imbalance (Janis & Fadner, 1965). The JF coefficient is a measure that has traditionally been used to capture the overall tenor of media articles (Deephouse, 2000). Like media articles, outcomes of proxy proposals can be classified as either negative (i.e., omit), neutral (i.e., vote), or positive (i.e., withdrawn). The JF coefficient, therefore, was appropriate to measure a firm's receptivity to stakeholder activism and was computed as follows:

$$\left(P^2 - PN\right)/V^2 \text{ if } P>N; 0 \text{ if } P=N; \text{and } \left(PN - N^2\right)/V^2 \text{ if } N>P$$

where P is the number of positive response outcomes to proxy proposals, N is the number of negative responses, and V is the total number of proxy proposals submitted to the firm in a given year. Our final measures for *receptivity to governance-oriented activism* and for *receptivity to socially-oriented activism* are continuous variables ranging from −1 to 1.[3]

[3]Firms with a JF coefficient of −1 challenged all proposals in a given year, and firms with a JF coefficient of 1 agreed to implement all proposals in a given year (McDonnell et al., 2015). A value of 0 indicates that a firm either let all proposals go to vote or was evenly mixed in its receptivity. Because the JF coefficient requires the number of proposals in the denominator, firms not receiving a proposal in a given year were scored as missing values and dropped from our analyses. Our Supplemental and Robustness Analyses section details alternative specifications of this measure.

3.2 | Independent variable

3.2.1 | CEO regulatory focus

Because regulatory focus operates outside of individual awareness, it is most effectively measured with implicit or indirect measures (Johnson, Lanaj, Tan, & Chang, 2012; Johnson & Steinman, 2009). As such, to measure CEO regulatory focus, we followed prior research and used a content analysis of CEOs' annual letters to shareholders (Gamache et al., 2015). Letters to the shareholders offer a consistent, comparable, and annual form of communication ideal for longitudinal research (Eggers & Kaplan, 2009). Recent research provides compelling evidence that the CEO is the primary author of the letter, or at least is highly involved in its drafting and editing (Eggers & Kaplan, 2009; Duriau, Reger, & Pfarrer, 2007), perhaps owing in part to the fiduciary duty that CEOs have to attest to the content of the letters to the shareholders (Kaplan, 2008). For example, there are significant within-CEO similarities, as well as across-CEO differences, in the style and choice of words used in the letters (Eggers & Kaplan, 2009; Gamache et al., 2015). In fact, the words that CEOs use in the letters are very similar to the words they use in press releases, public speeches, and when answering questions in interviews (correlated at $r \geq 0.75$, Nadkarni & Chen, 2014). Further, because a leader's regulatory focus shapes the regulatory focus of followers (Johnson et al., 2017; Kark & Van Dijk, 2007), we expect that if other executives are involved in shaping the letters, the ultimate ideas and writing will still reflect the CEO's regulatory focus.

To measure CEO promotion focus and CEO prevention focus, we analyzed CEO letters to the shareholders using dictionaries that were previously developed and validated for content, convergent, and discriminant validity (Gamache et al., 2015; see our Online Appendix for the details of the validation process and the content of the dictionaries). To ensure high coding reliability we used the content analysis software Linguistic Inquiry Word Count (LIWC) (Pennebaker, Booth, & Francis, 2007; Short, Broberg, Cogliser, & Brigham, 2010). Our final measures for *CEO Promotion Focus* and *CEO Prevention Focus* are the percentage of promotion-related and prevention-related words within each letter.

3.3 | Control variables

We controlled for factors that might influence the CEO's ability to engage in stakeholder initiatives and his or her flexibility in responding to activism. At the firm level, we controlled for *firm size* by taking the log of total assets, *leverage* calculated as the debt to equity ratio, and *free cash flow* measured as operating income less taxes, interest, and dividends, all divided by shareholders equity (McNamara, Halebian, & Dykes, 2008). We controlled for *firm performance* measured using net income and for *capital* and *R&D expenditures* to account for firm spending patterns, treating R&D expenses as 0 when data were missing (Henderson, Miller, & Hambrick, 2006; Seo, Gamache, Devers, & Carpenter, 2015).

Further, because elements of a firm's KLD score may originate as responses to stakeholders' demands and vice-versa we controlled for the nature and number of shareholder proposals received by the firm in each of the respective categories in the 3 years prior to the focal year. That is, we controlled the *historical number of governance proposals* for our models predicting engagement in governance-oriented initiatives and receptivity to governance oriented activism (Hypotheses H1 and H2) and controlled for *historical number of social proposals* for our models predicting engagement in socially-oriented initiatives and receptivity to socially-oriented activism (Hypotheses H3 and H4).

It is also possible that alternative social pressures may be contributing to engagement in stakeholder initiatives. To account for this, we controlled for the percentage of shares held by *institutional investors* using data from Thomson Reuters database. If no institutional investors were reported, we assumed the number of institutional investors to be 0. Further, we accounted for the *number of stock market analysts* covering a firm, calculated from the International Brokers Estimate Systems (I/B/E/S) database. To account for whether industry conditions played a role in shaping a firm's stakeholder strategy, we controlled for three variables commonly used to measure the industry environment—*dynamism*, *munificence*, *concentration*—using the approach outlined by Dess and Beard (1984), and for the *industry average* of our respective dependent variables. Finally, to account for historic patterns within the firm and the environment, we controlled for the *respective dependent variable in the prior year* and included *year* dummy variables.

We also controlled for a range of CEO-level factors that may influence the manner in which CEOs are inclined to engage in a stakeholder strategy. We controlled for *CEO age* and *CEO tenure* (Chin et al., 2013; Petrenko et al., 2016). We also controlled for several elements of CEO compensation: *salary*, *bonus*, *options granted*, *options held*, *restricted stock held*, and *other compensation*. Lastly, to account for the CEO's ability to implement his or her desired stakeholder strategies and to account for the influence of the board of directors, we controlled for *CEO power* measured using a three-part composite measure: (a) the proportion of the directors on the board appointed by the CEO; (b) CEO tenure relative to the average tenure of all other directors; and (c) CEO duality (Seo et al., 2015; Westphal & Zajac, 2001). Each of these components was standardized and summed for our final measure of CEO power.

3.4 | Analysis

We have two distinct types of dependent variables. Our measures for engagement in governance-oriented and socially-oriented initiatives (Hypotheses H1 and H3) are continuous measures in a longitudinal panel format. As such, we analyzed this data using generalized estimating equations (GEE). GEE accounts for nonindependence across observations in the panel and accounts for expected differences relative to the population average (Ballinger, 2004; Crossland, Zyung, Hiller, & Hambrick, 2014). Our measures for receptivity to both governance-oriented and socially-oriented activism are continuous measures bounded at −1 and 1. Given the range-restriction and nonnormality of these dependent variables, we tested our hypotheses using Tobit regression which is appropriate when continuous data are restricted (Wooldridge, 2009). Additionally, because Hypotheses H2 and H4 only included observations for years when each firm was subject to at least one shareholder proposal, we did not have a panel for this analysis and instead conducted traditional Tobit regression analysis (although supplemental analyses using OLS and random-effects Tobit—treating our sample as an unbalanced panel—found consistent results). For all analyses, we clustered standard errors by firm and lagged the predictor variables 1 year.

4 | RESULTS

Descriptive statistics and inter-correlations are shown in Table 1. As noted earlier, promotion and prevention focus are independent constructs; consistent with this and other work

TABLE 1 Descriptive statistics and correlations

	Variables	Mean	*SD*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1.	Engagement in governance-oriented initiatives (t + 1)	0.16	0.57																						
2.	Engagement in socially-oriented initiatives (t + 1)	3.49	3.65	0.51																					
3.	Receptivity to governance-oriented activism (t + 1)	0.01	0.42	−0.07	−0.12																				
4.	Receptivity to socially-oriented activism (t + 1)	0.13	0.50	−0.12	−0.14	−0.06																			
5.	CEO promotion focus	1.90	0.71	−0.05	−0.08	0.08	0.03																		
6.	CEO prevention focus	0.27	0.29	0.09	0.03	0.04	−0.01	−0.16																	
7.	Firm size	9.52	1.26	0.30	0.45	−0.09	−0.14	−0.18	0.28																
8.	Leverage	3.16	32.25	−0.03	0.02	−0.01	0.01	−0.03	0.03	0.03															
9.	Free cash flow	0.10	2.25	0.01	0.05	0.04	0.00	0.00	−0.01	0.00	0.63														
10.	Firm performance	1,590.51	3,635.32	0.27	0.36	−0.06	−0.13	−0.02	0.06	0.51	−0.01	0.00													
11.	Capital expenditures	1,312.73	2,940.00	0.23	0.30	−0.06	−0.13	−0.05	0.05	0.54	−0.01	0.00	0.67												
12.	R&D expenditures	484.32	1,300.35	0.35	0.45	−0.08	−0.10	−0.08	0.06	0.34	−0.03	0.01	0.39	0.16											
13.	Historical number of governance proposals	3.24	4.67	0.27	0.37	−0.10	−0.13	−0.09	0.08	0.52	−0.01	0.01	0.47	0.51	0.34										
14.	Historical number of social proposals	1.95	3.61	0.31	0.36	−0.09	−0.17	−0.03	0.07	0.49	−0.01	0.01	0.65	0.62	0.33	0.59									
15.	Institutional investors	46.54	14.80	−0.24	−0.38	0.05	0.15	0.08	−0.06	−0.50	0.03	−0.04	−0.41	−0.37	−0.28	−0.29	−0.36								
16.	Number of stock market analysts	17.42	7.32	0.12	0.31	−0.05	0.00	−0.15	0.03	0.34	−0.02	0.01	0.27	0.25	0.33	0.17	0.17	−0.29							
17.	Dynamism	0.04	0.05	−0.03	0.03	0.04	0.07	−0.03	−0.01	0.00	0.10	0.03	−0.02	0.00	−0.08	−0.04	−0.02	0.05	−0.10						
18.	Munificence	0.03	0.12	0.01	−0.01	−0.03	−0.04	0.02	0.01	0.04	−0.11	−0.03	0.09	0.08	0.10	0.03	0.04	−0.09	0.15	−0.38					
19.	Concentration	0.18	0.19	−0.06	0.00	0.06	0.13	0.04	−0.13	−0.11	0.05	0.02	−0.08	−0.12	−0.10	−0.07	−0.05	0.13	−0.13	0.35	−0.21				
20.	Engagement in governance-oriented initiatives (t)	0.17	0.59	0.69	0.50	−0.07	−0.13	−0.01	0.05	0.30	0.00	0.00	0.28	0.23	0.37	0.25	0.29	−0.26	0.16	−0.02	0.00	−0.06			
21.	Engagement in governance-oriented initiatives (ind. Avg.)	0.03	0.23	0.35	0.24	−0.05	−0.04	0.05	0.03	0.14	0.03	0.01	0.13	0.14	0.05	0.12	0.14	−0.11	0.04	−0.03	−0.02	0.01	0.56		
22.	Engagement in socially-oriented initiatives (t)	3.25	3.59	0.45	0.86	−0.08	−0.15	−0.09	0.02	0.44	0.01	0.03	0.38	0.29	0.47	0.35	0.35	−0.36	0.32	0.03	−0.01	0.00	0.55	0.27	
23.	Engagement in socially-oriented initiatives (ind. Avg.)	0.80	1.37	0.19	0.38	−0.03	−0.05	0.00	0.00	0.18	0.06	0.02	0.12	0.13	0.03	0.19	0.19	−0.12	−0.01	0.07	−0.09	0.20	0.25	0.44	0.46
24.	Receptivity to governance-oriented activism (t)	0.00	0.39	−0.05	−0.09	0.13	0.04	0.03	0.02	−0.07	−0.03	0.04	−0.03	−0.07	−0.09	−0.11	−0.07	0.00	−0.10	0.01	0.04	0.06	−0.07	−0.05	−0.13
25.	Receptivity to governance-oriented activism (ind. Avg.)	0.02	0.31	−0.05	−0.07	0.08	0.03	0.02	0.06	−0.05	−0.04	0.06	0.01	0.00	−0.10	−0.08	−0.02	−0.02	−0.04	0.04	0.01	0.07	−0.08	−0.07	−0.12

TABLE 1 (Continued)

	Variables	Mean	*SD*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
26.	Receptivity to socially-oriented activism (t)	0.08	0.45	−0.09	−0.06	0.05	0.22	−0.05	0.07	−0.07	0.02	0.04	−0.08	−0.09	−0.12	−0.16	−0.08	0.06	0.02	0.03	−0.01	0.03	−0.07	0.01	−0.08
27.	Receptivity to socially-oriented activism (ind. Avg.)	0.12	0.37	−0.03	−0.04	0.01	0.14	−0.10	0.08	−0.04	−0.01	0.04	−0.01	−0.01	−0.11	−0.14	−0.02	0.04	0.03	0.09	−0.04	0.03	−0.04	0.00	−0.08
28.	CEO age	56.16	6.09	0.05	0.07	0.00	0.08	−0.03	0.06	0.15	0.00	−0.01	0.05	0.09	0.01	0.07	0.07	−0.07	0.05	0.00	−0.02	−0.05	0.05	0.02	0.06
29.	CEO tenure	5.77	5.13	−0.05	−0.05	0.01	0.15	−0.08	−0.02	−0.03	−0.02	0.00	−0.02	0.01	−0.01	−0.06	−0.04	0.02	0.17	−0.02	0.00	−0.07	−0.07	−0.03	−0.05
30.	Salary ($MM)	1.09	0.39	0.27	0.32	−0.06	−0.12	−0.01	0.08	0.48	0.01	0.01	0.40	0.41	0.22	0.46	0.40	−0.28	0.14	−0.05	0.05	−0.07	0.26	0.19	0.33
31.	Bonus ($MM)	0.67	2.77	−0.02	−0.04	0.01	−0.05	−0.02	0.01	0.11	0.02	0.02	0.09	0.09	0.01	0.05	0.05	−0.06	0.08	−0.01	0.11	−0.05	−0.01	0.00	−0.04
32.	Options granted ($MM)	2.68	3.56	0.05	0.08	−0.01	−0.02	0.00	0.03	0.15	−0.03	−0.01	0.06	0.01	0.09	0.06	0.06	−0.08	0.18	−0.01	0.08	−0.02	0.06	0.01	0.08
33.	Options held ($MM)	21.95	43.21	0.01	0.02	0.05	−0.02	−0.01	0.00	0.13	−0.02	0.01	0.11	0.06	0.01	0.05	0.07	−0.08	0.17	−0.03	0.08	−0.04	0.01	−0.02	0.02
34.	Restricted stock held ($MM)	7.32	25.62	0.07	0.03	0.00	−0.02	0.03	−0.02	0.17	−0.01	0.00	0.19	0.21	0.01	0.11	0.20	−0.11	0.04	0.00	0.02	−0.03	0.06	0.00	0.02
35.	Other compensation ($MM)	0.36	0.80	0.06	0.10	−0.05	−0.06	−0.04	0.03	0.16	0.02	0.02	0.08	0.09	0.08	0.11	0.12	−0.06	0.08	−0.01	0.07	−0.03	0.08	0.02	0.09
36.	CEO power	−0.48	6.08	0.03	0.08	0.03	0.06	−0.03	0.05	0.12	0.00	0.02	0.05	0.08	0.04	0.08	0.06	−0.05	0.10	−0.01	0.02	−0.09	0.02	0.01	0.08
	Variables			**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**									
24.	Receptivity to governance-oriented activism (t)			−0.06																					
25.	Receptivity to governance-oriented activism (ind. Avg.)			−0.10	0.66																				
26.	Receptivity to socially-oriented activism (t)			−0.03	−0.03	−0.03																			
27.	Receptivity to socially-oriented activism (ind. Avg.)			−0.06	−0.02	0.08	0.70																		
28.	CEO age			0.06	0.00	0.02	0.12	0.15																	
29.	CEO tenure			−0.04	0.08	0.02	0.11	0.07	0.41																
30.	Salary ($MM)			0.21	−0.06	−0.09	−0.12	−0.16	0.18	0.08															
31.	Bonus ($MM)			−0.03	0.06	0.05	0.00	−0.07	0.13	0.12	0.06														
32.	Options granted ($MM)			−0.03	0.02	0.04	0.01	0.00	−0.04	0.00	0.20	0.10													
33.	Options held ($MM)			−0.05	0.01	0.02	0.02	0.04	0.12	0.19	0.20	0.13	0.32												
34.	Restricted stock held ($MM)			−0.01	−0.01	0.03	0.02	0.06	0.07	0.03	0.08	0.07	0.03	0.16											
35.	Other compensation ($MM)			0.03	0.04	0.05	−0.04	−0.03	0.10	0.06	0.18	0.07	0.05	0.08	0.02										
36.	CEO power			0.05	0.05	−0.03	0.07	0.04	0.36	0.69	0.19	0.10	0.04	0.20	0.08	0.08									

Note: n = 2,186. Correlations greater than |0.04| are statistically significant at $p < .05$. For variables 3, 24, and 25, n = 810. Correlations greater than |0.06| are statistically significant at $p < .05$. For variables 4, 26, and 27, n = 540. Correlations greater than |0.08| are statistically significant at $p < .05$. For correlations between variables 3, 24, 25, and 4, 26, 27, n = 347. Correlations greater than |0.10| are statistically significant at $p < .05$.

on CEO regulatory focus (Gamache et al., 2015), in our sample, they are correlated at r = −0.16.

Table 2 presents the analyses for our hypotheses. Hypothesis (H1). predicted CEO prevention focus would be positively associated with engagement in governance-oriented initiatives. Model 1 includes only our control variables; Model 2 estimates the relationship between CEO prevention focus and investments in governance-oriented stakeholder initiatives. The coefficient for CEO prevention focus in Model 2 provides support for Hypothesis (H1). ($\beta = 0.061$; $p = .001$). This finding suggests that investments in governance-oriented initiatives increase as CEO prevention focus increases. At a practical level, our regression results demonstrate that compared to a CEO with a prevention focus 1 *SD* below the mean, a CEO with a prevention focus 1 *SD* above the mean will have 24.05% greater engagement in governance-oriented initiatives.

Hypothesis (H2). predicted that CEO prevention focus would be positively associated with receptivity to governance-oriented activism. Model 5 includes only our control variables, and Model 6 estimates the predicted relationship. The coefficient for CEO prevention focus in Model 6 provides support for Hypothesis (H2). ($\beta = 0.117$; $p = .023$). This finding demonstrates that receptivity to governance-oriented stakeholder activism increases as CEO prevention focus increases. In our sample, the mean receptivity to governance-oriented activism score is 0.005, which shows that CEOs are generally neutral toward governance-oriented activism. CEOs with a prevention focus 1 SD below the mean have a receptivity score of −0.112, demonstrating that they lean negatively in their receptivity to governance-oriented activism. On the other hand, CEOs with a prevention focus 1 *SD* above the mean have a receptivity score of +0.122, showing that they lean positively in their receptivity to governance-oriented proposals.

Hypothesis (H3). predicted that CEO promotion focus would be positively associated with engagement in socially-oriented initiatives. Model 3 includes only control variables, and Model 4 estimates the relationship. The coefficient for CEO promotion focus in Model 4 provides support for our hypothesis ($\beta = 0.123$; $p = .004$). This finding demonstrates that investments in socially-oriented initiatives increase as CEO promotion focus increases. CEOs with a promotion focus 1 *SD* above the mean will have a 5.2% greater engagement in socially-oriented initiatives than a CEO with a promotion focus 1 *SD* below the mean. Given the expense involved in socially-oriented investments, a 5.2% increase in such initiatives can represent a substantial investment for the firm (e.g., Hillman & Keim, 2001; Hubbard, Christensen, & Graffin, 2017).

Hypothesis (H4). predicted that CEO promotion focus would be positively associated with receptivity to socially-oriented activism. Model 7 includes only our control variables, and Model 8 estimates the relationship between CEO promotion focus and receptivity to socially-oriented activism. The coefficient for CEO promotion focus in Model 8 is positive, but the *p*-value does not offer strong support for Hypothesis (H4). ($\beta = 0.060$; $p = .104$). We consider potential explanations for this in the discussion section below.

4.1 | Supplemental and robustness analyses

4.1.1 | Assessing potential endogeneity

To account for the potential that an omitted variable may bias our findings, we conducted a two-stage residual inclusion model for each of our hypotheses (Hausman, 1978; Terza, Basu, &

TABLE 2

	Engagement in stakeholder initiatives				Receptivity to stakeholder activism			
	Governance-oriented stakeholder initiatives		Socially-oriented stakeholder initiatives		Receptivity to governance-oriented activism		Receptivity to socially-oriented activism	
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Constant	−0.278	−0.210	−0.169	−0.670	−0.034	−0.216	−0.207	−0.350
	(0.000)	(0.008)	(0.704)	(0.158)	(0.913)	(0.508)	(0.651)	(0.455)
Firm size	0.012	0.006	0.037	0.061	−0.002	0.000	−0.019	−0.016
	(0.035)	(0.314)	(0.267)	(0.082)	(0.950)	(0.996)	(0.624)	(0.681)
Leverage	−0.001	−0.001	−0.001	−0.001	−0.001	−0.001	0.001	0.001
	(0.010)	(0.008)	(0.544)	(0.639)	(0.179)	(0.141)	(0.793)	(0.698)
Free cash flow	0.007	0.007	0.035	0.033	0.007	0.008	−0.022	−0.028
	(0.125)	(0.125)	(0.087)	(0.103)	(0.160)	(0.129)	(0.611)	(0.514)
Firm performance	0.000	0.000	−0.000	−0.000	−0.000	−0.000	0.000	0.000
	(0.657)	(0.741)	(0.106)	(0.093)	(0.214)	(0.141)	(0.869)	(0.949)
Capital expenditures	−0.000	−0.000	0.000	0.000	−0.000	−0.000	−0.000	−0.000
	(0.646)	(0.857)	(0.161)	(0.229)	(0.884)	(0.853)	(0.970)	(0.958)
R&D expenditures	0.000	0.000	0.000	0.000	−0.000	−0.000	−0.000	−0.000
	(0.193)	(0.288)	(0.400)	(0.464)	(0.355)	(0.366)	(0.861)	(0.925)
Historical number of proposals	0.001	0.001	0.018	0.018	−0.006	−0.005	−0.013	−0.014
	(0.489)	(0.481)	(0.119)	(0.131)	(0.064)	(0.070)	(0.046)	(0.036)
Institutional investors	0.001	0.000	−0.011	−0.011	0.001	0.000	0.003	0.003
	(0.211)	(0.347)	(0.000)	(0.000)	(0.679)	(0.751)	(0.201)	(0.213)
Number of stock market analysts	−0.000	−0.000	0.014	0.015	0.003	0.003	0.001	0.001
	(0.958)	(0.990)	(0.004)	(0.001)	(0.382)	(0.301)	(0.886)	(0.827)
Dynamism	0.171	0.134	0.481	0.683	0.436	0.512	0.705	0.765
	(0.221)	(0.316)	(0.540)	(0.382)	(0.315)	(0.228)	(0.412)	(0.383)

TABLE 2 (Continued)

	Engagement in stakeholder initiatives				Receptivity to stakeholder activism			
	Governance-oriented stakeholder initiatives		Socially-oriented stakeholder initiatives		Receptivity to governance-oriented activism		Receptivity to socially-oriented activism	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Munificence	0.045	0.038	−0.072	−0.088	−0.246	−0.277	−0.028	−0.037
	(0.420)	(0.474)	(0.808)	(0.767)	(0.063)	(0.035)	(0.918)	(0.893)
Concentration	−0.052	−0.036	0.134	0.089	0.084	0.093	0.383	0.376
	(0.037)	(0.136)	(0.413)	(0.588)	(0.412)	(0.369)	(0.089)	(0.097)
Industry avg.—dependent variable	−0.040	−0.038	−0.013	−0.013	−0.038	−0.048	−0.087	−0.077
	(0.177)	(0.176)	(0.610)	(0.598)	(0.672)	(0.590)	(0.555)	(0.600)
Prior year.—dependent variable	0.801	0.812	0.885	0.888	0.162	0.161	0.335	0.329
	(0.000)	(0.000)	(0.000)	(0.000)	(0.020)	(0.020)	(0.003)	(0.003)
CEO age	0.000	−0.000	0.011	0.011	0.002	0.002	0.006	0.006
	(0.901)	(0.891)	(0.031)	(0.027)	(0.632)	(0.585)	(0.330)	(0.325)
CEO tenure	−0.001	−0.001	−0.019	−0.017	−0.005	−0.004	0.019	0.019
	(0.403)	(0.553)	(0.024)	(0.042)	(0.440)	(0.597)	(0.111)	(0.108)
Salary ($MM)	0.051	0.051	0.042	0.028	0.034	0.030	−0.015	−0.022
	(0.002)	(0.001)	(0.655)	(0.759)	(0.427)	(0.467)	(0.831)	(0.758)
Bonus ($MM)	−0.001	−0.001	−0.026	−0.026	−0.001	−0.002	−0.007	−0.006
	(0.698)	(0.753)	(0.031)	(0.028)	(0.890)	(0.756)	(0.755)	(0.783)
Options granted ($MM)	−0.000	0.000	0.010	0.008	−0.006	−0.008	0.000	−0.001
	(0.979)	(0.930)	(0.333)	(0.447)	(0.139)	(0.070)	(0.966)	(0.865)
Options held ($MM)	0.000	0.000	−0.001	−0.001	0.000	0.000	−0.001	−0.001
	(0.705)	(0.721)	(0.225)	(0.255)	(0.365)	(0.259)	(0.024)	(0.025)
Restricted stock held ($MM)	0.001	0.001	0.001	0.001	0.001	0.000	0.002	0.002
	(0.000)	(0.000)	(0.506)	(0.588)	(0.385)	(0.483)	(0.057)	(0.073)

TABLE 2 (Continued)

	Engagement in stakeholder initiatives				Receptivity to stakeholder activism			
	Governance-oriented stakeholder initiatives		Socially-oriented stakeholder initiatives		Receptivity to governance-oriented activism		Receptivity to socially-oriented activism	
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Other compensation ($MM)	−0.002	−0.001	0.048	0.050	−0.026	−0.023	−0.034	−0.031
	(0.830)	(0.872)	(0.241)	(0.219)	(0.210)	(0.303)	(0.155)	(0.192)
CEO power	0.001	0.001	0.011	0.011	0.005	0.004	−0.005	−0.004
	(0.534)	(0.625)	(0.095)	(0.122)	(0.327)	(0.389)	(0.596)	(0.611)
Hypothesized variables								
CEO prevention focus	H1	0.061		−0.081	H2	0.117		0.032
		(0.001)		(0.465)		(0.023)		(0.752)
CEO promotion focus		−0.005	H3	0.123		0.060	H4	0.060
		(0.537)		(0.004)		(0.027)		(0.104)

Note: n = 2,186 for Models 1-4, n = 810 for Models 5-6, n = 540 for Models 7-8. One-tailed p-values for hypothesized relationships and two-tailed p-values for all other relationships are shown in parentheses below coefficient estimates. All models use clustered standard errors and include year dummies. [Correction added on 06 March 2020, after first online publication: table notes have been added in Table 2.]

Rathouz, 2008). In each model, the first stage predicted the independent variable using all control variables from the focal model, plus two instruments. We used two "natural" instruments that were correlated with independent variables but uncorrelated with our dependent variables (Busenbark, Lange, & Certo, 2017; Kennedy, 2006)—*firm diversification* (measured using a Herfindahl index; Arrfelt, Wiseman, McNamara, & Hult, 2015) and *CEO positive emotionality* (measured based on the valence of positive emotions expressed in the letter to the shareholders captured using LIWC's prevalidated dictionaries; Gamache & McNamara, 2019). Further, the Hansen J-test (Hansen, 1982) was not significant in any of our models providing evidence that our instrumental variables are not correlated with the error terms and thus, exogeneous ($p > .05$ for all) (e.g., Fremeth & Shaver, 2014). For each of our models, the second stage included the control variables, our independent variable, and the residuals from the first stage thus estimating a "treatment effect regression" (Rawley, Godart, & Shipilov, 2018, p. 2434). Results were consistent with our primary analyses, thus providing evidence that our findings are not being driven by an omitted variable.

Additionally, the reduced sample size for Hypotheses H2 and H4 suggests a nonrandom sample and the possibility for sample-induced endogeneity (Certo, Busenbark, Woo, & Semadeni, 2016). To test whether this was an issue in our data, we followed the steps suggested by Certo et al. (2016). We identified two exclusion restrictions (sometimes referred to as instruments: *proportion of outside directors*, and *percentage of director stock ownership*) that were significantly correlated with the likelihood of being in our sample ($p < .01$ for both instruments) but were not significantly correlated with governance-oriented receptivity or socially-oriented receptivity to stakeholder activism ($p > .05$ for both instruments). We then ran a first-stage model using these exclusion restrictions and the other variables used in our model to predict whether a firm was the target of a shareholder proxy proposal. In this first stage model, neither of our independent variables were significant predictors of being the target of the respective type of shareholder activism. Certo et al. (2016, p. 17) note that if the independent variable "is not significant in the first stage of a Heckman model… selection bias will not exist."

4.1.2 | Alternative measures for engagement in stakeholder initiatives

We also tested additional ways of measuring our dependent variables. First, to capture a broader range of governance-oriented initiatives we created a three-part composite measure. The first component of this measure was the value for KLD corporate governance strengths used in our primary analyses. Next, we included two board-level components that are reflective of the pursuit of an agency logic (Joseph, Ocasio, & McDonnell, 2014; Zajac & Westphal, 1994): the proportion of independent directors on the board, and whether the board had a "CEO-only" structure (i.e., where the CEO was the lone insider on the board). To create a composite measure, we standardized and summed these three components. Results using this measure were consistent with our primary analysis.

Additionally, we conducted supplemental analyses where we removed two KLD governance indicators that least strongly aligned with the agency logic: ownership strengths (which reflects ownership of another company cited as having an area of social strengths) and reporting quality (which reflects quality reporting of CSR and sustainability efforts). The result of our analysis when excluding these two factors was consistent with our primary analysis.

Finally, although our theoretical interest focused on how CEOs engage with stakeholders to pursue positive shared value, it is also possible that CEO regulatory focus may influence whether CEOs avoid irresponsibility toward their stakeholders. As such, we tested the influence of CEO regulatory focus on the combined total of engagement in stakeholder initiatives *and* the avoidance of irresponsibility toward stakeholders. To do this, we created two new measures: *total governance-orientation* and *total social-orientation*. Each of these measures was calculated by subtracting the annual demeaned value of governance (socially)-oriented concerns from the value of governance (socially)-oriented strengths. We then used these measures to re-test Hypotheses H1 and H3. For Hypothesis (H1)., we found that CEO prevention focus was not a significant predictor of total-governance orientation ($p = .249$). For Hypothesis (H3)., CEO promotion focus was a significant predictor of total social-orientation ($p = .007$). We consider the divergent finding for prevention focus below.

4.1.3 | Alternative measures for receptivity to stakeholder activism

We also tested three alternative methods for measuring receptivity to stakeholder activism. Firstly, we recoded our receptivity measures using a 0 for years when the firm was not a target of a shareholder proxy proposal, thus assuming neutral receptivity for firms in those years (McDonnell et al., 2015). Secondly, we recoded receptivity by carrying over a firm's past receptivity for any year where it was not a target of a shareholder proxy proposal, assuming that receptivity carries a "reputational signal" from prior years' interactions with activists (McDonnell et al., 2015, p. 661). Thirdly, we tested these hypotheses at the event-level rather than at the annual-level by creating a categorical measure of receptivity for each proposal with a 1 for a negative outcome, a 2 for a neutral outcome, and a 3 for a positive outcome (e.g., David et al., 2007). In all of these analyses, we find support consistent with our primary analysis for Hypothesis (H2)..

4.1.4 | Exploring the relationship between prevention (promotion) focus and socially-oriented (governance-oriented) strategy

As noted in Footnote 2, we did not present formal hypotheses considering the relationship between CEO prevention focus and socially-oriented strategies. However, we do recognize that CEOs high in prevention focus may feel an "ought" obligation to consider different social initiatives or to respond to social activism—such as those related to environmental causes. Conversely, as we argued in the manuscript, the highest obligation for CEOs high in prevention focus is a sense of duty to the shareholders (Kammerlander et al., 2015) leading these CEOs to subscribe to an agency logic and seek to avoid agency costs. CEOs high in prevention focus may thus view socially-oriented strategies as an agency cost to avoid. The unclear relationship between socially-oriented strategies and the agency logic, therefore, may leave CEOs high in prevention focus feeling conflicted, resulting in neither an increased nor decreased propensity to engage in social initiatives and/or respond to social activism.

Similarly, we did not make specific predictions for the relationship between CEO promotion focus and governance-oriented initiatives or activism. CEOs high in promotion focus may see governance-oriented stakeholder strategies as an opportunity to broaden their connection with shareholders—similar to the way in which they view other stakeholder issues and opportunities. Conversely, they may simultaneously view these strategies as something that could interfere with their ability to pursue their broader ambitions. Indeed, research shows that strong corporate governance—rooted in an agency logic—may discourage investments in broad stakeholder strategies (Arora & Dharwadkar, 2011).

Given the unclear theoretical relationships detailed here, we decided to examine these relationships from an exploratory perspective. As seen in Table 2, consistent with our speculation that CEOs high in prevention focus may feel conflicted between concerns for social causes and the normative obligation they feel to uphold the agency logic of governance, the coefficient for CEO prevention focus predicting engagement in socially-oriented initiatives is negative and not indicative of a significant relationship ($\beta = -0.081$; $p = .465$). Similarly, the coefficient testing the influence of CEO promotion focus on engagement in governance-oriented initiatives does not show a significant relationship ($\beta = -0.005$; $p = .537$). In regard to our models predicting receptivity to stakeholder proposals, the coefficient for the influence of CEO prevention focus on receptivity to socially-oriented activism is positive but not significant ($\beta = 0.032$; $p = .752$). Interestingly, however, the coefficient for the influence of CEO promotion focus on receptivity to governance-oriented activism demonstrates a positive effect ($\beta = 0.060$; $p = .027$). This relationship is potentially due to governance-oriented activism bringing to light additional stakeholder issues that further allow CEOs high in promotion focus to strive toward their ideals and generally address as many of the firm's stakeholder issues as possible, particularly in light of the fact that these CEOs do not proactively prioritize governance initiatives. Regardless of the reason, we believe these findings point to interesting future avenues of research.

5 | DISCUSSION

For the past four decades, strategic management researchers have increasingly focused on the important role of stakeholders for the firm (e.g., Bundy et al., 2018; Freeman, 1984; Harrison et al., 2010; Jones, 1995). Seeking to further examine the drivers of stakeholder strategy, scholars have recently built on a guiding notion of upper echelons theory—that the firm is a reflection of its top managers (Hambrick & Mason, 1984)—in order to focus on the role and influence of CEOs in implementing stakeholder strategies.

Our study makes several novel contributions by investigating how CEO regulatory focus shapes the types of stakeholder strategies that CEOs emphasize. This represents an important advancement because prior work on the role of the CEO in stakeholder strategy has been generalized and considered stakeholder engagement very broadly as a decision to engage or not with stakeholders, rather than on certain types of stakeholder strategies that might be pursued. We demonstrate the influence of CEO regulatory focus on a firm's stakeholder strategy by examining its impact on the firm's engagement in governance- and socially-oriented initiatives, and its receptivity to governance- and socially-oriented activism. Specifically, we argued and showed that CEO prevention focus is positively associated with both engagement in governance-oriented initiatives and receptivity to governance-related activism, while CEO promotion focus is positively associated with engagement in socially-oriented stakeholder initiatives.

These findings present important implications for research on stakeholder strategy. Work in stakeholder theory has increasingly acknowledged the important role that firm leaders have in determining stakeholder strategy (Agle et al., 1999; Bundy et al., 2013). This work, however, provides only a limited understanding of the role of managerial motivations because it largely stops short of considering the deeper role of top managers' attributes, worldviews, and cognitive processes on the use of specific stakeholder strategies. Our findings show that some CEOs—driven by their prevention focus—adopt an agency logic and engage in governance-oriented strategies while some CEOs—driven by their promotion focus—adopt a stakeholder logic and engage in socially-oriented strategies. These findings make an important contribution by explaining why some firms emphasize environmental and social issues, while other firms seem far less concerned (see: Eccles et al., 2014).

We also advance strategic leadership research by demonstrating the influence of CEO regulatory focus on a more discretionary aspect of firm strategy. Specifically, our study answers recent calls to examine the influence of CEO regulatory focus on a broader range of strategic actions (see: Gamache et al., 2015; Johnson et al., 2015). By extension, we provide further evidence regarding how CEOs may mold their firms to reflect their own motivational orientations by illustrating how CEO regulatory focus influences engagement with stakeholders. While prior work on CEO regulatory focus has explored visible strategic decisions with a clear financial outcome, stakeholder strategies are more contestable and do not have clear economic consequences (Hubbard et al., 2017). This is important in that many other strategic decisions are likely to carry such ambiguity.

Finally, given the differing logics that are reflected in governance- and socially-oriented stakeholder strategies—agency and stakeholder logics, respectively—our theory and findings are consequential for strategic management research on the role of sociocognitive and institutional logics or worldviews. By establishing a link between CEO regulatory focus and stakeholder strategies that reflect different logics, we offer evidence demonstrating the influential role of CEOs in shaping and spreading logics that often dictate firm practices and policies (e.g., Davis, 1991; Joseph et al., 2014; Zajac & Westphal, 2004). However, rather than viewing the influence of CEOs as traceable to broader institutional and social forces, our findings offer evidence that logics might be emergent and more fundamentally rooted in CEOs' individual tendencies and idiosyncratic preferences.

5.1 | Directions for future research

Our paper provides several avenues for future research. First, we did not find strong evidence for our hypothesis that CEOs high in promotion focus would be more responsive to socially-oriented activism. One possible explanation is that CEOs high in promotion focus have already experimented with such a wide range of socially-oriented stakeholder initiatives that any additional proposals received from activists are not likely to provide attractive and/or feasible opportunities. Further, research suggests that socially proactive executives tend to engage in ongoing dialogue with their key stakeholders (Rehbein et al., 2013). Such an ongoing dialogue is likely to reduce the need for explicit forms of activism from legitimate stakeholders. In other words, while firms with a high promotion focus CEO may still receive proposals, these proposals may contain requests that are extreme or unrealistic, even for CEOs searching for potential opportunities. One limitation of our data is that we are unable to directly compare the language of the shareholder proposals. Future research may delve more deeply into these proposals to consider the specific nature of each request and how CEO regulatory focus—or other constructs—might influence CEO responsiveness.

Second, while consistent with our theory and prior research, we focused only on how CEOs might positively pursue stakeholder strategies, and we captured this using the strengths reported in the KLD database and receptivity to stakeholder activism in the form of proxy proposals. However, our supplemental analyses reveal that the dynamics related to stakeholder concerns may be different, particularly for CEOs high in prevention focus. In particular, it appears that CEO prevention focus leads CEOs to proactively engage in initiatives that increase the firm's governance-oriented strengths but does not lead these CEOs to engage in actions that reduce governance-oriented concerns to the same degree. Future research should use this finding as a launching point for inquiry. For example, CEOs high in prevention focus may have a dual concern with both protecting shareholders (in line with the obligation and duty they feel to the owners of the firm) and a concern with protecting themselves and their own careers (thus being reluctant to reduce governance concerns). However, the concern with protecting themselves may not come entirely out of self-interest. It is possible that via motivated cognition or similar cognitive processes and biases, CEOs high in prevention focus conclude that they must have a certain level of discretion in order to act in the best interest of shareholders and maximize economic performance. If this is true, it may explain why CEO prevention focus is a positive predictor of engagement in governance-oriented initiatives (strengths) but not a significant predictor of total governance-orientation. In particular, our findings and supplemental analyses introduce an opportunity to examine the influence CEO regulatory focus and other individual attributes on outcomes more closely tied to antagonistic approaches to stakeholder strategy and corporate social irresponsibility (e.g., Tang et al., 2015). More work remains to be done insofar as developing a complete understanding of the role and influence of CEOs in managing stakeholder relationships, including how they might inflame tensions with stakeholders through irresponsible actions or by failing to address a variety of issues that relate to stakeholder priorities.

Additionally, we did not consider the relationship between stakeholder strategies and firm performance. Future research could do so, perhaps by drawing on the theory of regulatory fit (Higgins, 2000) to understand whether stakeholder strategy decisions are more effective if they align with CEO regulatory focus. It is possible that when a CEO makes stakeholder strategy decisions that are consistent with their regulatory focus they will result in greater effectiveness at reaching their goals. Relatedly, future research may also adopt a more micro-foundational approach to understand how CEO regulatory focus influences the decision-making processes involved in implementing the firm's stakeholder strategy.

Similarly, future research should consider alternative sources of data beyond KLD ratings to better capture how firms' governance and social initiatives evolve alongside normative conceptions of stakeholder engagement. For example, although we believe that KLD ratings are the best measures currently available, they do not directly capture how corporate leaders view the specific stakeholder strategies. Future research may benefit by developing a new measure that directly captures the logics through which CEOs view their engagement efforts. Such a measure would allow scholars to better asses how institutional logics are shifting over time (Ioannou & Serafeim, 2015) and more directly tie CEO characteristics to their logics and stakeholder strategies.

Finally, our theory tied governance-oriented stakeholder strategies to the manifestation of an agency logic, which focuses heavily on the reduction of agency costs. However, as prior work demonstrates (e.g., Ioannou & Serafeim, 2015), normative views of what constitutes "good governance" appear to be moving away from a pure agency model. Accordingly, future research could increase its focus on firm governance mechanisms and the drivers that contribute to their institutionalization or re-institutionalization as governance standards change.

5.2 | Practical implications and conclusion

Our findings offer important practical insights for CEOs and other executives. First, our findings suggest that executives should be aware of their own natural tendencies to inject their motivations into their firm's stakeholder strategy. While stakeholder strategies may yield positive outcomes for the firm and the CEO, it is also possible that CEOs who tailor their firm's stakeholder strategy in accordance with their regulatory focus may be doing so in a way that is inconsistent with the strategic objectives of the firm or with the priorities of its stakeholders. In responding to this research, a CEO with high promotion focus may seek to establish a system of "checks and balances" related to the firm's socially-oriented stakeholder initiatives, in order to ensure that the firm is not overly investing in such areas (especially if it comes at the expense of high-priority firm goals). Alternatively, a CEO with a high prevention focus may establish a "devil's advocate" to consider social investments beyond those strictly focused on shareholders and governance.

The board may also benefit from more carefully considering the CEO's regulatory focus. For instance, if the board's vision for the firm is one that reflects a desire for a narrow focus on internal firm activities, a CEO with a strong promotion focus may require more stringent oversight to ensure that he or she does not overly orient the firm's stakeholder strategy to include a broader focus on social issues. Likewise, if the board's vision for the firm is broader and focused on satisfying a variety of stakeholder interests, a CEO with a strong prevention focus may require coaching and further encouragement related to the possible risks of failing to devote resources toward the social aspects of the firm's stakeholder strategy.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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