

Moving Towards a Stakeholder Orientation: Evidence from the Analyses of Chief Executive Dismissal in Large U.S. Firms

Keywords: shareholder value, stakeholder orientation, corporate social responsibility (CSR), corporate governance, executive succession, institutional theory

January 22, 2021

Shoonchul Shin

Ivey Business School
Western University
1255 Western Road
London, ON N6G 0N1, Canada
Email: sshin@ivey.ca

Juyoung Lee

Ivey Business School
Western University
1255 Western Road
London, ON N6G 0N1, Canada
Email: jlee@ivey.ca

Pratima (Tima) Bansal

Ivey Business School
Western University
1255 Western Road
London, ON N6G 0N1, Canada
Email: tbansal@ivey.ca

We would like to thank Heather Haveman and Maoliang Bu for their support and feedback on earlier versions of this manuscript and throughout the research process.

ABSTRACT

The post-Enron era is marked with the growing discourse of stakeholder, sustainability, and corporate social responsibility (CSR), which challenges the dominance of shareholder value ideology. However, commentators debate whether this shift from shareholder value is towards a stakeholder orientation. We contribute to this debate by examining the historical evolution of CEO dismissal in large U.S. firms during 1980-2015. Using event history models, we test for changes over time in the role a firm's prior engagement in shareholder- and stakeholder-oriented practices plays in the relationship between poor performance and dismissal. We find that, in the late 1980s and 1990s, CEOs were less heavily penalized for poor performance when they demonstrated a shareholder orientation by refocusing and downsizing the corporation and more heavily penalized for CSR activity reflecting a stakeholder orientation. In the early 2000s onwards, this trend reversed. CEOs were less heavily penalized for CSR activity, and were not rewarded for refocusing and downsizing. This paper provides evidence of the evolution of U.S. corporations from a shareholder primacy model towards a more stakeholder-oriented one. Although we motivate this research by applying institutional theory, its implications extend not only to institutional theory but to the literatures in executive succession, CSR, and performativity.

“In the Business Roundtable’s view, the paramount duty of management and of boards of directors is to the corporation’s stockholders; the interests of other stakeholders are relevant as a derivative of the duty to stockholders.”

The Statement on Corporate Governance (Business Roundtable 1997:3)

“While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders.”

The Statement on the Purpose of a Corporation (Business Roundtable 2019:1)

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

The shareholder primacy model emerged in response to the economic crisis caused mainly by oil shocks of the 1970s (Fligstein 2001), and in the ensuing decades, it became a business philosophy adopted by a growing proportion of U.S. firms (Davis 2009; Lazonick and O’Sullivan 2000; Useem 1996). Central to this model was the notion that the social responsibility of business is to generate profits for shareholders and that governments are mandated to set the rules of the game for business in order to protect society’s concerns (Friedman 1970; Jensen and Meckling 1976). The goal of shareholder value creation translated into a set of business practices that were widely accepted as appropriate for satisfying investors and stock analysts—such as selling off unrelated business lines to refocus on core competencies and downsizing the workforce.

The first decade of the 2000s, however, was marked by a wave of corporate disasters, including the accounting scandals of Enron and WorldCom, the sub-prime mortgage financial crisis, and the British Petroleum oil spill. These disasters were accompanied by the growing academic discourse of stakeholder, sustainability, and corporate social responsibility (CSR), which presented intellectual and ideological challenges to the shareholder value logic (Dobbin and Jung 2010; Harrison, Phillips, and Freeman 2020; Stout 2012). This perspective held that economic returns *should be* pursued in ways to meet the interests of a range of stakeholders, including but not limited to shareholders (Freeman 1984; Jones 1995). Within the stakeholder orientation framework, CSR should be neither a philanthropic issue nor an agency cost (i.e., serving managerial interests). Instead, CSR is perceived as needed for long-term corporate performance and growth (Kramer and Porter 2011; Marti and Gond 2017).

Despite the growing discourse of a stakeholder orientation, there is little systematic research of a trend from shareholder primacy towards stakeholder primacy. Some studies point to the continued entrenchment of shareholder value maximization as a primary corporate purpose (Henderson 2020; Sundaram and Inkpen 2004). Many others suggest the gradual weakening of shareholder primacy model, but they are mostly anecdotal (Kiron et al. 2012; Lubin and Esty 2010; Sneirson 2008). The primary objective of this study is to examine how the emergence of intellectual and ideological challenges to the shareholder value logic has affected the way corporations are governed. For this purpose, we study the historical evolution of CEO dismissal, an organizational outcome that represents a board of directors' activism in the face of dissatisfaction with the incumbent leadership regime (Finkelstein, Hambrick, and Cannella 2009). By doing so, we contribute to the debate over whether, in recent decades, there has been a shift in the prevailing model of corporate governance towards a stakeholder orientation.

Specifically, we apply an institutional lens, which argues that organizations are seen as more legitimate when they adopt socially accepted practices, ones that embody prevailing institutional logics or cultural beliefs and norms about how organizations should behave (Thornton and Ocasio 1999). We suggest that while firm financial performance is the primary predictor of the board's decision to fire or retain a CEO, socially accepted practices are an important point of reference for interpreting the causes of a firm's financial performance. Then, the board's response to the actions that CEOs take in managing financial performance will reflect the prevailing institutional logics in particular historical periods. Certain management practices, such as business refocusing and workforce downsizing, are aligned more with a shareholder orientation than a stakeholder orientation. If there is a shift in the prevailing institutional logic over time, we should observe boards responding less positively practices with a shareholder orientation and more positively practices with a stakeholder orientation.

We test for changes over time in the role a firm's prior engagement in shareholder- and stakeholder-oriented practices plays in the relationship between poor firm performance and CEO dismissal, using data from a sample of large U.S. firms between 1980 and 2015. Our key findings are two-fold. First, we find that in the late 1980s and 1990s, the relationship between poor performance and CEO dismissal was weakened by prior engagement in refocusing and downsizing—practices consistent with the shareholder value logic. Such roles of refocusing and downsizing in CEO dismissal, however, were not found in the early 2000s and beyond. Second, we find that the relationship between poor performance and CEO dismissal was strengthened by prior engagement in CSR activity in the 1990s, while being weakened by the same kind of activity in the post-Enron era. These findings suggest evidence of the evolution of U.S.

corporations from a shareholder primacy model towards a more stakeholder-oriented one over the past two decades.

This study offers several contributions to extant literature. First, we contribute to the debate on the characteristics of prevailing corporate governance models. We find robust results suggesting that the stakeholder perspective has moved from margin to mainstream. Specifically, this study shows that, in the recent two decades, normative pressures regarding social and environmental responsibility have increased substantially to the extent that boards penalize CEOs for their low commitment to adopting CSR initiatives. Second, we contribute to literature on executive succession by providing a new understanding of the process of evaluating the quality of a CEO under conditions of poor performance. We show that boards consider positively valued practices when making judgments about whether a firm's poor performance is due to management itself or other factors, which then influences their decision to fire or retain CEOs. Third, we contribute to literature on institutional theory that examines the environmental contingency of power in organizations. We provide evidence for an important, but heretofore empirically neglected assumption that organizational leaders can incur penalties for their deviations from institutionalized rules of behavior.

BACKGROUND AND THEORY

A firm's financial performance is a key metric that boards of directors use to judge the merits of their CEOs (Greve 1998). As such, firm performance has been found to be the strongest predictor of CEO dismissal in various studies over time. However, the link has been far from clear (Finkelstein et al. 2009). Many CEOs retain positions of power even during firm

performance downturns, suggesting that the relationship between poor performance and CEO dismissal may be moderated by other factors. In addressing such factors, previous research has tended to focus on socio-political conditions (e.g., board composition and ownership structure) that may affect the power dynamics among board members and top management (Boeker 1992; Shen and Cannella 2002; Zhang 2006).

In this study, we apply institutional theory to provide new insight into the relationship between poor performance and CEO dismissal. Specifically, we develop the argument that socially accepted practices will provide an important point of reference that boards employ in evaluating the quality of a CEO under conditions of poor performance. Then, while poor performance is the primary trigger for CEO dismissal, the strength of this relationship will vary with the level of a firm's prior engagement in socially accepted practices. Based on these arguments, we investigate the historical evolution of CEO dismissal during times of emergence of a stakeholder orientation as an alternative to the shareholder value logic.

In this section, we first highlight differences between shareholder primacy and stakeholder primacy models, noting how their underlying goals differ from each other and how these goals are associated with different business practices. We then turn to research hypotheses that relate shareholder- and stakeholder-oriented practices to the dependent variable, CEO dismissal.

Shareholder Primacy Model

A large body of research has documented the emergence and establishment of shareholder primacy in U.S. corporations (Fligstein 2001; Useem 1996). The shareholder primacy model of corporate governance—known as the shareholder value logic—is founded on agency theory, which posits that managers owe a fiduciary duty to shareholder profits (Eisenhardt 1989; Fama

and Jensen 1983; Jensen and Meckling 1976). This model came to power in the 1980s when hostile takeovers, leveraged buy-outs, and corporate restructurings were prevalent (Davis and Stout 1992). Subsequently, in the late 1980s and 1990s, it became a mainstream business philosophy, as institutional investors exercised their ownership power over governance issues such as stock option pay, executive selection, and the election of directors (Davis 2009; Davis and Thompson 1994). In this period, the U.S. experienced strong stock market boom, economic expansion, and low unemployment rates, which lent support to the agency argument that shareholder value maximization is the path to sustainable prosperity and social well-being (Lazonick and O’Sullivan 2000).

The rise to dominance of the shareholder primacy model entailed a transformation in the agenda and direction of U.S. corporations. In particular, it meant that managers had to run their firms according to not what they deemed the best business practices, but rather what the stock market deemed best. As Davis (2009:5) put it, “[f]rom a social system orbiting around corporations and their imperatives, we have moved to a market centered system in which corporations themselves—along with households and governments—are guided by the gravitation pull of financial markets.” The shareholder primacy model was embodied in a set of business practices that were widely accepted as appropriate for satisfying investors and stock analysts. One of these practices was refocusing the business on core competencies by selling off unrelated businesses, another was downsizing the workforce.

Business refocusing. In 1977 when Alfred Chandler, Jr. declared “managerial triumph” in his book *The Visible Hand*, he observed that fairly diversified conglomerate firms occupied a dominant position in the U.S. economic landscape. However, the conglomerate form and the

managerial capitalism more broadly began to decline in the face of the economic crisis of the mid-1970s. According to Fligstein (2001), the economic crisis was characterized by intense global competition, especially from Japan, and the economic slowdown coupled with high interest and inflation rates. Under these conditions, conglomerates suffered low valuations on the stock market, because their shrinking profits, combined with inflated assets, resulted in poor performance in terms of returns on assets. Moreover, many conglomerates continued to perform poorly into the early 1980s despite the favorable regulatory environments for business. This led to a growing perception that the competitive decline of American industry arose from the excessive pursuit of unrelated diversification as a growth strategy (Davis, Diekmann, and Tinsley 1994).

The decline of the conglomerate form was further fostered by the explosion of hostile takeover bids in the 1980s (Bhagat et al. 1990; Davis et al. 1994). During the takeover wave, large conglomerates were attractive targets by corporate raiders, because their stock prices were chronically low relative to the book value of assets (Stearns and Allan 1996). Once acquired, conglomerates were stripped into separate business units, which were then sold to other companies in the same industries. Meanwhile, survivors voluntarily engaged in divesting unrelated product lines to fend off unwelcome takeover attempts. Firms that refocused often were rewarded by the stock market (Markides 1995). Therefore, Bhagat et al. (1990) argued that hostile takeovers reflected the de-conglomeration of American business and a return to core competencies.

Meanwhile, the trend towards business refocusing was not confined to hostile takeover activities. Rather it continued to be pervasive in the 1990s, even as hostile takeovers largely disappeared (Lazonick and O'Sullivan 2000). This was apparently due to the view that

conglomerates were undervalued on the stock market relative to their counterparts in a single industry. According to Zuckerman (1999, 2000), the conglomerate discount was associated with the industry categories that stock analysts established for analytical purposes. Conglomerates then divested non-core divisions to make their business profiles more fit with analysts' classification systems. Moreover, the continued move towards refocusing reflected managers' renewed commitment to shareholder primacy. This was greatly aided by the introduction of stock option plans under which managers get rewarded for increasing stock prices (Bebchuk and Fried 2006). Consequently, the breakup of conglomerates continued in the 1990s on more friendly terms than in the 1980s.

Workforce downsizing. Downsizing had been previously seen as “an aberration from normal organizational functioning” or even as an indicator of organizational decline (Cameron, Freeman, and Mishra 1993:20). During the 1980s and 1990s, however, it became a normal business practice, which was routinely used by managers with a shareholder orientation (Jung 2015; McKinley, Zhao, and Rust 2000). Agency theory provided a rationale for managers to pursue downsizing as a strategy for increasing shareholder profits (Dial and Murphy 1995; Jensen 1986). According to the perspective, because managers are self-serving in exercising their control of resource allocation, they do not adequately serve any group of stakeholders. Any human and other assets on which managers cannot capitalize efficiently should be released to the market whereby those assets are reallocated to other valuable sectors (e.g., Silicon Valley). Within this shareholder primacy framework, downsizing through layoffs and asset divestitures became a popular expression for describing how U.S. companies could adjust to the economic slowdown (Fligstein and Shin 2007; Useem 1996).

Numerous studies have documented that the popularity of downsizing was associated with the increased shareholder orientation of U.S. companies. Notably, downsizing continued unabated in the 1990s, even as the U.S. economy was generally improving. Compared to the 1980s, layoffs announcements were even more frequent, especially in the boom year of 1998 (Lazonick and O’Sullivan 2000:19–20). Budros (1997, 1999) argued that downsizing gained an institutional status over time, so managers pursued it primarily due to legitimacy, rather than economic concerns. Relatedly, McKinley et al. (2000) argued that the widespread adoption of downsizing legitimated the notion that downsizing was key to delivering shareholder value. This notion was so widely accepted that downsizing continued to prevail, despite the accumulating evidence that it did not improve firm performance. Moreover, Jung (2015) found that the adoption of shareholder-friendly policies, such as stock option pay, independent directors, and chief financial officers on the board increased the use of downsizing.

Stakeholder Primacy Model

The decades of the 2000s and 2010s were characterized by increased popularity of the stakeholder primacy model—one where firms do not aim myopically at shareholder value creation but consider the needs and expectations of a range of stakeholders (Aguilera et al. 2007; Harrison et al. 2020; Sneider 2008). This model posits that managers owe a fiduciary duty to the interests of all stakeholders who can affect or be affected by corporate decisions (Donaldson and Preston 1995; Freeman 1984; Jones 1995). Specifically, the actions that firms undertake in managing firm performance (e.g., divestiture, downsizing, and emission of climate altering pollutants) can generate external costs for employees, communities, and environments. Thus, the stakeholder perspective of the firm prescribes that managers should go beyond shareholder value

creation in pursuit of long-term corporate performance, equitable employment practices, and social and environmental well-being.

The stakeholder thinking was certainly not novel in the U.S. business history. However, it largely remained marginalized until the corporate disasters of the 2000s triggered a great deal of skepticism towards the shareholder value logic (Dobbin and Jung 2010; Stout 2012). Notably, such disasters included the massive fraudulent accounting of Enron and WorldCom, which led to the bankruptcy of both companies and other large public accounting firms. The accounting scandals were attributable primarily to the extensive use of stock option compensation by U.S. corporations (Dobbin and Zorn 2005). The Sarbanes-Oxley Act of 2002 was enacted for the purpose of improving the accuracy and reliability of accounting information and restoring investor confidence in U.S. corporations. But, the reputation of corporate America plunged as a result of the financial crisis in 2007 to 2008, which led to the bankruptcy of Lehman Brothers and the near failure of large financial institutions (Stout 2012). Moreover, the British Petroleum's (BP) oil spill in April 2010 became a keystone example of the harmful impact of the shareholder primacy model to the economy and society as a whole (Flammer 2013).

Growing skepticism about shareholder primacy led to the legitimization of a stakeholder orientation within the investor and analyst community. In particular, the idea of socially responsible investing (SRI) became a mainstream investment philosophy adopted by a number of U.S. institutional investors (Revelli 2017; Sparkes and Cowton 2004; Yan, Ferraro, and Almandoz 2019). Notably in this regard, the Coalition for Environmentally Responsible Economies (CERES) succeeded in mobilizing four-dozen leading U.S. and European institutional investors with assets of over \$2.7 trillion in 2005. The goal of CERES was to leverage the economic power of large investment institutions to encourage corporate managers to

incorporate environmental issues into the firm's policies. Subsequently, as the SRI movement gained significant momentum, the United Nations (UN) launched the Principles for Responsible Investment (PRI) initiative in 2006. This international network of investors aimed at promoting the incorporation of environmental, social, and corporate governance (ESG) criteria into investment decision-making.

Corporate social responsibility. The legitimization of a stakeholder orientation in the financial community entailed a renewed attention to CSR initiatives by corporate managers. Previously, CSR was perceived as a business function that was peripheral to the firm's strategy (Ackerman 1973; Carroll 1999). In that period, the primary motives for CSR included ethical, rather than economic, considerations. As Vogel (2005, 21) put it, "while there was substantial peer pressure among corporations to become more philanthropic, no one claimed that such firms were likely to be more profitable than their less generous competitors." Moreover, the most influential criticism on CSR was made by Nobel laureate Milton Friedman who argued that CSR is a signal for an agency problem within a firm rather than that for good management (Friedman 1970). From this perspective, CSR and corporate financial performance cannot be simultaneously pursued by managers. CSR can be detrimental to firms, because managers tend to use it for their self-interests such as high social status and reputation (i.e., an agency cost). Thus, managers should leave broader social and environmental issues to governments and civil societies to deal with (Friedman 1972).

However, CSR in its current form is very different from the earlier mode of philanthropic giving. In recent decades, CSR has become increasingly legitimated as a core business function that is vital to the firm's competitive success (Kramer and Porter 2011; Porter and Kramer 2002).

Within this “new” paradigm, CSR initiatives are treated in a similar way as investments, and they are expected to generate economic benefits for a corporation (Jones 1995). Furthermore, the growing research on the “business case for CSR” suggests that CSR initiatives positively influence the bottom-line performance of a corporation (Eccles, Ioannou, and Serafeim 2014; Marti and Gond 2017). As the positive link between CSR and firm financial performance became more explicit over time, a growing number of investors enacted SRI practices, thereby reinforcing that link (Hong and Kacperczyk 2009).

Consequently, these academic findings indicate that, in recent decades, a stakeholder-oriented approach to corporate governance has emerged to challenge the predominant shareholder value logic. Within the stakeholder orientation framework, CSR has increasingly become legitimated as a set of business practices that can contribute to long-term corporate performance and growth. We now develop research hypotheses on how prior engagement in shareholder- and stakeholder-oriented practices can influence the likelihood of CEO dismissal in different performance contexts.

Research Hypotheses

Two insights from institutional theory are of particular relevance to our study of CEO dismissal. First, firms can gain legitimacy by adopting socially accepted practices, ones that embody prevailing institutional logics in particular periods of time (Haveman and Rao 1997; Suddaby and Greenwood 2005). Because accepted practices are a reflection of shared values and norms of a culture, firms adopting these practices are viewed as acting on collectively valued goals in an acceptable manner (DiMaggio and Powell 1983; Suchman 1995). The resulting legitimacy can benefit firms, as it helps increase public reputation, improve stakeholder relations,

and secure needed resources (Scott 2013). Second, the kinds of practices that help legitimate a firm in its environment can also help build legitimacy for executives inside the firm (Fligstein 1990; Fligstein and Brantley 1992; Joseph, Ocasio, and McDonnell 2014; Ocasio and Kim 1999; Thornton and Ocasio 1999). Because legitimacy-enhancing practices are widely seen as appropriate for solving problems arising from the environment, executives with claims on these practices are likely to acquire organizational power.

The role of socially accepted practices in legitimacy-building portends that they can provide an important context when the board evaluates management quality and considers whether to fire or retain a CEO. According to research in cognitive psychology, people use mental shortcuts or heuristics when they have to make decisions with limited information (Fiske and Taylor 2013; Tversky and Kahneman 1974). In the realm of corporate governance, the board may use positively valued practices as a heuristic cue in evaluating CEOs, because the evaluation is often fraught with high uncertainty and ambiguity (Main, O'Reilly, and Wade 1995). The board may perceive that CEOs are well-qualified when they use accepted practices, such as business refocusing and workforce downsizing in the shareholder value era. Because these practices are widely approved for achieving valued goals, CEOs identified as conforming to them are often more valued than those not so identified. CEOs deviating from these accepted practices may, then, face an increased likelihood of dismissal.

However, we argue that accepted practices will not directly influence CEO dismissal. Rather, we suggest that firm financial performance will be an important contingency for when the board invokes accepted practices to make judgments about the merits of CEOs. A firm's high performance is interpreted as a general indicator that the firm is efficiently managed to gain a competitive advantage (Fama 1980; Semadeni et al. 2008; Wowak, Hambrick, and Henderson

2011). CEOs can achieve legitimacy primarily through strong financial performance. Then, whatever practices CEOs adopt could be approved inside and outside the firm, as long as firm performance is high. This means that when the firm is performing well, the board need not rely on accepted practices in making judgments of CEOs, because there is already strong evidence for CEO quality. Therefore, CEOs will not be penalized for deviating from accepted practices, under conditions of high performance.

When the firm is performing poorly, accepted practices will operate as an important reference point or standard benchmark for evaluating CEOs. This is particularly so because there is much ambiguity in determining whether the causes of poor performance are attributable to management issues (internal attribution) or other factors beyond the control of managers (external attribution) (Haleblian and Rajagopalan 2006; March and Olsen 1976; Zhang 2008). We suggest that the attributions for poor performance will be made in light of the firm's level of prior engagement in socially accepted practices. Then, while poor performance negatively influences the board's perceptions of CEOs, such negative perceptions will vary according to the level of prior commitment to adopting well-accepted practices.

On the one hand, the board is likely to make an external attribution if poor performance is combined with high levels of prior commitment to accepted practices. Because of widespread belief in the benefits of accepted practices, their use may lead the board to perceive that the CEO's strategic direction is appropriate and necessary for solving urgent organizational problems facing the firm. This means that the performance problems arising within the normal course of business may not be subject to blame, because they are by definition due to unforeseen factors such as a business slowdown (Pozner 2008; Semadeni et al. 2008; Wiesenfeld, Wurthmann, and Hambrick 2008). Then, even when the firm is performing poorly, the board

may keep support for CEOs who have previously committed to adopting accepted practices. Accordingly, the relationship between poor performance and CEO dismissal will be weaker the higher the level of prior engagement in accepted practices.

On the other hand, the board is likely to make an internal attribution if poor performance is combined with prior deviation from accepted practices. Specifically, deviant behaviors defy easy interpretation because they do not fit with widely held expectations about how organizations should behave (Haveman, Rao, and Paruchuri 2007). Then, the deviation may become a primary target by the board for scrutiny as a cause of poor performance. Moreover, because the benefits of deviating from accepted practices are questionable (Suchman 1995), the deviation may lead the board to perceive that the CEO's strategic direction is not effective for dealing with environmental contingencies. Then, under conditions of poor performance, the board may react even more negatively to CEOs who have previously deviated from accepted practices. Accordingly, the relationship between poor performance and CEO dismissal will be stronger the higher the level of prior deviation from accepted practices.

These considerations, taken together, suggest that socially accepted practices will influence how CEOs are evaluated in times of poor performance and thereby moderate the relationship between poor performance and CEO dismissal. Furthermore, any significant shift in the prevailing institutional logic will lead to changes in the way the board responds to a particular business practice. Based on these arguments, we investigate changes over time in the role shareholder- and stakeholder-oriented practices play in the relationship between poor firm performance and CEO dismissal. We posit that if the stakeholder perspective has come to power to undermine the shareholder value logic, we should observe changes in the way boards of

directors react to CEOs who have behaved towards shareholder value creation or social and environmental responsibility.

Shareholder-oriented practices and CEO dismissal. We first examine temporal variations in the effect that prior engagement in shareholder-oriented practices has on CEO dismissal under conditions of poor performance. During the late 1980s and 1990s, U.S. firms were bound to the goal of shareholder value creation, and the practices of business refocusing and workforce downsizing were widely accepted as appropriate for achieving the goal. We posit that, within an institutional context of shareholder primacy, the likelihood that the board makes an *external attribution* for poor performance will be higher the higher the level of prior engagement in refocusing and downsizing. Within the stakeholder perspective, however, these practices are unacceptable because their short-term focus can be harmful to key stakeholders, especially employees. Therefore, we posit that, in later time periods, prior engagement in refocusing and downsizing will be increasingly less associated with an external attribution for poor performance, and eventually, it may even be associated with an internal attribution. Then, we formulate the following hypotheses:

Hypothesis 1-a: During the late 1980s and 1990s, the higher CEOs' prior engagement in business refocusing and/or workforce downsizing, the weaker the relationship between poor firm performance and CEO dismissal.

Hypothesis 1-b: Over time, CEOs' prior engagement in business refocusing and/or workforce downsizing will play a reduced role in weakening the relationship between poor firm performance and CEO dismissal.

Stakeholder-oriented practices and CEO dismissal. We then examine temporal variations in the effect that prior engagement in CSR initiatives has the relationship between poor

performance and CEO dismissal. Under the shareholder primacy model, CSR initiatives are disapproved because they are seen as serving managerial objectives (e.g., prestige and reputation) at the expense of shareholders' interests. We posit that in the era of shareholder primacy, the likelihood that the board makes an *internal attribution* for poor performance will be higher the higher the level of prior engagement in CSR. Within the stakeholder perspective, however, CSR is a core business function that is vital to the firm's sustainable performance and growth. Therefore, we posit that in more recent time periods, prior engagement in CSR will be increasingly less associated with an internal attribution for poor performance, and eventually, it may even be associated with an external attribution. Then, we formulate the following hypotheses:

Hypothesis 2-a: During the late 1980s and 1990s, the higher CEOs' prior engagement in CSR, the stronger the relationship between poor firm performance and CEO dismissal.

Hypothesis 2-b: Over time, CEOs' prior engagement in CSR will play a reduced role in strengthening the relationship between poor firm performance and CEO dismissal.

RESEARCH METHODS

Next, we describe the sampling and methods used for the statistical analysis of CEO dismissal. We then summarize results of that analysis in a later section.

Sample

Our sample included 217 U.S. publicly traded manufacturing firms, which were listed among the 100 largest firms by Fortune magazine during 1980 to 2015. We constrained the sample to firms that were primarily operating within manufacturing industries—ones denoted by

Standard Industrial Classification (SIC) codes 20 to 39—to increase historical comparability of the data. We excluded foreign subsidiaries because their parent companies may be operating independent of the U.S. economic systems. We focused on publicly traded firms, because privately held firms are not subject to market discipline. When two firms merged, we attributed the consolidation to the firm that acquired managerial control. For each sample firm, we followed the CEO's identity using Standard and Poor's Directory of Corporations, Directors, and Executives. When a new CEO name appeared in a year, we confirmed this change by searching the firm's annual report for that year as well as the Wall Street Journal Index. After excluding interim CEOs, we identified 819 CEOs, 606 of which were replaced during the research period.

Dependent Variable

CEO dismissal. The dependent variable is a dummy taking the value of 1 for CEOs who forcibly depart the firm, and 0, otherwise. There is much ambiguity in identifying CEO dismissals because many of the firing events are described by companies in neutral, often euphemistic, terms (Parrino 1997). We followed Shen and Cannella's (2002:1198-9) procedures to code CEO dismissal. We first evaluated 606 CEO successions using newspaper articles retrieved from the Wall Street Journal online archive, and then, we examined CEO age and continuity in board membership at the time of succession. We identified dismissals when CEOs were reported to depart as both CEO and board member before the age of 64 for reasons other than death, health issues, acceptance of similar positions at other firms, or merger or acquisition. Consequently, this method identified 195 CEO dismissals occurring at 118 unique firms.

Independent Variables

Firm financial performance. Our hypotheses revolve around the interaction of firm financial performance with the level of CEOs' prior engagement in shareholder- and stakeholder-oriented practices. Our primary indicator of firm financial performance is based on return on asset (ROA), a widely used measure of firm accounting performance. ROA is equal to net income before extraordinary items divided by total assets for a given fiscal year. For robustness check, we also used other popular measures of firm performance such as total shareholder return (TSR) and annual earnings per share (EPS). We collected firm financial data from the Compustat Fundamental Annual dataset.

Prior engagement in shareholder-oriented practices. We used two indicators of CEOs' behavioral commitment to the goal of shareholder value maximization. The first is the level of prior engagement in business refocusing, which is measured using the entropy index of diversification (DT) (Palepu 1985). The entropy index estimates how concentrated a firm's sales at the industry level are. It takes a minimum value of zero when the sales are concentrated entirely within a single industry. At the other extreme, if the sales are spread evenly across K industries, the firm's entropy index is maximized at $\log(K)$. In the analysis, we used numerical change in DT from year $t-2$ to $t-1$. Lower values on the annual change in DT indicate that CEOs are more actively engaged in refocusing on the firm's primary business lines. We computed the entropy index for each firm in the sample using sales data at the 4-digit SIC code levels in the Compustat Business Segment file. The second is the level of prior engagement in workforce downsizing, which is measured as percentage change in the number of employees from year $t-2$ to $t-1$. Lower values on the percentage measure indicate that CEOs are more actively engaged in downsizing. We collected data on employees from the Compustat Fundamental Annual dataset.

Prior engagement in stakeholder-oriented practices. We measured the level of prior engagement in stakeholder-oriented practices using CSR rating data from Kinder, Lydenberg, and Domini & Co. Inc. (KLD). KLD is an independent financial advisory firm with a focus on CSR evaluations. CSR scores provided by KLD have been widely regarded as the most comprehensive data available to measure a firm's social and environmental performance (Flammer 2013; Ioannou and Serafeim 2015). KLD dataset is based on ratings of five dimensions of CSR characteristics of firms, including (1) employee relations, (2) diversity issues, (3) product issues, (4) community relations, and (5) environmental issues (Graves and Waddock 1994). Each of the dimensions is tabulated in terms of several "strengths" and "concerns" in the KLD index. In the analysis, we used the total number of CSR strengths in year $t-1$. We also used the total number of CSR concerns for comparison. Distinguishing between CSR strengths and concerns is relevant because CSR and CSiR (corporate social irresponsibility) are two theoretically distinct constructs (Strike, Gao, and Bansal 2006). Higher values on CSR strengths (concerns) indicate that CEOs are more (less) committed to social and environmental responsibility. Additionally, we used an aggregate net KLD CSR score, or the total CSR strengths minus the total CSR concerns. Our findings are robust to the change.

Control Variables

Firm characteristics. We controlled for several firm-level characteristics that may influence CEO dismissal. First, we included firm size, measured as the natural logarithm of total assets, to account for greater expectations for CEOs at larger firms (Shen and Cannella 2002). Data on assets were taken from the Fundamental Annual dataset. Second, we included

institutional ownership, measured as the percentage of the firm's outstanding shares held by institutional investors, to account for shareholder activism in corporate governance (Davis and Thompson 1994). Data on institutional ownership were taken from Thomson Financial's 13f Institutional Holdings dataset (CDA/Spectrum s34). Third, we included a firm's diversification level, measured as the entropy index, to account for managerial focus on short-term profit (Baysinger and Hoskisson 1989). Fourth, we included the cumulative number of the firm's experiences in dismissal from 1980 to t-1, to account for the firm-specific propensity to fire CEOs. Meanwhile, we included dummy variables for the years 1980 to 2015 to account for any period effects in our time series.

CEO characteristics. We also controlled for several CEO characteristics to capture the power and influence CEOs have in the board room (Finkelstein et al. 2009; Ocasio 1994; Shen and Cannella 2002). CEO tenure was measured by the number of years CEOs were in the position at the firm. CEO duality was coded 1 if CEOs held the position of board chairman. CEO origin was coded 1 if CEOs had been employed by the firm for less than two years prior to appointment. CEO family was coded as 1 if CEOs were associated with the firm's funding family. CEO age60 was coded as 0 if CEOs' age was 60 or below in a year, and CEO age minus 60 otherwise. Moreover, we controlled for CEOs' functional backgrounds that reflect their cultural and cognitive characteristics (Fligstein and Brantley 1992; Jensen and Zajac 2004). We grouped CEO backgrounds into four categories: Finance CEO (finance, accounting, and law); Sales CEO (sales, marketing, and advertising); Technical CEO (production, engineering, and research and development); General CEO (general management and administration). General

CEO was the reference group. Data on CEO backgrounds were manually collected from the Wall Street Journal online archive and Who's Who in Finance and Industry.

Estimation Methods

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

$$h_i(t) = h_0(t) \exp(\beta_1 X_{1,i} + \dots + \beta_k X_{k,i})$$

where $h_0(t)$ is the baseline hazard rate and $X_{k,i}$ represents time-varying covariates (Box-Steffensmeier and Stanfill 2008). Although the Cox model is appropriate for dealing with problems of unknown probability distributions, it is premised on the assumption that population hazard functions are proportional (Singer and Willett 2003). We thus analyzed Schoenfeld residuals to test the proportional hazard assumption. The results confirmed that the explanatory variables analyzed satisfy the proportionality assumption underlying the Cox model. We clustered the data by CEO and broke each CEO's history into firm-year spells. This allowed covariates to be updated from year to year throughout the CEO's tenure. Each of the annual

spells was treated as right-censored, except for the spells that terminated in CEO dismissal. The Cox regression analyses were performed using the `stcox` procedure in Stata/SE 14.2.

RESULTS

Table 1 presents means, standard deviations, and pair-wise correlations between the variables used in the analysis of CEO dismissal. Tables 2 and 4 present Cox proportional hazard models predicting the likelihood of CEO dismissal. Each model of CEO dismissal is estimated across different periods of time, each with the length of ten years, for historical comparison.

[Tables 1 and 2 about here]

Shareholder-oriented Practices

Table 2 presents the models of CEO dismissal on firm financial performance (ROA) and its interaction with the level of prior engagement in shareholder-oriented practices, including business refocusing and workforce downsizing. Models 1 through 9 are estimated at three different sub-periods between 1980 and 2001—that is, 1984-1993, 1988-1997, and 1992-2001. Models 10 to 15 are estimated at two different sub-periods in the post-Enron era—that is, 2002-2011 and 2006-2015. Our periodization is not arbitrary but derived on the basis of major political and economic events that affect the U.S. corporate governance system. These events are the 1983-1987 boom in hostile takeovers, the 1987 stock market crash, the 2001 accounting scandals at Enron and WorldCom, the 2002 Sarbanes-Oxley Act, and the 2007-2008 financial crisis. The models for other 10-year sub-periods are omitted due to space constraints, but their interaction estimates are used to create Figures 2 and 3.

Baseline models. Within each sub-period, the first model is a baseline including ROA, refocusing, downsizing, and control variables. According to the estimations, the main effect of ROA is negative and significant in all sub-periods, indicating that poor firm performance in general precedes CEO dismissal. For instance, Model 4 shows that when the value of ROA is as low as one standard deviation (SD) below the mean, the CEO dismissal rate increases by 24.5 percent ($=100 \times [\exp(-7.31 \times -0.03) - 1]$). The results suggest that firm financial performance is an important referent for boards in making judgments about the merits of their CEOs (James and Soref 1981; Parrino 1997; Wowak et al. 2011). Among the controls, CEO duality has the most consistent effect over time on CEO dismissal. For instance, Model 4 shows that when CEOs are also board chair, the dismissal rate increases by -85.9 percent ($=100 \times [\exp(-1.96 \times 1) - 1]$).

Interaction of ROA and business refocusing. The second model within each sub-period estimates the interaction term between ROA and the level of prior engagement in business refocusing, measured as change in diversification entropy. Of our major interest is the pattern of change in the interaction effect on CEO dismissal across different sub-periods (Hypothesis 1). According to the estimations, the interaction effect is negative and nonsignificant for the early sub-period 1984-1993 (Model 2). But the negative interaction effect becomes significant for the sub-periods 1988-1997 (Model 5) and 1992-2001 (Model 8). This indicates that, during the late 1980s and 1990s when the shareholder value logic came to power, the relationship between poor performance and dismissal was weaker the higher the level of prior engagement in business

refocusing.¹ Meanwhile, the interaction effect is positive and nonsignificant, when it is estimated in the post-Enron era (Models 11 and 14). This suggests that the role of prior refocusing activity in weakening the relationship between poor performance and CEO dismissal is endemic to the era of shareholder primacy. The findings provide support for Hypothesis 1-a.

In Figure 1, we plot the significant interaction effect in the sub-period 1988-1997 (Model 5). It depicts the effect of ROA on CEO dismissal at three different levels of change in diversification entropy: one SD below the mean (high refocusing), the mean (mean), and one SD above the mean (high diversification). The figure is noteworthy in two respects. First, when the value of ROA is above zero, the three lines are relatively narrow and parallel-sided. This indicates that, under conditions of high financial performance, CEOs can gain internal approval and support whatever business practices they are using. Second, as ROA declines below zero, the dismissal rate increases more rapidly for CEOs with high diversification (bold line) than for CEOs with high refocusing (dotted line). At low levels of ROA (one SD below the mean), the dismissal rate increases by 21.2 percent for CEOs with high refocusing, and 36.1 percent for CEOs with high diversification. At extremely low levels of ROA (two SDs below the mean), the dismissal rate increases by 84.3 percent for CEOs with high refocusing and 221.2 percent for CEOs with high diversification.

¹ Notably, the interaction effect of ROA and refocusing is negative and significant in all 10-year sub-periods between 1987 and 2001—that is, 1987-1996, 1988-1997, 1989-1998, 1990-1999, 1991-2000, and 1992-2001. Moreover, such interaction effect is robust to the use of different time windows, such as 9-year, 12-year, and 15-year sub-periods.

In Figure 2, we illustrate changes in the role of business refocusing in CEO dismissal over a 10-year rolling window between 1980 and 2015. Within each sub-period, the figure compares the effect of low ROA (one SD below the mean) on the CEO dismissal rate between the two groups of CEOs: high refocusing (filled bar) and high diversification (open bar). Notably, the group difference is negligible in the sub-periods between 1980 and 1994. However, it becomes increasingly more evident when the analysis includes data for more recent years up to 2001. For instance, in the peak sub-period 1990-1999, low ROA leads to increase in the CEO dismissal rate by 12.0 percent for CEOs with high refocusing, and 37.01 percent for CEOs with high diversification. Meanwhile, such group difference becomes reduced as the analysis includes data for the post-Enron era. The findings provide support for Hypothesis 1-b.

[Figures 1 through 3 about here]

Interaction of ROA and workforce downsizing. The third model within each sub-period estimates the interaction term between ROA and the level of prior engagement in downsizing, measured as change in the number of employees. Similar to the analysis of refocusing, the interaction effect is negative and marginally significant for the sub-period 1984-1993 (Model 3); but the negative interaction effect is significant for the sub-period 1988-1997 (Model 6). This indicates that the relationship between poor performance and CEO dismissal was weaker the higher the level of prior engagement in downsizing during the late 1980s and 1990s, when the shareholder value logic prevailed.² Meanwhile, the interaction effect is positively significant for

² The interaction effect of ROA and downsizing is negative and significant in all 10-year sub-periods between 1985 and 2000—that is, 1985-1994, 1986-1995, 1987-1996, 1988-1997, 1989-

the sub-period 2006-2015 (Model 15), indicating that the relationship between poor performance and dismissal was stronger for CEOs with higher downsizing activity. The finding is in marked contrast to that for the sub-period 1988-1997. This indicates that the board's reaction to downsizing has been increasingly more negative over time since the early 2000s. The findings provide support for Hypothesis 1-a.

In Figure 3, we illustrate changes in the role of workforce downsizing in CEO dismissal over a 10-year rolling window between 1980 and 2015. Within each sub-period, the plot compares the effect of low ROA on the dismissal rate between the two groups of CEOs: high downsizing (filled bar) and high expansion (open bar). As in the analysis of refocusing, the group difference is trivial in the first few sub-periods, but it becomes more evident across the sub-periods between 1985 and 2000. For instance, in the peak sub-period 1987-1996, low ROA leads to increase in the dismissal rate by 16.9 percent for CEOs with high downsizing, and 41.2 percent for CEOs with high expansion. Such group difference, however, becomes reduced as the analysis includes data for more recent years from 2001 onwards. The findings provide support for Hypothesis 1-b.

[Table 3 about here]

[Figure 4 about here]

Stakeholder-oriented Practices

1998, 1990-1999, and 1991-2000. Moreover, such interaction effect is robust to the use of different time windows, such as 9-year, 12-year, and 15-year sub-periods.

Table 3 presents the models of CEO dismissal on ROA and its interaction with total CSR strengths. The analysis starts in 1992 due to availability of data on CSR ratings. As in the above analysis, we report the results for different 10-year sub-periods 1992-2001 (Models 1 through 3), 2002-2011 (Models 4 through 6), and 2006-2015 (Models 7 through 9). What is notable here is that the interaction effect of ROA and total CSR strengths is negatively significant for the sub-period 1992-2001 (Model 2), indicating that the relationship between poor performance and CEO dismissal is strengthened by high CSR engagement. However, such role of CSR in CEO dismissal does not generally apply in other periods of time. Specifically, the interaction effect is positively significant for the sub-period 2006-2015 (Model 8), indicating that the relationship between poor performance and dismissal is weakened by high CSR engagement. These findings provide support for Hypothesis 2-a.

Moreover, we note that the interaction effect of ROA and CSR strengths is positively significant for the entire post-Enron period 2002-2015, as presented in Table 4. This indicates that the board's reaction to high CSR engagement has been increasingly more positive over time since the early 2000s. We plot the significant interaction effect in Figure 4. The figure clearly shows that, as ROA declines, the dismissal rate increases most rapidly for CEOs with low CSR strengths (dotted line). At low levels of ROA (one SD below the mean), the dismissal rate increases by 13.0 percent for CEOs with high CSR strengths, and 24.8 percent for CEOs with low CSR strengths. At extremely low levels of ROA (two SDs below the mean), the dismissal rate increases by 39.1 percent for CEOs with high CSR strengths, and 159.0 percent for CEOs with low CSR strengths.

Figure 5 depicts changes over time in the interaction effect of ROA and total CSR strengths on CEO dismissal over a 10-year rolling window between 1992 and 2015. Within each sub-

period, the figure compares the effect of low ROA on the dismissal rate between the two groups of CEOs: low CSR strengths (filled bar) and high CSR strengths (open bar). It displays two striking trends. First, in the early two sub-periods, the effect of low ROA on dismissal is far stronger for CEOs with high CSR strengths than for CEOs with low CSR strengths. For instance, in the sub-period 1992-2001, low ROA leads to increase in the dismissal rate by 12.2 percent for CEOs with low CSR strengths, and 66.7 percent for CEOs with high CSR strengths. Second, in contrast, the effect of low ROA on dismissal becomes significantly stronger for CEOs with low CSR strengths than for CEOs with high CSR strengths, when the analysis includes data for the recent sub-periods between 2002 and 2015. For instance, in the last sub-period 2006-2015, low ROA leads to increase in the dismissal rate by 33.1 percent for CEOs with low CSR strengths, and 10.9 percent for CEOs with high CSR strengths. This suggests that the board's reaction to CSR has changed over time: while in the shareholder primacy era, the board reacts negatively to high CSR engagement; in the post-Enron era, it reacts positively towards the same kind of activity. The findings provide support for Hypothesis 2-b.

Robustness Checks

We conducted robustness checks in three ways. First, we replicated models of CEO dismissal using a measure of CEOs' prior engagement in asset divestiture—i.e., percentage change in total assets from year $t-2$ to $t-1$. This is relevant because asset divesting usually comes along with corporate de-diversification and workforce downsizing. The results, reported in Appendix A, are consistent with those from CEOs' refocusing and downsizing activity. Specifically, in the shareholder primacy era, the effect of poor performance on CEO dismissal

was weaker for CEOs with higher engagement in divesting; however, this did not apply in the post-Enron era.

Second, we utilized the ASSET4 database from Thomson Reuters to assess the degree of CEOs' prior engagement in CSR initiatives (Thomson Reuters 2019). It contains times series data on ESG (Environmental, Social, and Governance) ratings from the year 2002. In the analysis, we used ESG score as a proxy for CSR activity and ESG controversies score as a proxy for CSiR activity. Additionally, we used ESG combined score, an overall company score calculated as the weighted average of ESG score and ESG controversies score. The results, reported in Appendix B, are consistent with those from the use of KLD CSR ratings.

Finally, we employed other measures of firm performance including total shareholder return (TSR) and annual earnings per share (EPS). TSR is a measure of firm market performance, which is equal to the change in year-end stock prices, plus annual dividends, divided by the prior year-end stock price. EPS is equal to net income divided by the number of outstanding shares for a given year. The results are generally consistent with those from the use of ROA (details are available upon request).

DISCUSSION AND CONCLUSION

The objective of this study was to examine how the growing movement towards a stakeholder orientation affected prevailing models of corporate governance over the past two decades. For this purpose, we examined the historical stability and change in the determinants of CEO dismissal in large U.S. firms during 1980-2015. We find that the emergence of a stakeholder orientation was associated with changes in the role prior engagement in shareholder-

and stakeholder-oriented (CSR) practices played in the relationship between poor firm performance and CEO dismissal. During the late 1980s and 1990s, the penalty for poor performance was weakened by high business refocusing and downsizing activity, while being strengthened by high CSR activity. In the post-Enron era, the penalty was weakened by high CSR activity, and it was independent of refocusing and downsizing activity. Therefore, this study suggests that, in the recent two decades, the stakeholder-oriented model of corporate governance have emerged to prominence to the extent that CEOs incur penalty for their low commitment to social and environmental responsibility.

This study provides evidence for an understanding of the cultural-normative processes associated with board perceptions and evaluations of CEOs with a stakeholder orientation during the period of shift in the prevailing institutional logic. Specifically, our findings indicate that the emergence of a stakeholder orientation has entailed changes in the interpretation of managerial behaviors towards shareholder value or social and environmental responsibility. Most strikingly, we show that the board's reaction to CSR initiatives changes over time: while under the shareholder primacy model, boards react adversely to high CSR activity; under the stakeholder model, they react favorably to the very same kind of activity. Relatedly, we also show that, as the stakeholder model gains prominence, boards no longer favor the use of shareholder-friendly practices. Therefore, this study suggests that the characteristics of the prevailing institutional logic provide an important context when evaluating the quality of a corporation's leaders.

Our findings reinforce the institutional argument that organizational goals, practices, and politics evolve in tandem with changes in higher-order institutional logics. This study shows that when executives adopt socially accepted practices, ones consistent with the prevalent institutional logic, they are also perceived as being legitimate inside an organization (Fligstein

and Brantley 1992; Joseph et al. 2014; Ocasio and Kim 1999; Thornton and Ocasio 1999). Specifically, CEOs who practice refocusing and downsizing in their firms can gain reputation and avoid career penalty even during poor performance in an institutional context that espouses shareholder logics. However, the same practices can undermine a CEO's legitimacy in an institutional context with stakeholder logics. Instead, CEOs operating within stakeholder logics gain internal approval and support from their commitment to CSR initiatives.

This study also contributes to the literature on “performativity” which argues that the assumptions underlying some theories inherited from economics and finance can become performative or self-fulfilling by shaping the managerial and investor behavior they predict (MacKenzie 2008). In particular, we suggest that the performative effects of economics theories have entered the way the board evaluates managerial behavior. Agency theory is a case in point, which has fostered the assumptions that CEOs' success is determined by the financial returns they generate for shareholders (Dobbin and Jung 2010; Ferraro, Pfeffer, and Sutton 2005; Ghoshal 2005). Our study of CEO dismissal suggests that agency theory was performative in the realm of corporate governance in the 1980s and 1990s, as reflected by the fewer penalties imposed on CEOs who engaged in refocusing and downsizing. Our findings also indicate that agency theory lost its performative power over time, as CSR became popularized as a strategy for sustainable competitive advantage (Marti and Gond 2017). Emerging stakeholder-oriented theories have appeared to play a performative role in the rewards that CEOs receive for their commitment to CSR initiatives.

Consequently, this study suggests that the “rules of the game” for managers in large U.S. firms have changed over the past two decades, as the stakeholder model increasingly emerged to popularity as an alternative to shareholder primacy. Under the shareholder primacy model, the

game was to increase the firm's values on the stock market. As such, managers were able to advance their careers by committing to management practices that could satisfy stock analysts and investors (Davis 2009; Useem 1996). Subsequently, as the movement towards a stakeholder orientation gained significant momentum, managers were increasingly expected to adopt CSR initiatives and pursue firm profitability in a fashion to meet the needs and expectations of a wide range of stakeholders. This research suggests that the changing rules of the game for CEO success are manifested in the way the board evaluates and treats CEOs with a stakeholder orientation.

This research offers a foundation for future research on the role of CSR in corporate governance. One feasible extension of this study would be to investigate the fate of the shareholder primacy model in other countries. We know that the Anglo-American model was introduced into many firms in Europe and Asia during the 1990s and 2000s (Ahmadjian and Robbins 2005; Fiss and Zajac 2004). Some commentators even argued for the diffusion of the shareholder primacy model as the world's standard (Coffee 1998; Hansmann and Kraakman 2000). Meanwhile, we also know that the global CSR movement gained significance over the past decades and some countries, including the United Kingdom, Belgium, Canada, Denmark, and the Netherlands, instituted progressive policies towards CSR initiatives (Aguilera et al. 2007). In this regard, Williams and Conley (2005:495-96) opined that "the historically unified Anglo-American front may be breaking down as a result of CSR advocates' actions and governments' and companies' reactions." Therefore, these considerations suggest a need for research on the institutional processes that affect the clash between shareholder- and stakeholder-based corporate governance systems.

Future research could also explore how the changing views and expectations of CSR have affected the way institutional investors respond to a firm's high engagement in CSR initiatives. We know that the SRI movement has increasingly risen to prominence within the U.S. investor community (Marti and Gond 2017; Sparkes and Cowton 2004). It would be fruitful to examine whether institutional investors reward or punish firms with high CSR engagement and how such rewards or penalties have changed over time. Given that institutional activism was a primary trigger for the rise of shareholder primacy, examining how the relationship between CSR and institutional ownership has changed can help improve our understanding of the changing corporate governance models.

Moreover, future research may explore who shall be an organization's leaders during times of the emergence of the stakeholder perspective as an alternative to shareholder primacy. It could be that, in the era of a stakeholder orientation, executives derive their power and authority from their ability to go beyond the creation of short-term shareholder value in pursuit of a larger social purpose. To verify this, follow-up research could examine the phenomenon of outsider CEO selection in relation to the predecessor CEO's level of commitment to CSR. We know that outsider CEO selection typically occurs when the firm suffers performance declines and seeks substantial strategic changes (Khurana 2002). In the era of a stakeholder orientation, corporate saviors would be those who are capable of meeting the interests of multiple stakeholder groups.

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

recognizing that the corporate governance practices associated with poor or good performance must be interpreted within the prevailing institutional structures at the time, and much has changed in recent years.

REFERENCES

- Ackerman, Robert W. 1973. "How Companies Respond to Social Demands." *Harvard Business Review* 51(4):88–98.
- Aguilera, Ruth V., Deborah E. Rupp, Cynthia A. Williams, and Jyoti Ganapathi. 2007. "Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations." *Academy of Management Review* 32(3):836–63.
- Ahmadjian, Christina L., and Gregory E. Robbins. 2005. "A Clash of Capitalisms: Foreign Shareholders and Corporate Restructuring in 1990s Japan." *American Sociological Review* 70(3):451–71.
- Baysinger, Barry, and Robert E. Hoskisson. 1989. "Diversification Strategy and R&D Intensity in Multiproduct Firms." *Academy of Management Journal* 32(2):310–32.
- Bebchuk, Lucian, and Jesse Fried. 2006. *Pay without Performance: The Unfulfilled Promise of Executive Compensation*. Cambridge, MA: Harvard University Press.
- Bhagat, Sanjai, Andrei Shleifer, Robert W. Vishny, Gregg Jarrel, and Lawrence Summers. 1990. "Hostile Takeovers in the 1980s: The Return to Corporate Specialization." *Brookings Papers on Economic Activity. Microeconomics* 1990:1–84.
- Blossfeld, Hans-Peter, Katrin Golsch, and Gotz Rohwer. 2007. *Event History Analysis with Stata*. Mahwah, NJ: Psychology Press.
- Boeker, Warren. 1992. "Power and Managerial Dismissal: Scapegoating at the Top." *Administrative Science Quarterly* 37(3):400–421.
- Box-Steffensmeier, Janet M., and Lyndsey Stanfill. 2008. "The Cox Proportional Hazards Model, Diagnostics, and Extensions." Pp. 405–19 in *Handbook of Longitudinal Research: Design, Measurement, and Analysis*, edited by S. Menard. Burlington, MA: Academic Press.
- Cameron, Kim S., Sarah J. Freeman, and Aneil K. Mishra. 1993. "Downsizing and Redesigning Organizations." Pp. 19–63 in *Organizational Change and Redesign*, edited by G. P. Huber and W. H. Glick. New York, NY: Oxford University Press.
- Carroll, Archie B. 1999. "Corporate Social Responsibility: Evolution of a Definitional Construct." *Business and Society* 38(3):268–95.
- Coffee, John C. Jr. 1998. "Future as History: The Prospects for Global Convergence in Corporate Governance and Its Implications." *Northwestern University Law Review* 93(3):641–708.

- Davis, Gerald F. 2009. *Managed by the Markets: How Finance Re-Shaped America*. Oxford, UK: Oxford University Press.
- Davis, Gerald F., Kristina A. Diekmann, and Catherine H. Tinsley. 1994. "The Decline and Fall of the Conglomerate Firm in the 1980s: The Deinstitutionalization of an Organizational Form." *American Sociological Review* 59(4):547–70.
- Davis, Gerald F., and Suzanne K. Stout. 1992. "Organization Theory and the Market for Corporate Control: A Dynamic Analysis of the Characteristics of Large Takeover Targets, 1980-1990." *Administrative Science Quarterly* 37(4):605–33.
- Davis, Gerald F., and Tracy A. Thompson. 1994. "A Social Movement Perspective on Corporate Control." *Administrative Science Quarterly* 39(1):141–73.
- Dial, Jay, and Kevin J. Murphy. 1995. "Incentives, Downsizing, and Value Creation at General Dynamics." *Journal of Financial Economics* 37(3):261–314.
- DiMaggio, Paul J., and Walter W. Powell. 1983. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48(2):147–60.
- Dobbin, Frank, and Jiwook Jung. 2010. "The Misapplication of Mr. Michael Jensen: How Agency Theory Brought down the Economy and Why It Might Again." *Research in the Sociology of Organizations* 30B(1):29–64.
- Dobbin, Frank, and Dirk Zorn. 2005. "Corporate Malfeasance and the Myth of Shareholder Value." *Political Power and Social Theory* 17:179–98.
- Donaldson, Thomas, and Lee E. Preston. 1995. "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications." *Academy of Management Review* 20(1):65–91.
- Eccles, Robert G., Ioannis Ioannou, and George Serafeim. 2014. "The Impact of Corporate Sustainability on Organizational Processes and Performance." *Management Science* 60(11):2835–57.
- Eisenhardt, Kathleen M. 1989. "Agency Theory: An Assessment and Review." *Academy of Management Review* 14(1):57–74.
- Fama, Eugene F. 1980. "Agency Problems and the Theory of the Firm." *Journal of Political Economy* 88(2):288–307.
- Fama, Eugene F., and Michael C. Jensen. 1983. "Separation of Ownership and Control." *The Journal of Law & Economics* 26(2):301–25.
- Ferraro, Fabrizio, Jeffrey Pfeffer, and Robert I. Sutton. 2005. "Economics Language and Assumptions: How Theories Can Become Self-Fulfilling." *Academy of Management Review* 30(1):8–24.
- Finkelstein, Sydney, Donald C. Hambrick, and Albert A. Cannella. 2009. *Strategic Leadership: Theory and Research on Executives, Top Management Teams, and Boards*. Oxford, UK: Oxford University Press.
- Fiske, Susan T., and Shelley E. Taylor. 2013. *Social Cognition: From Brains to Culture*. SAGE.

- Fiss, Peer C., and Edward J. Zajac. 2004. "The Diffusion of Ideas over Contested Terrain: The (Non) Adoption of a Shareholder Value Orientation among German Firms." *Administrative Science Quarterly* 49(4):501–34.
- Flammer, Caroline. 2013. "Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors." *Academy of Management Journal* 56(3):758–81.
- Fligstein, Neil. 1990. *The Transformation of Corporate Control*. Reprint edition. Cambridge, MA: Harvard University Press.
- Fligstein, Neil. 2001. *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*. Princeton, NJ: Princeton University Press.
- Fligstein, Neil, and Peter Brantley. 1992. "Bank Control, Owner Control, or Organizational Dynamics: Who Controls the Large Modern Corporation?" *American Journal of Sociology* 98(2):280–307.
- Fligstein, Neil, and Taekjin Shin. 2007. "Shareholder Value and the Transformation of the U.S. Economy, 1984–2001." *Sociological Forum* 22(4):399–424.
- Freeman, R. Edward. 1984. *Strategic Management: A Stakeholder Approach*. Englewood Cliffs, NJ: Prentice Hall.
- Friedman, Milton. 1970. "The Social Responsibility of Business Is to Increase Its Profits." *New York Times Magazine*, September 13, 13 September, 32–33.
- Friedman, Milton. 1972. "Milton Friedman Responds." *Business and Society Review* 1:5–16.
- Ghoshal, Sumantra. 2005. "Bad Management Theories Are Destroying Good Management Practices." *Academy of Management Learning and Education* 4(1):75–91.
- Graves, Samuel B., and Sandra A. Waddock. 1994. "Institutional Owners and Corporate Social Performance." *Academy of Management Journal* 37(4):1034–46.
- Greve, Henrich R. 1998. "Performance, Aspirations, and Risky Organizational Change." *Administrative Science Quarterly* 43(1):58–86. doi: 10.2307/2393591.
- Haleblian, Jerayr, and Nandini Rajagopalan. 2006. "A Cognitive Model of CEO Dismissal: Understanding the Influence of Board Perceptions, Attributions and Efficacy Beliefs." *Journal of Management Studies* 43(5):1009–26.
- Hansmann, Henry, and Reinier Kraakman. 2000. "The End of History for Corporate Law." *Georgetown Law Journal* 89(2):439–68.
- Harrison, Jeffrey S., Robert A. Phillips, and R. Edward Freeman. 2020. "On the 2019 Business Roundtable 'Statement on the Purpose of a Corporation.'" *Journal of Management* 46(7):1223–37.
- Haveman, Heather A., and Hayagreeva Rao. 1997. "Structuring a Theory of Moral Sentiments: Institutional and Organizational Coevolution in the Early Thrift Industry." *American Journal of Sociology* 102(6):1606–51.

- Haveman, Heather A., Hayagreeva Rao, and Srikanth Paruchuri. 2007. "The Winds of Change: The Progressive Movement and the Bureaucratization of Thrift." *American Sociological Review* 72(1):117–42.
- Henderson, Rebecca. 2020. *Reimagining Capitalism in a World on Fire*. Illustrated edition. New York, NY: PublicAffairs.
- Hong, Harrison, and Marcin Kacperczyk. 2009. "The Price of Sin: The Effects of Social Norms on Markets." *Journal of Financial Economics* 93(1):15–36.
- Ioannou, Ioannis, and George Serafeim. 2015. "The Impact of Corporate Social Responsibility on Investment Recommendations: Analysts' Perceptions and Shifting Institutional Logics." *Strategic Management Journal* 36(7):1053–81.
- James, David R., and Michael Soref. 1981. "Profit Constraints on Managerial Autonomy: Managerial Theory and the Unmaking of the Corporation President." *American Sociological Review* 46(1):1–18.
- Jensen, Michael C. 1986. "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers." *American Economic Review* 76(2):323–29.
- Jensen, Michael C., and William H. Meckling. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." *Journal of Financial Economics* 3(4):305–60.
- Jensen, Michael C., and Edward J. Zajac. 2004. "Corporate Elites and Corporate Strategy: How Demographic Preferences and Structural Position Shape the Scope of the Firm." *Strategic Management Journal* 25(6):507–24.
- Jones, Thomas M. 1995. "Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics." *Academy of Management Review* 20(2):404–37.
- Joseph, John, William Ocasio, and Mary-Hunter McDonnell. 2014. "The Structural Elaboration of Board Independence: Executive Power, Institutional Logics, and the Adoption of CEO-Only Board Structures in U.S. Corporate Governance." *Academy of Management Journal* 57(6):1834–58.
- Jung, Jiwook. 2015. "Shareholder Value and Workforce Downsizing, 1981–2006." *Social Forces* 93(4):1335–68.
- Khurana, Rakesh. 2002. *Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs*. 1 edition. Princeton, NJ: Princeton University Press.
- Kiron, David, Nina Kruschwitz, Knut Haanaes, and Ingrid von Streng Velken. 2012. "Sustainability Nears a Tipping Point." *MIT Sloan Management Review* 53(2):69–74.
- Kramer, Mark R., and Michael Porter. 2011. "Creating Shared Value." *Harvard Business Review* 89(1/2):62–77.
- Lazonick, William, and Mary O'Sullivan. 2000. "Maximizing Shareholder Value: A New Ideology for Corporate Governance." *Economy and Society* 29(1):13–35.

- Lubin, David A., and Daniel C. Esty. 2010. "The Sustainability Imperative." *Harvard Business Review* 88(5):42–50.
- MacKenzie, Donald. 2008. *An Engine, Not a Camera: How Financial Models Shape Markets*. 1st edition. Cambridge, MA: The MIT Press.
- Main, Brian GM, Charles A. O'Reilly, and James Wade. 1995. "The CEO, the Board of Directors and Executive Compensation: Economic and Psychological Perspectives." *Industrial and Corporate Change* 4(2):293–332.
- March, James G., and Johan P. Olsen. 1976. *Ambiguity and Choice in Organizations*. Bergen: Universitetsforlaget.
- Markides, Constantinos C. 1995. "Diversification, Restructuring and Economic Performance." *Strategic Management Journal* 16(2):101–18.
- Marti, Emilio, and Jean-Pascal Gond. 2017. "When Do Theories Become Self-Fulfilling? Exploring the Boundary Conditions of Performativity." *Academy of Management Review* 43(3):487–508.
- McKinley, William, Jun Zhao, and Kathleen Garrett Rust. 2000. "A Sociocognitive Interpretation of Organizational Downsizing." *Academy of Management Review* 25(1):227–43.
- Ocasio, William. 1994. "Political Dynamics and the Circulation of Power: CEO Succession in U.S. Industrial Corporations, 1960-1990." *Administrative Science Quarterly* 39(2):285–312.
- Ocasio, William, and Hyosun Kim. 1999. "The Circulation of Corporate Control: Selection of Functional Backgrounds of New CEOs in Large U.S. Manufacturing Firms, 1981–1992." *Administrative Science Quarterly* 44(3):532–62.
- Palepu, Krishna. 1985. "Diversification Strategy, Profit Performance and the Entropy Measure." *Strategic Management Journal* 6(3):239–55.
- Parrino, Robert. 1997. "CEO Turnover and Outside Succession A Cross-Sectional Analysis." *Journal of Financial Economics* 46(2):165–97.
- Porter, Michael E., and Mark R. Kramer. 2002. "The Competitive Advantage of Corporate Philanthropy." *Harvard Business Review* 80:56–68.
- Pozner, Jo-Ellen. 2008. "Stigma and Settling Up: An Integrated Approach to the Consequences of Organizational Misconduct for Organizational Elites." *Journal of Business Ethics* 80(1):141–50.
- Revelli, Christophe. 2017. "Socially Responsible Investing (SRI): From Mainstream to Margin?" *Research in International Business and Finance* 39:711–17.
- Scott, W. Richard. 2013. *Institutions and Organizations: Ideas, Interests, and Identities*. Thousand Oaks, CA: SAGE Publications.
- Semadeni, Matthew, Albert A. Cannella Jr., Donald R. Fraser, and D. Scott Lee. 2008. "Fight or Flight: Managing Stigma in Executive Careers." *Strategic Management Journal* 29(5):557–67.

- Shen, Wei, and Albert A. Cannella. 2002. "Power Dynamics Within Top Management and Their Impacts on CEO Dismissal Followed by Inside Succession." *Academy of Management Journal* 45(6):1195–1206.
- Singer, Judith D., and John B. Willett. 2003. *Applied Longitudinal Data Analysis: Modeling Change and Event Occurrence*. Oxford, UK: Oxford University Press.
- Sneirson, Judd F. 2008. "Green Is Good: Sustainability, Profitability, and a New Paradigm for Corporate Governance." *Iowa Law Review* 94(3):987–1022.
- Sparkes, Russell, and Christopher J. Cowton. 2004. "The Maturing of Socially Responsible Investment: A Review of the Developing Link with Corporate Social Responsibility." *Journal of Business Ethics* 52(1):45–57.
- Stearns, Linda Brewster, and Kenneth D. Allan. 1996. "Economic Behavior in Institutional Environments: The Corporate Merger Wave of the 1980s." *American Sociological Review* 61(4):699–718.
- Stout, Lynn. 2012. *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public*. 1st edition. San Francisco, CA: Berrett-Koehler Publishers.
- Strike, Vanessa M., Jijun Gao, and Pratima Bansal. 2006. "Being Good While Being Bad: Social Responsibility and the International Diversification of US Firms." *Journal of International Business Studies* 37(6):850–62.
- Suchman, Mark C. 1995. "Managing Legitimacy: Strategic and Institutional Approaches." *Academy of Management Review* 20(3):571–610.
- Suddaby, Roy, and Royston Greenwood. 2005. "Rhetorical Strategies of Legitimacy." *Administrative Science Quarterly* 50(1):35–67.
- Sundaram, Anant K., and Andrew C. Inkpen. 2004. "The Corporate Objective Revisited." *Organization Science* 15(3):350–63.
- Thomson Reuters. 2019. *Thomson Reuters ESG Scores*.
- Thornton, Patricia H., and William Ocasio. 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):801–43.
- Tversky, Amos, and Daniel Kahneman. 1974. "Judgment under Uncertainty: Heuristics and Biases." *Science* 185(4157):1124–31.
- Useem, Michael. 1996. *Investor Capitalism: How Money Managers Are Changing the Face of Corporate America*. New York, NY: Basic Books.
- Wiesenfeld, Batia M., Kurt A. Wurthmann, and Donald C. Hambrick. 2008. "The Stigmatization and Devaluation of Elites Associated with Corporate Failures: A Process Model." *Academy of Management Review* 33(1):231–51.

- Wowak, Adam J., Donald C. Hambrick, and Andrew D. Henderson. 2011. "Do CEOs Encounter Within-Tenure Settling Up? A Multiperiod Perspective on Executive Pay and Dismissal." *Academy of Management Journal* 54(4):719–39.
- Yan, Shipeng, Fabrizio Ferraro, and Juan Almandoz. 2019. "The Rise of Socially Responsible Investment Funds: The Paradoxical Role of the Financial Logic." *Administrative Science Quarterly* 64(2):466–501.
- Zhang, Yan. 2006. "The Presence of a Separate COO/President and Its Impact on Strategic Change and CEO Dismissal." *Strategic Management Journal* 27(3):283–300.
- Zhang, Yan. 2008. "Information Asymmetry and the Dismissal of Newly Appointed CEOs: An Empirical Investigation." *Strategic Management Journal* 29(8):859–72.

TABLES

Table 1. Descriptive statistics of variables in the analysis of CEO dismissal, 1992-2015

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 CEO succession	0.106	0.308																
2 CEO dismissal	0.036	0.187	0.562															
3 CEO age60	1.399	2.636	0.291	-0.015														
4 CEO duality	0.794	0.404	0.023	-0.041	0.136													
5 CEO origin	0.225	0.418	0.005	0.008	-0.031	-0.040												
6 Finance CEO	0.235	0.424	-0.011	-0.019	-0.016	-0.005	-0.045											
7 Technical CEO	0.311	0.463	-0.002	0.004	0.072	-0.057	0.003	-0.372										
8 Sales CEO	0.272	0.445	0.007	0.047	-0.101	-0.010	0.013	-0.339	-0.411									
9 Diversification entropy (DT), t-1	0.655	0.530	0.023	-0.016	-0.017	0.127	-0.028	0.045	-0.014	-0.043								
10 Cumulative number of CEO dismissal, 1980 to t-1	0.922	1.000	-0.040	-0.021	-0.118	-0.116	0.245	-0.093	-0.026	0.047	0.055							
11 Institutional ownership, t-1	0.649	0.150	-0.029	-0.017	-0.098	0.005	0.097	0.060	0.053	-0.064	-0.049	0.093						
12 Total assets (logged), t-1	9.559	1.157	0.026	0.018	-0.016	0.007	-0.095	0.034	-0.018	0.047	0.173	0.026	-0.142					
13 Return on asset, t	0.056	0.079	-0.061	-0.127	0.003	-0.020	-0.118	-0.089	-0.002	0.076	-0.065	-0.028	-0.049	0.060				
14 Business refocusing: change in diversification entropy, t-2 to t-1	-0.006	0.163	0.006	0.026	0.014	-0.029	0.007	-0.009	-0.022	0.018	0.155	0.003	-0.008	-0.001	-0.078			
15 Workforce downsizing (%): change in employees, t-2 to t-1	0.007	0.146	0.007	-0.004	-0.012	-0.072	-0.041	-0.006	-0.037	-0.009	-0.083	-0.047	0.075	-0.016	0.115	0.140		
16 Total CSR strengths, t-1	4.351	3.788	0.003	0.030	-0.097	-0.047	-0.014	-0.080	-0.070	0.220	0.022	0.126	-0.011	0.603	0.158	0.002	0.012	
17 Total CSR concerns, t-1	3.293	2.476	0.021	0.036	0.027	0.039	-0.015	0.069	0.119	-0.152	0.163	0.068	-0.039	0.435	-0.085	-0.007	-0.114	0.194

$N = 2,842$; all correlations greater than 0.03 or smaller than -0.03 are statistically significant at $p < .05$

Table 2. Cox models of CEO dismissal on shareholder-oriented practices

Variable	Shareholder primacy era									Post-Enron era					
	1984-1993			1988-1997			1992-2001			2002-2011		2006-2015			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
CEO age60	-0.04 (0.07)	-0.04 (0.07)	-0.04 (0.07)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.07)	-0.05 (0.07)	-0.06 (0.07)	-0.06 (0.07)	-0.02 (0.08)	-0.02 (0.08)	-0.02 (0.08)	-0.00 (0.09)	-0.00 (0.09)	-0.01 (0.09)
CEO duality	-1.54*** (0.41)	-1.54*** (0.42)	-1.53*** (0.42)	-1.96*** (0.40)	-1.97*** (0.41)	-2.19*** (0.42)	-1.37*** (0.38)	-1.33*** (0.38)	-1.40*** (0.38)	-0.94** (0.35)	-0.97** (0.35)	-0.96** (0.35)	-1.17** (0.41)	-1.17** (0.41)	-1.23** (0.41)
CEO origin	0.66 (0.49)	0.63 (0.50)	0.72 (0.49)	0.40 (0.42)	0.32 (0.43)	0.68 (0.42)	-0.02 (0.40)	-0.02 (0.40)	0.03 (0.40)	0.61+ (0.35)	0.67+ (0.34)	0.63+ (0.34)	-0.27 (0.44)	-0.27 (0.44)	-0.34 (0.44)
Finance CEO	0.34 (0.66)	0.34 (0.66)	0.33 (0.65)	0.63 (0.71)	0.67 (0.71)	0.89 (0.77)	0.89 (0.62)	0.84 (0.62)	1.02 (0.63)	-0.11 (0.53)	-0.16 (0.53)	-0.13 (0.53)	0.12 (1.17)	0.12 (1.17)	-0.18 (1.21)
Technical CEO	1.21* (0.59)	1.20* (0.59)	1.14+ (0.59)	1.52* (0.65)	1.55* (0.65)	1.73* (0.71)	1.27* (0.59)	1.30* (0.59)	1.37* (0.60)	0.04 (0.51)	0.03 (0.51)	0.06 (0.50)	1.46 (1.09)	1.46 (1.09)	1.67 (1.09)
Sales CEO	-0.11 (0.66)	-0.10 (0.66)	-0.11 (0.66)	1.17+ (0.67)	1.25+ (0.68)	1.39+ (0.74)	1.52* (0.60)	1.56** (0.60)	1.62** (0.62)	0.36 (0.45)	0.37 (0.46)	0.36 (0.45)	2.29* (1.04)	2.29* (1.04)	2.35* (1.04)
Diversification entropy	-0.84** (0.32)	-0.84** (0.32)	-0.85** (0.33)	-0.43 (0.29)	-0.38 (0.29)	-0.40 (0.30)	-0.59+ (0.32)	-0.53 (0.32)	-0.60+ (0.32)	0.09 (0.31)	0.08 (0.31)	0.11 (0.31)	0.24 (0.36)	0.24 (0.37)	0.27 (0.37)
Cumulative number of CEO dismissals	-0.09 (0.25)	-0.09 (0.25)	-0.22 (0.27)	-0.25 (0.24)	-0.26 (0.24)	-0.43+ (0.24)	0.12 (0.19)	0.12 (0.20)	0.09 (0.19)	-0.10 (0.17)	-0.11 (0.17)	-0.11 (0.17)	-0.13 (0.19)	-0.13 (0.19)	-0.16 (0.19)
Institutional Ownership	0.19 (1.13)	0.17 (1.13)	-0.07 (1.14)	1.49 (1.14)	1.32 (1.16)	1.28 (1.17)	-0.50 (0.96)	-0.97 (0.99)	-0.69 (0.99)	-0.65 (1.08)	-0.89 (1.08)	-0.70 (1.08)	-1.19 (1.29)	-1.19 (1.29)	-1.56 (1.30)
Total assets (logged)	0.27+ (0.15)	0.26+ (0.15)	0.24+ (0.15)	0.34** (0.13)	0.33* (0.13)	0.34** (0.13)	0.35** (0.12)	0.33** (0.12)	0.36** (0.12)	0.10 (0.13)	0.11 (0.13)	0.09 (0.13)	-0.03 (0.16)	-0.03 (0.16)	-0.12 (0.16)
Return on asset	-4.68*** (1.21)	-5.04*** (1.31)	-5.66*** (1.31)	-7.31*** (1.35)	-8.56*** (1.43)	-8.54*** (1.34)	-9.12*** (1.40)	-9.49*** (1.57)	-9.31*** (1.42)	-5.24*** (1.38)	-5.77*** (1.32)	-5.56*** (1.42)	-8.68*** (2.10)	-8.67*** (2.11)	-9.59*** (2.07)
Business refocusing	-1.02 (1.01)	-1.13 (1.03)	-0.47 (1.04)	0.13 (1.07)	-0.20 (1.28)	1.08 (1.00)	1.12 (0.74)	0.63 (0.86)	1.19 (0.73)	1.44 (0.93)	1.65+ (0.90)	1.47 (0.92)	-0.32 (1.21)	-0.32 (1.22)	-0.49 (1.23)
Workforce downsizing	-2.31* (1.04)	-2.20* (1.06)	-2.34* (1.00)	-0.62 (1.21)	0.03 (1.25)	-1.50 (1.09)	0.33 (0.99)	0.33 (1.02)	-0.18 (1.03)	0.32 (1.08)	0.48 (1.05)	0.17 (1.05)	-0.02 (1.43)	-0.02 (1.43)	-1.39 (1.52)
Business refocusing		-3.59			-20.33**			-13.72*		8.42				0.39	
× Return on asset		(5.75)			(7.34)			(6.77)		(5.82)				(14.27)	
Workforce downsizing			-12.68+			-23.57***			-12.26+			5.86			34.71*
× Return on asset			(7.20)			(6.32)			(6.74)			(9.19)			(16.32)
Observations	1629	1629	1629	1574	1574	1574	1518	1518	1518	1167	1167	1167	1072	1072	1072
Unique firms	181	181	181	160	160	160	164	164	164	122	122	122	118	118	118
Unique CEOs	349	349	349	330	330	330	344	344	344	248	248	248	229	229	229
CEO dismissals	46	46	46	49	49	49	53	53	53	50	50	50	36	36	36
Log likelihood	-165.5	-165.3	-163.9	-175.3	-171.9	-169.4	-193.8	-190.5	-192.0	-192.6	-191.5	-192.4	-128.0	-128.0	-125.9

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. Outliers for which changes in diversification entropy < -1.0 or > 1.0 and employees < -0.8 or > 1.0 are removed. The variable of interest is in bold.

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-sided tests)

Table 3. Cox models of CEO dismissal on CSR initiatives

Variable	Shareholder primacy era			Post-Enron era					
	1992-2001			2002-2011			2006-2015		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CEO age60	-0.10 (0.09)	-0.10 (0.09)	-0.10 (0.09)	-0.02 (0.08)	-0.02 (0.09)	-0.02 (0.08)	0.01 (0.09)	0.01 (0.09)	0.01 (0.09)
CEO duality	-1.67*** (0.43)	-1.69*** (0.44)	-1.68*** (0.43)	-0.99** (0.37)	-1.01** (0.37)	-0.99** (0.37)	-1.08* (0.43)	-1.06* (0.43)	-1.07* (0.43)
CEO origin	0.25 (0.42)	0.23 (0.43)	0.24 (0.42)	0.58 (0.36)	0.57 (0.36)	0.58 (0.36)	-0.23 (0.45)	-0.13 (0.46)	-0.22 (0.45)
Finance CEO	1.08 (0.82)	1.17 (0.82)	1.11 (0.82)	-0.20 (0.55)	-0.17 (0.55)	-0.20 (0.55)	0.60 (1.13)	0.53 (1.13)	0.62 (1.13)
Technical CEO	1.56* (0.79)	1.65* (0.79)	1.51+ (0.79)	-0.16 (0.52)	-0.25 (0.53)	-0.15 (0.52)	1.33 (1.09)	1.18 (1.10)	1.31 (1.10)
Sales CEO	1.50+ (0.79)	1.41+ (0.79)	1.43+ (0.79)	0.22 (0.49)	0.21 (0.49)	0.22 (0.49)	2.27* (1.05)	2.19* (1.06)	2.27* (1.05)
Diversification entropy	-0.76* (0.36)	-0.71+ (0.37)	-0.74* (0.36)	0.14 (0.32)	0.12 (0.32)	0.14 (0.32)	0.35 (0.37)	0.45 (0.37)	0.34 (0.37)
Cumulative Number of CEO dismissals	-0.12 (0.24)	-0.16 (0.24)	-0.14 (0.24)	-0.12 (0.18)	-0.07 (0.18)	-0.12 (0.18)	-0.11 (0.19)	-0.07 (0.19)	-0.10 (0.19)
Institutional Ownership	-0.85 (1.26)	-0.99 (1.25)	-1.03 (1.29)	-0.06 (1.18)	0.01 (1.20)	-0.07 (1.19)	-0.51 (1.41)	0.09 (1.49)	-0.50 (1.42)
Total assets (logged)	-0.07 (0.20)	-0.26 (0.22)	-0.13 (0.21)	-0.03 (0.22)	0.00 (0.22)	-0.03 (0.22)	0.03 (0.22)	0.08 (0.23)	0.04 (0.22)
Return on asset	-9.02*** (1.73)	-3.68 (2.74)	-12.32*** (2.99)	-4.60** (1.40)	-7.78*** (2.16)	-4.43+ (2.38)	-7.67*** (2.05)	-12.75*** (2.95)	-8.43** (3.25)
Business refocusing	0.34 (0.80)	0.11 (0.83)	0.05 (0.82)	1.87* (0.92)	2.01* (0.91)	1.87* (0.92)	-0.33 (1.29)	-0.48 (1.36)	-0.37 (1.30)
Workforce downsizing	0.21 (0.98)	0.27 (0.93)	0.37 (0.99)	-0.59 (1.24)	-0.76 (1.28)	-0.57 (1.26)	0.03 (1.45)	-0.33 (1.50)	-0.03 (1.46)
Total CSR strengths	0.13 (0.08)	0.22** (0.09)	0.12 (0.08)	0.05 (0.05)	0.03 (0.05)	0.05 (0.05)	-0.03 (0.05)	-0.08 (0.07)	-0.03 (0.05)
Total CSR concerns	0.12 (0.08)	0.15+ (0.09)	0.08 (0.09)	0.04 (0.07)	0.04 (0.07)	0.04 (0.07)	-0.01 (0.09)	0.02 (0.09)	-0.01 (0.09)
Total CSR strengths × Return on asset		-2.24** (0.86)			0.50+ (0.30)			1.03* (0.50)	
Total CSR concerns × Return on asset			1.33 (0.94)			-0.05 (0.53)			0.20 (0.68)
Observations	1312	1312	1312	1143	1143	1143	1047	1047	1047
Unique firms	152	152	152	122	122	122	117	117	117
Unique CEOs	310	310	310	246	246	246	224	224	224
CEO dismissals	46	46	46	47	47	47	35	35	35
Log likelihood	-155.0	-151.3	-154.0	-179.4	-177.7	-179.4	-127.9	-125.4	-127.9

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. The analysis starts in 1992 due to availability of KLD. The variable of interest is in bold.

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-sided tests)

Table 4. Cox models of CEO dismissal on CSR initiatives in the post-Enron era

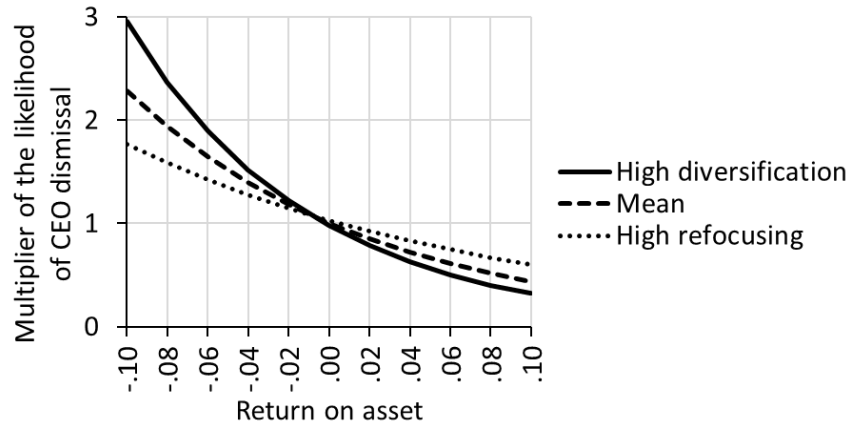
Variable	2002-2015		
	(1)	(2)	(3)
CEO age60	-0.01 (0.07)	-0.01 (0.07)	-0.01 (0.07)
CEO duality	-0.89** (0.33)	-0.89** (0.33)	-0.89** (0.33)
CEO origin	0.33 (0.33)	0.34 (0.33)	0.33 (0.33)
Finance CEO	-0.16 (0.51)	-0.13 (0.51)	-0.15 (0.51)
Technical CEO	-0.01 (0.48)	-0.12 (0.48)	-0.02 (0.48)
Sales CEO	0.51 (0.45)	0.48 (0.45)	0.51 (0.45)
Diversification entropy	0.35 (0.28)	0.36 (0.28)	0.35 (0.28)
Cumulative Number of CEO dismissals	-0.08 (0.15)	-0.04 (0.15)	-0.08 (0.15)
Institutional Ownership	0.22 (1.09)	0.42 (1.13)	0.24 (1.10)
Total assets (logged)	-0.10 (0.18)	-0.05 (0.18)	-0.10 (0.18)
Return on asset	-5.67*** (1.31)	-9.99*** (2.09)	-5.99** (2.19)
Business refocusing	0.93 (0.86)	1.06 (0.86)	0.93 (0.86)
Workforce downsizing	-1.02 (1.11)	-1.26 (1.12)	-1.05 (1.12)
Total CSR strengths	0.04 (0.05)	0.01 (0.05)	0.04 (0.05)
Total CSR concerns	0.06 (0.06)	0.07 (0.06)	0.06 (0.07)
Total CSR strengths × Return on asset		0.76* (0.35)	
Total CSR concerns × Return on asset			0.09 (0.49)
Observations	1534	1534	1534
Unique firms	124	124	124
Unique CEOs	292	292	292
CEO dismissals	59	59	59
Log likelihood	-244.3	-241.0	-244.3

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. The variable of interest is in bold.

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-sided tests)

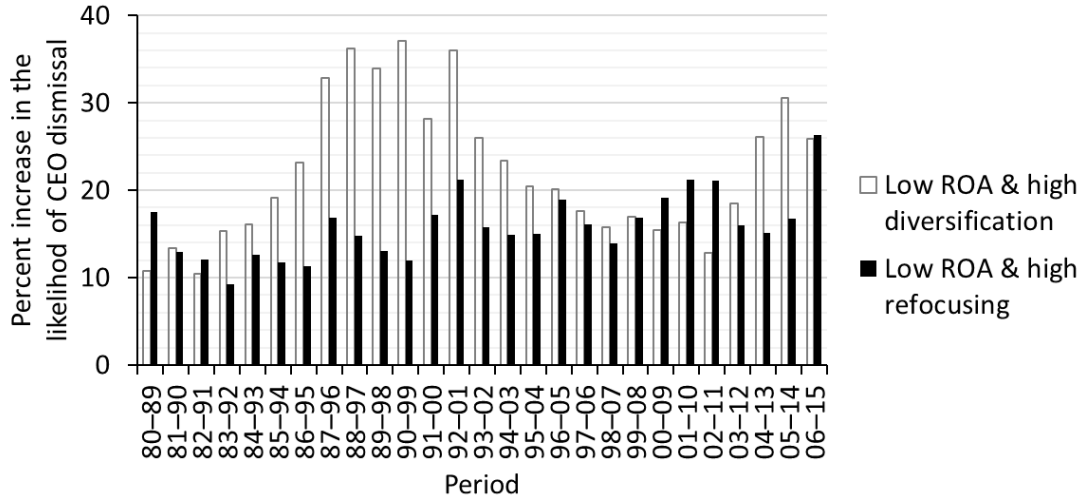
FIGURES

Figure 1. Interaction effect of firm performance and business refocusing on CEO Dismissal, 1988-1997 (based on Model 5 in Table 2)



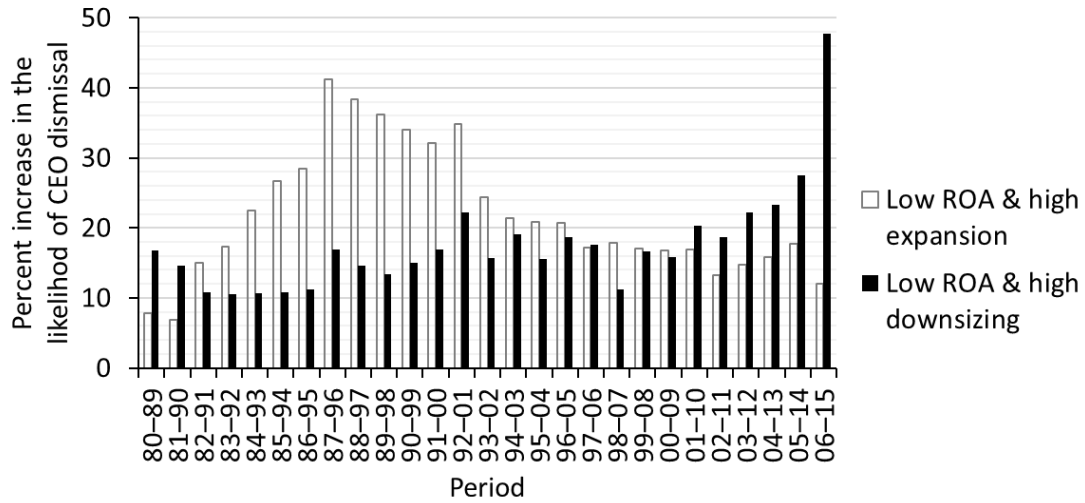
Note: High diversification = 1SD above the mean change in diversification entropy; high refocusing = 1SD below the mean change in diversification entropy.

Figure 2. Changing role of business refocusing in CEO dismissal, 1980-2015



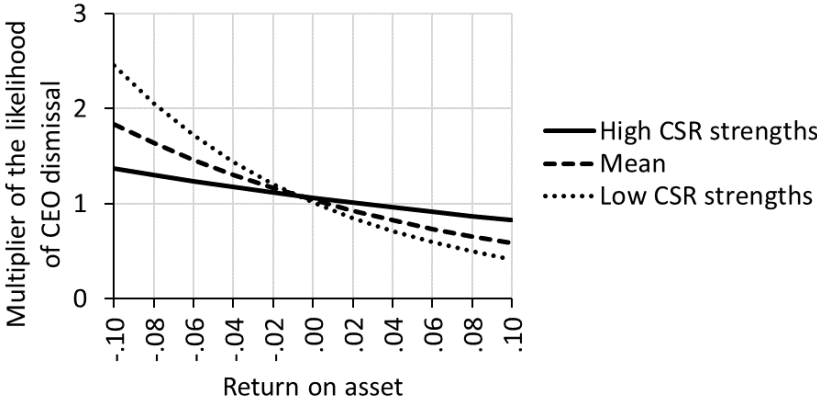
Note: Low ROA = 1SD below the mean; high diversification = 1SD above the mean change in diversification entropy; high refocusing = 1SD below the mean change in diversification entropy.

Figure 3. Changing role of workforce downsizing in CEO dismissal, 1980-2015



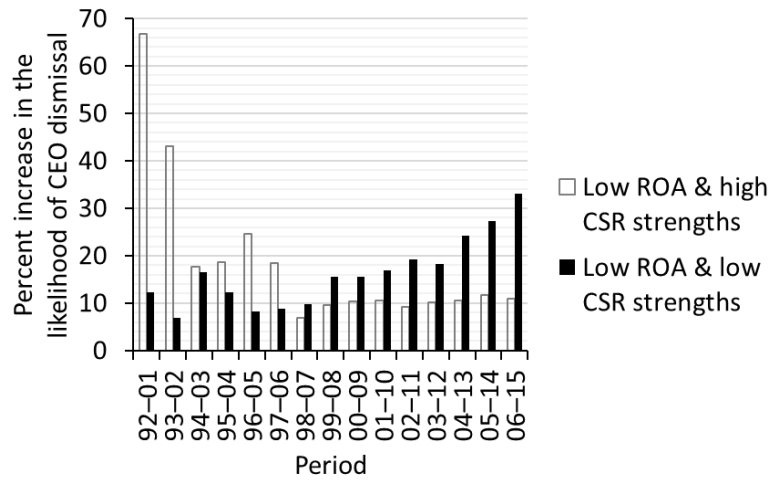
Note: Low ROA = 1SD below the mean; high expansion = 1SD above the mean change in employees; high downsizing = 1SD below the mean change in employees.

Figure 4. Interaction effect of firm performance and corporate social responsibility (CSR) on CEO dismissal, 2002-2015 (based on Model 2 in Table 4)



Note: High CSR strengths = 1 SD above the mean number of CSR strengths; low CSR strengths = 1 SD below the mean number of CSR strengths.

Figure 5. Changing role of CSR in CEO dismissal, 1992-2015



Note: High CSR strengths = 1 SD above the mean number of CSR strengths; low CSR strengths = 1 SD below the mean number of CSR strengths.

APPENDIX

Appendix A. Cox models of CEO dismissal on asset divesting, 1980-2015

Variable	Shareholder primacy era								Post-Enron era			
	1980-1989		1984-1993		1988-1997		1992-2001		2002-2011		2006-2015	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO age60	-0.047 (0.074)	-0.048 (0.074)	-0.032 (0.064)	-0.032 (0.065)	-0.029 (0.062)	-0.03 (0.064)	-0.058 (0.071)	-0.064 (0.072)	-0.013 (0.080)	-0.009 (0.080)	-0.010 (0.09)	-0.011 (0.08)
CEO duality	-1.248** (0.476)	-1.239** (0.479)	-1.508*** (0.406)	-1.620*** (0.409)	-1.786*** (0.393)	-1.927*** (0.404)	-1.430*** (0.363)	-1.397*** (0.366)	-0.923* (0.359)	-0.934** (0.359)	-1.192** (0.41)	-1.252** (0.41)
CEO origin	0.171 (0.495)	0.174 (0.497)	0.574 (0.495)	0.706 (0.489)	0.340 (0.405)	0.637 (0.403)	0.101 (0.380)	0.127 (0.378)	0.571 (0.355)	0.591+ (0.356)	-0.273 (0.44)	-0.335 (0.44)
Finance CEO	0.786 (0.647)	0.790 (0.651)	0.585 (0.642)	0.563 (0.642)	0.769 (0.695)	0.829 (0.694)	0.931 (0.592)	0.960 (0.590)	-0.207 (0.534)	-0.211 (0.536)	0.088 (1.18)	-0.123 (1.22)
Technical CEO	1.165+ (0.626)	1.190+ (0.632)	1.383* (0.584)	1.350* (0.588)	1.638* (0.637)	1.540* (0.638)	1.332* (0.571)	1.337* (0.572)	-0.102 (0.511)	-0.097 (0.513)	1.481 (1.09)	1.655 (1.09)
Sales CEO	-0.327 (0.786)	-0.298 (0.792)	0.139 (0.650)	0.164 (0.671)	1.218+ (0.664)	1.226+ (0.677)	1.553** (0.590)	1.558** (0.590)	0.376 (0.454)	0.410 (0.457)	2.284* (1.04)	2.404* (1.04)
Diversification entropy	-0.193 (0.367)	-0.181 (0.368)	-0.731* (0.311)	-0.678* (0.315)	-0.446 (0.286)	-0.318 (0.294)	-0.649* (0.315)	-0.638* (0.316)	0.079 (0.310)	0.081 (0.311)	0.245 (0.36)	0.271 (0.36)
Cumulative Number of CEO dismissals	0.134 (0.293)	0.116 (0.297)	-0.085 (0.263)	-0.227 (0.274)	-0.096 (0.224)	-0.239 (0.230)	0.168 (0.179)	0.145 (0.181)	-0.093 (0.168)	-0.106 (0.169)	-0.121 (0.19)	-0.177 (0.19)
Institutional Ownership	-2.594* (1.292)	-2.611* (1.293)	-0.061 (1.101)	-0.559 (1.129)	1.632 (1.088)	1.178 (1.111)	-0.184 (0.931)	-0.361 (0.947)	-0.002 (1.129)	-0.163 (1.141)	-1.142 (1.29)	-1.437 (1.28)
Total assets (logged)	-0.192 (0.183)	-0.193 (0.183)	0.230 (0.147)	0.222 (0.145)	0.277* (0.128)	0.229+ (0.126)	0.338** (0.112)	0.318** (0.113)	0.145 (0.138)	0.132 (0.138)	-0.022 (0.15)	-0.100 (0.16)
Return on asset	-5.761*** (1.411)	-5.971*** (1.490)	-4.309*** (1.209)	-6.291*** (1.421)	-7.169*** (1.305)	-9.055*** (1.413)	-9.137*** (1.361)	-9.253*** (1.366)	-5.164*** (1.382)	-5.510*** (1.458)	-8.716*** (2.08)	-10.170*** (2.15)
Business refocusing	-1.441 (1.190)	-1.478 (1.187)	-0.923 (1.024)	-0.422 (1.000)	1.196 (1.066)	1.506 (1.017)	1.068 (0.724)	0.991 (0.721)	1.516 (0.923)	1.591+ (0.930)	-0.257 (1.19)	-0.349 (1.21)
Asset divesting	1.281 (1.013)	1.426 (1.047)	-0.776 (0.998)	-0.384 (0.970)	-0.518 (0.937)	-0.350 (0.933)	0.009 (0.853)	0.063 (0.857)	-0.633 (0.886)	-0.277 (0.978)	-0.263 (1.00)	0.457 (0.96)
Asset divesting × Return on asset		-5.607 (10.847)		-29.427** (10.161)		-28.360** (8.847)		-6.738 (7.452)		3.403 (4.555)		10.969+ (5.96)
Observations	1565	1565	1625	1625	1576	1576	1530	1530	1163	1163	1073	1073
Unique firms	194	194	181	181	160	160	165	165	122	122	118	118
Unique CEOs	346	346	349	349	331	331	346	346	246	246	229	229
CEO dismissals	36	36	47	47	52	52	57	57	49	49	36	36
Log likelihood	-128.9	-128.8	-173.4	-169.2	-189.6	-184.0	-208.6	-208.1	-188.1	-187.8	-127.8	-126.2

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. Outliers for which changes in total assets < -0.8 or > 1.0 are removed. The variable of interest is in bold.

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-sided tests)

Appendix B. Cox models of CEO dismissal on CSR activity measured as Thompson Reuters ASSET4 ratings, 2003-2015

Variable	Post-Enron era								
	2003-2012			2006-2015			Entire period, 2003-2015		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CEO age60	0.040 (0.108)	0.040 (0.108)	0.039 (0.108)	-0.004 (0.124)	0.011 (0.129)	-0.004 (0.125)	-0.000 (0.090)	0.005 (0.091)	-0.001 (0.090)
CEO duality	-1.163** (0.451)	-1.164* (0.454)	-1.165* (0.453)	-1.547** (0.522)	-1.735** (0.540)	-1.629** (0.532)	-1.137** (0.407)	-1.204** (0.414)	-1.162** (0.411)
CEO origin	0.413 (0.459)	0.414 (0.459)	0.410 (0.463)	-0.236 (0.579)	-0.034 (0.589)	-0.317 (0.591)	0.253 (0.415)	0.310 (0.415)	0.224 (0.422)
Finance CEO	0.085 (0.790)	0.085 (0.790)	0.088 (0.792)	0.519 (1.292)	0.445 (1.336)	0.525 (1.290)	0.088 (0.747)	0.058 (0.747)	0.099 (0.748)
Technical CEO	0.220 (0.727)	0.217 (0.732)	0.224 (0.732)	1.173 (1.180)	1.058 (1.195)	1.230 (1.179)	0.481 (0.673)	0.349 (0.679)	0.502 (0.675)
Sales CEO	0.836 (0.657)	0.834 (0.659)	0.837 (0.658)	2.193* (1.113)	2.229+ (1.141)	2.195* (1.111)	0.937 (0.621)	0.884 (0.624)	0.940 (0.621)
Diversification entropy	0.284 (0.373)	0.286 (0.377)	0.282 (0.377)	0.417 (0.408)	0.708 (0.439)	0.379 (0.410)	0.391 (0.335)	0.500 (0.347)	0.378 (0.335)
Cumulative Number of CEO dismissals	0.063 (0.205)	0.064 (0.207)	0.063 (0.205)	0.036 (0.212)	0.108 (0.230)	0.036 (0.210)	0.060 (0.181)	0.082 (0.184)	0.059 (0.180)
Institutional Ownership	1.523 (1.690)	1.533 (1.712)	1.509 (1.719)	0.981 (1.866)	1.806 (1.896)	1.033 (1.849)	1.245 (1.487)	1.655 (1.503)	1.175 (1.493)
Total assets (logged)	0.190 (0.214)	0.191 (0.216)	0.189 (0.215)	0.225 (0.256)	0.371 (0.269)	0.211 (0.255)	0.095 (0.198)	0.132 (0.203)	0.090 (0.197)
Return on asset	-5.794* (2.473)	-6.200 (12.151)	-5.966 (4.531)	-7.278* (2.958)	-51.648** (15.751)	-9.939* (4.826)	-7.494*** (2.179)	-24.043* (10.921)	-8.853* (3.911)
Business refocusing	0.693 (1.399)	0.691 (1.398)	0.693 (1.399)	-1.808 (1.719)	-1.702 (1.823)	-1.860 (1.686)	0.508 (1.275)	0.371 (1.235)	0.503 (1.278)
Workforce downsizing	-1.994 (1.676)	-1.999 (1.684)	-1.983 (1.694)	-0.851 (1.801)	-0.988 (1.816)	-0.710 (1.825)	-2.340 (1.497)	-2.474 (1.542)	-2.251 (1.508)
ESG score	-0.006 (0.015)	-0.006 (0.018)	-0.006 (0.015)	-0.033+ (0.019)	-0.067** (0.023)	-0.030 (0.020)	-0.014 (0.014)	-0.025 (0.016)	-0.014 (0.014)
ESG controversies score	-0.017+ (0.010)	-0.017+ (0.010)	-0.017 (0.011)	-0.023* (0.012)	-0.021+ (0.012)	-0.027* (0.013)	-0.024** (0.009)	-0.023* (0.009)	-0.026** (0.010)
ESG score		0.006			0.649**			0.252	
× Return on asset		(0.180)			(0.226)			(0.163)	
ESG controversies score			0.005			0.086			0.038
× Return on asset			(0.101)			(0.125)			(0.091)
Observations	822	822	822	873	873	873	1098	1098	1098
Unique firms	85	85	85	90	90	90	91	91	91
Unique CEOs	169	169	169	176	176	176	208	208	208
CEO dismissals	33	33	33	27	27	27	40	40	40
Log likelihood	-116.9	-116.9	-116.9	-87.3	-83.5	-87.1	-147.1	-145.9	-147.0

Note: Standard errors are in parentheses. Year dummies are omitted due to space constraints. The analysis starts in 2003 due to availability of Thomson Reuters ASSET4 dataset. The variable of interest is in bold.
+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-sided tests)