Understanding Voice:

Mechanisms of Influence in Shareholder Engagement

Fabrizio Ferraro

IESE Business School

fferraro@iese.edu

Daniel Beunza

London School of Economics

d.beunza@lse.ac.uk

DRAFT

January 24th, 2013

We thank Brayden King, Huggy Rao, Sarah Soule, Dror Etzion, Itziar Castelló, David Barberá, Irene Beccarini, Sarah Ashwin, research seminar participants at ESSEC and HEC, and at the 2012 AOM meeting in Boston for their helpful comments. We also acknowledge the excellent research assistantship of Celina Rodriguez and Jordi Torrents.

Understanding Voice:

Mechanisms of Influence in Shareholder Engagement

Abstract

While contentious tactics provide activists with a credible way to threaten corporate reputation, their extra-institutional nature is arguably less effective in fostering dialogue. This limits their effectiveness as a vehicle for what Hirschman called *voice*, namely, for helping corporations learn from deteriorating performance. Our study of so-called "shareholder engagement" points to an alternative form of influence. Our qualitative analysis of a leading American coalition of faith-based investors examines how its members file resolutions and conduct corporate dialogues to advance social and environmental issues. First, it highlights their ability to formulate emerging moral issues and their business implications; and second, their efforts at sensitizing corporations by influencing the internal corporate debate, simultaneously signaling loyalty and standing for what they believe. These two mechanisms give shareholders a moral voice that complements the contentious tactics used by other activists.

Keywords: voice, social movements, shareholder engagement, shareholder activism.

Understanding Voice:

Mechanisms of Influence in Shareholder Engagement

In the four decades that elapsed since Hirschman's influential *Exit, Voice and Loyalty*, social movements have become a leading protagonist of social life. In parallel, a burgeoning literature on social movements has recognized their role in giving voice to societal concerns vis-à-vis corporations, and outlined how contentious tactics provide an effective means of influence (McAdam, Tarrow, & Tilly, 2001). But while contentiousness gives activists a credible threat to corporate reputation, their extra-institutional nature is arguably less effective in fostering dialogue, thus limiting the efficacy of these tactics in attaining Hirschman's goal of voice, namely, helping corporations learn from deteriorating performance. Voice was defined by Hirschman as the expression of customers' and organizational members' dissatisfaction with the performance of the organization, targeted directly at management or at higher authorities. Voice is necessary because an exclusive reliance on exit precludes an organization from learning "from its most articulate critics" (Hirschman, 1970: 4). In our view, such learning requires an institutionalized relationship that can provide a legitimate channel for interaction. But by their extra-institutional nature, contentious tactics threaten institutionalized relationships, reducing the scope for communication and thus limiting the potential for corporate learning. Recognizing these limits raises an important question: if not through contentiousness, how can actors make their voice heard?

Our study addresses this question by focusing on the practice of *shareholder engagement*. The expression denotes a small but growing practice centered on filing shareholder resolutions to express discontent about key aspects of the social and

environmental performance of corporations. Resolutions are often complemented with closed-door dialogues with the top management of those firms, often lasting for years (Carleton, Nelson, & Weisbach, 1998; Logsdon & Van Buren, 2009). As a channel of activist voice, shareholder engagement avoids the limitations of contentious tactics by building on the institutionalized relationship between the equity investors and the publicly-listed company: it is as part-owners, not as concerned citizens, that engaged shareholders address managers. Shareholder engagement thus entails the conscious decision on the part of theactivists to leverage their institutionalized relationship as investors: instead of marching, voting at the annual shareholder meeting; instead of publicly pointing the finger at executives, publicly identify with imperfect corporations; and instead of boycotting, retaining their shareholdings even as management refuses to budge, setting their eyes on the following years' campaign.

The growth of shareholder engagement in the last decade has been impressive, with American corporations facing more than one thousand shareholder resolutions on environmental, social and governance issues in 2012. Furthermore, there is statistical evidence that shareholder engagement is effective: firms targeted by shareholder resolutions are more likely to disclose their greenhouse gas emissions (Reid & Toffel, 2009) and environmental shareholder resolutions positively affect corporate environmental performance (Lee & Lounsbury, 2011).

What explains the effectiveness of shareholder engagement? Building on the paradigm of social movements as contentious politics (Tilly, 1999), most of the literature has explained engagement effectiveness as a result of management caving in to external pressure (King & Soule, 2007; Eesley & Lenox, 2006; Vasi & King, 2012). Implicitly, the literature assumes that managers do not change their mind when faced with activism. But this is a problematic treatment of voice, as it obscures the seminal insight

of Hirschman's contribution: that voice is a critical mechanism for management to *learn* about deteriorating organizational performance. As a result of voice, Hirschman noted, "management once again engages in a search for the causes and possible cures of customers' and members' dissatisfaction" (Hirschman, 1970: 4). To understand why and when activism can lead to changes in corporate policies, scholars may need to go beyond thinking of engagement as caving to pressure, and focus instead on mechanisms that help managers search for new solutions.

To this end, we conducted a three-year qualitative study of shareholder engagement in a coalition of US faith-based investors. We identify the theoretical mechanisms that characterize the engagement practices of this coalition. Engagement offers shareholders a vehicle to attain influence without contentiousness by leveraging the moral dimension of the target corporation: in the words of the activists themselves, shareholder engagement allows them to articulate their moral voice (Aires 2009). Our analysis points to two mechanisms. In deciding how to formulate the issues, activists are able to balance moral outrage with dispassionate, rational prioritization of the issues; and express the business case behind the need for addressing them. In interacting with management, activists avoid the twin pitfalls of being co-opted by the corporation, or antagonizing it to the point of losing influence. Activists do so by influencing the internal debate in the corporation in two ways: raising awareness among top management about the moral implications of its decisions, and echoing the concerns of middle managers about some corporate practice. Our findings extend Hirschman’s original insight to a theory of investor’s voice that can contribute to organization theory and social movements theory.

THE PRACTICE OF SHAREHOLDER ENGAGEMENT

Shareholder engagement primarily entails the use of corporate governance mechanisms to advance environmental and social issues. It has its historical roots in a governance procedure sanctioned by the Securities and Exchange Commission (SEC) in 1942, and subsequently appropriated by activists in the 1970s. The SEC promulgated the first version of the shareholder resolution rule in 1942. According to it, any shareholder owning at least $2000 in a publicly traded firm can file an advisory shareholder resolution (SEC Rule 14-a-8). These resolutions, included in the firm's proxy statements, are non-binding proposals regarding governance, social or environmental issues. The proposal must be less than five hundred words and must end with a request to take a specific action. Once distributed in the proxy statement, all shareholders can vote for or against the resolutions.

Since 1942, activists have tried to use the proxy statement to go beyond governance, presenting proposals on social issues. Until the 1970s, the SEC rejected all proposals focused on "general economic, political, racial, religious, social or similar causes" (Regulation X-14a-8(c)(2)). But in 1970 a Federal Court allowed a shareholder proposal on the sale of Napalm to appear on the proxy statement of Dow Chemical, leading the SEC to eventually allow shareholder proposals on social issues. Since then, activists such as Ralph Nader and Saul Alinsky, but also religious investors and eventually public pension funds, have been filing shareholder proposals on a host of environmental, social and governance issues (in Appendix A we report the text of a resolution presented by ICCR at Ford Motor Company in 2004).

Shareholder engagement has experienced remarkable growth in the last decade, paralleled only by the even more spectacular growth in activist investment. Starting in the mid-1980s, large institutional investors began to leverage their equity stakes to exert influence on the governance of public corporations, and shareholder resolutions was one

of the primary tools they used (Monks & Minow, 1991; Useem, 1993; Davis & Thompson, 1994). These activist investors were more focused on re-establishing the primacy of shareholder value than on promoting social causes. By contrast, the proponents of shareholder engagement aim at protecting the interests of *other* stakeholders such as employees or local communities. Despite the different motives, the confluence of activist investors and engaged shareholders led to an overall growth in the number of filed shareholder proposals. Whereas investors filed 597 proposals in the period 1973-1978, by the period 1989-1993 investors had filed a total of 1365 proposals (Proffitt & Spicer, 2006). Since 2005, at least 1000 proposals have been filed each year (Riskmetrics - IRRC data).

Shareholder engagement could be construed as one form of stakeholder engagement. At least since Freeman' seminal contribution, scholars studying corporate social responsibility and business ethics have explored how corporations react to the demands of various stakeholders (Freeman, 1984). But much of this literature adopts the perspective of corporate managers facing these demands, rather than considering the process from the perspective of the activists (Mitchell, Agle, & Wood, 1997; Post, Preston, & Sachs, 2002; Phillips, Freeman, & Wicks, 2003; Walsh, 2005; Smith, Ansett, & Erez, 2011). Furthermore, most of the CSR literature assumes that shareholders' sole interest is financial returns, and does not consider how shareholders might directly acknowledge "the fundamental tension that exists between the roles corporations are asked to play" and the need to address social and environmental concerns directly (Margolis & Walsh, 2003: 297).

Shareholder engagement is thus an admittedly important phenomenon, but our understanding of it remains limited. The literature has established that shareholders seek the attention of media and industry by targeting larger corporations (Rehbein, Waddock,

& Graves, 2004). Two measures of success are usually considered: the percentage of votes obtained, and the withdrawal of the resolution. Withdrawing a resolution is considered a measure of success because the only explanation given by the literature for withdrawing the resolution after filing it is that the corporation committed to changes in the policies or at least to discussing the changes. Measuring success in this way, Tkack (2006) has shown that religious organizations, unions, and socially responsible mutual funds have been relatively more successful than individual filers or labor unions.

Social movement theorists have attempted to explain the relative effectiveness of shareholder resolutions, but their approach has neglected the role of engagement dialogues, leading to predictably mixed empirical results. Eesley and Lenox (2006) found that more confrontational tactics such as boycotts, protests and lawsuits, typically favored by external stakeholders, were more effective than letter-writing campaigns and shareholder resolutions, the tools-of-the-trade of internal activists. Vasi and King (2012), on the other hand, found that shareholder activism through shareholder resolutions had a stronger effect on environmental risk (as perceived by Socially Responsible Investment analysts) than more confrontational tactics. They suggest that the different results might stem from the fact that these two tactics target different audiences. Shareholder engagement is closely followed by risk analysts, leading to a greater impact on their perceptions of corporate risk, while protests and boycotts are more public, and thus might represent a more imminent threat to corporate reputation. As a result, the latter is more effective in triggering corporate policy changes. However, a key limitation of these studies is that they neglect the role played by shareholder dialogues, arguably the most important tactic used by shareholders in their engagement activity.

An emerging stream of literature in finance has begun to explore the role of shareholder dialogues. Evidence from the engagement activity of TIAA-CREF, a large institutional investor in the United States, shows that resolutions are often only used when investors cannot achieve their objectives through private negotiation (Carleton et al., 1998). The reason is that, as Van Buren (2007) correctly notes, shareholders use the resolution (or the threat of one) “to engage in dialogue with corporate managers and to attempt to effect social change" (Van Buren, 2007: 61; see also Logsdon & Van Buren, 2009). This is confirmed by subsequent analyses of resolution withdrawals: Bauer, Moers, & Viehs (2011) consider resolution withdrawal as evidence of a private negotiation between management and shareholders. Proposals presented by institutional investors and labor unions are more likely to be withdrawn, suggesting that there is an expertise in conducting engagement dialogues. In other words, the emerging literature on shareholder dialogues offers systematic evidence that these dialogues matter.

The above points to an important gap in the literature on shareholder engagement. A comprehensive understanding of this practice would need to re-conceptualize it as two distinct components: one that is public and reputation-threatening, that is the resolution; and another that is private and collaborative, namely the dialogue. But despite the statistical evidence noted above, we lack a theoretical framework to understand why dialogues matter.

From Contentiousness to Reframing Issues

In developing our understanding of shareholder engagement, including dialogues, we start from the role social movements play in framing social issues within an economic field (Snow & Benford, 1992; Benford & Snow, 2000; Lounsbury, Ventresca, & Hirsch, 2003; King & Pearce, 2010). Social Movements shape the categories and frames of the

fields in which corporations operate (Rao, Morill, & Zald, 2000) and their cultural work can lead to the delegitimation of existing practices, as well as the legitimation of entire new industries (Lounsbury et al., 2003; Weber, Heinze, & DeSoucey, 2008; Sine & Lee, 2009; Hiatt, Zimmerman, Smith, & Simmons, 2009). Through their framing activity, social movements can activate specific social values and social identities (Rao, Monin, & Durand, 2003), raising them as issues and shaping the perception of various societal actors (Maurer, Bansal, & Crossan, 2011).

But whereas the broader social movements literature has established that activists reshape the public dialogue, the literature on shareholder engagement has not considered how investors might affect the organizational dialogue within target corporations. Other research traditions have already shown how organizations change as a result of political processes of issue-selling (Dutton & Ashford, 1993; Dutton, Ashford, O'Neill & Lawrence, 2001) but, unlike shareholder engagement, without linking them to societal debates.

Linking societal debate and organizational dialogues, Weber, Rao and Thomas (2009) showed that the green movement's anti-biotechnology campaigns of the 1980s indirectly affected the dialogue and decision-making processes inside German pharmaceutical companies. Activists did so by creating uncertainty, leading to lower investment and fewer product launches in biotechnology. One lesson stemming from Weber et al. (2009) is that movements can have a tangible effect on the corporation, even when they do not persuade top management of their case.

The findings by Weber et al (2009) call for a better understanding of the mechanisms of influence at play. The notion of framing contests developed by Kaplan (2008) provides one such mechanism. Kaplan (2008) showed how strategic decision-making is the result

of dynamic framing processes that affect how managers construct the uncertain situations in which they operate. Instead of reversing decisions and altering beliefs among management, the activists discussed by Weber et al. (2009) shaped the internal framing contests that led to specific strategic decisions. As these framing contests are an important adaptation mechanism, the process described by Weber et al. (2009) can be interpreted as one of organizational learning from voice. Indeed, Hirschman himself acknowledged the influence of Cyert and March's (1963) behavioral theory of the firm on his own work (Hirschman, 1970: 11), but how exactly voice affects learning and adaptation was not clear in his original work. In clarifying how voice affects learning and adaptation, Weber et al. (2009) focused on employees as the transmission chain between social concerns and corporate dialogues. Likewise, other studies showed how employees who identify with a social movement's causes can achieve important changes by operating within the institutional fabric of the corporation (Meyerson, 2001; Scully & Segal, 2002; Raeburn, 2004; Kellogg, 2009). But employees are not the only transmission mechanism. Our study thus will focus on how shareholders can link societal debates with corporate dialogue. To address the gaps in our understanding of the process, we will explore how shareholders leverage their institutional relationship to reframe the internal debate at the corporation

RESEARCH METHODS

Research Site

We conducted a three-year inductive, qualitative study of the shareholder engagement activities of a coalition of primarily religious investors: the Interfaith Center for Corporate Responsibility (ICCR). Founded in 1971 and headquartered in New York,

ICCR includes almost 300 faith-based institutional investors, with a total of more than $100 billion under management. Their experience in engaging corporations on environmental, social and governance issues is widely respected even outside responsible investment circles. While not representative of the whole gamut of investors engaging corporations, they are the leading practitioners of shareholder engagement, and this makes them an ideal setting for theory building.

Data Sources

Data collection included interviews with ICCR members and staff, observation, participant observation, and archival data. Our research design has confronted a challenge: even as our analysis made clear that the face-to-face meetings with corporate managers are a key feature of shareholder engagement, we were not invited to observe these dialogues directly. This is a widespread limitation of research that deals with high-stakes negotiations, or with interactions that are sensitive, confidential or personal in nature. We made up for the lack of these observations by collecting information on the engagements from a variety of sources (ICCR internal documents, secondary studies, news) in order to triangulate our evidence across sources. For example, we had access to the ICCR database of shareholder resolutions filed between 1993 and 2010.

Insert Table 1 about here

Interviews. We conducted 36 interviews with ICCR members and staff (see table 1). After an initial meeting in New York, we started meeting regularly with the institution's director, Laura Berry, her staff and with a number of active members of the coalition. We first spoke with informants with many years of experience, and then interviewed people who were learning the craft (Spradley, 1979). We started with semi-

structured interviews aimed at gaining an understanding of the activities of the coalition, and as our theorizing developed, we moved towards more specific interview templates (Spradley, 1979). We purposefully chose to interview informants of different kinds: staff members, members belonging to religious or secular organizations and non-member investors affiliated with ICCR. The list of informants in table 2 provides evidence of the variation across our informants. We also interviewed 39 practitioners of socially responsible investing who helped us understand the broader context in which shareholder engagement happens, and provided us with an external perspective on ICCR.

Insert Table 2 about here

Observation. ICCR members meet quarterly to coordinate their activity, and these meetings last on average one week. We observed five of these meetings, in New York (three times), Detroit, and Chicago, and we visited ICCR headquarters numerous times for both interviews and observation. During these meetings we were not only able to interview ICCR members, but we did participate in critical discussions on ongoing engagements with corporations. We also observed one annual general meeting in London, and the Investor Day of two large oil and gas multinational corporations. We took detailed field notes of our observations and were able to debrief informants to clarify the meaning emerging from the discussions observed.

Participation in the organization: the prioritization process. We had the opportunity to collaborate with ICCR in designing and conducting an online survey aimed at collecting information on the priorities of different members in their participation in shareholder engagement activities. The survey aimed at supporting the

efforts of the Board and the Executive Director to encourage members to focus their activities on a smaller number of issues. In the process of designing the survey, we had the opportunity to interact with members of the Governing Board at different stages of the process. As the prioritization effort was critical for members, the survey attracted a lot of attention, and gave us an opportunity to reach out to many more members. The survey project started in December 2009 and concluded in June 2010. We presented the results of the prioritization process at the 2010 Detroit annual meeting. The data we collected on the priorities of different members in their engagement activity provided us unique input which corroborated the evidence we had gathered through interviews.

Archival data and resolutions database. We collected a wealth of internal ICCR documents (more than 340 files in digital format), both on its past and current engagement activity. Furthermore, we were given access to ICCR's proprietary database of shareholder resolutions filed between 1993 and 2010. This dataset consists of all the shareholder resolutions filed by ICCR members, and provides information on the topic of the resolution, the corporation targeted, the names of the individuals and organizations filing as primary filers and the organizations co-filing with them, in addition to the outcome of the resolution (Omitted, Withdrawn, Percentage of Votes received). Table 3 presents descriptive statistics on the number of resolutions presented, the number of firms targeted, the number of co-filing organizations, the number and percentage of resolutions withdrawn, the percentage of votes obtained by the resolutions that appeared on the proxy statements and the standard deviations of the votes.

Insert Table 3 about here

Analysis

To understand the practice of shareholder engagement, we followed an inductive theory-building approach (Glaser & Strauss, 1967). Given the geographic dispersion of the actors involved in shareholder engagement, a traditional single-site ethnographic approach would not have provided useful insights, as is widely acknowledged in anthropology (Marcus, 1995) and increasingly accepted in organization theory (Barley & Kunda, 2006). Therefore we built our theory on a variety of data sources, moving iteratively between the data and the themes we generated in our theorizing (Diesing, 1971; Locke, 2001; Lofland & Lofland, 1995). This process consisted of three stages: development of local themes, theorizing mechanisms, and contrasting our theorizing with informants.

We started by discussing the interviews and observations soon after we had conducted them. Our discussions were captured in memoranda, and these memos were the foundation of the emerging themes we aimed to refine in our fieldwork (Diesing, 1971; Lofland & Lofland, 1995). For example, soon after the first round of interviews, we realized that shareholder resolutions were no longer the core of ICCR activity, as members were increasingly engaging shareholders directly in private dialogues. Then, following the practice of theoretical sampling (Glaser & Strauss, 1967), we sought additional evidence to determine the extent of empirical support for the emerging theme. We triangulated the evidence from informants with the historical data on resolutions to refine our emerging interpretation on the role of shareholder resolutions. For instance, evidence of breakdown in a dialogue with a corporation was confirmed by evidence of new resolutions filed soon after.

Once out of the field, we began building on these local themes by revisiting our data and generating more distant themes, which became the backbone of our theorizing. In this process, we tried to directly link the local themes emerged from the field with the

extant literature on social movements and shareholder engagement (Glaser & Strauss, 1967; Locke, 2001). For instance, our understanding of the relationship between shareholder resolutions and dialogues led us to theorize the tension between committing and breaching.

Finally, we encouraged staff members and members of ICCR to read drafts of our work, and they provided feedback that helped us refine our findings. For instance, in one case, we abandoned a stronger version of our breaching working hypothesis, which posited the need to take an oppositional stand to management during private dialogues, as multiple informants felt that the key to breaching was not to "raise the temperature in the room," even if that did happen on occasion, but rather to be able to defend a position with a wealth of information and on the basis of a solid business case. Ultimately, we drew on all sources of data (interviews, observations, shareholder resolutions and archival documents) to develop our theoretical account of how shareholder engagement works.

THE INTERFAITH CENTER FOR CORPORATE RESPONSIBILITY (ICCR)

Our first visit to the ICCR confronted us with an unusual blend of religion and business. The ICCR occupies a small office in a quiet end of Manhattan, surrounded by the Gothic revival architecture of Riverside Church and the Union Theological Seminary. The squat building it occupies, the Interchurch Center, looks like a miniature skyscraper and is known as the "Godbox." Built by Rockefeller in the 1950s, it was designed to become the "Protestant Vatican" but as Protestant organizations dwindled with the rise of secularism in the 1970s, faith-based organizations from a broader spectrum of religions moved their offices there. Once inside, the lobby of the Godbox looks at first like that of any other office building, but the visitor soon encounters the entrance of a

large ecumenical chapel. Similarly, the elevator contains advertising and leaflets for various religious initiatives.

Inside the office of ICCR, we were struck by the fact that such a prestigious organization operated out of such a small outfit. It appeared to be staffed only by one executive director, a deputy director, and a few officers. But as we learned more about how ICCR operates it became clear that this was just the tip of the iceberg: ICCR essentially coordinates the corporate engagement activities of several member organizations, whose representatives directly lead the actual dialogues with corporations. They include Catholic nuns like Sister Patricia Daly from the Dominicans (Caldwell, NJ) and Sister Barbara Aires of the Sisters of Charity (Elizabeth, NJ), together with Methodists, Lutherans, and a number of secular investors. The coordination activity includes helping members prepare and file shareholder resolutions, researching issues, corporations and industries, coordinating phone calls and meetings, managing relationships with the press, and publishing reports on their engagement activity. With nine administrative staffers and three program directors, the Executive Director orchestrates this coordination activity under the supervision of a board consisting of representatives from members' organizations. The ICCR, according to a former director, is not the active actor in the engagement but merely serves as a form of support for its members: “it doesn’t speak for its members; it provides a platform for members to speak for themselves.”

From Resolutions to Dialogue

The origins of engagement dialogue can be traced back to the early roots of ICCR. The investor coalition was founded to coordinate the filing of shareholder resolutions among religious investors. In a successful anti-apartheid campaign, the Episcopal Church in

1971 filed a resolution asking General Motors to leave South Africa. This led to the creation of the Inter-Faith Committee on Social Responsibility in Investment, which later became ICCR. The anti-apartheid campaign was long but ultimately successful: after 185 anti-apartheid resolutions, General Motors eventually announced it was divesting from South Africa (Soule 1997, 2009), and GM was soon followed by IBM. Beyond the early focus on apartheid, ICCR has been very active on environmental issues, filing the first climate change resolution. It has also engaged banks, filing resolutions on predatory lending and securitization as early as 2004. This setting gave us access to the most knowledgeable set of shareholder engagement practitioners.

Over the years, the practice of engagement has changed in an important way, a leading member of the community explained to us. Whereas the first resolutions were filed with very limited discussions with the company, engagement now entails a lot more interaction. As one of the ICCR leaders argues,

> For the most part, we really filed the shareholder resolution and then had no contact with the company until we went to the stockholder meeting. And in many cases, it was just giving your speech and waiting for the results.

The first encounters with the corporation were thus dominated by an arms-length approach. The first use of resolutions in the 1970s hence entailed little more than change in setting: from marching on the street outside the corporate headquarters, to participating in their annual general meeting. But the confrontational demeanor of the activists did not change. Indeed, there would some of them protesting outside the meeting while it was going on, trying to generate media attention.

This approach changed radically during the 1990s. Starting with the engagement on infant formula and Bhopal, companies began to open negotiations with the ICCR. More than a genuine conversation, these negotiations were a way for the companies to try and

silence the issue. But the existence of meetings with the companies marked a key shift. These meetings, which the ICCR calls *dialogues*, provided the opportunity to take a different approach to interacting with the companies.

With the data we collected on shareholder resolutions we can provide only partial support to the historical evolution of ICCR activity, as no systematic data on dialogues is available. In Table 3, for instance, we can observe a reduction in the total number of resolutions filed, consistent with the trend towards direct dialogues. But surprisingly we noticed that the percentage of resolutions withdrawn was stable over the two decades. It is difficult to make sense of this aggregate figure, but when asked, ICCR members would argue that there is always a fair amount of "trivial" engagement, which does not lead to dialogue.

In the same table we can observe that the average support for the resolutions in terms of votes received has been growing steadily, especially in the last few years of the 2000s. This evidence suggests that ICCR activity has become much more mainstream, and their work supported by larger institutional investors. Indeed, in the 1980s ICCR opened its doors to non-faith based members, and a number of asset managers, mostly focused on socially responsible investing, joined the coalition. Currently, ICCR can count among its members many Protestant Churches such as the Episcopalian and the Methodists, Catholic religious orders such as the Missionary Oblates of Mary Immaculate or the Dominican Sisters, but also faith-based Health Care companies such as the $2.9 billion group Bon Secours. In addition to asset owners, ICCR includes professional asset managers such as the Christian Brothers Investment Services ($4 billion asset under management), Calvert Group ($12 billion AUM) and Trillium ($1 billion AUM). Over the years, ICCR conducted engagement in close collaboration with

very large institutional investors such as TIAA-CREF and the New York Employee Retirement System.

The history and structure of ICCR provide the context for the challenges that Laura Berry faced as executive director. Before joining ICCR in 2007, she had been a portfolio manager, then a foundation leader, lending her expertise and experience both in the financial and non-profit sectors. In keeping with her diverse background, her speeches always included references to high finance as well as religion and activism. As executive director of ICCR, Berry was acutely aware of the need to focus ICCR's activities to become more effective. "We cannot do everything," Berry mused during one of the meetings we observed, "but our heart is so huge that we want to do everything." For instance, ICCR members had filed resolutions on predatory lending as early as 2000, shedding light on a questionable practice that would have momentous consequences in the subprime mortgage meltdown of 2008. But partially because of the lack of focus in their activities, they had been unable to catalyze attention on the issue. As one of the members put it, "was it our greatest success because we could see it coming, or was it our greatest failure because we could not stop it?" The case of predatory lending thus captures the nature of the tension that the coalition faced in choosing which issues to focus their attention on.

FORMULATING MORAL ISSUES

The first meeting that we observed at ICCR made clear to us just how difficult it was to agree on common priorities. We flew to New York in September 2009 to observe one of the so-called Quarterly Meetings that bring together the various groups and religious congregations that make up ICCR. Different members of the coalition took the floor to discuss the status of the different corporate engagements they were involved in. As the

discussions unfolded, it became clear that different members seemed to have divergent priorities and views on which corporations should be targeted, and on what issues. Contrary to our initial assumption, the differences were not based on religion. (Of course, the different religious groups might not always share the same views; for instance, Catholic congregations typically were concerned about life-issues, whereas Protestant groups would not invest in alcohol). The conflict in views ran deeper than the religious distinctions; as one informant made clear, "there's a lot of politics involved!" We had expected, perhaps naively, that the common value orientation would help build cohesion, but instead we observed that, as in any social movement, conflict was endemic to ICCR. At the same time, we also noticed that the quarterly meeting was not just an occasion to coordinate engagement, but one where emotions played an important role. This became clear at the very opening of the session, as the president of the board invited a young member of the Adrianist congregation to lead the group into a prayer, and many of the participants started praying with their eyes closed. During the rest of the day, as discussion unfolded around various issues, individual members shared with others their personal moral outrage. This process helped build a common emotional understanding of the issues.

In December 2009, Laura Berry launched the "ICCR Issues Prioritization Process," with the goal of developing and implementing a "process to define priorities for collaboration and focus moving forward, including decisions regarding elimination and sun-setting of issues" (ICCR document). We were invited to participate. Perhaps the biggest surprise from our participation in the process was that ICCR members deliberately neglected issues that other socially minded investors prioritized. For instance, while executive pay had become a lightning rod for criticism following the financial crisis, ICCR members did not see it as key priority. Another example was that while ICCR had been very

successful in advocating climate change mitigation policies, by 2010 the issue was dropped from the list of ICCR's priorities: it was not even a category among the thirty surveyed -- and it was purposefully subsumed in the environmental health category. It was widely agreed that climate change was being taken care of by a large number of other organizations (for instance, CERES). This decision was not without consequences: one of the program directors resigned during the prioritization process. Conversely, there were other important issues that ICCR members felt they should focus on, because no one else was addressing them, such as modern slavery and human trafficking.

We understood the significance of those choices when we asked ICCR members directly. We spoke with Sister Barbara Aires, member of the Sisters of Charity of Saint Elizabeth, and very active in shareholder engagement. A big woman in her 60s with short white hair, a very intense gaze and an intimidating figure, she commands respect from other ICCR members and corporate managers. With her severe long blue skirt and white-blue thin striped shirt, she could easily pass for a boarding school teacher. When asked what she thought was the key to their success in engagement, Sister Barbara Aires said: "a consistent articulation of a moral voice and that moral decision-making must be part of a corporation's activities." Like her, other ICCR members thus saw as their distinct contribution their ability to identify and articulate moral problems in society and raise awareness for them, and prioritizing was a key part of it.

Our interviews and analysis of the survey we developed for the "Issues Prioritization Process" suggest that ICCR appears to prioritize issues according to each issue's "stage of maturity" (Zadek, 2004). The moral significance of an issue originates from an individual's experience of moral outrage. Congregations from around the globe report their observations to their representatives in the United States, and this informs each congregation's engagement agenda. As one ICCR members explained, "a big piece of

that comes from the international connections that many of us have (...) you see the impact of things (…) if we don't do something about it people are going to die, so there's a sense of urgency that comes from it."

The ICCR relies on an ethical stance towards corporate practices that allows it to question them on moral grounds - even before the full consequences of these practices are known. As Laura Berry explains,

> The thing that we've gotten a huge amount of press the last couple of weeks about is because of our … what the press release said was our 'eerily prophetic' voice in the sub-prime crash. In '93 we filed six resolutions saying predatory lending is bad. A few years later, we filed a whole bunch more resolutions with a whole bunch more global capital places that said 'Predatory lending is bad, your underwriting processes are deficient.' And we were the first, we were the first faith based investors, we were the first ones, starting from those ten thousand year old principles that go back, they're older than dirt, they go back and say, 'It's wrong to treat poor people badly.'

Their position towards the pharmaceutical firms is similar. Following the rise of direct-to-consumer advertising, drug companies changed their strategies towards high-margin blockbuster lifestyle drugs such as Viagra. As Berry explains, the reaction of religious investors was to say, "This is wrong, this is wrong, why are you marketing hair growth drugs, lifestyle drugs, when pandemic diseases are rising up."

As personal concerns become organizational, ICCR members evaluate whether the issue was ripe to be re-framed in terms of a "business case". We understood this when we interviewed an investor who was engaging Pfizer on access to medicines. The company had the strategic goal of penetrating emerging markets, and the ICCR member reinterpreted the business priority within a moral frame. He explained to us,

> Well, emerging markets and access to medicines are almost synonymous. So, we were able to make the point: "Pfizer, this is in your best interest to improve the way underserved populations have

> access to not only your medicines but some that you've quit manufacturing."

Conversely, our informants believed that the moral case alone was not enough. Without a legitimate case for why neglecting the moral issue would affect the company's profitability, ICCR members felt they would be unlikely to succeed in the engagement. For instance, in the case of genetically modified organisms (GMOs), our interviewees recognized that regardless of a moral case, the business case could not be developed because there was no sign of impending regulatory intervention. Therefore, without abandoning or neglecting the moral foundation for their position, ICCR members actively reframed the issues by using the language, categories, and priorities of the managers they engaged. This required understanding corporate strategies and the potential impact that emerging issues will have on long-term profitability. All our informants confirmed that they would never "just preach" a course of action, but always explain why it made business sense.

The above suggests that ICCR members were acutely aware of the stage of maturity each issue had reached. Early on in the life of an issue, as the frame is coined and begins to diffuse, issues are limited to the sphere of morality. Only those activists or company insiders that feel it contravenes their personal values or codes of conduct are willing to do something about it. Zadek (2004), for instance, calls these issues "latent." At the other end of the cycle, issues have strong societal support, the prospects for regulation are clear and it is easier to define a business case for corporations to act (Zadek calls these issues "consolidating"). Positioning themselves between these two extremes, ICCR members focused on issues that they believed had reached the right stage of their respective lifecycle: when they are still primarily a moral dilemma, but have potential for being reframed as a business concern. This is the stage that Zadek labels

"emerging." Identifying this sweet spot is not just a matter of individual skill in moral reasoning, but more of a creative ability to bundle social issues with the dominant business concerns of the firm, and act on them in timely fashion (Dutton & Ashford, 1993; Dutton et al., 2001).

Formulating a moral voice was not an exercise in theology or moral philosophy, despite the obvious influence they may exert. Our observations so far suggest that the process of expressing dissatisfaction with corporate environmental and social policies is more complex than the literature assumes. While social movement literature has rightly identified the vital role emotions and moral outrage (Gamson, 1992; Jasper, 1997; Scheff, 2006) play in triggering personal and organizational mobilization, they alone are not enough to lead to successful engagement. Unlike the aforementioned studies, ICCR members were also mindful of the need to develop a persuasive argument for managers. The issues that emerged as priorities were the outcome of a process that weighted the moral importance of the issue and the potential for reframing it. Indeed, our informants paid as much if not more attention to the work of translating the framing of the issue from a moral to a business case. Reframing issues from an injustice frame (Gamson, 1992) to an economic one (Lounsbury, et al., 2003) was considered essential to bridge the shareholders' moral understanding of the issue with the business one held by managers (and board of directors). The liminal position of ICCR members, who are at once shareholders (internal) and activists (external), puts them in a unique position to consider the multiple framings of issues, and work towards changing them. Finally, their role as both moral guides and investors also creates a uniquely creative opportunity for them to consider issues from both a moral and an economic point of view. Walking a fine line between these conflicting tensions is what characterizes the process of

formulating moral issues. As we continued our fieldwork at ICCR, we focused on how its members attempted to influence corporate policy.

SENSITIZING THROUGH CORPORATE DIALOGUE

Formulating issues is only the first stage of the engagement process. Once corporate practices are identified as problematic, the challenge for ICCR members is to find ways to influence corporate policy and promote change. To understand this process we interviewed some of the most active ICCR members. We started with Sister Patricia Daly, a member of the Sisters of Saint Dominic of Caldwell, N.J, who began engaging corporations as a novice back in 1977. Pat Daly has been described by the British newspaper *The Guardian* as "a feisty Brooklyn-born New Yorker with a penchant for comfy cardigans" (Wray, 2007). Despite the cardigans, she would not seem out of place in a board meeting: with well-kept short hair and penetrating blue eyes, Daly appeared to us remarkably articulate.

One of the most successful engagements led by Pat Daly focused on Ford Motor Company. Daly began filing climate resolutions at the annual shareholder meetings of Ford Motor in 1991. When interviewing her we soon realized the core component of her engagement with Ford was the relationship between herself and William Ford, the great-grandson of Henry Ford. William Ford had a long executive career at the company that culminated with his appointment as Chairman of the Board in 1998. But even before 1998, Pat Daly and William Ford had a successful dialogue that lasted more than a decade, leading to three withdrawn resolutions in 2003, 2006 and 2008 on climate change, emissions reporting and emissions reduction as Ford Motor instituted changes that satisfied ICCR. One key observation in our interviews with Sr. Patricia is that she often referred to *Bill* Ford, rather than Ford *Motor*, suggesting that the dialogue and the

relationships are built with specific individuals, not between the investor and the corporation as organizations. Similarly, one frequent complaint we heard from other informants was that turnover among corporate managers was a disruption, and they felt they often had to recreate relationships inside the companies.

Given this importance of long-term relationships, we expected dialogues to have a strong cognitive effect: we anticipated that activists, armed with first-hand information, would use dialogues to reverse the CEOs' views on key matters. We thus began by examining the possibility that ICCR's dialogues might have persuaded Ford Motor that climate change exists. But upon closer analysis we saw that dialogues influence corporations in more gradual and indirect ways.

Indeed, dialogues helped management understand how stakeholders might feel about an issue. We identified this mechanism by analyzing in greater detail the engagement dialogue between Sister Patricia Daly and Bill Ford, going back to 1993. At the time, companies like Ford Motor and General Motors were funding a lobbying group, the Global Climate Coalition (GCC), which denied the existence of global warming. ICCR, Daly recalls, was trying to persuade the companies of "the precautionary principle that they've got to start thinking of a new way of doing business in the carbon-constrained world." To do that, they filed a resolution asking for disclosure of the lobbying expenditures of the companies. They did not explicitly mention the GCC, but as she explains, "this was kind of understood." Bill Ford attended the dialogues with ICCR, and following the efforts of the activists he eventually understood the threat that Ford faced. In December 1999, Daly received a phone call from him. "We're leaving the Global Climate Coalition," Ford announced to her. In the following decade ICCR continued the dialogue with Ford, and the company was usually the first among US

automakers to adopt more environmentally friendly policies (see Table 4 for a list of resolutions presented by ICCR at Ford, and the outcome obtained from the dialogues).

In understanding the precise role of ICCR in prompting the car company's reversal of policy, it is important to recognize that Bill Ford was already an environmentalist, and publicly identified himself as such (indeed, he was also a vegan). But whereas Bill Ford was not converted to environmentalism by Pat Daly, he does credit ICCR with facilitating change at Ford Motor:

> When I began speaking out on environmental and social issues more than 30 years ago, the Interfaith Center on Corporate Responsibility was a welcome voice of encouragement among many that were doubtful. They cheered us on when we made progress, and challenged us to move faster and do better when we didn't (ICCR 2012).

In other words, encouraging, cheering on and challenging executives at the car company had a tangible effect in shaping company policy. ICCR thus made its presence felt even though the chairman of the company already shared the coalition's views on the environment.

If a change of mind of the CEO does not explain changes in corporate policy, what accounts for them? In explaining this we also spoke with a former ICCR Program Director, Leslie Lowe. Lowe, a Harvard-educated lawyer who specialized in environmental issues, argues that dialogues expose corporations to the potential reaction of the company's stakeholders. In describing her own dealings with corporations while at ICCR, she argues:

> I don't think we persuade them. I assume that for a multibillion-dollar company with access to the best scientific research in the world, they already know these things. It's really to say to them, hey, look, we're your investors and we're not buying the B.S. you're selling, just to let you know. No varnish on it.

In other words, dialogues are not only about debating, but about understanding the other side. Gauging how professional and legitimate shareholders perceive a certain issue gives the company an idea of how *other stakeholders* may feel about it, and how they might react to potential company moves.

Furthermore, this process entails strengthening the internal positions of middle managers that are already raising the issues inside the company:

> I see my job as giving the best argument for that person who is somewhere in, I call him the green eyeshade guy, he's in the back room and he knows what the real deal is. The people who are hands-on and see day-to-day what's happening, who know that, you know, we really are wasting a helluva lot of product, here. Or, we have these leaky valves that nobody's looked in 12 years and we've been faking the inspection reports and one of these days this refinery is going to blow up.

The emphasis is thus on middle managers. Transformation takes place bottom-up. The activists are not, as such, changing how the CEO thinks, but rather how the issue gets labeled internally, as in "climate risk" or "slave labor."

Sensitizing

The analysis so far suggests a mechanism of influence. We define as sensitizing the mechanism whereby the participants in shareholder dialogue convey to the organization the meaning and significance of an issue for the stakeholders in the corporation. Sensitizing is not addressed solely at top management; instead, it operates by influencing the internal debate within the corporation, giving technical arguments and moral strength to proponents of change. That is, helping them raise their voice internally. Sensitizing, we contend, is consistent with the arguments of Weber et al. (2009). In accounting for the effectiveness of the German anti-biotech movement, the authors reject the possibility that activists were able to pressure the company into

reversing its policy. As the authors note, “it is (…) oversimplistic to assume that powerful companies like Bayer, Hoechst, and BASF simply succumbed to the coercive pressure of activists” (2009: 113). Instead, Weber et al. (2009) argue that the key to activist effectiveness lies in internal politics: “external contestation translated into technology choices in more intricate ways, mediated by the targeted organizations’ existing internal political systems” (2009: 114). Just like anti-biotech activists, shareholder activists at ICCR exploit political debate within the target company.

How exactly does ICCR target the internal debate? They do so, we found, through the creation of a cognitive space for contemplating alternatives, and through an emotional connection with the executives that attend the face-to-face meetings. Regarding the former, shareholder dialogues enable companies to maintain their position while they contemplate alternative frames. As Lowe explains, “What we’re doing is opening a space from where they had the hard line -- this isn’t real and it has nothing to do with business -- to opening a crack.” The expression “opening a space” has a counterpart on the physical space of the conference room where the dialogues take place: ten or twenty people, sitting around a large table and willing to entertain views that differ from their own. Paradoxically, then, sensitizing works by eschewing a complete change of mind of the top management of the corporation. They are not required to agree with activists.

Sensitizing also has an important emotional component. One ICCR member recalls how she was once approached at the end of a meeting with a large pharmaceutical company by one of the managers who participated in it. She recalls:

> This woman (…) came by and said, Sister, I know we all disagree on this. And she said, we really are affected by what you're talking about. Because we have different value streams. So, it's not happening now. But we are discussing our values. And whether we really are responding to some of the things we say is our credo. And

> it's hard to do that in a very large company. Where the culture and practice is this. You can't do this over night. But don't think I'm not affected by all the points the participants raised tonight. We are.

This suggests that engagement is grounded on the ability of shareholders to elicit the empathy of managers they meet with, helping them develop awareness of the issues, and prompting them to act. In other words, sensitizing operates by nurturing internal debate on the issues, a process that occurs through the engagement of some company managers in face to face meetings.

Loyalty

One challenge entailed in sensitizing concerns the tradeoff between attracting the attention of corporate management and preserving the institutionalized relationship. Hirschman (1970) gave explicit consideration to this problem, arguing that voice needs to be balanced by loyalty to the organization. That is, by limiting the temptation to exit, those that voice a concern can expect their views to be heard. But as Hirschman also pointed out, complete loyalty to the relationship can also limit the effectiveness of voice -- as it can lead the organization to take the relationship for granted. As we discovered, ICCR members had found a way to manage this tension by combining commitment and breaching.

ICCR members signal commitment in two ways. First, to signal commitment to the long-term economic viability of the corporations, ICCR members hold their shares in the companies they engaged with, in a sense pledging not to exit from the relationship. For instance, Sister Daly would refer to herself and Exxon as “we,” signaling to managers her identification with the corporation, despite their divergent views. This was indeed common practice among ICCR members. Second, ICCR members signaled commitment by living up to the expectations of mutual trust. Especially sensitive is the

relationship with the media, as corporations are concerned about the confidentiality of what gets said in the dialogues. By committing to confidentiality about what is said in the meetings, members lose the short-term benefits of media visibility but gain trust by signaling long-term commitment to managers.

Relational commitment. The two signaling devices described above can be collectively subsumed under the expression relational commitment, which we define as signaling allegiance to the process of engagement despite its uncertainties. Committing is an expression of loyalty towards the firm and is consistent with Hirschman's insight that "loyalty holds exit at bay and activates voice" (Hirschman 1970: 78). Loyalty is critical in the context of shareholding, given how legitimate and easily available the exit option is, despite its ineffectiveness.

To corroborate the evidence on committing obtained in the interviews we analyzed the database of shareholder resolutions presented by ICCR over the period 1993-2010. We organized the resolution data as engagements between a lead filer (one ICCR member) and a corporation, and measured the length of the engagement as the number of resolutions filed (Table 5). Over the period studied, many of the engagements were very short: 53 percent only consist of one resolution. But there is also evidence that ICCR members led longer engagements: at least 15 percent of them consisted of more than 4 resolutions. Furthermore, we split the sample in two periods (1993-2000 and 2000-2010). Consistent with the notion of relational commitment, we found that the average length of engagement is longer in the most recent decade. Given that resolutions are filed only when corporations refuse to engage in private dialogues, we consider this a conservative test that ICCR members were persistent in their engagement activity.

But loyalty does not exclude the possibility of occasional conflict. Quite the opposite: activists confronted management in face-to-face encounters and occasionally stood up to them. We had expected that engagement operated by nurturing smooth interaction with managers, stimulating an empathic response from them around the issues of concern, hence increasing group solidarity. Instead, we found that breaching the interactive order is an essential part of the meeting repertoire. We identified the importance of this tactic as we acknowledged the importance our informants accorded to meetings with management. For instance, we were struck by Sister Barbara's persistence in gaining access to a face-to-face meeting with the CEO of Wal-Mart. Her relentless pursuit of a meeting, and the fact that the CEO avoided it, suggests that face-to-face interaction is critical. Despite their limited budget, ICCR members would fly to the headquarters of the corporations they engaged with to have private meetings with management. Indeed, one integral part of their annual meetings was organizing meetings with corporations headquartered in the city where the annual meeting was to be held. For instance, during the meeting we attended in Detroit, ICCR members met with Ford executives. By the same token, when ICCR members gathered for the annual meeting in Chicago, they met with managers from McDonald's.

These meetings were effective by creating situations where both parties could influence each other through strong reactions, as evidenced by Sister Barbara’s recollection of her first meeting with Walmart CEO Lee Scott:

> Midway through the morning, Lee Scott came in. And he sat down at the table. And things got quite heated. Because we had gotten to the point of the minimum wage. And other issues. And how they did it. And some of my colleagues were really ripping into this issue. Because they were representing areas where there were lots of Wal-Marts. And they had interviewed people. And they had pay slips and all that stuff. He was furious. And he really went after a couple of people. [...] And Susan [another ICCR member] kept pushing her point about poor Texas towns. And Mexican Americans and others

> whose wages couldn't do this [...] And health benefits. All that stuff. And he was beside himself.

It is not surprising that management might react negatively and emotionally to the requests and persistence of the activists, as this is clearly a breach in the dominant interaction order to which top management are accustomed (Goffman, 1959; Garfinkel, 1967; Collins, 2004).

Breaching. We define breaching as a disruption in the face-to-face interactive order for the purpose of conveying an emotional reaction to an issue. Breaching the interaction order, we found, can be effective in furthering the activists' agenda. In the case just described, despite the fact that the CEO was upset he did not terminate the relationship. In fact, according to Sister Barbara, he stayed longer than an hour, and “he heard more things about race relations. He heard things about women. All kinds of stuff. And as we moved on, he agreed to further meetings.”

In other words, a rupture in the interaction order was an opportunity to shift attention to the activists' concerns. Eventually Scott became a champion for change in Wal-Mart. Soon after this meeting, in 2006, Wal-Mart released a public voluntary EEO report on employment statistics to address the mounting criticism of gender and race discrimination, and Sister Barbara withdrew her resolution and applauded the move with a public statement: "Wal-Mart today raises the bar for all companies, both privately and publicly held" (US Newswire, 2006).

The dialogue with Wal-Mart further illustrates how breaching is a critical step towards reframing. Sister Barbara Aires recalls how once she had made direct contact with the CEO, Lee Scott, she could then communicate more frequently and gain access to his views on events as they unfolded.

> By now I have his phone number. So, I would phone him and say, Mr. Scott? And he would say, yes? What is it now? And I would say, you know, we just talked to you a month ago. And look at this. What do you mean, you are improving? And he would say, I know it's a mess. But we're working on it. So, I would say, his interaction with me, which was not always friendly, nevertheless enabled us to move forward.

The CEO's acknowledgment that "it´s a mess," albeit in a private conversation, signals, in our view, an implicit acceptance of the frame promoted by ICCR.

The effectiveness of breaching challenges the notion that engagement requires fitting in with the dominant interaction order. Emotional arousal generates involvement. Lacking involvement from the other party, ICCR members told us, inhibits any possibility of further change. For instance, one of our informants told us about the meeting with managers of a US meat producer, who simply chose to ignore them. She explained:

> [They] sat in the entire meeting for three hours playing with their Blackberry. Clear that they were not going to give you the time of day and they were just completely disinterested.

In other words, successful meetings are characterized by involvement, and breaching helps generate involvement.

In sum, ICCR members seem to be aware of the doubled-edged nature of loyalty noted by Hirschman (1970). Loyalty gives greater influence, but makes it more difficult to be heard. ICCR members thus walk a fine line in exhibiting loyalty. On the one hand, they signal commitment to the corporation by publicly identifying with the corporation and guaranteeing complete confidentiality. On the other hand, they resort to breaching the interactive order in face-to-face meetings. Such breaches are risky because they threaten mutual respect, but they also elicit attention, convey emotion and thus help ICCR members communicate their moral reaction to corporate policies.

The Role of Religion in Shareholder Engagement

The overwhelming abundance of religious elements in the ICCR calls for a consideration of whether the mechanisms we have outlined so far are specific to a religious investor, or whether they apply to others. The ICCR, after all, defines itself as a "faith-based" organization; its headquarters are based in the so-called God Box; its Director, Laura Berry, is a religious person, although not a member of any religious group; and many of ICCR's engagement dialogues were conducted by members of religious congregations. In short, to what extent is religion (rather than the mechanisms we laid out) the actual reason for the engagement effectiveness of the ICCR?

It is clear that religion matters. For instance, in the minutes of an ICCR Board meeting in 2008 we read the following text:

> We need to retain our faith-based identity. There was unanimous agreement with this. Our faith-based identity has worked well for us; our identity carries a certain amount of moral authority. Our associates find it is to their advantage to be working with faith-based members of ICCR when working with companies.

In other words, religion is a very powerful driver of engagement. However, our analysis also suggests religion impacts engagement as a moderator of the mechanisms we outlined above, rather than through its own distinctive path. We contend that religion improves the formulation of moral issues, and makes sensitizing and loyalty easier. We consider this in detail:

Formulating moral issues. The members of ICCR identified religion as a key factor in their formulation of moral issues. Religion is at the root of their original involvement with activism, because religion put them in touch with human suffering. Religion also offers a moral language to turn individual moral outrage into an organized articulation of issues. And religion also provided the material infrastructure: ICCR often met in religious buildings, its members were trained in similar religious seminaries --

for instance, both its former director Tim Smith and a program officer, David Shilling, were trained in the Union Theological seminary.

Sensitizing. One naturally expects the religious identity of ICCR members to help them evoke a logic of responsibility and concern about society and the environment. In a study of the ICCR dialogue with Ford, one of the corporate managers explained that despite a general negative impression of NGOs, Sister Pat and ICCR were an exception. In his view, "it's hard not to trust nuns, priests, and ministers." (Forbes, 2009: 31).

Loyalty. The minutes of one of the ICCR meetings we attended made clear that religion helped the engagement protagonist convey loyalty to the corporation. They read: "we bring a faith-based dimension to our work that other groups do not bring. This includes maintaining active, long-term engagement with companies as opposed to submitting a resolution with little or no follow-up." Being a nun, that is, a female member of a religious order, can make the breaching of interactions with corporations more sustainable by generating trust. This is consistent with the work of Soule (2010) on the role of women in activism: she found that women protests tend to draw less police presence and have no police violence, even when protesters damage private facilities and show signs of being "on a rampage". The explanation she gives is that women are stereotyped as communal and less agentic, and therefore less threatening.

In appraising the effect of religion on shareholder engagement, it is equally important to recognize that the explicit link between engagement and religious principles is limited because of the multi-denominational character of ICCR. In that sense, ICCR is somewhat like inter-faith chapels in airports, where the need to include different sensitivities limits the explicit correspondence between beliefs, symbols and practices,

blurring the effect of any specific denomination. Furthermore, as a former director of ICCR explained, some of the differences between denominations are eliminated by the logic of shareholder engagement. As Tim Smith explained, congregations simply do not invest in companies that they strongly oppose, “they’re screened out.” Catholic congregations for instance do not own any shares in companies involved in abortion. Because shareholding is a pre-requisite for engagement, negative screening removes the need for the coalition to resolve differences between beliefs among congregations. “And that’s the genius,” Smith concludes. Another informant confirmed this: "the religion stuff doesn’t get in the way."

One sign that religion is a moderating effect but not a distinct pathway to successful engagement is that ICCR is also open to secular organizations. These can join as Associates (an internal category developed by ICCR to denote investment funds) and Affiliate members (which denotes NGOs and institutions). These include, for instance, large pension funds like TIAA-CREF and asset management companies such as Legg Mason and Neuberger Berman. As Table 6 shows, there appears to be no major difference in the length of filing activity among religious Members, and non-religious Affiliates and Associates. Whereas 59 percent of the engagements of religious members have more than two resolutions, the figures for non-religious ones are 58 and 50 percent respectively, suggesting that both religious and secular organizations can exhibit similar degrees of loyalty.

From the discussion above we conclude that religion helps ICCR members in their issue formulation, their efforts at sensitizing and in signaling loyalty. But rather than a completely different mechanism, the religiousness of most ICCR members operates through the mechanisms of issue formulation, sensitizing and loyalty discussed above.

Furthermore, the existence of non-religious members in ICCR suggests that religion may not be a prerequisite for engagement effectiveness.

DISCUSSION

It might seem surprising, if not downright incredible, that a coalition of nuns, faith-based activists, and other reform-minded investors would be able to effect real change in some of the largest and most powerful corporations of the United States. Their impact is even more remarkable in light of their choice of tactics: instead of threatening corporate reputation, ICCR chose the route of private dialogue and intervention in the moral debate within the corporation. Yet ICCR has been undoubtedly successful in effecting change. In the 40 years since its original creation they have been credited with GM's divestment from South Africa in 1971 (Soule, 2009), Ford's shift towards environmentally friendly policies (Forbes, 2010), and more broadly, with the early support for "vanguard" issues such as human rights and labor standards (Proffitt & Spicer, 2006), thus epitomizing Hirschman's dictum that "reform is always possible."

Articulating Moral Voice

Building on this phenomenal performance, our analysis points to the role of the moral voice. This consists of two broad sets of mechanisms. The first pertains to the formulation of the issues that activists bring to the corporations. The selection of what issues to engage on is characterized by a strong moral component, but it is also strategic in the sense of goal-driven: it is driven by moral outrage, but also by the need to efficiently use ICCR's resources effectively and focus their efforts. The choices made by ICCR reveal that its members are able to identify morally dubious practices and the potential for reframing them, enabling ICCR to articulate both the moral and the

business case. This ability enables them to take issues that could be labeled “latent” and “emerging,” and “consolidate” them as business issues (Zadek, 2004).

The second aspect of the moral voice pertains to the engagement dialogues. ICCR avoids threatening corporate reputation, focusing instead on sensitizing corporate management. To this end it builds long-term relations and stresses confidentiality in the dialogues. Similarly, the ICCR does not seek to alter the views of CEOs or promote rebellion within then rank-and-file; instead, it targets the ongoing debate within the corporation about what is right and wrong by echoing existing concerns among lower management. It also conveys to the organization the moral reaction that its actions might elicit among specific constituencies. To achieve this, ICCR members sometimes resort to breaching their interactions with top management, expressing outrage and upsetting a ritualized interactive order for the purpose of gaining attention and eliciting emotion. In this manner, ICCR express dissent by leveraging their particular institutional setup.

From Contentiousness to Influence

Our analysis contributes to organization theory by offering a complementary perspective to the dominant paradigm in the social movement literature, which focuses primarily on the effect of contentious politics on organizations (McAdam et al., 2001). This paradigm enabled scholars to understand numerous phenomena that were usually neglected before or even worse, dismissed as mass hysteria. But as social movements start to focus directly on corporate managers as targets of influence, we should not assume that their repertoire should be the same they successfully leveraged with the state. We started from Hirschman’s original insight, often neglected in much later scholarship, that voice is a critical mechanism for learning; and developed a number of

mechanisms that account for how shareholder articulate their moral voice. Our contribution not only extends our understanding of voice, but also suggests how it can be integrated with the dominant perspectives in social movement theory.

Building on the findings of our study, we propose a reexamination of the assumption that corporate managers will primarily react to reputational threats. This assumption is present in both economics and social movement theories, as scholars explicitly or implicitly assume that the reason corporations react to social movements is to protect their reputation and legitimacy in the different markets in which they operate (Baron, 2001; 2003; King, 2008). An important exception to this approach is developed by Weber et al. (2009), who propose a clear mechanism linking (external) movements' activity and (internal) organizational decision-making. Our mechanisms are different from the ones Weber et al. (2009) postulate because in their model activists remain at the doorstep of the corporation, merely raising the uncertainty of investment opportunities. Our study instead shows that activists can affect change by directly engaging managers, thus linking the societal debate on the issues with the internal organizational debate. Our theory of engagement recognizes the existence of these overlapping dialogues and shows how shareholders can provide a linking pin between internal and external conversations. Shareholders engage in dialogues over environmental and social issues *qua* stakeholders and leverage their liminal status as both internal and external to the corporation to bring the street into the boardroom, and merge the different conversation threads.

By engaging managers directly, activists also build on another powerful force, already suggested by the founders of institutional theory. Meyer and Rowan's (1977) seminal contribution invokes Goffman's idea of *saving face* (Goffman, 1959). According to the authors, crafting a distinction between the public face and backstage reality allows

organizations to maintain the assumption that they are acting appropriately. In the case of shareholder engagement, ICCR's decision to shift from public shareholder meetings to private dialogues with corporations can be interpreted as a move from the front- to the backstage. By confining their challenges to management to the private realm of the backstage, ICCR supports publicly the organization they are challenging privately, and in the process lends legitimacy to the organization.

In sum, our mechanisms provide a micro-interactionist perspective of voice that dovetails with recent studies on the political and cognitive construction of corporate strategy (Kaplan, 2008; Soderstrom & Weber, 2012). Soderstrom and Weber (2012), for instance, build on the Durkheimian concept of the interaction ritual chain developed by Collins (1998; 2004) to explore how micro-interactional situations shape the corporate sustainability agenda. These ritual chains strengthen group solidarity, increase emotional energy, and align frames. In our analysis of the interactions between shareholders and managers, we depart from the classic emphasis on consensus that characterizes interaction ritual chains, and argue that in order to trigger change shareholders need to both signal loyalty and stand firm on their convictions.

Our findings do not necessarily contradict the evidence on the effectiveness of contentiousness. Indeed, given its commitment to the corporation, ICCR is limited in the extent to which they can engage in breaching, and thus ICCR benefits from the contentious activities of external activists targeting the same issue. Far from challenging the effectiveness of contentious tactics, the effectiveness of the ICCR depends on it, and serves as a mechanism of transmission from the street to the boardroom. In conclusion, we suggest that movements might benefit from the complementarity between the private influence of actors such as ICCR, and the public contentious tactics of traditional social movements: contentiousness drives attention, ICCR drives persuasion. This

complementarity hypothesis emerges from our study, but would require further refinement and obviously more systematic empirical testing.

CONCLUSION

Writing in the wake of a tumultuous period of social activism in the 20th century, Hirschman's notion of voice provided a guiding framework to understand social movements. Four decades later, we are now in a position to revisit Hirschman's concept in the light of both existing literature and the original practices we observed. Our analysis casts a new light on Hirschman's concept of voice by refocusing it as a mechanism of influence in organizations. We outline two mechanisms: formulating emerging issues and their business implications, and sensitizing corporations by influencing the internal corporate debate. These two mechanisms give shareholders a moral voice that complements the contentious tactics used by other activists.

Such reconceptualization can also contribute to our understanding of the changing role of shareholders in financialized societies. Shareholder capitalism is under criticism for falling short in terms of both economic value creation and societal impact (Davis, 2009). Nevertheless, our analysis suggests that shareholding can represent an important avenue for activists and institutional investors to express their grievances on corporate policies. To do so, investors need to go beyond exit, and voice their dissatisfaction by engaging the corporation. The widespread diffusion of shareholder engagement could provide an alternative to the current form of shareholder capitalism, taking advantage of its institutional architecture but redirecting it towards the common good.

REFERENCES

Aires, B. 2009. Moral Voice: Sister Barbara Aires. Interfaith Center on Corporate Responsibility Podcast. Retrieved at http://podcast.iccr.org/2009/09/a-moral-voice-sister-barbara-aires/

Barley, S. R., & Kunda, G. 2006. Contracting: A New Form of Professional Practice. ***Academy of Management Perspectives***, 20(1): 45–66.

Baron, D. P. 2001. Private Politics, Corporate Social Responsibility, and Integrated Strategy. ***Journal of Economics Management Strategy***, 10(1): 7–45.

Baron, D. P. 2003. Private Politics. ***Journal of Economics Management Strategy***, 12(1): 31–66.

Bauer, R., Moers, F., & Viehs, M. 2011. The Determinants of Withdrawn Shareholder Proposals. Working Paper (September 19, 2012). Available at SSRN: http://ssrn.com/abstract=1885392

Benford, R. D., & Snow, D. A. 2000. Framing Processes and Social Movements: An Overview and Assessment. ***Annual Review of Sociology***, 26: 611–639.

Carleton, W. T., Nelson, J. M., & Weisbach, M. S. 1998. The Influence of Institutions on Corporate Governance through Private Negotiations: Evidence from TIAA-CREF. ***Journal of Finance***, 53(4): 1335–1362.

Collins, R. 1998. ***The Sociology of Philosophies: A Global Theory of Intellectual Change***. Harvard University Press.

Collins, R. 2004. ***Interaction Ritual Chains***. ***Princeton studies in cultural sociology***: 439. Princeton University Press.

Cyert, R. M., & March, J. C. 1963. ***A Behavioral Theory of the Firm***. Englewood Cliffs, NJ: Prentice Hall.

Davis, G. F. 2009. ***Managed by the markets: How finance reshaped America***. Oxford: Oxford University Press.

Davis, G. F., & Thompson, T. A. 1994. A Social Movement Perspective on Corporate Control. ***Administrative Science Quarterly***, 39(1): 141–173.

Diesing, P. 1971. ***Patterns of discovery in the social sciences***. Chicago: Aldine-Atherton.

Dutton, J. E., & Ashford, S. J. 1993. Selling Issues to Top Management. ***Academy of Management Review***, 18(3): 397–428.

Dutton, J. E., Ashford, S. J., O'Neill, R. M., & Lawrence, K. A. 2001. Moves That Matter: Issue Selling and Organizational Change. ***Academy of Management Journal***, 44(4): 716–736.

Eesley, C., & Lenox, M. J. 2006. Firm Responses to Secondary Stakeholder Action. ***Strategic Management Journal***, 27(8): 765–781.

Forbes, M. K. 2010. ***Climate Change "Resolution:" Dynamics of Shareholder Engagement between U.S. Firms and Investors***. University of Michigan.

Freeman, R. E. 1984. ***Strategic Management: A Stakeholder Approach***. (Pitman, Ed.)***Management***: 276. Boston: Pitman.

Gamson WA. 1992. The social psychology of collective action. See Morris & Mueller 1992, pp. 53–76

Garfinkel, H. 1967. Common sense knowledge of social structures: The documentary method of interpretation in lay and professional fact finding. ***Studies in Ethnomethodology***: 76–103. Prentice Hall.

Glaser, B. G., & Strauss, A. L. 1967. ***The Discovery of Grounded Theory***. ***The British Journal of Sociology***. Chicago: Aldine.

Goffman, E. 1959. ***The Presentation of Self in Everyday Life***.

Hiatt, L. M., Zimmerman, T. L., Smith, S. F., & Simmons, R. 2009. Strengthening Schedules Through Uncertainty Analysis. ***Proceedings of the Twenty-First International Joint Conference on Artificial Intelligence (IJCAI-09)***.

Hirschman, A. O. 1970. ***Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States***. Cambridge, Mass: Harvard University Press.

Jasper, J. M. 1997. ***The Art of Moral Protest: Culture, Biography, and Creativity in Social Movements***. Chicago: University of Chicago Press.

Kaplan, S. 2008. Framing Contests: Strategy Making Under Uncertainty. ***Organization Science***, 19(5): 729–752.

Kellogg, K. C. 2009. Operating room: relational spaces and microinstitutional change in surgery. ***American Journal of Sociology***, 115(3): 657–711.

King, B. G. 2008. A Political Mediation Model of Corporate Response to Social Movement Activism. ***Administrative Science Quarterly***, 53(3): 395–421.

King, B. G., & Pearce, N. A. 2010. The Contentiousness of Markets: Politics, Social Movements, and Institutional Change in Markets. ***Annual Review of Sociology***, 36(1): 249–267.

King, B. G., & Soule, S. A. 2007. Social Movements as Extra-Institutional Entrepreneurs: The Effect of Protests on Stock Price Returns. ***Administrative Science Quarterly***, 52(3): 413–442.

Lee, M. D. P., & Lounsbury, M. 2011. Domesticating Radical Rant and Rage: An Exploration of the Consequences of Environmental Shareholder Resolutions on Corporate Environmental Performance. ***Business & Society***, 50(1): 155–188.

Locke, K. D. 2001. ***Grounded theory in management research***. London: Sage.

Lofland, J., & Lofland, L. H. 1995. ***Analyzing social settings: A guide to qualitative observation and analysis*** (3rd edition). Belmont, CA: Wadsworth.

Logsdon, J. M., & Van Buren, H. J. 2009. Beyond the Proxy Vote: Dialogues Between Shareholder Activists and Corporations. ***Journal of Business Ethics***, 87(S1): 353–365.

Lounsbury, M., Ventresca, M., & Hirsch, P. M. 2003. Social movements, field frames and industry emergence: a cultural-political perspective on US recycling. ***SocioEconomic Review***, 1(1): 71–104.

Marcus, G. E. 1995. Ethnography in/of the World System: The Emergence of Multi-Sited Ethnography. ***Annual Review of Anthropology***, 24: 95–117.

Margolis, J. D., & Walsh, J. P. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business. ***Administrative Science Quarterly***, 48(2): 268–305.

Maurer, C. C., Bansal, P., & Crossan, M. M. 2011. Creating Economic Value Through Social Values: Introducing a Culturally Informed Resource-Based View. ***Organization Science***, 22(2): 432–448.

McAdam, D., Tarrow, S., & Tilly, C. 2001. ***Dynamics of Contention***. ***Social Science***: 387. Cambridge: Cambridge University Press.

Meyer, J. W., & Rowan, B. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. ***American Journal of Sociology***, 83(2): 340–363.

Meyerson, D. E. 2001. ***Tempered radicals: How people use difference to inspire change at work***. Boston, MA: Harvard Business School Press.

Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. ***Academy of Management Review***, 22(4): 853–886.

Monks, R. A. G., & Minow, N. 1991. ***Power and Accountability***. New York: HarperBusiness.

Phillips, R., Freeman, R. E., & Wicks, A. C. 2003. What Stakeholder Theory Is Not. ***Business Ethics Quarterly***, 13(4): 479–502.

Post, J., Preston, L., & Sachs, S. 2002. ***Redefining the corporation: Stakeholder management and organizational wealth***. Stanford, CA: Stanford University Press.

Proffitt, W. T., & Spicer, A. 2006. Shaping the shareholder activism agenda: institutional investors and global social issues. ***Strategic Organization***, 4(2): 165–190.

Raeburn, N. C. 2004. ***Changing Corporate America from Inside Out: Lesbian and Gay Workplace Rights***. Minneapolis: University of Minnesota Press.

Rao, H., Monin, P., & Durand, R. 2003. Institutional Change in Toque Ville: Nouvelle Cuisine as an Identity Movement in French Gastronomy1. ***American Journal of Sociology***, 108(4): 795–843.

Rao, H., Morrill, C., & Zald, M. N. 2000. Power Plays: How Social Movements and Collective Action Create New Organizational Forms. In B. M. Staw & R. I. Sutton (Eds.), ***Research in Organizational Behaviour***: 239–282. New York: Elsevier Science.

Rehbein, K., Waddock, S., & Graves, S. B. 2004. Understanding Shareholder Activism: Which Corporations are Targeted? ***Business & Society***, 43(3): 239–267.

Reid, E. M., & Toffel, M. W. 2009. Responding to Public and Private Politics: Corporate Disclosure of Climate Change Strategies. ***Strategic Management Journal***, 30(11): 1157–1178.

Scheff, T. J. 2006. Mobilization and Silence: Emotional/Relational Dynamics. University of California, Santa Barbara.

Scully, M., & Segal, A. 2002. Passion with an umbrella: Grassroots activists in the workplace. In M. Lounsbury & M. J. Ventresca (Eds.), ***Social Structure and Organizations Revisited: Research in the Sociology of Organizations***: 125–168. New York: Elsevier.

Sine, W. D., & Lee, B. H. 2009. Tilting at Windmills? The Environmental Movement and the Emergence of the US Wind Energy Sector. ***Administrative Science Quarterly***, 54: 123–155.

Smith, N. C., Ansett, S., & Erez, L. 2011. How Gap Inc . Engaged With its Stakeholders. ***MIT Sloan Management Review***, 52(4): 68–76.

Snow, D. A., & Benford, R. D. 1992. Master frames and cycles of protest. In A. D. Morris & C. M. Mueller (Eds.), ***Frontiers in Social Movement Theory***. New Haven, CT: Yale University Press.

Soderstrom, S. B., & Weber, K. 2012. Organizational Sustainability Agendas: An Interaction Ritual Perspective on Issue Mobilization. *Working Paper* Kellogg School of Management, Evanston, IL.

Soule, S. A. 1997. The Student Divestment Movement in the United States and Tactical Diffusion: The Shantytown Protest. ***Social Forces***, 75(3): 855–882.

Soule, S. 2009. ***Contention and Corporate Social Responsibility***. Cambridge University Press.

Soule, S. 2010. Gendered Response to Protests: Stanford Professor Sarah Soule. The Clayman Institute for Gender Research. (Video file.) Posted to http://www.youtube.com/watch?v=VfqVI3NtOho&feature=player_embedded#!

Spradley, J. P. 1979. ***The ethnographic interview***. Orlando: Harcourt Brace Jovanovich.

Tilly, C. 1999. ***Durable inequality***. Berkeley and Los Angeles, California: University of California Press.

Tkac, P. 2006. One Proxy at a Time: Pursuing Social Change through Shareholder Proposals. ***Federal Reserve Bank of Atlanta, Economic Review***, Third Quarter: 1–20.

Useem, M. 1993. ***Executive Defense: Shareholder Power and Corporate Reorganization***. Cambridge, MA: Harvard University Press.

Van Buren, H. J. 2007. Speaking Truth to Power: Religious Institutions as Both Dissident Organizational Stakeholders and Organizational Partners. ***Business and Society Review***, 112(1): 55–72.

Vasi, I. B., & King, B. G. 2012. Social Movements, Risk Perceptions, and Economic Outcomes: The Effect of Primary and Secondary Stakeholder Activism on Firms' Perceived Environmental Risk. ***American Sociological Review***, 77(4): 573–596.

Walsh, J. P. 2005. Book Review Essay: Taking Stock of Stakeholder Management. ***Academy of Management Review***, 30(2): 426–438.

Weber, K., Heinze, K. L., & DeSoucey, M. 2008. Forage for Thought: Mobilizing Codes in the Movement for Grass-fed Meat and Dairy Products. ***Administrative Science Quarterly***, 53(3): 529–567.

Weber, K., Rao, H., & Thomas, L. G. 2009. From Streets to Suites: How the Anti-Biotech Movement Affected German Pharmaceutical Firms. ***American Sociological Review***, 74(1): 106–127.

Wray, R. 2007. God and mammon on her side. ***The Guardian***. http://www.guardian.co.uk/business/2007/feb/05/5.

Zadek, S. 2004. Paths to Corporate Responsibility. ***Harvard Business Review***, 82(12): 125–132.

Table 1 - Data Collection and Analysis

Type of Data	Amount of Data	Time of Collection	Use in Analysis and Theory Development
Interviews - ICCR Individual interviews with ICCR members and staff	36 interviews 695 pages	2008-2012	Coded in order to develop the themes. Further analyzed to refine the theoretical concepts we developed, and confirm their validity
Interviews - SRI Individual interviews with practitioners in the field of socially responsible investing	39 interviews 923 pages	2008-2012	Analyzed to understand the practice of socially responsible investing, as a context for shareholder engagement
Observational Observations of ICCR meetings (Annual meetings, members meetings, …) and participation in the "Issues Prioritization Process"	27 days 233 pages of notes	2008-2012	Coded in order to develop the themes. Further analyzed to refine the theoretical concepts we developed, and confirm their validity
Archival Internal documents from ICCR working groups (meeting minutes, internal reports, planning documents)	More than 340 documents	1998-2012	Added contextual depth in understanding overall activities in ICCR working groups and overall engagement process. Provided historical perspective, and enabled triangulation with interview and observational data.
Shareholder Resolution data	4745 shareholder resolutions	1993-2010	Provided historical perspective, and enabled triangulation with interview and observational data.

Table 2 – List of Interviewees: ICCR Staff and Members

Position	Organization	Type of organization	Relationship with ICCR	When joined organization
Executive Director	ICCR	NGO	Staff	2007
Director of Communications	ICCR	NGO	Staff	2010
Member Relations Associate	ICCR	NGO	Staff	2008
Program Director Environment and Energy	ICCR	NGO	Staff	2003
Publications and Web Site Specialist	ICCR	NGO	Staff	1999
Program Director Human Rights and Resources	ICCR	NGO	Staff	1994
US Network Manager	United Nations Principles for Responsible Investment	Investment Professional	Former ICCR Staff	2012
Vice President	Community Health for Catholic Healthcare West	Religious	Faith Based Member	early 1990's
Program Coordinator for Justice and Peace and Corporate Responsibility	Adrian Dominican Sisters	Religious	Faith Based Member	2008
Associate Director	Tri-State Coalition for Responsible Investment	Religious	Faith Based Member	2008
Director of the Corporate Social Responsibility	United Church of Christ -The Pension of Boards	Religious	Faith Based Member	2005
Assistant Director of SRI	Christian Brothers Investment Services	Investment Professional	Faith Based Member	2002
Coordinator	Northwest Coalition for Responsible Investment	Religious	Faith Based Member	1998
Co-Founder and Executive Director	CREA - Center for Reflection, Education and Action, Inc	Religious	Faith Based Member	1996

Director	Tri-State Coalition for Responsible Investment	Religious	Faith Based Member	1992
Executive Vice President	Christian Brothers Investment Services (CBIS)	Religious	Faith Based Member	1987
Member of the Justice/Peace and Integrity of Creation Ministry team	Missionary Oblates of Mary Immaculate	Religious	Faith Based Member	1986
Coordinator of Corporate Responsibility	Sisters of Charity of Saint Elizabeth	Religious	Faith Based Member	1975
Vice President and Director of Social Research and Advocacy	Trillium asset Management	Investment Fund	Associate Member	Early 2000s
ESG Analyst	Walden Asset Management	Investment Professional	Associate Member	2008
Senior Vice President and Director of ESG Shareowner Engagement	Walden Asset Management	Investment Professional	Associate Member	2000
Managing Director and General Counsel	Domini Social Investments	Investment Professional	Associate Member	1998
Director of the ESG Team	Boston Common Asset Management	Investment Professional	Associate Member	1995
Partner, Strategic Vision	Domini Social Investments	Investment Professional	Associate Member	1991
Co-Founder and President	KLD Research & Analytics	Research Provider	Associate Member	1988
Head of ESG Research, Proxy Voting & Engagement	Etica	Investment Professional	Affiliate Member	2009
Director of Socially Responsible Investing	Zevin Assett Management	Investment Professional	Affiliate Member	2009

Director of Corporate Governance	TIAA-CREF	Investment Professional	Affiliate Member	2008
Environmental Analyst	Responsible Investment Group	Research Provider	Affiliate Member	2007
Chief Investment Officer, Senior Portfolio Manager and Co-heads the Investment Committee	Nelson Capital Management	Investment Professional	Affiliate Member	2004
Portfolio Manager	ClearBridge Advisors	Investment Professional	Affiliate Member	1991

Table 3 - Shareholder proposals presented by ICCR members, 1993-2010

Year	# proposals	# firms	# filers	# withdrawn	% Withdrawn	% top 10 firms	% Avg votes	Std Dev Votes
1993	212	149	144	89	42%	0.18	4.88	6.69
1994	198	135	154	79	40%	0.19	4.65	6.66
1995	184	121	154	65	35%	0.24	4.47	6.79
1996	218	142	152	86	39%	0.22	4.11	9.87
1997	232	164	151	101	44%	0.22	3.47	6.18
1998	210	147	179	66	31%	0.20	4.57	8.38
1999	219	150	184	58	26%	0.22	7.01	12.38
2000	235	166	167	61	26%	0.19	7.99	14.08
2001	235	165	169	72	31%	0.17	5.18	5.99
2002	257	178	169	104	40%	0.16	5.79	11.13
2003	251	160	157	98	39%	0.19	7.51	13.61
2004	229	163	179	84	37%	0.18	7.79	14.93
2005	289	201	193	116	40%	0.17	5.80	10.49
2006	294	190	177	107	36%	0.19	8.21	12.01
2007	333	222	175	118	35%	0.15	9.14	15.76
2008	414	270	180	152	37%	0.13	9.23	16.20
2009	389	265	180	121	31%	0.15	11.03	17.78
2010	346	230	198	120	35%	0.17	12.50	17.82

Table 4 - Timeline of ICCR's engagement with Ford Motor Company, 1994-2010

	# Resolutions	# Challenged	% Votes (Highest)	# Withdrawn	Outcomes
1994					
1995					
1996					
1997	1	0	0	1	
1998	2	0	4.43	0	
1999					Ford leaves GCC
2000					
2001					
2002					
2003	2	0	0	2	
2004	2	0	6.12	1	Ford report
2005	2	0	6.18	1	Ford report
2006	2	0	7.27	1	
2007	3	1	14.1	1	
2008	4	1	10	2	Emissions reduction plan
2009	2	0	5.5	0	
2010	1	0	12.77	0	

Table 5 - Length of ICCR Engagements, by lead filers, 1993-2010

Engagement Length	From 1993 to 2010	From 1993 to 2000	From 2000 to 2010
Number of resolutions	3302 resolutions	578 resolutions	2724 resolutions
1 resolution	53%	77,51%	50,04%
>2 resolutions	47%	22,49%	49,96%
>3 resolutions	26%	8,30%	27,64%
>4 resolutions	15,4%	4,15%	15,95%
>5 resolutions	8,7%	2,77%	8,34%
>6 resolutions	4,9%	1,04%	4,11%
>7 resolutions	3,2%	0	1,90%

Table 6 - Distribution of Membership Type and Engagement Length, 1993-2010

	Members	Associates	Affiliates
Percentage of Members by type	45%	18%	37%
Engagement Length			
1 resolution	40,17%	49,79%	41,66%
>2 resolutions	59,83%	50,21%	58,34%
>3 resolutions	39,66%	27,40%	30,56%
>4 resolutions	27,05%	17,30%	22,23%
>5 resolutions	16,97%	8,86%	16,67%
>6 resolutions	11,93%	2,50%	9,72%
>7 resolutions	8,90%	0	9,72%

Note: Members are religious groups, Associate members asset management firms, and Affiliate members any other kinds of organization

Appendix A

Text of a shareholder resolution presented by ICCR to Ford Motor Company in 2004

Reducing Greenhouse Gas Emissions

Several members of the Interfaith Center on Corporate Responsibility have informed the Company that the following proposal will be presented at the meeting by Sr. Patricia Daly of The Sisters of St. Dominic of Caldwell, New Jersey 07860, owners of 174 shares of common stock:

Reducing Auto Sector Greenhouse Gas Emissions

Ford Motor Company

Whereas:

Passenger cars and light trucks account for one-fifth of all annual U.S. greenhouse gas emissions linked to global climate change.

As of the model year 2002, the Ford Motor Company passenger vehicle fleet bore the second largest "carbon burden" of automakers in absolute terms. Additionally, the average vehicle sold by our company produces more carbon than the industry average.

Worldwide consensus that greenhouse gas (GHG) emissions need to be reduced continues to grow, with many countries, the European Union, and some U.S. states beginning to limit these carbon emissions, thereby requiring automakers to adopt technologies that reduce GHG emissions from their products. New fuel-efficiency standards have recently been approved in China, the fastest-growing passenger car market in the world, and are far more stringent than any U.S. standard. Failure by U.S. vehicle manufacturers to adopt technologies to lower GHG emissions may therefore undermine competitive positioning of our products within U.S. markets and exports to climate-conscious economies.

A World Resources Institute report indicates that the ability to reduce GHG emissions from vehicles may be indicative of future profitability. On the upside, concerns about climate change may create substantial new opportunities for proactive firms capable of meeting demand for cleaner, more efficient technologies in the global marketplace.

Vehicles offered by competitors Honda and Toyota emit less carbon because they offer better-than-average fuel economy. Moreover, these companies have been moving quickly to introduce advanced technology vehicles to consumers. Toyota successfully introduced hybrid vehicles three model years ago, and has already moved to the second generation of hybrid technology. Toyota is now poised to sell more cars in the U.S. than Chevrolet and Ford combined (Associated Press 9/5/03) and has outsold Ford worldwide for the first time in history (USA Today 11/11/03).

Ford is investing heavily in advanced technologies such as hybrids and hydrogen fuel cells and is also planning to bring some advanced technologies and some improved conventional technologies to market in select products. However, Ford has not reported to investors their expectations for reductions in Ford's overall carbon burden or their ability to meet near- and long-term emerging global competitive and regulatory scenarios.

We believe that commercial production of these advanced technologies could invigorate the supply chain and product sales for the domestic auto industry as it transforms from a 20th to 21st century technology base.

Resolved: that the Company report to shareholders (at reasonable cost and omitting proprietary information) by August 2004: (a) performance data from the years 1994 through 2003 and ten-year

projections of estimated total annual greenhouse gas emissions from its products in operation; (b) how the company will ensure competitive positioning based on emerging near and long-term GHG regulatory scenarios at the state, regional, national and international levels; (c) how the Company can significantly reduce greenhouse gas emissions from its fleet of vehicle product (using a 2003 baseline) by 2013 and 2023.