

Corporative Dissonance: The Strategic Use of CSR Investing

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To date, corporate accountability activists have been very successful at disrupting corporate rule. The task now must be to *dismantle* corporate rule. If the goal is to redraw the balance of power between society and big business, the corporate accountability movement needs to focus on removing the sources of corporate authority....

A first step would be to rewrite the charter laws to require broader participation on corporate boards. Workers, consumers, shareholders, company suppliers, and local community leaders should all have a voice on company boards....

We must redesign the corporation's internal logic and refocus its obligation to society at large, not just shareholders.

Kevin Danaher and Jason Mark (Global Exchange), *Insurrection: Citizen Challenges to Corporate Power*, pp. 299-302, *passim*.

Anti-corporate activism is now a commonplace of public life both in the United States and globally. It can be understood at many levels and through many lenses – sociological, anthropological, political and economic to name but a few. But whatever the perspective an observer might employ, central to any understanding of this phenomenon is its dynamism. Anti-corporate activism is fundamentally change-oriented.

That being the case, one approach to studying the strategies, structures, actions and objectives of the anti-corporate movement is through theories that purport to explain or predict the likelihood and direction of change per se. In the present essay, I will suggest the utility of applying one such theory drawn from social psychology – the theory of cognitive dissonance – to enhance our understanding of anti-corporate activism. The point here is not to argue that this theory itself explains the phenomenon in question, but only that its assumptions and essential mechanisms may have parallel applications in this rather different venue.

First posited by Leon Festinger in 1957,¹ cognitive dissonance is one of several theories of attitude change that fall within the general class known as “balance theories.” Balance theories start from the assumption that individuals hold a variety of attitudes, beliefs or perceptions (known collectively as cognitions) which they feel compelled to keep compatible with one another, which is to say, logically consistent, or in “balance”. Dissonance (or imbalance) is a condition in which two or more of these cognitions come into disagreement with one another, often as a result of newly acquired information. The greater the imbalance, or the more aware one becomes of it, the theory holds, the greater will be the perceived need to resolve it. That resolution can take a variety of forms, including, but not limited to, looking for new evidence or social support to reinforce one’s original position, discounting the source of the new information or influencing those who provided it to accept one’s initial point of view, or changing one’s attitudes or behaviors to be consistent with the new information. The theory holds that which of these or other mechanisms of dissonance reduction will be employed is a function of ease – the restoration of balance will follow the channel of least resistance. If one accepts this theory and has the goal of persuading another individual to change an attitude or behavior, the indicated strategy is to introduce dissonance, then to so structure the available avenues of dissonance reduction that the preferred form of change becomes the most likely to occur.

Without pressing the analogy too far, and recognizing that I have not done full justice to the statement of dissonance theory, I think the dynamic process of generating pressure and channeling response that lies at its core can be usefully applied to understand the persuasive strategy being employed by anti-corporate activists to force changes in corporate behavior, and through them, in the aggregate, in the direction of social and economic policy at a most basic level. The movement has set out to accomplish precisely what Messrs. Danaher and Mark suggest – to redesign the internal logic of the corporation. And because the emphasis of the movement in recent years has been on access to corporate boards, either to influence their social policy decisions or to gain actual representation, institutional investors – most notably the union and public pension funds – which have great influence in many publicly traded companies, have been assigned a central role in that effort. To understand how this is occurring, however, we need first to re-conceptualize the corporation itself.

Balancing the corporate books

Most economists and business scholars define the corporation primarily as an economic entity – a mechanism for producing goods or services and maximizing profits. But suppose that we begin from the rather different premise that a corporation is a social institution whose purpose is precisely to balance sets of sometimes reinforcing and sometimes contradictory interests with diverse goals, only some of which are economic. Where the interests of these corporate stakeholders are sufficiently aligned, the corporation will succeed in the

marketplace, defend its interests in the polity and contribute to the advancement of society in ways consistent with the objectives of its particular stakeholder set. Where they fall out of alignment, pressure will be generated on the corporation to restore the previous state of balance, i.e., to change its behaviors. It is this process of maintaining and restoring balance, then, that suggests the parallels to the balance theories in social psychology. But in lieu of cognitive dissonance representing a state of imbalance among mental constructs, we have what might be termed *corporative dissonance* – a state of imbalance among stakeholder interests. And just as the theory of cognitive dissonance points to a growing pressure to restore the psychological balance, and to do so via the path of least resistance, a theory of corporative dissonance might similarly predict increasing business pressure on corporations to restore their respective reputations, independence, economic power, profitability, legitimacy and the like, and to do so by the most cost-effective route.

This notion of “corporative dissonance” is a variant of the so-called “stakeholder theory” of the corporation advanced by William Evan and Edward Freeman,² and developed by such scholars as Margaret Blair and Lynn Stout.³ But where this approach has generally been employed by advocates of corporate social responsibility (CSR) investing to define and argue the importance of ethical behavior in business,⁴ here the theory has a different application – identifying and leveraging fulcra where pressure can be efficiently applied to force changes in corporate policy, and through them, collectively, more general changes in public policy. Both the relationships between the corporation and its stakeholders *per se*, and the thematic appeal of CSR rhetoric as applied in the context of those relationships, can provide such leverage points.

In the remainder of this essay, I will outline the systematic exploitation of these leverage points by influential actors within the CSR investment community in order to generate corporative dissonance and to channel dissonance reduction toward outcomes regarded by that community as desirable. It is not necessary, nor do I argue, that CSR advocates have consciously applied this theory *per se*, but only and rather that imposing the theory on the data provided by their actions helps us to understand the dynamics of influence in this increasingly important arena. The main elements of the argument include the application of power structure analysis, advancing systemic changes in shareholders’ rights, waging proxy battles over corporate governance and social policy, and the integration of this effort in the form of a social network. I will argue that, to the extent such efforts are effective in the aggregate, broad changes in the character, functioning, standing and impact of the corporation as a social institution will follow, but also that these changes may have both intended and unintended consequences.

Power structure analysis: a pathology of stakeholder relationships

As long ago as the 1970s, selected unions and the progenitors of today's generation of anti-corporate activists developed a methodology for analyzing corporations and assessing their various strengths and vulnerabilities. The objective of these early corporate antagonists – the North American Congress on Latin America, the Amalgamated Clothing and Textile Workers Union, and others – was to attack corporations at their roots by disrupting the stakeholder relationships upon which they depended for everything from their daily business routines to their basic standing in society. They termed this methodology “power structure analysis,” and developed a virtual library of guidebooks on how to conduct and exploit research on target companies.⁵ A labor activist who rose to prominence during this period, Ray Rogers, applied the technique to union organizing at J.P. Stevens and elsewhere, and helped to initiate the phenomenon known as the corporate, or anti-corporate, campaign.⁶

FIGURE 1 HERE

In power structure analysis, one places the corporation at the center of an array of stakeholders upon whose support or good will it depends. This is illustrated in Figure 1. One then examines each of the resulting relationships, sets them against one's own strengths, weaknesses and resources, and develops a prioritized order of attack against the target company. The objective of this attack may be labor-related (e.g., organizing workers), policy-related (e.g., forcing a change in the company's environmental sensitivities), or power-related (e.g., challenging the legitimacy, autonomy or influence of the company). The attack itself then follows with the de facto intent of inducing dissonance, which is to say, disrupting the established balance among the stakeholders. This might take the form of challenging the company on a human rights issue, with the challenge causing shifts in its relationships with the faith community, civil libertarians or the media. It might take the form of challenging the company's workplace policies, thereby generating pressure on its relationship with its employees or with selected regulators. It might take the form of challenging the company's faithfulness to the law, which would bring pressure on its relationship with legislators and the courts. Or, as but one among many such options, it might challenge the legitimacy and responsiveness of the company's internal governance norms and practices as markers of poor corporate ethics and citizenship, thereby generating pressure on its relationships with a wide range of stakeholders. It is this latter challenge to which I will return below.

For the moment, the salient point to bear in mind regarding power structure analysis is that it resembles in every key way the analysis one might produce in pursuit of the so-called stakeholder theory of the corporation. The only difference is that, rather than purporting to maximize the contribution of the corporation to some broadened affirmative social agenda, it is conducted with a specific, anti-corporate objective in mind.

Advancing systemic changes in shareholders' rights

Yet in context, it is this very difference that provides an essential strategic opportunity for anti-corporate activism. Put most simply, though they have clear and historical reservations about the role and practices of major corporations, and though those reservations have been brought to the fore by a well-documented series of transgressions by such companies as Enron and WorldCom, it is unlikely that anything approaching a majority of Americans would subscribe to an agenda that called for disrupting, let alone dismantling, the very companies that provide them with jobs, goods and services. They would, however, rise to a higher rhetorical calling – one that emphasized good corporate governance, corporate responsiveness to shareholders and other stakeholder communities, and, above all, corporate social responsibility. In strategic terms, then, an anti-corporate movement that could weld itself onto the thematic appeals of less extreme corporate reformers could, potentially, achieve a far higher degree of public acceptance and influence than might otherwise be the case. In this way, responsible reformers could be used to legitimize and provide cover for the anti-corporate movement. At the same time, those more moderate reformers could enhance the visibility and effectiveness of their own efforts, and could build their power base, through the same alliances. This might help, for example, to overcome a major shortcoming of CSR investing – the apparent inability to change corporate behavior.⁷ And since it would be their own rhetorical frames that would dominate the discourse, they could participate in such an alliance at minimal risk to their own credibility, at least in the near term.

Central to constructing such an alliance was the need to redefine the mechanisms of influence in such a way as to facilitate cooperation among these sets of interests. In particular, a rationale needed to be developed that would permit institutional shareholders – and most particularly the trustees of pension funds that control a huge proportion of publicly traded equities – to act upon a new agenda of corporate reform – incorporating both governance practices and social issues – without violating their fiduciary responsibilities.

Why would the pension funds play so critical a role? From 1970 to the present, organized labor, environmental and human rights activists and others have conducted systematic campaigns numbering literally in the hundreds to pressure corporations to alter one or another of their policies. I have examined many of these campaigns at length elsewhere.⁸ For present purposes, the salient point is that, despite some number of successes, these campaigns have not brought about a widespread change in corporate behavior for the simple reason that they have not exercised sufficient leverage on many of the targeted companies to force such changes. Many companies have been damaged, to be sure, by the attacks on their reputations, the litigation, the regulatory proceedings and the like that are so much a part of anti-corporate campaigns. Yet on the whole, the number and size of the companies that dominate the economy so far

exceed the resources the activists have been able to mobilize against them as to render them relatively invulnerable.

With one exception. Publicly held companies do listen to their major shareholders, many of whom are institutions. And among the largest, and therefore most influential, institutional shareholders are the multi-employer union pension funds and the public employee pension funds. By one estimate, the Taft-Hartley funds alone were estimated in 1997 to control \$1.4 *trillion* of investments. In corporate democracy, shares are votes, and these funds have a great many shares.

But as critical as their role may be, the trustees of these pension funds are both morally and legally obligated to invest, and to vote the shares in the companies in which they invest, in the best interests of their beneficiaries, that is, to exercise fiduciary responsibility. And traditionally, fiduciary responsibility has been defined as supporting policies and actions that advance the financial well-being of the beneficiaries. Historically, this has led pension funds and similar investors to be among the strongest supporters of management at companies with solid earnings. Indeed, by some interpretations, such fiduciaries could not take any other type of results into account in their decision making. If the activists were to mobilize the latent power of these holdings, they had to address this problem.

They have done that at three levels. First, they set out to demonstrate that CSR investing was not fiscally irresponsible *per se*. They did this, for example, through a series of reports prepared for the Social Investment Forum comparing the performance of two leading indexes of socially-screened mutual funds, the Domini Social Index and the Citizens' Index, with that of the Standard & Poor's 500 Index, at least one of which demonstrated that the two specialized indexes matched or exceeded the performance of the overall market.⁹ Such results would suggest that fund managers could meet their fiduciary responsibility, even under the traditional definition, through CSR investing.¹⁰

Second, they set out to change the traditional definition of fiduciary responsibility. In 1998, for example, the AFL-CIO adopted new Proxy Voting Guidelines for trustees of private multi-employer pension funds, the so-called Taft-Hartley funds, in which the Federation explicitly endorsed as consistent with their fiduciary responsibility the advancing and support of shareholder resolutions relating to the reform of corporate governance and the corporate pursuit of social policy objectives even if these changes appeared to impact negatively on the near-term financial performance of a given company. The rationale offered was that companies that better served their communities by enhancing their environmental, health and safety, labor relations and other policies were serving the interests of fund beneficiaries in ways that, albeit not financial in character, were nonetheless real.¹¹

Third, they set out to change the rules under which corporations customarily dealt with shareholder resolutions to facilitate the direct consideration of a far broader range of issues. In determining which of the many and varied unsolicited shareholder resolutions they must convey to shareholders for a vote, companies are guided by Securities and Exchange Commission (SEC) Rule 14a-8, which establishes the criteria for inclusion in the company's proxy materials. Before 1998, the SEC routinely allowed companies to exclude many such resolutions that dealt with workplace-related social issues such as the environment. But in May 1998, following a campaign in which the Commission received more than 2000 letters from activists, the SEC changed the rule to require that a much wider range of resolutions, if advanced, must be included in the annual proxy solicitation.¹²

These and other similar initiatives designed to free the stewards of these vast pension resources to pursue a social and political agenda have been accompanied by a parallel effort to pressure other fiduciaries, most notably the mutual fund industry, to do the same. A 2003 "transparency" campaign by the AFL-CIO to push Fidelity Investments and others in the industry to report their proxy voting positions to their own investors, which will presumably subject these firms to public pressure to support corporate reform, was set to produce its first fruit in 2004.

Proxy wars...

To be sure, activist shareholders – some of them notorious gadflies – have been advancing all measure of resolutions for many years. And under the revised Rule 14a-8, quite a diverse set of such proposals has moved to votes at literally thousands of companies. Among the issues brought forward have been such things as workplace codes of conduct, environmental reporting requirements, abandoning lines of business employing genetic engineering, transparency in corporate political contributions and doing business in China, to name but a few.

But the real action in the last three or four years, and the action that has drawn together the combination of ideologically motivated activists with pension fund managers and trustees with which we are most directly concerned here, is more organic in character, focusing not on social policies, but on corporate governance, and more specifically on changes to governance structures and processes that will, over time, further enhance the power of these self-same shareholders. Having begun with a campaign to reduce and restrict the forms of executive compensation – a resonant issue on which corporate critics were easily able to muster media, public and political support – this effort has now moved on to matters of far greater importance to the functioning of the corporation. It includes such elements as:

- Cumulative voting for directors – allows pooling of votes for a small number of outside candidates;
- Requirement that two candidates be nominated for each board position – guarantees the opportunity to oust directors who resist the reform agenda;
- Declassification of the board – refers to single-year rather than staggered terms of office, which means the entire board is up for re-election annually and therefore potentially more sensitive to reform influences;
- Splitting the roles of Chairman of the Board and Chief Executive Officer – divides power within the corporation and weakens management;
- Requirement that directors receive a majority of affirmative votes to be elected to the board – another mechanism to increase responsiveness to institutional shareholders;
- Establishment of a shareholders committee to negotiate with a board of directors that fails to implement resolutions approved by a majority vote; and
- Requirement that companies hire advisory firms – the same ones that advise or even lead the reform movement itself – to advise their shareholders how to vote on management-initiated resolutions.

As part of this effort to open the boardroom to dissident voices, in 2003 activists pressed the SEC to adopt a rule requiring that in certain circumstances institutional shareholders of some standing could nominate their own candidates for corporate directorships. As of this writing, the proposed regulation to this effect is still pending, but is expected to be adopted.

It is small wonder that the pension funds have coalesced around this agenda, for it clearly serves to enhance their influence on the nation's largest corporations, and in the process it advances the interests of their less visible allies, the anti-corporate activists, with whom at least some of the pension-fund decision makers share common cause. This coalition is facilitated domestically through such organizations as the Council of Institutional Investors (CII) and the National Coalition for Corporate Reform (NCCR).

CII was established in 1985, and today numbers among its members 130 pension funds, predominantly union-based and state employee funds, with collective assets of more than \$3 trillion, as well as 125 other partners, among them some of the prime movers of the governance reform movement (Hermes

Pensions Management Limited, Institutional Shareholder Services, etc.).¹³ Through conferences and other activities, the organization plays a central role in shaping reform initiatives favored by its largely pro-labor membership, which is to say, advancing the principles set out in the AFL-CIO's guidelines, and, by virtue of its name and market power, it legitimizes even the definitions of terms around which the debate over governance is conducted. A number of shareholder resolutions explicitly cite CII positions or definitions on such matters as the independence of directors as a rationale for support.

NCCR is more recent in origin – 2003 – smaller in size – about a dozen public employee pension funds as well as two unions (SEIU and AFSCME) and the Amalgamated Bank (aka, UNITE, the textile workers union) – looser in organization, and far more aggressive in its actions than CII. Indeed, even as its creation was announced by the New York State Comptroller at the annual CII conference that year, with explicit backing from AFL-CIO President John Sweeney, it was clear that NCCR attracted only the most activist of members.¹⁴ For example, the pension funds and state officials that have been most aggressive in pursuing reform at such companies as Citicorp, Disney and Safeway are all associated with NCCR.

FIGURE 2 HERE

Figure 2 illustrates some of the pension funds or related unions that are represented in CII and NCCR, respectively. (Connecting lines in the figure represent direct membership or, in the case of the AFL-CIO and NCCR, explicit endorsement of the creation of the organization.) Principal among those with dual participation are CalPERS, the widely agreed first citizen of shareholder activism, whose board of directors is literally controlled by such unions as the UFCW and the SEIU and whose policies are greatly influenced by activist State Treasurer Phil Angelides, and the pension funds of New York and Connecticut, each of which is also influenced by activist state officials. Of note below will be the four members at the bottom center of the diagram – PIRC, ISS, Hermes and Glass Lewis.

... and Social Netwar

The battles over corporate governance structures and social policies are but the most public face of an underlying struggle for economic and political power that pits the newly invigorated progressive movement against corporate America. And that larger struggle is commonly channeled through a variety of alliance structures, including one devoted to waging proxy warfare.

In their path-breaking work, *Activists Beyond Borders*,¹⁵ Keck and Sikkink posited what they termed a “boomerang model” of NGO influence, in which NGOs that lack sufficient ability to affect policy within their respective domestic systems can work through international coalitions with partners who are better

able to influence political actors in other nations or in international governmental organizations (IGOs). Using such mechanisms as international treaty or trade negotiations, these sovereign or semi-sovereign actors can then be mobilized to pressure the government of the first nation to change its policies. The dynamics of this activity revolved around four major political axes – information, symbols, leverage and accountability.¹⁶

In an equally important volume, *Networks and Netwars*,¹⁷ Arquilla and Ronfeldt, building on earlier work by Sikkink, provided what amounted to the regime-based view of the same phenomenon, which they have termed social netwar. A social netwar is, in their terms:

...characterized by militant activists operating in, and as... issue networks.... A social netwar is likely to involve battles for public opinion and for media access and coverage, at local through global levels. It is also likely to revolve around propaganda campaigns, psychological warfare, and strategic [communication], not just to educate and inform, but to deceive and disinform as well.¹⁸

Social netwars, and the activist networks that engage in them, need not be international in character; the same concept can have wholly domestic analogues. Nor are their targets necessarily nation states or even explicitly political actors; they could just as easily, for example, include corporations. Indeed, it does not require a great stretch of the imagination to characterize the network of activist pension funds, their efforts to establish and leverage legitimacy for their reform agenda, their framing of the corporate governance debate in terms of accountability and corporate social responsibility, and their literal swarming of their corporate targets as precisely such an exercise.

In the present instance, it is, in fact possible to discern an international network of pension fund and pension fund-related activists. Figure 3 identifies some of the protagonists in this network, and *some* of the interconnections among them. As above, the interconnections reflected here represent direct membership links.

INSERT FIGURE 3

The International Institutional Investors Advisory Group, one of two principal international nodes in this network, was established in March 1999 for the stated purpose of transforming country-specific corporate governance guidelines into a set of international standards. Membership is limited to the four organizations shown.¹⁹ The second node of note, the International Corporate Governance Network, was founded in 1995 at the initiative of CalPERS, which later joined with the UFCW in hosting its 1998 annual conference. This group, too, is devoted to developing international standards of corporate governance.²⁰ In April 2004, its directors announced a plan to increase the public visibility and

influence of the organization.²¹ Selected other connections of interest: Alistair Ross Goobey, who chairs the ICGN Board, also heads up Hermes Pensions Management Limited, the owned and operated management arm of the British Telecom and British Post Office pension schemes. Hermes, in turn, financed the most recent change in ownership of Institutional Shareholder Services, the primary U.S. proxy advisory service for institutional investors, and is represented on the ISS Board. (ISS was formed some years ago by Robert A.G. Monks, who is now Deputy Director of Hermes; Robert C.S. Monks, chairs the ISS Board.) A representative of the UFCW chairs the Board of CalPERS. TIAA/CREF is represented on the board of the Investor Responsibility Research Center, which has partnered with the investment advisory firm of Glass Lewis to enter competition with ISS in the proxy-advising business. The result of all this networking is a collection of interconnected actors operating with a measure of coordination, but with a decentralized leadership, to legitimize one another and to impose an international regime of governance standards on US (and other) corporations through proxy battles and other means.

An example of this networking in action is found in what we might think of as the corporate governance “issue of the year” for 2004, the splitting of the roles of Chief Executive Officer and Chairman of the Board, with the latter required to be a director having no current or recent role in a given company’s management. The AFL-CIO announced at the beginning of the 2004 proxy season that it intended to introduce, through unions and union pension funds, resolutions calling for this reform at approximately 50 companies. (Data available at this writing are consistent with this stated intention.) Of interest is the fact that very few US corporations – only about 20 of those listed in the Standard & Poors 500, for example, and only 7 of the largest 250 among them – follow this practice.²² In contrast, in the UK this division of roles is incorporated in the Common Code of Practice, the basic business law, and approximately 90 percent of all firms have adopted it. Those that do not are required to explain their decision to shareholders. The relationship between the CEO and Chair, then, is one on which US and European practice differ dramatically, and where a network of labor-based institutional shareholders is in the process of trying to impose the European standard on numerous US corporations.

Conclusion

At the beginning of this essay, I suggested that, by re-conceptualizing the corporation as a social location about which the interests of various stakeholders are balanced, and by considering the impact on the corporation of the introduction by an antagonist of an imbalance, we could enrich our understanding of the strategies of anti-corporate – or pro-CSR-reform – activism. In the balance of the essay, I have focused more specifically on the integrated efforts to frame and leverage pension fund activism for precisely this purpose, and on the outlines of the network structure through which these funds pursue this objective.

What remains is to argue very briefly the implications of this activity. Such an argument is necessarily speculative.

First, it seems reasonable to suggest that the agenda of reform advanced by CSR advocates and their activist allies is designed to weaken the ability of corporate management and corporate directors to make decisions independent of shareholder pressure. That is clearly the thrust of the more significant corporate governance resolutions introduced in recent years, and in and of itself sounds both democratic and appropriate. However, it is also the case that the shareholders in question are not individual, nor even disorganized institutional, shareholders, but rather precisely those major investors who are most effectively organized to coordinate their actions. And among those organized institutional actors, the unions and the public employee pension funds are the best positioned of all. Indeed, they are the principal architects of the network of shareholder activists. To the extent that corporations are forced to adopt governance changes limiting management independence and enhancing “responsiveness,” it is to the unions and their allies that power will shift. Over time and if successful, this is likely to produce a fundamentally different style of business in the US, a style which may prove more socially responsible by some standards, or less competitive in the global marketplace (since the globalization of governance standards will “equalize” business practices, and may do so at the expense of the successful American model), or both.

And therein lies the principal irony of this phenomenon. For if US corporations become less competitive, they will likely become less profitable, and perhaps less able to sustain high levels of employment as well. In the first instance, the value and yield of US-based equities – the very shares that the pension funds are leveraging for influence in annual meetings – will decline, thereby reducing the financial well-being of the beneficiaries whose interests these funds are charged with protecting. In the second instance, there will be fewer and fewer union jobs upon which to sustain either a pension plan or a viable labor movement. And last, as the burden for consequently under-funded public pension funds shifts to taxpayers, those who are employed will bear an ever-greater burden.

At that point in time, corporative dissonance may have been reduced – and some new balance achieved – but perhaps at the expense of greater economic and political dissonance. And as that point nears, it may be the fault lines *within* today’s alliance of convenience among CSR advocates and anti-corporate ideological activists that come under pressure and are tested.

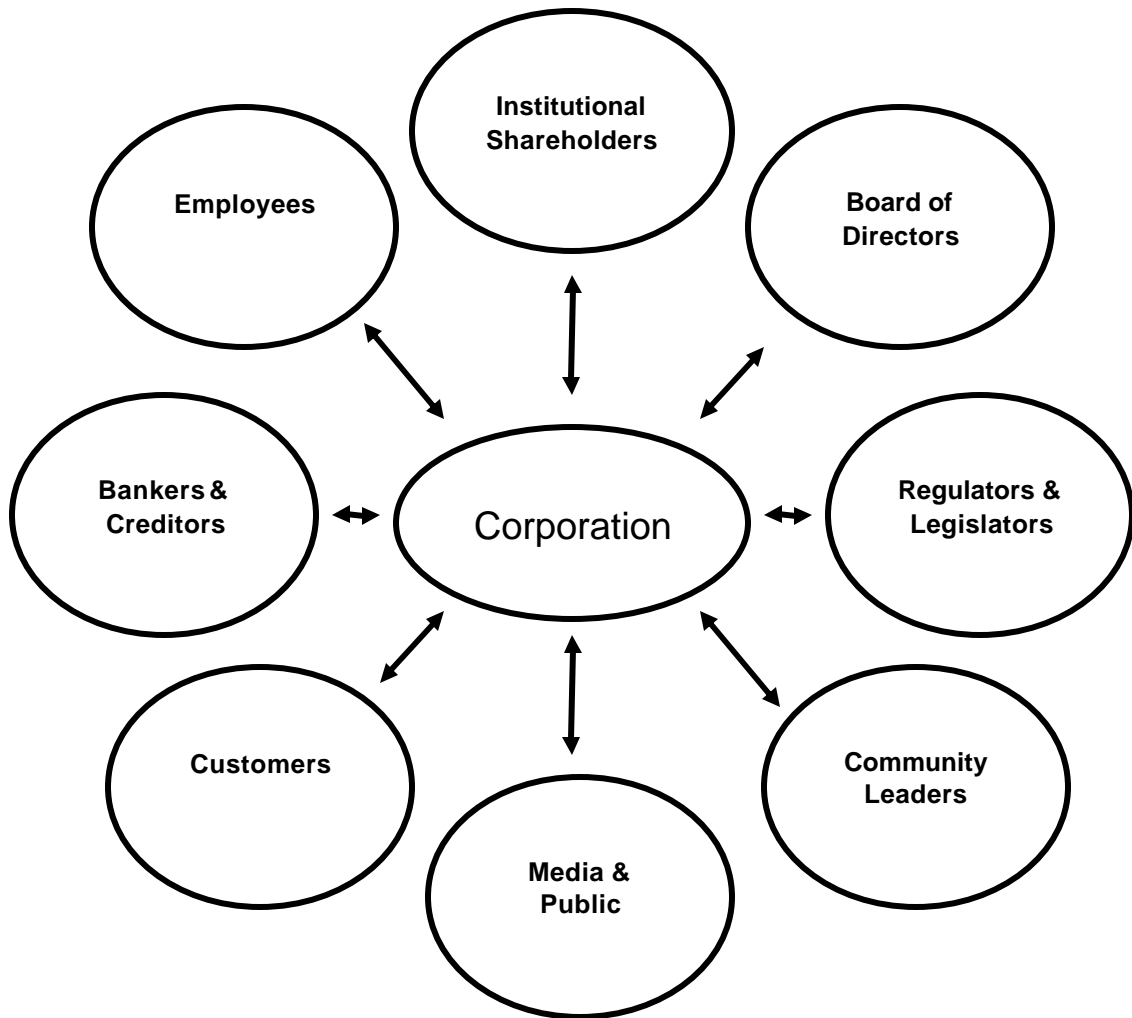


Figure 1. Selected Corporate Stakeholder Relationships Used in Power Structure Analysis

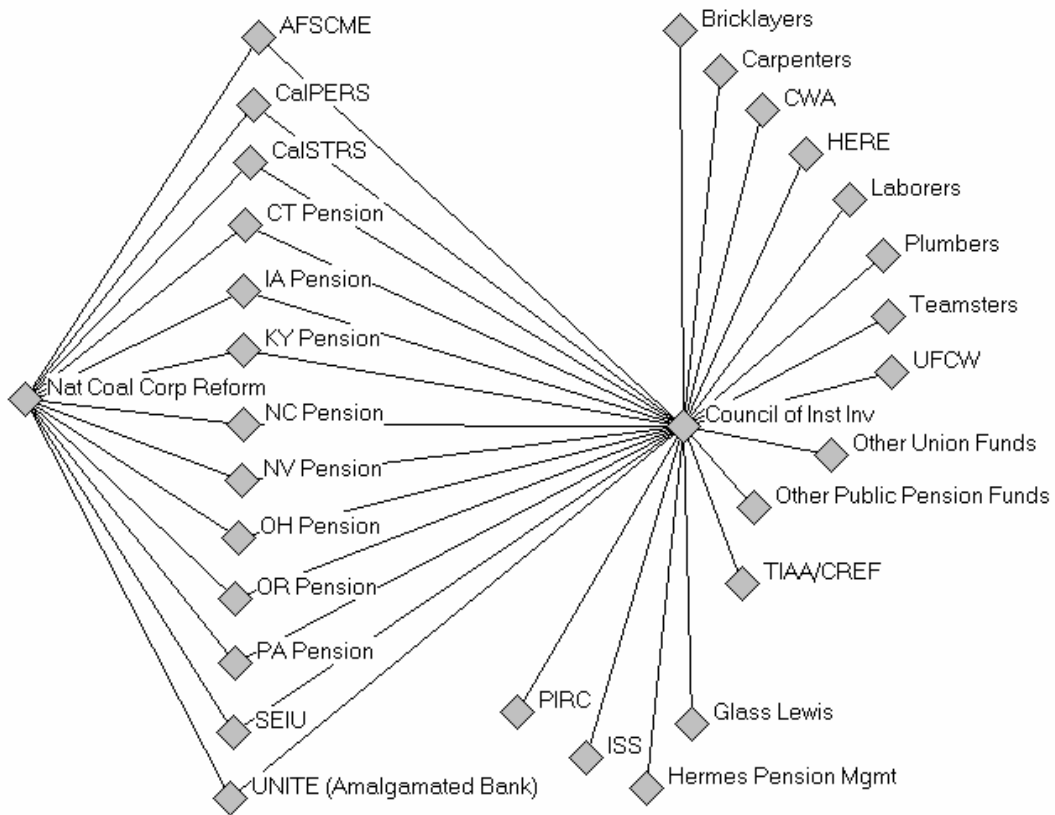


Figure 2. Membership in the Council of Institutional Investors and the National Coalition for Corporate Reform, 2004²³

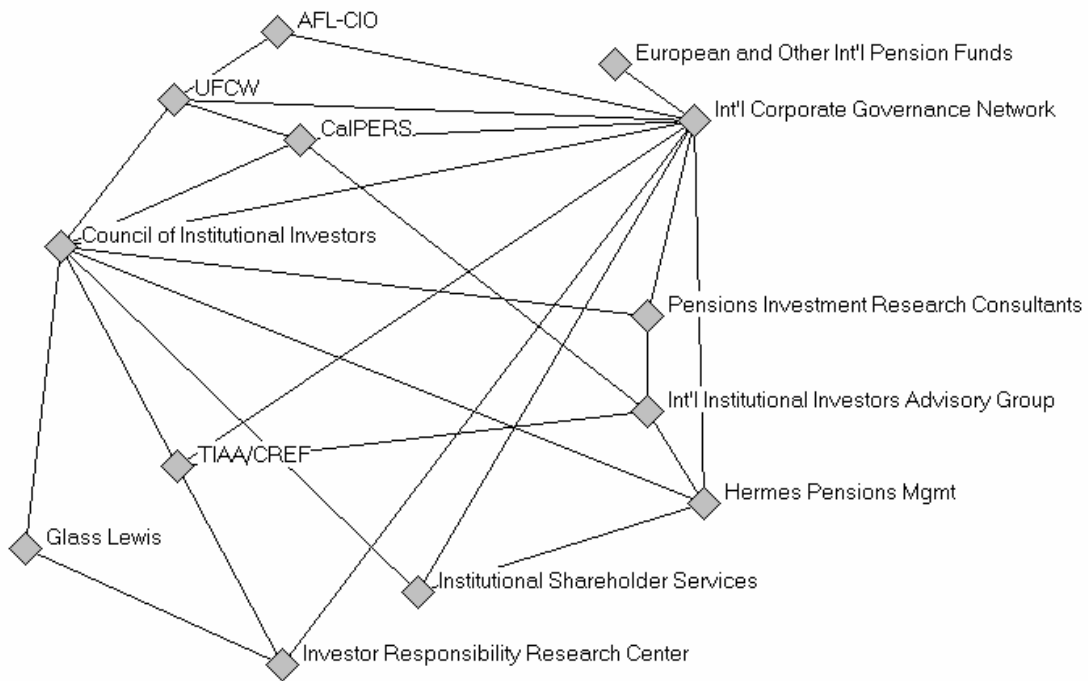


Figure 3. Selected International Pension Fund Network Interlocks²⁴

¹ Leon Festinger, *A Theory of Cognitive Dissonance* (Evanston, IL: Row, Peterson, 1957).

² William M. Evan and R. Edward Freeman, "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism," in Tom L. Beauchamp and Norman Bowie, eds., *Ethical Theory and Business* (Englewood Cliffs, NJ: Prentice-Hall, 1993), pp. 97-106.

³ See, for example, Margaret M. Blair and Lynn A. Stout, "Director Accountability and the Mediating Role of the Corporate Board," Georgetown University Law Center, 2001 Working Paper Series in Business Economics and Regulatory Law, Working Paper Number 266622.

⁴ A case in point is Margaret M. Blair, "Shareholder Value, Corporate Governance and Corporate Performance: A Post-Enron Reassessment of the Conventional Wisdom," in Peter K. Cornelius and Bruce Kogut, eds., *Corporate Governance and Capital Flows in a Global Economy* (Oxford University Press, January 2003).

⁵ The oldest of these was the *NACLA Research Methodology Guide* produced by the North American Congress on Latin America (New York, 1970). This particular guide also included chapters on infiltrating or otherwise using to advantage such social institutions as labor unions and churches.

⁶ Jarol B. Manheim, *The Death of a Thousand Cuts: Corporate Campaigns and the Attack on the Corporation* (Mahwah, NJ: Lawrence Erlbaum Associates, 2001), pp. 51-57.

⁷ On this failure see, for example, Donald H. Schepers and S. Prakash Sethi, "Do Socially Responsible Funds Actually Deliver What They Promise? Bridging the Gap Between the Promise and Performance of Socially Responsible Funds," *Business and Society Review* 108: 1 (2003), pp. 11-32.

⁸ *Ibid.*, and Jarol B. Manheim, *Biz-War and the Out-of-Power Elite: The Progressive Left Attack on the Corporation* (Mahwah, NJ: Lawrence Erlbaum Associates, 2004).

⁹ Social Investment Forum, *1999 Report on Socially Responsible Investing Trends in the United States*, November 4, 1999, Figure 6.

¹⁰ Jon Entine, however, calls into question the methodology on which this argument is based – and the research criteria employed by CSR funds to select investment vehicles – in "The Myth of Social Investing: A Critique of Its Practice and Consequences for Corporate Social Performance Research," *Organization and Environment* 20:10 (September 2003), pp. 1-17.

¹¹ *Investing in Our Future: AFL-CIO Proxy Voting Guidelines* (Washington: AFL-CIO, 1998).

¹² Cynthia J. Campbell, Stuart L. Gillan and Cathy M. Niden, "Current Perspectives on Shareholder Proposals: Lessons from the 1997 Proxy Season," *Financial Management*, Vol. 28, No. 1, (March 22, 1999), pp. 89ff.

¹³ Information found online at www.cii.org/dcwascii/web.nsf/doc/about_index.cm, May 13, 2004.

¹⁴ Patrick McGeehan, "Big Investors Urged to Unite for Reforms," *New York Times*, September 4, 2003, p. C8.

¹⁵ Margaret E. Keck and Kathryn Sikkink, *Activists Beyond Borders: Advocacy Networks in International Politics* (Ithaca: Cornell University Press, 1998).

¹⁶ *Ibid.*, p. 16.

¹⁷ John Arquilla and David Ronfeldt, eds., *Networks and Netwars: The Future of Terror, Crime and Militancy* (Santa Monica: RAND, 2001).

¹⁸ David Ronfeldt, John Arquilla, Graham E. Fuller and Melissa Fuller, *The Zapatista Social Netwar in Mexico* (Santa Monica: RAND, 1998), pp. 20-22.

¹⁹ Richard Donkin, "Powerful support for international guidelines," *Financial Times*, March 19, 1999, p. 4.

²⁰ This objective is set forth in "ICGN Founding Principles," <http://www.icgn.org/documents/ICGN-founding-principles.html>, May 17, 2004.

²¹ "Taking the Network Forward," letter from Alistair Ross Goobey, Chairman of the ICGN Board of Governors, to the membership, April 15, 2004.

²² Based on data reported in "Governance Research from the Corporate Library – Split CEO/Chairman Roles – March 2004," found online at www.thecorporatelibrary.com, May 16, 2004.

²³ Based on CII membership lists posted at www.cii.org, May 17, 2004, and on NCCR membership as listed in Mary Williams Walsh and Jonathan D. Glater, "Pension Fund Trustees Taking Aim at Safeway," *The New York Times*, March 26, 2004. Figures 2 and 3 were prepared using S.P. Borgatti, M.G. Everett and L.C. Freeman, *Ucinet for Windows: Software for Social Network Analysis*, Version 6.12 (Harvard: Analytic Technologies, 2002).

²⁴ Based on the summary of members and their roles found at www.icgn.org/history.html, May 17, 2004.