

Why Do Corporations Engage in Moral Policy Activism?*

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Abstract

Why do companies take public and potentially controversial stands on social issues at the risk of alienating current or future customers? Most scholarship on corporate political activity assumes economically self-interested behavior. If so, companies should only engage in public debates when such activity benefits their bottom line. This conventional wisdom overlooks the role of employee advocacy in motivating corporate activism. To test rival explanations for corporate political activity on moral policy, we gather all public statements in support of LGBT rights made by the largest 500 publicly-traded corporations from 2011 to 2017. We find strong evidence that, in a highly-educated workforce, LGBT employee groups pressure management to take public stances in support of LGBT rights. Our findings suggest that organizational forces—more than the profit motive—shapes corporate activism on moral issues, even though it may be costly to the business to engage in such activism.

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When the Supreme Court considered *Obergefell v. Hodges* in 2015, nearly four hundred large corporations signed onto an *amicus* brief in support of James Obergefell, the petitioner who sued the state of Ohio over its refusal to recognize his out-of-state same-sex marriage. Corporations argued that the lack of a uniform definition of marriage across the states led to costly administrative burdens on business:

Some of the states in which *amici* do business make marriage equally available to all of our employees and colleagues; others prohibit marriages between couples of the same sex and refuse to recognize existing same-sex marriages. This dual regime burdens *amici*. It creates legal uncertainty and imposes unnecessary costs and administrative complexities on employers, and requires differential employer treatment of employees who are similarly situated save for the state where they reside.¹

Corporations framed the ban on same-sex marriage as detrimental to their profits, suggesting an economic incentive motivated the *amici* to support legalizing same-sex marriage. However, the brief also offers an alternative explanation: corporations support lesbian, gay, bisexual, and transgender (LGBT) rights because they want to stand up for their LGBT employees:

State laws that prohibit or decline to recognize marriages between same-sex couples hamper employer efforts to recruit and retain the most talented workforce possible in those states. Our successes depend upon the welfare and morale of all employees, without distinction.

In other words, pressure from employees—who make it clear to employers that they do not want to work in states whose legal regimes are hostile to LGBT interests—also lead businesses to engage publicly on moral issues. This same justification for activism was used by corporations that speak out against state “religious freedom” laws. When asked what motivated him to speak out against the Indiana religious freedom law, Salesforce CEO Mark Benioff said, “I had no choice, as the largest tech employer inside Indiana. My employees were... so rattled by what was going on” (quoted in Cadei 2015).

1. Brief for 379 Employers and Organizations Representing Employers as Amici Curiae Supporting Petitioners, *Obergefell v. Hodges*, 576 U.S. ____ (2015) (nos. 14-556, 14-562, 14-571, 14-574). Retrieved from <http://www.scotusblog.com/case-files/cases/obergefell-v-hodges/>.

Social scientists know very little about why corporations take stands on moral policy issues, activism that places companies in the middle of the nation’s most contentious cultural divisions. Most corporate political activity (CPA) literature takes for granted that corporations engage in politics to advance economic self-interest. Drutman (2015), for example, argues that “At the most reductionist level, it seems safe to assume that managers want to take political actions that will improve corporate profits...” But the *Obergefell* case suggests that something more than appealing to consumers and lowering costs might motivate corporate activism on social issues. Given the fact that businesses have been instrumental in blocking or partially-repealing anti-LGBT state laws (Chicago Tribune wire reports 2015; Phippen 2017) and the experimental evidence that CEO activism shapes public opinion (Chatterji and Toffel 2017), explaining the forces that give rise to business engagement on moral issues is important for fully understanding the policy making process.

In this paper, we focus on corporate engagement on the salient issue of LGBT rights. We argue that corporate self-interest alone is insufficient to explain such activism. Instead, we highlight the role of employee organizations in highly-educated workforces that pressure management to take public stands advocating for LGBT rights. To test our hypotheses, we collect all instances of LGBT rights activism by the largest 500 publicly-traded U.S. corporations and their CEOs between 2011 to 2017, including Supreme Court *amicus* briefs, tweets, press releases, open letters, and media appearances. Using time series cross sectional methods and controlling for pro-LGBT corporate attitudes, we find strong evidence in favor of our organizational argument about employee pressure and, at best, find only mixed evidence in support of rival theories of corporate self-interest.

1 Can the Profit Motive Explain Corporate Political Activity on Social Issues?

Decades ago, Schattschneider (1975) portrayed businesses (and businesspeople) as influential members of a biased pressure system. Likewise, Lindblom (1982) argued that businesses were special interests with asymmetric power in the policy process. Today, political scientists often continue to treat business as a conservative monolith (Hart 2004). Drawing from economics, political scientists tend to view corporations as interest groups motivated by a desire to promote their self-interest. When applied to the question of corporate political activity, scholars have advanced a range of explanations for why businesses might adopt public stances, especially on matters of social or moral policy. Typically, explanations for corporate political activity on social issues fall into one of three categories: economic interest, political context, or social context. Each of these perspectives sees corporations as self-interested utility maximizers, responding to some stimuli in their external environment in an attempt to maintain profits. Below, we explore each of these perspectives as they pertain to the moral policy issue of LGBT rights.

A prominent explanation for corporate political activity on LGBT rights—and social issues in general—suggests that corporations engage in activism to bolster their profits. As Milton Friedman (1970) put it bluntly: “The social responsibility of business is to increase its profits.” If so, we would expect that corporations are motivated to court the LGBT community and its allies, associating their brands with social inclusivity. Experimental evidence suggests that, in economic interactions, in-partisans are rewarded for their shared political beliefs more than out-partisans are punished for their dissimilar beliefs (McConnell et al. 2018). Meanwhile, research on political consumerism has shown that liberals and Democrats are more likely than conservatives and Republicans to boycott or “buycott” companies for political or social reasons (Newman and Bartels 2011; Endres and Panagopoulos 2017).² Regarding

2. The opposite of boycotting, buycotting refers to the practice of *increasing* the consumption of a company’s products in response to its social or political practices.

LGBT issues specifically, two-thirds of those who said they were allies of the LGBT community and half of all Americans said that they would be more likely to support a brand that was seen as inclusive of the LGBT community (Ogilvy marketing research firm poll quoted in Donnelley 2017). Furthermore, “Sixty-eight percent of respondents believe brands need to deliver on plans and promises of support to the LGBT community to truly be allies” (Donnelley 2017). Thus, taking liberal stances on a social issues like LGBT rights could lead to an increase in liberal customers without leading to an appreciable loss of conservative customers.

Previous research into the social orientation of companies finds preliminary evidence in support of the notion that corporations are taking stances on LGBT issues in order to win over LGBT and liberal allied consumers. Chatterji and Toffel (2017) find that supporters of same-sex marriage are more likely to purchase the products of corporations whose CEOs speak out on LGBT rights. Furthermore, in a study of corporations’ adoption of LGBT non-discrimination policies, Werner (2012) finds that corporations that spent more on advertising relative to sales were more likely to adopt such policies.

Still, the theory is ill-suited to explaining why companies like pharmaceuticals manufacturer Eli Lilly, agricultural biotechnology company Monsanto, or defense contractors Boeing and Lockheed Martin would take public stances on protecting and advancing LGBT rights. Given their lack of consumer brands that would be susceptible to boycotts or buycotts, why would these companies actively engage on these contentious moral issues? An alternative perspective suggests that existing political commitments motivate corporations to take stances on LGBT rights. Put differently, corporations might be active on LGBT rights with the express purpose of maintaining positive relationships with extant political allies. We would not, for example, expect a corporation with a history of only supporting conservative politics to be active on LGBT issues. Because they want to support politicians that will advocate for a favorable regulatory environment, corporations’ activism on LGBT issues may be related to their existing political orientations and political strategies.

One way of determining a corporation’s political strategy is by examining the activity of its Political Action Committee (PAC). Bonica (2016) finds that corporate PACs are less ideological (and more strategic) than individual contributors. Put differently, corporate PACs behave as if they are seeking an access-oriented strategy, supporting powerful incumbents who they can later lobby in Congress. Yet there also appear to be ideological differences across industries (Gimpel, Lee, and Parrott 2014; Bonica 2016). As determined by examining the contribution patterns of corporate PACs, many industries are bipartisan, and some are Republican-leaning, but very few industries are Democratic-leaning. Therefore, corporations vary in their political strategies. If politics is motivating companies to be active on LGBT rights, we expect corporations with conservative PACs to be less active on LGBT issues than those with moderate (bipartisan) PACs.

Political context could also affect the likelihood of corporate activism through a company’s reliance upon government contracts and regulation. Previous research suggests that industry-specific rationales for political activity can be shaped by the regulatory environment. Corporations benefitting from regulation and those dependent upon government contracts are least likely to engage in partisan political activity while those facing hostile regulation support economically conservative political parties (e.g., Harrigan 2017; see also Getz 1997). Heavily-regulated corporations should be less likely to make (liberal) activist statements on LGBT rights because they will not want to challenge established government policies and a status quo from which they benefit.

A third potential explanation for corporate activism on LGBT rights is that corporations do not want to be seen as out-of-sync with the public mood in order to maintain legitimacy among American customers. Corporations may also be more active on LGBT rights when those issues are more salient in the national news. Anecdotal evidence suggests this is true for some companies. For example, a few months before he would serve as White House Communications Director for six days, when asked about his company’s active support for LGBT rights, hedge fund manager Anthony Scaramucci said: “we don’t want to be on

the wrong side of history” (Ferro and Kaufman 2016). Previous research demonstrates the effect of social context on corporations’ support for LGBT rights. One study of the determinants of HR policy adoption (Werner 2012) suggests that public opinion drives firms’ decisions to grant domestic partner benefits to employees in same-sex relationships and to forbid employment discrimination on the basis of sexual orientation. If social context is an important motivator of corporate political activity on cultural issues, then companies should be more likely to take public stances in support of LGBT rights when LGBT issues are more salient in public life and when LGBT rights are more popular with the public.

Similarly, the political leanings of the neighborhood or locale where a company is headquartered might also affect political activity. It is plausible that managers and rank-and-file employees are socialized into the political norms of their community (e.g., Huckfeldt and Sprague 1995). In the interest of maintaining positive relationships with their local community and with employees who are a sub-sample of that community, companies may seek to align their political activities on cultural issues with the community’s established preferences. Furthermore, a company headquartered in a conservative area should be less likely to make pro-LGBT public statements in fear that residents and politicians might retaliate in some form against them.

2 How Internal Organizations Influence Corporate Political Activity

Viewed collectively, extant explanations highlight how external stimuli can shape corporate self-interest and motivate businesses to engage on social issues. Our rival approach instead looks inside corporations to understand why and how employees can pressure management to engage politically on issues of importance to a company’s workers. In particular, we focus on the role of LGBT employee resource groups (ERGs) as a formal mechanism through which employees pressure management to publicly advocate for LGBT rights. In an era

in which company policies are becoming more LGBT-friendly, employees are now trying to convince their employers to show support for pro-LGBT public policies. Before detailing our argument for how employee groups pressure management to be politically active, we first provide an overview of LGBT employee groups in corporate America.

Employee resource groups are sometimes called affinity groups or employee networks. As defined by Welbourne, Rolf, and Schlachter (2015, 4), “ERGs are sponsored by the organization, but they are staffed by volunteers. Employees who are already working paid jobs take it upon themselves to spend additional unpaid time to help improve the organization by being members of one or more ERGs in their firms.” ERGs are social groups, a place for people with a common identity to interact, share their experiences, and engage in professional networking (Welbourne, Rolf, and Schlachter 2015). As described by Githens and Aragon (2009, 126), the typical ERG is a “structured, formally sanctioned group that organize[s] formal programs and encourage[s] discussion about diversity for benefit of the organization.” Githens and Aragon also note that many of these groups incorporate goals for broader political and social change into their workplace activism.

While many LGBT ERGs initially developed as unofficial groups and later gained official recognition from their employers, in recent years, it is common for human resources or diversity initiative managers to be the impetus for the creation of ERGs (Briscoe and Safford 2010). In other words, in recent years, LGBT employee groups are likely to be created in companies where management is already trying to promote inclusiveness within their workforce.

Douglas (2008) identifies four phases to ERG development. First, ERGs raise awareness. Second, ERGs network with other ERGs and like-minded organizations. Third, they gain access to leaders within their corporations. Fourth, they work to effect organizational change. Furthermore, Raeburn (2004) finds that once LGBT networks are established and have made progress within their workplace, they are more likely to engage the external community and encourage management to support LGBT causes.

The LGBT advocacy organization, the Human Rights Campaign (HRC), offers resources on their website to help LGBT ERGs form.³ They suggest identifying a corporate executive who will champion the LGBT employee group in order to provide the organization with access to management.⁴ According to HRC's Corporate Equality Index reports discussed below, almost all LGBT ERGs have an executive sponsor, a corporate executive who serves as an advocate for the group. There is also frequently an organizational hierarchy. Many companies have a diversity council, where a company's various ERGs (for women, ethnic minorities, and LGBT individuals, etc.) convene and have direct contact with the CEO, head of human resources, and/or the chief diversity officer (Douglas 2008; Githens and Aragon 2009).

Employee Groups as Internal Pressure Groups

Previous research demonstrates the effectiveness of LGBT ERGs in working with management to change corporate culture, implement pro-LGBT internal policies, and publicly advocate for LGBT rights.

By increasing the visibility of the LGBT community and LGBT issues within the workplace, LGBT ERGs can promote a culture of activism among their members (Raeburn 2004). LGBT employees—especially those who join LGBT ERGs—can be described as “tempered radicals,” who identify with their organization while also wanting to drastically reshape their workplace (Meyerson and Scully 1995). LGBT employee groups work behind the scenes. They make requests, not demands; if they're too aggressive, they won't get their way (Raeburn 2004). As tempered radicals, LGBT employee groups work within the norms of their workplace to effect incremental change but they can also effect change through simply embracing their identity and being “out-of-the-closet” at work (Meyerson and Scully 1995; Creed and Scully 2011). LGBT employee groups are connected with other LGBT ERGs in

3. <https://www.hrc.org/resources/establishing-an-employee-resource-group> (Accessed 09/15/2018)

4. <https://www.hrc.org/resources/establishing-an-employee-resource-group> (Accessed 09/15/2018)

both informal and formal ways, through online or in-person communication, LGBT workplace conferences, and LGBT employee umbrella groups that connect ERGs with one another (Raeburn 2004). Members often have aspirations of broad social change and LGBT ERGs are often active in the larger LGBT rights movement outside of the workplace (Meyerson and Scully 1995; Raeburn 2004). Especially for LGBT ERGs, members of employee groups are advocates for change both within—and outside—their organizations.

Using interviews and case studies, Raeburn (2004) argues that LGBT ERGs are the primary drivers of pro-LGBT institutional change and specifically the adoption of pro-LGBT human resources policies like the extension of domestic partner benefits. Raeburn (2004, 211) argues that LGBT ERGs do this by working with elites:

Gay employee activists attempt to influence the subjective judgments of elites by helping them interpret their murky environments in ways that favor change. What this usually boils down to is an emphasis on the competitive advantages that equitable policies can bring vis-à-vis other players in the industry and wider business world.

There is also quantitative evidence of the effectiveness of LGBT ERGs. Briscoe and Safford (2008) demonstrate the importance of employee groups in LGBT HR policy change (see also Werner 2012). At companies with a track record for responding to activist pressure, having an ERG increases the likelihood of adoption of domestic partner healthcare benefits (Briscoe and Safford 2008). Furthermore, in mainstream companies, ERGs increase the likelihood of partner benefits adoption within an organizational field; therefore, ERGs lead to a culture shift among similar companies (Briscoe and Safford 2008).

In addition to more narrow workplace victories, there is evidence that ERGs encourage their employers to advocate for social change. For example, the Human Rights Campaign provides advice and resources for forming an LGBT ERG, encouraging ERGs to “push for the company’s chief executive officer to publicly endorse LGBTQ-inclusive legislation.”⁵ Furthermore, Raeburn (2004, 117) gives the example of a West Coast utility company, where

5. <https://www.hrc.org/resources/establishing-an-employee-resource-group> (Accessed 09/15/2018)

“employee activists had requested that the company endorse a gay rights bill that was pending in the state legislature.” As described by Out and Equal, an organization that works closely with LGBT ERGs, at times, employee groups are the impetus for their corporation’s activism on LGBT issues. Since these groups are most aware of issues affecting the LGBT community, an important role that ERGs have is in bringing LGBT issues to the attention of corporate executives. Even if ERGs are not the impetus for corporate activism, they might be part of the decision-making process and be consulted for the best way of publicly supporting LGBT rights.⁶

In sum, at least two features of LGBT ERGs position them to convince their employers to take pro-LGBT public stances. First, ERGs are frequently connected with the broader LGBT rights movement and promote an activist culture among a company’s LGBT employees. Second, ERGs provide LGBT employees with access to management and make management aware of LGBT issues. Companies can have non-discrimination protections, offer equal benefits to same-sex couples, and have mandatory diversity training—and have a genuinely pro-LGBT internal culture—but it takes a critical mass of LGBT employees to form an ERG. Therefore, ERGs are unique when compared with other indicators of a pro-LGBT internal culture because having an ERG actually requires interest from activism-oriented employees.

Education Moderates the Effectiveness of Employee Groups

Briscoe and Gupta (2016) suggest that employees are often better-positioned than external pressure groups to affect organizational change on social issues. They have easy access to management, and ample knowledge about the inner-workings of an organization, which makes them more persuasive than other groups. However, since they are dependent upon their employer for an income, employees frequently do not have leverage over their employer that would allow them to engage in more aggressive lobbying tactics.

6. This description of the political activity of LGBT ERGs was obtained through personal communication with Out and Equal. More information about Out and Equal is available at their website: <http://outandequal.org/who-we-are/> (Accessed 11/02/2018).

Contrasting the theory set forth by Briscoe and Gupta (2016), we argue that employees in some workforces are in a better position to make demands on social issues. Employees in low-skilled positions—without specialized skills—have lower bargaining power with employers because they are easily replaceable. When employees are more difficult to replace, their employers will give greater weight to their concerns. For example, the high-skilled employees of Microsoft should have more leverage over management than would low-skilled employees of Wal-Mart. Indeed, both companies have LGBT employee groups. But we expect that the Microsoft ERG should be more effective in making and securing their demands.

Thus, employee education should moderate the success of ERGs in urging employers to take public stances on LGBT rights. Our argument is the inverse of the process of employer mobilization that Hertel-Fernandez (2018) describes. As noted by Hertel-Fernandez (2018, 24), when mobilizing their employees to participate in politics, managers are typically reluctant to take public stands on issues that consumer groups could oppose: “companies stick to economic issues that directly affect their business. Employer mobilization thus generally focuses on issues related to taxes, regulation, the environment, trade, and spending, and not so much stands related to abortion, LGBT issues, or civil rights.” While we argue that LGBT employee activism is most likely in high-skilled (high bargaining power) occupations where employees urge their employers to take liberal stances on a cultural (non-economic) issue, Hertel-Fernandez describes employer mobilization as most prominent in low-skilled (low bargaining power) occupations where employers urge their employees to take mostly conservative stances on economic issues.

Employee skill level matters for a second reason as well. Political science research has long established that education and the civic skills that stem from that education lead to higher levels of political participation (e.g., Verba, Scholzman, and Brady 1995; Rosenstone and Hansen 2002). Therefore, higher-educated individuals are typically more politically-active. Thus, in the corporate context, more educated workers should be more likely to use an employee group for political purposes, including encouraging employers to be active on

LGBT issues.

3 Measuring Corporate Activism

To capture the universe of major business involvement in LGBT issues, we narrow our focus to publicly-traded corporations headquartered in the United States. Using S&P's Compustat database, we identify the largest 500 corporations (by revenue) that meet this criterion in any year between 2011 and 2017.⁷ From this list of the 500 largest companies in each year, there were 553 unique corporations. To conserve space, we only present an abbreviated description of our sample selection and data collection in this section; we further detail our methodology in Online Appendix A.

The companies in our sample represent a wide range of companies across the business community. Using the National American Industry Classification System (NAICS) as guidance, we categorize businesses into eight sectors: Government-dependent (utilities and government contractors) [n=72]; Business-to-Business [n=63]; Manufacturing and Construction [n=191]; Retail, Restaurants, and Accommodations [n=68]; Transportation (parcel services and airlines) [n=13]; Information (technology and media) [n=42]; Finance (banks, real estate, and insurance companies) [n=71]; and Healthcare [n=24].⁸ Companies are headquartered in 40 different states plus the District of Columbia. The number of employees ranges widely, from 205 to 2,300,000. Cumulatively, these corporations employ more than 25 million people.

For evidence of activism, we searched for Supreme Court briefs, Tweets, press releases, open letters from business coalitions and ad-hoc groups of companies, interviews, op-eds, and speeches where the company took a stance on any LGBT rights issue between 2011 and 2017. Of the 724 instances of activism we identified, 178 of these were SCOTUS briefs, 153 were tweets, 131 were business coalitions, 90 were open letters, and the rest were another

7. Compustat Industrial [Quarterly Data]. (2011-2017). Available: Standard & Poor's/Compustat [July 13, 2018]. Retrieved from Wharton Research Data Service.

8. One company, Apollo Education Group, did not fit into any of these sectors. Apollo Education is a corporation that owns for-profit universities like University of Phoenix.

form of activism.

To locate instances of activism, we searched the corporation’s name plus a set of keywords. A list of keywords is included in Online Appendix A. The search yielded activism on same-sex marriage, LGBT non-discrimination protections, state religious freedom laws, and transgender facilities access. Of the 724 instances of activism, 311 were related to same-sex marriage while the rest address one of the other LGBT rights issues. Just over a third of the publicly-traded corporations in our sample made at least one public statement in support of an LGBT rights issue.

Strikingly, we found no instances of public conservative activism on LGBT issues. Even well-publicized conservative activism by Chick-fil-A—whose CEO announced his opposition to same-sex marriage—does not appear to have sparked other conservative activity. Notably, following the statement by Chick-fil-A CEO Dan Cathy, the corporation released a statement saying that the company had no desire to enter the public policy debate surrounding same-sex marriage (Huffington Post 2012). Therefore, the CEO was speaking on his own behalf, not as the leader of his corporation, and Chick-fil-A was not engaging in anti-LGBT *corporate* activism through its CEO. Furthermore, two characteristics differentiate Chick-fil-A from the firms in our sample. First, it is a private corporation, not traded on a major stock exchange. Second, it is a relatively small company (when measured by its revenue). It is possible that there may be systematic differences between the political decision-making of smaller, private companies and larger, public companies. Our analyses speak only to the latter.

4 Methods

To adjudicate between rival theories of corporate political activity on social issues, we use time series cross sectional regression models. The dependent variable is the quarterly number of public statements a corporation made in support of LGBT rights (normalized so that a one-unit change represents one standard deviation). Therefore, the unit of analysis is the

company-quarter dyad. Regression models include random intercepts for each company. All multilevel models are estimated via restricted maximum likelihood (REML).

Given our dataset, a random intercept (random effects) model is preferable to a fixed effects model. Seventy-nine percent of companies either had an ERG the entire time or did not have an ERG the entire time from 2011 to 2017. In other words, for only 21% of companies in our sample is an ERG created (or dissolved) during the time series, so there is limited within-company variation on the ERG variable. Additionally, the employee education variable is not time-varying. We use a random intercept model instead of fixed effects for these reasons.

LGBT employee groups. To identify LGBT ERGs, we utilize the Human Rights Campaign’s Corporate Equality Index reports.⁹ Since 2002, the Human Rights Campaign (HRC), the preeminent LGBT rights interest group, annually releases the Corporate Equality Index (CEI), ranking employers by how inclusive their internal human resources policies are to the LGBT community. Each year, the largest 1,000 public corporations and the largest 200 law firms are sent a survey from HRC asking them about their policies with respect to LGBT employees. At the end of each year, a CEI report is issued for the upcoming year; for example, the 2018 CEI was released at the end of 2017. Companies are sent surveys in the middle of the year; therefore, the 2018 CEI is based upon data from the middle of 2017. In the CEI survey, companies are asked if they have a firm-wide diversity council and/or LGBT employee resource group. Examples of LGBT ERGs include Amazon’s “glamazon” and Google’s “Gayglers.” We use this data to construct a variable for whether (1) or not (0) a company had an LGBT ERG in a given quarter-year. Each year between 2011 and 2017, more and more companies had LGBT ERGs. In the beginning of 2011, 51% of companies had an LGBT ERG. By the end of 2017, 67% of companies had an LGBT ERG.

Beginning with the 2011 CEI, the HRC began giving “unofficial” ratings to companies that did not respond to their survey. They construct these unofficial ratings using publicly-

9. Annual CEI reports are accessible through the CEI archives at <https://www.hrc.org/resources/corporate-equality-index-archives> (Accessed 09/26/2018).

available information and information submitted to them by employees. We include these unofficial ratings in our analysis. Four hundred and seventy-eight companies (86% of the sample) were rated by the CEI officially or unofficially at least once between the 2011 and 2018 CEI. This poses a potential problem of selection bias, which we address in Online Appendix E. Further details about the CEI data are located in Online Appendix C.

Employee education. We measure our second independent variable—employee education—using IPUMS Current Population Survey data.¹⁰ Using IPUMS Census microdata with survey weights, we estimate the percent of non-management employees with bachelor’s degrees at the sub-industry-level.¹¹ This variable ranges from 6% to 80% of non-management employees with a bachelor’s degree. The 10th percentile is 12% and the 90th percentile is 60% while the mean is 34%.

We want to ensure that the effect of having an LGBT employee group is not conflating the presence of a pro-LGBT internal culture. To account for the fact that companies with LGBT employee groups will likely have a better record of support for LGBT employees, we include two control variables: LGBT HR policies and a firm diversity index. Model 1 does not include the HR policies and diversity variables but Model 2 does. This allows us to estimate the correlation between LGBT ERGs and corporate activism before and after accounting for differences in the pro-LGBT and pro-diversity attitudes of the firm.

LGBT HR policies. To capture how supportive of LGBT employees a company is, we created a modified Corporate Equality Index score that only includes human resources policies. A perfect score on our modified CEI means that a company has non-discrimination protections for sexual orientation and gender identity; offers LGBT-inclusive fringe benefits (including covering transitioning surgeries); and has LGBT-inclusive diversity training. We

10. Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. *Integrated Public Use Microdata Series, Current Population Survey: Version 6.0*[dataset]. Minneapolis, MN: IPUMS, 2018. <https://doi.org/10.18128/D030.V65.0>

11. We could match Census industry classification with the NACIS code of 545 companies. These 545 companies fit into 136 unique industries. We use the most narrow sub-industry possible to get the most accurate estimate of employee education. We used all monthly CPS microdata from 2011 to 2017 and dropped any industry with less than 1,000 employed respondents, leaving us with 538 companies with non-missing data for employee education.

then standardize this variable relative to each CEI survey year because the survey criteria change slightly from year to year and it is the company’s position relative to others that we care about. Thus, the modified CEI variable captures the pro-LGBT orientation of human resources policies. We expect that companies scoring high on this variable will be more likely to engage in pro-LGBT activism. Further details on the construction of this variable are located in Online Appendix C.¹²

In our primary analyses, we use a two-quarter lag of the HRC variables (LGBT ERG and HR policies).¹³ For example, this means that we use the 2017 CEI data (which is measured in Q3 2016) from Q1 2017 through Q4 2017.

Firm diversity index. We additionally want to control for the general diversity orientation of the company. Companies that have a stronger track record for diversity should be more likely to form LGBT ERGs and more likely to be publicly active on LGBT rights. To measure firm diversity, we conduct a one-dimension factor analysis on four diversity-related corporate social responsibility variables in the KLD database. The KLD database gathers data on corporate practices across multiple dimensions but we focus on corporate diversity. Corporations scoring high on our firm diversity index will have women on the board of directors and in senior management, racial minorities on their board of directors, and actively recruit women and racial minorities into their workforce.¹⁴ We use 2013 data since this is the most recent year available in the Wharton Research Data Services database.¹⁵

We include three variables to capture the economic motivation of corporate political activity on social issues.

12. Previous research has validated the accuracy of HRC’s CEI. Briscoe and Safford (2008) find few discrepancies between HRC data, what ERG groups told them, and a survey of HR professionals regarding whether a firm provided healthcare benefits to domestic partners.

13. A two quarter (six month) lag is justified since, as Douglas (2008) describes, it takes time for ERGs to establish themselves to become effective. Furthermore, research from qualitative case studies found that ERGs can take at least six months to establish themselves and elect leadership positions (Van Aken, Monetta, and Scott Sink 1994).

14. We use four indicator variables from the KLD database: (1) no women on the board of directors and senior management, (2) strong gender diversity on the board of directors, (3) no racial minorities on the board of directors, and (4) efforts to recruit women and racial minorities into the workforce.

15. MSCI ESG KLD STATS: 1991-2014 Data Sets. Available: MSCI ESG Research Inc. [September 9, 2018]. Retrieved from Wharton Research Data Service.

Recognizable company. The first economic variable is a dichotomous measure of whether the company is one of the most recognizable brands, as determined by the Harris Poll. We expect that companies with more recognizable brands will be more likely to further promote their name recognition by taking public stances in support of LGBT rights. Recognizable companies may also be more likely to feel pressure from boycotts (or benefit from buycotts). Each year, the marketing research firm Harris Insights & Analytics fields the Harris Poll, which they use to construct the Reputation Quotient, a measure of how positive or negative a firm's reputation is. As described by Harris Poll's website, "This measure takes the top most visible companies (for good or bad reasons)... If a company is not on our list, it does not necessarily suggest that they have either good or bad reputation, but rather they didn't reach a critical level of visibility to be measured." As our measure of firm recognizability, we determined whether the corporation was ranked in the Reputation Quotient and was therefore one of the 100 most recognizable companies for each year from 2011 to 2017.¹⁶ If companies were ranked in the Reputation Quotient in a given year then they received a value of one on the variable and zero if they were not ranked by the Reputation Quotient.¹⁷

Business-to-Consumer. The second variable that we include to capture economic interest is a binary measure of whether or not the company's revenue is primarily from individuals. Business-to-Business (B2B) companies receive the majority of their revenue from other businesses or the government; Business-to-Consumer (B2C) companies sell primarily to consumers. Using the Global Industry Classification System (GICS), we generate a dummy variable that takes the value of one for companies in the Consumer Discretionary and Consumer Staples sectors. Using this definition, 27% of the companies in our sample fall into this category. In line with the predictions of the economic self-interest theory of corporate political activity, we expect Business-to-Consumer companies to have a greater profit motivate for public displays of support for the LGBT community since Business-to-Consumer

16. Before 2015, only 60 companies were included in the Reputation Quotient report.

17. Data was obtained through an archive.org search of the Harris Poll's website (<https://theharrispoll.com/>), previously <http://harrisinteractive.com>; accessed 09/06/2018) and by email from Harris Interactive.

companies are going to be more prone to consumer boycotts and buycotts.

Pride parade sponsor. To capture whether a corporation advertises to the LGBT community, we determined whether the company ever sponsored one of the five largest U.S. LGBT pride parades between 2011 and 2017. Pride parades are enormous events that are one of the best opportunities for corporations to advertise to the LGBT community and try to win over potential customers and employees. Unlike supporting an LGBT interest group or business coalition, sponsoring pride parades is not necessarily a statement of support for a pro-LGBT public policy agenda but it is an attempt to position a company’s brand as inclusive of the LGBT community. If companies are taking liberal stances on LGBT rights issues in order to win over customers, then we expect companies that sponsor pride parades to be more active on LGBT rights. We identified a list of sponsors for pride parades in New York City, San Francisco, Chicago, Houston, and Minneapolis and generated a binary measure of whether the company ever sponsored one of these events between 2011 and 2017. Fifty companies met this criteria. For more information on the construction of this variable and on pride parades more generally, readers are referred to Online Appendix D.

Assets. The fourth and final variable that we include to capture economic interest is quarterly total assets (log-transformed), obtained through the Compustat Quarterly database. For the same reason that we expect more visible and consumer-oriented companies to have a stronger economic interest to be active on LGBT rights, we also expect larger companies to have a stronger economic interest to be active on LGBT rights: larger companies should be more prone to boycotts and buycotts. They are also more likely to have large, active media relations and legal teams that can engage in LGBT activism.

We use two variables to capture a corporation’s political strategy.

Corporate PAC liberalism. As a measure of a corporation’s political action committee liberalism, we generate an ordinal measure using Bonica’s (2014) DIME Database.¹⁸ We first identified each corporation’s FEC ID number and then merged this list with the DIME

18. Bonica, Adam. 2016. Database on Ideology, Money in Politics, and Elections: Public version 2.0 [Computer file]. Stanford, CA: Stanford University Libraries. <<https://data.stanford.edu/dime>>

database.¹⁹ We then determined the average CF score from the 2010 to 2016 federal election cycles. If corporations did not make any contributions during this period or lacked a PAC altogether, the corporation receives a value of 0 on our ordinal measure of PAC ideology. If the corporate PAC’s average CF score was above the median (they are conservative), the corporation receives a value of -1 on the PAC ideology variable; and if the corporate PAC’s average ideology was below the median, the corporation receives a value of 1 on the PAC ideology variable (they are moderate/liberal). Therefore, the corporate PAC ideology variable is capturing the liberalism of the PAC. If corporations are engaging in political activity on LGBT rights as a part of their existing political strategies—and existing relationships with political parties—then we would expect this variable to be positively correlated with LGBT rights activism. With our measure of PAC ideology, 130 corporations had a conservative PAC (-1), 292 had no active PAC (0), and 131 had a moderate PAC (1).

Industry-specific regulation index. We also measure how heavily-regulated the corporation is by the federal government. We would expect corporations whose profitability depends upon maintenance of positive relations with the federal government to be less likely to oppose the status quo. Corporate activism on LGBT rights—encouraging the government to be more pro-LGBT—may harm a company’s relationship with the government. To capture how regulated a company is, we use industry regulation data from QuantGov’s RegData, a product of the Mercatus Center at George Mason University. We take the log of the number of industry-relevant restrictions codified in federal regulations (using the Annual Industry-Level Summary Statistics file).²⁰ This variable is measured annually for each sub-industry. In our dataset, companies in the Transportation and Healthcare sectors face the highest levels of regulation.

We measure social context at the local-level (with a time-invariant covariate) and national-

19. Sometimes corporations have multiple PACs. If this was the case, we used the FEC ID number of the PAC that made more contributions or, if there was a federal elections and state elections PAC, we used the FEC ID number of the federal elections PAC.

20. McLaughlin, Patrick A., and Oliver Sherouse. RegData US 3.1 Annual (dataset). QuantGov, Mercatus Center at George Mason University, Arlington, VA, 2018. <https://quantgov.org/regdata/>.

level (with time-varying covariates).

Local LGBT rights attitudes. We also expect corporations headquartered in pro-LGBT states to be more likely to engage in corporate activism. We create a measure of pro-LGBT policy attitudes using data from the Public Religion Research Institute (PRRI).²¹ PRRI polls at the state-level and metro area-level and asks three questions about LGBT policy attitudes. First, they ask whether respondents support same-sex marriage. Second, they ask whether respondents support laws that protect LGBT individuals from discrimination in employment, public accommodations, and housing. Third, they ask whether respondents support the right of small business owners to discriminate against same-sex couples on the basis of their religious beliefs. Since sample sizes for some states are quite small, we aggregate all available polling data between 2014 and 2017, each year that LGBT policy attitudes were polled. We identify the metro area where the company is headquartered and use the metro area polling data associated with that city; and if the company is not headquartered in a metro area, then we use state-level data.²² For each metro area, we generate an index of pro-LGBT public policy attitudes by adding percentage support for same-sex marriage, support for non-discrimination laws, and opposition to religious-based denials of service and then divide this number by 300. The resulting index theoretically ranges from 0 to 1 and can be essentially interpreted as the percent support for LGBT rights in the metro area where the company is headquartered. In the observed dataset, the index ranges from 0.48 (in the state of Alabama) to 0.78 (in the Boston metro area) and the mean is 0.65.

National context variables. To measure the broader social context, we include variables for **LGBT news coverage** and **public support for same-sex marriage**. Similar to

21. Public Religion Research Institute. *American Values Atlas* (2014-2017). <http://ava.prri.org/states>. Accessed 10/20/2018.

22. We used the U.S. Census Bureau’s Combined Statistical Area to match the city headquarters with metro-area polling data. For example, if a business was headquartered in the San Jose–San Francisco–Oakland Combined Statistical Area, we used metro polling data for San Francisco for that company. According to the Census Bureau, “Combined statistical areas (CSA) consist of two or more adjacent metropolitan and micropolitan statistical areas that have substantial employment interchange.” (See <https://www.census.gov/geo/reference/webatlas/csa.html>. Accessed 10/20/2018.) Same-sex marriage was polled 2014-2017, non-discrimination laws was polled 2015 & 2017, and service refusal on the basis of religion was polled 2015-2017.

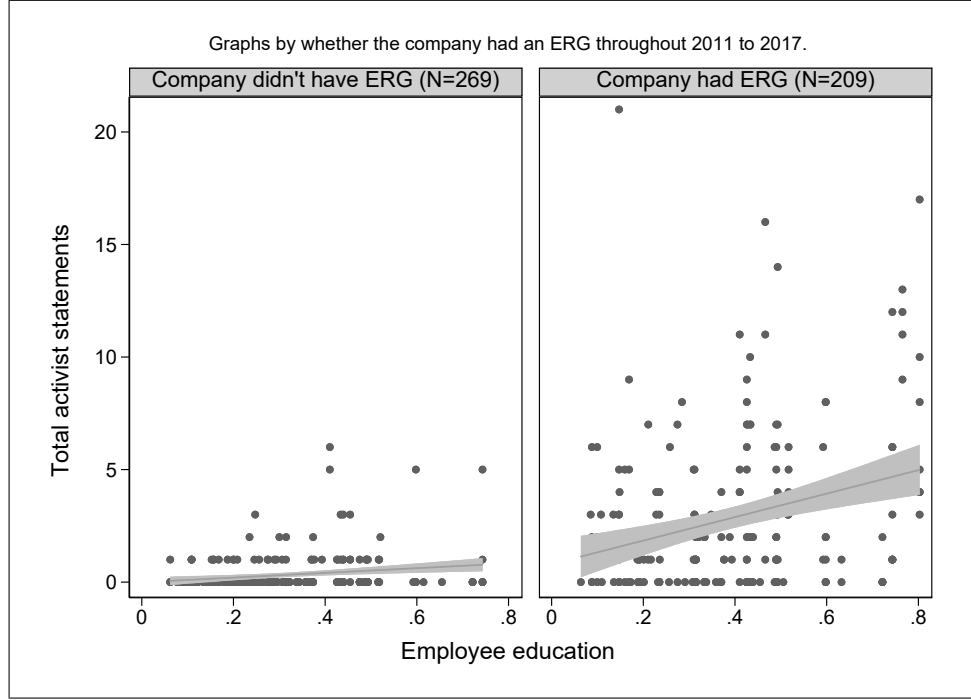
an Error Correction Model, we include two operationalizations of each variable: a one-period lag and the first difference (the change since the previous period). With respect to news coverage, the multilevel models include the number of newspaper headlines that discussed LGBT topics in a given quarter. To obtain this number, we conducted a LexisNexis Academic search of LGBT-related headlines in *The New York Times*, *The Wall Street Journal*, and *USA Today* using the search term: HEADLINE("same-sex" OR "LGBT" OR "transgender" OR "gay" OR "lesbian" OR "bisexual" OR "homosexual"). With respect to public support for same-sex marriage, we include the net approval for same-sex marriage as determined by Gallup.²³ All four national context variables are standardized in order to aid in their interpretation. Multilevel models also include a linear time trend.

5 Results

Figure 1 presents preliminary evidence in support of our theory. Running a simple bivariate model, corporations with LGBT employee resource groups (right panel) made more public statements in support of LGBT rights than those without LGBT ERGs (left panel), yet this relationship is clearly conditional upon employee education. The most activism comes from educated workforces that have LGBT ERGs. Also note that Figure 1 shows substantial variation in levels of employee education among companies with and without an LGBT ERG.

23. Since public support for same-sex marriage is not measured quarterly, we use all Gallup poll results and assume monotonic linearity of changes in public opinion from one poll to the next. We measure national support for same-sex marriage as determined by a Gallup poll that asked “Do you think marriages between same-sex couples should or should not be recognized by the law as valid, with the same rights as traditional marriages?” Gallup same-sex marriage poll results are available at: <https://news.gallup.com/poll/117328/marriage.aspx> (Accessed 08/22/2018). Obviously, same-sex marriage is not the only LGBT rights issue, but support for same-sex marriage should serve as a rough proxy for support for acceptance of LGBT individuals. A 2015 IPSOS-Reuters poll found nearly identical support for same-sex marriage and LGBT non-discrimination protections (Breitman 2015). Because we needed a national poll that was conducted regularly between 2011 and 2017, we use a poll of support for same-sex marriage since a poll of acceptance of the LGBT community was not available with a consistent wording for all years under investigation in this study.

Figure 1: Companies with more organized and educated LGBT employees are more politically active.



There is one observation per company. A line of best fit is surrounded by a 95% confidence interval.

In Online Appendix B, Table B.1 presents a correlation matrix of all of the variables used in the multilevel models. As expected, the strongest correlates of having an LGBT ERG are the LGBT HR policies variable (0.81) and the firm diversity index (0.50). However, as can be seen in Figure C.1 in Online Appendix C, there is still some variation in LGBT ERG presence that is not explained by a company's LGBT HR policies. The other variables that correlate highly with one another are the national-level social context variables and the time trend. Public support for same-sex marriage (lagged) is highly collinear with time (0.97); additionally, changes and lagged values on the news coverage variable highly correlate with one another (-0.62). When we interpret coefficients for the social context variables, we will have to keep in mind that only a small bit of variation is left over in a regression analysis that controls for a time trend.

Table 1 presents Models 1 and 2. Both models include all independent variables, except

for HR policies and firm diversity which are only included in Model 2. Focusing first on the internal pressure variables, we find that the LGBT group \times employee education interaction term is statistically significant. This is true both in Model 1 (without the additional controls) and in Model 2 (with the additional controls). Therefore, even after controlling for the corporation’s latent pro-LGBT attitudes—which overlap with the presence of an LGBT ERG—we still see a statistically significant correlation between having an LGBT ERG and corporate activism. Put differently, the effect of having an LGBT ERG on activism is not conflating generally pro-LGBT corporate attitudes. Since the results are the same for both models, we will only interpret the results of Model 2.

Figure 2 presents the marginal effects of the interaction between LGBT ERG and employee education. The left panel shows the predicted activism for companies with an LGBT ERG (dashed line) and without an LGBT ERG (solid line) at different levels of employee education. On average, companies without an LGBT ERG are around the mean level of activism, regardless of employee education. Companies with an LGBT ERG are also below the mean level of activism if there is a low-skilled workforce. However, companies with an LGBT ERG are predicted to have levels of corporate activism that are 0.4 standard deviations above the mean when they have highly educated employees. This translates into one-tenth of a pro-LGBT public statement in any given quarter-year. When this number is multiplied by the 28 quarters in the analysis, the model predicts that a company with an LGBT ERG and a highly-educated workforce will make roughly three pro-LGBT statements over the course of the time series, 2011 to 2017. Alternatively, companies without an LGBT ERG or those that do have an LGBT ERG but have a low-educated workforce are predicted to make between zero and one public statements between 2011 and 2017.

The right panel of Figure 2 shows the effect of having an LGBT ERG on activism at different levels of employee education (the difference in activism between companies with and without an ERG). There is no appreciable and statistically significant effect of having an LGBT ERG on corporate activism at low levels of employee education, but once more than

half of non-management employees have a bachelor's degree, there is a statistically significant and substantively meaningful effect of having an ERG on LGBT activism. Therefore, our analyses find evidence in support of our theory: LGBT ERGs encourage their employers to be publicly active in support of LGBT rights, but they are only effective when they wield bargaining power with their employer (in a high-skilled workforce).

We find mixed support for rival explanations of corporate political activity on social issues that give greater weight to companies' economic interest, political strategy, and social context. With respect to economic interests, only the recognizable company and pride parade sponsor variables are statistically significant. Recognizable companies are 0.34 standard deviations more active than non-recognizable companies. Companies that sponsor pride parades are 0.28 standard deviations more active. Surprisingly, the Business-to-Consumer and assets variables are not statistically significant. Neither consumer-oriented nor larger companies are more likely to make public statements in support of LGBT rights.

The results of the political strategy variables are also striking. Since the corporate PAC liberalism variable fails to reach statistical significance, companies' existing relationships with federal politicians seems to be orthogonal to their propensity for activism on LGBT rights. Alternatively, as predicted, companies with greater regulatory burdens make fewer activist statements, but the effect size is small relative to the variable's range.

Finally, both models show some support for the notion that corporations take activist stances in response to social context. Local LGBT rights attitudes are a statistically significant predictor of corporate activism, but increasing support for LGBT rights by thirty percentage points on the index only leads to an increase of less than 0.2 standard deviations in activist statements. Furthermore, larger increases in news coverage and public support for same-sex marriage lead to more activism on the part of corporations. While larger *changes* in news coverage and public opinion may lead to greater activism, higher *levels* of news coverage and public support for same-sex marriage do not lead to greater activism after controlling for a time trend. With respect to the timing of activist statements, corporations make more

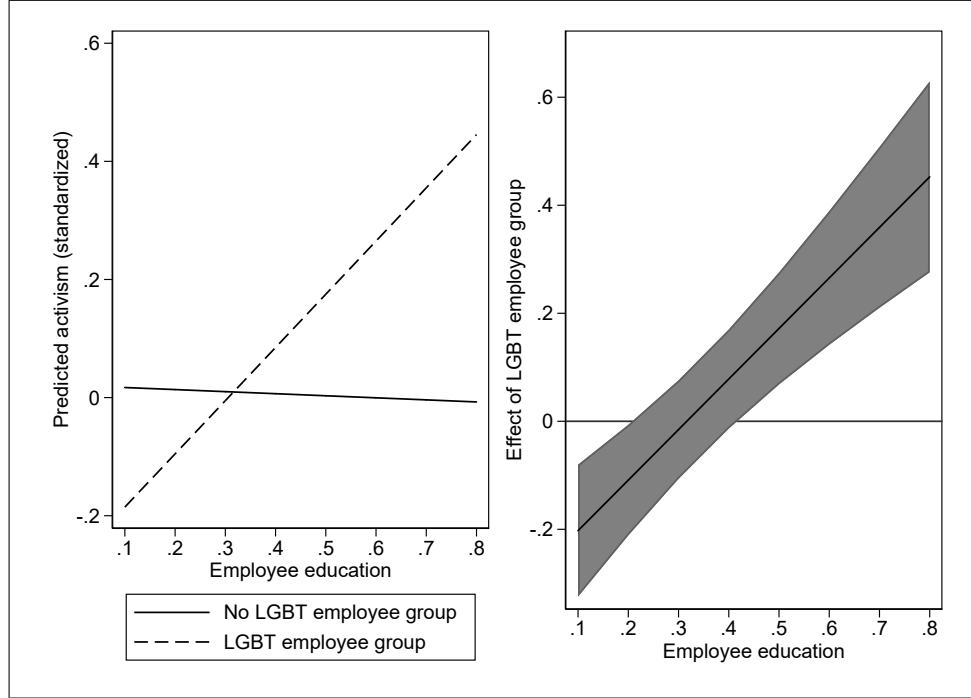
pro-LGBT public statements when those stances are increasing in popularity with the public and in response to salient news events involving the LGBT community. Social context may predict corporate activism, but the effect sizes are small relative to variable ranges.

Table 1: Testing rival perspectives of corporate LGBT rights activism.

<i>Variable</i>	<i>Range</i>	(1)			(2)		
		<i>Coef</i>	<i>SE</i>	<i>P-val</i>	<i>Coef</i>	<i>SE</i>	<i>P-val</i>
Internal pressure							
LGBT employee group	[0, 1]	-0.170	0.065	0.009	-0.296	0.075	0.000
Employee education	[0.1, 0.8]	-0.020	0.148	0.895	-0.035	0.154	0.821
LGBT group × education		0.884	0.167	0.000	0.936	0.171	0.000
LGBT HR policies	[-2.1, 1.3]	–	–	–	0.072	0.023	0.001
Firm diversity index	[-0.8, 2.0]	–	–	–	0.008	0.026	0.754
Economic interest							
Recognizable company	[0, 1]	0.363	0.047	0.000	0.348	0.048	0.000
Business-to-Consumer	[0, 1]	0.031	0.041	0.456	0.042	0.042	0.318
Pride parade sponsor	[0, 1]	0.271	0.054	0.000	0.273	0.055	0.000
Assets (log)	[11.7, 21.7]	0.021	0.013	0.112	0.014	0.014	0.327
Political strategy							
Corporate PAC liberalism	[-1, 1]	0.016	0.021	0.459	0.018	0.022	0.413
Industry regulation index	[5.3, 12.3]	-0.012	0.010	0.228	-0.018	0.010	0.071
Social context							
Local LGBT rights attitudes	[0.5, 0.8]	0.641	0.252	0.011	0.517	0.250	0.038
National opinion (change)	[-1.4, 2.1]	0.098	0.015	0.000	0.097	0.015	0.000
National opinion (lag)	[-1.8, 2.2]	0.001	0.017	0.964	0.003	0.017	0.854
News coverage (change)	[-2.8, 1.4]	0.042	0.013	0.001	0.043	0.013	0.001
News coverage (lag)	[-1.5, 1.8]	0.092	0.050	0.069	0.093	0.051	0.070
Time trend	[1, 28]	-0.005	0.006	0.459	-0.004	0.006	0.481
Constant		-0.741	0.303	0.014	-0.421	0.314	0.180
Wald χ^2		533.25			531.65		
Prob.(χ^2)		0.000			0.000		
Observations		10,596			9,939		
Clusters (companies)		435			406		
Average observations per company		24.4			24.5		

The results are for a multilevel regression model, with random intercepts for each company. The dependent variable is the number of activist statements made in support of LGBT activism in each quarter (standardized), which ranges from -0.18 (0 statements) to 19.64 (5 statements).

Figure 2: More organized, more educated workforces are more publicly active on LGBT rights.



These figures are derived from the results of Model 2. On the left, the predicted number of activist statements made in a given quarter (standardized) is estimated at different levels of employee education and whether the company has an LGBT employee group. On the right, the marginal effect of having an LGBT employee group on activism (with a 95% confidence interval) is presented at different levels of employee education. Note that employee education is the percentage of non-management employees who have a bachelor's degree (measured at the sub-industry-level).

Since the analysis is at the company-quarter level, the coefficients are small. In any given quarter, the likelihood of activism is minimal. More than 95% of company-quarter observations see no activism on the part of the corporation. Therefore, the estimated 0.4 standard deviation increase in activism that is attributed to LGBT ERGs in high-skilled workforces is substantial. The only other variables that have a meaningful effect on LGBT activism are the recognizable company and pride parade sponsor variables. To summarize our results, we find that companies that have highly-skilled workforces with LGBT employee groups, companies with a recognizable brand, and companies that sponsor LGBT pride parades are most active on LGBT rights.

Online Appendix B describes a number of alternative specifications of Model 2. Results

are substantively similar across each of the alternative specifications. The $\text{ERG} \times \text{education}$ interaction term, the recognizable company, and the pride parade sponsor variables are statistically significant in all 11 additional model specifications of Model 2. To ensure the robustness of the findings related to the employee group variable, in Models 3 and 4, we run an additional model without a lag in the LGBT ERG and HR policies variables and we then run a model that excludes companies that received unofficial ratings in the CEI. Furthermore, our results are robust to three other specifications of the bargaining power variable: one where we include managers in our estimation of the percentage of employees that have a bachelor's degree (Model 5), one where we use an ordinal measure of employee education (Model 6), and one where we use employee wages in place of employee education (Model 7).²⁴ In Models 8 and 9, we use an alternative measure for a company's orientation toward consumers, using an author-created dummy variable and the ratio of spending on advertising to the value of corporate assets. In Models 10 and 11, we replace the ordinal corporate PAC liberalism measure with Bonica's CF score and with a measure of the ideology of a corporation's executive officers. Finally, Models 12 and 13 are company-level regressions, where there is only one observation per company. In these models, we reoperationalize the dependent variable and conduct logistic and negative binomial regressions. As aforementioned, our results are robust to each of these alternative specifications.

As discussed further in Online Appendix E, we conduct two additional robustness checks to mitigate the possibility that LGBT ERGs are endogenous to corporate activism and to mitigate the possibility that our results are driven by selection bias. First, to account for endogeneity, we reoperationalize the LGBT ERG variable. When asked whether companies have an LGBT ERG, companies can respond that they (1) do not have one, (2) would like to have one but there was no employee interest, or (3) do have one. In all analysis thus far, we have treated the first and second groups as one and the same—they both don't have

24. Although, the interaction term between employee wages and LGBT ERGs is only statistically significant at the 0.10 level, not the 0.05 level. Regardless, we argue that education (specialized skills) are a better measure of bargaining power than wages.

LGBT ERGs. As a robustness check, we restrict our sample to only compare companies in the second and third groups because the only difference between the two should be employee interest in joining an LGBT ERG. We find a statistically significant effect of having an LGBT ERG on corporate activism at high levels of employee education in these models.²⁵ However, this model is not perfectly causally identified because we are still using a random intercept model, not a difference-in-difference estimator with unit and period fixed effects.

Second, to attempt to account for both endogeneity and selection bias, we conduct a two-stage procedure using a company-level dataset. In the first stage, we model the presence of an LGBT ERG. Using Multilevel Regression with Post-stratification, at the economic sector-level, we generate measures of employee support for same-sex marriage and employee interest in politics. We include these two variables and other control variables in a regression predicting the presence of LGBT ERGs. The residuals from this first stage model can be used as a measure of LGBT ERGs that is purged of its association with other endogenous predictors of employee activism. In the second stage, we run a Heckman selection model. We model the outcome equation (LGBT activism) in the same way that we do in Models 1 and 2 but we replace the LGBT ERG variable with the residuals from the first stage regression. In this way, we do our best to account for endogeneity while also accounting for selection. Although we only use observational data, we can have greater confidence in the potential for a causal relationship between LGBT ERGs and corporate activism with this analysis. When conducting this two-step procedure, the LGBT ERG residuals \times employee education interaction term is a statistically significant predictor of corporate activism on LGBT rights. See Online Appendix E for a further discussion of the methodology and results.

6 Discussion and Conclusion

Why would corporations leverage their “privileged position” (Lindblom 1982) in the policy making process in order to support the liberal side of controversial moral policy issues?

25. Although, the coefficient is only statistically significant at the 0.10 level, not the 0.05 level.

Our results suggest that pressure from well-organized and educated employees conditions corporate activity on LGBT rights. We identify employee resource groups (ERGs) as an important mechanism through which LGBT employees gain access to management and can convince them to take a stand in support of LGBT rights. In what is the reverse of the process of employer mobilization that Hertel-Fernandez (2018) describes, we suggest that high-skilled activist employees with bargaining power are able to pressure their employers to become active in support of the liberal stance on controversial social issues. Our theory development and analysis contributes to the small research tradition that studies employee activism and employee resource groups but it also contributes to our broader understanding of power in American politics. Corporations are multidimensional entities; “business” is not a conservative monolith (Hart 2004). Political scientists should look within the corporation to understand the motives of corporate political activity. Since we find evidence in support of the notion that LGBT ERGs can explain variation in LGBT rights activism by corporations, this means that corporations are often taking pro-LGBT public stances in a genuine effort to change public policy—not because they are trying to appear as inclusive to liberal customers.

To be sure, economic explanations for corporate political activity on social issues hold some weight. Companies with a brand name that is recognizable to consumers are more active on LGBT rights. Since the American public will pay greater attention to the actions of recognizable companies, these companies have a greater economic incentive to be active on LGBT rights, seen as LGBT-friendly, and keep their brand name in the minds of consumers. Yet causality likely also runs in the opposite direction: companies become recognizable to the public by being controversial; therefore, the fact that recognizable companies are more likely to make public statements in support of LGBT rights is not the best evidence in support of the economic interest perspective. Furthermore, companies that sponsor pride parades are also more active on LGBT rights, which is consistent with what we would expect if companies are publicly active on LGBT rights as a part of their overall effort to advertise themselves to the LGBT community. Interestingly, we don’t find that companies

in consumer-oriented industries are more likely to be active on LGBT rights. This is not surprising after examining the list of companies active on LGBT rights, which includes defense contractors and pharmaceutical companies.

Surprisingly, we find little evidence that corporations engage in political activity on social issues to curry favor with political leaders. In other words, corporate activism on LGBT rights seems to be orthogonal to a corporation’s existing orientation toward politics. Neither the ideology of a corporation’s PAC nor the intensity of a corporation’s regulatory environment meaningfully correlates with levels of corporate activism. But our results do suggest that businesses are more likely to take stances on LGBT rights when they are headquartered in a pro-LGBT area, when LGBT issues become more salient in the national news, and when there are spikes in public opinion in national support for LGBT rights. Still, the effects of these variables on levels of activism are small.

More broadly, our results point to the limits of the conventional wisdom that companies are solely motivated by profit and courting customers. Undoubtedly, keeping and expanding a company’s consumer base seems to matter to corporate political activity on moral policy. But the publicly-owned corporations that we study also appear to view moral policy engagement as necessary to their efforts to recruit and maintain a diverse workforce. Companies are ceding to the demands of educated and organized LGBT employees; recognizable companies want to attract and maintain a diverse set of employees and their activism may be more effective in swaying consumers than non-recognizable companies; and companies sponsor LGBT pride parades to attract a diverse set of customers as well as employees. As they argued in the *Obergefell* brief, businesses support same-sex marriage and oppose discrimination on the basis of sexual orientation and gender identity because the success of their internal organizations “depend upon the welfare and morale of all employees, without distinction.”

The scope conditions for our theory of employee pressure are difficult to define. We cannot be certain that the same bottom-up process motivates corporate political activity on

other social or cultural issues. Nonetheless, there was substantial employee activism over the Trump administration’s Muslim travel ban among Silicon Valley employees (Streitfeld 2017).²⁶ So on at least one other cultural issue (immigration), we see a similar process: politically-active employees urge their employers to be active on issues that they care about. To be sure, employee groups might not be a universal tool for activists to pressure their employers. LGBT ERGs have a unique history: the LGBT workplace movement developed to advocate for benefits from employers *in the absence of* anti-discrimination protections that other minority groups enjoy from the federal government. Future research should examine the role of employee organizations on other social issues to determine what impact employees and employee groups have in encouraging their employers’ political engagement.

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