Parallel Session 1

1. Being up front about income inequality

Brian Hill (CNRS and HEC Paris)

This work proposes universal provision of information about the income inequality involved in the creation of a good as a means of moderating income inequality. We show, on a simple model, that supplying inequality information under competitive markets will in general lead to a reduction in global income inequality, whenever a section of the population is willing to pay even small amounts for reduced inequality in the production of purchased goods. The effect will be stronger the more inequality averse the population. Moreover, the outcome will be socially efficient. In an accompanying incentive-compatible behavioral study, we elicit willingness to pay for reduced inequality on representative samples of the US and English population, and find that a large majority of subjects are willing to pay significant amount for less excessive inequality in production.

Parallel Session 1

2. Credibility of CSR reporting for CSR-equivalent firms and sustainability index inclusion

Luc Paugam, Herve Stolowy & Rodolphe Durand (all HEC Paris)

Firm corporate social responsibility (CSR) can neither be directly observed nor measured with precision. To solve difficult problems such as sustainability evaluation, CSR raters may employ heuristics (e.g., representativeness). Each year, S&P Dow Jones Indices, a division of S&P Global, performs the Corporate Sustainability Assessment (CSA) to select firms for inclusion in the Dow Jones Sustainability World Index, a major corporate sustainability stock index. Only the top 10% of firms within a given industry-year group are included in the DJS World Index. In this research project, we intend to examine the association between attributes of firms' CSR reports and firms' sustainability rank for over 5,000 observations over the period 2018-2020. We analyze the language in CSR reports using textual analysis and examine images in CSR reports using artificial intelligence (i.e., image classifications, facial attributes). In particular, we examine how CSR reporting influences firms surrounding the minimum sustainability rank for inclusion in the prestigious DJSI World Index, for which sustainability assessment is critical. Theoretically, we aim to identify the influence of CSR disclosures on heuristics in the context of CSR ambiguity. Empirically, our results inform managers about how to communicate about CSR with external raters.

Parallel Session 1

3. Involving Firms in the Development Agenda: Evidence from India's CSR Regulation

Noemie Pinardon-Touati
(HEC Paris)

In 2014, India became the first country to legislate on Corporate Social Responsibility (CSR) in order to encourage corporates' involvement in the development agenda. In particular, firms above a certain size threshold have to spend 2% of their profits on CSR, with the law operating on a "comply or explain" principle. I find that the regulation caused a large increase in CSR expenditures: the reform led to an additional INR 95-133 billions in CSR per year, a threefold increase from the pre-reform level, and equivalent to an additional 0.1% of GDP spent on CSR each year. Using novel data on project-by-project CSR expenditures for the universe of liable firms, I then study how private agents allocate public goods contributions across geographies and development goals.

Parallel Session 1

4. Individual wealth taxes and corporate payouts

Raúl Barroso (IESEG School of Management)

Donald N'Gata (IESE Business School)

Gaizka Ormazabal (IESE Business School)

Abstract:

We examine the effect of individual wealth taxes on dividend policy. Using a comprehensive sample of European public firms from 26 countries, we document that wealth taxes paired with substantial increases in stock prices are associated with a significant increase in dividend payouts. This pattern is stronger among closely held firms, family firms, and firms with shares directly owned by individuals. We also find evidence suggesting that the dividends induced by wealth taxes have meaningful economic consequences; the announcement of dividends with a higher probability of being induced by wealth taxes elicits lower stock returns, and such dividends are associated with lower levels of subsequent investment. Overall, our evidence contributes to the rekindled debate on wealth taxes by showing that this type of taxation affects corporate financial policies.

Parallel Session 1

5. OWNERSHIP AND PURPOSE

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As the question of the purpose of the corporation in the 21st century becomes center stage, the definition of it, that is, who, why, and how will delineate the priorities of the firm and its governance, still remains to a large extent unchartered territory. Against the backdrop of increasingly stronger voices from various institutions and fora around the world, advocating for more stakeholder-oriented governance, purpose, and value creation, in this article, we attempt to provide some initial answers to this question. We reflect on purpose as an outcome, and we consider the role of owners. In particular, we delineate our framework on the basis of the concepts of narrative and "imagined futures". That is, we conceive purpose as a narrative about the future. Our central proposition is that the content of corporate purpose depends on the identity and relative power of owners and the nature of their simultaneous embeddedness in (or dependence from) bundles of exchanges with other stakeholders. Thus, our objective is to provide a theoretical framework that may inform on what key parameters related to ownership structures and their embeddedness may shape corporate purpose.

Parallel Session 2

6. The impact of institutions on the international mobility of scientists

Martin Hetu (HEC Paris), Denisa Mindruta (HEC Paris) & Will Mitchell (Rotman School of Management, University of Toronto)

We investigate the impact of intellectual property rights institutions on cross-border scientist mobility. This study examines inbound moves by foreign scientists before and after the invalidation of gene patents by the 2013 United States Supreme Court *Myriad* decision. It relies on a difference-in-differences design, with the European Union, where gene patents remained valid, as a control group. Mobility events are tracked using publications of scientists whose research focused on genes covered by equivalent patents in the US and in the EU. Our results show that the reduction in the strength of intellectual property rights institutions associated with *Myriad* had a positive impact on inbound scientist mobility. The study contributes to the strategic human capital literature focusing on the determinants of geographic and interorganizational mobility by highlighting the role of institutions in driving cross-border scientist mobility.

Parallel Session 2

7. Spanning or spreading? Multi-project work, human capital allocation, and career outcomes

Matthew Bidwell and Federica De Stefano

Allocating human capital resources to multiple projects at the same time is a common feature of work design in today's organizations. In this study, we investigate the effects of multi-project work on individuals' career outcomes. Using unique longitudinal data from a large professional service firm, we analyze how the allocation of employees' time across projects affects pay and promotions. Our findings suggest that employees whose time is spread across services and clients simultaneously have lower promotion probability and lower pay. However, when employees span across diverse projects sequentially their chances of being promoted and their pay increase.

Parallel Session 2

8. Why do diversity statements lack diversity? Conformity and engagement as antecedents of change in diversity statements

Paul Gouvard (University of Lugano) & Lionel Paolella (Judge Business School)

Research suggests that firms' diversity statements seldom reflect firms' real engagement with diversity. In our data, which comprises more than 2,000 diversity statements produced by prominent U.S. law firms, firms may exhibit different demographic characteristics and implement different practices but still produce very similar diversity statements. In particular, firms rarely substantially change the content of their diversity statements over the years. In this article, we seek to explain why firms' diversity statements generally change so little and under which conditions changes may nonetheless occur. Two mechanisms explain the lack of change in firms' diversity statements: firms' imitation of their closest rivals' past statements and firms' conformity to their clients' expectations. Two mechanisms further explain why some firms do change their diversity statements: the use of a dedicated professional to promote the firm's diversity program and firms' engagement with diversity beyond issues commonly associated with it in the U.S. law market –here measured using firms' propensity to promote LGBTQ+ partners. We test these hypothesis using a simple Natural Language Processing approach to measure change in firms' diversity statements and find general support for the proposed hypotheses.

Parallel Session 2

9. Treading a Tightrope: Political Externalities and Platform Strategy

Madhulika Kaul & Olivier Chatain (both HEC Paris)

Abstract: A platform's success depends crucially on generating and growing positive network externalities among its various user sides. However, actions undertaken by the platform to grow and manage positive network externalities simultaneously generate political externalities, as platform users are also political agents, and constituents of states. We explain how these political externalities are caused by platform actions and examine their impact at two levels: individuals i.e., platform users and other state constituents, and states. We analyse the interplay of positive network externalities and (negative) political externalities for the platform as it potentially changes user membership and participation on the platform, and triggers changes in the platform's non-market environment as a result of interventions by states. Finally, we draw implications for platform strategy and policy.

Parallel Session 2

10. Information-based corporate political strategy: evidence from patent policy in the US Supreme Court

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Abstract:

Modern governments make decisions that set the rules for businesses' competitive landscapes. In many situations, firms have more capacity to understand knowledge that pertains to their activities and industry than do policymakers, which provides firms with the opportunity to influence policy decisions and motivates undertaking information-based corporate political actions. The more a firm *depends* on the outcome of a government decision, the more likely it is to engage in efforts to influence it. Yet, the public's skepticism about self-interested motives may discredit the information the dependent firm provides so that a firm's *vested interests* in a given policy issue impedes the firm's ability to influence the policy. In this paper, we estimate the extent to which *dependence (vested interest)* acts as a double-edged sword for firms' information-based CPA. Additionally, we argue that firms may compensate for the discrediting of the information they provide by using a type of information that is inherently viewed as being independent from vested interests: scientific knowledge. To examine this question, we use a panel of all firms arguably at risk to engage in patent-related U.S. Supreme Court cases over a 15-year period. We exploit the retroactive nature of patent policy on existing patents to estimate the impact of *dependence* on participation in the cases (as a party or as an amicus curiae) and, conditioning on participation, on

the success of information-based corporate political actions. We use legal precedent citations and scientific article citations in briefs submitted by firms to the Court as well as in the Court's final decisions to trace a firm's influence. We find that having a large stock of patents predicts firm participation in information-based CPA and find mixed evidence on the negative impact of dependence on the influence on the content of policy decisions. Finally, consistent with our arguments, we find that the use of scientific knowledge positively moderates the impact of dependence on influence (i.e., reduces the discrediting effect).

11. I, Human: How Artificial Agents Make Us Try Harder (Or Not) In Creative Tasks

Daria Morozova
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ABSTRACT

Although creativity is almost universally considered a uniquely human faculty that will help humans keep their jobs and compete against artificial agents (robots, artificial intelligence, automation algorithms), little research has examined how exposure to artificial agents impacts the human creative process. Drawing on social comparison and expectancy violation theories, we hypothesized that individuals would decrease their creative effort when they are exposed to artificial agents, but not humans, and consider artificial agents non-threatening. In a survey multiple and experimental studies (total n=1497) across collaborative, competitive, and neutral contexts, we found support for our hypotheses and showed that this effect is contingent on perceptions of artificial agents' creative capacities. When artificial agents are, in defiance of the general belief, capable of delivering a creative output and creativity as a uniquely human characteristic is more salient to the self, individuals exert greater effort, while perceived threat from an artificial agent increases.

Keywords:
Creative effort; artificial agents; social comparison

Parallel Session 3

12. Policies without plans? Sequential CSR responses and the role of organizational resources for policy implementation

Nikolas Rathert (Tilburg University), Georg Wernicke (HEC Paris) & Brayden King (Kellogg)

In studying organizational responses to stakeholder pressure, research has often assumed that organizations choose to respond in either a symbolic way or a substantive way. In this study, we consider the possibility that such responses are not an either-or choice when a stakeholder issue first surfaces but instead are sequential. With sequential responses, organizations first adopt a highly visible policy to acknowledge a stakeholder issue and subsequently implement the policy, suggesting that responses can unfold in multiple phases over time. Sequential responses and the resulting time between the distinct phases are the consequence of various challenges organizations face as they seek to implement a policy. Drawing on insights from the literature on policy implementation challenges and the resource-based view of the firm, we develop a theoretical framework around the capabilities and constraints that influence the timely implementation of policies that were previously adopted following stakeholder pressure. Using data that span a 13-year period and pertain to the adoption and implementation of policies by U.S. firms in response to stakeholder pressure around consumer health and safety, we find that firms with structural implementation capacities are more likely to implement policies in a timely manner. In addition, firms with attentional constraints exhibit a lower likelihood of timely implementation. Our study extends research on decoupling and organizational responsiveness by considering an alternative explanation of what are often regarded as symbolic responses and making explicit a new set of mechanisms that drive substantive responses.

Parallel Session 3

13. Towards a Stakeholder-Oriented Framework on Value Creation and Allocation

by Julien Jourdan, Ilze Kivleniece and Anita McGahan

Abstract

In contrast with value-capture theory in strategy, stakeholder research argues that the maximization by a firm of value capture may undermine value creation. The theory remains ambiguous about how much value firms should capture, under which conditions, and which stakeholders should appropriate the co-created value. To address this ambiguity, we highlight differences in core assumptions across the value-capture and stakeholder perspectives. Discrepancies can be reconciled, we argue, by recognizing that the amount of value that stakeholders co-create is, under conditions we explore, a function of how much they receive. Firms can then be conceived as stakeholder value allocation mechanisms driven towards value creation. By shifting the focus from value capture to value allocation, our framework addresses critical questions in the emerging new stakeholder theory.

Parallel Session 3

14. Flexibility strikes a balance: How managers deal with stakeholders in practice

Pushpika Vishwanathan & Siri Boe-Lillegraven (both University of Amsterdam)

We utilize a strategy-as-practice lens to investigate how managers in nonprofits balance competing stakeholder interests. Stakeholder theory suggests that organizations and their managers rely on distinct and general approaches, predictable by relatively stable motives and moral logics, to handle their stakeholders. Our mixed-method inductive study of top managers in Dutch nonprofits partially supports this, but finds that flexibility trumps consistency when managers deal with conflicting stakeholder demands. Managers enact practices allowing them to both prioritize and harmonize stakeholder needs, and they shift between different motives and moral logics. With these findings, we advance an understanding of balancing stakeholder interests as embedded in practices but as ultimately accomplished through the practical wisdom of managers.

Parallel Session 3

15. Sustainable Entrepreneurship Under Market Uncertainty: Opportunities, Challenges, and Impact

Panikos Georgallis (University of Amsterdam) & Todd Schifeling (Temple University)

Abstract: Entrepreneurs are often viewed as uniquely positioned to address neglected social problems, and sustainable entrepreneurship in particular has been presented as the 'green panacea' that will put us on a path to mitigate climate change and other sustainability challenges. However, sustainable markets are fraught with uncertainties that curb entrepreneurial ventures' potential to deliver on such ambitious expectations. Despite several attempts to take stock of the literature on sustainable entrepreneurship, we lack a rigorous framework for systematically incorporating the market uncertainty that entrepreneurs face across different types of markets. In this paper we draw upon recent literature on collective action during market emergence and growth to develop an organizing framework to map entrepreneurial efforts across markets with varying degrees of uncertainty. In applying this framework to sustainable entrepreneurship, we highlight how demand and supply uncertainty affect sustainable entrepreneurship opportunities and challenges, and discuss to what extent entrepreneurial efforts may drive or inhibit societal impacts.

Parallel Session 4

16. Investor response to firm recidivism: An expectancy violations theory perspective

Brigitte Wecker & Matthias Brauer (both University of Mannheim)

This study focuses on how firm recidivism, defined as the number of past, same-type alleged violations of a firm, influences investor response to a new alleged violation. Building on expectancy violations theory, we argue and find that the relationship between firm recidivism and investor response is U-shaped. Investors respond most negatively to a new alleged violation of a firm with a moderate extent of recidivism because such news substantially violate investor expectations *and* because investors are likely to assess the new alleged violation as well-founded. We further find that the U-shaped relationship is less pronounced for firms with a high share of past acquittals and if misconduct by visible industry peers has been prevalent. Together, these findings advance knowledge on the performance implications of recidivism.

Parallel Session 4

"How stakeholders engage companies in dialogue on misconduct: A configurational perspective on stakeholder salience"

Alison E. Holm, Jasper Hotho & Larissa Rabbiosi & (all Copenhagen Business School)

Given stakeholders' limited resources, we explore what stakeholder attributes or combinations of attributes are sufficient in engaging corporations in dialogue on issues of misconduct. We draw on the literature on stakeholder salience and argue that configurational theorizing is opportune for such an investigation. Empirically, we use original data on complaints of misconduct directed against multinational enterprises between 2000 and 2018. Adopting a set-theoretic approach, we find that different combinations of attributes are sufficient for stakeholder salience, including combinations in which stakeholders do not possess high levels of power or urgency, showing that stakeholder salience neither relies solely on one single attribute nor depends solely on the accumulation of all attributes. We also find that stakeholders acting in groups can complement their attributes for salience. The findings demonstrate the value of theorizing stakeholder salience as configurational in explaining the relationship between stakeholder attributes and stakeholder salience. In addition, we contribute new insights into the ways by which stakeholders with limited resources can hold corporations to account.

Parallel Session 4

18. Better Safe Than Sorry - How CEO Personality Affects Product Recalls

Lorenz Graf-Vlachy (University of Dortmund), Daniel F. Gass (University of Cologne) & Andreas Fügener (University of Cologne)

We examine the role of CEO personality in product recalls. We argue that more neurotic CEOs resolve uncertainty around quality defects in ways that are more likely to find social approval – by being vigilant and recalling products more quickly. We further propose that CEO agreeableness positively and recent CEO media tenor negatively moderate this relationship because they determine how important social approval is for the CEO and how high the CEO's social approval was before the recall. Analyses of more than 1,500 recalls in the medical industry provide support for our hypotheses. We contribute by theorizing and testing a model linking CEO neuroticism with time-to-recall, contextualizing this relationship with theoretically motivated moderators, and demonstrating that multiple personality traits jointly affect an executive's actions.

Parallel Session 4

19. The role of environmental considerations in international acquisition performance: A configurational perspective

Anne Jeanne Servantie Jacqueminet (Bocconi) and Albino Pimentel (Copenhagen Business School)

We investigate how targets' environmental footprint influences value creation in acquisitions. We propose that value gains depend on the fit between the host country environmental regulations, the target's environmental footprint, and the acquirer's capability portfolio. We study international acquisitions by French multinationals over 2007-2017. The results of our fs/QCA suggest that significant gains accrue to firms whose deals reflect compliance with a strict regulatory context, either through the acquisition of clean targets or through the transfer of technical capabilities to the target. This is particularly true when the acquirer also has high stakeholder management capabilities. By contrast, acquisitions consistent with regulatory arbitrage are not likely to generate high returns. Our paper advances research on the interplay of market and nonmarket capabilities.

Parallel Session 4

20. Can financialization save nature? The case of endangered species

Diane-Laure Arjaliès, Delphine Gibassier

The current biodiversity loss is dramatic. Over the past 50 years, more than 68% of the mammals, birds, amphibians, reptiles, and fish on earth have disappeared, putting the planet's survival and its inhabitants – including human beings – at risk. Financialization, or the transformation of nature into financial assets, is increasingly offered to solve the biodiversity crisis. Proponents of financialization believe that assigning a monetary value to nature will incentivize human beings to protect habitats and their species. This article offers a four-mechanism model of nature's financialization, explaining why financializing nature is virtually impossible to achieve. We collected data through a unique two-stage data collection process, including a single case study and additional interviews with conservationists and conservation finance specialists. We analyzed a calculative device's development, the Index, assessing conservation efforts' impact on endangered species' survival. Conservationists hoped to use the Index to calculate a conservation impact bond's financial returns, a financial instrument designed to finance conservation projects, but they did not achieve their goal. We discuss the implications for the financialization and conservation literature and the role of accounting therein. We notably question previous financialization accounts, including the need for financial numbers or financial actors. We ultimately show that a financialization *project* can transform practices towards financialization, even if the financialization *process* is not complete.