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Tailor-to-Target: Configuring Collaborative Shareholder Engagements on Climate Change

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Abstract. We study collaborative shareholder engagements on climate change issues. These engagements involve coalitions of investors pursuing behind-the-scenes dialogue to encourage target firms to adopt environmental sustainability practices. Drawing on a unique data set of 553 engagements coordinated by the United Nations–supported Principles for Responsible Investment—and an innovative mixed-methods approach integrating fuzzy-set qualitative comparative analysis with regression analysis and qualitative interviews—we investigate how four coalition composition levers (coalition size, shareholding stake, experience, local access) combine to enable or hinder engagement success. We find that successful coalitions use four configurations of coalition composition levers that are tailored to target firms’ financial capacity and environmental predispositions, that is, target firms’ receptivity. Unsuccessful configurations instead emphasize single levers at the expense of others. Drawing on qualitative interviews, we identify three mechanisms (synchronizing, contextualizing, overfocusing) that plausibly underly the identified configurations and provide investor coalitions with knowledge about target firms and their local contexts, thus enhancing communication and understanding between investor coalitions and target firms. Our study contributes an emerging “tailor-to-target” theory of collaborative shareholder engagement that extends the literature by showing the importance of designing investor coalitions for effective climate-related engagement and the value of conceiving coalitions as different configurations of the same levers that can fit a target firm’s receptivity. From a practical perspective, our study prompts investors to move beyond one-size-fits-all approaches to instead tailor their engagement strategies to target firms’ receptivity.

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A successful collaborative engagement is a mix of things, and it’s like baking, you have a lot of ingredients, good ingredients, and you need to be very precise about what ingredients are doing what. And you don’t always get a nice cake out of it. (PRI interview 8)

1. Introduction

Although firms’ adoption of environmentally sustainable practices is central to addressing climate change (Whiteman et al. 2013, Steffen et al. 2015, Aguilera et al.

2021), scholars report a worrying “business-as-usual” managerial attitude toward these practices (Wright and Nyberg 2016). This complacency is attributed to firms’ lack of willingness or capacity to improve their environmental impact (Durand et al. 2019). To tackle this inertia, institutional investors have joined forces by forming coalitions to engage in dialogue with firms to shift their climate change practices. For example, Climate Action 100+ (CA100+)—an initiative backed by more than 700

investors—engages companies representing 80% of global emissions “to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change.”

The literature suggests that this form of shareholder activism—known as “collaborative shareholder engagement” because of its focus on “behind-the-scenes” dialogue and collaboration among coalitions of investors—can be used to effectively influence firms’ behaviors (Logsdon and Van Buren 2009, Ferraro and Beunza 2018). Past research highlights shareholder engagement as an effective tool for influencing firms’ practices (Kölbel et al. 2020). Specifically, studies show that successful engagements—those in which investors’ *ex ante* engagement goals are achieved (Dimson et al. 2015, Barko et al. 2021)—are associated with several factors that enhance the salience of an investor coalition to firms’ managers (Mitchell et al. 1997, Bundy et al. 2013), such as the coalition’s size (Doidge et al. 2019), the coalition’s stake in the target firm (Gond and Piani 2013), and local proximity between investors and target firms (Dimson et al. 2023). We refer to these factors as “coalition composition levers” as they constitute key characteristics of an investor coalition that the collaborating investors can leverage to improve engagement success.

Despite these findings, less is known about how multiple levers of coalition composition combine to induce shifts in corporate climate change practices (Aguilera et al. 2021). Whereas past research focuses on the net effects of single coalition composition levers, less attention is devoted to understanding how such levers interact with each other. Yet, as highlighted by our opening quote from an experienced engagement coordinator, several factors are simultaneously present in any collaborative engagement, and it is ultimately through their joint interaction that these factors shape engagement success or failure. Thus, we need to shift our attention from the net effects of single coalition composition levers to their combined effects and unpack how investors combine multiple levers when organizing coalitions for collaborative engagement. This is an important problem because improving coalition composition and design can increase investors’ ability to overcome firms’ inertia toward the adoption of climate-friendly practices. Therefore, we ask: what combinations of coalition composition levers enable or hinder successful collaborative engagement on climate change issues?

To address this question, we conceptualize collaborative shareholder engagement as a configurational phenomenon. Rather than focusing on the net effects of individual explanatory factors, a configurational approach focuses on how such factors combine to result in an outcome of interest (e.g., Furnari et al. 2021). Consistent with this approach, we use fuzzy-set qualitative

comparative analysis (fsQCA), a set-theoretic method that bridges qualitative and quantitative methods by combining case-based research with Boolean algebra and set theory to formalize systematic cross-case comparisons (Ragin 1987, 2008; Fiss 2007). Increasingly used in management studies (Misangyi et al. 2017), fsQCA is well-suited for addressing our research question because it conceives of cases as configurations of factors and identifies—using set-theoretic algorithms—which configurations are more consistently linked with an outcome of interest.

Empirically, we investigate a proprietary data set comprising 553 collaborative shareholder engagements on climate change issues coordinated by the Principles for Responsible Investment (PRI) from 2008 to 2019. These engagements involved 375 target firms in 35 countries engaged by 160 investors from 24 countries. Launched in 2006 and growing to more than 4,000 signatories with more than US\$100 trillion in assets, PRI—supported by the United Nations (UN)—has been instrumental in spurring the growing interest in investor-led collective action, operating as an enabling third-party organization that facilitates collaborative shareholder engagement on environmental, social, and governance (ESG) issues (Gond and Piani 2013). We also draw on qualitative interviews and archival data to validate our fsQCA findings and probe the mechanisms underlying the configurations identified using fsQCA.

We find that four configurations (or “recipes”) of coalition composition levers are consistently associated with engagement success, whereas four different configurations consistently relate to failure. We confirm the statistical significance of six of these eight configurations using regression analysis, including multiple controls and robustness checks. Based on these findings, we develop an emerging “tailor-to-target”¹ theory of collaborative shareholder engagement whereby successful engagement involves tailoring specific configurations of coalition composition levers to fit with the financial capacity and environmental predispositions of target firms, that is, the target’s receptivity. Drawing on our qualitative data, we propose two knowledge-based mechanisms underlying the configurations for engagement success—synchronizing and contextualizing—which point to investor coalitions’ differing abilities to align (synchronizing) and translate (contextualizing) their demands with target firms depending on the composition of the coalition and the target’s receptivity. By contrast, failed engagements are characterized by overfocusing—overemphasizing a single coalition composition lever and not including other relevant levers.

Our theory and findings contribute to the literature on social activism and stakeholder salience. We extend the social activism literature by demonstrating that the configurational composition of activist coalitions—in

conjunction with target firm receptivity—is important for activism success. Whereas extant theories of social activism develop notions cognate to target firm receptivity, such as “corporate opportunity structures”—and recently note their configurational nature (Schifeling and Soderstrom 2021)—we extend these theories by showing that activists’ levers also combine into configurations tailored to fit the multiple attributes of target firm receptivity. Moreover, whereas existing theory suggests that noninsider activists such as investors do not possess sufficient knowledge to influence firms’ practices (Briscoe and Gupta 2016), we show that investors can access such knowledge through collaborating and tailoring their coalition composition. Second, we extend theories of “fit” between firms and stakeholders (Bundy et al. 2018) and stakeholder engagement as communicative action (Ferraro and Beunza 2018). Although these theories emphasize how alignment between stakeholders and target firms develops through the process of engagement itself, we show that investors can *ex ante* strategically manipulate their coalition composition to align with target firm receptivity. Put simply, we show that the way investor coalitions are prearranged matters for engagement success.

Methodologically, our study is the first to analyze the collaborative shareholder engagement phenomenon using an innovative mixed-methods configurational approach that integrates fsQCA with regression analysis and the analysis of qualitative data. Specifically, we combine large-*N* fsQCA’s distinctive ability to systematically analyze complex patterns across cases (Greckhamer et al. 2013) with regression’s capacity to account for multiple controls and test the statistical significance of the identified configurations (Misangyi et al. 2017). Further, we leverage the analysis of qualitative interview data to identify and interpret the mechanisms underlying the configurations. Thus, our study shows how mixed methods can be used to enhance the value, validity, and rigor of the configurational approach (Goertz 2017).

Finally, our study has important practical implications for institutional investors seeking to exercise active ownership through collaborative shareholder engagement. We show that successful collaborative shareholder engagement requires investors using a variety of coalition composition levers that are specifically tailored to target firms, whereas focusing on only one lever *per se* can induce engagement failure. By moving beyond a “one-size-fits-all” approach to the corporate governance of environmental sustainability (Aguilera et al. 2015, 2021), our practical implications highlight the trade-offs between coalition composition levers and the limitations of overemphasizing any single lever. This will help institutional investors and collaborative engagement orchestrators—such as PRI and CA100+—to better influence the adoption of improved climate-related practices by firms on a large scale.

2. Collaborative Shareholder Engagement: A Configurational Phenomenon

Institutional investors—such as pension and mutual funds—represent a sizeable proportion of the assets in the financial marketplace (Davis 2009), which has become dominated by a few large investors (Fichtner and Heemskerk 2020). Given the power derived from this concentration and their role as firms’ owners, there is growing recognition that institutional investors play a central role in the sustainable transformation of the financial system (Arjaliès et al. 2017, Serafeim 2018). As part of this transformative role, activism by institutional investors is an important external corporate governance mechanism (Aguilera et al. 2015) that has the “explicit intention of influencing corporations’ policies and practices” (Goranova and Ryan 2014, p. 1232). Importantly, shareholder activism can be public and contentious—for example, highly visible hedge fund campaigns, shareholder resolutions on controversial practices—or can involve private and collaborative behind-the-scenes engagements, which are rarely aired in public (McCahery et al. 2016). Thus, investors’ tactics vary from confrontational to collaborative approaches to engaging firms (Baron et al. 2016, Odziemkowska 2022). We briefly outline studies relating to confrontational shareholder activism before discussing how collaborative shareholder engagement—our phenomenon of interest—relates to the social activism and stakeholder salience literatures (Mitchell et al. 1997, Briscoe and Gupta 2016). Throughout, we highlight the configurational nature of collaborative shareholder engagement.

Traditionally, shareholder activism studies focus on public, confrontational forms of activism. For instance, large shareholders are shown to use their power to influence firms’ practices, often amplifying their discontent through highly public and contentious tactics (Brav et al. 2008, Klein and Zur 2009). Scholars also study ESG activism by firm shareholders (Goranova and Ryan 2014). This is an increasingly relevant phenomenon with estimates suggesting that around 40% of all shareholder activism targets sustainability outcomes (Judge et al. 2010). These studies tend to focus on public forms of activism, including shareholder resolutions (David et al. 2007). Despite the contentious nature of shareholder resolutions, studies indicate that this tactic is effective for encouraging firms to adopt stakeholder-friendly practices (McDonnell et al. 2015). Nevertheless, success rates for shareholder resolutions are generally low (Bauer et al. 2015), and even those supported by a majority of shareholders are usually nonbinding (Flammer 2015). This suggests that private forms of shareholder activism also need to be considered.

Whereas much of the shareholder activism literature focuses on the conflictual nature of the principal-agent

relationship, corporate governance can also involve consensus-seeking collaboration (Sundaramurthy and Lewis 2003). The consensual nature of collaboration—in which actors voluntarily help others achieve common and/or private goals (Castañer and Oliveira 2020)—allows interactions to be less contentious, especially compared with public approaches that assert power and control. Accordingly, survey evidence highlights that institutional investors prefer private and collaborative forms of activism (McCahery et al. 2016), commonly referred to as private or behind-the-scenes shareholder engagement.² Through private shareholder engagements, firms and shareholders can interact in a nonconfrontational way to develop shared understandings about issues, allowing trusting relationships to be formed, albeit with the implied threat of using public forms of activism when differences cannot be resolved (Ferraro and Beunza 2018).

We define collaborative shareholder engagement as organized collective action by institutional investors who form ad hoc coalitions to enter into private dialogue with target firms in order to encourage improvements in firms' ESG practices. Our definition incorporates two meanings of "collaborative" in terms of the collective efforts of coalitions of institutional investors (Gond and Piani 2013) and the nonconfrontational nature of interactions between a focal coalition and target firm (Sundaramurthy and Lewis 2003, Desai 2018). Collaborative shareholder engagement involves coalitions of investors approaching target firms with their concerns regarding a particular ESG issue, requesting information about firms' practices, and seeking a commitment to address the issues raised. Such dialogue involves careful preparation, initiating and maintaining contact, and evaluating progress on engagement requests (Semenova and Hassel 2019). Engagements are generally considered successful when a target firm is persuaded to take action that is consistent with the ex ante goals set by investors (Dimson et al. 2015, 2023; Barko et al. 2021). Whereas an investor may engage portfolio firms individually, institutional investors increasingly collaborate to work collectively in ESG engagement (Doidge et al. 2019, Dimson et al. 2023).

As a phenomenon, collaborative shareholder engagement can be viewed as a nonconfrontational form of social activism. According to Briscoe and Gupta (2016), shareholders who use collective action to participate in social activism are neither "outsiders," for example, social movement organizations (SMOs) (King 2008), nor "insiders," for example, employee groups (Briscoe et al. 2014). Rather, shareholders have access to a limited set of formal channels to influence firms, for example, attending shareholder meetings, proxy voting, filing shareholder resolutions (McCahery et al. 2016). To be sure, there is much heterogeneity between different types of shareholders with some being closer to the

insider end of the spectrum, for example, institutional investors located geographically proximately to firms (Chhaochharia et al. 2012), whereas others are more likely to be viewed as outsiders, for example, religious groups that become shareholders to engage in activism (Eesley et al. 2016). This means that, although collaborative shareholder engagement by institutional investors does not necessarily constitute a social movement, the collective-action nature of the phenomenon allows us to draw on concepts from the social movements literature to theorize what explains engagement outcomes.

Although much of the social movements literature emphasizes the role of contentious social activism tactics (King and Pearce 2010), SMOs have also turned to nonconfrontational collaborative tactics to persuade firms to improve their environmental practices (McDonnell et al. 2021, Odziemkowska 2022). Likewise, internal activists, such as employees, frequently use persuasion and issue-selling techniques to green organizations from the inside (Lounsbury 2001, Howard-Grenville 2007, Soderstrom and Weber 2020). Recent work on the collaborative repertoire of activists shows how activists embedded within firms—being linked to collaborative SMOs at the same time—attempt to match external resources to the intra-firm context (Schifeling and Soderstrom 2021). Studying collaborative activist tactics has led to a shift in thinking about corporate opportunity structures—defined as "aspects of the organization's structure and culture that enable activist influence" (Schifeling and Soderstrom 2021, p. 5; cf. King 2008, Briscoe and Gupta 2016)—as a configurational concept involving complex combinations of multiple factors. For example, Schifeling and Soderstrom (2021) show how, for collaborative activist tactics, the prior environmental capacity of the target firm combines with other factors, such as firm scale and whether activists are internally or externally oriented, to explain firms' adoption of climate-friendly practices. This suggests that a configurational approach can help shed light on social activism processes involving complex combinations of factors to explain an outcome rather than focusing on individual factors in isolation.

Studies in stakeholder theory note the configurational nature of attributes that contribute to stakeholders or issues being viewed as salient by firms' managers (Wood et al. 2021). According to these frameworks, different combinations of attributes result in different types of salient issues or stakeholders (Mitchell et al. 1997, Bundy et al. 2013). In this view, greater fit between the attributes of the firm and its stakeholders contributes to collaboration (Bundy et al. 2018). Consistent with this view, studies in the wider stakeholder literature highlight the configurational and causally complex nature of firms' stakeholder responses (Delmas and Pekovic 2018, Gupta et al. 2020). Yet causal complexity is not examined in the shareholder activism literature, in which most studies focus on singular firm-, investor-,

and issue-related factors that contribute to successful engagement with less attention given to the complex ways in which these factors interact to explain engagement outcomes (Aguilera et al. 2015). For instance, a recent study by Dimson et al. (2023) shows that coalitions of shareholders are more successful when they include influential or local investors, but they did not examine how these factors combine with firm characteristics that determine the corporate opportunity structure. Meanwhile, some studies using regression methods feature a single interaction between a firm and investor attribute (e.g., Neubaum and Zahra 2006, Bauer et al. 2015). Each of these attributes and two-way interactions are interesting on a stand-alone basis. Yet the attributes do not exist in isolation, and studies that focus on stand-alone effects—albeit controlling for other factors—may overlook nuances that can provide a more complete picture of the process.

Overlooking the configurational nature of shareholder engagement is not solely a methodological problem, but has wider implications. Extant conceptualizations of social activism and stakeholder salience suggest that combinations of activist and issue attributes—together with aspects of the corporate opportunity structure—are expected to elicit different types of corporate responses (Mitchell et al. 1997, Bundy et al. 2013). Whereas emerging insights into the largely unknown repertoire of collaborative tactics (McDonnell et al. 2021) show that insider activist tactics depend on firm capacity and experience with climate change issues (Schifeling and Soderstrom 2021), we still do not know how coalitions of investors can be assembled to successfully persuade firms to improve their environmental practices. This is practically relevant as the current inertia of firms vis-à-vis climate change indicates that many are neither willing nor able to

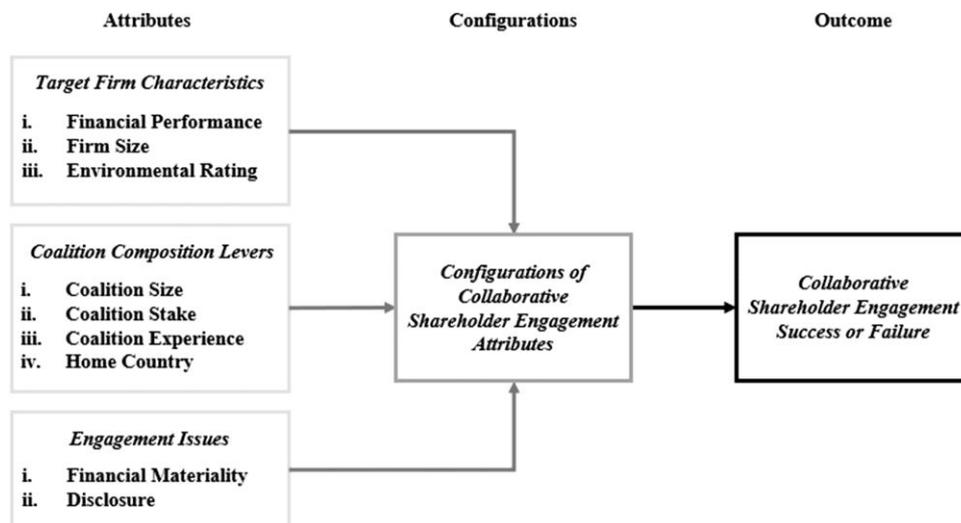
comply with investors’ demands (Durand et al. 2019). Firms may still refuse to acknowledge environmental issues that are financially material for their sector (Khan et al. 2016), and even powerful shareholders are not always successful (Dimson et al. 2015). Hence, important questions regarding the phenomenon remain unresolved. For example, we do not know how a group of investors can be effectively organized to achieve engagement success. Therefore, we tackle this problem by developing an emerging configurational theory of collaborative shareholder engagement.³

2.1. Configuring Collaborative Shareholder Engagements on Climate Change Issues

Configurational theorizing requires selecting attributes based on existing theory and empirical knowledge of the phenomenon. Specifically, previous research recommends identifying attributes on the basis of a “configurational rationale”—that is, attributes that can plausibly interact with each other and, thus, form configurations explaining the outcome of interest (Furnari et al. 2021). Consistent with this approach, we develop a configurational model to consider the joint effects of three groups of attributes that are highlighted in the shareholder engagement literature: target firm characteristics, coalition composition levers, and engagement issues. We also draw on our empirical knowledge about the process of shareholder engagement—obtained as part of a broader research project on collaborative shareholder engagement as supported by the PRI. We depict our model in Figure 1 and describe the individual attributes as follows.

2.1.1. Target Firm Characteristics. We identify three characteristics of target firms highlighted in the literature

Figure 1. Model of Collaborative Shareholder Engagement



that we expect to be relevant for explaining collaborative shareholder engagement outcomes: financial performance, firm size, and environmental ratings. Numerous studies document a positive relationship between firms' financial performance and their willingness to attend to stakeholders (e.g., Waddock and Graves 1997, Hong et al. 2012). However, studies also cast doubt on this relationship (Zhao and Murrell 2021). In fact, in a study by Dimson et al. (2015) focusing on the engagements of a single large institutional investor, successful engagements were more likely for firms with worse financial performance. By contrast, Bates and Hennessy (2010) find that activism is more likely to be successful for firms with higher financial performance. These conflicting findings support our configurational approach as the effect of financial performance may depend on the presence or absence of other factors.

Meanwhile, studies generally support a positive relationship between firm size and responsiveness to shareholders (e.g., Neubaum and Zahra 2006, Wiersema et al. 2020). This is partly explained by large firms having resources that enable them to bear the costs of addressing stakeholder demands (Durand et al. 2019), an argument supported by the findings of Dimson et al. (2015). Likewise, the literature highlights the role of target firms' capacity to effectively manage issues raised in shareholder engagements (e.g., Rehbein et al. 2013, McDonnell et al. 2015). For instance, a study of private shareholder engagements by Barko et al. (2021) shows that successful engagements are more likely for firms exhibiting higher ESG ratings. Firms oriented toward stakeholders in this way are better positioned to respond to engagement.

2.1.2. Coalition Composition Levers. There is much heterogeneity among investors who participate in shareholder engagement (Sikavica et al. 2020) with some being more salient than others (Goranova and Ryan 2014). Therefore, based on the literature and knowledge sourced from the field, we highlight four important coalition composition levers: coalition size, coalition stake, coalition experience, and home country location. Consistent with theory relating to stakeholder salience and mobilization of social activists (Rowley and Moldoveanu 2003, Eesley and Lenox 2006), target firms are likely to prioritize the concerns of larger coalitions and those with a higher shareholding stake. Coalitions that represent larger pools of assets can amass greater engagement resources and are viewed as more powerful and legitimate (Gifford 2010). As a result, there is much evidence pointing to the success of investors representing large asset pools for encouraging changes to firms' practices (Edmans 2014). Similarly, a larger stake in a firm provides investors with more formal power (Gond and Piani 2013), such as an enhanced ability to vote on director elections and executive remuneration (Del Guercio et al. 2008, Ertimur et al. 2013). The ESG engagement literature supports this view with target

firms being more responsive to shareholders who represent a larger part of their shareholder base (David et al. 2007, Dimson et al. 2015).

Investors that participate in collaborative engagements also vary in their coalition experience. Repeated participation in collective efforts enables investors to accrue benefits, including accessing knowledge from other coalition members and developing trusted working relationships (Wang and Soule 2012, Desai 2018). As coalition experience increases, collaboration norms are developed, which supports the legitimacy of experienced collaborators to external audiences (Rosenkopf et al. 2001). Therefore, experienced coalitions are expected to be more effective in achieving their aims as past experiences of success enable future success (Hadani et al. 2019). Another form of legitimacy arises from investors being located in the same home country as the target firm, which Gifford (2010) finds to be particularly important for collaborative engagements. Supporting this view is a study by Dimson et al. (2023) who find that engagements coordinated by PRI involving investors and target firms originating from the same country are more likely to be successful as proximity of this kind involves cultural similarity and opportunities for more frequent interactions. These arguments are consistent with studies highlighting how geographic proximity facilitates monitoring of firms by investors (Chhaochharia et al. 2012) and because domestic firms are typically a large part of investors' portfolios (Jahnke 2019).

2.1.3. Engagement Issues. The extant literature highlights that firms are more likely to respond substantively to external pressures if they relate to salient issues (Bundy et al. 2013, Durand et al. 2019). We highlight two important features of issues raised in ESG-related engagements: whether they relate to financially material issues and whether firms are being asked to improve their disclosure or adopt a specific type of practice. Financially material issues are those that firms are required to disclose by financial market regulators because of their significance for a reasonable investor (Khan et al. 2016) and are highly relevant for decision making by both investors and firms' managers (Bauer et al. 2022). For instance, equity investors are found to be more responsive to nonfinancial disclosures for firms facing higher exposure to financially material ESG issues (Grewal et al. 2019). Likewise, firms' credit risk is shown to be heightened following events relating to financially material ESG issues (Henisz and McGlinch 2019). These findings suggest that there is an alignment of financial interests between investors and firms' managers for financially material issues. Based on this argument, we expect that collaborative engagements focusing on financially material issues are particularly relevant for shareholders and firms' managers because of the risks and opportunities they present for target firms' financial performance.

Our second engagement issue attribute differentiates those seeking a change in firms' practices from others seeking enhanced disclosure and transparency. Shareholder activists often seek improvements in firms' sustainability disclosures (Flammer et al. 2021), and a recent study on shareholder engagement suggests that firms are more responsive to requests for increased disclosure compared with more substantive changes to their practices (Barko et al. 2021). Nevertheless, firms may also be willing to implement more substantive changes if the net benefit of those practices is deemed sufficient and the issues are viewed as being salient along other dimensions (Durand et al. 2019). In other words, firms' responsiveness to different types of issues is likely to be contingent on other firm and coalition composition characteristics. This lends further support to our configurational view of collaborative shareholder engagement.

2.1.4. Combining Relevant Attributes. The model in Figure 1 proposes that the nine firm, coalition, and issue attributes combine into configurations to explain collaborative engagement success or failure. By studying collaborative engagement from a configurational perspective, we seek to do greater justice to the inherent complex nature of the salience concept in shareholder activism research (Goranova and Ryan 2014, Aguilera et al. 2015)—in line with the emerging configurational perspective in corporate governance (Ward et al. 2009, Bell et al. 2014, Misangyi and Acharya 2014, Greckhammer 2016), which seeks to add nuance to existing corporate governance typologies. We argue that successful collaborative shareholder engagement, that is, when target firms agree to change their environmental practices in line with shareholders' demands, is dependent on matching the characteristics of target firms with the attributes of investor coalitions and the issues being raised. In other words, there may be different types of engagements that are effective—or ineffective—depending on how these various attributes come together. It is exactly on this configurational problem (i.e., how the attributes combine) that we lack theory.

Clearly then, understanding collaborative shareholder engagement with greater nuance requires unpacking how the attributes of target firms, coalition composition levers, and focal issues simultaneously interrelate. To investigate this, we use fsQCA to empirically derive and inductively theorize configurations or recipes consistently linked with success (or failure) in collaborative shareholder engagement. We then show how configurations can be integrated into traditional regression models to evaluate their relative significance, accommodating for potential confounding effects. In the next section, we first discuss the empirical phenomenon and then illustrate our mixed-methods approach.

3. Data and Methodology

3.1. Collaborative Shareholder Engagements and the Principles for Responsible Investment

We study collaborative shareholder engagements in the context of the PRI initiative. Since its launch in 2006, PRI has become the largest network for investors with a commitment to responsible investment with more than 4,000 signatories from more than 60 countries representing more than US\$100 trillion in assets (Kim and Yoon 2023). PRI has a dedicated engagement team, who act as an “enabling organization” (Gond and Piani 2013) by directly coordinating a select number of collaborative engagements. We describe our core collaborative shareholder engagement data that we analyze using the fsQCA and regression-based approaches. We complement this core data with qualitative data that was collected as part of a broader research project examining the value of collaborative shareholder engagement for both institutional investors and target firms (Gond et al. 2018). The latter comprises a rich data set of interviews and secondary archival data, including 88 interviews with investors from signatory funds (30), corporate managers (47), and all PRI staff (11) involved in coordinating collaborative shareholder engagements.

The coordination provided by PRI seeks to bring together like-minded investors and provide a support structure for their activities without directly engaging with target firms—in line with the PRI's objective to remain independent. Some PRI signatories view engagement as part of their duty as universal owners: their size and diversified portfolios means that their shareholdings are “representative of the economy as a whole” (Hawley and Williams 2000, p. 58). As described in interviews, signatories collaborate with like-minded investors to increase their salience and to share resources, knowledge, and experience: “It can help to get a response from companies, certainly, to be taken a bit more seriously that way and also the interchange we have with one another can be really valuable in just raising the level of the responsible investment industry more generally” (Investor interview 23). “We tend to join the collaborative engagements when we feel like we have a lot of knowledge that we are able to contribute. But then, on the flip side, we also like to get something out of it, and if there's a list of companies that we don't normally have access to, then that's a benefit to us” (Investor interview 1).

From 2008 to 2019, PRI coordinated 40 collaborative engagement projects across a range of ESG issues.⁴ In a typical project, a small group of investors first comes together to discuss the objectives, such as improving methane risk management.⁵ As confirmed by our analysis of the archival data and PRI lists of target firms, firms are selected for an engagement project in a coarse-grained manner by focusing on the relevant industries (e.g., oil and gas for the methane risk project) and by

market capitalization (i.e., largest firms in relevant industries). This approach is consistent with the “waves” of shareholder activism noted in Flammer et al. (2021)—in which investors select a wide range of firms without specifically focusing on their individual characteristics—and with predictions in the social activism literature that noninsider activists are less efficient in target selection (Briscoe and Gupta 2016). Thus, firms are not specifically targeted based on either their receptivity or other firm-specific characteristics. Rather, they are selected in a coarse-grained fashion because they are members of large lists that are generically defined. After target firms and engagement objectives are decided, other PRI signatories are invited to join the project. For each project, the coalition engages by jointly sending a letter to target firms about the focal issue and—if firms are responsive—meeting firms’ representatives to start a private dialogue. After such dialogue takes place, success is evaluated based on target firm progress against *ex ante* engagement objectives.

We focus our study on collaborative engagements coordinated by PRI on topics related to direct or indirect corporate contributions to climate change and its effects. Our initial sample included 782 firm-level collaborative engagements covering the 2008 to 2019 period. These engagements were part of 15 separate projects that each focused on a specific issue, such as target firms’ disclosure of emission reduction plans or the adoption of carbon emission targets. Engagements with missing data—all relating to unavailable financial data or environmental ratings—were removed, leaving a final sample of 553 collaborative engagement cases. The final sample is global in nature with 375 unique target firms headquartered in 35 countries engaged by 160 different investors located in 24 countries. Our unit of observation is the engagement of a target firm.

3.2. fsQCA Methodology

fsQCA is particularly well-suited to address our research question because the method conceives of cases as configurations of explanatory attributes, allowing us to identify which specific configurations of attributes are consistently linked with the outcome of interest. Using set theory, fsQCA conceptualizes explanatory attributes and the outcome of interest as sets—that is, conceptual categories into which cases are calibrated. For example, a specific case (e.g., a firm) in a data set is calibrated into the set of large firms (Misangyi et al. 2017) so that it can be more or less “in” or “out” of the set of large firms (see details in Section 3.3). Cases are calibrated into sets via fuzzy-set membership scores identified by using qualitative thresholds based on theoretical and empirical knowledge (Ragin 2008). Once each case is calibrated into the sets representing the attributes and outcome of interest, fsQCA focuses on analyzing subset relations using Boolean algebra operators (i.e., AND, OR) and

algorithms. Specifically, two key subset relations between configurations of attributes and the outcome are examined: (1) necessity, an attribute or configuration of attributes needs to be present for the outcome to occur, implying that the outcome is a subset of the attribute(s), and (2) sufficiency, all or almost all cases exhibiting the attribute or configuration of attributes also exhibit the outcome, implying that the attributes are a subset of the outcome.

By doing so, fsQCA is designed to take into account conjunction, that is, when different combinations of attributes jointly produce an outcome of interest, thus capturing the complex configurational nature of collaborative shareholder engagement. Further, fsQCA is well-suited to capture equifinality, that is, the possibility that there is more than one pathway (or configuration) to the outcome. Finally, fsQCA assumes causal asymmetry, implying that the attributes connected with the presence of the outcome are not assumed to be reverse of the attributes connected with its absence. Building on the idea of causal asymmetry and consistent with recommended best practices in fsQCA studies (e.g., Greckhamer et al. 2018), we analyze how both the presence and absence of target firm characteristics, coalition composition levers, and engagement issue attributes combine into configurations associated with engagement success as well as failure.

We used the “QCA” software package in R (Thiem and Dusa 2013) to construct a “truth table” listing all logically possible configurations of attributes for an outcome (see Online Appendix C). We analyzed the truth table for necessity subrelations by setting the consistency threshold—the degree to which cases sharing a configuration of attributes are associated with the outcome—for necessity at 0.9 in line with best practice (Ragin 2008, Schneider and Wagemann 2013) and found no necessary conditions. We proceeded with the minimization of the truth table to identify configurations consistently associated with the presence (or absence) of the outcome (i.e., sufficiency subset analysis). In line with best practice (Greckhamer et al. 2018), we set the thresholds for consistency at 0.8, for the proportional reduction in inconsistency at 0.7, and for frequency at two and five cases per configuration for engagement success and failure, respectively. Frequency refers to the number of cases exhibiting a configuration, and using different frequency thresholds for success and failure is common in QCA studies (e.g., Campbell et al. 2016) to intuitively capture the idea of identifying more rare recipes for success and more common routes to failure.

Of the three types of solutions derived by the truth table algorithm—complex, parsimonious, and intermediate (see Ragin 2008 for details)—we selected the intermediate solution as usually recommended (e.g., Fiss 2011). This solution incorporates simplifying assumptions consistent with the data and extant theoretical

Table 1. Summary Statistics and Correlation Matrix

| Variable | Mean | Standard deviation | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|-----------------------------------|--------|--------------------|-------|-------|-------|-------|-------|-------|------|------|-------|
| (1) <i>Successful Engagement</i> | 0.42 | 0.49 | | | | | | | | | |
| (2) <i>Financial Performance</i> | 6.84 | 6.40 | −0.12 | | | | | | | | |
| (3) <i>Firm Size</i> ^a | 44.07 | 58.39 | 0.07 | −0.07 | | | | | | | |
| (4) <i>Environmental Rating</i> | 62.02 | 26.52 | 0.25 | −0.03 | 0.38 | | | | | | |
| (5) <i>Coalition Size</i> | 566.94 | 249.76 | 0.11 | −0.18 | −0.10 | −0.05 | | | | | |
| (6) <i>Coalition Stake</i> | 1.50 | 2.68 | −0.01 | −0.05 | −0.11 | −0.05 | 0.25 | | | | |
| (7) <i>Coalition Experience</i> | 72.52 | 66.51 | −0.01 | 0.06 | −0.14 | −0.16 | −0.20 | −0.02 | | | |
| (8) <i>Home Country</i> | 0.60 | 0.49 | 0.12 | 0.08 | −0.02 | 0.05 | 0.06 | 0.07 | 0.01 | | |
| (9) <i>Financial Materiality</i> | 0.60 | 0.49 | 0.15 | −0.12 | 0.11 | 0.06 | 0.01 | 0.02 | 0.02 | 0.02 | |
| (10) <i>Disclosure</i> | 0.73 | 0.45 | −0.16 | 0.07 | −0.30 | −0.19 | −0.04 | 0.08 | 0.31 | 0.11 | −0.22 |

Notes. Summary statistics and correlations are based on raw (uncalibrated) measures. The mean variance inflation factor of the independent variables is 1.58 (maximum 3.04).

^a×1,000.

knowledge (Misangyi et al. 2017). Specifically, based on the configurational model discussed in Section 2, we assume that the presence of all firm, coalition, and issue attributes contribute to the presence of the outcome. Further, we do not distinguish between core and contributing conditions as our research question does not focus on such a distinction. We detail our measures and procedures for calibrating our cases into sets (Section 3.3) and to integrate fsQCA with our regression approach (Section 3.4).

3.3. Data, Measures, and Calibration

Our main analysis includes one outcome—engagement success—and nine firm, coalition composition, and engagement issue attributes. Summary statistics and pairwise correlations between the measures are provided in Table 1.⁶ The correlations are generally low, and the average variance inflation factor is 1.58 (maximum 3.04). Hence, we do not expect multicollinearity to be of concern in our sample. In describing our measures, we also illustrate how we calibrated our outcome measure and each of the attributes. A summary calibration table is provided in Table 2, which also indicates our measures and data sources.

3.3.1. Engagement Outcome. Our outcome of interest is whether a collaborative engagement has successfully achieved the desired change in target firms’ practices as outlined at the start of each engagement. Consistent with Dimson et al. (2023), we code *Successful Engagement* as a dummy measure. Cases were coded as fully in the set of successful engagements (=1) when the PRI data indicated that the firm met the ex ante engagement objectives at the end of the engagement project. Firms that did not meet the objectives were coded as out of the set (=0). The evaluation of success undertaken by coalition members and coordinated by PRI staff is based on a scorecard system, which measures target firm performance against preset criteria before and after the

engagement. For example, in the project seeking improved disclosure of emissions and emissions reduction plans as part of the Carbon Disclosure Project (CDP), coalition members assessed the outcome of each engagement based on “Did the company disclose Scope 1 & 2 emissions and/or emissions reductions programs in the year after the engagement? Yes = Successful; No = Unsuccessful.” In another project seeking support for the UN Global Compact’s CEO Water Mandate, firms were assessed based on “Did the company sign up? Yes = Successful; No = Unsuccessful.”⁷

3.3.2. Target Firm Characteristics. We measured firms’ *Financial Performance* using their return on assets (ROA). We then calibrated membership in the set of *Highly Profitable Firms* using the following thresholds that are consistent with previous studies by Fiss (2011) and Misangyi and Acharya (2014). Firms with ROA at or below the industry median for a given year were considered as fully out of the set of highly profitable firms (=0), whereas those in their industry’s top quartile were considered as fully in the set (=1). We then specified the crossover point—the level at which firms are neither fully in nor fully out of the set of highly profitable firms—as the midpoint between these two thresholds for each industry (=0.5). Given the global nature of our sample, the industry ROA percentiles are based on MSCI World Index constituents in each year—to account for temporal effects—and firms’ industries were based on two-digit Standard Industry Classification (SIC) codes. Next, we measured *Firm Size* using the total assets (in billions of U.S. dollars) and calibrated thresholds for firms’ membership in the set of *Large Firms* using the same industry-based approach described for highly profitable firms.

We measured each target firm’s *Environmental Rating* using scores from Thomson Reuters ESG, previously known as ASSET4. This data set has been used extensively in the management literature to capture different

Table 2. Calibration of the Fuzzy Sets

| Attributes | Fuzzy set (measure (source)) | Fuzzy set calibrations | | |
|------------------------------|---|------------------------|---|---------------------------|
| | | Fully out | Crossover | Fully in |
| Target firm characteristics | | | | |
| Financial performance | Highly profitable firms (return on assets in year prior to engagement (FactSet)) | ≤Industry median | Midpoint between median and 75th percentile | ≥Industry 75th percentile |
| Firm size | Large firms (total assets in year prior to engagement (FactSet)) | ≤Industry median | Midpoint between median and 75th percentile | ≥Industry 75th percentile |
| Environmental rating | Strong environmental track record (equally weighted rating of firms' resource use and emissions scores in year prior to engagement (Thomson Reuters ESG)) | 0 | 0.33/0.67 | 1 |
| Coalition composition levers | | | | |
| Coalition size | Large coalitions (total equity holdings by all investors in the coalition in year prior to engagement in US\$ billions (FactSet)) | 144 | 350 | 1,000 |
| Coalition stake | Large shareholdings (total percentage of shares held in target firm by investors in the coalition in year prior to engagement (FactSet)) | 0 | 0.33/0.67 | 1 |
| Coalition experience | Experienced coalitions (average number of firms engaged on environmental topics by coalition members in prior year (PRI)) | 0 | 0.33/0.67 | 1 |
| Home country | Local access (country of headquarters of target firm matches with at least one of the investor coalition members' home countries (FactSet and PRI)) | No shared home country | | Shared home country |
| Engagement issues | | | | |
| Financial materiality | Financially material issues (material topic for the industry of the target firm = 1, otherwise = 0 (SASB)) | Immaterial | | Material |
| Disclosure | Disclosure seeking (the main objective of the engagement is to seek enhanced disclosure or change in firms' environmental management practices (PRI)) | Change seeking | | Disclosure seeking |

dimensions of firms' ESG capabilities (e.g., Cheng et al. 2014, Hawn et al. 2017).⁸ We subsequently coded for the set of firms with a *Strong Environmental Track Record* using a four-value fuzzy set based on score thresholds provided by Thomson Reuters: >75 (Thomson Reuters A grade) coded as fully in the set (=1), >50 and ≤75 (B grade) coded as more in than out (=0.67), >25 and ≤50 (C grade) coded as more out than in (=0.33), and ≤25 (D grade) coded as fully out (=0).

3.3.3. Coalition Composition Levers. We operationalize the *Coalition Size* measure using the total value of coalition members' stock holdings in the year preceding the engagement, sourced from FactSet based on the list of coalition members for each engagement in the PRI database.⁹ To calibrate for membership of the set of *Large Coalitions*—those that are similar in size to the world's largest investors—we identified qualitative thresholds by using the Willis Towers Watson 2012 ranking of the 500 largest asset managers in the world. This ranking is based on investors' assets under management as at the end of 2011, which is the median start year of the engagements in our sample. Coalitions with total assets in the top 2% of this ranking were coded as fully in the set of large coalitions (=1), those outside the top 20% were coded as fully out (=0), and the crossover point was set at the level of the top 10% of the ranking.

Meanwhile, *Coalition Stake* is the total percentage of a target firm's shares held by a coalition's members, sourced from FactSet. We then calibrated the set of *Large Shareholdings* as a four-value fuzzy set based on the following levels of a coalition's shareholding in the target firm: >5% (=1), >3% and ≤5% (=0.67), >1 and ≤3% (=0.33), and ≤1% (=0). We calibrated this condition based on regulatory benchmarks for reporting ownership used in different developed markets. For example, in France, Japan, and the United States, shareholders are required to report their holdings when crossing the 5% ownership threshold. Similarly, in Germany, the Netherlands, and the United Kingdom, shareholders are required to report at the 3% level.

We measured *Coalition Experience* using the average number of firms targeted on environmental issues by coalition members in the year prior to the start of the focal engagement based on the full sample of 782 climate-related collaborative engagements in the PRI database. We calibrated the set of *Experienced Coalitions* as a four-value fuzzy set based on sample quartiles for experience levels: top quartile (=1), second quartile (=0.67), third quartile (=0.33), and bottom quartile (=0). We used the sample quartiles as we were unable to identify theoretical or empirical benchmarks to guide our calibration. Next, we operationalized home country location based on data provided by PRI and firm headquarters data from FactSet. We coded the set of engagements involving *Local Access* as fully in the set (=1)

when at least one investor in the coalition was located in the same country as the target firm's headquarters and fully out otherwise (=0).

3.3.4. Engagement Issues. *Financial Materiality* was coded using guidance from the Sustainability Accounting Standards Board (SASB). To calibrate the set of *Financially Material Issues*, we used the SASB Materiality Map¹⁰ to code issues indicated as financially material for the industry in which the firm belongs as fully in the set (=1) and out of the set otherwise (=0). For example, greenhouse gas emissions are classified as financially material for metals and mining firms but are not material for biotechnology and pharmaceuticals firms. Finally, based on our analysis of the engagement details provided by PRI, we coded engagements based on whether they mainly seek improvements in target firms' *Disclosure* as in the set of *Disclosure Seeking* cases (=1), for example, engagement projects focused on increasing target firms' disclosure through CDP or seeking disclosure on risks associated with climate change. Projects coded as out of the set (=0) focused primarily on practice changes, for example, adopting best practices for fracking activities or aligning lobbying with carbon reduction plans, and to a lesser degree on disclosure. In line with previous research that suggests investors prioritize information seeking (Flammer et al. 2021), the objective to increase disclosure was dominant for a majority of target firms (see Table 1 and Online Appendix A).

3.4. Integrating fsQCA and Regression Approaches

Although we have already highlighted the strengths of the fsQCA methodology—the ability to deal with conjunctural causation, equifinality, and causal asymmetry that are particularly relevant for our research question—integrating this approach with more traditional econometric techniques allows us to glean additional insights. As outlined by Fiss et al. (2013), introducing fsQCA solutions into regression models can serve as an additional test of robustness, can be used to understand effect sizes relating to each configuration, and allows for the inclusion of further variables of interest and fixed effects (FE). The latter is particularly important for addressing one of the shortcomings of fsQCA that only a relatively limited number of attributes can be included in the analysis depending on the sample size. This means that the configurational approach may result in the exclusion of some relevant variables, which can be reintroduced when combined with regression analyses. In short, combining fsQCA with regression approaches allows for verification of the relevance and robustness of the identified configurations.

Integrating fsQCA configurations into regression models requires multiple steps. We first calculate membership scores using the approach outlined in Meuer

and Rupiotta (2017a) to determine which engagements can be assigned to each configuration. As indicated for calibrating the nine attributes, each case has an attribute membership score (x_{ij}) ranging from zero to one based on the degree to which the case i belongs to the set of the focal attribute j (e.g., for *Financial Performance*, cases were scored based on the extent to which firms belong to the set of *Highly Profitable Firms*). Configurations can involve the presence of an attribute (e.g., the configuration includes firms in the set of *Large Firms*), the irrelevance of an attribute (e.g., *Coalition Stake* does not appear in the configuration), or the absence of an attribute (e.g., the configuration includes cases out of the set of *Financially Material Issues*). For an absent attribute, attribute membership scores need to be transformed to represent the negation of the attribute using the equation

$$x_{ij}^{neg} = 1 - x_{ij}.$$

Following this, configuration membership scores can be calculated as the minimum of the relevant attribute membership scores. For example, consider a configuration C that includes the presence of attributes 1 and 2, the absence of attribute 5, and other attributes being irrelevant. In this case, the configuration C membership score for engagement i is given by the equation

$$ms_i^C = \min(x_{i1}, x_{i2}, x_{i5}^{neg}).$$

This step is repeated for all identified configurations for each observed case of collaborative engagement.

We then determine whether a given engagement belongs to a particular configuration. Engagements with a configuration membership score exceeding 0.5 are considered members of that configuration. For instance, if engagement i has membership scores of 0 for configurations A and C , 0.2 for configuration B , and 0.7 for configuration D , then engagement i is considered a member of configuration D . As highlighted by Meuer and Rupiotta (2017a), configurations become mutually exclusive when cases are classified in this way, so engagements are uniquely assigned to a configuration under this approach. Cases that are not assigned to a configuration—because their membership score does not exceed 0.5 for any configuration—become members of a residual configuration. Using this approach, each engagement is assigned a dummy for each configuration. For example, for the configurations A , B , C , and D , engagement i belongs to configuration D and, therefore, does not belong to A , B , or C , so the values of the four dummies are

$$d_i^A, d_i^B, d_i^C = 0 \text{ and } d_i^D = 1.$$

These dummies are then included as independent variables in the regression models to assess the degree to which membership of each configuration explains the

focal outcome (Meuer and Rupiotta 2017b), which, in our case, is *Successful Engagement*.

Given the binary nature of our focal outcome, we use fixed effects probit regressions to determine the relevance of membership in each configuration. We control for the nine attributes that are used to determine the configurations and also account for clustering by project and over time by including fixed effects for each *Project* and the starting *Year* of each engagement in addition to the *Industry* of the target firm—based on two-digit SIC codes—and its home *Country*. To assess whether membership in configuration A predicts a success for engagement i , the regression equation we estimate takes the form

$$\begin{aligned} Pr(\text{Successful Engagement})_i \\ = \beta_0 + \beta_1 * d_i^A + \gamma * (\text{Attributes})_i + \delta * (\text{Fixed Effects})_i + \epsilon_i. \end{aligned}$$

In the regression results reported in Section 4.2, we use the raw uncalibrated values for each of the nine main attributes except for *Firm Size* and *Coalition Size* for which we use a natural logarithm transformation because of the skewed nature of these variables. We use the raw uncalibrated forms of these attributes to allow for consistency when we include additional controls discussed in the robustness section. We also include regressions based on the calibrated set forms of these variables in the robustness section. For all our regression analyses, robust standard errors are clustered at the level of the target firm.

4. Results

We first present the configurational findings based on the fsQCA analysis. Following this, we then integrate the configurations into probit regression models to test whether these configurations are significant in the presence of other controls and FE. Later, we outline additional robustness analysis.

4.1. fsQCA Results: Configurations of Engagement Success and Failure

Table 3 reports the configurations identified using our fsQCA methodology. Our analysis reveals four configurations for engagement success (configurations 1–4 in Table 3) and four for engagement failure (configurations 5–8). Successful configurations involve changes in target firms' climate-related practices as per investors' engagement requests. Unsuccessful engagements fail to result in such changes. Following best practice (e.g., Greckhamer et al. 2018), we report consistency (all above the recommended 0.8) and coverage scores for all the configurations identified ("overall solution" consistency and coverage) and for each individual configuration. Coverage scores indicate empirical relevance with raw coverage indicating the proportion of set membership in the outcome accounted for by each configuration. Because each engagement may feature in multiple configurations,

Table 3. fsQCA Results: Configurations for Engagement Success and Failure

| | Engagement success | | | | Engagement failure | | | |
|-----------------------------------|--------------------|--------------------------|----------------------|-------------------|-------------------------|----------------------------|---------------------|-------------------|
| | High receptivity | | Moderate receptivity | Mixed receptivity | Low receptivity | Mixed receptivity | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | Trust the experts | Localize the common good | Go local | Embed the experts | Ownership is not enough | Local access is not enough | Money is not enough | Amateur idealists |
| Target firm receptivity | | | | | | | | |
| Target firm characteristics | | | | | | | | |
| Highly profitable firms | ● | ● | ⊗ | | ⊗ | | ● | ⊗ |
| Large firms | ● | ● | ● | ● | ⊗ | ⊗ | | |
| Strong environmental track record | ● | ● | ● | | ⊗ | ⊗ | ⊗ | |
| Coalition composition levers | | | | | | | | |
| Large coalitions | ● | ● | ● | ● | | | | |
| Large shareholdings | | | | | ● | ⊗ | ⊗ | ⊗ |
| Experienced coalitions | ● | | | ● | | | | ⊗ |
| Local access | | ● | ● | ● | ⊗ | ● | | ⊗ |
| Engagement issues | | | | | | | | |
| Financially material issues | ● | ⊗ | ● | ● | ⊗ | ⊗ | ⊗ | ⊗ |
| Disclosure seeking | ⊗ | ⊗ | ⊗ | ⊗ | | | | ⊗ |
| Consistency | 0.99 | 0.88 | 0.87 | 0.99 | 0.92 | 0.87 | 0.83 | 0.86 |
| Raw coverage | 0.03 | 0.01 | 0.09 | 0.04 | 0.01 | 0.06 | 0.11 | 0.03 |
| Unique coverage | 0.01 | 0.01 | 0.07 | 0.01 | 0.01 | 0.02 | 0.07 | 0.03 |
| Overall solution consistency | | 0.90 | | | | 0.81 | | |
| Overall solution coverage | | 0.13 | | | | 0.24 | | |

Notes. Filled circles (●) indicate the presence of an attribute. Crossed circles (⊗) indicate the absence or negation of an attribute. Blank cells indicate that an attribute is either present or absent in the configuration.

unique coverage indicates the proportion of set membership in the outcome that is attributable only to the particular configuration (Ragin 2008), thus showing the relative importance of each configuration (Misangyi and Acharya 2014). Although the coverage scores of our configurations are consistent with those in previous configurational studies (e.g., Misangyi and Acharya 2014, Misangyi et al. 2017), some configurations are less frequently found than others, for example, configurations 2 and 5. Including these configurations in our findings is consistent with fsQCA’s qualitative nature and its purpose to build rather than test theory about the configurations that are consistently associated with the outcome even when they are quite rare (Ragin 2008, Misangyi et al. 2017).

All configurations associated with success included large coalitions and an absence of disclosure seeking.¹¹ We further observed two patterns that shaped our theorization. First, we inductively conceptualized the three target firm characteristics as “target firm receptivity,” defined here as the extent to which a target firm has the ability and willingness to accept investors’ demands. The presence of high profitability and large size captures firms’ capacity to address engagement requests, whereas a strong environmental track record indicates the firm’s willingness and predisposition to improve their environmental practices (cf. King 2008, Durand et al. 2019).¹² Second, we notice that the configuration of coalition characteristics differs based on the target firm receptivity, indicating that the coalitions are tailored to fit the level of receptivity.

To clarify these patterns, we ordered the configurations in Table 3 based on the level of receptivity, which varies from high (all three target firm characteristics are present) to moderate (two out of three are present) to low (all are absent). In interpreting the role of target firm characteristics that may be present or absent in the configurations (the blank spaces in Table 3), we theorized that such configurations capture engagements including both high- and low-receptivity firms. Accordingly, we conceptualize the target firms included in such configurations as exhibiting mixed receptivity. After theorizing the configurations, we went back to our qualitative data and induced two knowledge-based mechanisms that can plausibly explain engagement success—synchronizing and contextualizing—and one mechanism underlying engagement failure—overfocusing.¹³ We conceive of synchronizing and contextualizing as two analytically distinct yet related mechanisms that are used to tailor to the target, whereas overfocusing indicates an absence of tailoring to the target. Put differently, although the three mechanisms relate to the specific configurations we identify, the concept of tailoring serves as the “central organizing theme” for our overarching configurational theory encompassing the identified configurations and mechanisms in aggregate (Furnari et al. 2021, p. 790). We define and elaborate on these mechanisms based on the qualitative evidence related to the configurations.¹⁴ As shown in Table 4 and other quotes, some of the qualitative evidence directly or indirectly points to the verb “tailor” and has indeed inspired us to develop our tailor-to-target theory.

Table 4. Qualitative Evidence of Mechanisms

| Configuration | Mechanism | Qualitative evidence |
|---|---|--|
| 1. Trust the Experts: Large, experienced coalitions engaging willing and capable firms on material change issues | Synchronizing: Experience provides large coalitions with the knowledge of how to align their demands with existing firm capacity and predispositions. | <ul style="list-style-type: none"> • Good engagement is not a tick-box exercise, [but] really digging into it and challenging the companies on why they do things the way they do or why they've made a decision not to do a certain assessment or whatever. I think you have to be flexible enough to tailor the questions according to what's most relevant to a company. So allowing the flexibility to dig into the issues that are really pertinent to a company and having experienced investors with good holdings in the companies who can lead the dialogues in such a way that it's: "Okay, but have you considered this, why not?" (PRI interview 3) • Once you are more experienced at doing engagement you are better at it and that's something that the industry has probably failed to recognize: that engagement itself is a skill. If you don't [get it right] then it can put the company offside and it can potentially be counterproductive or results in the company thinking about investors' views as something they need to manage rather than something that they should be actively welcoming and using as a free source of management consulting advice. (PRI interview 9) |
| 2. Localize the Common Good: Large coalitions with local access engaging willing and capable firms on immaterial change issues | Contextualizing: Local access allows large coalitions to translate nonmaterial demands based on local knowledge. | <ul style="list-style-type: none"> • A [local] investor is well briefed, they understand what the company is doing, what's going on in the regulatory space. If they know what the latest announcements are, they know roughly what state-based laws are coming in or about to be appealed; having that awareness will make [engagement more effective]. (PRI interview 9) • [The investor] had one meeting with the company, they established where the gaps were for the company in terms of managing their water risks and agricultural supply chains. And then when it came for them to organize the second meeting, actually the company said basically, in a nice way, "You're not really worth our time to be engaging on this issue." Then we worked out a way of restating what that business case should be with [a local investor] and why that company really does need to have this dialogue with investors and why it's important. They came back and said, "Fine, we'll have a second call." (PRI interview 6) |
| 3. Go Local: Large coalitions with local access engaging willing and moderately capable firms on material change issues | Contextualizing: Local access allows large coalitions to translate demands based on local knowledge to increase firm capacity. | <ul style="list-style-type: none"> • [Local knowledge] is important, having a really clear understanding of the company's specific operating context and factoring that into how you approach the issues with that company. (PRI interview 2) • [It is not about] pointing fingers at the company and saying, "You're doing this, this, and this wrong." But saying: "Can you explain to us why you have chosen to do this in this way?" You can understand how well the company has thought through their practices. The investors can offer suggestions on what they would like to see to ensure that they're investing in a company that essentially is driving their strategy and operations for the long term. (PRI interview 4) |

Table 4. (Continued)

| Configuration | Mechanism | Qualitative evidence |
|--|--|--|
| 4. Embed the Experts: Large, experienced coalitions with local access engaging large firms on material change issues | Synchronizing and contextualizing: Experience and local access complement each other to tailor to mixed receptivity firms. | <ul style="list-style-type: none"> • Some of the U.S. investors that wanted to engage with French companies and French investors that wanted to engage with U.S. companies were able to draw on the knowledge of the group and other investors in the group. Because you don't want to ask questions to a company where the company is just thinking, "Do your research." (PRI interview 4) • A geographical mix is useful, a good mix between size of investors, investment managers that are specifically responsible investment management firms and more mainstream firms that are doing it as well. As diverse as you can make [the coalition], the better, because you get a wider range of knowledge and resources and way of doing things. When people need to know something or try something different, there's a great pool of knowledge that they can draw to from their other investors in the group. (PRI interview 7) |

Configuration 1 ("trust the experts") shows large coalitions of experienced investors who successfully engage with highly receptive firms on a financially material issue that requires changes in target firms' practices. High-receptivity firms have both financial capacity and a strong environmental track record. Such a track record can provide a basis for support within the target firm but can also constrain flexibility in responding to an engagement as there is an established set of organizational routines (Schifeling and Soderstrom 2021). In this configuration, collaborative shareholder engagement is tailored to the target firm through synchronizing—a mechanism by which experienced investors align their demands with the target firm's operations. Synchronizing requires investors to have relevant knowledge of the issue being raised and its implications for target firm implementation: "Where an investor can draw on the knowledge they have of a company more broadly ... that makes for a more successful engagement because the company knows that you know the company and the company knows that you are well educated in terms of the questions that you're asking. You're not asking things that are not pertinent to their business. You're asking relevant and sensible questions as a well informed and well-educated investor in their company" (PRI interview 4).

Configurations 2 ("localize the common good") and 3 ("go local") show the use of local access for contextualizing concerns in two different settings. Contextualizing involves using local knowledge to translate investor concerns to ensure relevance to the firm's local operating environment. Configuration 2 involves large coalitions that include local investors to successfully engage highly receptive firms on issues that are not financially material (i.e., common goods). Drawing on previous research (Gifford 2010, Dimson et al. 2023) and our qualitative data (see Table 4), we theorize that local access allows investors to rely on contextual knowledge and informal channels of influence that are particularly important to persuade firms to act on common good issues, which are not directly consequential for their bottom line. Here, local access is used to translate the importance of issues using local contextual knowledge:

I do think that local context helps because, when you're on the ground, you're going to be more in touch with the upcoming regulation or the upcoming developments. You might have a different understanding or perception if you're not actually there. And those are the kinds of things the investors can try to equip themselves with, but they may need to have the support of other investors. You can't just get 30 years of knowledge like that overnight. You need the help of another investor that has that, that you can draw on to support your conversation [with the firm]. (PRI interview 4)

Configuration 3 ("go local") involves large coalitions that include local investors to engage moderately receptive

firms on a financially material issue that requires changes in firm practices. Here, target firms' capacity to act on investor concerns may be hampered by a lack of resources, and including local investors allows large coalitions to use local knowledge to contextualize their concerns and focus on increasing firm capacity (see Table 4 for additional qualitative evidence).

Configuration 4 ("embed the experts") involves large coalitions that include local and experienced investors that successfully engage large firms on a financially material issue that requires changes to firm practices. In this configuration, coalitions are tailored to engage mixed receptivity targets, which requires both synchronizing and contextualizing. Although we can reasonably expect that this double activation of mechanisms in configuration 4 implies higher costs and effort, a distinctive advantage is its broad applicability and variety in terms of types of target firms. In fact, configuration 4 can be used to successfully engage target firms regardless of whether they exhibit a strong environmental track record or high profitability, which requires both expertise and local access as also indicated in our qualitative evidence: "There was one example of a European investor who was super experienced, one of those ones that just knew everything, and they partnered with a Japanese investor, it was their first engagement, it was quite a new concept to them. They were engaging a Japanese company; the European could offer the engagement expertise and the Japanese could offer the local context and the local contacts as well and that was a company that we kept getting updates on" (PRI interview 3).

Our emerging configurational theory of collaborative shareholder engagement is further supported by the four configurations identified for engagement failure (configurations 5–8 in Table 3). All these configurations feature target firms that have either low or mixed receptivity, confirming the importance of considering firms' capacity and environmental predispositions in shareholder engagement. Further, they all concern issues that are not financially material and, thus, harder to sell, confirming the importance of considering the materiality of the issue as a key dimension in tailoring engagement to a target firm's receptivity. The failure configurations also highlight that key levers for success, such as local access, are actually associated with failure when used in isolation rather than in combination with other elements. This finding illustrates the causal asymmetry of our results, that is, the fact that the configurations of attributes for failure are not simply the mirror image of those identified for success.

Our results suggest that, although there are specific ways of tailoring for success, there are many ways to fail in shareholder engagement, which can be conceptualized as overfocusing. Overfocusing involves overemphasizing a single lever and not incorporating other relevant levers.

Such overfocusing may occur unintentionally when the coalition contains some attributes associated with success—such as large shareholdings in the target firm (configuration 5 "ownership is not enough") or local access (configuration 6 "local access is not enough")—but these attributes are not sufficiently specified to effectively engage low or mixed receptivity targets. For example, target firms may perceive coalitions with local investors as pushing a purely local agenda when the other coalition composition levers are not employed: "You can have the perfect local player, but if you don't have enough money behind the coalition, then the company might not find it interesting, because it's only a local player with a bunch of small international organizations behind it" (PRI interview 10).

Similarly, targeting highly profitable firms without a well-specified engagement recipe tailored to those firms (configuration 7 "money is not enough") is not sufficient. This suggests that achieving balance between the "ingredients" in shareholder engagement is tricky to achieve in practice (see also our opening quote). Finally, in configuration 8 ("amateur idealists"), most of the coalition composition levers that make investors' requests salient in this context, for example, local access, engagement expertise, are absent. Intuitively, by not jointly using a minimum subset of the coalition composition levers, seeking changes in climate-related practices by mixed receptivity target firms may be doomed to fail. Taken together, the configurations for failure show that ultimately it is the fit between the appropriate target firm characteristics and coalition composition levers that is the difference between engagement success and failure.

All in all, our fsQCA results are consistent with an emerging configurational theory of tailor-to-target engagement, whereby successful collaborative shareholder engagement is tailored to the financial capacity and predisposition of target firms, that is, a target firm's receptivity. Our results unpack this core intuition by specifying four paths through which the tailor-to-target approach can lead to success and the underlying mechanisms of synchronizing and contextualizing. By including investors who have previous engagement experience, coalitions can tap into those investors' tacit knowledge and cumulative experience to communicate concerns in a manner that is in sync with the receptivity of target firms. Such synchronizing may enable shareholders and target firms to reach common ground at an earlier stage in communication (Ferraro and Beunza 2018) by taking away initial contestation (Beccarini et al. 2023) because both parties start from a position of knowledge and capacity. Contextualizing allows coalitions to speak the same language because including local shareholders who understand the firm's local operating environment (Kim et al. 2019) facilitates the translation of environmental concerns to the target firm.

Our results, thus, highlight the multiple, equifinal paths that investor coalitions can follow to change target firms' climate change practices. We also find that overfocusing through overemphasizing a single attribute, simultaneously underemphasizing others, is associated with engagement failure. Although the nascent literature on the effectiveness of shareholder engagement tends to isolate singular drivers of success, such as large shareholdings (Neubaum and Zahra 2006), local access (Dimson et al. 2023), or targeting large firms (Wiersema et al. 2020), our results show that focusing solely on these individual attributes without accommodating for the receptivity of the target firm is associated with failure. This further confirms the importance of the tailor-to-target approach and the complex configurational nature of collaborative shareholder engagement on climate change issues.

4.2. Probit Regressions

In Table 5, we report our main probit regression results, including dummy variables for membership of each identified configuration. In Models 2–9, dummies for each configuration are included separately. The estimates in Models 2, 3, and 5 are positive and highly significant, indicating that these configurations are associated with successful engagements, which is consistent with the fsQCA analysis. Meanwhile, the estimates for Models 6–8 are negative and highly significant, which indicates that these configurations are associated with unsuccessful engagement outcomes. We then include all configurations in Model 10, and the results are consistent with the previous models. Finally, we report marginal effects of configuration membership for Model 10. As illustrated in Figure 2, the effect sizes are large. For instance, membership of the “trust the experts” configuration is associated with an increased probability of successful engagement of 0.42 (0.84 versus 0.42), whereas membership of “ownership is not enough” is associated with a –0.34 change in probability of success (0.08 versus 0.42). Based on these results, six of the eight configurations are robust to the inclusion of the main effects of the attributes and additional FE, and configuration membership has a meaningful effect in terms of magnitude.

Of further interest is comparing the controls in Models 1 and 10 of Table 5. Model 1 provides estimates for only the nine main attributes. These indicate that, on average, *Firm Size* and *Environmental Rating* are significantly positively associated with successful engagements, and *Coalition Experience* is marginally significant ($p < 0.08$). Interestingly, *Coalition Stake* is significantly negatively associated with successful engagement, which is contrary to the findings of David et al. (2007) and Dimson et al. (2023), although both studies focus on shareholder engagements across all ESG issues, not only those relating to climate change. This further illustrates the potentially limited effect of individual attributes,

which supports combining a configurational approach with a traditional regression framework. Furthermore, there is a marginally significant negative association between *Disclosure* and successful engagements ($p < 0.09$), which indicates that, on average, engagements seeking to change firms' environmental practices are more likely to be successful than those only seeking additional disclosure.

Once the fsQCA configurations are included in Model 10, the significance of *Environmental Rating* declines, and its effect size diminishes. Likewise, the estimates for *Firm Size*, *Coalition Experience*, and *Disclosure* are no longer significant. This suggests that much of the explanatory power of these variables is absorbed by the configurations we identify. These findings support the argument that it is important to consider how these attributes jointly affect collaborative engagement outcomes rather than focusing on their stand-alone explanatory power. By integrating the results of our fsQCA analysis into regression models, we illustrate that identifying configurations of attributes can provide additional insights that may not be evident when focusing on net mean effects across a sample.

4.3. Robustness

4.3.1. fsQCA Sensitivity Analysis and Alternative Measures.

We tested the sensitivity of our analysis to our calibration decisions and alternative measures (see Online Appendix D). First, we changed the calibration of our outcome—successful engagement—from a crisp to a four-value fuzzy set.¹⁵ Second, because engagement goals can contain elements of both disclosure and practice change, we calibrated *Disclosure Seeking* into a four-value fuzzy set with those engagements in which practice change was a minor part of the goals—or seen as potential result of disclosure—as more in than out of the set ($=0.67$) and engagement that included disclosure as a minor part following practice change as more out than in ($=0.33$). In both cases, modifying the calibration thresholds resulted in changes in consistency and coverage, but the identified configurations remain by and large unaffected. These results are in line with established fsQCA best practices highlighting that “changes in calibration thresholds may change findings' consistency and coverage, but otherwise should not affect their substance (i.e., configurations identified in the solution)” (Greckhamer et al. 2018, p. 490). Third, we changed our measure of coalition size to be based on the average assets of coalition members rather than the sum across the coalition. We calibrated this set as a fuzzy set with average assets under US\$1 billion as fully out ($=0$) of the set of *Large Coalitions*, assets larger than US\$50 billion as fully in the set ($=1$), and the crossover point set at US\$10 billion. These benchmarks were based on the PRI's classification of signatory size.¹⁶ Fourth, we replaced our total assets measure of

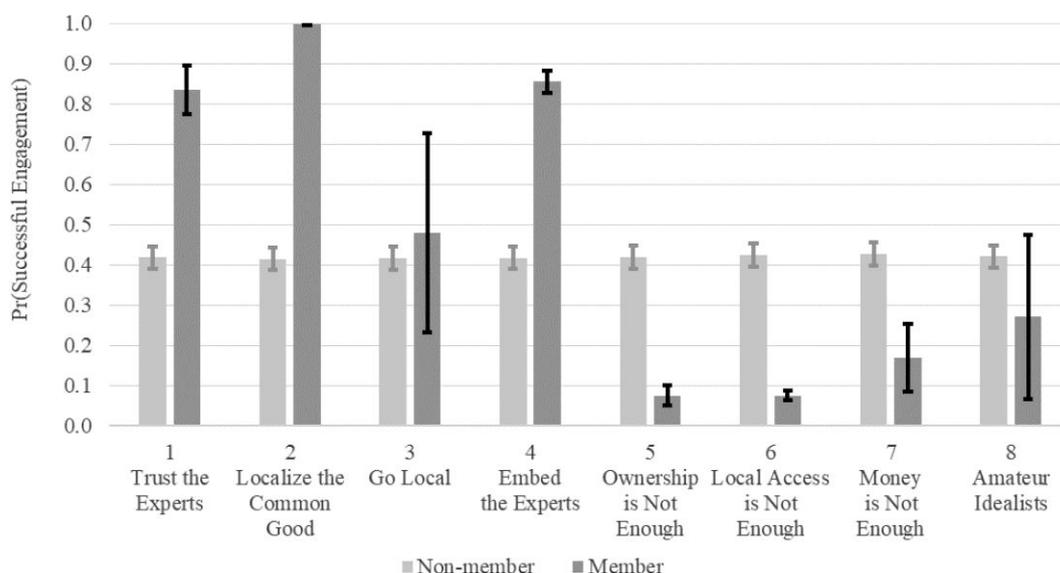
Table 5. Probit Models Predicting Successful Engagement

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | ME |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------|
| 1: Trust the experts | | 3.395*** (0.720) | | | | | | | | 3.223*** (0.937) | 0.42 |
| 2: Localize the common good | | | 11.41*** (0.579) | | | | | | | 11.80*** (0.572) | 0.58 |
| 3: Go local | | | | 0.227 (0.544) | | | | | | 0.320 (0.624) | 0.06 |
| 4: Embed the experts | | | | | 3.989*** (0.619) | | | | | 4.050*** (0.633) | 0.44 |
| 5: Ownership is not enough | | | | | | -4.746*** (0.695) | | | | -5.090*** (0.718) | -0.34 |
| 6: Local access is not enough | | | | | | | -5.305*** (0.476) | | | -5.103*** (0.365) | -0.35 |
| 7: Money is not enough | | | | | | | | -1.864*** (0.459) | | -1.763*** (0.514) | -0.26 |
| 8: Amateur idealists | | | | | | | | | -1.053 (0.705) | -0.855 (0.708) | -0.15 |
| Financial performance | 0.0105 (0.0131) | 0.0104 (0.0131) | 0.00880 (0.0132) | 0.0111 (0.0131) | 0.0109 (0.0131) | 0.0102 (0.0131) | 0.0106 (0.0132) | 0.0173 (0.0135) | 0.00957 (0.0131) | 0.0135 (0.0136) | |
| Firm size | 0.212* (0.0938) | 0.210* (0.0941) | 0.201* (0.0957) | 0.212* (0.0938) | 0.206* (0.0937) | 0.209* (0.0937) | 0.201* (0.0942) | 0.201* (0.0954) | 0.200* (0.0938) | 0.153 (0.0978) | |
| Environmental rating | 0.0145*** (0.00357) | 0.0145*** (0.00357) | 0.0144*** (0.00359) | 0.0144*** (0.00358) | 0.0144*** (0.00357) | 0.0140*** (0.00366) | 0.0135*** (0.00358) | 0.0127*** (0.00362) | 0.0146*** (0.00356) | 0.0109*** (0.00379) | |
| Coalition size | 0.0724 (0.124) | 0.0712 (0.123) | 0.0654 (0.125) | 0.0711 (0.124) | 0.0680 (0.123) | 0.0765 (0.124) | 0.0727 (0.124) | 0.0755 (0.125) | 0.0782 (0.125) | 0.0735 (0.126) | |
| Coalition stake | -0.0531* (0.0263) | -0.0533* (0.0263) | -0.0509† (0.0263) | -0.0521* (0.0263) | -0.0538* (0.0263) | -0.0487† (0.0265) | -0.0575* (0.0263) | -0.0594* (0.0268) | -0.0553* (0.0269) | -0.0552* (0.0275) | |
| Coalition experience | 0.00618† (0.00353) | 0.00617† (0.00352) | 0.00601† (0.00354) | 0.00615† (0.00353) | 0.00623† (0.00353) | 0.00617† (0.00352) | 0.00589† (0.00350) | 0.00586† (0.00352) | 0.00604† (0.00355) | 0.00547 (0.00352) | |
| Home country | -0.200 (0.309) | -0.200 (0.308) | -0.277 (0.313) | -0.211 (0.311) | -0.205 (0.306) | -0.213 (0.309) | -0.137 (0.318) | -0.252 (0.310) | -0.318 (0.329) | -0.383 (0.338) | |
| Financial materiality | 0.145 (0.278) | 0.145 (0.278) | 0.226 (0.286) | 0.139 (0.278) | 0.146 (0.278) | 0.103 (0.283) | 0.0423 (0.291) | 0.0326 (0.287) | 0.0831 (0.287) | -0.0895 (0.318) | |
| Disclosure | -1.250† (0.728) | -1.184 (0.764) | -1.271† (0.726) | -1.227† (0.739) | -1.045 (0.798) | -1.238† (0.725) | -1.265† (0.721) | -1.249† (0.716) | -1.225† (0.729) | -0.932 (0.794) | |
| Constant | -4.621** (1.498) | -4.579** (1.510) | -4.591** (1.519) | -4.615** (1.496) | -4.516** (1.511) | -4.505** (1.506) | -4.398** (1.502) | -4.397** (1.518) | -4.327** (1.515) | -3.594* (1.592) | |
| Project, Year, Industry, and Country FEs | Yes | |
| Pseudo R ² | 0.450 | 0.451 | 0.465 | 0.451 | 0.451 | 0.452 | 0.461 | 0.460 | 0.453 | 0.485 | |
| Observations | 553 | 553 | 553 | 553 | 553 | 553 | 553 | 553 | 553 | 553 | |

Notes. Robust standard errors clustered by firm are provided in parentheses. ME, marginal effect of configuration membership.

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Figure 2. Marginal Effects of Configuration Membership with 95% Confidence Intervals



Firm Size for the set of *Large Firms* with market capitalization. We calibrated this into a four-value fuzzy-set based on our sample quartiles. We reviewed our results in terms of coverage, consistency, and identified configurations at each of these steps (Misangyi and Acharya 2014) and obtained similar results in terms of identified configurations with slight changes in coverage and/or consistency.

4.3.2. Incorporating Additional Controls and Alternative Specifications. One of the benefits of integrating fsQCA configurations into regression models is that we can include additional controls that were not part of the fsQCA analysis that may confound our main results. As detailed in Online Appendix E, all the additional analysis is consistent with our initial findings, providing further confidence in our results.

5. Practical Implications for Tackling Climate Change

Current legislative trends will continue to push institutional investors toward greater integration of ESG issues in their investment activities. For instance, the amended European Union Shareholder Rights Directive that entered into force in 2020 requires institutional investors to report on their engagement activities and outcomes annually. Many shareholder engagement activities are undertaken collaboratively, which—as we document—involves the confluence of many different attributes. Accordingly, our configurational approach encourages investors to move beyond a one-size-fits-all view of corporate governance and firm–stakeholder relationships (Aguilera et al. 2015, Filatotchev and Wright 2017) when orchestrating their shareholder engagements. When a group of investors faces the practical problem of how to

best organize a specific collaborative climate change engagement, it should not only consider which levers to use but how to combine the various levers at their disposal to increase the likelihood of success. Therefore, we derive two practical insights relevant to institutional investors who participate in collaborative shareholder engagement.

Our first practical implication for institutional investors is that collaborative engagements should be tailored to the firms they target. This involves carefully considering firms’ receptivity to climate-related engagement—involving a combination of firms’ financial capacity and environmental track record. “Tailor to target” here means configuring four different coalition composition levers—coalition size, shareholding stake, experience, and local access—to fit the receptivity of the target firm. For example, whereas assembling a large coalition of experienced investors can be sufficient to induce change in high-receptivity targets, effectively engaging mixed-receptivity targets requires more complex solutions, such as locally embedding a large and experienced coalition of investors in the target firm’s home country. Thus, our study offers a concrete guideline of action for investors committed to changing firms’ climate change practices: start by carefully diagnosing the target firm’s receptivity to investors’ requests—for example, studying the firm’s financial capacity and environmental track record in the recent past—and then strategically design a coalition of investors based on the target’s characteristics. This means larger investor coalitions or those with larger shareholdings in target firms are not necessarily better per se. Rather, coalition size and shareholdings need to be considered jointly and in combination with other levers, such as local access and coalition experience, to facilitate the synchronizing

and contextualizing mechanisms when engaging the target firm.

A second recommendation for institutional investors is to avoid “silver-bullet” engagement tactics that focus on one investor coalition composition lever in isolation—such as prioritizing local access or substantial ownership—at the expense of other coalition composition levers. Our configurational fsQCA results show that overfocusing on a single lever is more prone to failure and a more comprehensive view of the engagement toolkit needs to be considered before starting engagement. This finding compels investors to think holistically about firms’ climate change behaviors as a complex, multifaceted problem to be addressed through multiple coalition composition levers simultaneously. By implication, this highlights the value of a broad-spectrum approach to engagement whereby organizers of collaborative engagement can mix and match various levers to persuade a broader set of heterogeneous target firms.

6. Discussion and Conclusion

In this study, we investigate the combinations of coalition composition levers that enable or hinder successful collaborative shareholder engagement on climate change issues. Drawing on a configurational perspective and a mixed-methods approach to analyzing a rich data set of collaborative engagements on climate change issues, we identify four configurations consistently associated with engagement success and four configurations of failure. Such configurations represent different recipes for organizing investor coalitions for successful (or failed) engagements, which we interpret to develop a configurational tailor-to-target theory of collaborative shareholder engagement. At its core, our theory suggests that successful investor coalitions tailor coalition composition levers to fit the receptivity of the target firm. Target firms with different levels of receptivity can be best engaged by different coalitions that combine the same key levers—that is, coalition size, stake, experience, and local access—in different ways. Further, drawing on qualitative evidence, we propose two mechanisms—synchronizing and contextualizing—that plausibly explain why the four identified configurations are associated with engagement success and one mechanism—overfocusing—that plausibly explains the configurations for engagement failure.

Our study makes two core theoretical contributions to the literature and one methodological contribution. Our first theoretical contribution is to extend the social activism literature by showing that coalitions of activists—and crucially the configurational composition of these coalitions in conjunction with target firm receptivity—matters for activism success. Whereas research on social activism identifies a variety of tactics that SMOs and shareholder activists can use and combine (Eesley et al. 2016, Sikavica et al. 2020), this literature has by and large

not focused on how the composition of activist coalitions can impact activists’ success. Our study, thus, brings a novel focus on activist coalitions to show the value of conceptualizing coalitions as configurations of four key attributes—size, stake, experience, and local access—which can be effectively combined in different ways depending on the target firm’s receptivity. By doing so, our study also extends recent social activism research that emphasizes the configurational nature of corporate opportunity structures (Schifeling and Soderstrom 2021). Although the notion of corporate opportunity structures captures the intuition underlying our concept of target firm receptivity, we extend this view by showing that activist coalitions are also configurational, meaning that activism success is ultimately shaped by matching coalition composition levers to target firm receptivity. Put differently, our tailor-to-target theory foregrounds the interplay between the multiple attributes of target firm receptivity and the multiple levers that activists can leverage when forming their coalitions.

Furthermore, the two mechanisms underlying engagement success in our tailor-to-target theory—synchronizing and contextualizing—contribute a novel understanding of how noninsider activists, such as investors, can gain knowledge about the target firm, which can then be used to shape activism success. Extant theory suggests that noninsider activists do not possess detailed knowledge about target firms and are, therefore, less effective in persuading these firms (Briscoe and Gupta 2016). On the contrary, our findings show that, through coalition composition design, activists can draw on different dimensions of knowledge—for example, experience-based and contextual knowledge—to effectively communicate their demands to firms. In fact, synchronizing and contextualizing capture different dimensions of knowledge that investor coalitions can access through coalition composition design. Whereas synchronizing points to the knowledge needed to align a coalition’s demands with a target firm’s operations, contextualizing points to the knowledge needed to translate a coalition’s demands using the language and cultural assumptions that are relevant for the firm’s local operating environment. We show that these different types of knowledge can be accessed through different types of coalitions and that situations of mixed receptivity can require both forms of knowledge. For example, noninsiders may effectively engage firms with mixed receptivity by activating multiple knowledge-based mechanisms using an “embed the experts” configuration, providing noninsiders additional flexibility that may not be available to insider activists (Schifeling and Soderstrom 2021). Thus, we contribute a nuanced understanding of how noninsider activists, such as investors, can access knowledge about target firms by forming specific coalitions tailored to target firms’ receptivity.

Our second contribution is to extend theories of firm–stakeholder fit (Bundy et al. 2018). We show that the key explanatory factors identified in that literature—such as stakeholder salience (Eesley and Lenox 2006), issue salience (Bundy et al. 2013), and firm capacity to respond to stakeholder demands (Durand et al. 2019)—interact as configurations of interdependent attributes that together shape the fit between a firm (i.e., the target firm in our case) and its stakeholders (i.e., a coalition of investors). In addition, our configurational approach goes beyond the notion of fit emphasized in the literature by unpacking the multiple pathways to misfit between a firm and stakeholders (i.e., failed collaborative shareholder engagements in our setting). Specifically, by leveraging fsQCA’s distinctive ability to capture causal asymmetry, we find that the configurations for engagement failure or misfit are not the reverse of the successful configurations, but rather represent qualitatively different recipes for failure that are worth studying in their own right (Furnari et al. 2021). Such misfit configurations emphasize the peril of focusing exclusively on one coalition composition lever and neglecting the others, especially when the firm is not predisposed to accommodating stakeholders’ requests.

Thus, the misfit configurations and their underlying mechanism—overfocusing—further highlights the configurational nature of the (mis)fit between firms and stakeholders (Bundy et al. 2018). In doing so, we draw attention to the limitations of focusing on single characteristics of the firm–stakeholder relationship in isolation. For instance, although shareholder power (Edmans 2014) and local access to firms (Dimson et al. 2023) matter for engagement success, relying uniquely on these factors in a collaborative engagement may not yield the anticipated results when target firms are characterized by low or mixed receptivity. Accordingly, we qualify and nuance previously established findings about the factors that facilitate firm–stakeholder fit. By overemphasizing a single factor contributing to such fit—ignoring other relevant factors—stakeholders may inadvertently overfocus on that factor or overinvest resources when they could instead be better off combining that factor with others. In fact, overlooking the possibility of combining multiple relevant factors may imply a lack of complementarities and synergies that are often conducive to facilitating fit in complex systems (Grandori and Furnari 2008).

Further, we extend theories of firm–stakeholder fit by showing that noninsider stakeholders, for example, investors, can strategically design the composition of their coalitions to align with target firm receptivity. Whereas extant models highlight that communicative action (Ferraro and Beunza 2018) between a stakeholder group and a firm develops over time through repeated interactions, we complement this temporal perspective by showing that fit and mutual understandings can also

be shaped by ex ante prearranging the composition of the stakeholder group—that is, coalition composition—to fit the receptivity of the target firm. Our findings highlight how strategically designing coalitions to include stakeholders who are already knowledgeable of and experienced with target firms’ contexts has the potential to accelerate the prioritization of stakeholder demands. Hence, we contribute the core insight that coalition composition per se constitutes a key strategy that can be used by coalitions to align with target firm attributes on an engagement-by-engagement basis to achieve better fit.

Our third contribution is methodological and consists of integrating the strengths of fsQCA to account for the combined effects of multiple coalition composition levers simultaneously with those of a regression framework to assess the robustness of configurations to the inclusion of fixed effects and controls. Although such integration is repeatedly called for (Fiss et al. 2013, Meuer and Rupiotta 2017a), studies combining fsQCA and regression remain rare in management (for exceptions, see Grant et al. 2010, 2018). Our approach to integrating fsQCA and regression holds promise for further advancing the study of equifinality (by evaluating the significance of configurations), conjunctural causation (by evaluating the effect of configuration membership vis-à-vis explanatory attributes in isolation), and causal asymmetry (integrating both configurations leading to the outcome and its absence). Further, our mixed-methods approach shows how relevant qualitative evidence can be leveraged to unpack the mechanisms underlying the configurations identified using fsQCA. Such methodological development shows how researchers can combine process and configurational theorizing to better understand complex phenomena, such as climate change, thereby moving beyond the net effects of individual explanatory factors (Dimson et al. 2021). Beyond our empirical setting, integrating configurational, econometric, and qualitative mechanism-based approaches can provide greater insights into a broad range of complex phenomena in management science that require nuanced understanding through multiple methodological lenses simultaneously.

6.1. Limitations, Boundary Conditions, and Further Research

We acknowledge several limitations in our study, which provide opportunities for future research. First, our definition of engagement success is limited to the achievement of investors’ ex ante engagement goals, in line with the current literature (Dimson et al. 2015, 2023; Barko et al. 2021). However, these engagement goals may be influenced by regulations that encourage sustainable investing activities as long as financial return goals are prioritized (Sandberg 2013). This raises questions about the impact of shareholder engagement on

other stakeholders (DesJardine and Durand 2020) and the normative basis for investors' demands affecting other stakeholders (Goodman and Arenas 2015). Future research could examine the process by which *ex ante* engagement objectives are set. Such research may consider learning dynamics, for example, how investors learn to become more effective in goal setting, and whether such goals are sufficiently ambitious to facilitate meaningful societal impacts. On a related note, future research can further unpack the dynamics of tailoring to study whether tailored collaborative engagements are the product of agentic, deliberate strategic efforts on the part of investor coalitions or emerge as investors gain an understanding of target firms' needs. For example, to further unpack the internal dynamics of tailoring, it would be useful to connect the configurational perspective on shareholder engagement advanced in this study with past research on the formation of emergent and deliberate strategies as configurations (e.g., Mintzberg 1978, Mintzberg and Waters 1985).

Second, whereas fsQCA offers advantages in unpacking the causal complexity and multiple interaction effects characterizing complex phenomena, such as collaborative shareholder engagement, this method is limited by its noninferential descriptive nature. This implies that scholars can draw causal inferences from fsQCA's empirical findings with caution by developing rigorous theory based on plausible and consistent interpretations of such findings and by complementing them with qualitative evidence substantiating the theory and plausibility of the mechanisms underlying the empirically identified configurations. Further, whereas in our study, the issue of reverse causality is at least partially addressed by the coarse-grained, non-firm-specific selection criteria used by PRI to target firms (see Section 3.1), fsQCA *per se* features a limited repertoire of formal tools to deal with issues of reverse causality and omitted variables, which are, however, common to several methods (e.g., Dimson et al. (2023) use matched samples when analyzing the determinants of which firms are targeted). To build stronger evidence of causality, future research may expand on our mixed-methods approach integrating fsQCA, regression, and interviews with in-depth comparative case studies to validate mechanisms across cases (e.g., Aversa et al. 2015).

Third, across our models, we consistently find that engagement success is associated with requests for changes in target firm practices. This result challenges the notion that disclosure-seeking engagements might be easier and, thus, relatively more successful than behavior-focused engagements (Barko et al. 2021, Flammer et al. 2021). On the one hand, this result can be interpreted as evidence that increasing environmental reporting may not always be perceived as beneficial to target firms' operations (Durand et al. 2019) given the associated risk of increased scrutiny from stakeholders

(King and McDonnell 2015, Carlos and Lewis 2018). On the other hand, this result suggests that target firms may potentially benefit from behavioral changes negotiated with shareholders, especially if such changes are informed by the coalition's knowledge of industry best practices that are obtained through interactions with multiple target firms. Future research can explore whether private collaborative shareholder engagement can offer a safe space for firms' experimentation and adoption of environmental practices triggered by shareholder pressures.

A fourth boundary condition that warrants further exploration is that our study focuses on climate-related engagements. Arguably, given the reporting efforts deployed by firms in relation to this issue and its visibility in the financial world, climate change is probably easier to assess and a more consensual topic for shareholders than social issues, such as human rights management in supply chains. Future studies could utilize our mixed-methods design and the tailor-to-target insight to evaluate whether similar or distinct configurations of target firms' characteristics, coalition composition levers, and issue characteristics explain engagement success for social or governance issues.

6.2. Conclusion

As active owners, institutional investors can play a transformative role to overcome target firms' business-as-usual tendencies relating to climate change and other "grand challenges" (Ferraro et al. 2015, George et al. 2016, Wright and Nyberg 2016, Henderson 2020). Working collaboratively, these investors can deploy multiple levers in combination to successfully engage firms on climate-related issues. As business and the broader financial system begins to adapt to the consequences of climate change, greater collective effort will be required across a range of different actors. Such complex collective action will need to account for synergies and trade-offs between different actors and their characteristics. Our study provides managers and investors with a configurational approach to aid such systemic thinking as well as practical suggestions for achieving fit between external actors and the internal attributes of firms that are vital for contributing to climate-related solutions. Our hope is that the configurational perspective on collaborative shareholder engagement developed in this study will sensitize further research on the causal complexity underlying this important form of shareholder activism and its effects on firms' behaviors toward climate change.

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Endnotes

¹ Our use of the verb “tailor” is not meant to imply high levels of agency or rationality on the part of the investor coalitions. We return to this point in the discussion section.

² This is also known as “using voice” (McNulty and Nordberg 2016), “dialogue” (Logsdon and Van Buren 2009), or “active ownership” (Dimson et al. 2015). PRI defines “shareholder engagement” as “Interactions between an investor (or an engagement service provider) and current or potential investees (e.g., companies), conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome, or improving public disclosure” (source: <https://perma.cc/B473-CV7M>), which encompasses both public and private forms of interactions.

³ Our theory development first focused on the literature to deductively identify the candidate attributes for inclusion in our configurational model and empirical analysis. Yet the literature was silent on how such attributes combine into specific configurations. Thus, we theorized the configurations inductively based on our empirical fsQCA findings to develop our emerging tailor-to-target theory. This approach is consistent with the abductive approach to theory development used in other configurational studies (e.g., Misangyi and Acharya 2014, Witt et al. 2022).

⁴ By “engagement project,” we mean a set of individual engagements executed focused on one specific issue and targeting multiple

firms about that issue. By “engagement case” or “engagement,” we mean an individual engagement through which a coalition of investors targets and engages with a specific firm.

⁵ See Online Appendices A and B for engagement project descriptions for our sample.

⁶ Consistent with established terminology in fsQCA studies, we refer to the attributes included in our study as “variables” when we discuss the regression model, whereas “sets” refer to the calibrated measures used in fsQCA.

⁷ See also Online Appendices A and B for descriptions of engagement objectives.

⁸ Thomson Reuters changed its methodology in 2017 to provide separate scores for firms’ resource use, emissions, and environmental innovation. Because firms in different industries have differing propensities for environmental innovation—and missing data for several firms—we equally weighted firms’ resource use and emissions scores.

⁹ Note that FactSet only provides investors’ direct equity holdings—that is, assets managed by third parties on behalf of pension funds or other investors are not included—so our measure is a conservative estimate of coalition size.

¹⁰ Further details are available at <https://perma.cc/3TPZ-ENLV>.

¹¹ We discuss the absence of the *Disclosure Seeking* attribute from the four successful configurations in Section 6.1.

¹² Consistent with our configurational understanding of the phenomenon, our notion of receptivity is broader than cognate notions in the literature (e.g., Durand et al. 2019) to encompass both the willingness and ability of firms to address climate-related issues and how these two dimensions may configure in multiple combinations. As illustrated, such configurational understanding is granular and fine-grained, allowing us to find the specific combinations of target firm characteristics consistently linked with the outcome of interest.

¹³ A mechanism is a process by which an outcome is produced (Gerring 2008). Given the assumption of equifinality—that is, multiple configurations can lead to the same outcome—a configurational approach does not assume a one-to-one correspondence between a configuration and a mechanism. Several mechanisms may produce the same outcome through similar or different configurations (cf. Mackie 1980). Further, we follow here the established fsQCA best practice of identifying the mechanism(s) underlying a configuration using qualitative studies of the cases exhibiting the configuration (e.g., Schneider and Rohlfing 2013, Aversa et al. 2015, Dwivedi et al. 2018).

¹⁴ Because the highly confidential nature of our data set does not allow us to disclose specific details of target firms and engagements, when providing qualitative evidence, we mostly use excerpts from interviews with PRI staff to substantiate the mechanisms at play. Such evidence is directly relevant to our research question given PRI’s central role in coordinating and assembling investor coalitions for collaborative shareholder engagement.

¹⁵ For 166 observations, we have fine-grained PRI outcome data that allows us to do so. For 387 observations, we only have binary outcome data, that is, successful (=1) or not successful (=0), suggesting that the crisp-set calibration chosen for our main analysis has more face validity in our empirical context.

¹⁶ Further details are available at <https://perma.cc/ZJ47-GXUW>.

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