It is well known that social movements have become professionalized in recent decades. They have CEOs and CFOs, MBAs and CPAs. But it is not so well known that some professions have become social movements. We argue that the professions play two underrecognized roles as social movement actors in the market arena. First, professions have taken over from mature social movements, creating permanent beachheads within the firm for activism. To illustrate we discuss the role of the personnel profession in promoting the civil rights and women’s rights agendas, even after the civil rights and women’s movements had largely faded (Mansbridge, 1986; McAdam, 1988). Personnel experts devised early equal opportunity measures and soon appointed in-house equal opportunity experts who fought for new rounds of diversity initiatives, and fought to extend protections to new groups, including Hispanics, older workers, and the disabled (Skrentny, 2002). Other social movements have similarly been picked up by professionals within organizations. From the 1930s, labor leaders and labor relations managers institutionalized the labor movement and its corporate opposition. From the 1960s, women’s advocates within state and federal governments have promoted the feminist agenda (Harrison, 1988; Vogel, 1993). From the 1970s, environmental engineers carried the green movement forward within the firm.

Second, professions have substituted for social movements, mobilizing to change corporate behavior from without. We illustrate with the example of institutional investors, who became vocal advocates for a “shareholder value” movement comprising virtually no actual shareholders. The “shareholder value movement” was in fact a movement led by professional fund managers who claimed to be carrying the flag for their clients – investors. They promoted a range of corporate reforms that fundamentally altered the ways of leading firms. As we argue below, the reforms they promoted did more to advance their own interests, as fund managers, than the interests of their clients – investors in their funds. In this case, professionals from outside of the firm used social movement tactics to change corporate behavior. They did this in their roles as professionals. Other exogenous professional groups have played similar roles, notably international labor standards and
environmental professionals, who created third-party private regulatory agencies to vet the practices of firms in a wide range of industries, from Vietnamese footwear and apparel to Brazilian forestry products (Bartley, 2007).

We begin by arguing that the position of the corporation in society changed significantly as it grew to control the lion's share of resources and to determine the life chances, social benefits, and employment rights of individuals. We then turn to the two case studies to explore how professional groups behave as social movement activists. In each corporate decision-making arena – personnel and corporate governance/strategy – we find a wide range of players at work: professionals, executives who may be movement allies or opponents, academic experts who offer strategies and vocabularies, and federal regulators, to name a few. These players may also be arenas, for collectivities such as professional societies may be arenas composed of individual players advocating different positions in one moment, and players acting with a single voice in the next (Mische, 2008). Thus the Society for Human Resources Management is an arena in which personnel professionals developed diversity programs to implement, and then it becomes a player promoting said programs. The Council of Institutional Investors (CII) is an arena for investment professionals to determine their preferences as to corporate governance and compensation practices, and then it becomes a player when it promotes certain practices.

Both of these movements had opponents. Personnel managers who championed equal opportunity faced opposition from some executives, and opposition from the White House during the Reagan era. Institutional investors promoting shareholder value faced vocal opposition from executives who were trained in one management system and were then asked to embrace another. Yet personnel managers and institutional investors largely won their battles, even if equal opportunity programs met with mixed success and shareholder value was unevenly implemented.

Social movement theorists have been particularly attentive to how structural openings create space for activism (Kitschelt, 1986; McAdam et al., 2001; Tilly and Tarrow, 2006). Political openings were key to the success of both of these movements. Equal opportunity laws created a “political opportunity structure” (Tilly and Tarrow, 2006) within the firm, although it was not a foregone conclusion that a professional group would take over, or that the group would be personnel experts rather than, say, lawyers. Moreover, regulatory changes created opportunities for the realization of shareholder value reforms. Two key reforms, dediversification and industry concentration, were facilitated by weak enforcement of antitrust in the
1980s, and by the Supreme Court’s refusal to enforce anti-takeover laws (Davis, Diekmann, and Tinsley, 1994). A third reform, executive performance pay, depended on regulatory approval of stock option grants. But no one could have guessed that these regulatory changes would facilitate institutional investors’ promotion of the “shareholder value” movement. Professional activism drove the diversity management and shareholder value management revolutions.

We take up several themes that are woven through the volume. First is the identification of an important new player in the social movement arena generally, the professional group. Second is the identification of an important and understudied political arena, that of corporate policy. As the corporation plays a larger role in social outcomes, from gender equality to environmental protection, we can expect it to be the target of more activism. Third is the balance between different forms of strategizing in firms. In the introduction to this volume James Jasper outlines three forms of strategy – persuasion, coercion, and payment – that a player may use to get her way (see also Jasper, 2006). In the case of the diversity management revolution, we argue that personnel professionals use a combination of persuasion and coercion, exaggerating the threat of regulatory intervention to convince executives to follow their advice. In the second case, we argue that some institutional investors used a modicum of coercion to promote shareholder value precepts, notably shareholder proposals to boards, but that the strongest pressure came from the implicit threat by institutional investors to sell their shares. It was not positive sanction, in the form of reward, but negative sanction, in the form of the threat of withdrawal of financial support, that won the day. Payment and persuasion reigned in the end, for the payment was for embracing a new management paradigm, and without the persuasive force of the paradigm, firms would never have capitulated to the changes fund managers promoted.

**Professions and the Sovereign Corporation**

We argue that professions have taken on social movement activities in part because the corporation has become sovereign in its own realm. The corporation is increasingly a giver of rights, creator of inequality, and steward of the environment. Professional groups have thus led social movements addressed to firms, sometimes from the inside, sometimes from the outside, sometimes taking the banner from an external social movement, sometimes initiating the charge themselves.
The classic literature on the professions focuses on how particular groups win public confidence and state credentials (Friedson, 1975; Sarfatti-Larsen, 1977; Starr, 1982). Andrew Abbott’s systems perspective attended to how contending groups vie for authority in a given domain. In France of the ancien régime, the groups competing for work as healers included “physicians, surgeons, pharmacists, ‘empirics,’ operators, spagiristes, and ... the various members of the clergy” (Abbott, 1988: 157). The state would eventually license some groups and prohibit others from claiming expertise.

Since the late 19th century the corporation has become increasingly important to professions as a source of power and authority. Jurisdictional disputes between professional groups now often play out before executives rather than public officials. Professions win authority within the corporate world not through licensure per se, but by popularizing the management practices they favor. Management innovations, accounting principles, and best practices in medicine are vetted first by corporations, and only after the fact by state regulators, if the state gets into the fray at all. Institutionalists have thus examined how experts seek to establish authority within organizations (Dobbin and Sutton, 1998; Fligstein, 1990).

This has occurred in part because corporations have come between the individual and the sovereign state. Fifteen short decades ago, only a handful of Americans worked outside of farming, government, and the clergy, in firms operating canals, banks, railroads, and textile mills. A hundred years later, nine-tenths of Americans worked in formal organizations. Books like The Organization Man (Whyte, 1956) and The Organization Society (Presthus, 1962) described this change as revolutionary. For Charles Perrow (1991: 727) the formal organization had “absorbed society.” In the process, the corporation became an increasingly important collective actor. Corporations employ more people, and do more of society’s work, than the government these days, and so it should come as no surprise that they are, more and more, targets of political activism.

Meanwhile the liberal professions that predated the modern corporation, and played a central role in the early industrial economy, have been subsumed by corporations in several ways (Dobbin et al., 2007; Greenwood et al., 2002; Suddaby et al., 2007). In some cases, groups of professionals formed corporations to pursue their professions jointly, in publicly owned accountancy, investment bank, and medical practices (Suddaby and Greenwood, 2005). In other cases, members of the autonomous, liberal professions, including lawyers, doctors, and accountants, were hired as regular employees by firms, to provide their services from the inside. In still other cases, new professional groups emerged solely to serve the corporation, such as
management and personnel professionals. These groups are often neglected by scholars of the professions, who define them as nonprofessionals because their authority is recognized by firms rather than by the state.

Meanwhile, organizational scholars have begun to recognize that professions sometimes behave as social movements. This idea can be traced to Abbott’s (1988) description of nascent professional groups lobbying the state for licensure. The growing literature on social movements and organizations (Bartley, 2005; Strang and Jung, 2005) has demonstrated that within the firm, managers and professionals often behave like social movement activists, developing lobbying strategies and political agendas through professional associations and networks and then advocating for change in the firms they work for (Davis et al., 1994; Dobbin and Kelly, 2007; Edelman et al., 1999; Fligstein and McAdam, 2012). We build on this literature to consider the role of professionals in the arena of corporate decision-making.

The Personnel Profession Takes Over Civil Rights

The conventional wisdom about social movements, as operating independent of corporations and as addressing their claims to the nation-state, dates to before the rise of the modern corporation. The American model of the social movement as a force outside of the party system arose in the 19th century with the Second Great Awakening, and was institutionalized as part of the political process only with the temperance, suffrage, and labor movements. Before those movements, issue-oriented political activism outside of the party system was all but unknown (Clemens, 1997). The civil rights movement helped to reestablish the model of the issue-oriented social movement for a new round of movements in the 1960s and 1970s, including the anti-war, women’s rights, and environmental movements (Skrentny, 2002).

Apart from stimulating other conventional social movements, the civil rights movement spawned political action in a newly professionalized form. After Congress passed the Civil Rights Act of 1964, social movement groups such as the NAACP and the Urban League picketed employers who wouldn’t hire blacks, organized jobs banks, and filed charges against companies that discriminated. Otherwise the movement turned to new tasks, and gradually petered out.

But a new movement emerged within the personnel profession to carry the civil rights project forward. Because we don’t have a language for describing a national network of professionals as a social movement, we have
neglected its emergence. Many personnel experts fought equal opportunity innovations, but by the late 1970s, every major firm had equal opportunity experts on staff. Personnel was transformed from a bastion of white men with backgrounds in labor relations to a bastion of white women attracted by equal opportunity goals. By the end of the century, seven out of ten personnel experts were women. They were rarely the same people who marched for civil rights in Selma and Washington, but they continued the work of that social movement just the same.

Figure 1 traces the expansion, and increasing feminization, of the personnel profession. The changes were driven in large measure by new equal opportunity and affirmative action regulations that spawned a series of personnel innovations from 1961, when John F. Kennedy issued Executive Order 10925 requiring federal contractors to practice “affirmative action” in ending employment discrimination. While the number of managers in the United States roughly doubled between 1960 and 2000, personnel management grew tenfold.

Personnel experts brought their professional toolkit to the task of eliminating discrimination at work. They had long designed bureaucratic systems to manage federal regulations, beginning in the 1920s with wages and hours and labor relations regulations (Brandes, 1976; Brody, 1980). After the Wagner Act of 1935 empowered unions, they negotiated union contracts

Figure 1  Men and women in personnel management

alongside labor lawyers and went on to implement the grievance procedures, seniority systems, job classification schemes, and pension programs written into those contracts (Kochan et al., 1986; Selznick, 1969).

After passage of the Civil Rights Act of 1964, personnel experts promoted compliance practices they had developed in earlier years, building their profession strategically. The players-and-arenas approach emphasizes attention to the full roster of strategic players (Jasper 2006). In this case, personnel professionals have been neglected by others, who emphasize the courts, executives, the civil rights and women’s movements, Equal Employment Opportunity Commission (EEOC) regulators, Department of Labor overseers of federal contractors, and elected officials (Blumrosen, 1993; Chen, 2009; Graham, 1990; Harrison, 1988; Skrentny, 1996; Stryker, 2000; Vogel, 1993).

We build on Jasper’s (2012) argument that there are three broad strategies players use to get their way: persuasion, coercion, and payment. In this case we identify a hybrid strategy, “persuasion of coercion.” Personnel experts persuaded executives that coercion was a real threat. They talked up the legal risk, exaggerating the coercive authority of the state and the risk of regulatory and judicial sanction. We suggest that government coercion is socially construed by professionals, who use public policy as a strategic resource for their own purposes. Edelman, Abraham, and Erlanger (1992) study the personnel literature to find that experts significantly exaggerated legal risks to employers to win executive attention and resources. Because employers are not experts, “professionals have become social filters who determine how employers perceive legal threats, how they understand the law, and how they construct the compliance requirements” (Edelman, 2002: 195). Personnel specialists claimed to be able to develop bureaucratic inoculations against future judicial and administrative rulings (Dobbin and Sutton, 1998).

This strategy worked, in that personnel won control over equal opportunity compliance at a time when unionization was declining and thus their labor relations function was waning. They built new roles for personnel officers within the firm. In the 1960s, they wrote nondiscrimination policies based on union nondiscrimination rules, and set up recruitment and training programs for women and minorities. In the 1970s, they formalized hiring and promotion systems to eliminate managerial opportunities to exercise bias. In the Reagan years, when affirmative action was on the ropes, they argued that the new hiring and promotion practices helped to rationalize “human resources management” and relabeled “equal opportunity” programs as “diversity management” programs. Then in the
1990s and 2000s, the increasingly feminized human resources profession focused on women’s issues, pushing for the expansion of work-life and anti-harassment programs.

Personnel’s equal rights advocacy, via “persuasion-of-coercion,” evolved through four distinct phases. In each of these phases, the personnel profession worked out strategies and practices to lobby executives in their professional meetings, and then took these strategies and practices back to their organizations and championed them. Each acted, at first, as the lone local representative of a wider social movement. In the first phase, personnel experts put their heads together and recommended special recruitment and training systems. In response to Kennedy’s 1961 order requiring federal contractors to take “affirmative action” to equalize opportunity or risk losing federal contracts, personnel executives began to dismantle de jure discrimination. Experts at Lockheed’s Marietta, Georgia, aircraft factory were first to propose changes, soon after Lockheed won a billion-dollar air force contract. In short order a network of personnel experts in firms with government contracts organized Plans for Progress as the private-sector arm of the President’s Commission on Equal Employment Opportunity (PCEEO), which was headed by Vice President Lyndon Johnson. That group soon had 300 members that pledged to strike rules that excluded blacks and Latinos, and later women, from jobs ranging from meat cutter to chief executive.

Federal contractors certainly felt the strong arm of coercion in the early 1960s, for they were concerned about losing contracts. One might conclude that in this arena, personnel experts were merely carrying out the coercive requirements of federal agencies. But federal regulations did not specify corporate practices that had to be changed. And so the strategy of personnel experts was to use persuasion to convince executives to accept the programs they favored, and then to suggest to the courts that they should accept emerging industry norms, which they themselves had created.

Personnel experts built on traditional recruitment programs, which targeted Harvard and Yale and the Big 10, with recruitment programs for blacks and women, targeting Howard and Spelman, Wellesley and Mount Holyoke. They recruited production workers not only in white high schools, but in inner-city high schools that had never before seen recruiters. They also built on conventional skill and management training programs, establishing programs designed for blacks and women. By creating new recruitment programs, personnel experts defined discrimination as the categorical refusal to consider minorities and women for jobs. By creating new training programs, they defined discrimination as the failure to provide women
and minorities with the skills they needed to succeed. Executives at federal contractor firms often went along with these innovations out of fear of losing their contracts, although few actually lost them.

Opposition to these programs came from both sides. On the one hand, some executives thought new recruitment and training programs went too far and resisted them. An executive interviewed by the Bureau of National Affairs reported that he would not countenance active recruitment of blacks: “I have given instructions as of 1965 ... that if any good Negro applicants appear and if we have any openings, hire them. We have had none during this period ... [but] to go outside our area and recruit them would discriminate against local applicants” (Bureau of National Affairs, 1967: 3). On the other hand, civil rights activists argued that firms were not keeping their nondiscrimination pledges. The NAACP and Urban League protested that employers who had pledged to open jobs to blacks in 1961 would not even let blacks in the door to apply, and picketed large employers in the South (New York Times, 1961: 31).

Federal agencies in charge of Civil Rights Act and affirmative action enforcement looked to what Plans for Progress employers were using for guidance. The foot soldiers of the movement were to be found not on the streets of Selma, but in the personnel office at Lockheed's Marietta, Georgia, plant. They weren't always willing conscripts, but now the personnel profession had added a specialty, and the old hands would have to change their focus from guarding against unions to protecting equality of opportunity. The President's Commission on Equal Employment Opportunity lobbied firms to do more to promote equality of opportunity, but they left it to private-sector personnel experts to figure out what to do (Graham, 1990).

In the second phase of the evolution of personnel strategy, experts considered changes in the law and collectively settled on the formalization of hiring and promotion as the second broad response. The stimulus was a three-pronged increase in federal oversight in the early 1970s. First, the Supreme Court extended the definition of discrimination in 1971, in *Griggs v. Duke Power Company*, striking down employment practices that appeared to be neutral but which had the effect of needlessly excluding blacks. Second, the Department of Labor expanded affirmative action reporting and enforcement. Third, in 1972 Congress gave the EEOC power to bring lawsuits, and the number of suits skyrocketed from several hundred to over five thousand a year by the end of the decade (Burstein and Monahan, 1986; Peterson, 1974; Skrentny, 1996: 127). With its new powers the EEOC negotiated $75 million in settlements in 1973 and 1974 with AT&T in the
first in a string of high-profile discrimination consent decrees (Shaeffer, 1975: 5).

Personnel experts like Barbara Boyle, who designed IBM’s first equal opportunity program before opening a consultancy, now argued that the courts would question many common employment practices. The solution, they argued, was equal opportunity programs built on the foundation of classic personnel administration, beginning with formal hiring and promotion practices to stop managers from discriminating (Dobbin et al., 1993). They recommended test validation procedures pioneered by industrial psychologists. They designed quasi-judicial grievance and disciplinary mechanisms, adapted from their union management toolkit, to intercept discrimination complaints before they reached the courts (Edelman, 1990; Sutton et al., 1994). In the process, Boyle and colleagues defined formal, legalistic employment rules as the antidote to discrimination, equating fairness with the rule of law. They also built an equal opportunity arsenal that they, personnel experts, were uniquely qualified to deploy.

These professionals faced some social movement pushback, particularly from feminists who argued that this approach did little for women (Harrison, 1988; Vogel, 1993), and that personnel specialists and federal regulators alike were only concerned with race (Danovitch, 1990). Feminists in the government led this charge, not disenfranchised activists (Badran, 2009; Stetson and Mazur, 1995). But liberal judges generally supported the equal opportunity measures firms embraced in the 1970s. They often asked why firms charged with discrimination had not instituted the job descriptions, validated job tests, job posting systems, and salary classification systems that the personnel profession prescribed as anti-discrimination measures (Boyle, 1973: 92; New York Times, 1962).

In the third phase, personnel developed “diversity management” practices to take the place of equal opportunity practices. Ronald Reagan became the first high-profile opposing player in this arena when, in the 1980 election campaign, he called for eliminating bureaucratic red tape to unleash the potential of the economy. Once in office he made plans to dismantle the affirmative action regime and diminish the Equal Employment Opportunity Commission. Reagan’s predecessors had expanded equal opportunity and affirmative action regulations, and his Republican predecessor, Richard Nixon, had done as much as any (Skrentny, 1996).

The success of the social movement that personnel experts organized within their firms can be seen in executive attitudes. When Reagan challenged measures to integrate the workplace, corporate executives came to the defense of personnel (Fisher, 1994: 271). In 1979 the Wall Street Journal
reported a poll showing that two-thirds of top executives favored programs to promote women and minorities, and by 1985, a survey of Fortune 500 executives found that 95 percent would continue to use numerical goals for the representation of women and minorities even if Washington backed away from affirmative action regulations (Fisher, 1994: 270; Harvard Law Review, 1989: 661). A 1986 survey found that while enforcement had been cut, nine out of ten Fortune 500 companies planned no changes to affirmative action programs and the tenth planned to expand programs (Bureau of National Affairs, 1986: 90). Many executives came out in support of affirmative action, in amicus briefs, telegrams to Reagan, and congressional testimony (Harvard Law Review, 1989: 662). In the end, Reagan’s own Republican cabinet officials talked him out of eviscerating the Equal Employment Opportunity Commission and putting an end to affirmative action regulations for federal contractors. A key player in the equal opportunity debate, the administration, had become an arena for dissent and deliberation.

While Reagan did not eviscerate federal enforcement agencies, he did diminish their powers and send the clear message that equal opportunity was on the chopping block. Equal opportunity experts within firms redefined their activities under two different banners. They recast performance evaluations, skill training, and job-posting systems as part of an effort to rationalize the allocation of “human resources” (Dobbin and Sutton, 1998; Kelly and Dobbin, 1998). Those programs had been torn from the modern personnel administration manual of the 1950s, and rebranded as equal opportunity measures, and so now they came full circle. Social movement activists internal to the firm were covering their tracks, claiming to be working for the bottom line.

The efficiency argument worked for programs like job-posting systems that were nominally race- and gender-neutral. For other programs, consultants such as R. Roosevelt Thomas dropped the language of legal compliance for a language of “diversity management,” which became the second banner (Bureau of National Affairs, 1995; Lynch, 1997). The personnel profession worked out a new rhetoric for their equal opportunity programs, arguing that the workforce would have growing numbers of women and minorities (Johnston and Packer, 1987). Diversity training, culture audits, and diversity performance evaluations would help the employees to work better together.

In the fourth phase, which overlapped with the third but came to dominate in the 1990s, personnel experts turned their attention to women’s issues; work-family programs and anti-harassment measures. The human resources profession had gradually become feminized between 1970 and 1990, and leaders came to champion gender equality. In the 1970s, personnel
experts pushed firms to install maternity leave programs to comply with Title VII of the Civil Rights Act, until the Supreme Court ruled in 1976 that the act did not require maternity leave. By that point, leading firms had maternity leave programs on the books, which helped to quell corporate opposition to the Pregnancy Discrimination Act of 1978. After that, personnel experts did not argue that other work-life programs were required by the Civil Rights Act, but they did argue that flexible working arrangements and child care supports could be part of a “good-faith effort” defense against claims of sex discrimination. Public officials had created tax incentives and federal demonstration projects that supported on-site child care, dependent care expense accounts, flextime, and part-time career options, and these helped personnel experts to build a case for work-family programs.

Women’s advocates in personnel did tie the issue of harassment at work to Title VII. After a struggle in the 1970s to win recognition of workplace sex harassment as employment discrimination, legal scholar Catharine McKinnon and her colleagues saw three federal court decisions in 1977 defining workplace sex harassment as discrimination under Title VII. In 1986 the Supreme Court upheld this view, and in 1991, Anita Hill’s charge that Supreme Court nominee Clarence Thomas had sexually harassed her at the Equal Employment Opportunity Commission focused national attention on the issue. The press coverage helped win congressional support for the Civil Rights Act of 1991, which gave women the same right to sue for punitive damages in discrimination suits that African-Americans had (Bequai, 1992).

Personnel experts proposed remedies from their professional kit bag: sexual harassment grievance procedures, modeled on union grievance procedures, and harassment sensitivity training, modeled on diversity training and ultimately on the management sensitivity training seminars of the late 1960s (Dobbin and Kelly, 2007). In time the Supreme Court would follow the lead of personnel experts. Absent any hard evidence that training or grievance procedures quell workplace sexual harassment (Bisom-Rapp, 2001), in 1998 the Court found that these practices could inoculate employers against liability in certain harassment cases (Faragher v. City of Boca Raton, 534 US 775 [1998]; Burlington Industries, Inc. v. Ellerth, 524 US 742 [1998]).

The personnel profession came to play a surprisingly central role in the civil rights arena, taking up the baton from movement activists after passage of the Civil Rights Act of 1964. For a few years the NAACP still picketed the odd company that failed to comply with the law, but in short order, the movement had moved within the firm. Personnel managers made changes to corporate personnel systems that no one could have anticipated in 1964, ostensibly in response to the law and changing judicial interpretation.
In 1964, civil rights leaders hoped that firms would open jobs to blacks. By 1994, firms had instituted culture audits and diversity training and discrimination grievance procedures, changes that civil rights advocates from 1964 could not have imagined.

Affirmative action and civil rights laws spawned a professional subgroup in personnel largely because the requirements of the laws were unclear, and thus personnel experts could claim the unique ability to divine what the courts would expect of employers. It was thus the law’s ambiguity that created a subspecialty within personnel management which, now institutionalized, continues to use social movement tactics to fight for equal opportunity from within the firm.

**Institutional Investors as Movement Activists**

If the case of personnel manager advocacy for equal opportunity demonstrates how a social movement can be taken over by professionals within the firm, the case of institutional investor advocacy for shareholder value demonstrates how a social movement, directed at the firm, can be initiated by professionals outside of the firm. Both cases illustrate how the firm has become an object of social movement activity, conducted by professionals not in their spare time but in their work roles. Both cases show the dividing line between the professions and social movements to be changing.

The arena of corporate strategy and governance is populated by a set of players spanning the public and private sectors. Corporate executives, shareholders, and board members are all tied to the firm. The Securities and Exchange Commission regulates publicly held firms, as do industry specific regulators, such as the Bureau of Alcohol, Tobacco, and Firearms and the Federal Communications Commission, and domain-specific regulators, such as the Environmental Protection Agency and the EEOC. A number of market intermediaries play important roles, including institutional investors (mutual fund managers, investment banks, commercial banks, insurance companies, university endowments), securities analysts, hedge funds, and private equity firms (Dobbin and Zorn, 2005). Market intermediaries influence firms through “payment,” in Jasper’s (2012) language of strategizing, but they mostly use the threat of negative sanction, through shareholder proposals that challenge management decisions publicly and the threat to sell their shares, causing share price to decline and making it harder for firms to raise capital.

When they began to promote new shareholder value practices, institutional investors faced concerted resistance from executives who had built
their careers on the business model that the shareholder value paradigm attacked. Under that model, executives were paid salaries that were little affected by corporate performance. They released little information to investors beyond what was required by law. They dominated their own corporate boards to keep shareholders from challenging decisions, appointing their subordinates as members and chairing boards themselves. They operated internal capital markets, expanding through acquisition. They use diversification to hedge against the decline of a single industry. This system provided stable income and employment for corporate executives but, shareholder value advocates claimed, did not promote the interests of shareholders in maximizing firm value. Executives built huge diversified empires with little concern for profitability or share price, focusing their efforts on expanding into new industries that would guarantee stability. Executives maximized firm size to increase their salaries, and stability to maximize their longevity in office.

In the 1970s American industry was pummeled by rising oil prices, competition from Japanese automakers, and stagflation. Investors and executives questioned whether there was something wrong with American management. Meanwhile institutional investors were winning growing

**Figure 2** Average percentage of shares owned by institutional investors

![Average Percentage of Shares Owned by Institutional Investors](image)

Note: Data on shares controlled by institutional investors are for a sample of 829 large US corporations (see Dobbin and Jung, 2010), and come from Thompson Financial.
influence over firms, as their control of shares skyrocketed through the
democratization of shareholding, led by the rise of 401k plans and defined-
contribution pension plans, both of which funneled savings into the stock
market.

The ageing of the baby boom generation, pension regulations that popu-
larized 401k plans, and the growth of private investment in mutual funds
gave fund managers huge quantities of cash to invest, and unprecedented
power over firms (Swedberg, 2004). Peter Drucker’s Unseen Revolution:
How Pension Fund Socialism Came to America (1976) and John Stephens’s
The Transition from Capitalism to Socialism (1979) anticipated the change.
Figure 2 shows the growth in institutional investor holdings, between 1980
and 2005, in a sample of 736 large US firms, most of which at some point
appeared on the Fortune 500 list. Institutions held about 30 percent of stock
in the average company in 1980 and about 70 percent by 2005 (Dobbin and
Jung, 2010).

Institutional investors began to coordinate their activities – something
they had previously eschewed as industry competitors – to challenge
corporate strategy. While investors had historically tended to avoid direct
confrontation with management, some institutional investors, notably
public pension funds such as CalPERS (the California Public Employees’
Retirement System), began to talk of collective action. When disappointed
by incumbent managers, investors had long taken the “Wall Street Walk,”
quietly divesting. Selling shares, however, was not always a viable option
for institutional investors. On the one hand, index funds designed to match
the performance of the market had trouble doing so if they dumped the
stock of a major firm. On the other hand, the biggest funds held 5 percent or
more of the stock of many companies, and news of a sell-off could depress
share price before they could get out, leaving them with large paper losses.
Fund managers instead sought to improve performance of firms in their
portfolios by taking collective action to improve management practices.

To advance their agenda of corporate governance and management
reforms, activist fund managers utilized social-movement-like tactics. The
first thing they did was to organize a collective, with public pension funds
in the lead (Davis and Thompson, 1994). In 1985, Jesse Unruh, a trustee of
the CalPERS board, gathered public and private pension fund managers
to found the Council of Institutional Investors (CII). Corporate America
recognized its potential power immediately. Members controlled $130
billion in assets. One Wall Street executive was quoted as saying, “If the
institutions start speaking with one voice, they could become a financial
OPEC” (Jacoby, 2007: 244). CII endorsed a “Shareholder Bill of Rights” in
1986, which broadly defined its governance-reform agenda, including independent oversight over management and greater shareholder input in key corporate decisions. A regulatory change helped the burgeoning activism by institutional investors. Previously, communications aimed at influencing the votes of more than ten other shareholders had to be examined and approved by the Securities and Exchange Commission (SEC) in advance of a shareholder meeting. The SEC adopted new proxy rules in 1992 allowing direct communication among shareholders, which facilitated collective action among fund managers.

Taking advantage of their newfound political as well as economic influence, the CII and leading public pension funds challenged management. For the purpose, they adopted both informal and formal measures. With the rising financial power of fund managers, firms put in investor-relations offices and chief financial officers to manage corporate image (Zorn, 2004). Now they privately negotiated with companies to embrace the governance and strategic reforms advocated by shareholder value proponents (Carleton, Nelson, and Weisbach, 1998).

Where behind-the-scenes lobbying failed, the formal step of anti-management shareholder proposals sometimes succeeded. While submitting proposals for a vote at the company’s annual meeting was a measure available to virtually any shareholder, proposals were rare, and individuals who submitted them had been mocked as “corporate gadflies.” From the mid-1980s, groups of fund managers became more active. Between the mid-1980s and the mid-1990s the number of shareholder resolutions supported by institutional investors tripled (Proffitt, 2001), and institution-led proposals now won more votes than individual-led proposals. While shareholder proposals were nonbinding, they put pressure on management to change. Institution-led proposals covered the range of shareholder value prescriptions, from board independence to executive pay for performance.

Fund managers dubbed their activism the “shareholder value” movement, but shareholders were rarely involved. They described a David versus Goliath struggle, pitting small-holding pensioners against the fat cats who ran America’s largest public companies for their own benefit. In fact, institutional investors advocated shareholder value principles that would support their own interest in short-term share price increases, but that might not serve shareholders so well. A cornerstone of the shareholder value paradigm, as institutional investors promoted it, was the stock option. Options tied executive compensation to annual increases in share price, aligning executive compensation with the compensation of institutional fund managers, who earned bonuses based on annual increases in the value
of stocks under management. Unlike actual shareholders, both groups benefitted from market volatility, for each drop in the market offered executives, and fund managers, the chance to reap the benefits of the market's next rise through bonuses and option grants.

Part of the shareholder value ethos was to transform poorly managed companies to boost their share value. Next we discuss each of the reforms that shareholder value theorists advocated. We argue that fund managers succeeded in promoting the elements of the shareholder value playbook that they really wanted. The best evidence that the “shareholder value revolution” was promoted by a social movement made up of fund managers may be in the outcome of this revolution. Firms embraced the changes that fund managers wanted for their own benefit, but not those that would serve the long-term interests of shareholders, such as those that would dampen risk-taking and market volatility, which served fund managers who, again, reaped the rewards of every rise in the stock market but paid little of the price of market declines.

Shareholder value reformers promoted pay for performance and executive equity-holding by arguing that executives had become lazy and self-serving in part because their compensation was ill suited to the needs of shareholders. But only performance pay was in the interest of fund managers, because performance pay encouraged short-term increases in share price at the cost of long-term stability, and fund managers' annual bonuses were based on short-term share price increases. The movement pushed hard for performance pay, neglecting the prescription for long-term equity-holding to stabilize growth. Circa 1975, the best way for a CEO to get ahead was to “grow the company” through diversifying acquisitions. Most of the money CEOs made came in the form of salary, and the bigger their companies, the bigger their salaries. Reformers cited agency theory in economics to argue for performance pay. Michael Jensen, a finance professor at the University of Rochester who would later move to Harvard Business School and become a principal of the Monitor Group consultancy, was coauthor of the seminal article (Jensen and Meckling, 1976). Writing in Harvard Business Review, Jensen and Murphy (1990) argued forcefully that major firms made the mistake of paying their executives like bureaucrats, tying compensation to showing up for the job rather than to performing. They called for boards of directors to require CEOs to be substantial shareholders and link compensation to performance through stock options and bonuses (Khurana, 2002: 191).

There were good reasons for executives to oppose both performance pay and equity-holding (Jensen and Meckling, 1976). If performance pay was to
replace straight salary, executives might lose out in a downturn that was not of their own making. Moreover, portfolio theory suggested that no investor should have all of his eggs in one basket, and equity-holding schemes such as corporate long-term incentive plans (LTIPs) required executives to hold substantial equity in the firm, preventing them from diversifying. Fund managers convinced firms to move to performance pay but did not convince them to increase executive equity-holding (Westphal and Zajac, 1994). Long-term executive equity holding did not serve fund managers’ personal interests, because their bonuses were tied to short-term increases in share value (Dobbin and Jung, 2010).

Shareholder value theorists also called for firms to dediversify. But their heart was not in it, because dediversification incurred significant one-time costs of reorganization, which dampened profits in the immediate future. Fund managers were in it for the annual bonus, and thus while they talked about dediversification, CII and the movement generally did not hold executives’ feet to the fire.

Focused firms, shareholder value advocates reasoned, would be able to pursue business opportunities with more agility. C.K. Prahalad and Gary Hamel argued in the Harvard Business Review in 1990 that firms should focus on industries their managers knew well. As Michael Useem (1996: 153) argues, “While diversification had been a hallmark of good management during the 1960s, shedding unrelated businesses had become the measure during the 1980s and 1990s.” Corporate executives resisted dediversification publicly, fighting break-up takeovers through poison pills, golden parachutes, and state anti-takeover laws (Davis, 1991; Davis and Stout, 1992). In the end many conglomerates were broken up, but fund managers played little part in this (Dobbin and Jung, 2010). Instead, hostile takeover firms raided large conglomerates and broke them up, and securities analysts neglected large rambling conglomerates because their prospects were difficult to assess, leading executives to dediversify to get the attention of analysts markets (Zuckerman, 1999; 2000). After 1980, America’s corporate behemoths dediversified to ward off takeovers (Davis et al., 1994).

Shareholder value proponents advised, as well, that debt financing of acquisitions could prevent unwise takeovers. Jensen and Meckling (1976) offered a prescription for preventing ill-advised acquisitions, building on ideas from financial economics (Miller and Modigliani, 1961; Modigliani and Miller, 1958). Agency costs stem from managers’ propensity to favor stability over profits, overreward themselves, and focus on the short term. One way to reduce agency costs is to use debt to finance expansion. This moderates the principal-agent conflict by reducing equity financing, forcing
managers to recognize the cost of capital. Debt also leverages equity by multiplying returns, and frees up profits to be used for share buy-backs that increase stock price (Westphal and Zajac, 1998; Zajac and Westphal, 2004). Debt financing is thought to discipline executives prone to using cash for ill-advised acquisitions that would dilute future profits. Fund managers disliked debt financing, however, because they were working for an annual bonus, and firms used debt to invest in new technologies or industries that would not pay off for several years (Dobbin and Jung, 2010). The average company’s corporate debt rose some 50 percent between 1980 and 2000, but this was driven by the rise of hostile takeover attempts, which led takeover agents to buy companies with debt, and some targets to take on debt to make themselves less attractive to suitors (Davis et al., 1994; Dobbin and Jung, 2010).

Shareholder value theorists also talked up board independence, with the idea that autonomy would enable boards to monitor executives and replace poor performers. Research confirms that inside directors from the management team are in no position to challenge executives; large boards rarely act decisively (Byrd and Hickman, 1992; Carleton et al., 1998; Hermalín and Weisbach, 1988); and CEO-chaired boards seldom question management decisions (Beatty and Zajac, 1994; Certo et al., 2003). Moreover, inside directors favor poison pills and golden parachutes that protect executives against losses in takeovers, undermining the role of takeover threat in disciplining wayward executives (Jensen, 1984). Financial economists recommended outside directors, small and agile boards, and outside chairmen (Fama, 1980).

Fund managers did not insist on board independence, and in fact, by the best measure of independence (separation of the CEO and chairman), the average Fortune 500 firm saw backward movement (Dobbin and Jung, 2010). Gourevitch and Shinn (2005) argue that fund managers did not press the point because many of them faced conflicts of interest. They invested in firms and sold pension instruments to those same firms. Ford or GM could easily enough favor a pension provider that did not seek to interfere with corporate governance. While firms did decrease the size of boards on average, and did appoint more directors who were not managers of the firm, they became more rather than less likely to give the CEO the title of chairman, and so boards did not become more independent (Dobbin and Jung, 2010; Khurana, 2007).

Finally, institutional investors championed financial transparency. Agency theorists advised firms to open their books to analysts, providing both financial and strategic information that would allow analysts to
assess firm prospects and encourage changes to improve performance. Management consultants suggested that new Chief Financial Officers could take charge of increasing transparency, by issuing regular reports, holding conference calls, and issuing earnings preannouncements (Dobbin and Zorn, 2005: 193; Zorn, 2004). Transparency might reduce analyst discord over earnings projections and increase the odds of meeting analyst profit projections, which had been published since the early 1970s (Fox, 1997). Executives at leading firms reported significant pressure from investors and analysts to meet these estimates, and responded by providing more information to investors and analysts and by managing earnings to match forecasts (Useem and Gager, 1996: 625). Firms were slow to provide more accounting information than the law required, but they came around as transparency became the norm, and as they came to see that transparency could boost the value of executive stock options.

Corporate structure and strategy have changed dramatically due to the shareholder value movement, carried out by institutional investors who claimed to be representing their clients, investors. Firms embraced stock options but not executive equity, financial transparency but not board independence, and both debt financing and dediversification. And while they publicly championed all of these changes, the fund manager movement pushed hard only for the changes that served its members, fund managers themselves. Institutional investors only became a key player in this arena when they, collectively, came to dominate control of stock. They organized along the lines of a social movement through the Council of Institutional Investors, despite the fact that fund managers were in direct competition with one another for jobs, and for lucrative investments.

Conclusion

We have looked at the role of one seldom-studied political player, the professional group as a social movement activist directing its attention at the firm. When they are professionals working for a firm, as in the case of diversity experts, their strategies may be honed in professional associations and networks, where new management models and rhetorics are worked out. Their professional associations are at once players and arenas. They are arenas when members are working out strategies to pursue and programs to promote. They are players when the associations are the locus of actions designed to change firm behavior. Then their firms become arenas, in which interactions between different groups of professionals and managers are
played out. For instance, in the case of sex and race harassment, managers were eager to see programs put into place. In-house counsel often advised that there were no dependable immunizations against harassment lawsuits and recommended waiting for the courts to act. Personnel professionals promoted training and grievance systems, and these spread far and wide before the courts made a definitive ruling. The courts judged that because these were widely popular, firms without them must not be trying to eradicate harassment (Dobbin and Kelly, 2007). Firms had become arenas in which two professions-as-social-movements worked out their differences.

Professions have, in these two illustrations, come to play novel roles in social movements, both as protagonists within the firm and as antagonists outside of the firm. This has occurred in part because the firm has increasingly become the object of social movement activity. On the one hand, it occurred as the firm gained power and influence over citizens. The NAACP demonstrated outside of department stores that refused to hire African-Americans. Environmental activists challenge oil companies directly. The targets of social movement activity are increasingly corporations themselves. On the other hand, it occurred as the state’s role in society was circumscribed by neoliberal ideology and fiscal constraint, leading the state to cede certain responsibilities for environmental protection, labor standards, and social welfare to private corporations and nonprofit intermediaries.

Organizational scholars have documented how professional groups operate as social movements, bringing new norms of environmental protection, gender rights, and work-family rights to the corporation (Saguy, 2003; Dobbin et al., 1993). Thus personnel experts pushed for maternity rights for workers while the women’s movement was busy pushing for passage of the Equal Rights Amendment (Kelly and Dobbin, 1999). Personnel experts won the day, and the women’s movement’s advocacy of the ERA failed. As we have noted, social movements have entered the firm in a number of other ways over the years. When the Wagner Act guaranteed workers the right to organize, the labor movement gained representatives inside of firms, some working for unions and others for management. As public policy creates new rights for individuals and protections for the environment and community under pressure from traditional social movement activists, professionals take over the details of implementing these rights and protections and become advocates themselves within firms.

The relationship between the professions and social movements would seem to be in flux today, and thus we have argued not only that professional groups can act as within-firm social movements and as extra-firm social
movements lobbying for corporate change, but also that the line between social movements and professions is sometimes blurred. We see a range of different patterns. Existing professionals can spearhead a new movement, as in the case of institutional investors and shareholder value. Professionals can recognize a movement as in their interest and align with it, as in the case of health-care professionals organizing along pro-choice lines and against anti-abortion activists. Professionals can take the lead in new movements that support their own identity politics, as when female human resources managers champion work-life programs. Or individuals may choose to join professions in order to promote their political interests, as in the case diversity managers or environmental engineers.

When market intermediaries such as institutional investors want to change the behavior of firms, they now use social movement strategies to bring firms around to their way of thinking. We expect market intermediaries (hedge fund managers, securities analysts, investment banks) to continue to promote new management paradigms from the outside with social movement language and tactics, acting on their own behalf and on the behalf of the investors they represent.

Some argue that with the rise of "state feminism," or women's movements spearheaded by government officials, we are seeing a decline in conventional social movements (Badran, 2009; Stetson and Mazur, 1995). Skrentny (2002) argues that the civil rights movement created a model for related movements, and that these can now proceed largely through the initiative of government actors, who mobilize for the elderly, the disabled, or veterans with or without the involvement of members of these constituencies. It may be that professionals within the state, and within firms, are coming to usurp the conventional role of social movements. Thus, for instance, the movement for work-life flexibility has largely been led by government regulators and legislators, and personnel professionals within firms. Rallies in Washington, DC, are rare in that domain, and yet firms, and legislatures, are steadily increasing work-life programs, policies, and protections.

The conventions of the social movement are thus changing, as are the conventions of the profession. We are witnessing the evolution of the actors and roles that constitute the modern ontology. While social scientists typically presume that ontology to be stable, comprising individuals, occupations, political groups, social movements, corporations, and nation-states with distinct roles, we have documented how some of these groups and roles are morphing before our eyes. Social movements become more professionalized, as others have shown, but in addition, professional groups take
on the tactics and rhetoric of social movements, blurring the line between activism and professionalism.

Note

1. Thanks to Jan Willem Duyvendak and James Jasper for comments and suggestions on an early draft.

References


Fox, Justin. 1997. “Learn to Play the Earnings Game (and Wall Street Will Love You).” In Fortune, March 31.


