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# How Common Owners Contain the Costs of Media Disapproval in Controversial Industries

# ABSTRACT

Various hidden forces shape the competitive landscapes we know. Situating our study in the context of within-industry common ownership and the media, we investigate the role that common owners play in thwarting media disapproval—where firms are disapproved in the media for contested business practices they share with their broader industry. When a firm in a controversial industry acquiesces to media disapproval, it implicitly acknowledges the "dirtiness" of the practice which can elevate costs and pressures on other firms to do the same. Because common owners hold shares in multiple peers in a single industry, we argue they will invest in firms that experience disapproval in an effort to prevent these firms from acquiescing to media disapproval. We posit this relationship is stronger when it is more difficult for common owners to divest from the controversial industry and when the source of disapproval is more credible. Bringing our theory full circle, we hypothesize that an influx of common owners into a target firm reduces the extent to which it will acquiesce to media disapproval. Using data on common owners of arms manufacturers, we find support for our theory. This study reveals new hidden forces that underlie organizational resistance to media disapproval.

**Keywords:** Institutional ownership; common ownership; media disapproval; organizational acquiescence

#### **INTRODUCTION**

Media disapproval can play a significant role in shaping the practices and policies of firms. When the media disapproves of certain business practices, firms have been found to acquiesce to the scrutiny, for instance, by putting an end to those practices (Bednar, 2012; Bednar, Boivie, & Prince, 2013; Graf-Vlachy, Oliver, Banfield, König, & Bundy, 2020; Vergne, Wernicke, & Brenner, 2018). Acquiescence in this context refers to an organization distancing itself from industry practices that are contested in the media, for instance, by abandoning or remediating the practices. Especially in controversial industries, such as arms, tobacco, nuclear power plants, and gambling (Palazzo & Richter, 2005; Piazza & Perretti, 2015; Vergne, 2012), this form of organizational acquiescence to media disapproval that targets business practices shared in an industry can impose pressures and costs on *other* firms to adhere to the higher standard set by the acquiescing firm.

Largely overlooked to date, some parties with vested interests across a controversial industry could be opposed to a single firm's acquiescence to industry-relevant media disapproval, especially when it risks imposing an economic burden on the broader industry. In non-controversial contexts, abandoning or remediating a contested business practice might be rewarded by stakeholders and thus present benefits to those invested in the industry (Doh, Howton, Howton, & Siegel, 2010; Flammer, 2013; Koh, Qian, & Wang, 2014; McDonnell & King, 2013; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). But, in controversial industries, abandoning or remediating a contested business practice, though it could benefit the focal firm, risks imposing costs on peers as they experience pressures to live up to the higher standard set by the acquiescing firm (Yiu, Xu, & Wan, 2014). This would be the case, for instance, in removing cigarettes from tobacco companies or abandoning handgun and semiautomatic rifle sales for arms manufacturers. Of all such parties that might be sensitive to this type of cascading economic uncertainty that a single firm's acquiescence to media disapproval could impose on an industry, common owners are likely paramount.

Common owners are investors that simultaneously own shares in multiple firms in the same industry (Connelly, Lee, Tihanyi, Certo, & Johnson, 2019; DesJardine, Grewal, & Viswanathan, 2022). Compared to other investors, common owners differentially affect organizational outcomes because they aim to maximize the earnings of their overall portfolios of firms rather than any individual firm (Goranova, Dharwadkar, & Brandes, 2010). As Inkpen and Sundaram (2022: 557) explain, "Shareholders with concurrent investments in competing firms

will maximize portfolio returns rather than individual firm returns, leading to owners wanting firms to cooperate more and compete less." If common owners express concern that a single firm's acquiescence to a contested practice in a controversial industry could upend the industry in which they are economically invested, they may intervene.

Recent studies suggest common owners might try to intervene by investing in the media source. Recognizing the practical significance of the media as a strategic tool, companies and other investors sometimes sway the media to alter its coverage in ways that advance their economic interests, giving rise to "media capture" (Besley & Prat, 2006; Petrova, 2008). For example, DesJardine, Shi, and Cheng (2023a) found that common owners invest in media companies to influence their coverage in favor of other companies in their portfolios. In line with studies on investor influence (e.g., Chuah, DesJardine, Goranova, & Henisz, 2023; Connelly, Hoskisson, Tihanyi, & Certo, 2010a), this research suggests that common owners are highly attuned to the powerful role that the media can play in shaping firms' competitive responses and industry dynamics, and thus actively intervene in the media to use media coverage as a strategic tool.

But this research overlooks one major constraint: much of the media is outside the reach of common owners. Most media outlets are owned by private companies in which investors cannot invest, and while common owners may be able to persuade some media executives to cater to their interests, many are hard to influence and outside their control. Moreover, whether or not common owners can invest in media outlets to influence their coverage, once a firm in a controversial industry experiences media disapproval for engaging in contested industry-specific practices, investing in the outlet that publicized the disapproval will not resolve the competitive dilemma common owners face as the publicity may escalate to other outlets and spill over onto

other industry players. Acknowledging these constraints, we propose an alternate route common owners will use to manage the media disapproval in controversial settings: investing in the firm targeted with the disapproval.

Though investing in firms targeted with industry-relevant media disapproval may seem counterintuitive at first, it provides a strategic avenue for common owners to influence how firms respond to the disapproval so that the industry status quo is protected. Connelly et al. (2019) find that common owners invest in competitive rivals to angle their competitive actions away from each other, so that competition is regulated and industry profits are protected from escalated competitive rivalries. In a similar fashion, common owners might invest in firms targeted with media disapproval to try to angle them away from acquiescing to the media disapproval, when the disapproval calls out contested practices shared among peers in the controversial industry.

Against this backdrop, we argue that common owners with holdings across multiple firms in a controversial industry increase their ownership stakes in firms that become subject to media disapproval for engaging in business practices that are shared in its industry. This influx of funds into the target firm is a form of *inward* common ownership, which prior studies suggest is important for affording investors influence over how a target firm reacts to external environmental pressures (Connelly et al., 2019), including media disapproval (DesJardine et al., 2023a). Next, we examine the motivations of different common owners to intervene in a target firm's reaction to media disapproval. Because index investors have limited discretion to sell their positions in firms and industries, which can sometimes incline them toward intervening in the affairs of their portfolio firms (Appel, Gormley, & Keim, 2016; Coffee, 2021a), we reason that the increase in inward common ownership in target firms subject to media disapproval is greatest among index investors, relative to other investor types. We then decompose the source of the media disapproval to understand how the credibility of the threat motivates common owners to intervene. With heightened concern that a target firm will acquiesce when condemned by political actors (Zhu & Chung, 2014), we postulate that industry common owners become even more likely to build their ownership stakes in a firm that has been subject to industry-specific media disapproval that stems from a political actor's criticism, as opposed to a non-political actor's. Finally, we posit that a target firm's acquiescence to industry-specific media disapproval decreases as the level of inward common ownership in the firm increases.

We test these predictions in the context of the arms industry, which reflects some aura of stigma and where media disapproval can be high (Durand & Vergne, 2015; Sadri, Piazza, Phung, & Helms, 2023). Relevant to our theory, in this setting one firm's acquiescence to media disapproval of industry-specific business practices could trigger a cascade of change that imposes broader costs on the industry. While testing our theory in this industry is a fitting start, we also discuss the generalizability of our theory and findings to other contexts. On a more practical note, the large sample of publicly traded arms manufacturers in this industry also affords us great access to detailed information about ownership changes, media reports, and organizational responses to media disapproval, compared to what is available in other controversial industries.

Our study offers several new insights into common owners. First, where prior studies have shown that common owners invest in firms to initiate some form of value-maximizing organizational action, such as the adoption of CSR practices (DesJardine et al., 2022) or the implementation of rival-friendly competitive moves (Connelly et al., 2019), our findings reveal they will sometimes invest to stop organizational change from taking place. Thus, in contrast to the many studies showing common owners can be an agent for organizational change, our study

shows they can also be an agent for stymicing change. Second, where existing research has focused almost exclusively on the dyadic competitive moves common owners manage between rivals (Lewellen & Lowry, 2021), we establish that common owners also express concern about broader industry-level spillovers. That is, rather than orchestrating how pairs of rivals interact, common owners also appear to manage higher-level industry trends and dynamics, which expands their realm of influence and creates intriguing new avenues for future research. Third, in addition to following the traditional route of showing how common ownership impacts some form of organizational action, our study introduces the idea of inward common ownership to explain how within-industry fund flows enable common owners to achieve their portfolio-maximizing objectives in the first place.

By applying a competitive dynamics lens to study organizational responses to media disapproval, our study also illuminates the boundaries of media as an external governance tool (Bednar, 2012). A central finding in this literature is that media disapproval can cause firms to acknowledge and abandon contested practices (Durand & Vergne, 2015; Piazza & Perretti, 2015). While suitably viewed as a positive outcome of the discipling force of the media, there has been little consideration that outside actors may see such organizational responsiveness as a cause for concern, and step in to intervene. Therefore, answering calls to illuminate when the media is a weak mechanism for inducing organizational change (Graf-Vlachy et al., 2020), our study informs how common owners sometimes work to thwart the effectiveness of the media's disciplinary force. Moreover, rather than treating all media coverage as equal or contingent on a focal media outlet's reach, our study shows that media coverage can have differential effects depending on the *source* on which media content is based, which opens new avenues for media scholarship.

#### **THEORETICAL BACKGROUND**

#### The competitive dynamics of firms' responses to media disapproval

Sometimes viewed as a strategic resource (Deephouse, 2000), coverage by the media can drastically impact a target firm's economic prospects (Graf-Vlachy et al., 2020). In particular, numerous studies have shown that media disapproval can generate negative publicity for a firm, resulting in legitimacy losses, reputational discounts, and financial risks (Bednar et al., 2013; Pollock & Rindova, 2003). Stakeholders who are sensitive to these issues may distance themselves from a firm that is subject to media disapproval, either because the firm's behavior conflicts with their own values and norms or to avoid the risk of negative reputational spillovers (e.g., Pontikes, Negro, & Rao, 2010). As a result, media disapproval can make it difficult for firms to acquire resources (Weber, Rao, & Thomas, 2009) and maintain support from customers (Jonsson, Greve, & Fujiwara-Greve, 2009), suppliers (Jensen, 2006), and investors (Vergne et al., 2018).

Firms employ different responses to mitigate the consequences of media disapproval, from acquiescence to defense (e.g., Bednar et al., 2013). Acquiescence involves acknowledging the disapproved practice and trying to distance itself from the practice. Some firms do this by remediating the contested business practices; others by completely abandoning those practices. For example, Phillip Morris acquiesced to media disapproval in 2021 by announcing it would stop selling cigarettes in the United Kingdom. In contrast, defense to media disapproval involves trying to counter the criticism. This is often done by using impression management tactics, such as denying the criticisms (Carberry & King, 2012), mobilizing support among alternative outlets to generate positive media publicity (Helms & Patterson, 2014), or attacking the media source (Xu & Li, 2013). Existing research has focused heavily on the responses of firms directly affected by media disapproval (Graf-Vlachy et al., 2020). The implicit assumption underlying these studies is that responses to media disapproval are driven mainly by the interests of the focal firm. For example, from the perspective of a target firm, acquiescing to media disapproval by abandoning a contested business practice appears logical: when the firm acquiesces in a meaningful way to media disapproval it can end the disapproval and mitigate the penalties (e.g., reputational losses) that might otherwise follow.

Viewed through the lens of competitive dynamics (Chen & Miller, 2015), this perspective overlooks the pressure that one firm's acquiescence can put on its peers to take similar actions, which outside actors with vested interests across the industry may not welcome. The spread of pressure from a firm's acquiescence is particularly important in controversial industries which are characterized by low levels of legitimacy, hostile audiences disapproving of socially inappropriate business practices, and tactical distancing by outsiders (Cai, Jo, & Pan, 2012; Galvin, Ventresca, & Hudson, 2004; Vergne, 2012). Controversial industries range from moderately contested industries such as oil and gas (Levy & Egan, 2003), forestry, and mining (Dorobantu, Henisz, & Nartey, 2017; Koh et al., 2014) to highly stigmatized industries such as the sex trade (Ruebottom & Toubiana, 2021) and men's bathhouses (Hudson & Okhuysen, 2009). In such contexts, because contested practices are inherent in the business and thus shared by most (if not all) firms, having a single firm acquiesce to the media's disapproval of the shared industry practice essentially affirms the moral questionability of the practice, which could elevate stakeholders' expectations of other industry peers to do the same (Shi, Wajda, & Aguilera, 2022) or motivate the media to subsequently target these peers. Indeed, scholars have found that when the media or other stakeholders are successful in spurring one organization to

change, they become more driven to target additional firms to do the same (Briscoe, Gupta, & Anner, 2015; Waldron, Navis, & Fisher, 2013). These ripple effects could be of high concern to actors with incentives to maintain an industry's status quo, namely common owners.

# The investment rationale of common owners

Because of their sheer scale, institutional investors can more easily channel significant amounts of capital into a target firm than they could have in the past. In recent years, trillions of dollars have been directed into various institutional vehicles, asset managers have consolidated, and fewer companies have assumed public status. As a result, ownership of publicly-traded firms has become concentrated among fewer major investors—typically, dominant institutional investors who invest on behalf of others (Davis, 2009). This shift in the investment industry has resulted in a surge of common ownership, with roughly 90% of all U.S.-based firms having at least one major common owner (DesJardine et al., 2022).

We define common owners as investors who simultaneously own shares in two or more firms in the same industry. Although common ownership can occur both within and between industries (DesJardine et al., 2023a), we follow the tradition of examining common ownership within industries (Connelly et al., 2019) because our theorizing is driven primarily by expectations that multiple firms within an industry concede to media disapproval after one firm does so. We also follow studies that define common ownership as investing in two *or more* firms (Gilje, Gormley, & Levit, 2020; He & Huang, 2017; He, Huang, & Zhao, 2019; Park, Sani, Shroff, & White, 2019) because we suspect that common owners with widespread ownership stakes in an industry will be more incentivized to manage industry competitive dynamics.

The defining characteristic of common owners is an investment calculus that is distinct from investors who hold ownership stakes in a single firm (i.e., "non-common owners").

Compared to non-common owners, common owners strive to ensure the overall returns of their broader portfolios rather than those of any single firm. Because common owners are portfoliovalue maximizers, not firm-value maximizers (Battocletti, Enriques, & Romano, 2022), they are willing to tolerate a single firm's losses as long as benefits can be derived by multiple other firms in their portfolios. Coffee (2021b: 604) explained this idea, noting that common owners "may knowingly accept, and even cause, losses at some firms in their portfolio if they expect that those losses will be outweighed by correlative gains at other portfolio firms."

Although common owners apply a portfolio lens to their investments, and one firm's response to media disapproval could affect multiple other industry peers, scholars have yet to consider whether common owners might intervene in how a target firm responds to media disapproval of its business practices that are shared in its industry. To date, the central thrust of common ownership research has been to unpack the direct influence of common owners on industry rivals' competitive moves. In their review, Lewellen and Lowry (2021) tallied 8 published papers and 11 working papers written since 2016 with this focus, which is a trend that has only continued in more recent years. Recognizing the opportunity to advance this perspective, Connelly et al. (2019) called for a shift beyond a dyadic focus on common ownership to explore how common owners can serve as industry-level arbiters who shape practices more broadly within industries.

#### THEORETICAL DEVELOPMENT

#### Inward common ownership following media disapproval

Ownership bestows shareholders with power and influence. By acquiring ownership stakes in a firm, shareholders not only gain more formal voting power on issues related to corporate affairs, but also attain greater influence by establishing legitimacy before other shareholders and managers. Shareholders with larger ownership stakes have more to lose or gain from corporate decisions, and therefore can be more motivated to understand a company and its affairs. This can result in other shareholders placing additional trust in the views and opinions of these larger, more invested shareholders (Connelly et al., 2010a). It can also cause managers to closely attend to these shareholders' demands, as they have more power to influence managers' fates, including their compensation and job security (Fos & Tsoutsoura, 2014).

After a firm experiences disapproval in the media for engaging in contested industryspecific practices, shareholders who are already invested in the broader industry might make significant investments in the targeted firm's stock to restrict how the firm's managers respond to the media disapproval. Literature on interorganizational spillovers (Paruchuri, Pollock, & Kumar, 2019; Shi et al., 2022) demonstrates that one firm's response can "spill over" to affect its peers, including how those peers are perceived by stakeholders and the pressures they encounter in their own business practices. If a target firm responds to media disapproval by acquiescing and distancing itself from an industry's contested practices, thereby implicitly (or explicitly) acknowledging the practice's "dirtiness" (Durand & Vergne, 2015), other firms in the industry that continue to engage in the practices may look worse and lose favor with stakeholders. It could also elevate stakeholders' expectations of industry norms and motivate the media to target additional firms in the industry, spreading the reputational burden and economic costs industrywide.

To illustrate, consider the arms industry, which serves as our empirical context. In 2000, Smith & Wesson consented to pressure from the media and other critics to adopt stricter consumer safety measures for sales and use of its handguns. This action was praised by many at the time, including U.S. President Clinton, who expressed hope that "other responsible members

of the gun industry [would] step forward too" (The White House Office of the Press Secretary, 2000). Yet not all observers responded so enthusiastically. In particular, Smith & Wesson's "rivals feared the agreement opened the door to increased regulation and had put them over a barrel" that would jeopardize the economics of the broader industry (Martinson, 2000). For common owners invested in Smith & Wesson's peers, the company's move posed greater risk than it did for non-common owners with less industry exposure. Faced with disproportionate risk, we suspect that common owners in the arms industry might have wanted to soften Smith & Wesson's response by increasing their ownership in the company following the disapproval of its business practices that were relevant to the broader arms industry, in this case the sales of guns. As Condon (2020: 6) explains, "A rational owner would use its power to internalize externalities so long as its share of the costs to the externality-creating firms are lower than the benefits that accrue to the entire portfolio from the elimination of the externality." In this case, the externality amounts to the collective costs imposed on Smith & Wesson's peers after its acquiescence.

In contrast, consider a non-common owner who owns shares in a firm that experiences media disapproval for engaging in a contested practice in a controversial industry, but does not own shares in other firms in that industry. This shareholder would be affected by the firm's response to the extent that it influences the firm's value, but not by the spillover effects on its peers (e.g., costs of complying with elevated industry standards). Although the target firm will often benefit by consenting to the media disapproval, non-common owners with minimal exposure to the broader industry will have little motivation to increase their ownership in the target firm relative to common owners with larger stakes across the industry.

*Hypothesis 1 (H1):* In controversial industries, the more a target firm is subject to media disapproval for engaging in contested industry-specific practices, the greater the inward common ownership from shareholders of peer firms in that industry.

# Accounting for the motivations of common owners

Not all investors have similar motivations to intervene in how a target firm in a controversial industry responds to media disapproval arising from industry-specific business practices. Variance in investors' motivations can be attributed partly to their different investment strategies. Scholars commonly delineate investors' strategies based on their investment horizons using Bushee's (1998) classification, which separates transient investors with diverse short-term holdings from dedicated investors with concentrated long-term holdings (Connelly, Tihanyi, Certo, & Hitt, 2010b). While investment horizons should play some part, we suspect that the more prominent factor shaping an investor's motivation to intervene in a target firm's response to media disapproval is their discretion to exit the industry following the disapproval. This brings us to Bushee's third and less considered type of investor: index investors.

Index (or quasi-index) investors are obligated to own entire industries, which limits their discretion to exit their positions should they wish to do so. This is because index investors buy and hold many stocks in their portfolios with the aim of replicating the performance of a benchmark index such as the S&P 500. Although index investors have some discretion to select individual stocks, their ability to divest is severely limited because of their investment mandate; they cannot divest from entire industries without incurring penalties from increasing their "tracking error" (i.e., the divergence between the price behavior of their portfolios relative to benchmarks).

Given their limited capacity to divest from an industry, index investors should be highly sensitive to the potential ripple effects of a firm's acquiescence to media disapproval of shared industry business practices. Relative to transient and dedicated investors, index investors should be more motivated to increase their ownership stakes in a firm that is experiencing media

disapproval for engaging in contested industry-specific practices in order to gain greater influence over the firm's response. Although index investors are considered "passive" traders who buy-and-hold stocks, several studies show that they also adopt activist tactics, engaging and intervening in the decisions of firms in their portfolios (Appel et al., 2016). Coffee (2021a: 45) referred to this as "the coming shift in shareholder activism," which he reasons is necessary for index investors to manage the industry-wide risks their portfolios expose them to. If a target firm's response to media disapproval threatens the economics of its broader industry, at least as far as investors might anticipate, index investors with common ownership will be more motivated to intervene than transient or dedicated investors with common ownership. Thus:

*Hypothesis 2 (H2)*: In controversial industries, the positive association between a firm's media disapproval for engaging in contested industry-specific practices and inward common ownership from shareholders of peer firms in that industry is stronger among index investors than it is among transient or dedicated investors.

# Accounting for the source credibility of media disapproval

Not all media disapproval has equal power to trigger change in a target firm and its industry. In an age where skepticism about the media is at an all-time high, and audiences worry about exaggerated or sensationalized media stories (Ahern & Sosyura, 2015), the source on which a media article is grounded can impact its reception and credibility among audiences. As a result, and where possible, journalists and editors often seek to quote or cite knowledgeable sources to lend credibility to their claims, basing their articles on sources such as business leaders and prominent politicians (Tuchman, 1972). As Park and Westphal (2013: 550-551) explain, "stories that do not include quotations or citations to credible sources are more likely to be revised by editors, tend to receive less prominent placement in the publication, and tend to be evaluated less positively," thus giving them less power to elicit organizational change.

When a media article criticizing a firm's business practices that are shared in its industry

is based on condemnation that stemmed from a political actor, concerns of common owners within the industry are likely to be heightened. Compared to non-political actors (e.g., social activists, journalists, and community members), political actors (e.g., members of Congress and other elected government officials) can be highly influential over business matters because of the power bestowed to them by their positions in government. For example, some political actors have the expertise and connections to influence regulatory bodies (Barber IV & Diestre, 2019), are able to write and pass laws (Kerwin & Furlong, 2018), and can initiate investigations into corporate activities (Griffin, Liu, & Shu, 2022). As a result, firms, investors, and other stakeholders have been shown to pay close attention to the behaviors and comments of political actors (Sadri et al., 2023; Sun, Mellahi, & Wright, 2012). With heightened concern that a firm might abandon or substantively remediate its contested industry practices after being called out by media disapproval based on a political actor's criticisms (and thus impose costs on other firms in the industry), we suspect common owners will be especially motivated to invest in the target firm to manage its response.

By comparison, even without the intervention of common owners, media disapproval of contested industry-specific practices sourced from non-political actors' complaints is less likely to cause a firm to abandon those practices. Compared to political actors, non-political actors possess less power to impose direct sanctions on firms and have less influence on legislative and regulatory bodies. Lacking sufficient resources to mobilize impactful campaigns and garner attention from more powerful players, these actors' criticisms may be deemed less salient by firms and thus disregarded (Bundy, Shropshire, & Buchholtz, 2013; Waldron, Navis, Aronson, York, & Pacheco, 2018). King (2008), for instance, argued that firms respond to criticisms from non-political actors only when they attract significant attention from other stakeholders (for

related arguments on NGOs, see: Bonardi & Keim, 2005). Thus, when a firm is subject to media disapproval for engaging in contested industry-specific practices, common owners will not be as concerned about the firm acquiescing when the disapproval is sourced from criticisms made by non-political actors. Taken together, we expect:

**Hypothesis 3 (H3)**: In controversial industries, the positive association between a firm's media disapproval for engaging in contested industry-specific practices and inward common ownership from shareholders of peer firms in that industry is stronger when the source of the media disapproval is based on criticisms of a political actor, as opposed to those of a non-political actor.

#### Are common owners successful in thwarting firm acquiescence to media disapproval?

Even if the preceding hypotheses are supported, it remains possible that industry common owners invest more heavily in firms subject to media disapproval to encourage them to alter their corporate practices to address the underlying complaints about the shared industry practices. For example, common owners could encourage socially-responsive action by the targeted firms in an effort to create reputational-based spillover benefits for peers across an industry (DesJardine et al., 2022). However, unlike CSR (Flammer, 2013; Henisz, Dorobantu, & Nartey, 2014), reducing a firm's reliance on contested practices that characterize a controversial industry will not necessarily increase shareholder value, and certainly not immediately. Imagine, for instance, removing clear-cutting from forestry or child labor from garment manufacturing. While many firms will survive without these practices, they persist largely because these practices add to each firm's bottom line, especially when they are shared widely so that no single firm sets a higher industry standard. Therefore, to prevent pressures and costs from being imposed on the broader industry, common owners who have amassed ownership in the target firm (H1–H3) are likely to use their influence to prevent the firm from acquiescing to the media disapproval. In closing:

*Hypothesis 4 (H4)*: Inward common ownership from shareholders of peer firms negatively mediates the relationship between a firm's media disapproval for engaging in

contested industry-specific practices and the firm's acquiescence to the disapproval; specifically, an increase in inward common ownership is associated with decreased acquiescence.

We summarize our conceptual framework in Figure 1.

[Insert Figure 1 about here]

#### **METHODS**

### **Empirical setting and sample**

We tested our predictions using data from global arms manufacturers whose shares were publicly-traded in the United States. The Stockholm International Peace Research Institute (SIPRI)—an internationally respected think tank that specializes in researching conflict, armaments, arms control, and disarmament—defines an arms manufacturer as a firm that engages in the design, manufacture, and selling of products and services intended specifically for military use. In terms of economic significance, arms sales of the 100 largest arms manufacturers totaled \$592 billion in 2021, of which \$300 billion was attributed to 40 companies headquartered in the United States (SIPRI, 2022).

The arms manufacturing industry is a promising setting to examine firms' responses to media disapproval for various reasons. First, media disapproval is highly prevalent in this sector and can be studied at scale, enabling antecedents and consequences of the disapproval to be identified (Sadri & Moschieri, 2022; Vergne, 2012). Second, because firms are criticized by different stakeholders, including activist organizations, journalists, and politicians (Dorobantu et al., 2017; Durand & Vergne, 2015; Sadri et al., 2023), we can observe and analyze variation based on the type of the source of media disapproval, which is necessary to test H3. Third, the number of publicly-traded firms in the arms industry is much higher than in other industries with prevalent contested practices (e.g., tobacco, alcohol, and adult entertainment), which enabled us

to assemble a larger and more complete dataset than if we were to construct our sample from another industry.

As there is no unique Standard Industrial Classification (SIC) code associated with arms manufacturing in public databases, we followed prior research by hand-collecting our sample from the two major sources that rank arms manufacturers by their annual military sales: SIPRI and Defense News. We included each firm that was ranked at least once in these sources between 2000 and 2017. The data were first available in 2000 and have since been published annually. We end our sample in 2016 due to geopolitical developments that altered the nature of media disapproval in the arms manufacturing industry. This step yielded a total of 398 public and private firms scattered globally. Financial information from Compustat (North America and Global) was available for 332 of these firms, all of which were publicly-traded. We merged these data with Thomson Reuters Institutional Holdings (13F), which reports ownership information for all institutional investors with more than \$100 million in assets under management in the U.S., reducing our sample to 164 firms. Finally, we combined these data with media coverage data from Factiva, divestiture and M&A data from Thomson One, and CEO-level data from Boardex and Bloomberg. Our final sample includes 151 arms manufacturers, encompassing 232,374 firm-peer observations and 1,729 firm-year observations.

#### **Dependent variables**

*Inward common ownership.* We tested H1, H2, and H3 at the firm-peer level using a dyadic measure of inward common ownership that captures the degree to which institutional investors with ownership stakes in a firm's peer adjust their ownership stakes in the focal firm. For each peer *i*, institutional investor *j* can increase, decrease, or hold constant its ownership in the focal firm. Thus, at the dyad level, *inward common ownership* equals the sum of changes in

firm ownership by all institutional investors with ownership stakes in the peer firm on the year following media disapproval. To ensure that a peer's institutional investors have sufficient motivation to react to media disapproval with industry-wide relevance, we followed convention and retained investors who owned more than 5% of the peer (Park et al., 2019). Following prior research (Durand & Vergne, 2015), we identified peers as firms that overlapped in at least one of 12 subcategories of the arms manufacturing industry: (1) electronic warfare and defense electronics, (2) artillery, missiles, cluster munitions, and nuclear weapons, (3) military aircraft and helicopters, (4) military aircraft engines, parts, repair and overhaul, (5) military ships and submarines, (6) military space, (7) military ground vehicles, (8) combat training, personal protection service and private contractors, (9) small arms and ammunition, (10) logistics, engineering support and military facilities' management, (11) OEM and industrial metal products for military applications, and (12) military consulting, IT solutions and cyber defense services.

For H4, we constructed a firm-level measure of inward common ownership by calculating a weighted average of inward common ownership across all peers of a firm, with the weight of each dyad equal to the number of military markets in which a firm and its peer were present divided by the total number of military markets (i.e., shared and non-shared) in which a peer firm operated (Lewellen & Lowry, 2021). This weight accounts for the relative importance of a target firm to its peer's owners. The construction of a firm-level measure of *inward common ownership* instead of a dyadic one is important, because the dyadic analysis (for H1–H3) has limited utility for examining individual-level outcomes, and acquiescence is a firm-level decision. Testing H4 with a dyadic measure would thus lead to the repetitive inclusion of the same outcome variable (i.e., acquiescence), biasing the results.

Index investors versus transient and dedicated investors. For H2, we replicated our

dyadic measure of *inward common ownership* for each of the three subsets of institutional investors categorized by Bushee (1998). This yielded three separate measures of *inward common ownership*, demarcated by the terms dedicated, transient, and quasi-index.

Acquiescence. To test H4, we examined the extent to which a firm acquiesced to media disapproval stemming from controversial industry-specific business practices. According to prior research, the most objective and drastic form of acquiescence is reducing association with the industry, which can be accomplished by divesting associated lines of business (Durand & Vergne, 2015; Piazza & Perretti, 2015) and expanding lines of business in less contentious industries, oftentimes by acquiring other firms (Reinmoeller & Ansari, 2016; Vergne, 2012). Likewise, an association can be strengthened by divesting lines of business associated with less contentious industries and acquiring firms in the controversial industry. To provide a net measure of acquiescence that accounts for reductions as well as increases in industry association, we compute *acquiescence* as the annual value of all divestitures from the military sector and acquisitions in non-military sectors (e.g., commercial aircraft manufacturing) minus the sum of the value of all acquisitions in the military sector and divestitures from non-military sectors. Because these deals usually take time to be implemented, we observed deal announcements in the two-year period following media disapproval.

#### **Independent variables**

*Firm media disapproval.* Prior studies have measured disapproval based on the intensity of the condemnation of a firm's contested practices specific to the arms industry (Vergne, 2012). Because the media can reflect disapproval by various types of stakeholders, news articles can reflect a generalized sense of firm disapproval (Piazza & Perretti, 2015) while allowing us to identify the focal source (which is relevant for H3, explained below). Therefore, we measured

*firm media disapproval* as the yearly count of articles from major and industry-specific news sources that contained expressions of disapproval about a firm's contentious business activities which are specific to the military sector (Piazza & Perretti, 2015; Sadri et al., 2023).

To minimize geographic, political, and outlet-specific biases in media coverage, whenever possible we retained only highly circulated, non-governmental news outlets undergirded by both conservative and liberal ideologies across five regions: North and South America, Europe, the Middle East and Russia, Africa, and the Asia-Pacific region. We complemented these with defense-specific magazines and newspapers to further increase the representativeness of our data. This process yielded a total of 68 generic and 25 defense-specific news outlets, all of which were accessed through Factiva. For each firm, we extracted articles from Factiva containing at least one keyword that expressed stakeholder disapproval (e.g., condemn\*, protest\*, complain\*, blame\*, critic\*, unethical, corrupt\*, violat\*, bad) and at least one arms-specific keyword (e.g., military, weapon\*, defense/defence). We used the Oxford University Dictionary to identify all related variants of the mentioned keywords. This yielded 4,386 articles.

To ensure that each media article expressed disapproval related specifically to the firm's contested practices in the arms industry and not some other generic facet of its business (e.g., low financial performance, poor environmental performance, or low employee satisfaction), we read each article to check whether its content matched at least one of the six negative stereotypes commonly associated with the arms industry (Durand & Vergne, 2015; Sadri & Moschieri, 2022). Expressions of disapproval in our sample included: "Merchants of death: Memo reveals details of [firm] targeted killings program;" "They organized a week of media attacks and have accused [firm] of shameful war profiteering;" and "Anti-gun protesters demand [institution] to

end its relationship with [firm]." After documenting all relevant instances of disapproval by different stakeholders, we asked an independent coder to re-code a randomly selected subsample (10%) of the articles. The inter-coder agreement level was 93%, assuring us that the initial matching with the six stereotypes was mostly free of bias. Finally, we logged the count of articles to adjust for right skewness. Overall, this step yielded 2,827 media articles reflecting disapproval of firms' arms-related business activities.

*Media disapproval based on political versus non-political actors.* For H3, we read each media article to code which the source of disapproval in the media. We measured *media disapproval based on political actors* as the logged yearly count of articles from major and industry-specific news sources containing public expressions of disapproval by political actors about a firm's arms-related business activities. Following prior work (Sadri et al., 2023), we defined political actors as members of Congress, other elected government officials (e.g., governors), regulators and employees of government departments (e.g., Department of Defense). Following a similar process, media articles documenting disapproval based on non-political actors were tallied and log-transformed to measure *media disapproval based on non-political actors*. Non-political actors in our sample include social movement organizations (or individual activists), journalists, non-politician community members, a firm's own employees, and victims of arms-related business activities. Our sample includes 1,209 instances of disapproval from political actors.

#### **Control variables**

*H1-H3*. As noted, we analyzed H1–H3 at the dyad level. Because certain attributes of the focal firm as well as its peer could influence its investors' common ownership in the focal firm, we accounted for several controls at the firm and peer level that could confound the results. At

the firm level, we controlled for several financial and capital allocation characteristics that have been shown to influence common ownership (Hennig, Oehmichen, Steinberg, & Heigermoser, 2022). These characteristics are captured by the variables *firm ROA* (defined as net income over total assets), *firm cash flow* (measured as the log of the sum of cash and cash equivalents with short-term investments in shares and securities, divided by total assets), *firm liabilities* (measured as the log of total liabilities), and *firm R&D* (measured as the log of R&D expenditures).

We also controlled for several non-financial firm level variables. As the positive media valence may also affect shareholders' decision to invest in a firm (Gamache & McNamara, 2019), we controlled for *firm positive media sentiment*, proxied by the natural logarithm of the number of articles with the firm's name in the headline and lead paragraph, expressing positive sentiment, as defined by Factiva. To account for market power, which could affect investors' motivation to manage media disapproval, we included *firm market share* (measured as the natural logarithm of the firm's military sales over total sales in the military industry) and *firm size* (measured as the log of the number of employees). We also controlled for a firm's reputation for similar reasons. We measured *firm reputation* as the firm's relative position in the four quartiles of the SIPRI's ranking of the top 100 arms manufacturers, where a higher value equals a better reputation.

To account for the possibility that the level of association with the arms industry may influence investors' decisions to hold shares in a given firm and the firm's ability to engage in certain deals (Augustine & Piazza, 2022), we controlled for *firm non-military association*, defined as the ratio of a firm's non-military sales to its total sales. To capture the influence of other negative events, which are not specific to the contested nature of the arms industry, on changes in common ownership and corporate deal activities, we controlled for *firm non-military*  *disapproval* as the yearly count of media articles documenting concerns about issues beyond a firm's arms-related activities (e.g., environmental pollution).

We included several relevant controls at the peer level, including *peer ROA*, *peer size*, *peer cash flow*, *peer liabilities*, and *peer R&D* (Connelly et al., 2019; Hennig et al., 2022). We also included *peer media disapproval* because it may influence whether institutional investors invest in other firms subject to disapproval (Durand & Vergne, 2015).

*H4.* For H4, which is tested at the firm level, we only included those control variables from H1-H3 that are known to influence a focal firm's M&A and divestiture activities. These include: *firm ROA* (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009), *firm cash flow* (Jensen, 1986), *firm liabilities* (Hayward & Shimizu, 2006), *firm R&D* (Heeley, King, & Covin, 2006), *firm positive media sentiment* (Hawn, 2021), *firm market share* (Eckbo, 1983), *firm size* (Haleblian et al., 2009), *firm reputation* (Haleblian et al., 2017), *firm non-military association* (Vergne, 2012), and *firm non-military disapproval* (Durand & Vergne, 2015).

In addition, because CEO-level factors have been shown to have significant impact on firms' deal activities (e.g., Sanders & Hambrick, 2007), we controlled for several of these factors. We included *CEO turnover* (equal to 1 in all years with CEO turnover and 0 otherwise), *CEO tenure* (defined as the number of years the CEO had been in the role at the firm), and three attributes that can increase a firm's tendency to engage in military deals: *CEO defense experience* (measured as the log of the number of years a CEO had worked in the arms industry), *CEO government background* (equal to 1 when the CEO had an employment history in the government and 0 otherwise), and *CEO military background* (equal to 1 when the CEO had served in any branch of the military, and 0 otherwise). More visible CEOs may make a firm more attractive for deals and motivate CEO to engage in more deal activities. We thus controlled

for *CEO visibility* (measured as the number of media articles containing the name of the CEO in the headline or the lead paragraph, as indicated by Factiva) (Love, Lim, & Bednar, 2017), *CEO status* (measured as the residual of *CEO coverage* regressed on its primary determinants i.e., *firm ROA, firm overall media coverage*, and *CEO awards* which proxies the quality of a CEO and equals the number of major career-related awards a CEO won over the past three years, as recorded by BoardEx) (Schepker & Barker III, 2018), and CEO memberships in different types of associations, including *CEO defense associations* and *CEO philanthropic associations* (equal to 1 when the CEO held a valid membership in the respective type of association, and 0 otherwise) (Wurthmann, 2014). As the overall quality of a CEO could influence deal activities (Shi, Zhang, & Hoskisson, 2017), we proxied CEO quality using *CEO awards*, using the measure described above.<sup>1</sup>

Finally, while we excluded controls at the individual peer level because they are unlikely to influence a focal firm's deal activities, we accounted for three relevant industry-level characteristics. We included *industry ROA* (measured as the average ROA of all peers of the focal firm), as well as *industry media disapproval* and *industry non-military disapproval* by summing the respective values across all peers of a given firm. We also controlled for market concentration in the military and non-military sectors since market concentration can affect peer competition, a key factor for M&A and divestiture decisions (Mitchell, 1994). We measured *military concentration* and *non-military concentration*, respectively, as the Herfindahl-Hirschman index of the military and non-military industries in which the focal firm operated.

#### Estimation

To test H1-H3, we used OLS regression with firm-peer dyad fixed effects and followed

<sup>&</sup>lt;sup>1</sup> Our results for H1-H3 were also robust to the inclusion of CEO-level variables we used for H4.

the longitudinal multiple regression quadratic assignment procedure (LMR-QAP) (Connelly et al., 2019; Tsai, Su, & Chen, 2011). We used dyadic data because inward common ownership varies at the level of each firm-peer dyad. Because analyzing dyadic data requires many comparisons of multiple dyadic matrices, two challenges arise: correlation of observations for a given dyadic relationship and potential autocorrelation among the error terms due to violation of the independence condition. As a result, using OLS in a large sample of dyads such as ours risks downwardly biasing the standard errors such that the results become inflated. The LMR-QAP approach can resolve this empirical predicament because it uses a nonparametric test of the relationship between matrices and controls to check for dependence that is inherent to dyadic data. Therefore, we used the *QAP* syntax in Stata to run regressions.

LMR-QAP regressions consist of two stages. In the first stage, where each dyad is treated as an observation, parameters are estimated similar to a traditional OLS model. Multiple regressions are performed for each dyadic dependent variable and the corresponding independent variables. In the second stage, the analysis corrects for biased standard errors that result from the independence condition being violated in dyadic data. This is done by randomly permuting the rows and columns of the independent variable matrix and re-estimating the regression. Beyond accommodating statistical dependence among observations, due to its non-parametric sampling distribution, these regressions render *p*-values that are independent of sample size. We ran the model with 1,000 iterations, which allowed us to draw conclusions about accepting or rejecting the null hypotheses with unbiased *p*-values.

To test H4, we used a generalized structural equation model (GSEM) with two-way clustering at both the year and sector levels to estimate standard errors. Testing for mediation effects requires calculating indirect effects by multiplying direct effects of the path between

independent and mediating variables and the path between mediating and dependent variables. For a mediation effect to exist, the condition of joint significance of these two paths must be met (Bolger, Gilbert, Fiske, & Lindzey, 1998). We employed the *nlcom* command in Stata to calculate the mediation effect.

# RESULTS

# Main results

Table 1 reports descriptive statistics and pairwise correlations for all variables. Models 1– 7 of Table 2 report results for H1–H3 from the LMR-QAP regressions. Model 1 is the baseline model with only the set of controls. H1 predicts that the media disapproval directed toward a firm for engaging in contested industry-specific business practices is associated with the degree of inward common ownership the firm attracts from investors with ownership stakes in peer firms. Consistent with H1, the coefficient estimate of *firm media disapproval* in Model 2 (without control variables) is 0.026 and statistically significant (p = 0.001) and in Model 3 (with control variables) is 0.025 and statistically significant (p = 0.001). The rationale behind running the analyses without control variables (Model 2) is to rule out the possibility that the results are driven by the inclusion of specific control variables or by inclusion of too many variables in the specification (Hünermund & Louw, 2023). In terms of economic significance, for each additional major media article that condemns a firm for engaging in controversial, industryspecific business practices, inward common ownership from investors with ownership stakes in peer firms increases by 0.026%. Considering firms in our sample have an average market value of \$9.8 billion, a 0.026% increase in inward common ownership equates on average to roughly a \$2.55 million increase in capital inflows from the investors of each peer.

[Insert Tables 1 & 2 about here]

H2 posits that the disapproval the media issues of a firm for engaging in contested industry-specific business practices stimulates inward common ownership in the firm more among index investors than among transient or dedicated investors. Consistent with this prediction, the coefficient estimate of *firm media disapproval* is 0.024 and statistically significant (Model 5: p = 0.000) when *inward common ownership (quasi-index)* is the dependent variable, while the coefficient estimates for the same variable are not statistically significant when the dependent variable is *inward common ownership (dedicated)* (Model 4:  $\beta = 0.000$ , p = 0.264) or *inward common ownership (transient)* (Model 6:  $\beta = 0.002$ , p = 0.252). These results indicate that the increase in common ownership from investors in peers that follows media disapproval of firms' industry contested practices is driven mainly by index investors.

H3 predicts that the positive association between the media disapproval of a firm for engaging in contested industry-specific practices and inward common ownership in the firm is stronger when the source of media disapproval comes from political actors. In line with H3, the coefficient estimate for *media disapproval based on political actors* in Model 7 is 0.028 and statistically significant (p = 0.022), whereas the coefficient for *media disapproval based on nonpolitical actors* is 0.007 and statistically non-significant (p = 0.310). These estimates are economically in line with the results from H1 and indicate that the 0.026% increase in inward common ownership is driven mostly by media disapproval based on political actors, rather than non-political actors.

H4 posits that changes in inward common ownership mediate the relationship between media disapproval and a focal firm's acquiescence to disapproval. We report the results in Table 3, which we use to assess the two conditions required for a mediating effect to be present: (1) a significant effect of firm media disapproval on inward common ownership, and (2) a significant effect of inward common ownership on acquiescence. Regarding the first condition, as reported in Model 1, *firm media disapproval* is positively and significantly associated with *inward common ownership* ( $\beta = 0.019$ , p = 0.006). As shown in Model 2, *inward common ownership* is negatively and significantly associated with *acquiescence* ( $\beta = -630.806$ , p = 0.009). Reported in Model 2 in Panel A of Table 4, the indirect effect of *inward common ownership* on *acquiescence* is statistically significant ( $\beta = -11.884$ , p = 0.046).<sup>1</sup> Overall, these results provide evidence of common ownership functioning as a mechanism that influences firms' responses to media disapproval of contested industry-specific practices.

[Insert Tables 3 & 4 about here]

# **DISCUSSION AND CONCLUSION**

How a firm responds to media disapproval can have profound consequences for other firms in an industry. Yet, prior studies have not considered how outside actors might influence a target firm's response. Noting the rapid rise of common ownership and the power that ownership bestows on investors, we theorized and found that common owners in controversial industries increase their ownership in firms after they are subjected to media disapproval for having engaged in contested practices that are shared within their industry. According to our common owner media management theory, an increase in ownership affords common owners more power to prevent a firm from acquiescing to the media disapproval, which risks imposing pressures and inflicting costs on other industry peers in common owners' portfolios.

Dissecting investors' varied motivations to influence a firm's response to this form of media disapproval, we also found that increases in inward common ownership to a media targeted firm are driven mostly by index investors, which have limited capacity to exit the

<sup>&</sup>lt;sup>1</sup> The indirect effect is calculated by multiplying the coefficients from the two variables, *firm media disapproval* and *inward common ownership*, as follows:  $(0.01884) \times (-630.806) = -11.884$ .

industries in which they are invested. Arguing that media disapproval based on claims made by political actors have more credibility, and thus power to elicit organizational change, we also found that increases in inward common ownership to a media targeted firm are greater when the disapproval is based on claims made by political actors, as opposed to non-political actors. Finally, we found that inward common ownership reduces a firm's acquiescence to media disapproval.

Our study documents a new type of common ownership externality. By far, the dominant theme in existing common ownership studies is how common owners affect firms' direct competitive dynamics (Lewellen & Lowry, 2021). A prevailing finding in this literature is that common owners facilitate inter-firm coordination (Connelly et al., 2019), which can give rise to anticompetitive behaviors and inflict costs on consumers and other stakeholders (Azar, Schmalz, & Tecu, 2018; Gutiérrez & Philippon, 2017). Looking beyond direct competitive acts, our findings suggest that common owners can also create externalities by preventing firms from addressing controversial business practices in their industry following external disapproval of those practices. Although, the societal costs of organizational resistance to media disapproval are subjective, contingent on one's morals about the particular contested practice prevalent in an industry, it is important to recognize that common owners increase organizational resistance to industry-relevant criticisms, and to factor this reality into ongoing discussions about the social externalities created by common ownership (Condon, 2020; OECD, 2017).

Our study also reveals a new mechanism for how common owners manage the systematic risks they incur from having such broad exposure to individual industries. Because common owners hold positions in multiple firms across an industry, an action (or inaction) by one firm that affects its industry peers is felt more severely by common owners than by non-common

owners (Coffee, 2021a). Studying this dilemma, DesJardine et al. (2022) reasoned that common

owners manage this systematic risk by pushing their portfolio companies to invest more in CSR,

which can create reputational spillover benefits for peers across an industry. Unlike CSR,

however, experiencing media disapproval for contested practices in a controversial industry

introduces a high degree of downside risk if a target firm's response affirms the disapproval and

thus the moral stain of an industry practice. Hence, in addition to managing that risk by pushing

for investments in CSR elsewhere in the organization, our findings reveal that common owners

angle firms to maintain socially irresponsible practices to protect the industry's status quo.

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# Table 1 – Summary statistics and correlation matrixPanel A – Sample for dyadic analysis (H1-H3)

Variables	Mean	SD	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
(1) Inward common ownership	0.02	0.64	-17.59	22.00										
(2) Inward common ownership (dedicated)	0.00	0.12	-9.48	11.86	0.19									
(3) Inward common ownership (transient)	0.00	0.18	-13.75	8.77	0.32	0.01								
(4) Inward common ownership (quasi-index)	0.02	0.59	-17.59	19.88	0.94	0.01	0.04							
(5) Firm media disapproval	0.18	0.55	0.00	4.75	0.01	0.00	-0.00	0.01						
(6) Media disapproval from political actors	0.05	0.23	0.00	2.71	0.00	0.00	0.00	0.00	0.74					
(7) Media disapproval non-political actors	0.07	0.29	0.00	2.64	0.00	-0.00	-0.00	0.00	0.79	0.47				
(8) Firm ROA	0.11	0.15	-3.99	1.85	0.00	-0.00	0.00	0.01	0.02	-0.00	0.02			
(9) Firm cash flow	0.12	0.11	0.00	0.59	0.00	-0.00	-0.00	0.01	-0.01	0.01	-0.01	-0.02	02	
(10) Firm liabilities	6.12	2.48	0.32	13.44	0.00	-0.00	0.00	0.00	0.35	0.24	0.25	0.14	14 -0.24	
(11) Firm R&D	2.60	2.34	0.00	8.94	0.00	-0.00	0.00	0.00	0.35	0.26	0.27	0.07	-0.01	
(12) Firm positive media sentiment	-11.97	2.33	-23.73	-5.77	0.01	-0.00	-0.00	0.01	0.34	0.24	0.24	0.23	-0.18	
(13) Firm market share	1.45	2.11	-3.86	5.83	0.00	-0.00	0.00	0.00	0.34	0.24	0.24	0.17	-0.24	
(14) Firm size	1.64	1.07	1.00	4.00	0.00	-0.00	0.00	0.00	0.48	0.33	0.39	0.05	-0.20	
(15) Firm reputation	0.57	0.39	0.00	1.00	-0.01	0.00	-0.01	-0.00	-0.24	-0.14	-0.22	-0.05	0.14	
(16) Firm non-military association	0.10	0.48	0.00	9.00	-0.00	0.00	-0.01	0.00	0.11	0.09	0.09	0.01	0.02	
(17) Firm non-military disapproval	0.09	9 0.29 -9.41 1.85 0.00 0.00 0.00 0.00 0.00 -0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00 0.00 -0.00		-0.00	-0.00									
(18) Peer ROA	0.09	0.29	-9.41	1.85	0.00	0.00	0.00	0.00	0.00	-0.00	0.00	-0.00 -0.00		
(19) Peer size	1.42	2.28	-3.86	5.83	0.01	-0.00	0.00	0.01	-0.00	-0.00	-0.00	0.00	0.00 -0.00	
(20) Peer cash flow	0.56	1.06	0.00	11.48	-0.01	-0.00	-0.01	-0.01	0.25	0.19	0.19	0.02	0.02 0.05	
(21) Peer liabilities	6.17	2.75	0.23	14.85	0.01	-0.00	0.01	0.01	0.00	-0.00	0.00	0.01	.01 -0.00	
(22) Peer R&D	2.82	2.64	0.00	12.74	0.01	-0.00	0.00	0.01	-0.00	-0.00	-0.00	0.00	-0.00	
(23) Peer media disapproval	0.16	0.52	0.00	4.75	-0.00	-0.00	-0.00	-0.00	0.00	-0.00	-0.00	0.00	0.01	
Variables	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	
(11) Firm R&D	0.65	(11)	(1-)	(10)	(1.)	(10)	(10)	(17)	(10)	(1)	(=•)	(=-)	()	
(12) Firm positive media sentiment	0.92	0.46												
(13) Firm market share	0.94	0.57	0.59											
(14) Firm size	0.62	0.53	0.52	0.92										
(15) Firm reputation	-0.21	0.46	0.45	0.58	0.62									
(16) Firm non-military association	0.30	-0.20	-0.13	-0.19	-0.18	-0.36								
(17) Firm non-military disapproval	0.00	0.20	0.24	0.29	0.32	0.20	0.08							
(18) Peer ROA	0.00	0.00	0.00	0.00	0.00	0.00	-0.00	0.00						
(19) Peer size	0.02	0.01	0.00	0.03	0.01	0.00	-0.01	-0.00	0.19					
(20) Peer cash flow	0.49	0.40	0.33	0.45	0.47	0.35	-0.03	0.26	-0.23	-0.51	o 40			
(21) Peer habilities	0.03	0.01	0.01	0.04	0.02	0.00	-0.02	-0.01	0.14	0.94	-0.49	·		
(22) Peer R&D	0.02	0.00	0.01	0.02	0.01	0.00	-0.01	-0.00	0.07	0.60	-0.30	0.72	0.05	
(23) Peer media disapproval	0.00	-0.00	0.02	0.02	-0.00	-0.00	-0.00	0.00	0.03	0.29	-0.12	0.28	0.27	
Panel B – Sample for firm-level analy	vsis (H4)	)												
Variables Mea	an SD	Min	Max	(1)	(2)	(3) (4)	(5)	(6)	(7)	(8)	(9) (1	0) (11)	(12)	

(1) Inward common ownership	0.02	0.11	-0.71	1.11												
(2) Acquiescence	-59.78	2367.4	-34000	35405.8	-0.01											
(3) Acquiescence (major deals)	-72.09	1714.2	-32000	18082.7	-0.02	0.72										
(4) Firm media disapproval	0.18	0.55	0.00	4.75	0.04	-0.05	-0.04									
(5) Firm ROA	0.11	0.15	-3.99	1.85	0.02	-0.01	-0.01	0.02								
(6) Firm cash flow	0.12	0.11	0.00	0.59	0.01	0.02	0.03	-0.02	-0.03							
(7) Firm liabilities	6.15	2.51	0.32	13.44	-0.01	-0.02	-0.06	0.35	0.14	-0.24						
(8) Firm R&D	2.66	2.36	0.00	8.94	-0.01	0.02	0.01	0.35	0.07	-0.03	0.66					
(9) Firm positive media sentiment	2.62	1.26	0.00	7.45	0.00	0.02	-0.02	0.30	0.08	-0.08	0.55	0.47				
(10) Firm market share	-11.96	2.36	-23.73	-5.77	0.01	-0.03	-0.05	0.34	0.23	-0.19	0.92	0.58	0.60			
(11) Firm size	1.48	2.13	-3.86	5.83	-0.00	-0.03	-0.07	0.34	0.17	-0.25	0.94	0.55	0.52	0.92		
(12) Firm reputation	1.67	1.08	1.00	4.00	0.01	-0.00	-0.07	0.48	0.05	-0.21	0.63	0.48	0.46	0.60	0.63	
(13) Firm non-military association	0.57	0.39	0.00	1.00	-0.02	0.05	0.04	-0.24	-0.04	-0.23	-0.22	0.14	-0.15	-0.21	-0.20	-0.37
(14) Firm non-military disapproval	0.10	0.48	0.00	9.00	-0.00	0.06	0.06	0.12	0.01	0.31	0.20	0.02	0.24	0.29	0.32	0.20
(15) CEO turnover	0.11	0.31	0.00	1.00	-0.01	-0.00	0.00	0.07	-0.03	-0.03	0.06	0.05	0.05	0.05	0.05	0.03
(16) CEO tenure	1.78	0.88	0.00	4.11	0.00	-0.03	0.01	-0.09	0.05	0.03	-0.13	-0.14	0.02	-0.08	-0.12	-0.05
(17) CEO defense experience	2.79	0.65	0.00	4.11	-0.02	-0.00	-0.00	0.01	0.03	-0.01	0.12	0.05	0.04	0.14	0.14	0.09
(18) CEO government background	0.10	0.30	0.00	1.00	0.01	-0.07	-0.01	0.13	-0.03	0.00	0.22	0.28	0.15	0.19	0.20	0.24
(19) CEO military background	0.15	0.35	0.00	1.00	0.00	0.02	0.03	0.04	0.04	-0.06	0.00	0.01	0.09	0.01	-0.00	0.06
(20) CEO visibility	4.10	1.58	0.00	9.64	-0.02	-0.02	-0.03	0.32	0.07	-0.05	0.57	0.51	0.55	0.56	0.53	0.43
(21) CEO status	0.04	0.98	-3.88	3.97	-0.04	-0.00	0.00	0.12	-0.02	0.06	-0.00	0.16	0.24	-0.01	-0.03	0.08
(22) CEO defense associations	0.18	0.52	0.00	4.00	0.03	0.01	0.02	0.26	0.04	-0.11	0.21	0.15	0.12	0.21	0.18	0.27
(23) CEO philanthropic associations	0.22	0.69	0.00	6.00	0.01	-0.04	-0.01	0.09	0.02	-0.04	0.28	0.24	0.23	0.26	0.22	0.25
(24) CEO awards	1.78	3.23	0.00	25.00	-0.01	-0.05	-0.01	0.15	0.01	-0.06	0.35	0.28	0.26	0.34	0.35	0.28
(25) Industry ROA	0.09	0.02	-0.01	0.16	-0.00	0.06	0.03	-0.07	0.18	-0.11	-0.02	-0.13	0.01	0.05	-0.00	-0.07
(26) Industry media disapproval	61.63	56.12	0.00	202.00	0.06	0.00	0.02	0.02	0.00	0.18	-0.07	0.12	0.15	0.01	-0.09	-0.05
(27) Industry non-military disapproval	9.31	7.11	0.00	36.00	-0.00	0.02	0.02	-0.07	-0.05	0.15	-0.11	-0.01	0.01	-0.13	-0.10	-0.09
(28) Military concentration	0.15	0.14	0.00	1.00	-0.01	0.01	0.02	-0.03	0.01	0.03	0.02	-0.04	0.16	0.07	0.01	-0.06
(29) Non-military concentration	0.44	0.32	0.00	1.00	0.04	0.02	0.03	-0.05	0.02	0.04	-0.01	0.08	0.15	0.06	-0.06	-0.01
Variables	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
(14) Firm non-military disapproval	0.09															
(15) CEO turnover	-0.05	0.02														
(16) CEO tenure	0.04	-0.06	0.05													
(17) CEO defense experience	-0.02	-0.02	0.00	0.46												
(18) CEO government background	-0.20	0.01	0.04	0.00	-0.01											
(19) CEO military background	-0.14	-0.07	0.03	-0.04	-0.08	0.10										
(20) CEO visibility	-0.20	0.19	0.09	-0.07	0.03	0.17	0.09									
(21) CEO status	-0.06	0.02	0.04	-0.03	-0.08	0.08	0.13	0.79								
(22) CEO defense associations	-0.09	0.23	0.07	0.13	0.15	0.21	0.07	0.28	0.09							
(23) CEO philanthropic associations	-0.27	-0.00	0.07	0.03	0.09	0.11	0.07	0.15	0.00	0.14						
(24) CEO awards	-0.11	0.18	0.02	0.09	0.15	0.02	-0.04	0.18	0.00	0.30	0.22					
(25) Industry ROA	0.17	0.02	-0.04	0.13	0.08	-0.03	-0.01	-0.10	-0.11	0.00	-0.05	-0.01				
(26) Industry media disapproval	0.05	0.02	-0.01	0.01	-0.03	0.05	-0.01	0.04	0.04	0.06	-0.01	0.05	-0.02			
(27) Industry non-military disapproval	0.15	-0.01	0.02	-0.04	-0.05	0.07	-0.01	-0.05	0.03	0.03	-0.10	-0.03	-0.15	0.42		
(28) Military concentration	-0.06	0.01	0.00	0.13	0.09	0.14	-0.03	-0.00	-0.08	0.06	0.01	0.01	-0.01	0.21	0.18	
(29) Non-military concentration	0.03	-0.05	0.03	0.04	0.02	-0.08	0.04	0.03	-0.05	-0.01	0.04	0.11	0.06	0.45	0.12	0.19

Model 1         Model 2         Model 3         Model 4         Model 5         Model 6         Model 7           Firm media disapproval         0.026***         0.025***         0.000         0.024***         0.002           Media disapproval based on political actors         0.026***         0.0001         (0.264)         (0.000)         (0.225)           Media disapproval based on political actors         0.017         0.015         0.001         0.025         0.007           Media disapproval based on non-political actors         0.017         -0.015         -0.001         -0.025         0.011*         -0.016           Controls         0.024**         0.025         0.007         0.021*         0.022*         0.022*           Firm ROA         -0.017         -0.015         -0.001         -0.025         0.011*         -0.016           (0.245)         (0.260)         (0.320)         (0.112)         (0.047)         (0.254)           Firm cash flow         0.132***         0.132**         -0.007+         0.133***         0.006         0.129***           (0.001)         (0.001)         0.001         -0.001         0.002         0.000         0.001         0.001         0.001           Firm R&D         0.001	Variable	Inward common ownership								
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7		
$\begin{array}{c c c c c c c c c c c c c c c c c c c $					Dedicated	Quasi-	Transient			
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$						index				
Firm media disapproval $0.026^{***}$ $0.000$ $0.024^{***}$ $0.002$ Media disapproval based on political actors $(0.000)$ $(0.001)$ $(0.264)$ $(0.000)$ $(0.252)$ Media disapproval based on non- political actors $0.028^{**}$ $(0.000)$ $(0.221)$ Media disapproval based on non- political actors $0.015$ $-0.001$ $-0.025$ $0.011^{*}$ Firm ROA $-0.017$ $-0.015$ $-0.001$ $-0.025$ $0.011^{*}$ $-0.016$ Firm cash flow $0.132^{**}$ $0.132^{**}$ $0.007+$ $0.133^{***}$ $0.006$ $0.129^{***}$ Firm liabilities $0.001$ $0.001$ $-0.001$ $0.002$ $0.000$ $0.001$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.005$ $0.002$ $-0.004$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.005$ $0.002$ $-0.004$										
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Firm media disapproval		0.026***	0.025***	0.000	0.024***	0.002			
Media disapproval based on political actors $0.028^*$ Media disapproval based on non-political actors $0.007$ $Controls$ $(0.245)$ Firm ROA $-0.017$ $-0.015$ $-0.001$ $-0.025$ $0.011^*$ $-0.016$ $(0.245)$ $(0.260)$ $(0.320)$ $(0.112)$ $(0.047)$ $(0.254)$ Firm cash flow $0.132^{***}$ $0.132^{**}$ $-0.007+$ $0.133^{***}$ $0.006$ $0.129^{***}$ Firm liabilities $0.001$ $(0.001)$ $(0.001)$ $(0.313)$ $(0.001)$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.002$ $0.002$ $-0.004$			(0.000)	(0.001)	(0.264)	(0.000)	(0.252)			
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Media disapproval based on							0.028*		
Media disapproval based on non- political actors $0.007$ (0.310)Controls $0.007$ (0.310)Firm ROA $-0.017$ (0.245) $-0.015$ (0.260) $-0.025$ (0.320) $0.011*$ (0.047)Firm cash flow $0.132^{***}$ (0.001) $0.132^{**}$ (0.002) $0.007+$ (0.064) $0.006$ (0.001) $0.001$ (0.313)Firm liabilities $0.001$ (0.458) $0.001$ (0.443) $0.002$ (0.263) $0.002$ (0.414) $0.002$ (0.483)Firm R&D $-0.004$ (0.020) $-0.003$ (0.000) $0.002$ (0.001) $-0.002$ (0.263)	political actors							(0.022)		
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Media disapproval based on non-							0.007		
ControlsFirm ROA $-0.017$ $-0.015$ $-0.001$ $-0.025$ $0.011*$ $-0.016$ (0.245)(0.260)(0.320)(0.112)(0.047)(0.254)Firm cash flow $0.132^{***}$ $0.132^{**}$ $-0.007+$ $0.133^{***}$ $0.006$ $0.129^{***}$ (0.001)(0.002)(0.064)(0.001)(0.313)(0.001)Firm liabilities $0.001$ $0.001$ $-0.001$ $0.002$ $0.000$ $0.001$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.005$ $0.002$ $-0.004$	Controls							(0.510)		
Firm cash flow $-0.017$ $-0.013$ $-0.001$ $-0.023$ $0.011$ $-0.010$ Firm cash flow $0.132^{***}$ $0.260$ $(0.320)$ $(0.112)$ $(0.047)$ $(0.254)$ Firm liabilities $0.001$ $(0.002)$ $(0.064)$ $(0.001)$ $(0.313)$ $(0.001)$ Firm R&D $0.004$ $(0.443)$ $(0.263)$ $(0.414)$ $(0.483)$ $(0.441)$	<u>Controls</u> Firm POA	0.017		0.015	0.001	0.025	0.011*	0.016		
Firm cash flow $(0.243)$ $(0.200)$ $(0.320)$ $(0.112)$ $(0.047)$ $(0.234)$ Firm cash flow $0.132^{**}$ $0.132^{**}$ $-0.007+$ $0.133^{***}$ $0.006$ $0.129^{***}$ (0.001) $(0.001)$ $(0.002)$ $(0.064)$ $(0.001)$ $(0.313)$ $(0.001)$ Firm liabilities $0.001$ $0.001$ $-0.001$ $0.002$ $0.000$ $0.001$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.005$ $0.002$ $-0.004$	Tilli KOA	(0.245)		(0.260)	(0.320)	-0.023	(0.011)	(0.254)		
Firm labilities $0.132$ $0.132^{-4}$ $-0.0071$ $0.133^{-4}$ $0.006$ $0.129^{-4}$ firm labilities $0.001$ $(0.002)$ $(0.064)$ $(0.001)$ $(0.313)$ $(0.001)$ Firm labilities $0.001$ $0.001$ $-0.001$ $0.002$ $0.000$ $0.001$ Firm R&D $-0.004$ $-0.003$ $0.000$ $-0.005$ $0.002$ $-0.004$	Firm cash flow	(0.243) 0.122***		(0.200) 0.122**	(0.320)	(0.112) 0.122***	(0.047)	(0.234) 0.120***		
Firm liabilities       0.001       0.001       -0.001       0.002       0.001       (0.001)       (0.001)       (0.001)       (0.001)         Firm R&D       -0.004       -0.003       0.000       -0.005       0.002       -0.004	Thin cash now	(0.001)		(0.002)	-0.007	(0.001)	(0.313)	(0.001)		
Firm R&D         -0.004         -0.003         0.001         -0.005         0.002         0.000         0.001           Firm R&D         -0.004         -0.003         0.000         -0.005         0.002         -0.004	Firm lightlitigg	(0.001)		(0.002)	(0.004)	(0.001)	(0.313)	(0.001)		
Firm R&D       -0.004       -0.003       0.000       -0.005       0.002       -0.004	Film hadinues	(0.458)		(0.442)	-0.001	(0.414)	(0.482)	(0.441)		
-0.004 -0.003 0.000 -0.005 0.002 -0.004	Eime D&D	(0.438)		(0.443)	(0.203)	(0.414)	(0.483)	(0.441)		
$(\Lambda')(\lambda) = (\Lambda')(\lambda) = (\Lambda')$	Firm K&D	-0.004		-0.003	(0.497)	-0.003	(0.152)	-0.004		
(0.236) (0.284) (0.487) (0.128) (0.152) (0.237)	<b>T</b> ' ''' 1' '' '	(0.236)		(0.284)	(0.487)	(0.128)	(0.152)	(0.237)		
Firm positive media sentiment $-0.001$ $-0.001^*$ $-0.001$ $0.000$ $-0.001$ (0.205)       (0.412)       (0.045)       (0.425)       (0.412)	Firm positive media sentiment	-0.001		-0.001	-0.001*	-0.001	0.000	-0.001		
(0.395) (0.413) (0.045) (0.427) (0.435) (0.410)		(0.395)		(0.413)	(0.045)	(0.427)	(0.435)	(0.410)		
Firm market share $0.017$ $0.015$ $-0.001$ $0.023+$ $-0.007+$ $0.017$	Firm market share	0.017		0.015	-0.001	0.023+	-0.007+	0.017		
(0.150)  (0.160)  (0.374)  (0.050)  (0.093)  (0.155)		(0.150)		(0.160)	(0.374)	(0.050)	(0.093)	(0.155)		
Firm size         -0.004         -0.005         0.001         -0.011         0.005         -0.005	Firm size	-0.004		-0.005	0.001	-0.011	0.005	-0.005		
(0.423)  (0.366)  (0.178)  (0.184)  (0.156)  (0.383)		(0.423)		(0.366)	(0.178)	(0.184)	(0.156)	(0.383)		
Firm reputation         0.006         0.004         0.000         -0.001         0.006*         0.005	Firm reputation	0.006		0.004	0.000	-0.001	0.006*	0.005		
(0.268)  (0.281)  (0.251)  (0.450)  (0.037)  (0.312)		(0.268)		(0.281)	(0.251)	(0.450)	(0.037)	(0.312)		
Firm non-military association         -0.005         -0.005         0.004*         -0.003         -0.005         -0.005	Firm non-military association	-0.005		-0.005	0.004*	-0.003	-0.005	-0.005		
(0.329)  (0.341)  (0.022)  (0.363)  (0.121)  (0.338)		(0.329)		(0.341)	(0.022)	(0.363)	(0.121)	(0.338)		
Firm non-military disapproval         0.006         0.007         0.000         0.013*         -0.006*         0.006	Firm non-military disapproval	0.006		0.007	0.000	0.013*	-0.006*	0.006		
(0.167)  (0.114)  (0.326)  (0.014)  (0.021)  (0.143)		(0.167)		(0.114)	(0.326)	(0.014)	(0.021)	(0.143)		
Peer ROA -0.003 -0.004 0.000 -0.004 0.000 -0.003	Peer ROA	-0.003		-0.004	0.000	-0.004	0.000	-0.003		
(0.268)  (0.225)  (0.259)  (0.192)  (0.460)  (0.240)		(0.268)		(0.225)	(0.259)	(0.192)	(0.460)	(0.240)		
Peer size 0.005 0.004 -0.001 0.007* -0.002 0.005	Peer size	0.005		0.004	-0.001	0.007*	-0.002	0.005		
(0.109)  (0.147)  (0.220)  (0.033)  (0.102)  (0.127)		(0.109)		(0.147)	(0.220)	(0.033)	(0.102)	(0.127)		
Peer cash flow 0.000 -0.002 0.000 -0.001 -0.001 -0.001	Peer cash flow	0.000		-0.002	0.000	-0.001	-0.001	-0.001		
(0.494)  (0.346)  (0.500)  (0.401)  (0.260)  (0.420)		(0.494)		(0.346)	(0.500)	(0.401)	(0.260)	(0.420)		
Peer liabilities -0.002 -0.002 0.000 -0.002 0.000 -0.002	Peer liabilities	-0.002		-0.002	0.000	-0.002	0.000	-0.002		
(0.248) $(0.214)$ $(0.370)$ $(0.235)$ $(0.419)$ $(0.234)$		(0.248)		(0.214)	(0.370)	(0.235)	(0.419)	(0.234)		
Peer R&D $0.005^{*}$ $0.005^{*}$ $0.000$ $0.004^{*}$ $0.001+$ $0.005^{*}$	Peer R&D	0.005*		0.005*	0.000	0.004*	0.001+	0.005*		
(0.017)  (0.027)  (0.199)  (0.045)  (0.066)  (0.016)		(0.017)		(0.027)	(0.199)	(0.045)	(0.066)	(0.016)		
Peer media disapproval 0.001 0.001 -0.001 0.001 0.001 0.001	Peer media disapproval	0.001		0.001	-0.001	0.001	0.001	0.001		
(0.356)  (0.343)  (0.141)  (0.340)  (0.195)  (0.347)	11	(0.356)		(0.343)	(0.141)	(0.340)	(0.195)	(0.347)		
$R^2$ 0.001 0.000 0.001 0.000 0.001 0.002 0.001		0.001	0.000	0.001	0.000	0.001	0.002	0.001		
Dvad and year FE Yes Yes Yes Yes Yes Yes	Dvad and year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Number of obs. 232,374 232,374 232.374 232.374 232.374 232.374 232.374	Number of obs.	232.374	232.374	232.374	232.374	232.374	232.374	232.374		
Number of dyads 24,156 24,156 24,156 24,156 24,156 24,156 24,156	Number of dyads	24,156	24,156	24,156	24,156	24,156	24,156	24,156		

# Table 2 - Results from dyad-level analysis with LMR-QAP regressions (for H1-H3)

+, \*, \*\*, and \*\*\* indicate significance at 10%, 5%, 1%, and 0.1% confidence levels (*p*-values in parentheses).

Tuble of Results II OIII III III-R	Inward	Acquiescence	Acquiescence
	common	· requilite the	(maior deals)
Variable	ownershin		(major acuts)
	Model 1	Model 2	Model 3
Inward common ownership		-630.806**	-628.731**
-		(240.354)	(240.591)
Firm media disapproval	0.019**	-545.364*	-543.951*
11	(0.006)	(262.757)	(261.680)
<u>Controls</u>	× /	× /	× /
Firm ROA	-0.009	72.920	76.399
	(0.025)	(297.014)	(297.881)
Firm cash flow	0.073*	-177.369	-132.572
	(0.037)	(419.367)	(417.267)
Firm liabilities	-0.001	-283.486**	-284.717**
	(0.011)	(97.597)	(97.227)
Firm R&D	-0.001	464.612+	464.640+
	(0.005)	(242.425)	(242.629)
Firm positive media sentiment	0.002	55.772	48.576
· r	(0.004)	(72.373)	(69.796)
Firm market share	0.013	-105.982	-112.339
	(0.016)	(192.819)	(193.005)
Firm size	-0.009	-142.779	-134,724
	(0.012)	(136.693)	(136,475)
Firm reputation	0.006	492 304	487 804
· ····· ······························	(0,000)	(328,301)	(325 838)
Firm non-military association	-0.004	-341 389	-341 972
i min non minury association	(0,009)	(210 639)	$(210\ 400)$
Firm non-military disapproval	0.003	157 713	159 927
i inin non-inintary disappioval	(0,003)	(177 311)	(177,711)
CFO turnover	(0.00+)	166 055	164 553
		(174.831)	$(174 \ 371)$
CEO tenure		(1/7.031)	_02.850
		(87 756)	-92.030
CEO defense experience		-254075+	(07.777)
CLO derense experience		-234.7737	-233.400T (131.545)
CEO government background		(130.202)	1207 267
CEO government background		-124/.34/	-120/.20/
CEO military background		(0/1.400)	(007.439)
CEO miniary background		300.304 (280.627)	303.924 (280.170)
CEO minihility		(287.03/) 852.062**	(289.1/9) 855 601**
CEO VISIOIIITY		833.902** (222.860)	833.084** (222.009)
CEO status		(323.800)	(323.098) 1027.702*
CEU status		$-1028.620^{*}$	$-102/./02^{*}$
CEO 1 from the		(483.636)	(484./08)
CEO defense associations		694.300***	692.029***
		(193.257)	(193.209)
CEO philanthropic		-408.054+	-413.541+
associations		(212.764)	(212.070)
CEO awards		-89.637+	-87.408+
	<u> </u>	(51.926)	(52.194)
Industry ROA	-0.145	9258.866*	9319.489**
	(0.155)	(3603.058)	(3613.244)

Table 3 -	Results	from	firm-level	analysis	with	<b>GSEM</b>	(for H4	)
						0.0111		,

Industry media disapproval	0.000**	0.643	0.588
	(0.000)	(1.706)	(1.701)
Industry non-military	-0.001	-10.834	-10.714
disapproval	(0.000)	(14.552)	(14.761)
Military concentration	0.003	-293.524	-306.247
	(0.020)	(433.678)	(432.846)
Non-military concentration	-0.012	305.267	304.472
	(0.017)	(240.914)	(241.355)
Maximum likelihood	-	-14165.782	-14163.108
Year and firm FE	Yes	Yes	Yes
Clustered SE	Sector×Year	Sector×Year	Sector×Year
Number of obs.	1,729	1,729	1,729
Number of firms	151	151	151

+, \*, \*\*, and \*\*\* indicate significance at 10%, 5%, 1%, and 0.1% confidence levels (Standard errors in parentheses).

1  able  4 - Direct, multicular checks from GSENT (101 11-	T٤	able 4	4 – I	Direct,	indirect	and to	otal	effects	from	<b>GSEM</b>	(for	H4
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Variable	Model 1	Model 2	Model 3
	Direct effect	Indirect effect	Total effect
(Panel A) Acquiescence	-545.364*	-11.884*	-557.248*
Standard errors clustered at the Industry×Year level	(262.757)	(5.955)	(262.892)
(Panel B) Acquiescence (major deals)	-543.951*	-11.845*	-555.796*
Standard errors clustered at the Industry×Year level	(261.680)	(5.948)	(261.815)

+, \*, \*\*, and \*\*\* indicate significance at 10%, 5%, 1%, and 0.1% confidence levels (Standard errors in parentheses

# Figure 1 – How common owners reinforce organizational resistance to the media disapproval of shared industry practices



Assumed relationship: media disapproval increases the risk of acquiescence