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INTRODUCTION

Companies face unprecedented pressures to focus their attention on non-financial environmental, social, and related governance (ESG) outcomes in addition to the traditional emphasis on financial returns. This raises a longstanding and enduring question of interest to strategy scholars – how should companies balance multiple organizational goals? This question is especially critical because the pursuit of multiple goals can highlight conflict among organizational members who hold diverging and often opposing interests. However, there is little evidence around understanding how firms' goal pursuit may affect its members. In my doctoral dissertation I examine how different organizational actors, such as employees, managers and board of directors, shape and respond to firm strategies aimed at balancing financial and non-financial goals.

My doctoral work follows two broad themes. The first theme explores the response of organizational actors to firms' strategies aimed at pursuing multiple financial and ESG goals (essay 1). The second theme examines the role of actors in shaping firm strategies in response to external pressures demanding the integration of financial and ESG goals (essays 2 and 3). I draw from theories widely employed in strategic management, such as, behavioral theory of the firm, power and resource dependence theory, stakeholder theory, among others, to sharpen my theoretical predictions. Methodologically, I use large-scale observational data, collected from a vast set of proprietary sources, and design quasi-experimental empirical strategies for causal examination of my research questions.

In the first chapter of my dissertation, I explore the impact of firm-level selective environmental disclosure on employee evaluations of the firm. Firms often respond to pressures for greater environmental performance and transparency by engaging in partial and self-serving disclosure of their environmental impacts. They employ this strategy primarily for the benefit of external audiences. However, by doing so, they risk alienation of their

internal members who possess superior information regarding firms' strategic intent. I find that employees react negatively to the lack of transparency that follows firm engagement in selective disclosure and unearth hidden costs associated with this strategy.

In essays 2 and 3 of my dissertation, I seek to investigate the formation of coalitions at the board level and the subsequent articulation of strategic decisions that firms implement to achieve both financial and material ESG outcomes. The second essay of my dissertation studies changes in corporate board structure as a result of external demands for ESG integration in firm strategy. By bringing both these goals together, companies have the potential to create more joint value, making this an important question to study. A common organizational response to demands for integration is to place powerful individuals in connecting or bridging positions. I explore this in the context of corporate boards and find that board members with joint membership in finance and ESG board committees deliver on ESG issues that are financially material to the firm when these companies face higher stakeholder pressures. In the final essay, I further investigate if these board-level coalitions advance ESG goals and issues that, although peripheral to the firm and its primary financial goal, hold normative significance and benefit broader society.

Put together, my dissertation highlights new research and an unfolding agenda for understanding how organizational actors interact, evaluate, communicate, and implement different modes of governance to differentiate and integrate across their various goals, especially across financial and the broader environmental and societal domains.

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CHAPTER 1

THE WALLS HAVE EARS: STUDYING THE EFFECT OF SELECTIVE DISCLOSURE ON EMPLOYEE EVALUATIONS

ABSTRACT

In response to simultaneous pressures for greater environmental performance and transparency, firms may selectively disclose information on their environmental footprint, a form of greenwashing. Companies employ this strategy primarily to manage the impressions of external audiences in the hope that they do not uncover the reality. I argue that in contrast to external audiences, employees due to being internal members of the firm, possess superior information about the firm making it difficult for such strategies to be successful. In this work, I investigate how selective disclosure affects internal audiences, specifically employee evaluations. I utilize exogenous variation in firm incentives to selectively disclose environmental impacts provided by the swinging of traditionally democratic election states in the 2016 US presidential elections as the basis of our empirical strategy. My analyses suggest that selective disclosure negatively affects a firm's employee ratings, because employees react unfavourably to lack of transparency and that this negative impact is independent from external audiences detecting the firm's selective disclosure. These results produce important implications as they uncover hidden human capital costs associated with selective environmental disclosure.

1. INTRODUCTION

Firms face increasing stakeholder pressures to not only minimize their environmental footprint but to also disclose relevant information about their operations regarding the environment in a transparent manner (Buell & Kalkanci, 2021; Flammer et al., 2021). However, what aspects of their operations firms choose to disclose remain discretionary (Kim & Lyon, 2015; Marquis et al., 2016; Philippe & Durand, 2011). As a result, some firms engage in selective disclosure, a practice whereby they project "positive information about a company's environmental or social performance, without full disclosure of negative information on these dimensions, so as to create an overly positive corporate image" (Lyon & Maxwell, 2011, p. 5). Such firm activities are collectively referred to as greenwashing in the wider public domain, and while they often involve partial downplaying of a company's negative outcomes, in extreme cases, the disclosed information can contradict the actual reality of firm environmental performance and impact (Delmas & Burbano, 2011).

Selective disclosure strategies are primarily intended to manipulate the impressions of external audiences (Bass et al., 2021; Kim & Lyon, 2015; Ullmann, 1985) and rely on the presence of information asymmetries in a firm's external environment preventing key stakeholder groups from finding out about companies' true activities (Wu et al., 2020). Although there are well-publicized instances where external audiences find out about firms' selective disclosure strategies leading to widespread censure (Buell & Kalkanci, 2021; Walker & Wan, 2012), often these strategies remain undetected by external stakeholders who face high costs of verifying corporate claims of transparency (Kulkarni 2000, Lyon and Maxwell 2011; Wu, Zhang, and Xie, 2020).

However, such impression management may be less successful when considering a firm's internal audiences. I argue that employees are aware of their firm's selective disclosure activities even outside of instances where these are well publicized. By virtue of being

internal members of the firm, employees possess superior information regarding the firm's strategy (Donia et al., 2019) and therefore firms may not be able to hide their lack of transparency from their employees as easily as from external audiences. Furthermore, extant work suggests that employees value firm transparency (Pirson & Malhotra, 2011) and that selective disclosure can be perceived as "untrustworthy, manipulative, and opportunistic" (Walker & Wan, 2012, p. 231). As such, there may be previously unexamined costs associated with firms' selective disclosure related to their human capital.

As a result, in this study I address the question of whether employees rate their employing firms lower as a function of the degree of selective disclosure. However, addressing this question is not empirically straightforward. Since companies are likely to hire employees that are largely in alignment with their goals and actions and employees are likely to select into companies that are perceived to align with their values, drawing causal inferences in this case is challenging (Kristof-Brown et al., 2005; McPherson et al., 2001). Of particular concern is that through the two-sided matching process inherent in the hiring process, firms that are more likely to selectively disclose have an employee base that is less sensitive to such activities compared to firms that are less likely to selectively disclose. In addition, there may be time-varying firm-level omitted variables such as leadership changes, changes in performance or industry conditions that affect both the level of selective disclosure by the firm as well as employee ratings of the firm. I address the resulting endogeneity concerns, both related to employee selection as well as omitted variable biases, by relying on the unprecedented swinging of traditionally democratic states in the US 2016 elections as a source of exogenous variation in company-level selective disclosure. I argue that the election win by Donald Trump sent a signal to companies in such swing states associated with lax compliance to environmental and energy regulations and reduced stringency regarding their disclosure practices. However, I argue that the unprecedented

swinging of traditionally democratic states should not affect employee ratings of firms directly.

To investigate our research question, I focus on US public firms between 2012-2019. Following Marquis and colleagues (2016), we utilize data on selective environmental disclosure from Trucost and combine these with data on employee evaluations from Glassdoor, following Corritore and colleagues (2020). I find a negative causal link between selective disclosure and employee evaluations of the firm, providing evidence of hidden costs associated with such a practice. With my instrumental variable approach, I find that a one standard deviation increase in selective disclosure decreases the probability of a higher employee evaluation by 65 percentage points relative to its mean. My further examination of the mechanisms underlying this effect is consistent with the idea that employees prefer transparency and react unfavourably to lack thereof. Moreover, additional analyses suggest that this negative impact on employee evaluations is independent from external audiences' discovery of the practice.

With this work, I advance management research on three fronts. First, by focusing on internal audiences, I show that the misrepresentation of a firm's achievements, in the form of selective disclosure, has a cost even when it is not uncovered by external audiences. While negative external reactions are not systematic and can be short-lived, negative employee perceptions may have deeper, longer lasting effects for the firm's performance. Second, I advance the debate on whether employees withdraw support from their firm when it engages in misconduct practices. Indeed, the results suggest that employees will do so if the practices in question entail breaching their trust. And third, I contribute to discussions on the human capital implications of sustainability by highlighting that employee do not only react to their firm's level of engagement in environmental activities, but also on its (lack of) transparency regarding its environmental footprint.

2. THEORETICAL BACKGROUND

In this section, I provide an overview of extant literature describing the antecedents and objectives of selective disclosure. Additionally, I delve into prior work regarding employee perceptions of firm strategies to better guide the argument linking selective disclosure and employee response to it.

2.1. Causes and consequences of firm engagement in selective disclosure

Environmental disclosure has increased at a rapid pace due to pressures from multiple sources that value firm engagement in the environmental domain (Buell & Kalkanci, 2021; Lyon & Shimshack, 2015; Philippe & Durand, 2011). Recent work suggests that higher environmental (and social) performance of firms is positively associated with financial performance, in part, because stakeholders such as investors and customers value firm engagement in such issues (Eccles et al., 2014; Flammer, 2015). Other normative and regulatory pressures which drive such engagement are related to the display of corporate responsibility in face of the negative environmental externalities that corporate actions may produce (Berthelot et al., 2003; J. L. Campbell, 2007; Margolis & Walsh, 2003). Subsequently, companies' rethinking of their environmental impact has been accompanied by a growing incidence of increasingly sophisticated corporate disclosures as a way to create alignment among the firm and its stakeholders (Brammer & Pavelin, 2008).

Although, environmental disclosure is intended to decrease information asymmetries among a firm's stakeholders, this depends on the quality of information the company decides to disclose or share publicly (Brammer & Pavelin, 2008; Cormier & Magnan, 1999; Crilly et al., 2012; Cui et al., 2018; Kulkarni, 2000). In reality, stakeholders often have limited access to information about companies' full portfolio of environmental activities and the costs associated with verifying related information are usually high (Cormier & Magnan, 1999; Lyon & Maxwell, 2011). Firms can manipulate this aspect by engaging in a cost-and-benefit

analysis before deciding on their environmental disclosure strategies (Grewal et al., 2019) and some may act opportunistically by disclosing information to the general public that is often misleading (Cormier and Magnan 1999, Crilly et al, 2016; Kulkarni 2000). As a result, instead of heading the call of 'being green', which implies corporate engagement in issues pertaining to their environmental impact, they may focus on merely 'looking green' or engaging in disclosure that is not complete in terms of what is disclosed, how much is disclosed and how it is disclosed (Fabrizio & Kim, 2019). As such, selective disclosure is a tactic employed by companies for displaying favourable corporate behaviours without exerting any substantial effort in achieving them (Marquis et al., 2016). In doing so, companies can claim social legitimacy without changing their behaviour substantially (Bromley & Powell, 2012; Ramus & Montiel, 2005).

However, a firm's choice to selectively disclose is not without risks and if caught, firms may expect a penalty for such behaviour. Investors, consumers and activist groups demand information on firms' environmental achievements, and can reward transparent firms, or, conversely, exert negative publicity on firms that hide such information (Buell & Kalkanci, 2021; McDonnell, 2016; McDonnell et al., 2015). Thus selective disclosure, if found out, could lead stakeholders to perceive the firm as "untrustworthy, manipulative, and opportunistic" (Walker & Wan, 2012, p. 231) and withdraw their trust from organizations (Schnackenberg & Tomlinson, 2016; Torelli et al., 2020). This is all the more problematic since corporate disclosure may have initially triggered perceptions of benevolence and integrity which once challenged may make the organization appear hypocritical (Cho et al., 2015; Higgins et al., 2020). Because the avoidance of backlash is not guaranteed, partial disclosure not only risks the loss of legitimacy and dented reputation but can also decrease financial performance (Walker & Wan, 2012).

2.2. Employee response to selective disclosure

Employees are a key firm resource, crucial for the attainment and sustenance of competitive advantage (B. A. Campbell et al., 2012; Coff, 1997). Therefore, in recent years, the impact of firms' environmental and social performance on their strategic human capital outcomes has received significant scholarly attention. For instance, recent work has shown that firms with greater levels of environmental or social performance experience lower rates of shirking, higher rates of retention and reduced disclosure of sensitive firm information, compared to firms with lower levels of engagement (Bode et al., 2015; Burbano, 2016; Carnahan, Kryscynski, et al., 2017; Flammer & Kacperczyk, 2019; Flammer & Luo, 2017). Employees working for such companies have been shown to forgo pecuniary benefits in lieu of non-pecuniary benefits such as working in an environment that stimulates meaningfulness and pro-social behaviours (Bode & Singh, 2018; Burbano, 2016). Furthermore, firm engagement in such issues has been shown to attract prospective employees and bolster employee citizenship behaviors (Greening & Turban, 2000; Jones, 2010). Underlying this effect may be a greater firm-employee fit and a greater degree of employee identification with the firm (Carmeli et al., 2007; Glavas & Piderit, 2009). This literature suggests that employees react positively to firms that "do good". While the majority of this work has focused on social and environmental performance concurrently, a number of studies have begun to focus specifically on firm-sponsored activities geared towards the environment (e.g., Blok et al. 2015, Boiral 2009, Boiral and Paillé 2012, Paillé and Boiral 2013) providing evidence that employees value firms' pro-environmental activities. However, not all social or environmentally focused activities by firms are perceived equally by employees.

There is evidence supporting the notion that employees are well able to differentiate between firms' substantive efforts and other symbolic self-serving efforts (Donia et al., 2019; McShane & Cunningham, 2012; Vlachos et al., 2013) such as greenwashing. For example, recent work in the context of corporate social responsibility (CSR) suggests that when firms

engage with such issues in a way that is perceived as self-serving rather than cause-serving, employees report a reduced fit with the firm (Donia et al., 2019). Related studies have found that if a firm's CSR activities are not perceived to be in line with the true character of the firm, the commonly observed positive employee outcomes associated with CSR, such as satisfaction or organizational identification, are not present (McShane & Cunningham, 2012; Robertson et al., 2021; Vlachos et al., 2013). It thus appears that the relationship between a firms' engagement in social and environmental issues and human capital outcomes is more nuanced than previously thought and may in part depend not only on whether firms engage but how they engage.

Selective disclosure entails strategically hiding or obscuring relevant information regarding a company's environmental performance to sway and manipulate public opinion (Kim & Lyon, 2015; Lyon & Maxwell, 2011; Marquis et al., 2016). Whereas external audiences are known to sanction firms following the public discovery of selective disclosure, we argue that employees' negative reactions do not necessarily rely on a trigger. Due to lack of information asymmetries and relatively lower costs of verifying crucial organizational information as opposed to external stakeholders, employees are more likely to be in the know of the firm's strategy (Donia et al., 2019). Whether this understanding translates into actual loss of support is not straightforward.

Indeed, works on firm misconduct have made opposing arguments and generated conflicting results regarding employee responses to firms' deceiving actions. Because employees are in a resource relation with the firm, they may be more aligned with and less critical of the firm's strategy (Crilly et al, 2016). Consequently, one might argue that practices aimed at deceiving external audiences may be routinized within the firm, become part of the organizational culture (Greve et al., 2010; Kulik, 2005) and taken for granted by employees (MacLean, 2008; MacLean & Behnam, 2010). However, firm involvement in

blatant wrongdoing has been shown to decrease organizational support and commitment from employees (Miceli et al., 2012) and misconduct can result in a breach of employee trust that leads to cynicism, loss of confidence in the organization and can translate into employees withholding support for the organization (Pelletier & Bligh, 2008).

In the context of selective environmental disclosure, I expect that employees may react negatively because selective disclosure is associated with *lack of transparency,* which has been shown to reduce trust (Auger, 2014; Pirson & Malhotra, 2011; Rawlins, 2008; Schnackenberg & Tomlinson, 2016; Yue et al., 2019). Whereas the expectation that a firm or even entire industries engage in a certain level of environmental damage, such as pollution, might become "taken for granted", selective disclosure results in the perception that the firm cannot be trusted. Although little is known about how lack of transparency in the context of environmental disclosure affects employees, it is well established that employees react negatively if trust in their firm is violated (Brown et al., 2015; Duffy & Lilly, 2013; Goris et al., 2003; J. Liu et al., 2010; Searle, 2018). I therefore argue that lack of transparency implied through selective disclosure could also reduce the trust of employees leading to evaluations critical of their firms' actions. Overall, I expect that employees should evaluate their firm more negatively the higher its level of selective disclosure.

3. DATA

To conduct my empirical inquiry, I gathered data on S&P 1500 firms in the United States of America with a market cap of over 300 million USD between 2012-2019. This sampling frame was determined by the coverage of Trucost Plc., a carbon and environmental data and risk analytics organization that assesses corporate risks related to climate change, natural resource constraints, and broader environmental, social, and governance factors. I obtained data from Trucost Plc. regarding the level of firms' selective environmental disclosure which we matched with data from multiple other sources, most importantly Glassdoor, which

provides us with firm ratings by employees. The data is constructed at the employee-firm-year level. Our initial sample included 96,302 reviews. I dropped reviews by employees for whom some identifying information was missing and incomplete reviews, i.e., missing any of the six different ratings. I obtained a final sample of 79,764 observations for 415 firms, i.e., 24 reviews per firm-year on average.

3.1. Employee evaluations

I gathered data on employee evaluations from Glassdoor website. Glassdoor is one of the world's largest job listings and recruiting websites. It is a large crowd-sourcing company that gathers information on employee perceptions and compensation (both wage and non-wage). As part of their services, on its website, Glassdoor provides comprehensive listings of employees' anonymous reviews of almost 900,000 employers, accompanied by employee ratings on various organizational aspects. Employees rate their companies in a typical 5-point Likert scale ranging from "Very Dissatisfied" to "Very Satisfied". For the econometric analyses to follow, I use ratings capturing employee evaluations of their company overall (*Overall rating*)[1]. Glassdoor employee ratings are gaining popularity in accounting (K. Huang et al., 2020), finance (Green et al., 2019) and management (Corritore et al., 2020) research as employee-generated employer evaluations can enable the examination of personal beliefs held by employees regarding their organizational life. Several peer-reviewed studies have used employee evaluations as a proxy for tangible outcomes of strategic interest to the firm (Canning et al., 2020; Creek et al., 2019; M. Huang et al., 2015; Jing et al., 2019; O'Reilly III et al., 2014; Storer & Reich, 2021).

The non-random selection of employees writing their reviews on the Glassdoor website may raise two types of concerns about the use of this data for estimating causal

[1] The 5 other employee ratings on Glassdoor website capture employee evaluations on senior leadership (*Senior leadership rating*), work life balance (*Work-life balance rating*), culture and values (*Culture and values rating*), compensation benefits (*Compensation and benefits rating*), and career opportunities (*Career opportunities rating*).

effects. Firstly, one might argue that since the posting of reviews is voluntary and employees can rate their company at any point during and after their employment, we may get a skewed representation of how employees evaluate their companies. Specifically, one might expect that either very high or very low evaluations are posted by employees who are very pleased or very upset about their employment experience, respectively. However, as Table 1 shows, the employee ratings in my sample are normally distributed with a mean of 3.42 and standard deviation of 1.21. While I cannot ascertain that this distribution is similar to that of the entire population, I believe that my results are not severely biased by extreme reviews. A second concern might be that the individuals writing reviews on Glassdoor are not representative of the entire population. Reassuringly, previous studies have found this not to be the case (T. Liu et al., 2017; Zhou & Makridis, 2019). Their results and replications demonstrate that although Glassdoor data tends to come from workers with higher income and more education compared to the US census data, there are significant overlaps in the wage distribution and composition of most industries and occupations. Thus, while I cannot exclude that certain types of employees may be more likely to write reviews (e.g. employees with higher levels of education), the representation across industries and wages seems less affected. Nevertheless, future studies may seek to examine the relationship between firms' selective environmental disclosure and the evaluations of their employees in other empirical contexts as well.

3.2. Selective disclosure

I constructed the measure of selective disclosure magnitude (*Selective disclosure*) as the difference of two disclosure ratios computed by Trucost plc., absolute and weighted disclosure ratios (*Absolute disclosure* and *Weighted disclosure*). This measure for selective disclosure was first developed and validated by Marquis et al. (2016) and has since been used in several other studies (e.g., Callery 2019, Callery and Perkins 2021, Kayser et al. 2016). It represents "the extent to which companies risk creating a misleading impression of

transparency and accountability by disclosing relatively benign environmental metrics rather than those more representative of their overall environmental harm" (Marquis et al., 2016, p. 493). In other words, selective disclosure magnitude gives us an indication of the extent of greenwashing by contrasting symbolic and substantive transparency that companies display represented by the absolute disclosure ratio and the weighted disclosure ratio respectively (see Appendix A for further details on the two disclosure ratios).

Whereas, the absolute disclosure ratio captures the total amount of disclosure, regardless of its importance, the weighted disclosure ratio captures the importance, in terms of environmental harm, of what is disclosed. When absolute disclosure ratio is greater than weighted disclosure ratio, selective disclosure magnitude is positive, implying that the company is disclosing information on less harmful indicators. When the selective disclosure magnitude is negative, meaning that the weighted disclosure ratio exceeds the absolute disclosure ratio, then the company is disclosing information on more harmful indicators. In the former case, the company can easily create an impression of being transparent while not revealing crucial information, while in the latter case, the company is revealing a truer picture of its most important environmental impacts. Given that both the absolute and weighted disclosure ratios range between 0 and 100, the selective disclosure measure can range from -100 to +100. For the company-years in our sample, it ranges from -82 to +87, with a mean of -0.15 and a standard deviation of 34.962.

As an illustration, let us consider the stylized example of a firm for which Trucost would have identified two relevant indicators: arsenic release into waterways and greenhouse gas (GHG) emissions. Let us imagine that Trucost estimates the firm's environmental damage cost to reach USD 9,000,000 for arsenic release and USD 1,000,000 for GHG emissions, and that the firm only discloses information on its GHG emissions. In this case, the firm discloses 1 out of 2 relevant indicators, which represents an absolute disclosure ratio

of 50%, but it discloses only 1,000,000/(9,000,000+1,000,000) of its damage cost, which represents a weighted disclosure score of 10%. Then, the value of the selective disclosure variable would be of 50-10=40.

It is important to note that I do not expect either external audiences or employees to be familiar with the Trucost items, or able to compute these ratios themselves. But, following previous work (Callery, 2019; Callery & Perkins, 2021; Kayser et al., 2016; Marquis et al., 2016), I consider them as good proxies for selective disclosure. External audiences may not perceive that firms focus their disclosure on less damaging impacts. But I expect that employees, who have a greater understanding and knowledge of the scope of firm's operations and actual impacts, will be able to directly observe this gap.

3.3. Control variables

I supplement our data with a number of firm-level and employee-level variables which function as covariates in the empirical analyses detailed in the coming sections.

I gathered self-reported employee-level information from Glassdoor such as, age (*Age*), gender (*Female*; equals 1 if female) and level of education (*Education*) of the employee rating the firm. With regard to education, I created four categories of high school (*Education=0*), undergraduate (*Education=1*; Bachelors and Associates), graduate (*Education=2*; Masters and PhD) and professional (*Education=3;* MBA, LLM and MD degrees) to account for different levels of education. I included these controls because previous work has evidenced that women and younger individuals may react differently to firms' social and environmental activities (Bode & Singh, 2018; Greening & Turban, 2000). The employees who wrote those reviews are nearly balanced on gender with a mean age of 33.5 years and on average have an undergraduate degree.

At the firm level, I gathered data on a number of firm characteristics that, I argue, may influence the link between selective disclosure and employee evaluations. I obtained the

Workforce score measure from Thomson Reuters Aikon (formerly Asset4, see Duque-Grisales and Aguilera-Caracuel 2021) which serves as a proxy for how companies treat their employees. Aikon provides yearly ratings of firms between 0 to 100 based on the information reported by companies on their effectiveness towards creating job satisfaction and a healthy and safe workplace, maintaining diversity and equal opportunities, and providing development opportunities for their workforce. We know from prior work that companies which focus on employee-centric activities are better able to engage their employees (Carnahan, Kryscynski, et al., 2017; Flammer & Luo, 2017) and this is likely to influence employee evaluations. I also constructed several measures from the Compustat database to proxy for companies' financial performance, size and future growth opportunities. These measures include return on assets (*ROA*) which is the ratio of operating income before depreciation to the book value of total assets. Firms with higher profitability showcase superior market performance and are more likely make CSR/sustainability investments with their slack resources (Waddock & Graves, 1997). Such investments have been shown to improve employee outcomes (Bode & Singh, 2018; Glavas & Godwin, 2013) and thus will be reflected in their evaluations. Firm size (*Size*) and sales (*Sales*) are constructed by taking the natural logarithm of the book value of total assets and natural logarithm of total sales respectively. Firm size is known to influence employee morale with employees in smaller firms viewing their work in a positive manner due to a more democratic and intimate management style as compared to larger firms (Connell, 2001). Additionally, firms' sales are controlled for their possible effect on firm performance and CSR/sustainability-oriented investments (Carballo-Penela & Castromán-Diz, 2015).

Two additional variables of *leverage* and *BTM* (book-to-market ratio) serve as proxies for firm future growth opportunities. *Leverage* was calculated as book value of debt divided by book value of assets and *BTM* was computed as the ratio of the book value of equity to the

market value of equity at the end of the fiscal quarter ending closest but prior to the date of the review. Greater leverage is associated with volatility and information asymmetry (Boone et al., 2020; French et al., 1987) and this can lead to reduced employee engagement (Aragón-Correa et al., 2013) which can affect their evaluations. In keeping with prior work, I expect employee outlook to be associated with BTM as employees are known to respond less favorably to firms that face fewer growth opportunities (Hales et al., 2018). Lastly, I created a measure of *environmental damage cost* with data from Trucost plc. as a proxy of firms' environmental impact. This measure is calculated as the proportion of environmental damage costs of direct company operations over total company revenues and is estimated in USD millions. I control for this because firms' poor treatment of the natural environment is likely to affect employee evaluations in a negative manner keeping in line with prior work (Erdogan et al., 2015). To mitigate the impact of outliers, I winsorize all untransformed variables at the 1st and 99th percentiles of their respective empirical distributions.

I provide the descriptive statistics and pairwise correlations for all the described variables in Tables 1 and 2 respectively.

---- Insert Tables 1 and 2 about here ----

4. EMPIRICAL APPROACH

I begin my analyses by using a standard OLS model with firm and year dummies which accounts for the multilevel structure of our panel data (nested in firm and year). In particular, I include firm dummies to capture time-invariant firm characteristics such as culture and reputation that are relatively 'sticky' and may also determine employee evaluations. However, as noted previously, I expect issues related to endogeneity – specifically employees joining firms based on an alignment in values (Kristof-Brown et al., 2005; McPherson et al., 2001) as well as omitted variable biases to be a substantial concern. Thus, the standard OLS model is not my preferred model. In particular, there is a concern that firms that are more

likely to selectively disclose have an employee base that is less sensitive to such activities compared to firms that are less likely to selectively disclose. I seek to address this problem through an instrumental variable approach presented following the standard OLS model described below.

4.1. Preliminary analysis

I begin to investigate the effect of selective disclosure on employee evaluations with the following regression equation:

$$\text{Employee evaluation}_{ijt} = \alpha + \beta_1 \text{ Selective disclosure}_{jt} + \beta_2 \text{ Female}_{ijt} + \beta_3 \text{ Age}_{ijt} + \beta_4 \text{ Education}_{ijt} + \beta_5 \text{ Workforce Score}_{jt} + \beta_6 \text{ ROA}_{jt} + \beta_7 \text{ Size}_{jt} + \beta_8 \text{ Sales}_{jt} + \beta_9 \text{ Leverage}_{jt} + \beta_{10} \text{ BTM}_{jt} + \beta_{11} \text{ Firm dummies}_{j} + \beta_{12} \text{ Year dummies}_{t} + \varepsilon_{ijt} \quad (1)$$

I regress the evaluation of employee *i* in firm *j* in year *t* on a measure of selective disclosure and other control variables. My main coefficient of interest is β_1, which indicates the effect of selective disclosure on employee evaluations.

Results of the OLS model are presented together with our main results in Table 3. Not surprisingly, firms obtain significantly more positive reviews when they have higher workforce scores ($\beta = 0.002$, $p = 0.000$), cause less environmental damage ($\beta = -3.345$, $p = 0.017$) and are smaller in size ($\beta = -0.101$, $p = 0.016$). Within firms, women ($\beta = -0.043$, $p = 0.000$) and younger employees ($\beta = -0.010$, $p = 0.000$) provide less positive reviews. The direction of the effect of selective disclosure is negative, but the effect is not statistically significant.

---- Insert Table 3 about here ----

However, this result does not imply that there is no relationship between selective disclosure and employee reactions given the significant endogeneity of selective disclosure which biases the OLS results. We know that companies tend to attract employees with certain values and characteristics (McPherson et al., 2001). For instance, companies are likely to hire

employees that are largely in alignment with their goals and actions and employees select into firms that appear to align with their values. Thus, drawing causal inferences in this case is particularly challenging. A second bias arises due to omission of variables that are likely correlated with both our dependent and independent variables. There may be time-varying firm-level omitted variables such as leadership changes, changes in performance or industry conditions that affect both the level of selective disclosure by the firm as well as employee ratings of the firm. The inability to account for the matching process between employees and firms may bias my results and pose a threat to causal estimation making the relationship appear spurious.

4.2. Election-induced increase in selective disclosure

Given the above-mentioned endogeneity concerns, to establish causality, I need to observe quasi-random variation in firm-level selective disclosure. I rely on the 2016 US presidential elections as a setting for a 'natural experiment' that captures unexpected change in the degree of selective disclosure which is likely to be uncorrelated with other firm characteristics that attract potential employees. Specifically, I rely on the unprecedented swinging of traditionally democratic states in these elections as a source of unexpected variation in company-level selective disclosure. Two artefacts of this setting are of particular importance.

First, the two presidential nominees, Hilary Clinton and Donald Trump, ran sharply divided campaigns on issues pertaining to the natural environment, which changed the perception around selective disclosure. The difference in rhetoric is well-documented in the public domain and ranges from views on climate change, oil and gas drilling, renewable energy, carbon tax to the Paris Climate Agreement (Yale Environment 360, 2016). Donald Trump, who won the presidential race, succeeded in rolling back more than hundred environmental regulations during his term reflecting his campaign promises (Eilperin et al., 2020; Gibbens, 2019). The argument given in favor of these rollbacks was that these

regulations burden and encumber economic progress and the subsequent lifting of these regulations would then allow companies to grow unhindered (Yang, 2020). I argue that the election win by Donald Trump sent a signal to companies associated with lax compliance to environmental and energy regulations and reduced stringency regarding their disclosure practices. I find evidence for this drop in disclosure in 2016 in our data as well. Figures 1 and 2 show the average absolute and weighted disclosure ratios for the companies in my sample drop considerably in 2016. In line with my argument, companies disclosed less information about their environmental impact after the election of Donald Trump in 2016.

---- Insert Figures 1 and 2 about here ----

Second, I rely on the swinging of traditionally democratic states of Michigan, Pennsylvania and Wisconsin as the exogenous event that captures the afore-mentioned change in selective disclosure. In the 2016 elections, Donald Trump won by razor-thin margins in three swing states which primarily decided the election outcome in favour of Trump. A swing state refers to any state that could reasonably be won by either the Democratic or Republican presidential candidate by a swing in votes. Both Michigan and Pennsylvania had not voted for a Republican president since voting for George H.W. Bush in 1988 and Wisconsin had not gone Republican since 1984. The next time these three states swung in favour of a republican nominee was in the 2016 US presidential elections. The election was effectively decided by 107,000 people in these three states amounting to 0.09 percent of all votes cast in the election (Meko et al., 2016). This swinging was unprecedented allowing Trump to win by margins of less than 2 percent in the 2016 election. During the next election cycle, the democratic presidential nominee, Joe Biden, won these states back and brought them back into the democratic stronghold (Goldmacher et al., 2020). Based on the evidence collected during this election cycle, I argue that swinging of these three states in

the 2016 election was unexpected and can be characterized as a near-random event due to the vote margins and, therefore, be reasonably characterized as an exogenous event.

Based on the above arguments, I claim that the change around environmental disclosure after 2016 was different in states that voted for the Republican presidential nominee, Donald Trump, as opposed to the Democratic nominee, Hilary Clinton, because the signal sent by the winning candidate would be received differently in states that majority voted for that candidate. To illustrate this point, let's recall the stance taken by each of the states in November 2016 on the three US Environmental Protection Agency (EPA) regulatory actions that were challenged in federal court: the Clean Power Plan, the Waters of the United States rule, and mercury and air toxics standards. All states either filed lawsuits challenging the regulations or, filed petitions in support of the regulations or did not take an official position. The three traditionally democratic states of Michigan, Wisconsin and Pennsylvania that voted for Donald Trump in 2016 either opposed or took no stance on one/all three regulations, whereas states that stayed democratic by significantly small margins such as Maine and Minnesota supported these regulations (Ballotpedia, 2016). This provides additional support consistent with our claim that after the 2016 elections, companies in the three swing states of Michigan, Pennsylvania and Wisconsin were likely to respond differently in terms of environmental issues than companies in other traditionally democratic states. The altered response in these two sets of states would then be reflected in the choice of environmental disclosure strategies adopted by companies in these states.

Based on these arguments, I construct an instrument for selective disclosure – election-induced increase in selective disclosure – which measures how much selective disclosure rose as a result of the election swinging. The logic of this instrument has been adapted from Waldinger (2010) which uses exogenous variation provided by the expulsion of mathematics professors in Nazi Germany to create dismissal-induced reduction in faculty

quality as an instrument for the endogenous variable of faculty quality. In my case, since the 2016 election outcomes are associated with a strong effect on average selective disclosure, I can use this as an instrument for our endogenous variable which we construct as follows:

Election-induced increase in selective disclosure = (Average pre-2016 selective disclosure | all democratic states) – (Average pre-2016 selective disclosure | all democratic states that did not swing)

The instrument is constructed in a bi-modal fashion as 0 before 2016 and after 2016 as the difference between pre-election average selective disclosure in all democratic states and pre-election average selective disclosure in democratic states that did not swing[2,3]. In my case, the pre-2016 average firm-level selective disclosure in all democratic states was 0.442. After the 2016 elections, upon the swing of Michigan, Pennsylvania and Wisconsin to republican status, the average firm-level selective disclosure of democratic states rose to 1.179. As a result, after 2016 this variable is defined as 0.442 - 1.179 = -0.737. Lower value of this election-induced increase in selective disclosure therefore reflects a rise in average firm-level selective disclosure after 2016. It is important to note two things here. First, the firms in the three democratic states that swung in 2016 engaged in less selective disclosure on average compared to the firms in other democratic states that did not swing. Second, it is the subsequent rise in average selective disclosure of firms in these states that is associated with a drop in employee evaluations.

One may raise a concern that firms could have anticipated the change in presidential candidacy based on public reporting at the time of the elections, which would invalidate my

[2] The traditionally democratic states form the 'blue wall' and consist of US states that the democratic presidential nominees have consistently won in presidential elections between 1992 and 2012. These states include California, New York, Illinois, Washington, Massachusetts, Maryland, Minnesota, Oregon, Connecticut, Hawaii, Maine, Rhode Island, Delaware and Vermont, in addition to Michigan, Pennsylvania and Wisconsin.

[3] Allotment of employees in all states is based on their location information on Glassdoor which details the location (both city and state) where they are currently employed by their company.

identification strategy. Econometrically speaking, this concern would violate the instrument exogeneity condition which maintains that the instrument is not correlated with the error term of the structural equation, i.e., the second-stage equation of a two-stage instrumental variable (2S IV) estimation model (Bascle, 2008). Alternatively, if the instrument is not exogenous it will be unable to localize the exogenous variation in our endogenous variable of interest, i.e., selective disclosure in our case, and the 2S IV estimator I have utilized in my analyses will be inconsistent.

To provide further evidence that our instrument is likely capturing exogenous variation in selective disclosure, I run first stage IV regressions to identify the effect of the instrument on selective disclosure in years prior to and after the elections from 2014-2019. The idea here is to check if the companies in the swing or treatment states altered their levels of selective disclosure over time. The results of this test are presented in Table 4. There is a statistically significant correlation between the instrument and the endogenous regressor in all years except in 2019. More importantly, in 2016, the sign of the correlation switches and becomes positive in contrast to the previous year. An interpretation of this is that, before the election, treated firms (in the soon-to-be swing states) displayed low levels of selective disclosure, as we expected given their location in traditionally democratic states. Furthermore, their level of selective disclosure does not suggest that they anticipated the swing. Interestingly, in 2016 the direction of the coefficient capturing change in selective disclosure flips very strongly in the other direction. This provides evidence consistent with the idea that the swinging of states to reflect a republican majority status changed the norm around disclosure quite unexpectedly and the companies in these states exploited this change in norm to engage in higher selective disclosure.

I also see the 2014-2015 trend return in anticipation of the 2020 US presidential elections where we know, in retrospect, that Joe Biden, the democratic presidential candidate

took back the states that unexpectedly swung in 2016. Thus, I speculate that, contrary to what happened before the 2016 election, firms anticipated their states to swing back in the 2020 election. Overall, this provides further evidence that the firms in the swinging states did not expect the 2016 election outcome, thereby bolstering the exogeneity of our instrument. The fact that the exogenous change in selective disclosure in 2016 existed only in the short-term after the elections also enables me to comment on the mechanisms driving the main effect (discussed in §5.2).

---- Insert Table 4 about here ----

Finally, I address the exclusion restriction condition. The issue of exclusion restriction implies that the instrument is correlated with the outcome variable only via the endogenous variable. If this assumption is not met, then the issue of omitted variables confounding the effect under study remains. As a result, I control for variables correlated with the instrument which might also explain employee evaluations, thereby, ensuring the conditional exogeneity of the instrument (White & Chalak, 2008).

In my case, because the instrument relies on an unexpected change in election outcomes and uses this shock to instrument selective disclosure, one way in which the instrument might affect the outcome variable is if election uncertainty triggers short-term changes in firm characteristics that might influence employee evaluations. Based on recent research documenting the effects of election uncertainty, I know that election uncertainty may trigger firms to alter their disclosure practices to favourably mould external perceptions around perceived growth opportunities of firms (Boone et al., 2020). Prior research has also found that employees have valuable information regarding the future prospects of their employing companies which is reflected in their evaluations (Hales et al., 2018; K. Huang et al., 2020). It could be the case that uncertainty in election outcomes makes firms' future prospects more salient which trigger certain employee responses. I take this into account by

including the two variables of *leverage* and *book-to-market* (*BTM*) ratio in our 2S IV (and OLS) regression analyses as proxies for uncertainty around firms' future growth and prospects.

It could also be the case that voting for Donald Trump directly changes the way in which employees express their evaluations. We know from prior research that political ideology attributed to an organization and its employee base is correlated with the involvement in CSR and environment-related activities (Gupta et al., 2017). As a result, I include firm dummies in our econometric models as a control for political ideology aggregated at the organizational level which remains relatively stable over time (Swigart et al., 2020).

5. RESULTS

I use the instrument detailed in the previous section for conducting the 2S IV analysis. The first stage regression equation is as follows:

$$\text{Selective disclosures}_{jt} = \alpha + \pi_1 \text{ Election-induced change in selective disclosurest} + \pi_2 \text{ Employee controls}_{ijst} + \pi_3 \text{ Firm controls}_{jst} + \pi_4 \text{ Firm dummies}_{jst} + \mu_{ijst} \quad (2)$$

Here, I regress the instrument (captured at the state *s* level in year *t*) on the measure of selective disclosure and other employee and firm controls detailed in equation (1). I present the results of the 2S IV analysis in Table 5.

---- Insert Table 5 about here ----

The first stage of the analysis, in Model 1, provides evidence for the strength and relevance of the instrument. The F-statistic of the first stage is above 10, which is the commonly accepted threshold for the strength of the instrument (Stock & Yogo, 2005). In fact, the F-statistic is at 80.27 which implies that the instrument explains significant variation in our endogenous regressor, i.e., selective disclosure. Additionally, the instrument has a positive and statistically significant association with selective disclosure, making it a relevant

instrument. The above evidence is in line with my argument that the instrument captures an increase in selective disclosure in the swing states giving credence to the notion that after 2016, the norm around disclosure changed more sharply in these states. Furthermore, the positive coefficient for selective disclosure in Model 1 indicates that the firms in swing states engaged in higher selective disclosure as compared to the democratic states that did not swing as we would have expected based on the arguments presented in §4.2.

The second stage presented in Model 2 displays the negative and statistically significant effect of selective disclosure on employee evaluations ($\beta = -0.063$, $p = 0.000$). The size of the effect is in fact such that with every unit increase in selective disclosure, employee evaluations drop by 6.3 percent, all other variables held constant. Put another way, a standard deviation increase in selective disclosure (35.681 points) decreases employee evaluations by 65 percentage points relative to its mean (3.432 rating) which represents a sizable effect. To put this into perspective, I see this effect in 5,381 observations pertaining to 38 firms in our sample which constitutes one-fifth of our sample. Alternatively, half a standard deviation increase in selective disclosure (17.84 points) decreases the employee evaluations by more than 32 percentage points relative to its mean (3.432 rating). I see this effect in 7,954 observations pertaining to 70 firms in our sample which accounts for more than a third of the sample.

Comparing the coefficients of selective disclosure in Model 2 and 3, it is evident that the OLS model greatly underestimates the effect of selective disclosure on employee evaluations, which is in line with my understanding of the primary endogeneity concern. Here, the true effect of selective disclosure is likely confounded by omission of variables that are correlated with selective disclosure and impact employee evaluations. Intuitively as well, this makes sense because individuals hired by companies based on characteristics correlated with high selective disclosure are less likely to give negative reviews precisely because they

voluntarily sort into companies. Clearly, once I control for this 'attraction of employees' effect in the IV estimator, I am able to see the effect of selective disclosure on employee evaluations.

5.1. Robustness checks

I further investigated the robustness of my findings in three ways. First, while in my primary analysis I use the overall employee rating on Glassdoor, I re-ran the analysis using two alternative employee ratings, namely *Culture and values* and *Senior leadership*. Results largely overlap with our main results (see Appendix B.1). This finding also aligns with the understanding that lack of transparency, indeed a firm value, may be driving the results and that employees see this as something in the control of senior leadership.

Second, I ran sub-sample analysis taking into account only those observations where employees wrote their reviews while still in the company. My primary assumption is that employees within the firm observe and react to changes in disclosure in a way external audiences cannot. So, the effect of selective disclosure on employee evaluations should be stronger for employees writing reviews while still employed in the company. I find evidence for this effect ($\beta = -0.097$, $p = 0.000$; see Appendix B.2) lending support to the notion that employees are affected more by the lack of transparency as a result of selective disclosure while they are still employed in the firm for which they write evaluations. This test also provides additional support for our instrument in addressing the endogeneity issue of assortative matching between firms and employees as here we are capturing the evaluations of employees who in the short term disagree with the firm but do not move to other firms.

Third, I constructed our instrument differently by including a smaller set of democratic states that did not swing. In the main 2S IV analysis described above, the instrument is made of all the states that remained in the blue wall in 2016. In other words, it includes both firms in states that were at risk of swinging and firms in states that were not at

risk of swinging, which may be a less relevant comparison set. Thus, I re-constructed the instrument by only including firms in the states of Maine and Minnesota as part of the democratic state set that did not swing in 2016. Both Maine and Minnesota stayed democratic in the 2016 US elections by vote margins of 3 percent and 1.5 percent, respectively, as opposed to Pennsylvania, Michigan and Wisconsin which turned republican by vote margins of 0.7 percent, 0.2 percent and 0.8 percent respectively. The idea here is to exploit a discontinuity presented by the 50 percent cut-off mark in vote margins that decide which presidential nominee, democratic or republican, grabs the electoral seats in that particular state.

With this conceptualization of the instrument, I draw attention to the discontinuity which enables me to hone on the change in disclosure norm in swinging states post-election even more sharply. Both Maine and Minnesota, by virtue of their vote margins, could have reasonably swung but did not compared to the swing states of Pennsylvania, Michigan and Wisconsin. I argue that both these sets of states were very similar in terms of their vote margins, in addition to being a part of the 'blue wall', and the swing (or lack thereof) in this case was even more unpredictable. If my speculation that Donald Trump coming into power altered environmental disclosure norm is accurate, I should see an even stronger effect of this re-constructed instrument on our variable of selective disclosure in the first stage IV regression. The results of this test are presented in Appendix B.3. As expected, the instrument has a positive and statistically significant association with selective disclosure, showcasing an even stronger effect than in the initial 2S IV analysis presented in Table 5. This suggests that companies in the swing states experienced change in the disclosure norm to a greater degree as compared to the companies in the comparable control states of Maine and Minnesota. With this alternative instrument, the influence of selective disclosure on employee ratings in the second stage remains negative and significant ($\beta = -0.0338$, $p = 0.028$).

5.2. Additional Analyses

Having empirically tested the relationship between a firm's level of selective disclosure and employee ratings of the firm, I now seek to further investigate the role of potential alternative mechanisms in explaining that relationship. Recall my main argument which proposed that selective disclosure is seen by employees as a signal that the firm is not transparent and thus cannot be trusted. Thus, I seek to provide evidence that, although not causal in nature, is nevertheless in line with our proposed mechanism.

5.2.1. *Further evidence in line with the transparency mechanism*

My explanation for the negative main effect I obtain is that employees react directly to their company's selective disclosure strategy due to it being seen as a signal of lacking firm transparency. Employees may question why their companies are not being truthful and hiding crucial information (Auger, 2014; Rupp et al., 2006; Zak, 2017) and may perceive their companies as acting in a hypocritical fashion lending an air of inauthenticity (Babu et al., 2020; Carlos & Lewis, 2018; Radoynovska & King, 2019). All of the above point to employee perceptions which will be reflected in their lower evaluations of the company.

Although, I do not have definitive data to test these micro-mechanisms, as a starting point I run additional tests to confirm my notion that employees prefer environmental transparency. In Table 6, I run OLS regressions to investigate the influence of the absolute and weighted disclosure ratios separately on employee evaluations (Marquis et al., 2016). Interestingly, I find a positive association between weighted disclosure and employee evaluations ($\beta = 0.0008$, $p = 0.044$), while the association between absolute disclosure and employee evaluations is weaker ($\beta = 0.0006$, $p = 0.191$). A possible interpretation of these results is that employees have a preference for more meaningful and material disclosure, represented by weighted disclosure. In other words, employees prefer when their company

discloses a truer picture of its environmental impact, in keeping with the transparency mechanism.

---- Insert Table 6 about here ----

As additional suggestive evidence, I also look at the qualitative reviews that employees leave on the Glassdoor website in addition to their company ratings. Employees not only observe greenwashing, the broad umbrella under which selective disclosure strategy falls, but also view this in an unfavourable light. One employee wrote very specifically about their company actions saying that,

> "Renew your efforts to reduce your carbon footprint. Stop greenwashing. Commit to Howard's promise of 100% recyclable cups and quit pretending that your straw-less lid is helping the environment: it uses more plastic than a straw and you patented it, ensuring no one else can reduce THEIR use of straws. [sic]".

Another employee wrote about their company's greenwashing behaviour and the employee-related consequences attached to this by saying that, "…Company greenwashes. Their claims to care about the environment are clearly false to any employee." This provides some evidence for the fact that employees not only see this behaviour but also deem it undesirable.

5.2.2. *Ruling out the role of external scrutiny*

An alternative mechanism could be that employees perceive that, by selectively disclosing environmental information, the firm is putting itself at risk of the selective disclosure strategy being detected, and sanctioned, by external audiences. We know from prior literature on organizational image that employees care about how their companies are perceived by others outside the company (Dutton et al., 1994; Dutton & Dukerich, 1991). If outsiders demonstrate their strong opposition to a company's selective disclosure practices, the company is likely to suffer from reduced external support and a dent in reputation, to say the least. It could be that employees internalize the potential consequences of this opposition which will be reflected in their lower evaluations.

I test this conjecture empirically by running a cross-sectional test which focuses on the degree of external scrutiny that a company faces on the environmental front. The logic here is that for firms that face greater scrutiny, the likelihood that their engagement in selective disclosure will be noticed by external stakeholders is higher. Thus, if this alternative explanation holds, the negative effect of selective disclosure on employee evaluations should be more pronounced, the higher the level of scrutiny.

I collected data from RepRisk AG to construct a measure of *negative media coverage* as a proxy for the scrutiny that a company receives regarding its environmental actions and impact (Hawn, 2021; Kölbel et al., 2017). RepRisk evaluates the risk exposure of companies by collecting data on a number of environmental, social and corporate governance issues from nearly 80,000 public sources, such as, print, digital and social media, websites, non-governmental bodies, newsletters, reports, etc. By aggregating the daily number of environmental news items in the database, I generate a count measure at the firm-year level and interact this variable with selective disclosure.

Furthermore, this effect should be stronger for employees in managerial roles who are more likely to care about their company's potential downgrade in reputation as a result of increased external scrutiny (Gray & Balmer, 1998). To isolate employees in managerial roles, we scan the Glassdoor job titles of the employees in our sample. I select all employees with titles of 'manager' or 'c-suite' to construct this restricted set of managerial employees[4].

The results of these analyses are presented in Table 6. Although the directions of the interaction coefficients are in the expected direction, the effect sizes are not statistically significant. As a result, I do not find evidence consistent with this alternative mechanism.

---- Insert Table 7 about here ----

[4] Some examples of such job titles include branch manager, client development manager, corporate account manager, regulatory affairs manager, marketing manager, among others. Note that this sub-sample is not exhaustive as employees with different titles may occupy managerial positions.

6. CONCLUDING REMARKS

This study attempts to examine whether a disclosure strategy that prioritizes the display of information that misrepresents a company's true environmental impact has an impact on how employees evaluate the company. I assembled a rich dataset based on reviews from Glassdoor and disclosure information from Trucost and implemented a novel instrumental variable approach to address endogeneity concerns. The results of my analysis provide evidence of a negative causal relationship between a firm's selective disclosure and the ratings it obtains from its employees. My further analyses are consistent with the idea that the lack of transparency associated with selective disclosure triggers employees' perceptions of mistrust and injustice which is reflected in their lower evaluations. In particular, I observe that the relationship is driven primarily by employees' preference for meaningful disclosure, that it is not explained by a higher level of environmental impact and does not depend on the discovery of such a practice by external audiences.

With this study I make several contributions to the management literature, at the intersection of firms' environmental strategies and human capital management. First, I nuance my understanding of the cost associated with the misrepresentation of a firm's achievements, in the form of selective disclosure. Given such a strategy aims at deceiving external audiences, prior work has primarily investigated its consequences when it is detected by those audiences (Kim & Lyon, 2015; Marquis et al., 2016; Walker & Wan, 2012). By contrast, I focus on how selective disclosure affects employee evaluations and uncover a more pernicious cost to the firm that is not dependent on the practice being revealed to external audiences. Moreover, while negative external reactions are not systematic and can be short-lived, negative employee perceptions may have deeper, longer lasting effects for the firm's performance. Thus, my findings suggest that deploying a selective disclosure strategy may have significant hidden costs for firms.

Second, I advance the debate on whether employees withdraw support from their firm when it engages in misconduct practices. Some works provide evidence that employees react negatively to the discovery of their firm's wrongdoing (Miceli et al., 2012; Pelletier & Bligh, 2008). However, other studies suggest that firm's practices aimed at deceiving external audiences can be normalized within the firm and taken for granted by employees (MacLean, 2008; MacLean & Behnam, 2010). My results indicate that selective disclosure, although potentially routinized within the firm, can significantly reduce employees' support because it entails breaching their trust. Therefore, my study enriches our understanding of the normalization of deceiving practices and employee perceptions of such practices.

And third, I contribute to the discussions on the human capital implications of sustainability by highlighting that employees do not only react to their firm's level of engagement in environmental activities, but also on its (lack of) transparency regarding its environmental footprint. Until now, the literature on corporate sustainability and human capital has focused mainly on exploring employee outcomes when firms engage in different levels of environmental or social activities (Bode & Singh, 2018; Burbano, 2016; Carnahan, Kryscynksi, et al., 2017; Flammer & Luo, 2017). Although I observe that employees evaluate their firm more severely when it causes more damage to the environment, I also find that employees are appreciative of their firm's disclosure of its most significant impacts. Thus, my results suggest that firms must weigh the potential costs of disclosing information that may put them in violation of transparency norms along with costs associated with disclosing a less than favourable environmental performance (Flammer, 2015; Klassen & McLaughlin, 1996).

Consequently, this study opens several avenues for future research. First and foremost, it would be important to disentangle and test the micro-mechanisms that explain employees' response to selective disclosure to better understand the role of transparency

perceptions and trust in this process. Second, although, this paper focuses on employee perceptions by using evaluations as a proxy, it would be important to understand if selective disclosure strategies impact employee behaviours such as mobility and turnover. Specifically, if firms are not transparent regarding their impact, do employees just voice their discontent or leave the company? Last, this paper serves as a primer for the discussion on how firms' corporate sustainability practices affect multiple stakeholder groups, in potentially heterogenous ways.

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Figure 1. This figure illustrates the average absolute disclosure ratios for firms in our sample from 2012-2019.

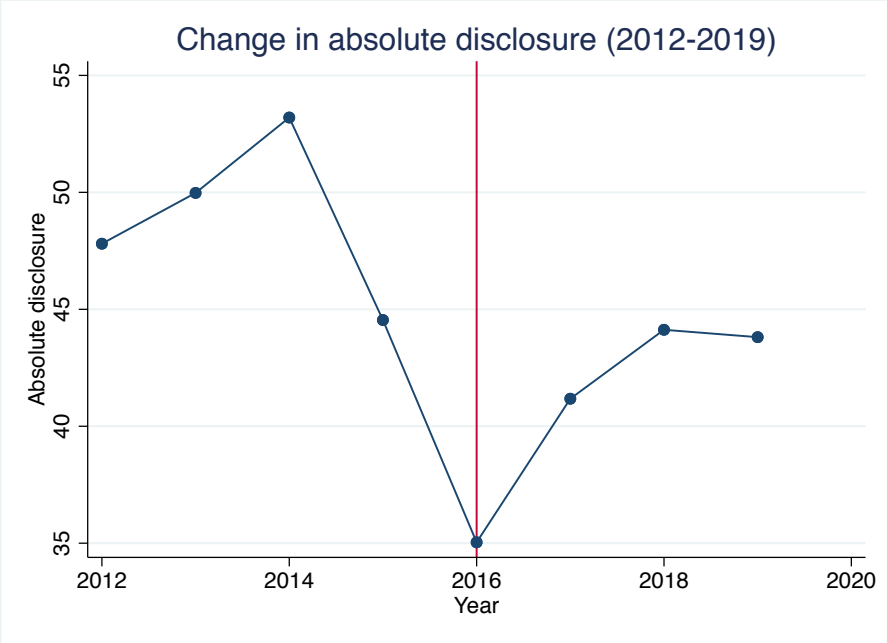

Figure 2. This figure illustrates the average weighted disclosure ratios for firms in our sample from 2012-2019.

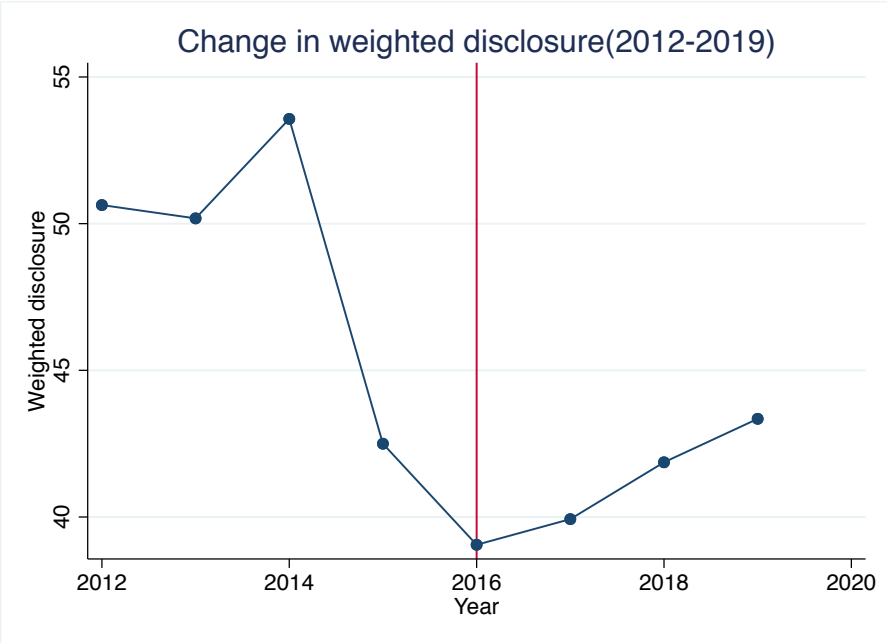

Table 1. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Overall rating	79764	3.428	1.215	1.000	5.000
Female	79764	0.424	0.494	0.000	1.000
Age	79764	33.543	11.779	14.000	114.000
Education	79764	1.051	0.583	0.000	3.000
Selective disclosure	79764	-0.157	34.962	-82.000	87.000
Absolute disclosure	79764	64.840	32.342	1.000	98.000
Weighted disclosure	79764	64.998	33.784	0.000	100.000
Size	79764	10.432	1.232	5.749	13.706
ROA	79764	0.163	0.071	-2.598	0.605
Sales(log)	79764	10.439	1.280	5.060	13.116
Workforce score	79764	72.933	19.053	0.641	99.835
Environ. damage cost	79764	0.004	0.022	0.000	1.254
Neg. media coverage	79764	552.393	1532.309	0.000	20460.000
BTM	79764	0.263	1.238	-75.459	8.265
Leverage	79764	1.480	9.393	-201.355	264.722

Table 2. Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Overall rating	1.000														
(2) Female	-0.037	1.000													
(3) Age	-0.096	-0.022	1.000												
(4) Education	0.040	-0.070	0.106	1.000											
(5) Selective disclosure	-0.017	0.074	-0.110	-0.111	1.000										
(6) Absolute disclosure	-0.017	0.029	-0.107	-0.117	0.498	1.000									
(7) Weighted disclosure	0.002	-0.048	0.012	0.003	-0.558	0.442	1.000								
(8) Size	0.018	-0.053	0.025	0.008	0.043	0.124	0.075	1.000							
(9) ROA	0.066	0.035	-0.090	-0.055	0.239	0.173	-0.082	-0.112	1.000						
(10) Sales(log)	-0.029	-0.006	-0.066	-0.101	0.204	0.298	0.075	0.839	0.079	1.000					
(11) Workforce score	0.034	0.013	0.047	0.048	-0.060	0.064	0.123	0.377	0.011	0.292	1.000				
(12) Env. damage cost	0.013	-0.013	0.042	0.009	-0.170	-0.049	0.129	-0.060	-0.091	-0.114	-0.050	1.000			
(13) Neg. Media coverage	-0.019	-0.018	-0.019	-0.027	-0.051	0.077	0.127	0.416	-0.053	0.389	0.046	-0.032	1.000		
(14) BTM	-0.011	0.009	-0.018	-0.008	-0.003	-0.005	-0.002	0.038	-0.033	0.022	-0.033	0.033	-0.001	1.000	
(15) Leverage	-0.005	-0.004	-0.002	0.003	0.029	0.028	-0.003	0.007	0.080	0.020	-0.023	-0.026	-0.002	-0.008	1.000

Table 3. Selective disclosure and employee ratings

VARIABLES	(1) OLS (overall rating)
Selective disclosure	-0.000309
	(0.000399)
Female	-0.0435***
	(0.00868)
Age	-0.0103***
	(0.000390)
Education	0.0229***
	(0.00752)
Size	-0.101**
	(0.0421)
ROA	0.202
	(0.169)
Sales(log)	0.0511
	(0.0502)
Workforce score	0.00251***
	(0.000509)
Environmental damage cost	-3.345**
	(1.403)
BTM	0.00130
	(0.00370)
Leverage	-0.000541
	(0.000483)
Constant	4.111***
	(0.276)
Observations	79,764
R-squared	0.119
Firm dummies	YES
Year dummies	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4. Election-induced increase in disclosure and selective disclosure by year

VARIABLES	(1) 2014 (selective disclosure)	(2) 2015 (selective disclosure)	(3) 2016 (selective disclosure)	(4) 2017 (selective disclosure)	(5) 2018 (selective disclosure)	(6) 2019 (selective disclosure)
Election-induced increase in sel. disc.	-4.0737***	-3.1458***	2.1372***	1.6515***	0.9908***	-0.5562
	(0.2493)	(0.2383)	(0.2384)	(0.2550)	(0.3166)	(0.4888)
Employee controls	YES	YES	YES	YES	YES	YES
Firm controls	YES	YES	YES	YES	YES	YES
Observations	26.982	26.982	26.982	26.982	26.982	26.982
F-statistic	267.00	174.21	80.27	41.92	9.79	1.30
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 5. Selective disclosure and employee ratings

VARIABLES	(1) IV-first stage (selective disclosure)	(2) IV-second stage (overall rating)	(3) OLS (overall rating)
Selective disclosure		-0.0631***	-0.000842
		(0.0137)	(0.000650)
Election-induced increase in sel. disc.	2.1372***		
	(0.2385)		
Female	0.1116	-0.0454***	-0.0529***
	(0.1404)	(0.0172)	(0.0152)
Age	-0.0086	-0.0112***	-0.0107***
	(0.0058)	(0.000729)	(0.000668)
Education = 1	0.1914	0.0384	0.0290
	(0.2095)	(0.0258)	(0.0235)
Education = 2	0.3170	0.0628**	0.0421
	(0.2583)	(0.0320)	(0.0283)
Education = 3	0.2252	-0.0577	-0.0702
	(0.5196)	(0.0638)	(0.0573)
Size	3.3231***	-0.0318	-0.230***
	(0.7723)	(0.0961)	(0.0854)
ROA	-42.2025***	-3.031***	-0.356
	(3.4690)	(0.715)	(0.377)
Sales(log)	8.7698***	0.613***	0.115
	(0.8861)	(0.166)	(0.0972)
Workforce score	-0.1834***	-0.00859***	0.00270***
	(0.0080)	(0.00292)	(0.000889)
Environmental damage cost	-36.9605*	-7.332***	-1.976
	(21.9033)	(2.720)	(1.853)
BTM	0.0983**	0.00514	-3.28e-05
	(0.0416)	(0.00524)	(0.00435)
Leverage	-0.0439***	-0.00400***	-0.00150*
	(0.0097)	(0.00134)	(0.000912)
Constant	-115.2641***	-1.367	4.920***
	(4.3476)	(1.502)	(0.402)
Observations	26,982	26,982	26,982
F-statistic	80.27		
R-squared		0.871	0.142
Firm dummies	YES	YES	YES
Year dummies	YES	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 6. Disclosure scores and employee ratings

VARIABLES	(1) OLS (overall rating)	(2) OLS (overall rating)
Absolute disclosure	0.000633	
	(0.000485)	
Weighted disclosure		0.000867**
		(0.000431)
Female	-0.0444***	-0.0444***
	(0.00868)	(0.00868)
Age	-0.0101***	-0.0101***
	(0.000392)	(0.000392)
Education = 1	0.0570***	0.0570***
	(0.0130)	(0.0130)
Education = 2	0.0749***	0.0749***
	(0.0165)	(0.0165)
Education = 3	-0.0336	-0.0336
	(0.0360)	(0.0361)
Size	-0.103**	-0.102**
	(0.0421)	(0.0422)
ROA	0.205	0.178
	(0.169)	(0.170)
Sales(log)	0.0492	0.0537
	(0.0501)	(0.0502)
Workforce score	0.00259***	0.00244***
	(0.000504)	(0.000507)
Environmental damage cost	-3.331**	-3.370**
	(1.403)	(1.404)
BTM	0.00153	0.00162
	(0.00370)	(0.00370)
Leverage	-0.000525	-0.000549
	(0.000482)	(0.000483)
Constant	4.077***	4.014***
	(0.274)	(0.278)
Observations	79,764	79,764
R-squared	0.119	0.119
Firm FE	YES	YES
Year FE	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 7. Selective disclosure, negative media coverage and ratings

VARIABLES	(1) OLS All employees (overall rating)	(2) OLS All employees (overall rating)	(3) OLS All employees (overall rating)	(4) OLS Managerial positions (overall rating)	(5) OLS Managerial positions (overall rating)	(6) OLS Managerial positions (overall rating)
Selective disclosure	-0.000304		-0.000203	-0.000886		-0.000258
	(0.000399)		(0.000417)	(0.00135)		(0.00140)
Negative media coverage		6.70e-05***	6.58e-05***		3.80e-05	1.88e-05
		(2.13e-05)	(2.23e-05)		(8.09e-05)	(8.25e-05)
Sel. disc.*Neg. media coverage			-3.41e-08			-2.91e-06
			(4.91e-07)			(1.91e-06)
Female	-0.0444***	-0.0444***	-0.0444***	-0.0280	-0.0279	-0.0277
	(0.00868)	(0.00868)	(0.00868)	(0.0266)	(0.0266)	(0.0266)
Age	-0.0101***	-0.0101***	-0.0101***	-0.0108***	-0.0108***	-0.0107***
	(0.000392)	(0.000392)	(0.000392)	(0.00126)	(0.00126)	(0.00126)
Education = 1	0.0571***	0.0570***	0.0570***	-0.0567	-0.0568	-0.0568
	(0.0130)	(0.0130)	(0.0130)	(0.0411)	(0.0411)	(0.0410)
Education = 2	0.0751***	0.0748***	0.0748***	-0.0474	-0.0479	-0.0480
	(0.0165)	(0.0165)	(0.0165)	(0.0508)	(0.0507)	(0.0507)
Education = 3	-0.0331	-0.0341	-0.0341	-0.167**	-0.167**	-0.168**
	(0.0360)	(0.0360)	(0.0361)	(0.0840)	(0.0839)	(0.0840)
Size	-0.104**	-0.115***	-0.114***	-0.173	-0.175	-0.151
	(0.0421)	(0.0423)	(0.0425)	(0.140)	(0.141)	(0.141)
ROA	0.198	0.153	0.149	-0.206	-0.201	-0.0920
	(0.169)	(0.170)	(0.172)	(0.657)	(0.660)	(0.668)
Sales(log)	0.0540	0.0599	0.0608	0.111	0.106	0.0778
	(0.0502)	(0.0503)	(0.0505)	(0.161)	(0.161)	(0.162)
Workforce score	0.00251***	0.00238***	0.00234***	0.00346**	0.00347**	0.00351**
	(0.000509)	(0.000504)	(0.000510)	(0.00168)	(0.00168)	(0.00169)

Environmental damage cost	-3.329**	-3.308**	-3.316**	-2.155	-1.697	-2.161
	(1.401)	(1.403)	(1.403)	(7.097)	(7.091)	(7.075)
BTM	0.00146	0.00147	0.00148	0.0150*	0.0150*	0.0147*
	(0.00370)	(0.00370)	(0.00370)	(0.00829)	(0.00830)	(0.00830)
Leverage	-0.000535	-0.000575	-0.000579	-0.000277	-0.000296	-0.000180
	(0.000483)	(0.000483)	(0.000483)	(0.00205)	(0.00205)	(0.00205)
Constant	4.072***	4.115***	4.101***	4.257***	4.307***	4.326***
	(0.276)	(0.274)	(0.276)	(0.888)	(0.886)	(0.888)
Observations	79,764	79,764	79,764	8,713	8,713	8,713
R-squared	0.119	0.119	0.119	0.168	0.168	0.168
Firm dummies	YES	YES	YES	YES	YES	YES
Year dummies	YES	YES	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix A. Components of the selective disclosure measure: absolute and weighted disclosure scores

The absolute disclosure ratio is computed as the number of relevant environmental indicators that a company publicly discloses quantifiable information on (through company annual reports, corporate social responsibility reports, regulatory filings, websites, etc.) divided by the total number of indicators that are relevant for the given company given the industry it operates in. To identify the relevant environmental indicators associated with a given industry, Trucost relies on national databases such as the US Toxic Release Inventory and other industry-level inventories of natural resources and/or pollutants from many establishments. Trucost tracks more than 700 items associated with the consumption of natural resources such as water, oil, natural gas, mined materials, and various metals, and emissions of various air, land, and water pollutants, to identify the environmental indicators used to compute their disclosure scores.

For computing the weighted disclosure score, Trucost estimates the damage costs associated with the emissions released and natural resources consumed for each environmental indicator in terms of an industrial sector's economic output or total revenues. Put another way, the weighted disclosure ratio takes a firm's material environmental impact into account. These costs are calculated based on academic research around environmental externalities. As a result, the weighted disclosure ratio takes the absolute disclosure ratio a step further by weighting each environmental indicator with a dollar amount that accounts for the environmental externalities associated it. Thus, the weighted disclosure ratio is computed as the sum of the products of the quantity and the environmental cost factor of each indicator disclosed by a company divided by the sum of the products of the quantity and the environmental cost factor of all indicators relevant for the given company given the industry it operates in.

Appendix B. Robustness checks

Table B.1. Selective disclosure and alternative employee ratings

VARIABLES	(1) IV-second stage (culture and values)	(2) OLS (culture and values)	(3) IV-second stage (senior leadership)	(4) OLS (senior leadership)
Selective disclosure	-0.0608***	-0.000489	-0.0647***	-0.000320
	(0.0147)	(0.000728)	(0.0150)	(0.000756)
Female	-0.0439**	-0.0503***	-0.0366*	-0.0436**
	(0.0186)	(0.0169)	(0.0190)	(0.0169)
Age	-0.0132***	-0.0127***	-0.0151***	-0.0145***
	(0.000786)	(0.000737)	(0.000801)	(0.000738)
Education = 1	0.0729***	0.0628**	0.112***	0.102***
	(0.0278)	(0.0261)	(0.0283)	(0.0262)
Education = 2	0.0974***	0.0751**	0.130***	0.109***
	(0.0345)	(0.0316)	(0.0352)	(0.0316)
Education = 3	0.0377	0.0239	0.104	0.0907
	(0.0688)	(0.0636)	(0.0701)	(0.0629)
Size	0.0264	-0.158	0.0773	-0.110
	(0.104)	(0.0963)	(0.106)	(0.0943)
ROA	-2.417***	0.198	-2.246***	0.589
	(0.772)	(0.422)	(0.787)	(0.418)
Sales(log)	0.561***	0.0640	0.493***	-0.0667
	(0.179)	(0.109)	(0.182)	(0.107)
Workforce score	-0.00903***	0.00206**	-0.00897***	0.00311***
	(0.00315)	(0.000989)	(0.00321)	(0.000993)
BTM	-0.00163	-0.00692	-0.00116	-0.00707
	(0.00565)	(0.00450)	(0.00576)	(0.00483)
Leverage	-0.00388***	-0.00137	-0.00557***	-0.00288***
	(0.00144)	(0.00105)	(0.00147)	(0.00106)
Environmental damage cost	-5.010*	-0.910	-5.675*	-0.537
	(2.934)	(2.003)	(2.991)	(2.217)
Constant	-1.812	4.668***	-2.415	4.965***
	(1.620)	(0.443)	(1.651)	(0.455)
Observations	26,982	26,982	26,982	26,982
R-squared	-0.074	0.143	-0.136	0.115
Firm dummies	YES	YES	YES	YES
Year dummies	YES	YES	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B.2. Selective disclosure and employee ratings while still employed

VARIABLES	(1) IV-second stage (overall rating)	(2) OLS (overall rating)
Selective disclosure	-0.0977***	-0.000790
	(0.0179)	(0.000832)
Female	-0.00457	-0.0362*
	(0.0263)	(0.0194)
Age	-0.00980***	-0.00938***
	(0.00111)	(0.000880)
Education = 1	0.0867**	0.0544*
	(0.0398)	(0.0308)
Education = 2	0.0857*	0.0433
	(0.0483)	(0.0363)
Education = 3	-0.0895	-0.101
	(0.0945)	(0.0734)
Size	0.100	-0.302***
	(0.144)	(0.107)
ROA	-3.643***	0.0799
	(0.932)	(0.480)
Sales(log)	0.812***	0.0969
	(0.220)	(0.121)
Workforce score	-0.0126***	0.00299***
	(0.00362)	(0.00112)
Environmental damage cost	14.69	0.464
	(10.90)	(2.562)
BTM	0.00178	-0.00628
	(0.00897)	(0.00814)
Leverage	-0.00644***	-0.00171
	(0.00224)	(0.00138)
Constant	-5.932***	5.801***
	(2.247)	(0.451)
Observations	15,428	15,428
R-squared	-0.573	0.167
Firm dummies	YES	YES
Year dummies	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B.3. Selective disclosure and employee ratings with with stringent state set

VARIABLES	(1) IV-first stage (selective disclosure)	(2) IV-second stage (overall rating)	(3) OLS (overall rating)
Selective disclosure		-0.0338**	-0.000687
		(0.0154)	(0.00163)
Election-induced increase in sel. disc.	4.0797***		
	(0 .5516)		
Female	0.1059	-0.0320	-0.0387
	(0.3112)	(0.0355)	(0.0358)
Age	-0.0051	-0.0127***	-0.0126***
	(0.0135)	(0.00155)	(0.00162)
Education = 1	1.2335***	0.113**	0.0712
	(0 .4404)	(0.0532)	(0.0528)
Education = 2	1.3066**	0.195***	0.151**
	(0.5855)	(0.0701)	(0.0671)
Education = 3	1.5671	-0.0123	-0.0815
	(1.1630)	(0.135)	(0.137)
Size	-4.2940**	-0.491**	-0.358*
	(1.7219)	(0.220)	(0.185)
ROA	-104.6588***	-3.699*	-0.347
	(8.6402)	(1.921)	(0.999)
Sales(log)	11.4796***	0.491	0.233
	(2.2884)	(0.311)	(0.253)
Workforce score	-0.1222***	-0.00113	0.00227
	(0.0175)	(0.00329)	(0.00207)
Environmental damage cost	-110.9561***	-9.092***	-2.328
	(23.1657)	(3.043)	(1.969)
BTM	7.5650***	0.273	-0.0474
	(1.2637)	(0.198)	(0.154)
Leverage	-0.0206	-0.00380	-0.00326
	(0.0264)	(0.00303)	(0.00298)
Constant	-55.0772***	4.387**	4.890***
	(16.0058)	(1.754)	(1.834)
Observations	5,088	5,088	5,088
F-statistic	54.67		
R-squared		0.096	0.162
Firm dummies	YES	YES	YES
Year dummies	YES	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

CHAPTER 2

MAKING IT TO THE TOP AND STAYING THERE: PRIORITIZING ESG ON THE AGENDA OF CORPORATE BOARDS

ABSTRACT

With environmental, social and governance (ESG) issues taking centerstage in the broader societal narrative, companies are seeking to improve their long-term profitability through integration of financially material ESG risks within their core strategies. This implies integration of two different organizational goals – financial and ESG-related. We know that companies employ varied strategies to manage multiple goals, however, the conditions under which goal integration may be achieved are not clearly articulated and empirically tested in prior literature. In this work, I utilize the setting of corporate boards and their specialized sub-committee structure to explore and understand the conditions under which ESG issues are prioritized on boards. I use overlapping director memberships in financial and ESG board committees as a way to understand if such board-level coalitions reflect the desire to integrate financial and ESG agenda of boards.

1. INTRODUCTION

With environmental, social and governance (ESG) issues taking centerstage in the broader societal discosurse, companies face increasing pressures to rethink their impact on these dimensions. As a result, we see more companies undertaking non-financial disclosures and actively engaging in the conversation of bringing their ESG issues to the fore (Jackson et al., 2020). However, just talking about ESG issues is no longer considered adequate, evidenced by the push from stakeholder groups such as investors, asset managers, etc. asking companies to actively integrate these issues within their core strategy which classically revolve around the generation of financial resources and wealth (Capucci, 2018). The reasoning behind this push is that by focusing on ESG, companies are more likely to generate higher returns, manage their risks in a better fashion, build long-lasting relationships with crucial non-financial stakeholders, among other things (Margolis & Walsh, 2003; Flammer, 2015).

However, integration of ESG goals with a company's primary strategy focused on their financial goals is notoriously hard to accomplish for several reasons. Practically speaking, such integration involves exploiting the synergies between a firm's financial and non-financial goals. First, these complementarities may not be obvious; a fact exacerbated by the traditional focus on profit-maximization as the primary goal of a corporation. Second, complementarities among these goals might be low making it difficult to structurally integrate these goals. In these two cases, companies may be able to upgrade non-financial goals to the top of the organizational goal hierarchy but may not be able to sustain this advance as that requires integration at the very top. Third, due to constraints posed by a firm's external environment, fulfilling primary organizational goals will take precedence over other goals which will naturally be relegated to the lower ranks of an organization's goal hierarchy. In this case, companies may not be in the position to even promote their secondary non-financial goals to the top of the goal hierarchy much less integrate them.

One way to address the simultaneous need for upgrading and integrating non-financial ESG goals with financial primary goals could be to create coalitions at the top of the organization. Specifically, coalitions of the kind that link both these sets of goals in a manner that enables the observation and exploitation of synergies which exist between these goals. The theory of dominant coalitions as a response to conflict inherent in the pursuit of multiple organizational goals is not new and was first introduced by Cyert and March (1963) in the Behavioural Theory of the Firm. According to them, certain goals can be upgraded through coalition-building that relies on processes of bargaining and power accumulation. However, these coalitions remain unstable as they depend on continued negotiations and side payments of resources to sustain support from groups supporting these goals (Audia & Greve, 2021).

Prior research on coalitions revolves around understanding how power dynamics shape the outcomes of multiple goals and enables the upgradation of goals (Zhang & Greve, 2019). I suggest that to enable integration along with upgrade of secondary goals requires companies to build coalitions based not just on power but ability to exploit synergies amongst the two sets of goals. In this paper, I explore how boards prioritize both financial and material ESG outcomes in response to the growing clamor for integrating ESG issues within core firm strategy. As companies come under pressure from external stakeholder groups to deliver on ESG issues, boards may respond by creating links between their primary finance and ESG-related committees through multiple director memberships in these committees. I theorize that these links between committees reflect the desire to integrate financial and material ESG goals of the boards.

2. CORPORATE BOARDS AS THE EMPRICAL SETTING

The ESG movement has taken over the business world with more companies under pressure to respond to investor and stakeholder concerns regarding sustainable value creation. This change has been well-documented in the practitioner space. According to PwC's 2021 Global

Investor Survey, investors and asset managers (325 in total) believe that ESG should be an integral part of companies' corporate strategy (Chalmers, Cox & Picard, 2021). This comes at the heels of academic evidence that suggests an overwhelmingly positive correlation between ESG and financial performance (Friede, Busch & Bassen, 2015). The argument that integrating ESG within company strategy has the potential to create additional value while conferring reputational benefits in the face of increased public scrutiny is gaining traction.

One way to infuse ESG into the primary corporate narrative is through the board of directors. Corporate boards are entrusted with the responsibility for setting the direction of strategic change in organizations. We know that corporate boards are heavily involved in the broader agenda-setting processes in firms which is reflected in the way they are often structured. Although boards have an overarching agenda, the different elements of the agenda are distributed to different board sub-committees (Lorsch & McIver, 1989). This board structure maps on well to the notion of spatial differentiation of organizational goals. Members populating these committees are entrusted with the responsibility to make specialized decisions that aid in effective board functioning.

Board committees often work independently to attain their own goals without considering the work and objectives of other committees (Hoitash & Hoitash, 2009). Some board committees are more crucial than others, primarily the ones regarding the financial health of the corporation. As a result, board members associated with these committees have more influence and say in board decisions. Furthermore, we also know that the board of members are elected by the shareholders of the firm and owe a fiduciary responsibility to them to, first and foremost, manage the financial interests of the owners. The board, thus, has unequivocal say in hiring and firing CEOs, evaluating CEO performance, ratifying compensation benefits of a firm's senior executives and monitoring the financial audit quality among other important functions (Vance, 1983). The creation of these committees which

typically include audit and compensation committees are also mandated by law giving highlighting their importance for the organization. Other board committees may represent other secondary goals of the organization such as ESG, corporate governance, risk management, etc.

Another feature of corporate boards is that directors on the board can have membership on multiple committees at the same time. Membership in certain committees such as the legally mandated financial committees can confer power and status to directors who sit in these committees. These overlaps in memberships can be coded as coalitions that allow for the flow of resources such as power and knowledge between different board committees and enable prioritization of ESG issues onto the main agenda of companies.

3. THEORETICAL BACKGROUND

3.1. Formation and achievement of multiple organizational goals

The presence of multiple goals is a critical organizational feature. Goals are extremely vital to our conceptualization of organizations which can be described as "social structures created by individuals to support the collaborative pursuit of specified goals" (Scott & Davis, 2015, p.11). The formation of organizational goals is not a static process but is in constant flux due to shifting coalitions that determine the sub-set of goals that organizations choose to pursue at a given period of time (Cyert & March,1963; Man Zhang & Greve, 2019). The degree to which the goals and interests of the individuals residing within an organization converge or diverge leads to bargaining and negotiation serving the bedrock of coalition-building. Once decided, not all organizational goals are amenable to smooth implementation as they may not be in perfect alignment with one another.

The relationships among multiple goals determine the extent to which different behavioural and structural strategies are activated for their attainment. Goals can either be

complementary in nature, and hence, be achieved by structurally separating the tasks associated with the goals based on their degree of interdependence (Ethiraj & Levinthal, 2009). For example, Fu et al. (2019) show that having a separate sustainability committee at the board level directs executives' attention to the firm's social performance. Goals can also be conflicting in nature and their simultaneous pursuit not easily possible. Gaba and Greve (2019) show that although safety and profitability are complementary goals, their joint pursuit poses conflict in the short term for the airline industry. For companies in this industry, they show that in order to attain both goals, the behavioural mechanisms of sequential attention and performance feedback are activated. If organizational goals are minimally interdependent, they are usually pushed to the periphery and decoupled from core goals as is seen in cases of greenwashing firms (Bromley & Powell, 2012; Meyer & Rowan, 1977). Therefore, it is essential to understand the relationship among multiple goals and the nuances of goal interdependencies to explore strategies for their achievement.

Multiple goals implemented through structural separation, however, pose the conundrum of re-integration of effort (Lawrence & Lorsch, 1967). Effective integration requires that agents allotted with goals and tasks possess the motivation to cooperate and adequate information to coordinate efforts (Puranam, 2018). Different integrative devices exist to enable integration of interdependent tasks ranging from communication, authority, formalization, and collective incentives, among others (Castañer & Ketokivi, 2018). Sharing people within different parts of an organization is one of the more common methods of integrating goals and tasks by creating new channels of distributing knowledge and other resources. In this work, we look at corporate board sub-committees and overlapping director memberships to explore interdependencies among the committees (which indicate board-level goals) through director memberships and study the integrative devices at play here that lead to integration of ESG and financial goals. Specifically, I wish to explore conditions

under which integration of these two goals is possible based on the agent-level interdependencies that exist at the director level.

3.2. Board objectives, structure, and influence on firm-level outcomes

The study of corporate boards, their roles, responsibilities, and relative importance in guiding and formulating firm strategy has been extensively studied employing several different theoretical perspectives ranging from agency, resource dependence, social networks and institutional theories (Lynall, Golden & Hillman, 2003). According to agency theory, corporate boards serve as a means to separate ownership from management. Specifically, the board act on behalf of the shareholders and represent the principals-owners to better monitor the activities of managers-agents that may include self-interest behaviour such as maximization of their own wealth at the expense of the owners (Jensen & Meckling, 1976; Fama & Jensen, 1983). In the resource dependence view, the composition and formation of boards in firms is predicated on the need to manage external dependency (Pfeffer & Salancik, 1978) by reducing environmental uncertainty (Pfeffer, 1972) and transaction costs associated with dealing with the external environment (Williamson, 1993). The resource dependence perspective views boards primarily as providers of resources such as legitimacy, advice and counsel, communication and re- source acquisition channels between the firm and the external environment (Hillman, Canella & Paetzold, 2000; Lynall et al. 2003). This idea of boards as means of resource provision has also spilled into social networks theory according to which board composition reflects the social networks of the principal stakeholders such as the CEO, financiers, etc. (Gulati & Gargiulo, 1999). Lastly, the institutional perspective on boards views them as sources of legitimacy and thereby gain homogeneity over time being one of the more visible firm attributes (Westphal & Zajac, 1995) which may result in inefficient firm functioning (Zajac & Westphal, 2004).

Despite the vast amount of scholarly research around corporate boards, their direct impact on firm strategy is still heavily debated (Nicholson & Kiel, 2007; Hendry & Kiel, 2004). Additionally, the findings of impact of boards on firm performance are inconclusive (Lynall et al., 2003). The question if boards are indeed active or passive players in firms is important and one that is discussed widely in prior literature. Although some scholars view boards as "rubber stamps" (Herman, 1981), "tools" of top management (Pfeffer, 1972), and "pawns" of powerful managers (Davis 1991), others believe that boards are independent thinkers and serve a substantive function in that capacity (Finkelstein & Hambrick, 1996). According to the agency-theoretic perspective, the extent of board participation in firm actions is determined by the varying incentives they are offered to adequately monitor behaviour of managers in favour of owners-shareholders (Fama & Jensen, 1983). One important incentive is the degree of board independence which allows boards the freedom to make important decisions without any undue influence (Lynall et al., 2003). The degree of independence may also give boards power and powerful boards are most likely to drive strategic change in firms providing credence to the idea that boards are indeed actively involved in shaping firm strategy (Golden & Zajac, 2001). However, despite many such incentives, boards may become passively entrenched and cause inertia in a firm based on the evidence provided by Lynall et al. (2003) who state that board composition remains fairly persistent overtime despite the changing needs of the firms as they move through their life cycle.

Clearly, how boards function is not always clear and transparent and understanding the factors affecting the board decision making process is a difficult yet essential task. While prior research examines the board as a whole in addition to the ESG committee in isolation (Fu et al., 2020), relatively little is known about the interplay between different committees especially the mandatory committees and non-mandatory committees. Would the decision

taken by one board committee impact the decisions of others? In one study, Hoitash and Hoitash (2009) find empirical evidence for the above question. Specifically, these authors find that having board directors with simultaneous membership in audit and compensation board committees is associated with lower proportion of CEO incentive compensation. They suggest that separating membership of such committee members may reduce conflict among the responsibilities of the members of these two committees contributing to the increased effectiveness of board decisions. In this work, I attempt to pursue this same line of reasoning to explore the consequences of external stakeholder sentiment driving board committees to work independently and/or together and how these modes affect the degree to which ESG issues are prioritized on boards.

I posit that if the ESG board committee has a higher proportion of directors with overlapping memberships in the legally mandated finance-based committees, this will be associated with a higher representation of ESG issues in areas that are more financially material to the firm. It is more likely that members of the finance-based committees are aware of the financial matters that are of strategic importance to the firm which affords them access to superior information and subsequently more influence within the board (Golden & Zajac, 2001). Consequently, board directors in the ESG committee that also serve on the finance-related committees will have greater influence and say in making the decisions in other board committees like the ESG committee. As a result, the ESG committee populated by a majority of members that have an overlapping membership with the finance-related committees will be more likely to pass resolutions and proposals that impact ESG performance of the firm in areas considered to be more financially material as investing in material issues accounts for higher firm financial performance (Khan, Serafeim & Yoon, 2016).

This decision-making in favour of financially-material issues in the ESG-related committees is likely an outcome of negotiation among the different members of the committee because of two reasons. Firstly, members of the ESG committee without ties to the financial committee will have access to the information and knowledge possessed by rubbing shoulders with board members that have ties to the financial committees regarding the financial condition of the firm. Secondly, because the financial committees are more influential and have responsibilities that are more central to a firm's shareholders, the negotiated outcomes will be supported by a financial imperative rather than a non-financial one. This idea of bargaining and negotiation is the primary mode for coalition formation in firms (Zhang & Greve, 2019; Cyert & March, 1963; March, 1962).

4. DATA AND METHODS

To conduct my empirical inquiry, I gathered data on the corporate boards of publicly traded companies in the US from the years 2010 to 2019. This sampling frame was determined by the coverage of FactSet Truvalue (Truvalue), a company specializing in ESG data analytics by applying artificial intelligence to quantify ESG data found in unstructured text sources, such as, news, journals, reports, etc. I obtained data from Truvalue regarding the level of external stakeholders' ESG sentiment of companies which I matched with data from multiple other sources, most importantly BoardEx, which is a global data company specializing in relationship mapping of over 1.5 million executives across 2 million organizations. The data is constructed at the director-firm-year level. 638 companies are covered in the final sample.

4.1. Independent variable

The independent variable in this study is a firm's *ESG materiality sentiment*. This measure of ESG materiality captures the risks and performance of ESG issues that are most directly impact the financial bottom line of a company. The data analytics company, FactSet Truvalue

Labs (TVL), possesses a proprietary database that leverages artificial intelligence to analyse and interpret massive amounts of unstructured data from all non-company entities disclosing information regarding a company's ESG performance. Using this technology, TVL has constructed numerical scores to account for a company's short-term (*pulse*), long-term (*insight*) and momentum (*momentum*) ESG track record reflecting their enduring performance record over time. More importantly, TVL ESG performance reporting is integrated with the SASB (Sustainability Accounting Standards Board) framework which documents and compiles industry-specific standards on ESG reporting for financially material and non-material aspects. This measure is represented as a numerical score from 0 to 100 to account for a company's short-term and long-term ESG track record on issues material to the company reflecting their enduring performance record over time. I believe this measure represents the degree of integration of a firm's financial and ESG performance targets.

4.2. Dependent variable

The primary dependent variable of interest in this study is the *FIN-ESG committee overlap*. This measure is coded in a binary fashion – 1 if a director-level overlap between financial (FIN – audit or compensation) and ESG committees exists in a given company board-year level, 0 if such an overlap is absent. To create this measure, I rely on board data from institutionally available databases such as BoardEx. BoardEx provides data on the director composition of board sub-committees. It also houses over 1.2 million profiles of corporate executives (directors, senior management, disclosed earners) and companies (both listed as well as private) from 1999 to present. In addition to committee information, BoardEx also provides data on individual directors concerning their detailed prior employment, institutional affiliations and professional expertise.

To code if a committee is FIN or ESG, I look up the titles of the board committees. I categorize FIN committees as those that are titled audit and compensation and ESG

committees if the titles contain keywords such as environment, social responsibility and sustainability. In curating the final sample, we only include firms which have both FIN and ESG committees as a way to determine if ESG issues are an important goal worth board attention. By doing so, we restrict our analysis to firms that have both these goals and enquire if structural links among these goals has an impact on the degree of integration of these goals.

4.3. Control variables

4.3.1. *Director level*

Among the director-level characteristics, I account for director demographics such as age,, gender, nationality, education, time on board, time in board committees, type of director – independent or executive, etc.

4.3.2. *Board level*

To control for board-level characteristics, we take information on *board duality* (1 if CEO of the company is also the chairman of the board) and average tenure of directors on a board (*tenure*) from BoardEx. These are important variables and have an influence on firm performance.

4.3.3. *Firm level*

I control for a number of firm-level characteristics that may affect our dependent variable. We control for a firm's financial performance by measuring *profitability* which is calculated as annual return on assets (ROA) which is the ratio of operating income before depreciation to the book value of total assets. I also control for firm size through *size* by taking the natural logarithm of the book value of total assets. I also control for other factors affecting performance by measuring *leverage* and *market-to-book ratio* which we measure as debt-to-asset ratio and stock price-to-book value per share ratio, respectively. To mitigate the impact

of outliers, all untransformed variables are winsorized at the 1st and 99th percentiles of their empirical distribution. These variables were obtained from Compustat.

5. PRELIMINARY RESULTS

Table 1 and 2 describe the summary statistics of the variables and some crosstabulations respectively.

---- Insert Table 1 about here ----

---- Insert Table 2 about here ----

Over 94 percent of the boards comprise of independent directors with directors holding executive positions limited to 6 percent. Around 4.5 members on boards are CEOs with 1.7 percent of those holding the position of chairperson of the board. 23 percent of the directors are financial experts. Regarding the board committee structure, 56 percent of the directors are members of audit committees, almost 50 percent are compensation committee members, little over 43 percent are nomination committee members, 3.7 percent are ESG committee members and nearly 40 percent of the directors sit on other board committees. 0.6 percent of the directors sit on both the ESG and audit committees. Regarding director demographics, over 85 percent of the directors are male, and on average directors have 2 educational degrees.

I find that companies facing higher long-term externally driven material ESG sentiment are associated with a higher proportion of ESG board committees and FIN-ESG board director overlaps. On the other hand, external sentiment around non-material ESG issues is associated with a lesser proportion of FIN-ESG overlaps and structural separation of ESG board committees.

6. CONCLUDING REMARKS

In this work, I explore different behavioural and structural strategies executed at the board level that impact the level of integration of ESG goals with the primary financial goals of business organizations. In particular, I seek to understand if the interdependencies among multiple organizational goals, especially financial and ESG goals, can be managed at the level of the board to ensure subsequent integration of effort reflected in joint goal attainment. Out first set of rudimentary analysis shows that structural links between FIN and ESG committees in boards and the prioritization of ESG issues is positively associated with higher external stakeholder ESG sentiment.

This project is a work in progress. Moving forward, I would like to focus on articulating precise predictions that convey the contingencies under which we are more likely to see board committee-level structural links enabling integration of a firm's ESG goals with its core strategy. In order to do so, I will need to outline detailed theoretical arguments that can then be tested to provide evidence supporting our arguments. Additionally, I require to construct a research design that accounts for the potential endogeneity issues associated with the research question at hand. Since a director's membership on board committees is not random, the relationships between members' characteristics and firm outcomes are likely to be endogenous. As a result, I need to think of ways to exogenously vary committee memberships for causal interpretation.

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Table 1. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
board_id	1018723	797910.68	899599.07	6	3159332
dir_id	1018723	682663.85	555539.75	1	2374697
year	1031654	2014.487	2.886	2008	2019
Independent director	401928	.941	.235	0	1
Executive director	401928	.061	.24	0	1
CEO	401928	.045	.208	0	1
Board chair	401928	.097	.296	0	1
CEO duality	401928	.017	.131	0	1
Board committee chair	401928	.459	.498	0	1
Financial expert	401928	.23	.421	0	1
ESG committee	401928	.037	.188	0	1
Audit committee member	401928	.566	.496	0	1
Compensation committee member	401928	.498	.5	0	1
Nomination committee member	401928	.437	.496	0	1
Other committee member	401928	.391	.488	0	1
Integrated committee member	401928	.002	.039	0	1
Audit-ESG committee member	401928	0	.009	0	1
Compensation-ESG committee membe	401928	0	.02	0	1
Nomination-ESG committee member	401928	.001	.032	0	1
Other-ESG committee member	401928	0	0	0	0
Audit-ESG overlap	919030	.006	.078	0	1
Compensation-ESG overlap	919030	.006	.077	0	1
Nomination-ESG overlap	919030	.005	.071	0	1
Other-ESG overlap	919030	.005	.074	0	1
Director age	856040	66.38	10.262	25	103
Director network size	873840	1431.95	1751.279	1	23344
Male	897740	.852	.355	0	1
Female	897740	.148	.355	0	1
American	897740	.352	.478	0	1
Non-American	897740	.648	.478	0	1
Director Death year	26890	2015.441	2.851	2009	2020
Number of educational qualifications	828950	2.327	1.115	1	21
Years till board retirement	456161	7.696	9.325	-33.3	48
Time on board	453289	7.437	7.38	0	72.9
Time in company	474263	8.267	8.21	0	72.9
Total listed board seats	423910	3.504	5.177	1	62
Total unlisted board seats	399112	4.967	5.423	1	151
Total other listed board seats	66501	1.255	.683	1	24

Current listed board seats	414503	2.079	3.748	1	50
Current unlisted board seats	284780	2.329	2.324	1	69
Current other listed board seats	29563	1.122	.463	1	9
Number of qualifications	474263	2.09	1.216	0	21
Board gender ratio	474184	.866	.119	.2	1
Board nationality mix	426681	.112	.193	0	.9
Number of board directors	474208	9.259	3.998	1	85
Firm size	684392	2.84	4.963	-6.908	14.848
roa	516754	-2.02	5.26	-496	5.277
Firm ROA	516754	-2.02	5.26	-496	5.277
leverage	613941	.247	.511	0	193.071
Firm Leverage	613941	.247	.511	0	193.071
mtb	639344	1.101	89.851	-9100	14913.333
Firm market-to-book ratio	639344	1.101	89.851	-9100	14913.333
ESG materiality sentiment	183505	53.959	16.198	.244	99.886
ESG nonmateriality sentiment	183505	-.455	11.69	-82.201	79.836

Table 2. Crosstabulations

2.1. Material performance (insight)	ESG committee		
	0	1	Total
0	9365	366	9731
	96.24	3.76	100.00
1	9311	518	9829
	94.73	5.27	100.00
Total	18676	884	19560
	95.48	4.52	100.00

Pearson chi2: 25.8015; p=0.000

2.2. Material performance (insight)	Audit-ESG overlap		
	0	1	Total
0	9546	306	9852
	96.89	3.11	100.00
1	9473	437	9910
	95.59	4.41	100.00
Total	19019	743	19762
	96.24	3.76	100.00

Pearson chi2: 23.2071; p=0.000

2.3. Material performance (insight)	Compensation-ESG overlap		
	0	1	Total
0	9542	310	9852
	96.85	3.15	100.00
1	9512	398	9910
	95.98	4.02	100.00

Total	19054	708	19762
	96.42	3.58	100.00

Pearson chi2: 10.8150; p=0.001

2.4. Material performance (insight)	Nomination-ESG overlap		
	0	1	Total
0	9598	254	9852
	97.42	2.58	100.00
1	9557	353	9910
	96.44	3.56	100.00
Total	19155	607	19762
	96.93	3.07	100.00

Pearson chi2: 16.0643; p=0.000

2.5. Material performance (insight)	Other-ESG overlap		
	0	1	Total
0	9635	217	9852
	97.80	2.20	100.00
1	9577	333	9910
	96.64	3.36	100.00
Total	19212	550	19762
	97.22	2.78	100.00

Pearson chi2: 24.4705; p=0.000

2.6. Non-material performance (insight)	ESG committee		
	0	1	Total
0	8185	480	8665
	94.46	5.54	100.00
1	10491	404	10895
	96.29	3.71	100.00
Total	18676	884	19560
	95.48	4.52	100.00

Pearson chi2: 37.5143; p=0.000

2.7. Non-material performance (insight)	Audit-ESG overlap		
	0	1	Total
0	8339	405	8744
	95.37	4.63	100.00
1	10680	338	11018
	96.93	3.07	100.00
Total	19019	743	19762
	96.24	3.76	100.00

Pearson chi2: 32.9582; p=0.000

2.8. Non-material performance (insight)	Compensation-ESG overlap		
	0	1	Total

0	8362	382	8744
	95.63	4.37	100.00
1	10692	326	11018
	97.04	2.96	100.00
Total	19054	708	19762
	96.42	3.58	100.00

Pearson chi2: 28.0550; p=0.000

2.9. Non-material performance (insight)	Nomination-ESG overlap		
	0	1	Total
0	8413	331	8744
	96.21	3.79	100.00
1	10742	276	11018
	97.50	2.50	100.00
Total	19155	607	19762
	96.93	3.07	100.00

Pearson chi2: 26.8476; p=0.000

2.10. Non-material performance (insight)	Other-ESG overlap		
	0	1	Total
0	8443	301	8744
	96.56	3.44	100.00
1	10769	249	11018
	97.74	2.26	100.00
Total	19212	550	19762
	97.22	2.78	100.00

Pearson chi2: 25.1915; p=0.000

CHAPTER 3

SAVING THE WORLD OR PRETENDING TO CARE? DISTINGUISHING BETWEEN SYMBOLIC AND SUBSTANTIVE ACTIONS AT THE CORPORATE BOARD LEVEL

We live in a world where there is exacting pressure on organizations to attend to multiple demands, be it value maximization, social responsibility, environmental stewardship, among others, simultaneously. At the same time, insistence on complete disclosure has deepened as scrutiny on organizational action has increased. In such an atmosphere, firms often rely on partial disclosure to ward off unwanted and potentially harmful attention (Marquis et al., 2016). Additionally, they resort to decoupling or the creation of vague mission statements to manage conflict and manage trade-offs among different organizational factions, tasks and goals (Bromley & Powell, 2012; Carton et al., 2014). Whatever the means, organizations struggle to pursue multiple goals simultaneously and are continually challenged in this regard.

In response to such pressures, organizations often prioritize goals for their successful implementation due to limited managerial ability to focus on multiple issues differing in urgency and means available for their accomplishment (Simon, 1947; Ocasio, 1997; Mitchell, Agle & Wood, 1997). Not all goals require immediate attention, and their implementation is not often crucial to the firm's primary strategy. In such instances, organizations may choose to follow through with goals that are closer to the organizational core as opposed to goals that are peripheral to the organization (Meyer & Rowan, 1977).

On their own, achieving organizational goals that are relegated to the periphery may have important consequences beyond what the organization needs. For instance, goals associated with ESG (environmental, social and governance) issues may be considered secondary if they do not directly impact a firm's core strategy, however, the achievement of

these goals is non-trivial as they have significant positive externalities from the perspective of a firm's broader stakeholder base including the society at large and the natural environment. For example, labour practices may not be of any financially material relevance to a company operating in the electric utilities and power generation industry but are nevertheless crucial societal goals that require our collective attention. Similarly, making progress on diminishing impact by better management of waste and hazardous materials may not directly impact the financial bottom line of an advertising and marketing company, nevertheless, it is an ESG issue worthy of corporate attention.

Peripheral goals are not crucial for the implementation of the firm's primary strategy but there are benefits to achieving them. Pursuit of peripheral goals allows companies to gain and maintain legitimacy in response to external isomorphic pressures (Meyer & Rowan, 1977; Zajac & Westphal, 2004). These goals are often championed by external stakeholder groups and successful achievement of these goals can help pacify external audiences and give companies social license to operate (Kim & Lyon, 2015; Marquis et al., 2016). Additionally, achieving these goals may have a positive impact on a firm's workforce as this provides employees with evidence that their companies care about their non-financial impact. This is turn is known to increase meaningfulness at work and provide employees with other non-pecuniary benefits boosting their commitment, motivation and even increase their retention in companies (Bode et al. 2015, Burbano 2016, Carnahan et al. 2015).

However, there may also be costs associated with pursuing these secondary goals. For instance, working on implementing these goals may take firm resources away from pursuit of primary organizational goals. A classic way by which firms deal with these potential costs is through decoupling where these peripheral goals are best kept structurally and functionally separate to avoid the challenges that come with goal integration while deriving the benefits associated with making progress on these goals (Meyer & Rowan, 1977). For companies that

characterize financially immaterial goals as peripheral to their core goals, decoupling of structure from activities pertaining to the accomplishment of these goals is likely. Due to this decoupling and the avoidance of integration "disputes and conflicts are minimized, and an organization can mobilize support from a broader range of external constituents" (Meyer & Rowan, 1977, p. 357). Another alternative that companies may employ that allows them to both avoid the costs and reap the benefits that come with decoupling is to pay ceremonial or symbolic attention to these goals without making any substantial progress in achieving them. As a result, instead of making actual progress on these goals which are consequential for firm's external constituents, companies may only invoke symbolic participation in the pursuit of these goals demoting them to their secondary and peripheral status. Distinguishing between the symbolic and substantive pursuit of secondary goals is particularly important as it relates to action around ESG goals whose integration with firms' core strategy is being demanded for as part of the discourse around corporate sustainability and companies' non-financial impact.

In this work, I would like to investigate if firm intentions in pursuing substantive or symbolic peripheral goals is reflected in their strategies and structures. Specifically, I would like to explore if firms appoint and structure their board of directors in a manner that allows them to both decouple their peripheral goals while making progress on them. I posit that firms' appointment of powerful independent directors to their board ESG committees would be positively associated with higher non-material ESG performance. Having such appointments may signal competence to external audiences and help firms to garner legitimacy. Additionally, being appointed to ESG committees will enable specialization in non-material ESG goals and remove some of the burden associated with goal integration.

I will use data from various sources in response to our empirical enquiry. I will use data on board appointments and board directors' backgrounds from BoardEx. Additionally,

data on non-material firm ESG performance data will be sourced from FactSet Truvalue database that uses SASB's (sustainability accounting standards board) industry-based ESG materiality categories. The empirical challenge with our inquiry is that appointment of independent directors is not random. Moving forward, I need to design a quasi-experimental set-up to get at the causal link between board structure and ESG performance.

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