Creating Common Ground:

A Communicative Action Model of Dialogue in Shareholder Engagement

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April 30, 2018

Abstract

Despite growing empirical evidence on the effectiveness of dialogue between activists and corporations in stakeholder engagement, scholars have not fully accounted for the mechanisms that explain its success. We address this gap by leveraging Habermas's theory of communicative action. In our longitudinal qualitative study, we explore the dialogue on climate change between ICCR, a coalition of faith-based investors, Ford and General Motors. We find that communicative action can emerge from strategic action as a result of three cycles of interaction: establishing dialogue, framing, and deliberation. Our study contributes to the literature on shareholder engagement by integrating communicative and strategic action, thereby offering a new interpretation of how reputational threat and dialogue come together to produce a common ground between activists and companies

Forthcoming in Organization Science. We thank Senior Editor Peer Fiss for his guidance in shaping this paper, and three anonymous reviewers for their constructive feedback. We thank Sarah Ashwin, David Barberá, Irene Beccarini, Guillermo Casasnovas, Itziar Castelló, Dror Etzion, Brayden King, Guido Palazzo, Huggy Rao, Andreas Scherer, Sarah Soule, research seminar participants at ESSEC, HEC, and Cass Business School, and at the 2012 AOM meeting in Boston for their helpful comments. We also acknowledge the excellent research assistantship of Angela Herrera, Lydia Lafoz, and Celina Rodriguez. An earlier version of this paper won the 2014 Sustainalytics Academic Research Prize. We gratefully acknowledge funding from the European Research Council under the European Union's Seventh Framework Programme - ERC-2010-StG 263604- SRITECH.

Existing research has established the numerous advantages that result from dialogue and collaboration between corporations and stakeholders (Bartley 2007, de Bakker, den Hond, King and Weber 2013, Goodman, Louche, van Cranenburgh and Arenas 2014, Proffitt and Spicer 2006, Scherer and Palazzo 2007, Van Buren 2007). Dialogue enables parties to address mutually meaningful issues, develop flexibility in working together, and understand each other's constraints (Logsdon and Van Buren 2009). Nevertheless, the studies conducted so far have not provided a clear account of the mechanisms by which such dialogue successfully unfolds (Briscoe and Gupta 2016, McDonnell et al. 2015, Vasi and King 2012). Given this, further research is needed to identify and theorize the processes that make stakeholder dialogue effective. In this paper, we address this theoretical gap and ask: How can corporations and stakeholders overcome their confrontational stance and achieve a more collaborative engagement?

We address this question by examining how collaboration and mutual understanding can emerge from engagements between corporations and shareholders, despite initially opposing interests and worldviews. In the literature on political corporate social responsibility, and for the broader case of stakeholders (Rasche and Scherer 2014, Scherer et al. 2016, Scherer and Palazzo 2007, 2011), scholars have built on Jürgen Habermas's theory of deliberative democracy to theorize how corporations can (and should) engage stakeholders in dialogue to address complex social challenges in a globalized world. Despite the promise that deliberative dialogue would produce better solutions to these problems, and some evidence of successful multi-stakeholder initiatives (Bartley 2007, Mena and Palazzo 2012), it remains unclear *how* corporations and stakeholders can engage in effective dialogue. In this paper, we complement the dominant normative orientation of this literature (Frynas and Stephens 2015, Scherer 2017) and leverage Habermas's (1984) theory of communicative action and Goffman's (1974) framing theory to empirically explore the conditions under which productive engagement can occur.

First, we draw on Habermas's (1984) distinction between two mechanisms for the social coordination of individual action: strategic action and communicative action. In *strategic action*, individuals are oriented towards personal success, and their actions are reduced to purposive rational-choice interventions in the world (i.e., they aim to influence their opponents' behaviors to their own benefit). By contrast, when individuals engage in *communicative action*, "the agents involved are coordinated not through egocentric calculations of success but through acts of reaching understanding. In communicative action participants are not primarily oriented to their own individual successes; they pursue their individual goals under the conditions that they can harmonize their plans of action on the basis of common situation definitions" (Habermas 1984, p. 285). Given this distinction, the emergence of effective dialogue between corporations and their shareholders (or more broadly, stakeholders) can be interpreted as a gradual shift from strategic to communicative action. Such a transformation, however, was not originally contemplated by Habermas, who conceptualized strategic and communicative action as mutually exclusive. Although scholars (de Bakker et al. 2013, Bartley 2007) have noted that corporations routinely engage in dialogue with their stakeholders, it remains unclear how stakeholders can turn to communicative action with corporations during the engagement process, when the initial context is shaped by strategic action.

Second, in addressing this question, we turn to framing theory (Benford 1997, Fiss and Hirsch 2005, Goffman 1974), and more specifically to the literature on common ground (Bechky 2003, Christie et al. 1952, Clark 1996, Cornelissen and Werner 2014). This literature provides us with the analytical tools to conceptualize the shared construction of a common definition of the situation, which Habermas (1984) presupposed as a condition for communicative action, but has not been empirically studied.

Our empirical context is shareholder engagement, or the set of practices whereby shareholders try to influence corporations by communicating directly with executives, and which often takes place by filing resolutions for proxy votes on environmental, social and governance issues. Studying shareholder engagement as a mix of public (adversarial) tactics such as shareholder resolutions and private (more collaborative) practices such as dialogue enables us to identify the mechanisms through which communicative action emerges from strategic action. Empirically, we examine the activities of the Interfaith Centre for Corporate Responsibility (ICCR), the faith-based investor coalition that pioneered the practice of shareholder engagement. We focus on its dialogues with Ford Motor Company and General Motors (GM) between 1997 and 2009, drawing on interviews and archival sources such as resolution texts, internal documents, records, and media reports.

We suggest that communicative action emerges from strategic action as a result of three cycles of interaction between shareholders and corporate managers. The first cycle involves *reinterpreting* the relationship as a dialogue, whereby parties publicly commit to continuous engagement and exhibit openness to listening to the other party, leading to an increase in mutual trust. The second cycle consists of *framing* activity, which involves finding points of agreement despite having different frames of the same issue (in our case, climate change), culminating in a common ground. The exchange is not purely discursive, as it also emerges from the concrete actions of the two parties and their mutual interpretations of those actions. If parties can find common ground, the final cycle of *deliberation* can commence, in which the parties exchange arguments and provide alternative solutions to address an issue, ultimately engaging in joint experiments that produce social learning. Effective action might result from this deliberative process.

Our study contributes to the organization theory literature on Habermas by providing a better understanding of the conditions that allow organizations to engage in deliberative dialogue. Our study also contributes to the literature on stakeholder engagement by explaining the mechanisms that make it possible for the engaging parties to overcome the limitations of strategic action, and turn to communicative action. In the context of shareholder engagement, our contribution offers a new interpretation of how shareholder resolutions and dialogue come together to eventually produce changes in corporate practices.

Shareholder Engagement as Dialogue

How can a corporation and its shareholders collaborate despite an initially contentious relationship? In addressing this question, we focus on *shareholder* engagement as a specific form of *stakeholder* activism. Shareholder engagement is the process whereby shareholders leverage their shares and regulatory prerogatives to engage corporations on environmental, social or governance issues.[1] The historical roots of shareholder engagement lie in a governance procedure sanctioned by the Securities and Exchange Commission (SEC) in 1942 and subsequently appropriated by shareholder activists in the 1970s. This procedure allows shareholders to include resolutions in a firm's proxy statements to be voted on at the annual shareholder meeting. These resolutions are non-binding, must be less than 500 words long, and end with a request to take a specific action. In addition to filing resolutions, shareholders try to influence companies by establishing direct dialogue with board members and top managers. Practitioners often

[1] Goodman and Arenas (2015) labeled these practices *social shareholder engagement* to distinguish them from other forms of shareholder activism more immediately focused on increasing shareholder value. We prefer to use the term *shareholder engagement* since it is the one used by practitioners, and because the distinction based on shareholder motives (social vs. financial) does not quite capture the ambiguity of the practice.

refer to this practice as "private dialogue" to distinguish it from the more public activity of filing shareholder resolutions (Campbell et al. 1999, David et al. 2007). In this article, we will use the terms shareholders and/or activists to designate equity investors who leverage their shareholdings in publicly listed corporations to actively advance a social or environmental cause, but the theoretical model we develop on the basis of our work applies more broadly to other forms of stakeholder activism.

The mechanisms of engagement effectiveness are the subject of an ongoing scholarly debate. Social movement theorists account for the effectiveness of shareholder resolutions by conceptualizing them as an extra-institutional tactic (i.e., a strategy executed outside of political institutions) that social movements can resort to, along with others such as protests and boycotts (McAdam 1982, Tilly 1978). The effectiveness of these tactics is mediated by the reputational threat generated by media coverage (King 2008). More broadly, in this literature scholars view shareholder engagement as effective based on the extent to which it represents a reputational threat and affects investors' risk perceptions (Eesley et al. 2015, Vasi and King 2012).

In the finance and business ethics literatures, scholars provide an alternative perspective on engagement effectiveness by pointing to the importance of private dialogue (Carleton, Nelson and Weisbach 1998; see also Becht, Franks, Mayer and Rossi 2008, Dimson, Karakas and Li 2015). Shareholders (threaten to) use resolutions "to engage in dialogue with corporate managers and to attempt to effect social change" (Van Buren 2007, p. 61; see also Logsdon and Van Buren 2009). These findings imply that the reputational threat posed by resolutions provides activists with access to corporate boards and executives; however, such threat is not the causal mechanism explaining changes in corporate policies. This has been confirmed by subsequent analyses of resolution withdrawals in the finance literature in which scholars have considered withdrawals to be evidence of private negotiations between management and shareholders (Bauer et al. 2015). While these scholars have underscored the importance of dialogue, they have not fully clarified the mechanisms underlying its effectiveness (Logsdon and Van Buren 2009; see also Goodman et al. 2014). In previous research, scholars have suggested that effective dialogue is achieved when parties address mutually meaningful issues, develop flexibility in working together, and understand each other's constraints (Logsdon and Van Buren 2009). They have also suggested that effective communication in dialogue is instrumental to understanding the other party, arguing that "real communication requires…seeking to find middle ground" (Logsdon and Van Buren 2009, p. 361). While valuable, these conditions do not explain how they can be attained, or how their structural tensions are to be resolved; more specifically, how are shareholders and corporations expected to simultaneously cooperate and confront each other?

Dialogue from a Communicative Action Perspective

To address these questions, we believe it is necessary to ground our theoretical understanding of dialogue in Habermas' theory of communicative action. Habermas (1984) posited that the key to the emergence of communicative action lies in how parties overcome breakdowns in communication. Building on Austin (1962), Habermas started from the premise that communication is not always effective and seamless. A speech act can be rejected due to a lack of comprehensibility, truthfulness or sincerity, or because the speaker lacks the right to say something. As ordinary communication breaks down, individuals engage in what Habermas called "discourse," that is, a "reflective form of speech that aims at reaching a rationally motivated consensus" (Habermas 1984, p. 41) through common practices of argumentation and justification. These practices form the basis for communicative action, and aim at achieving understanding with regards to the situation and the planned course of action. Communicative action works best when the conditions of an "ideal speech situation" (i.e., freedom of access, participation with equal rights, truthfulness of the participants and absence of coercion, Habermas 1993) are met. While these conditions are often far from being realized in real-life situations (McCarthy 1996), they nevertheless function as a regulative idea—even in suboptimal situations—and can help dialoguing parties assess and improve the conditions of real communication. Habermas himself assumed that it is unrealistic to expect the conditions for an ideal speech situation to always hold, but these conditions nevertheless highlight the importance of studying communicative interaction and how it takes place in society (Rasche and Scherer 2014).

In studying stakeholder engagement from a communicative action perspective, it is essential to understand how communicative action unfolds within and between organizations. In other words, can deliberative dialogue ever emerge in the corporate world? Habermas (1987) took the view that action in corporations is coordinated via hierarchy rather than consensus-building, and therefore individuals in organizations do not need to engage in communicative action[2]. As he noted, "members of organizations act *communicatively* only with reservation…there is no necessity to achieve consensus" (Habermas 1987, p. 310). Habermas therefore considered dialogue across organizations in a market context to be theoretically unlikely, and did not specify the conditions under which it would emerge.

Furthermore, the few existing studies on stakeholder engagement from a Habermasian perspective have not addressed the question of how communicative action can develop among organizations. One reason for this is that scholars studying stakeholder engagement from a Habermasian perspective have relied primarily on its normative and regulative character, taking its principles as a benchmark for actual practices (Rasche and Esser 2006, Roloff 2008, Unerman and Bennett 2004). Indeed, in one of the few Habermasian studies focused specifically on shareholder engagement, Goodman and Arenas (2015, p. 182) concluded that there is a need for more empirical research on "whether an attitude of reaching reasoned agreement is present among participants," and what factors can explain it.

Finally, the broader literature on stakeholder engagement has pointed to the limitations of Habermas's framework in understanding dialogue across organizations (Ehrnström-Fuentes 2016). Differences between stakeholders and corporations cannot be boiled down to a problem of reason nor be solved simply by arriving at a consensus; instead, parties often confront differences in interests and values that make achieving consensus far more difficult (Palazzo and Scherer 2006, Rowley and Moldoveanu 2003). This is especially so given the absence of abstract standpoints of universal applicability. For instance, incommensurable differences can set in when a multinational operating amidst an aboriginal community rejects as "irrational" the community's fear for its own survival (Ehrnström-Fuentes 2016, p. 435). One solution to this problem is offered by Reinecke and Ansari (2015). These authors study price setting in a fair trade context, and propose a model of ethics as sensemaking that presents truces, or incomplete agreements, as a practical mechanism for making progress without complete

[2] Going even further, Habermas initially suggested that communicative action was only possible within what he calls the lifeworld: a medium of shared meanings and understandings fueled by some domains of social life (family, culture, informal political life, mass media, NGOs). Corporations and the state, while fulfilling a useful purpose, are not part of the lifeworld, and thus operate through strategic rather than communicative action (Habermas, 1984). In *Between Facts and Norms*, Habermas (1996), revisits the strategic/communicative action dilemma, and suggests that in healthy political institutions the state should respond to the communicative action of civil society. In this process, strategic and communicative action necessarily unfold together.

consensus. However, there are important differences between Reinecke and Ansari's (2015) setting and ours: while in their study "fair trade" had already been established as the solution to stakeholder conflict, in ours the guiding frame and nature of the stakeholder relationship were indeterminate, and there was no agreement on the solution. Given these differences, while the temporal truces identified by Reinecke and Ansari (2015) are a way to set boundaries for a dialogue process that might otherwise never reach closure, our study concerns a precursor of that problem—namely, getting the parties to engage in dialogue in the first place.

In sum, despite a growing interest in Habermas (Rasche and Scherer 2014), organizational scholars have not fully addressed the notable challenges and difficulties that hamper communicative action between organizations. Furthermore, most research has explored settings where collaboration and dialogue were already in place (e.g. Reinecke and Ansari 2015), so it remains unclear how parties can move from strategic to communicative action when starting from a contentious relationship. To identify the mechanisms that might make this possible, we turn to the literature on framing.

Framing and Common Ground

In the framing literature, researchers define frames as the plastic "principles of organization which govern the subjective meanings we assign to social events" (Goffman 1974, p. 11) or as "schemata of interpretation" (Goffman 1974, p. 21). Habermas discounted framing as a useful theoretical approach, as he interpreted Goffman's ideas solely as a theory of concealment of the subjective state and impression management, and thus antithetical to communicative action (Chriss 1995, Collins 1987, Goffman 1959). Habermas's reading, however, overlooks Goffman's (1974) contribution to our understanding of human cognition through framing theory, and his position that human knowledge and cognition is "frames all the way down" (Barsalou and Hale 1993, p. 133). Based on this reading of frames as cognitive schemata, we argue that a shared definition of the situation, a frame, can be a useful stepping stone in the journey from strategic to communicative action. As Habermas himself pointed out, "the negotiation of definitions of the situation is an essential element of the interpretive accomplishment required by communicative action" (Habermas 1984, p. 286). Thus, in the perspective we develop below, we go beyond Habermas's overly narrow understanding of framing, and suggest that the "definition of the situation" in communicative action can be usefully be conceptualized as framing activity. As we do so, we also move beyond the use of framing as a tool to manipulate perception (Benford 1997), thus harmonizing this perspective with Habermas's communicative action.

To advance alongside this path, we use a concept borrowed from framing theory: common ground, defined as "the set of presuppositions that actors, as a result of their ongoing sensemaking and interaction with others, take to be true—and believe their partners also take to be true" (Cornelissen and Werner 2014, p. 212,). Common ground originated in psycholinguistics research (Christie et al. 1952, Clark 1996), and has been fruitfully applied in organization theory to understand how coordination can be achieved across organizational units and occupational communities (Bechky 2003, Cramton 2001, Okhuysen and Bechky 2009 Loewenstein et al. 2012). Nevertheless, while the emergence of common ground in contexts dominated by strategic action in which parties start from adversarial structural positions cannot be assumed, "surprisingly, very little research exists on how common ground is established in and through repeated interactions" (Cornelissen and Werner 2014, p. 217). By studying how common ground is established in shareholder engagement, we hope to advance our understanding of how communicative action can emerge in a context dominated by strategic action.

Methods

We explore the role of dialogue in shareholder engagement with a comparative longitudinal analysis of two engagements between a leading investor coalition and two major U.S. auto manufacturers. These engagements focused on climate change and took place between 1997 and 2009. Empirically, our comparative design helped us better understand why engagement was effective in one case and not in the other, and our longitudinal design enabled us to tap into the interplay of interactions that unfold between shareholders and corporations.

Research Setting, Case Selection and Sampling

Our focal investor coalition is the Interfaith Center for Corporate Responsibility (ICCR). Founded in 1971 and headquartered in New York, ICCR includes 275 institutional investors with more than $100 billion under management. ICCR comprises both religious investors and non-religious ("partner") member organizations. Most members are religious or "faith-based" institutions such as the United Methodist Church, the Evangelical Lutheran Church in America, the United Church of Christ, the Missionary Oblates of Mary Immaculate, and numerous orders of Catholic religious women. However, secular asset managers such as Domini Social Investments or

Boston Common Asset Management also are active members of the coalition. ICCR is widely perceived as the "cradle" of shareholder engagement (Waddock 2008) and its experience in engaging corporations is respected, even outside responsible investment circles (Van Buren 2007).

We characterize ICCR's engagements with corporations as initially confrontational. This may not be representative of other shareholder activists that engage corporations, who according to finance scholars are less openly confrontational (Brav et al. 2008). However, we see ICCR as an extreme case of success, in that it managed to engage in communicative action despite an initially confrontational approach. To the extent that the mechanisms we observed in ICCR's engagements were effective, we would expect them to be even more effective for shareholders who are initially less confrontational. As with all extreme case studies such as Weick (1993) study of loss of sensemaking in Mann Gulch, or Galunic and Eisenhardt's (1996, 2001) study of adaptation, the relevant theoretical mechanisms are easier to identify by selecting "a case because of its extreme value on the independent (X) or dependent (Y) variable of interest" (Eisenhardt and Graebner 2007, Seawright and Gerring 2008, p. 301).

This study is based on a comparison of two engagement dialogues with Ford Motor Company and General Motors (GM) led by Sister Patricia Daly, a nun with the Sisters of Saint Dominic of Caldwell, New Jersey, and one of the most visible faces of ICCR. Her engagements with companies such as Ford, GM, and General Electric have been profiled in numerous media outlets such as *The New York Times* (see Slater 2007) and *The Guardian* (see Wray 2007). Sister Daly reached notoriety for her public confrontation with Jack Welch at the annual meeting in 1998, when she compared the company's insistence that PCBs are harmless to the tobacco companies' claim that nicotine was not addictive, leading an enraged Welch to shout that she owed it to God to start telling the truth (Pollack 2001).

We selected ICCR's engagements with Ford and GM by asking our informants to provide examples of comparable dialogues that had different levels of effectiveness. Within these, we focused on ICCR's engagements related to climate change between 1997 and 2009. As we discuss in the sections that follow, ICCR's dialogue with Ford was characterized by mutual perceptions of progress and reciprocal understanding, unlike that with GM. This, however, was not a foregone conclusion: in 1971, GM was the first company to accede to the demands of ICCR to divest from South Africa in the wake of the apartheid. As we compared the evolution of environmental policies in the two companies, we realized that Ford achieved several concrete, verifiable milestones, while GM lagged behind. The companies are comparable on other dimensions, too: since both companies relied on highly-polluting light trucks and sport utility vehicles (SUVs) for the bulk of their profitability, ICCR approached them in similar ways and often compared the reactions of the two companies (both privately in interviews, and publicly in the media). Our sampling of two highly comparable cases, therefore, provided a clear starting point for our analysis of the engagement process, and an opportunity to identify the series of events, activities and choices that led to divergent outcomes. Even more importantly, it enabled us to discover the process that led to these outcomes, and why the shift from strategic to communicative action occurred in one engagement (Ford), but not in the other (GM) (Langley 1999).

Data Sources

We collected data from multiple sources, including interviews and archival data. As part of a broader study of ICCR's activities, we conducted 64 interviews with ICCR members and staff, and corporate managers from Ford and GM. We began by employing a snowball sampling procedure. After an initial meeting with ICCR's Director, we interviewed her staff and the leading members of the coalition. We began by conducting open-ended interviews about the process of engagement, and as our theorizing developed, we moved towards more specific interview templates focused on capturing the exchange of arguments within the dialogues associated with critical events, such as filing a resolution or releasing a climate risk report (Spradley 1979). Once we decided to focus on Ford and GM, we concentrated on interviewing ICCR members who had participated in these dialogues: we conducted three interviews with Sister Daly; six interviews with Leslie Lowe, Program Director of Environment and Energy and the staff leader in the Ford and GM engagements; and five interviews with Laura Berry, who served as ICCR's Executive Director until 2014. Within the scope of these engagements, leaders of ICCR's member organizations such as Sister Daly led the dialogue and directly represented the organizations that owned shares in Ford and GM. We also interviewed other ICCR members, such as Seamus Finn and Barbara Aires, who played roles in these dialogues, providing us with an opportunity to triangulate across our sources. At Ford, we interviewed David Berdish, Director of Social Sustainability, and at GM we interviewed one manager from regulatory affairs and one from the CSR unit, both of whom preferred to remain anonymous.

Since informants might not have clearly recollected the different stages of a process that lasted more than a decade (1997–2009), and to gain more insights on the corporate side of the dialogue, we also consulted several unique archival sources to which we obtained access during our fieldwork. Our main source was the *Interfaith Center on Corporate Responsibility Records, 1966–2011*, part of Columbia University's Rare Book and Manuscript Collection. From these, we extracted six boxes containing 33 folders with 2,642 pages of notes. We relied on this source in three ways. First, we used the handwritten notes taken by ICCR members during the dialogues to access the arguments made by the auto manufacturers. Second, we used the internal memos written by ICCR and other resolution co-filers to appraise how ICCR interpreted the actions and messages of the auto manufacturers (see Figure 1). Third, we used the archival material from Ford, GM and other parties (for instance, shareholder proxy advisors) as further evidence of the arguments espoused by different actors as the dialogue unfolded over a decade.

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Our second archival data source is ICCR's EthVest proprietary database of shareholder resolutions. This includes all resolutions filed between 1993 and 2010. Resolutions have a common structure: they start with an introduction that sets out a series of facts, are followed by a specific statement of belief in which ICCR's frame is laid out (e.g., climate change creates costs for U.S. corporations), and end with a concrete demand (e.g., a report). Resolution filings and withdrawals were a key source of data for us. Activists account for their actions in these public documents, which give rise to yet another form of text, proxy ballot recommendations from proxy service advisors, which we were able to access as well. This information provided the backbone of the timeline we used to organize our data.

Our third source was media searches on Factiva to identify the contexts in which the resolutions were created. We searched for daily news reports in five different national newspapers: *The New York Times, The Washington Post, The Wall Street Journal,* the *Chicago Tribune,* and the *Los Angeles Times*. We identified newspaper articles during the period 1997–2010 by using the following search strings: "<ICCR> AND <FORD>" and "<ICCR> AND <GM>."

Analysis

Our analytic approach is best characterized as abduction, as we iterated multiple times between the empirical data and theoretical constructs, in the process of "forming an explanatory hypothesis" (Peirce 1903, p. 216), which eventually became the core of our theoretical contribution. Following this logic of abduction entailed studying our two cases inductively, discerning a surprising finding and asking ourselves how theory could account for it. One of our surprising finding was that the dialogue with Ford moved from contestation to collaboration, while the one with GM did not, despite numerous similarities in the initial stages. Following the abductive logic, we developed alternative explanations and used the data available to identify the most plausible one (Bryant and Charmaz 2007). Our approach is consistent with the pragmatist roots of grounded theory (Glaser and Strauss 1967, Reichertz 2007, Strauss and Corbin 1998, Strübing 2007, Suddaby 2006), but given the longitudinal nature of the phenomenon we studied, we also relied on methodological tools more typical of process theory, such as visual mapping (Langley 1999, Mohr 1982). Here, we articulate the three analytical stages we followed; although we present them sequentially, we continuously iterated among the three as we obtained a better understanding of our data and clarified our theoretical contribution.

Stage 1: Identifying empirical themes and conceptual categories. We began by discussing the interviews and our interpretations of the archival data soon after we had conducted them or read them. We captured these discussions in memoranda, which served as the foundation for the codification of the emerging empirical themes we aimed to refine in our fieldwork (Diesing 1971, Lofland and Lofland 1995). As we began to obtain a better understanding of the temporal evolution of the engagement process through these activities and visual mapping (described in the next subsection), we triangulated our evidence across different sources of data (resolution texts, news, internal memos, interviews). As a result, we revised our provisional codes multiple times. Eventually, we selected only a subset of the original codes and began to group them into higher-level conceptual categories. These categories emerged as we compared instances of the empirical themes in the data and with one another, and approached the themes from a theoretical perspective. For instance, the categories of *understanding mutual constraints* and *developing a shared understanding of the issue,* and *deliberation* reflect our reinterpretation of the data from a Habermasian communicative action perspective. But in earlier stages of the analysis, and in the first manuscript we submitted, we had no reference to Habermas and communicative action. We had identified *synthesis* as a key mechanism for dialogue, but had not yet realized how this insight would lead us to a theoretical contribution on communicative action in organizations. See Table 1 for illustrative quotes for our conceptual categories.

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Stage 2: Visual mapping. As we began to understand the shareholder engagement process, we realized that resolutions reflected the temporal dynamic of the process (indeed our informants spoke of the "proxy *season*"). To capture this temporal dynamic, we also coded our data longitudinally, starting with shareholder resolution filings and ending with withdrawals. Over the period 1997–2009, ICCR filed eight resolutions on the environment with both Ford and GM, and withdrew four resolutions filed with Ford on climate change but only one filed with GM. We then contrasted the outcomes of resolution filings at Ford and GM. We benefitted from the fact that resolutions on the same topics were filed with both companies almost concurrently (within two-month windows), making them comparable.

In coding our data (interviews, resolutions, internal notes, media), we identified specific actions and events (such as resolution filings and withdrawals, requests, press releases, report publications, etc.) and visually mapped them chronologically in Figures 3 and 4 (Langley 1999). After mapping key actions, events and statements of both parties, we wanted to evaluate how the engagements progressed over time, and whether the parties transitioned from strategic to communicative action. To do this, we coded each item as indicating a situation of conflict or cooperation. We began with a three-point scale, but after comparing our coding and discussing our differences, we ultimately developed a five-point scale, which provided enough granularity to capture the evolution of the two dialogues. To ensure the reliability of our coding, we selected a sample of 126 news items and asked two experienced researchers (post-doctoral fellows) to independently re-code these news items using the scale we developed. The rWG score (LeBreton and Senter 2008) on the reliability of the three raters was 0.94 (well above the 0.70 threshold for satisfactory agreement). Having established the reliability of our coding, we depicted the evolution of each engagement process on the timelines, using darker shades to indicate more conflict and lighter shades to indicate more cooperation (see Figures 2 and 3).

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Stage 3: Integrate data and literature to build a theoretical model. Once we had clarified the chronologies of events for both cases, we looked for evidence in our data of causal relationships between our conceptual categories. We drew on our informants' causal attributions and justifications of their actions (Gioia et al. 2013), but also on the abductive inferences we could develop from the data and the emerging theory. These inferences were the basis for the "plausible explanations" (Charmaz 2006, p. 188) which became the core of our theoretical insights. For instance, in the cases of shareholder resolutions, we identified why shareholders filed and/or withdrew resolutions, and in some cases, discovered causal links between corporate actions and shareholders' reactions (and vice versa). Once we obtained a satisfactory understanding of the differences across the two cases and established that the engagement processes evolved in different ways, we leveraged our understanding of the causal relationships in the actions to identify patterns of actions and reactions emerged over time. As we mapped the feedback cycles and compared how the engagement processes evolved, we identified three distinct cycles of interactions in the case of Ford, while in the case of GM, the patterns of engagement did not change much over the course of the observation period (and this difference is reflected in Fig. 2 and Fig. 3). To understand what led to the changes in the engagement pattern at Ford, we used within-case comparison to identify two mechanisms that enabled the transition from one cycle to another. The first cycle of interactions culminated in a change in the interpretation of the relationship. Then, a second cycle ensued that was more focused on establishing a new frame for climate change. This cycle culminated in the creation of common ground. This common ground, in turn, enabled the final cycle of deliberation.

As we theorized this process in more abstract terms, we continuously returned to the data in search of additional evidence to support our interpretation of the events. Once we were satisfied with the validity of our interpretation, we organized our narrative of the Ford case around these three cycles, and continued to leverage our comparison with GM and the longitudinal within-case comparison at Ford to assess, within the limitations of a qualitative study, the robustness of our model to alternative explanations (which we explore further in the discussion section).

ICCR's Dialogue with Ford and General Motors

Between 1997 and 2009, Sister Patricia Daly led ICCR's climate change engagement dialogues with both Ford and General Motors. While both companies initially had a similar degree of environmental performance, ICCR's engagement with Ford yielded markedly better results than ICCR's engagement with GM. Over the course of the dialogue, Sister Daly withdrew four resolutions that had been filed with Ford and only one that had been filed with GM, signaling better rapport and mutual understanding with the former (see Figures 2 and 3). Indeed, by the end of the decade, Ford's Chairman of the Board celebrated Sister Daly's efforts, while ICCR added GM to a "Climate Watch" list of environmentally unfriendly organizations. In the sections that follow, we leverage these contrasting outcomes and the evolution of the relationship at Ford to understand how communicative action can emerge from strategic action.

Reinterpreting the Relationship

The first episode in ICCR's dialogues with Ford and GM began as activists attempted to persuade the companies to stop supporting a climate change denialist lobby. In the fall of 1997, Sister Daly filed resolutions addressed to Ford and GM targeting their support of the Global Climate Coalition (GCC; see Figures 2 and 3). This lobby had been set up by auto manufacturers, oil companies, and the U.S. Chamber of Commerce to oppose the Kyoto Protocol. Written in a confrontational tone, the resolution filed with Ford argued that the carmaker was "exposing its shareholders to financial risk by continuing to produce products emitting enormous amounts of greenhouse gases" as well as "placing an additional financial burden on the shareholders" by incurring costs for advertising and lobbying. The resolution with GM had the exact same wording. ICCR, Sister Daly explained to us, was trying to persuade the companies of "the precautionary principle that they've got to start thinking of a new way of doing business in the carbon-constrained world."

Prompted by the resolutions, both companies began to hold meetings with Sister Daly and other ICCR members. Both automobile manufacturers, however, kept their membership in the lobby. Six months later, Sister Daly again filed resolutions with Ford and GM, repeating her demands and asking them to focus efforts on developing environmentally friendly cars. Although both companies eventually left the lobby, only one of the two companies took action on the second request: in May 2000, Ford unveiled its first "Citizenship Report," an early version of an environmental report in which the company admitted that its SUVs contributed to greenhouse gas emissions and pledged to produce cleaner models. By contrast, GM did not make such a commitment in their environmental report.

What led to these different outcomes? Sister Daly pointed to her productive work relationship with William (Bill) Clay Ford. The great grandson of Henry Ford had been with the company since the 1970s, and had risen through the ranks to lead the truck division. He had strong environmental convictions, but his views were not echoed by everyone in the company. By 1998, he had joined Ford's Board of Directors, and thus participated in several dialogues with ICCR. Sister Daly and Bill Ford had a positive initial encounter in which he signaled his willingness to cooperate. Sister Daly recalled: "Bill Ford met me at the elevator after a meeting and he said, 'Sister, I understand what you're doing.' And he said, 'I'm completely supportive of what you're doing and I'm really hoping I can work with you.'"

In the fall of 1999, Sister Daly publicly acknowledged Bill Ford's support when she filed new resolutions, this time asking the auto manufacturers to put greater effort into building environmentally friendly cars. The resolution filed with Ford included an additional statement: "under the leadership of Bill Ford Jr., Ford has undertaken positive steps…However, competitive, economic and ethical concerns all dictate that we do more." No similar statement was issued in the case of GM. The different paths the two exchanges took show how the relationship between ICCR and Ford was shifting from purely strategic communication to openness to dialogue, while the relationship between ICCR and GM was not.

Sister Daly's recognition of Bill Ford's efforts was quickly rewarded. In 1999, Bill Ford became chairman of the board of directors, and before the end of the year he called Sister Daly to announce: "We're leaving the Global Climate Coalition." Sister Daly recalled: "He was one of the first real [members of] upper management to get it." Soon afterwards, numerous other companies—including GM—decided to leave the lobby, too. In March 2000, Sister Daly withdrew her resolutions from both Ford and GM, and just two months later, Ford published the aforementioned "Citizenship Report." In 2002, the Global Climate Coalition closed its operations

The main lesson we derive from this first episode concerns the sequence of exchanges whereby Ford and ICCR signaled a commitment to cooperate. This discursive exchange typically begins when parties discuss specific issues but, as in any framing effort, the emphasis is also on the relationship (Goffman 1974). Bill Ford initiated this by acknowledging that he understood what ICCR was trying to do. The overture was then reciprocated by Sister Daly. This points to a sequence of exchanges through which the parties sent each other signals about how their actions ought to be interpreted (e.g., increasing prevalence of cooperation in Figure 2). In the context of ICCR and Ford, one form of signaling was public statements, which opened the organization to criticism if it subsequently reneged on them. Another form of signaling was direct, emotional appeals in private, face to face conversation. One example was precisely Bill Ford's appeal to Sister Daly, which not only took place under closed doors (privately) but also in the corridor, that is, away from the formal setting of the meeting. Data from our interviews with Sister Daly underscore that the process led to mutual understanding about their relationship. For instance, both sides understood that the activists' demands were not a one-off occurrence; as Sister Daly explained: "what I demand for this year is not what I'm looking for in the end, right? *As long as you know and they know*, all right, this is what we're going to agree to this year. You know there's going to be a higher bar next year" (emphasis added).

In sum, based on this first episode in the engagement between ICCR and Ford, we posit the existence of an initial cycle in the dialogue between activists and a corporation that involves a transformation of how they interpret their relationship. This cycle is facilitated by the presence of an internal champion such as Bill Ford, who is willing to personally commit and then extend that commitment to the organization in a way that can be made public. At this stage, the parties might still hold very different views of the issue at end, and therefore act in ways that might endanger the fledgling dialogue. Opportunities for reverting to a conflictual relationship abound, but these situations might become opportunities to reinforce the dialogue frame.

Indeed, by 2002, the economic environment for both car manufacturers had worsened substantially. Ford lost $5.5 billion in 2001, and announced cuts of 35,000 jobs and five plant closings. In response to the challenge, the auto manufacturer reneged on its environmental commitments. Back in 2000, it had committed to improving the fuel economy of its SUV lineup by 25% by 2005; however, in 2002 Bill Ford announced it would not meet this deadline. Ford also backed an intense lobbying and advertising effort against the Kerry-McCain bipartisan Senate proposal to raise fuel economy standards in California. Also afflicted by the crisis, GM took analogous actions.

In response to these policies, Sister Daly filed resolutions with both Ford and GM in 2002, asking them to identify ways to reduce carbon dioxide emissions from their vehicles. Six months later, Sister Daly withdrew the resolution at Ford but kept the resolution on the ballot at GM's shareholder meeting. The differential treatment given to Ford and GM by ICCR is remarkable, because neither company had committed to a specific target emissions reduction. According to Sister Daly, the difference was that Ford had responded cooperatively and "chose to work on the elements of this resolution at the highest levels of the company rather than respond defensively as most corporations do."

Indeed, Ford published in its proxy a summary of Sister Daly's shareholder resolution along with the company's response. Moreover, the company documented its interest in transparency and willingness to "continue the dialogue with Sister Pat and other interested parties." GM, in contrast, failed to publicly commit to such dialogue, offering instead a vague declaration in its proxy statement that it was "pursuing an aggressive plan" to roll out vehicles with better fuel economy. Once they learned about Sister Daly's decision to keep the resolution with GM, company officials reacted bitterly to her lenient treatment of Ford Motor, arguing that many of GM's vehicles were more fuel efficient than competing models from Ford, and publicly noting that the company led "in 36 of the 82" categories of light trucks (Ball 2003).

As with the case of the climate denialist lobby, the difference between the two companies' responses to ICCR's demands can be explained with recourse to a reinterpretation of the relationship. While neither Ford nor GM made any substantial commitment to greater fuel economy, Ford had already articulated its commitment to dialogue with ICCR and seized an opportunity to renew this message; by contrast, GM had rejected any shift toward communicative action and simply made vague promises of action. ICCR's more benevolent interpretations of Ford's actions vis-à-vis GM's suggests its understanding of the relationship had changed.

Creating Common Ground: Climate Risk

The following episodes reveal the core of the engagement between ICCR and Ford Motor, that is, the emergence of a *common ground* between the two parties. While the previous episode focused on the relationship between activists and the corporation, this second one focuses on the framing of the issue.

In the fall of 2003, Sister Daly filed another resolution, asking Ford and GM to release greenhouse gas emissions data and produce an emissions reduction strategy. Ford's response clearly stated that the company could not commit to a rigid milestone: "uncertainties associated with technology development, fuel prices, consumer demand and other market variables make realistic and credible projections over that time period virtually impossible" (Ball 2003). However, Ford did not entirely reject the request, writing instead to its shareholders that it "supported the principle of the resolution but disagreed with certain statements made as part of the proposal." GM, on the other hand, admitted it was not ready to reduce emissions, did not commit to any future reductions in overall carbon burden, and did not make any statement about dialogue. ICCR did not withdraw its resolution from either company.

One year later, Sister Daly persevered with her demands, filing new resolutions, but this time adding a statement that emphasized the business case for reducing emissions. "Climate change," the statement read, "relates to an emerging business reality." The statement was significant, because it reinforced the message that the companies had a fiduciary duty to carefully assess and disclose the costs associated with climate change to its shareholders. In the spring of 2005, Sister Daly withdrew her resolution from Ford but kept it on the ballot at GM. She decided to withdraw the resolution from Ford because the company had agreed to issue a "Climate Risk Report," a first-of-its-kind document that examined the business implications of reducing greenhouse gas emissions and the impacts of possible climate policy and regulatory changes.[3] The report echoed the frame used by Sister Daly when referring to global warming. This frame, which is summed up by the expression "climate risk," related an environmental problem (climate change) to the financial interests of shareholders (risk). Ford's decision to publish a climate risk report signaled the company's acceptance of this framing.

GM, by contrast, rejected the framing of global warming as a business risk, claiming instead that it was a public policy issue. GM's approach became clear to us as we scoured the archival material. In 2006, ICCR representatives met with GM executives ahead of its annual shareholder meeting. The activists documented their perceptions of GM during that meeting in an internal memo that eventually was filed in the archives (ICCR Records, Box 63, Folder 17) . In the memo, ICCR noticed not only that GM had used the "public policy" frame in 2005, but also that the company had failed to report on future regulatory scenarios. In discussing its GHG emissions reduction strategy in California, GM reported on a reduction strategy for *operations* rather than its *fleet of cars*. GM's language, ICCR wrote in the memo, fell short of Ford's language in "tone, detail, and format." ICCR concluded that GM's strategy was not preparing the company for a scenario of regulated emissions, as the

[3] Sister Daly's decision to withdraw the resolution stands in contrast to the decisions by two other environmentalist shareholders to keep their resolutions on the ballot, on the grounds that Ford continued to pursue legal action in California and to produce new vehicles that remained highly polluting (ICCR Archive: 10, Box 64, Folder 15).

company was relying exclusively on a fuel cell strategy that ICCR considered to be "at least a decade away from commercialization."

In sum, we observed that the auto manufacturers adopted very different frames relative to climate change. GM stuck to its original frame of climate change as a public policy issue, while Ford subscribed to a new co-created frame that presented climate change as a business risk (i.e., "climate risk"). Diverging from both ICCR's and Ford's original frames, climate risk was a novel and multifaceted recombination of both perspectives that was acceptable to both parties. Thus, we see the climate risk frame as evidence of common ground, or a shared set of presuppositions about the issue being discussed (Clark 1996, Cornelissen and Werner 2014, Loewenstein et al. 2012). Indeed, the climate risk frame relegated the environmental risks posed by climate change (i.e., the policy problem) to the background and focused instead on the economic and financial risk to the firm. Sister Daly said: "This is not only about what is good for the environment. It is about what is good for GM and Ford shareholders" (Press Release, December 11, 2002; ICCR Records, p. 21, Box 64, Folder 15).

Despite the above, achieving a common ground remained limited to the development of a common frame of the issue, and did not immediately translate into any concrete action to address it. It thus fell short of a fully collaborative relationship. As we show below, this was achieved through a deliberative process.

Deliberation and Effective Engagement Dialogue

The emergence of the climate risk frame deepened the engagement between ICCR and Ford, enabling a cycle of deliberation. Comparing the dialogue in this phase with the earlier stages reveals how the focus shifted from diagnosis to possible actions and their appropriateness for addressing the challenges. In the fall of 2006, Sister Daly and other investors filed resolutions with Ford and GM demanding that the company "publicly adopt quantitative goals…for reducing total greenhouse gas emissions, and that the company report [these goals] to shareholders." These demands, and the challenge of meeting them, led ICCR and Ford to engage in deliberation, that is "a process by which individuals sincerely weigh the merits of competing arguments" (Fishkin 2009, p. 33).

In subsequent meetings in 2007, ICCR and Ford discussed the economic prospects of Ford's hybrid car. The company had already launched its first hybrid SUV, the Ford Escape, also marketed as the Ford Mariner. Notes taken by ICCR members in a meeting with Ford in March 2007 (ICCR Archives, Box 63, Folder 15, sample page shown in Figure 1) offer a glimpse into how the discussions unfolded. Ford managers explicitly emphasized the business challenges associated with producing hybrid models, asking "Can we make money doing it?" and "What is biz case for the improvement?" In this regard, Ford argued that SUVs were still the top-selling vehicles, and that fuel-efficient cars only represented 5% of sales. Even worse, Ford told ICCR "we can't convince customers that I-4 gives same performance as V-6," describing two different engine types, suggesting that consumers equated fuel economy with low performance. "Marketing of Mariner as 'green' product was a flop, could have sold it as power car." In sum, Ford concluded the "green" frame was difficult to adopt because consumers were rejecting it.

This evidence reveals a process of deliberation between Ford and ICCR as both parties expressed their arguments and considered the reasons behind the other party's position. This was confirmed by Ford's David Berdish, who explained that the company decided to pursue a diversified technology strategy that used different types of engines, including both traditional gasoline engines and hybrids, and that this strategy was developed in direct consultation with ICCR. He explained:

> We were trying to get a better understanding of exactly what the landscape was on powertrains. It seemed one of our competitors was putting all its eggs in the electric vehicle basket and we thought that based on our market that we could provide hybrid electric vehicles, biofuel, a whole range of mix of different powertrains. And a lot of people were questioning why we were doing that. So, the product development people specifically asked for [meetings with ICCR].

Ford's middle managers had thus considered different options and decided, after discussions with ICCR, to build hybrid cars. The solution that the organization arrived at was the outcome of deliberation, which would have been far less likely had the parties had not settled on a common ground on climate risk. For instance, in 2002 Ford and ICCR had established a collaborative relationship but lacked a common ground, and progress in their dialogue stalled.

By contrast, GM not only refused to jointly consider options with ICCR, but also concentrated its corporate efforts on a less realistic technological solution which would not require any changes to current operations. Sister Daly observed:

> Instead of doing any kind of research around hybrids, or even some of the changes that could take place within the regular combustion engine to make it more efficient, they started investing in fuel cells. Basically, they decided it was going to be business as usual until fuel cells were available. Obviously, they never saw that day.

Since fuel cell cars rely on an electrochemical reaction between hydrogen and oxygen in the air that provides a similar range and refueling time as conventional gasoline models, they represented the option that required the least organizational adaptation. However, the option was also much less realistic, and it never decreased in cost enough to become commercially viable, to the point that industry analysts later referred to fuel cell cars as "compliance cars" (Ulrich 2015).

Additional evidence of deliberation can be found in the lawsuit that Ford and other auto manufacturers filed in 2007, challenging rules in California that required auto manufacturers to reduce emissions by 30% by 2016. These regulations were set to take effect for the 2009 model year, which did not provide enough time for auto manufacturers to adapt (Maynard 2007). When discussing this dilemma with ICCR, Ford executives explained to Sister Daly that the timeframe was not feasible for any member of the auto industry, "not even for Toyota and Honda," and that Ford "would have had to stop selling cars in California." Ford had determined that the only way to negotiate a more realistic timetable was through legal means (ICCR Records, Box 63, Folder 15). The discussions with Ford helped ICCR understand that the problem was not emissions reductions per se, but rather the unrealistic timeframe. Although ICCR nevertheless decided to file the emissions reduction resolution in March 2007, it recognized the complexity of the problem and the constraints Ford faced, and renewed its commitment to dialogue.

The conversations between Ford and ICCR were ultimately followed by concrete actions: in April 2008, Ford announced that it would be the first U.S. auto manufacturer to spell out how it planned to reduce emissions from its new vehicle fleet by at least 30% by 2020. In response, Sister Daly withdrew the resolution that she had previously filed. In contrast, GM did not announce specific emissions reduction targets, and Sister Daly kept her resolution on the ballot. Explaining the resolution withdrawal at Ford, Sister Daly pointed to Ford's commitment over and above the actual number, highlighting the deliberations that had occurred inside the company: "the target is not even the win here; Ford has wrestled with various analyses to arrive at reduction goals. No other company has entered into this discipline."

By 2009, after more than ten years of dialogue, the difference in the outcomes of the engagements between ICCR and the two companies could not be starker. ICCR placed GM on a "Climate Watch" list, alongside Ultra Petroleum, ExxonMobil, Chevron and Canadian Natural Resources (Haldis 2009). In contrast, Ford publicly recognized the importance of its engagement with ICCR. In fact, when the environmentalist organization Ceres honored Sister Daly in 2014 for her efforts, the first featured speaker was Bill Ford, who described her as "a visionary leader in identifying issues of social and environmental concern," and acknowledged the role that ICCR had played in Ford's journey towards more sustainable corporate practices. He said, "when I began speaking out on environmental and social issues more than 30 years ago, the Interfaith Center on Corporate Responsibility was a welcome voice of encouragement among many that were doubtful. They cheered us on when we made progress, and challenged us to move faster and do better when we didn't" (Berry 2015).

Discussion

In this research, we sought to understand how shareholders and corporations can attain a collaborative engagement despite divergent perspectives and interests. We addressed this question by exploring the evolution of the relationship between the two parties, tracing the emergence of common ground, or "shared presuppositions," between them. The differences between ICCR's successful engagement with Ford and its unsuccessful engagement with GM point to the mechanisms of engagement effectiveness. First, the initial exchanges between ICCR and Ford signaled both parties' openness to engage in dialogue, willingness to trust each other, and publicly signal this willingness, while the interactions between ICCR and GM did not orient the two organizations in this manner. Second, subsequent exchanges between ICCR and Ford were shaped by the emergence of a new frame, "climate risk," that was acceptable to both activists and the corporation; in contrast, GM rejected the idea of "climate risk." Third, once the concept of climate risk was in place, ICCR and Ford engaged in rich deliberation over issues ranging from technology and manufacturing (hybrid cars), to marketing (Ford Mariner), to policymaking and lobbying (California emissions law), culminating in Ford's commitment to solidify emissions reduction goals and develop a credible strategy to meet them. In contrast, GM did not engage in such deliberations, and failed to make any such commitments. From this comparison, and the within-case variation at Ford, we infer three theoretical mechanisms: the reinterpretation of the relationship between ICCR and Ford, the emergence of common ground, and the deliberative process that took place once the common ground emerged. We contend that these mechanisms help explain the shift from strategic to communicative action, accounting for the effectiveness of shareholder engagement.

A Communicative Action Model of Stakeholder Engagement

Based on our findings, and building on Habermas's theory of communicative action, we propose a model of stakeholder engagement and the mechanisms that enable activists and corporations to shift from strategic to communicative action. As shown in Figure 4, this shift results from three successive cycles of interactions, where each cycle corresponds to multiple annual engagement periods.

---Insert Figure 4 here---

The first cycle entails a change in the nature of the interaction between a stakeholder and a corporation, from adversarial to collaborative. In our model, this takes place when a key member of the corporation privately acknowledges the issues raised by activists, expressing a willingness to engage them, and activists then publicly signal an appreciation of such willingness. This reinterpretation can take place over a single engagement cycle, or several of them. In the case of ICCR and Ford, we identified two cycles related to anti-environmental lobbying and California emissions lobbying. Reinterpreting the relationship facilitates communication by promoting trust (Logsdon and Van Buren 2009). Such trust is essential due to the asynchronous temporal rhythms of shareholder engagement: whereas the shareholder resolution cycle typically revolves around the annual shareholder meeting, providing a solution to the issue being raised typically takes more than a year. Given this temporal mismatch, both activists and corporations take a risk when agreeing to the other side's demands. The trust that is established during the reinterpreting cycle mitigates this risk. (Stakeholder engagements that follow similarly long cycles would require a similar degree of trust).

The reinterpretation of the relationship enables us to formulate a theoretical proposition. Our model suggests that in the absence of a reinterpretation of the relationship, it will be difficult for the parties to recognize progress on the other side, establish trust, and progress to the next cycle. Second, to the extent that having an internal champion such as Bill Ford is conducive to reinterpreting the relationship with the corporation, the absence of an internal champion could prove an obstacle to establishing dialogue. This has practical implications: faced with a corporation that signals a willingness to engage in dialogue, an activist organization might decide not to respond in kind as it might believe, in line with the social movement literature, that progress is made primarily by creating reputational threats. In doing so, the activist organization would fail to cooperate in reinterpreting the relationship. Our model suggests that this strategy would reduce the likelihood of securing trust. Likewise, lacking or losing an internal champion would also block any progress in the transformation of the relationship.

The second cycle involves the creation of common ground, a concept initially developed in the literature on communication in organizations (Clark 1996, Cornelissen and Werner 2014, Loewenstein et al. 2012). Common ground, we suggest, operates as a frame, or "schemata of interpretation" (Goffman 1974) that guides action—that is, an interpretive filter that brackets relevant and irrelevant aspects from the potential issues at stake. Our use of common ground extends its original scope from a coordination challenge to one of collaboration amidst divergent goals and perspectives. This extension has two implications. First, common ground has an emergent nature: the shared presuppositions that comprise common ground are co-created as the two parties interact. Second, common ground does not imply complete agreement between the parties, but the presence of minimal number of frame elements that are acceptable to both sides. For instance, in the case of ICCR and Ford, "climate risk" encompassed ICCR's concern that climate change posed a business risk, but left open critical questions such as the seriousness of that risk, the nature of the necessary response, the size of the necessary investments for auto manufacturers, or their timing. "Climate risk" also appealed to Ford's need to consider the interests of shareholders, rather than the planet.

The need for common ground has important implications for dialogue effectiveness. Following an initial reinterpretation cycle, and reinforced by the perception that the other party is receptive, a corporation or activist group might be tempted to simply stick to its original frame, hoping that over time it will convince the other side of its validity. This would be in line with the organizational literature on framing contests, which contends that an actor succeeds when his or her frame becomes established (Kaplan 2008). By contrast, our model suggests that the frames of both sides must be combined to progress to the next phase. In the absence of common ground, as between ICCR and GM, even tangible efforts will be interpreted as cosmetic because each party cannot appreciate the constraints in which the other operates and their efforts.

The third cycle in our proposed model is the emergence of *deliberation*, or the extensive and careful weighing of options. While framing yields a diagnosis of the problem in the form of common ground, deliberation entails experimenting towards finding a solution. Although ICCR and Ford had settled on the climate risk frame, they did not agree on what Ford should do about it. In our model, deliberation helps parties advance towards a mutually acceptable solution. Joint consideration of options and their consequences enables activists to understand the constraints faced by corporate executives and arrive at decisions that meet their goals while satisfying such constraints. An example of this was Sister Daly's withdrawal of her resolution against Ford's California lawsuit once she understood that California's implementation timeline was exceedingly aggressive, and that the only means to extend it was through legal channels.

A key aspect of deliberation is experimentation. Experimentation is a central concept in the pragmatist literature, because it makes social learning possible (Farjoun et al. 2015, Ferraro et al. 2015). As Dewey wrote, "deliberation is an experiment in finding out what the various lines of possible action are really like. It is an experiment in making various combinations of selected elements of habits and impulses, to see what the resultant action would be like if it were entered upon" (Dewey 1922, p. 190). By engaging in experiments, both activists and corporations can jointly learn what is within the realm of possibility. In the case of ICCR and Ford, the company's decision to invest in a hybrid SUV (i.e., the Ford Mariner) enabled both organizations to evaluate the outcome of a hybrid car strategy. The lesson that emerged from the failure of the Mariner was that consumers perceived hybrid cars to have insufficient power. In turn, this led ICCR to conclude that the key obstacle to hybrid cars was not related to technology, but to marketing: although the auto industry had established SUVs as a legitimate car category through sustained marketing expenditures, they had not done so for the hybrid category. Our model of engagement thus can be interpreted in light of the suggestion that forms of action building on pragmatist roots, such as robust action and deliberative democracy, might be more appropriate than traditional rational planning for addressing highly complex wicked problems (Reinecke and Ansari 2016) and grand challenges (Ferraro et al. 2015).[4]

[4] Communicative action thus enables processes of social learning, allowing individuals to update their beliefs as a consequence of deliberation (Habermas 2003, Scherer et al. 2016).

Two alternative explanations of the contrasting outcomes between ICCR's dialogue with Ford and GM should also be considered. The first attributes all the progress between ICCR and Ford to the personal beliefs of Ford's chairman (i.e., Bill Ford's commitment to environmentalism), rather than an organizational dynamic. The evidence we gathered, however, shows that environmentalism was just one of Bill Ford's many competing goals. In 2003, for instance, his company continued to lobby against stricter emission standards in California, and did not deliver on its 2005 emissions reduction commitments. Our timeline in Figure 3 provides visual confirmation of the hypothesis that even with Bill Ford's support, there were numerous instances of divergence (darker items) in the dialogue between Ford Motor and ICCR. Furthermore, it would be unrealistic to expect Bill Ford (or any single individual) to be able to single-handedly drive change in the company: as Sister Daly explained, "you have a board of directors; this is not a dictatorship." Finally, the sustainability initiatives at Ford outlived Bill Ford's tenure as chairman, and continued under Alan Mullally in 2011 (Silvestri and Gulati 2015), suggesting that the processes triggered by the dialogue found deeper roots in the organization. In sum, it seems unlikely that Bill Ford's personal stance on environmentalism could account for the differences in outcomes in the dialogue between Ford and GM. A second alternative explanation centers on Sister Daly's charisma and persuasive skills. However, since such skills were at work in both dialogues, it is unlikely that this factor explains the difference between the two.

The Role of Dialogue in Stakeholder Engagement

Our model contributes to the literature on stakeholder engagement by addressing the limitations of Habermas's emphasis on consensus in communication. An established organizational literature has discussed several of these limitations (Rasche and Esser 2006, Roloff 2008, Unerman and Bennett 2004). One criticism of Habermas already voiced by philosophers centers on his absolute commitment to rationality and the idea that there exists a single right decision that both parties can agree to through reason, so as to reach consensus. However, persuasion through reason and consensus is less effective when parties espouse different perspectives, values or traditions. As McCarthy (1996, p. 1083) noted: "Habermas has more wholeheartedly accommodated conflicts of interests in his model than he has conflicts of values, ways of life, worldviews, and the like." Indeed, the empirical observation made by Habermas's critics is that political disagreement is more often solved with recourse to majority rule than consensus. Excessive reliance on reason and consensus creates important limitations for Habermas's theory of communication, for "the sphere of questions that can be answered rationally from the moral point of view shrinks in the course of development toward multiculturalism within particular societies and toward a world society at the international level" (McCarthy 1996, p. 1093).

Our communicative action model of stakeholder engagement addresses the aforementioned shortcomings. Unlike Habermas's theory, our model does not call for rational consensus but for the creation of common ground—that is, for a partial and minimally-shared set of presuppositions rather than fully coinciding views. In our model, parties eventually engage in deliberative dialogue without necessarily reaching the state of "intersubjective understanding" that characterizes Habermas' communicative action. Our concept of common ground builds on Reinecke and Ansari's (2015) notion of "provisional truces" in that it presumes that the final solution will not be exactly what either party might have initially wanted, but will nevertheless enable communication to continue. Common ground also resembles provisional truces in that the scope for agreement is temporally structured, i.e., built on a sequence of repeated encounters that make incremental progress possible during any given encounter. As a consequence, communicative action remains fragile in our model, and even when engaged in deliberative dialogue, the parties might revert to a more strategic orientation.

In sum, by considering, as Habermas (1984) does, the existence of both communicative and strategic action in dialogue processes and allowing, based on Goffman's framing theory, for the possibility of new frames and a common ground to emerge, our model provides a theoretical framework that recognizes not only different worldviews but also accounts for how dialogue can happen across them. In our model, common ground facilitates a process of deliberation that can yield solutions to disagreements, without requiring full consensus. Indeed, the mechanisms we identified turns the problem of overcoming disagreement on its head: instead of submitting an issue to rational debate, our model calls for the reconfiguration of the actors' positions around shared elements, which then form the basis for experimentation and further deliberation. Dialogue simultaneously reshapes the actors' positions on the various issues, as well as their subsequent decisions.

Our model also speaks to the literature on political corporate social responsibility (Edward and Willmott 2008, Moon et al. 2005, Palazzo and Scherer 2006, Scherer 2015, Scherer et al. 2016, Scherer and Palazzo 2007). While Palazzo and Scherer (2006) provided a blueprint for how corporations should engage the polity, the implications of Habermas's work have not been fully explored in the reverse direction—that is, how corporations should be engaged by the polity and its stakeholders. Our model suggests they should do so by shifting from strategic to communicative action. In doing so, our model overcomes one of the key difficulties in further developing the literature on Habermasian political CSR in stakeholder engagement: excessive reliance on rational consensus. Instead, we offer an alternative based on three steps: a reinterpretation of the relationship, creation of a common ground, and deliberation. Furthermore, our empirically grounded model complements the primarily normative stance of this literature and responds to recent calls for empirical research, since "normative research without hermeneutic or explanatory research is in danger of providing knowledge about a desirable future, but not the means for making this vision a reality, and thus lacks the improvement of social conditions" (Scherer 2017, p. 8).

More broadly, our model sheds light on the challenges posed by communicative action within and across organizations. We contend that communication between organizations poses a distinct challenge relative to that between individuals, due to the need for broad participation as well as the mediating role played by internal hierarchy, which discourages internal debate. These factors make rational consensus among organizations particularly challenging. This difficulty is revealed when comparing our case with other studies of framing disputes. For instance, Kaplan (2008) argued that framing contests often are solved with recourse to experimentation, but unlike the inter-organizational setting we examined (i.e., shareholder engagement), Kaplan's context is one of a single corporation, where framing contests can easily take place within each of the groups in dispute, as they all have access to corporate resources. In other words, while executives in Kaplan's setting can start an experiment if they wish, the activists in our case need the corporation to cooperate in order to benefit from experimental findings. Hence the need to identify a common ground before experimentation can start, as this enables the activists' frames to be informed by empirical constraints.

Finally, by relating communication to stakeholder relations our model advances the intellectual agenda set out in the recent literature on communicative institutionalism (Cornelissen et al. 2015), an approach to the study of organizations "where speech and other forms of symbolic interactions are not just seen as expressions or reflections of inner thoughts or collective intentions but as potentially formative of institutional reality"

(Cornelissen et al. 2015, p. 10). Our study thus responds to calls for research that provides a better understanding of communicative acts as the microstructures of institutional reality, and suggests that the outcome of stakeholder dialogue is not simply a consequence of the parties' starting positions and of material bargaining, but of communicative interaction. Our proposed use of common ground thus places communication "front and center" in the analysis of institutions, as Cornelissen et al. (2015, p. 10) advocated.

The Role of Dialogue in Shareholder Engagement

Our model contributes to the literature on shareholder engagement by addressing the scholarly debate on what makes it effective. Scholars in finance (Dimson et al. 2015) and business ethics (Van Buren 2007, Goodman and Arenas 2015, Logsdon and Van Buren 2009) have suggested that dialogue is an integral component of shareholder engagement, but have not offered a comprehensive theoretical framework to explain the interplay between resolutions and dialogue. Furthermore, while scholars such as Goodman et al. (2014) have examined the dilemma between exit and voice, they left unexplored the tension between resolutions and dialogue. Conversely, social movement theorists have explained the effectiveness of shareholder engagement primarily through the lens of reputational threat, implicitly assuming instrumental action as the sole form of agency in the process (King 2008, McDonnell et al. 2015). However, they failed to explain why, if corporations respond only to reputational threat, activists are so keen to engage in dialogue or any persuasive tactic (Briscoe and Gupta 2016).

We contribute to this debate by introducing communicative action as a lens for understanding shareholder engagement. Our model of communicative action reconciles the perspectives of both business ethicists and social movement theorists by positing engagement as a process that entails both strategic and communicative action. Strategic resolution-filing ensures the possibility of dialogue, thereby opening the door to communicative action. We thus build on early suggestions that dialogue differs from reputational threats (Logsdon and Van Buren 2009). The shift to communicative action also explains how parties can build trust, understand each other's needs and constraints, or reframe the issue under discussion (Logsdon and Van Buren 2009). Our account thus contributes to the business ethics literature on shareholder dialogue (Goodman and Arenas 2015) while acknowledging the role of reputational threats in shareholder engagement (King 2008). Indeed, our model suggests that reputational threats are crucial, as they prompt companies to engage in dialogue. Similarly, our findings also speak to Goodman et al.'s

(2014, p. 15) finding that stakeholder voice can continue after exit, which prompted them to ask: "Why would an investor choose to remain?" Our model suggests an answer: to capitalize on trust and common ground, and to benefit from the social learning that results from experiments after common ground has been effectively established.

Finally, the perspective on shareholder engagement that emerges from our model contrasts with the emphasis on negotiation in the finance literature on engagement (Bauer et al. 2005). Even in inclusive accounts of negotiation such as in studies of integrative bargaining (Bazerman et al. 1985), parties communicate in a strategic fashion—that is, to advance their distinct views and perspectives. By contrast, in our model, dialogue is a communicative approach that involves deliberation aimed at achieving a common understanding of issues, and determining the best actions to address them. Similarly, while integrative bargaining emphasizes exposure to the opposing perspective to find common interests, our model allows for the possibility of advancement even if the respective interests are different, as it allows for the possibility of differences in frames. For that reason, while both our model and integrative bargaining call for communication, ours also includes reinterpreting the relationship, common ground, and deliberation as key components in the process.

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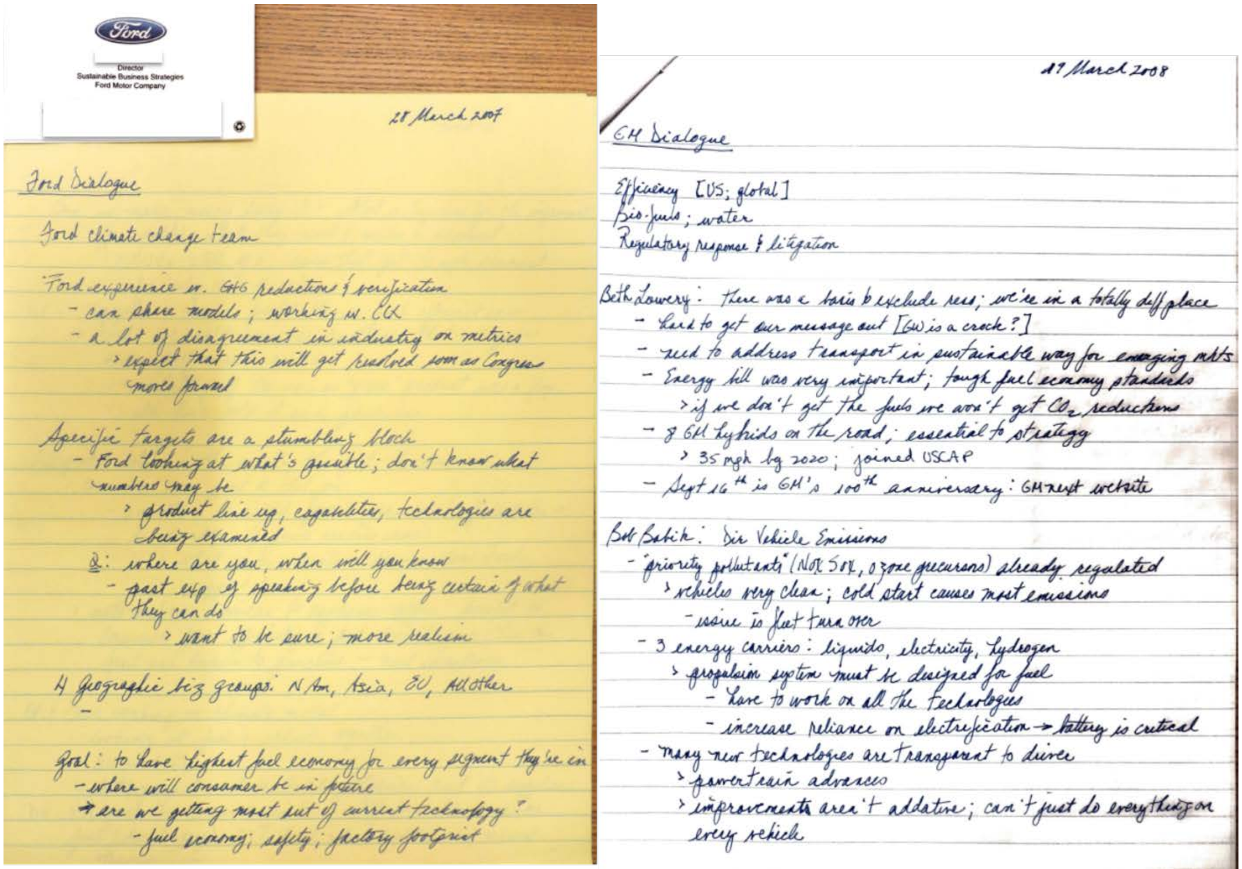
Table 1 Representative Data for our Conceptual Categories

Aggregate Dimensions	**Conceptual categories and representative data**
	Establishing Dialogue
Raising issues	"Dear Mr. Wagoner [GM CEO]: We, as investors managing over $465 billion in invested assets, are writing to request that General Motors undertake a comprehensive analysis of the business implications of climate change on the company and report the findings of that analysis to your shareowners." (ICCR Letter to GM, May 19, 2006, ICCR Archive) "I had my first meeting with ICCR and they approach told us that if Ford wanted to take the next step and really be a sustainability leader, they really had to look at, their climate change - the steps they want to take on climate change. In 2000, you know, the big huge SUVs and real gas guzzlers we had, we didn't even indicate that climate change was a problem, let alone have any kind of strategy on product mix or engines or powertrains or materials to address it" (David Berdish, Ford, Interview)
Acknowledging issues	"We are grateful to know of the serious consideration this resolution has received from you and other key people at Ford."(Letter to Bill Ford, Apr. 16, 2003; ICCR Archive) [Negative] As for the shareholders' goal of raising the U.S. fleet's fuel economy to 40 mpg by 2012, GM said that "would not be feasible and could have adverse effect on consumer choice, safety, comfort and utility." (Dow Jones Business News, May 7, 2003, GM) "In an unprecedented move, Ford Motor Company has published a response to a global warming shareholder resolution even after the resolution had been withdrawn, acknowledging the issue to its shareholders and pledging to work to address it. (ICCR press release 2004, ICCR Archive)
Relationship Reinterpreted	"The shareholders, religiously affiliated investors who frequently file resolutions against companies on social issues, said they withdrew the measure against Ford after top company executives, including Chairman William Ford Jr., agreed in recent meetings to work hard to reduce greenhouse-gas emissions from Ford factories and vehicles." (The Wall Street Journal, May 8 2003, Ford) "And I think the way that ICCR communicate, the way they interact, the huge amount of empathy they show to how business is run, I think that they made the operational people that were in change of implementing the strategies, they made them feel […] more comfortable" (David Berdish, Ford, Interview). [Negative] Toni Simonetti, a GM spokeswoman, criticized the shareholders' action, saying she didn't think "the way they have characterized this in a GM vs. Ford kind of way is appropriate at all. I'm extremely disappointed with this approach to generate publicity. (Dow Jones Business News, May 7 2003, GM).
Trust between parties	"[We] work by trying to build up trust and reinforce the hand of internals working to improve situation" (David Schilling, ICCR, Interview) "And as I worked on developing that there was a lot of mutual trust and trustworthiness. And I found as the years evolved that if I had a crisis or if they found some issues that they thought Ford could influence, we found ourselves helping each other out." (David Berdish, Ford, Interview) "Companies understand that we're not the worst people in the world. Engaged shareholders do bring a number of things to the table. But I believe that because it was sisters and priests and Protestant ministers and others who were like the first ones to do it, it made a little easier to swallow. There was some kind of trust level."(Patricia Daly, ICCR, Interview)
	Framing Cycle
Benevolently interpreting actions	Patricia Daly explains why they withdraw a resolution without any commitment: "I've been working on shareholder resolutions for 20 years, and I've never seen one of our resolutions get this attention." Ford executives, she said, "clearly did not want to say to their shareholders, `Vote against this.' At the same time, they did not want to make commitments they knew they couldn't meet." (Patricia Daly, ICCR, Interview)

	"Ford chose not to automatically fight this resolution, but instead talked internally at length about how to avoid recommending that shareholders vote against it. Ford came up with a very creative proposal - something that we have never seen a company do before. GM, in contrast, did not take a single proactive step to acknowledge the very serious issue of their products' role in causing global warming or move toward addressing green SUV" (ICCR internal memo 2004, ICCR Archive) In an internal memo ICCR members discuss how to do a press release following their withdrawing a resolution at FORD even if they company had not actually committed to any change: "(Objectives: • To applaud the company 's openness while still holding their feet to the fire to keep working toward making an actual commitment." (ICCR Internal Memo, ICCR Archive).
Expressing Mutual Commitment	"The shareholder proponents have acknowledged Ford's commitment to move forward in addressing climate change and reducing greenhouse gas emissions and they have stated their commitment to further engagement with the company. they have acknowledged that the Company's commitments include working on public policies that advance the market for fuel efficient vehicles" (Ford 2007 Proxy statement to shareholders, ICCR Archive) In reference to the publication of the Climate risk report "There is only one company that has been roundly championed by ICCR investor members in the last year for their very forward thinking to reducing fleet omissions and that company as Ford Motor Co. which very publicly announced a commitment to these practices." (Laura Berry, ICCR, Interview)
Common Ground	"We have undertaken to work closely with the shareholder proponents and other stakeholder to find ways to meet our shared goal of responding to climate change and reducing GHG emissions proactively, affordably and in line with the interests of our shareholders" (Ford Annual Report, 2008: 89 in ICCR Archives) [Positive / Negative] According to Ford, "The related issues of climate change and energy security have become a market force that is changing the operating environment in the automobile industry and putting business value at stake." In contrast, GM states: "GM consider global climate change to be a significant public policy issue." (ICCR memo on dialogue with GM, March 2006, ICCR Archive). "Drawing from the notes sent by Ford detailing areas of consensus for potential collaboration from our dialogues in January and December 2002, as well as our own internal discussions, we propose below a set of objectives to pursue at the outset of the dialogue process" (Internal ICCR Memo Oct. 24, 2003, ICCR Archive)
Understanding mutual constraints	In 2008 during an engagement meeting, ICCR members are told that with the impending California standards, Ford (like GM, Honda, or Toyota) will not be able to sell cars in California: "Ford doesn't have product plan to meet requirements". The time frame is "too short", "No company can do it; not Toyota nor Honda," the "only way to negotiate timetable is to sue" the government to extend the time. frame. (ICCR Engagement Notes with Ford, Mar. 28 2007, ICCR Archive) "The Company supported the principle of the resolution but disagreed with certain statements made as part of the proposal. Clarifying our respective assumptions on these issues will require more dialogue." (Ford 2007 Proxy statement to shareholders, ICCR Archive)
<u>Deliberation Cycle</u>	
Experimenting and social learning	Discussing the launch of the SUV Ford Mariner, the first hybrid SUV Ford launched, during in an engagement meeting, executives wondered: "Can we make money doing it?" Sales had been unsatisfactory because "we can´t convince customers that I-4 gives the same performance as V-6" (ICCR Engagement Notes with Ford, Mar. 28 2007, ICCR Archive) Another option was discussed: "Ford trying to bring EU product here [in the United States]," given their lower emissions. "Emissions from diesel are an issue," somebody objected. But the company would benefit from sharing a "common platforms with EU plant" (ICCR Engagement Notes with Ford, Mar. 28 2007, ICCR Archive)



Ford

Director
Sustainable Business Strategies
Ford Motor Company

28 March 2007

Ford Dialogue

Ford climate change team

Ford experience w. GHG reductions & verification
- can share models; working w. CCX
- a lot of disagreement in industry on metrics
  > expect that this will get resolved soon as Congress moves forward

Specific targets are a stumbling block
- Ford looking at what's possible; don't know what numbers may be
  > product line up, capabilities, technologies are being examined
- Q: where are you, when will you know
  - past exp of speaking before being certain of what they can do
    > want to be sure; more realism

4 geographic biz groups: N Am, Asia, EU, All Other
-

Goal: to have highest fuel economy for every segment they're in
- where will consumer be in future
→ are we getting most out of current technology?
  - fuel economy; safety; factory footprint

19 March 2008

GM Dialogue

Efficiency [US; global]
Bio-fuels; water
Regulatory response & litigation

Beth Lowery: there was a basis to exclude recs; we're in a totally diff place
- hard to get our message out [GW is a crock?]
- need to address transport in sustainable way for emerging mkts
- Energy bill was very important; tough fuel economy standards
  > if we don't get the fuels we won't get CO_2 reductions
- 8 GM hybrids on the road; essential to strategy
  > 35 mpg by 2020; joined USCAP
- Sept 16th is GM's 100th anniversary: GMnext website

Bob Babik: Dir Vehicle Emissions
- "priority pollutants" (NOx SOx, ozone precursors) already regulated
  > vehicles very clean; cold start causes most emissions
    - issue is fleet turn over
- 3 energy carriers: liquids, electricity, hydrogen
  > propulsion system must be designed for fuel
    - have to work on all the technologies
    - increase reliance on electrification → battery is critical
- many new technologies are transparent to driver
  > powertrain advances
  > improvements aren't additive; can't just do everything on every vehicle

Figure 1. Illustrative material from ICCR Archives.

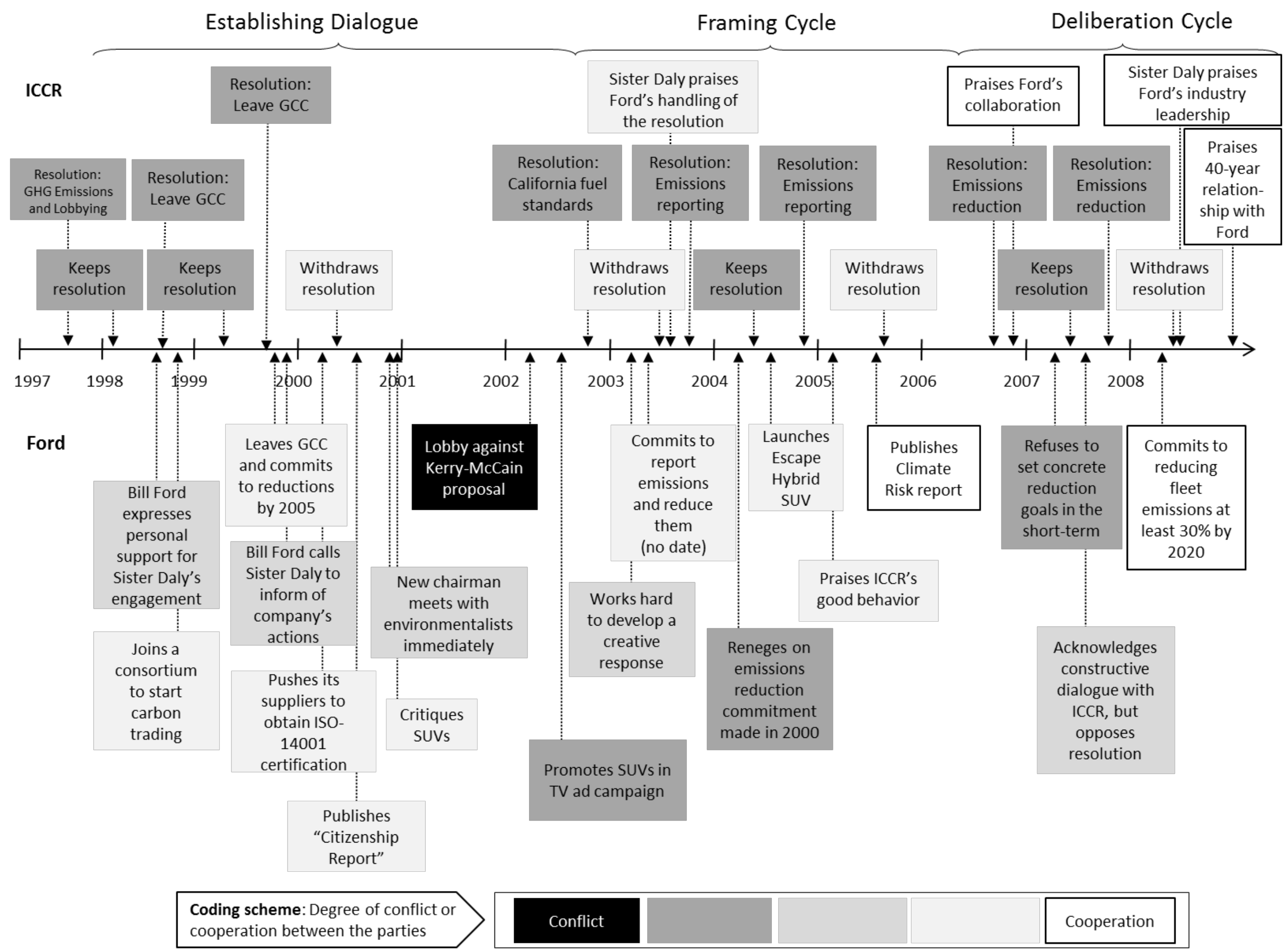


Figure 2. Shareholder dialogue at Ford: Timeline, degree of conflict and cooperation between the parties, 1998–2009.

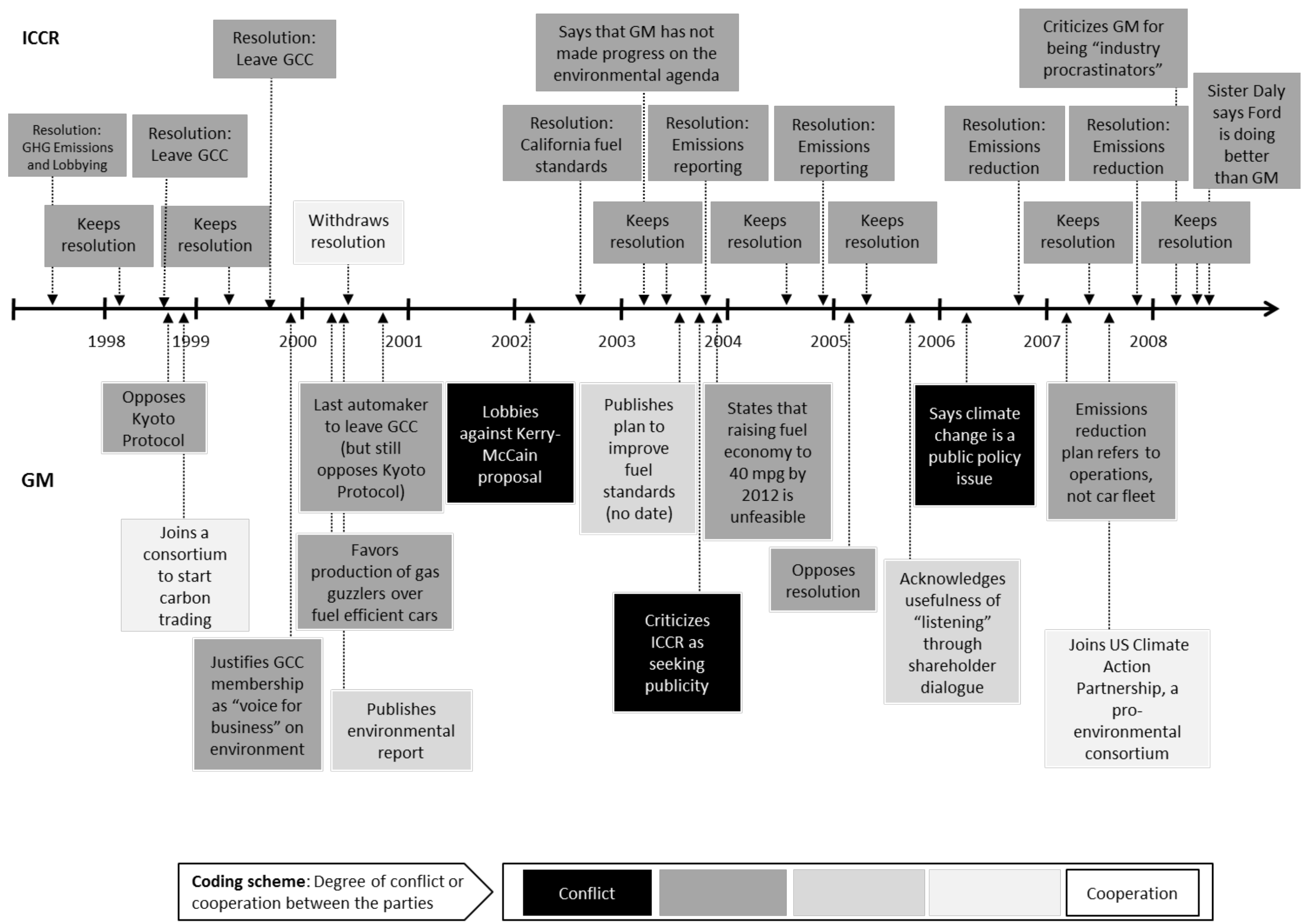


Figure 3. Shareholder dialogue at GM: Timeline, degree of conflict and cooperation between the parties, 1998–2009.

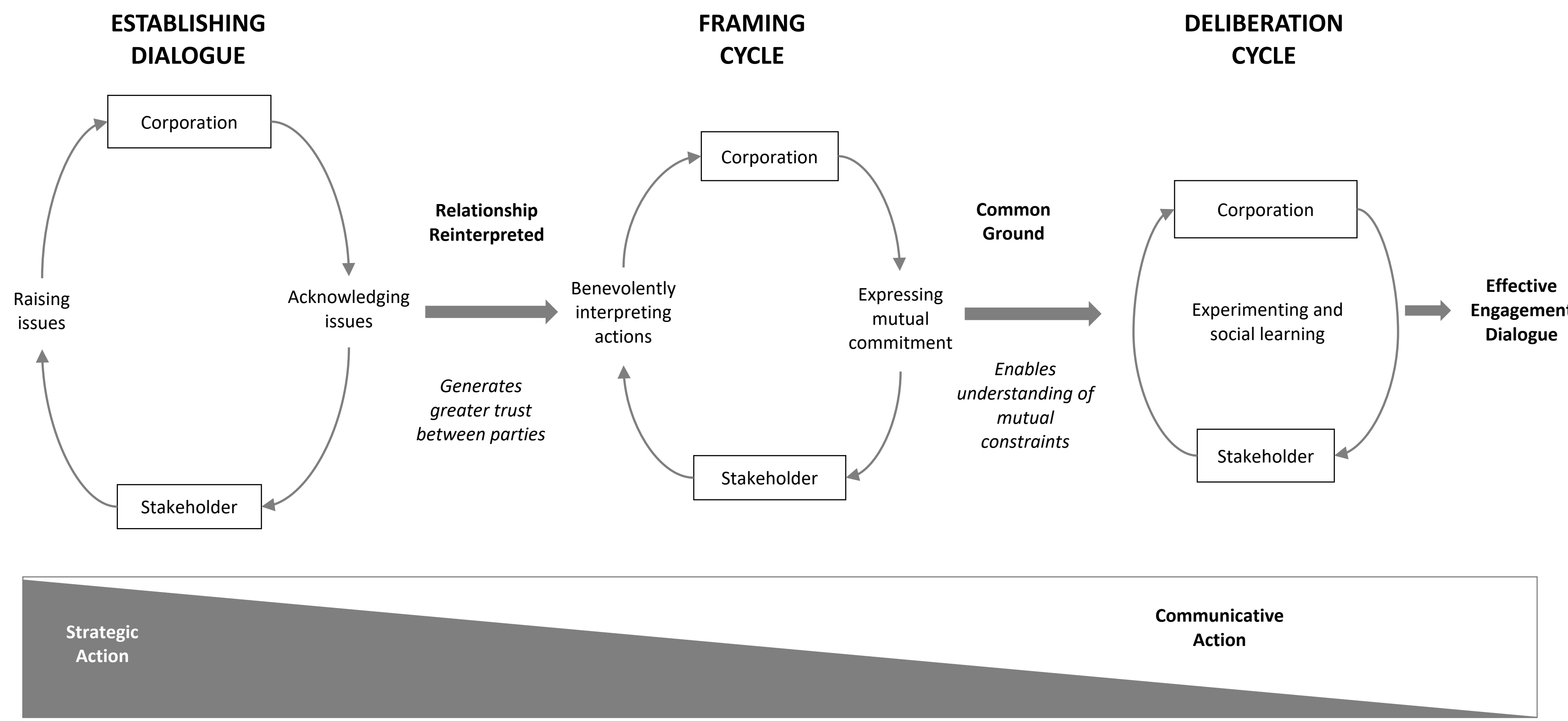


Figure 4. Communicative action in shareholder dialogue.