

BLACKLISTED BENEFACTORS: THE POLITICAL CONTESTATION OF NON-MARKET STRATEGY

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In this paper, we explore this possibility by employing organizational and social movement theory as a lens to understand the relationship between legitimacy threats and political strategy. We propose that non-market strategy is politically contested, meaning that a firm's non-market strategy can be disrupted when contentious stakeholders call a firm's legitimacy into question. To test this general proposition, we offer the first systematic study of the effect of public protest on corporate political strategy, using a unique database that allows us to empirically analyze the impact of social movement boycotts on targeted firms' campaign contributions through their affiliated political action committees (PACs). Results from our analyses confirm that boycotts lead to significant reductions in the amount of targets' campaign contributions. Moreover, we show that boycotts lead to a significant increase in the percentage of targeted firms' contributions that are refunded, thereby being effectively rejected by the politicians they seek to support. These results highlight the important role that the socio-political environment in which a firm is embedded plays in determining firms' freedom to strategically interact with their regulatory environment. We supplement this primary analysis by drawing from social movement theory to extrapolate and test a number of mechanisms that moderate the extent to which movement challenges disrupt corporate political activity.