Class Effects: The Role of Social Class Background on CEO Selection and Career Outcomes

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Abstract

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This dissertation examines the influence of social class background on selection to the CEO position and subsequent career outcomes for CEOs. Specifically, I study how social class background may result in sociocognitive inferences that advantage those of higher and lower social class backgrounds. In the first study, I build off prior research which has highlighted the importance of upper class background for the CEO position to disentangle whether this effect is the effect of human and social capital differences or class effects. I propose that the preference for a higher social class candidate is determined by the macroinstitutional context and that the rise of a shareholder logic over the period from 1970-2013 has especially amplified this preference. Moreover, companies with greater institutional ownership are more likely to be beholden to this shareholder value orientation and express a preference for higher social class candidates. However, I theorize that collective bargaining agreements with unions can serve as a countervailing force, which prevents a shareholder value prioritization in companies and reduces the likelihood of higher social class selection while allowing those from different social class backgrounds a greater chance of attaining the CEO position. In the second study, I propose that social class background can result in inferences of managerial discretion or latitude of managerial action. I theorize that those of lower social class backgrounds are often viewed in the context of the considerable social mobility they have achieved from a position of disadvantage, and will be attributed greater capability of changing performance outcomes of the firm as a result. Conversely, I theorize that those from higher social class backgrounds are likely to be attributed lower discretion than their lower social class counterparts because they can rely on parental resources and less on their individual agency in realizing their career outcomes. The studies are largely supported and contribute to the literature in upper echelons, social class, and corporate elites and advance an understanding of how class background can affect executives at the apex of their careers.

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Introduction

In today's post-industrial society, tales of incredible success, such as those of widely-hailed business leaders including the likes of Howard Schultz, Lloyd Blankfein, and Ursula Burns, have been praised and recounted by the popular rhetoric. These tales reflect the highly espoused values of egalitarianism and opportunity in the United States and promote a picture of a highly upwardly mobile and rags-to-riches society. However, statistics of social mobility in a recent Pew Report using the Panel Study of Income Dynamics (PSID) data across multiple decades paint a more subdued picture. While there are overall trends of upward mobility- with 35 percent of Americans having greater income and moving up a rung on the ladder relative to their parents- 43 percent of those in the bottom quintile continue in that quintile as adults, and 70 percent of those in the bottom quintile remain below the middle quintile (Urahn et al., 2012). Ultimately, only 4 percent of those born to the bottom quintile in income make it to the top quintile (Urahn et al., 2012). Furthermore, the majority of the income growth is accounted for by the children of the top income quintile earners. And in comparison to the period from 1950-1980, upward mobility has been declining sharply since 1980, while income inequality has gradually increased (Aaronson & Mazumder, 2008; Panousi, Vidangos, Ramnath, DeBacker, & Heim, 2013).

As the trends portray, some individuals are able to transition upwards in social class, but past research suggests that those who transition often face barriers, first in selection into different gateway institutions (e.g. colleges and occupations), and subsequently, in promotion and opportunities within organizations. In most cases, the rich maintain exclusive access to the majority of economic wealth, while the poor continue to have difficulties in moving up the social class ladder. The statistics show that very few climb up to enter into leadership roles. This dissertation looks to explore those who, despite these barriers, are able to move up into the corporate elite and understand whether their social class background still influences their advancement and career outcomes in comparison to their higher social class peers.

To carry out these analyses, I examine a sample of 1,578 executives of the S&P 1500 for whom I hand collected social class information using Census records. In the first chapter, I conduct a literature review, examining theories and prior work on social class by organizational scholars. In the second chapter, I open the chapter by grounding this study in upper echelons and chief executive succession literature, which has not studied the reasons for the prevailing upper class dominance in the corporate elite, and how social class background can influence evaluations of individuals even at the apex of their careers.

To explore the research questions of how social class affects the likelihood of becoming CEO and in subsequent career outcomes, I outline two studies in the second and third chapters respectively. In the first study, I examine the degree to which a preference for higher social class candidates has changed over time and the organizational conditions that may moderate this preference. This section will study selection into the CEO position and serves as a very conservative test of board members' preferences for social class because the candidates under consideration are executives with high ability and demonstrations of past success. In the second study, I examine whether sociocognitive inferences of discretion from social class background influence whether careers unfold differently for CEOs of different social class origins. I theorize that social class background signals the extent to which CEOs have discretion over firm performance and find this results in boards attributing a stronger or weaker relationship of firm performance to CEOs of different class backgrounds, and penalizing or rewarding CEOs more in their careers as a result.

Chapter 1

1.1. Theoretical Foundations of Social Class

The topic of social class, and the related topic of social stratification, have been the focus of extensive research by social scientists. In this dissertation, social class is defined as a relative socioeconomic position in society, reflecting the socioeconomic status an individual was born into as measured by the parent's occupation, education, and income (Adler & Snibbe, 2003; Côté, 2011; Martin, Cote, & Woodruff, 2016; Rivera & Tilcsik, 2016). Income, education, and occupations provide access to economic resources, social and cultural capital, and prestigious positions in society. Throughout the dissertation, I will be referring to the social class background, or the socioeconomic conditions that the focal sample of interest grew up in, as measured by parental income, education, and occupation.

The theoretical foundations of social class draw from the works of class theorists such as Karl Marx, Max Weber, and Pierre Bourdieu, who recognized social class as a strong force that affects social interactions and institutional development. These interactions shape the form of societal and organizational inequality and studies of social class generate knowledge on breaking down these different forms of inequality. The first approach developed by Karl Marx views social class in relation to production, based on one's occupation. Marx and Engels (1848, 1973) conceptualized individuals into two camps. The first camp were the resource owners who owned the means of production and the second camp were those who worked within these means. Class distinctions come from one's occupation and relations between the two classes. Social institutions rise to enforce the elite's position rule over the lower classes. The awareness of this social stratification was referred to as "class consciousness" by Marx and Engels (1848, 1973). Approaches drawing from Marx define class based on the job title or job characteristics.

A second approach to social class comes from the work of Max Weber, who took a multidimensional view of class. Weber describes social classes as stratified by “relations to the production and acquisition of goods”, and further stratification into status groups by “consumption of goods” (Weber, 1968: p. 173). When the acquisition and production of goods become stabilized, stratification by status becomes the favored determinant of social class. A Weberian approach views class position as a determinant of individual behaviors. Integral in the Weberian approach is capturing differentiation in the ability to implement the set of assets (skills and capital) inherent in each class and studying how these exchanges of assets affect life chances (Breen, 2005). The defining characteristic of the Weberian approach to class is studying how class affects life chances. A Weberian approach to social class accounts for the range of experiences that shape social class identity including lifestyle, education, and occupation (DiMaggio, 2012).

A third approach was developed by Pierre Bourdieu in taking a cultural perspective on social class. Social class is “a form of culture, a set of shared social contexts that create class-specific repertoires of values and behavioral scripts” (Kraus, Piff, Mendoza-Denton, Rheinschmidt, & Keltner, 2012: p. 547). The Bourdieu approach was influenced by Weber’s work that discussed the exclusive forms of knowledge that allowed groups to attain status. Bourdieu describes how children from elite families would attend selective institutions, acquire cultural capital, and convert this to economic and social capital. Bourdieu’s theory is based on a fundamental assumption that early experiences “varied systematically by social class”, and are reproduced by the habitus, or habits of mind, evaluative tendencies, and actions (DiMaggio, 2012). Cultural capital, according to Bourdieu, is the type of knowledge and access to culture that society’s elite possesses, and is embedded into society such that this knowledge becomes prestigious. Bourdieu's approach assumes that social class has the greatest effect when people are very young. Early life experiences affect an individual's "linguistic capital, habitus, social networks, and life experiences" (Bourdieu, 1979). This approach calls for the need to categorize those who have experienced social mobility according to the class of origin. Similar to Bourdieu and Weber, an assumption in the methodology of this study is that early life experiences have a systematic effect on an individual's pathways, such that career trajectories and outcomes are affected.

Even though these three prominent theorists of social class have largely retained separate traditions, they have significant similarities. All three theoretical traditions of class analyze how social class of origin and social relations among these classes affect the life outcomes of individuals. What distinguishes each theoretical tradition are the specific mechanisms that are theorized to generate these consequences. The distinguishing point of a Marxian approach is that it sees two causal paths being generated by social class relations, one occurring through market exchanges and the other through the process of production. The Weberian and Bourdieusian accounts of social class can be seen as a segment of the Marxian framework of class analysis. Weberian and Bordieusian theorists focus only on how social class relations affect market exchanges for skills and capital and result in differences in life chances, while Marxists also focus on how class relations can lead to conflict because of varying degrees of exploitation and domination. A Marxist approach seeks to explain patterns of historical change based on the assumption that class will be a major source of conflict and a source of collective action (Breen, 2005). A Weberian and Bordieusian approach studies how the market (or location where the exchange of individual skills occurs such as the labor market) becomes a source of inequalities in outcomes. Hence, all three approaches are similar in how they approach questions of how class impacts the lives of individuals. All three consider the social relationship to income generating assets (e.g. capital and skills) as central to the definition of social class (Wright, 2005). And all three approaches would largely place individuals in similar social classes.

Although scholars following the approaches of Marx, Weber, and Bourdieu have followed different theoretical orientations in approaching class analysis, scholars in each of the theoretical traditions have been interested in a common central question: How does social class explain inequalities in life chances and standards of living (Wright, 2005)? The literature centered around this question has focused on the status attainment process, or the intergenerational relationships of socioeconomic status, and mechanisms for social stratification. The crux of this research is concerned with whether and how conditions of birth affect what individuals attain. Much of this research has focused on models of intergenerational transmission of class (e.g. Black & Devereux, 2011; Kurz & Muller, 1987). The three traditions differ on the resources or assets that are of interest and the kind of outcomes associated with class. Chart A provides a summary of the differences in the resources and distinguishing features of each orientation. Bourdieu's notion of resources is the most expansive, including human capital (skills and knowledge), social capital, cultural capital, and financial capital. Theorists following the tradition of Bourdieu and Weber place the greatest importance on the question of life chances. Weberians who study developed capitalist societies, in particular, are interested in the question of life chances as the historical variation in inequalities has become less prevalent.

Chart A.

Theory	Focus of theory	Types of Capital	Distinguishing Feature	Theoretical concept of class	Operationalization of class
Marx	Division into classes creates conflict between classes and ultimately results in historical variation in social structures and class relations. Class divisions demarcate a modern form of exploitation and domination.	Human capital	Marxists in their core are concerned with questions of historical variation and the transformations needed to eliminate oppression and exploitation.	Class is defined by the relationship to the means of production using job characteristics, such as control over others, economic resources, and degree of autonomy	Job characteristics are used to operationalize class (e.g. Wright)
Weber	Class links the individual's position in the economic market to inequality in life chances. Class often leads to individuals in the same class to behave similarly. This results in class being a determinant of individual's future actions.	Human capital; social capital	Classes are only of interest to the degree they shape life chances	Class must capture differentiation in the labor market and system of production that shape the distribution of life chances	Occupation, education, and income are used to operationalize class. For example, Goldthorpe's class schema distinguishes occupations based on their market (levels of income, chances for advancement) and work situations (occupation's location within systems of authority over the production process)
Bourdieu	The location in a social space, or degree of different forms of capital, results in the formation of class. These conditions form the habitus, a dispositional set of evaluative actions and thinking, which result in similar life outcomes.	Human capital; social capital; cultural capital	Class location results in "habitus", which leads to different consumption patterns and lifestyles.	Class has both economic and symbolic dimensions. Classes are divided internally by the amount of capital possessed by its incumbents.	Education and occupation are used to operationalize class. Approaches using Bourdieu's theoretical lens usually study cultural capital.

1.2. Mechanisms of Social Class Mobility and Stratification

A stream of research under the larger literature on life outcomes has studied the closure processes or the mechanisms through which social stratification is perpetuated. The study of the mechanisms of social stratification draws from Weber's theory of social closure, which occurs when, in competition for resources, groups become interested in closing off other groups from access to these resources (Weber, 1978). The mechanisms for social stratification can be divided into two large camps of individual and institutional level mechanisms.

1.2.1. Individual Level Mechanisms of Social Stratification

The individual level mechanisms of stratification are attributed to the parent's ability to accrue resources such as human, social, and cultural capital for their children that ensure their children's socioeconomic status in the future. Some of the individual mechanisms for the transmission of social class are hereditary such as IQ. However, studies have found that even beyond the genetic component of intergenerational transmission of human capital, the environment and socioeconomic status of parents at childhood have additional impact. Researchers mainly in the tradition of economics studying intergenerational mobility have focused on the role of higher investment in the child's human capital in perpetuating class structures (Mincer, 1958; Solon, 1999). Parents are able to transfer skills such as cognitive and verbal skills and pass on occupation-specific skills that prepare the child for the skills desired in certain occupations (Jonsson, Grusky, Di Carlo, & Pollak, 2011).

Social Capital. Other research on individual level mechanisms has documented the role of differential access to networks, experience, and mentorship in perpetuating social stratification (Breen & Jonsson, 2005; Breiger, 1995). Those of lower socioeconomic status face inequalities from their lack of access to social resources and social networks of higher socioeconomic positions (Granovetter, 1973; Nan, 2000). On the other hand, those from more privileged backgrounds such as children of professional families come into contact with other professional families, learn about the world of professionals, develop knowledge preparing them for professional occupations, and have access to contacts who can assist them when they begin their careers (Jonsson et al., 2009).

Noncognitive Skills. Another stream of research has explored the role of personality traits and noncognitive skills in social stratification (Bowles & Gintis, 1976; Farkas, 2003; Heckman, J.J., Rubinstein, 2001; Heckman, Stixrud, & Urzua, 2006). Cognitive traits are skills that are tested on standardized tests such as math, reading, and writing skills, and are largely skills associated with tests of IQ. On the other hand, noncognitive traits constitute behaviors and habits such as leadership, confidence, and social sensitivity. Upper social class background is associated with greater development of noncognitive skills such as leadership, ambition, and political skills that perpetuate social stratification.

Cultural Capital. Cultural capital has also been explored as an individual level mechanism of social stratification. Cultural capital are socially shared tastes, leisurely activities, experiences, and self-presentation styles of society's elites (Bourdieu, 1984; Koppman, 2015; Rivera, 2012). Cultural capital helps students get better high school grades (DiMaggio, 1982). Teachers more easily communicate with students and consider them as more intelligent than students without cultural capital. Children of upper social class parents display more help-seeking behaviors, directly asking their teachers for help, which enable them to accrue more advantages in their education (Calarco, 2011). Finally, parents transmit values, orientations, and tastes that result in their children wanting both the same occupation as their parents, and also allowing their children to be more attractive to potential employees (Jonsson et al., 2009; Koppman, 2015).

1.2.2. Institutional Mechanisms of Social Stratification

Researchers have also studied how structural barriers in the form of institutions and organizations act as tools of closure, perpetuating social stratification by emphasizing values and practices that are inherently middle and upper class (Karabel, 1984; Lareau, 2018). These macro-level mechanisms include societal and organizational mechanisms such as norms and expectations within institutions, laws, and regulations. In particular, researchers have studied the role of education in social stratification. Starting from preschool and extending to graduate school, researchers have studied how both processes of selection into these institutions and practices within educational institutions perpetuate social stratification (Stipek & Ryan, 1997).

Processes within Educational Institutions. Practices within educational institutions such as expectations of participatory parental involvement typically advantage middle and upper class values. Parents from middle and upper class families are more skilled at tackling school protocols such as attending parent-teacher conferences and communicating with teachers (Lareau & Calarco, 2012). Upper class parents are also able to secure accommodations and services to meet their child's individual needs. Using knowledge from their social networks, they place their children with better quality teachers. Their access to unequal resources advantages them in complying with requests and engaging with teachers (Lareau, 2018; Lareau & Calarco, 2012).

Selection Processes into Educational Institutions. The selection process into schools also contributes to stratification (Heyns, 1974). Standardized achievement tests have been proven to be conduits of social stratification, displaying high correlation with the socioeconomic status of students, and evidencing that testing does not enable social mobility as largely aspired

(Grodsky, Warren, & Felts, 2008). Elite colleges also prefer and admit students with higher degrees of cultural capital such as students who have participated in newspapers, yearbooks, and extracurricular music and dance training (Kaufman & Gabler, 2004).

Selection and Hiring in the Labor Market. Another institutional tool of social stratification is the labor market. Occupations remain important conduits of social class reproduction (Jonsson et al., 2009) first in the selection and hiring processes of employees, and subsequently, the processes within the organization. Selection processes in organizations often involve employers using referral systems and informal networks to recruit hires who are similar to their employees, leading to exclusion of certain socioeconomic groups (Fernandez, Castilla, & Moore, 2000). Additionally, nonmeritocratic job requirements such as leadership ability and communication skills are often used in selecting employees (Jackson, 2001, 2007). Further, positions that are more exclusive such as management level positions tend to be filled by people with access to the right social networks (Lin, 1999). As a result, prior studies have evidenced that there is discrimination in the hiring process on the basis of social class (Jackson, 2009).

1.2.3. Organizational Mechanisms of Social Stratification

Organizational Processes. Processes within organizations that enable social stratification have been studied to a lesser degree, but evidence corroborates the unfortunate reality that those of lower social class face discrimination even within organizations. Even those of lower social class background who have achieved social mobility by landing professional occupations earn less than their upper class counterparts. A male professional with an advanced degree from lower socioeconomic background earns only about 60% of the earnings of upper socioeconomic counterparts (Torche, 2011). Another study of those who transition to professional and managerial jobs finds that transitioners from lower social class backgrounds earn 16% less than those from higher social class backgrounds, amounting to $11,000 in lower earnings (Laurison & Friedman, 2016). Further evidence finds that mutual fund managers from higher social class backgrounds are more likely to be promoted for reasons that are not related to performance, while those of lower social class need to display above-average performance to be promoted (Chuprinin & Sosyura, 2018). These studies evidence that even after being hired, those of lower social class backgrounds face difficulties in obtaining equivalent compensation and opportunities to advance.

Chart B. Mechanisms of Social Stratification

Level of Analysis	Mechanisms	Explanations for unequal outcomes
Individual	Human capital	Parents invest more in children's development, human and social capital, that contributes to income inequality (Schneider, Hastings, & LaBriola, 2018) Families transmit specialized occupational skills that are valued especially for professional classes (Jonsson et al., 2009)
	Social Capital	Lower social class contexts tend to have small, dense and homogenous networks. Upper social class contexts have large, diverse, and weak ties (Carey & Markus, 2017). Growing up in professional families or in families of more prestigious occupations expose children to professional networks (Jonsson et al., 2009)
	Cultural Capital & Noncognitive Skills	Parents transmit tastes, values, and orientations that make their children want the same class or occupation as their parents, and also makes their children more attractive to potential employees (Jonsson et al., 2009; Koppman, 2015). Upper class children seek more help from teachers, call teachers directly and interrupt to take requests. Hence, they receive more help, spend less time waiting and complete assignments better (Calarco, 2011)
Selection processes into institutions	Education	Achievement tests are tools of social stratification, advantaging those of higher social class background (Grodsky et al., 2008) Selection processes such as criteria of cultural capital enhance social stratification (Heyns, 1974; Kaufman & Gabler, 2004)
	Labor Market	Employers have an implicit preference for candidates of upper social class background because of perceptions of fit and cultural capital (Jackson, 2009; Rivera & Tilcsik, 2016)
	Education	Parents have unequal resources to comply with teacher requests and engage with teachers (Lareau, 2018; Lareau & Calarco, 2012)

Processes within institutions	Labor Market	Even within occupations, those of lower class background earn less than their upper class counterparts (Laurison & Friedman, 2016; Torche, 2011) Those from upper class families are more likely to be promoted for reasons unrelated to performance (Chuprinin & Sosyura, 2018)

1.2.4. Mechanisms of Social Mobility

The prior studies portray a bleak reality of biases towards those of lower social class backgrounds. Perhaps in hopes of finding a more positive story, a second and smaller stream of research has looked into the flip side of closure, or the processes and interventions that enable social mobility (Blau & Duncan, 1967; Heckman, J.J., Rubinstein, 2001; Heckman, 2006).

Sociopolitical Factors. On the institutional level, much of the research in this tradition has looked at the sociopolitical factors that enable mobility through cross-national comparative studies of social mobility (e.g. Bjorklund & Jantti, 1997; Diprete, 2002; Ganzeboom, Treiman, & Ultee, 1991). Initial studies found that mobility was greater in industrialized countries in comparison to nonindustrialized countries, as measured by economic development. Political stability, and the type of government such as whether the government was communist or democratic, are also attributed to positively affect social mobility (Heath, 1981). Additionally, revolutions are found to promote mobility in the short run (Kelley & Klein, 1981). Practices such as institutionalized associations between education and the labor market decrease social mobility, while welfare transfers are theorized to positively affect rates of social mobility across countries (Erikson & Goldthorpe, 1987).

Education. Of all the mechanisms for mobility, education has been the recipient of extensive academic attention (e.g. Breen & Jonsson, 2005; Hout, 2012). Education is seen as a crucial mechanism that can change life outcomes for those from lower social classes. Much of the intervention research has been carried out in the form of field experiments and archival analysis. When kindergarten children are placed in classrooms with higher quality teachers and smaller classroom size, a classroom of 20 children placed in these treatments earned $320,000 more than other classrooms in their lifetime without these interventions, pointing to the possibility that ensuring a better teacher, and subsequently better quality of education at early childhood shapes economic outcomes (Chetty et al., 2011; Chetty, Friedman, & Rockoff, 2014). Additionally, intervention programs such as the Perry Preschool Program, a 2 year intervention for disadvantaged children, found that implementing a practice of teachers routinely visiting the student's home and involving the parents in their child's education, and morning programs at school with small classrooms resulted in much more successful economic outcomes for children (Heckman, 2006). Other archival research has found that those who enter elite colleges can achieve similar income levels regardless of their social class of origin (Chetty, Friedman, Saez, Turner, & Yagan, 2017; Hout, 1988).

Social Capital. Additional research has looked at other structural factors that enable mobility. Chetty, Hendren, Kline, & Saez (2014) find that indices of social capital at childhood, or the strength of networks and community involvement, are correlated with mobility. In a follow-up paper, Chetty & Hendren (2018a) uncover that neighborhoods with more dual parent households and better schools have more social mobility. Areas with more segregation by race and income, and areas characterized by more inequality, result in lower levels of mobility. Chetty & Hendren (2018b) find a causal effect of growing up in neighborhoods with greater college attendance increasing the likelihood of college attendance. Likewise, neighborhoods with more marriage and teen pregnancy increase the likelihood of these characteristics in children who moved to these neighborhoods. These studies point to the importance of structural conditions and social capital at childhood in enabling social mobility.

1.3. Social Class in the Labor Market

Prior studies have unveiled important mechanisms that affect and reduce social stratification, but research on how to overcome and reduce the biases and disadvantages of a lower social class background has largely centered on early childhood and educational interventions. In particular, research on when and how mobility occurs in the labor market is scarce. The labor market should play a crucial role in enabling transitions across social classes (Kalleberg & Sorensen, 1979). Entrance into different occupations is characterized by different degrees of closure, with the highest occupational strata characterized by the largest degrees of closure. Prior analyses of the occupational structure have demonstrated that there is very little mobility into the highest occupational strata, and occupations in this strata see the least amount of entrance by those of lower social class backgrounds (Carroll & Mayer, 1986; Mayer & Carroll, 1987).

1.3.1. Hiring in the Labor Market.

Human Capital and Signaling Theories. Labor market models of hiring often assume that employees hire based on the human capital or skills of the employee (Torche, 2011). These models assert that employers, unsurprisingly, use educational attainment and work experience to determine the competence and potential productivity of employees. Related to human capital theory, signaling theory suggests that employees lack the time and resources to accurately assess employee ability (Spence, 1974). When faced with these constraints of uncertainty and bounded rationality (Simon, 1957), employees use signals that are easily perceived to assess the underlying quality and ability of employees (Podolny, 1993). Under signaling theory, physical characteristics such as gender and race, and status signals such as prestigious education can often proxy for quality (Bertrand & Mullainathan, 2004; Gomulya & Boeker, 2014; Ridgeway, 1997). The value of the signal lies in its perceived correlation with ability rather than actual skills or knowledge (Rivera, 2020).

Cultural Capital. Researchers have also looked at other factors that influence hiring decisions. There is a small but compelling body of evidence of restrictions in the hiring process of prestigious occupations, resulting in the denial of lower social class entrance into these occupations (Jackson, 2009; Koppman, 2015; Rivera & Tilcsik, 2016). Rivera (2015, 2012) documents the crucial mechanism of cultural capital, in these processes. Those from privileged backgrounds have a record of investment in extracurricular activities that allows them to have greater cultural capital, distinguishing them from those from less privileged backgrounds. This accrual of cultural capital gives individuals from privileged backgrounds a distinct advantage in the labor market, especially for higher-status occupations. Being from a privileged background also acculturates individuals into being more likely to seek out positions that are associated more with a privileged social class background such as creative jobs (Koppman, 2015).

1.3.2. The Relevance of Social Class in the Executive Labor Market

Given that literature has demonstrated that the labor market can restrict access to certain jobs, the question of how and when those of lower social classes transitioned into the most exclusive labor market, the labor market for chief executives, may be of particular interest in unearthing potent mechanisms for mobility. Out of all the subsets of the labor market, the executive labor market is likely characterized by the largest degree of closure because of its highly selective nature. The market for executives, which is marked by high competition, may be more selective and impose the greatest barriers to social mobility. Once an individual gains access to this role, the individual acquires the rights to control societal production, representing a shift in power and access to resources. Thus, hiring into the position of CEO should be of interest to social class scholars because the CEO position is characterized by the greatest degree of closure and institutionalized mechanisms preventing those of all social classes, and particularly lower social classes, from gaining entrance to the position.

In particular, this dissertation is interested in the role of the sociocognitive evaluations of social class background and how these evaluations may influence selection to the CEO position and subsequent CEO's career outcomes. In their study of hiring of law firm associates, Rivera & Tilcsik (2016) find that those of lower social class faced discrimination in the initial screening of potential hires because they are seen as less of a fit with their employees. Their study is important because it demonstrates that social class background results in sociocognitive advantages especially for those of higher social class origin. The study reveals that the inferences of social class made of individuals can result in evaluations of fit and competence, and ultimately influence hiring decisions in law firms. Extending this work and the seminal work of Useem & Karabel (1986) who found an upper social class skew in the corporate elite, this dissertation seeks to understand the role of social class in affecting selection to the CEO position, how this has changed with the macroenvironmental context, and how social class can create sociocognitive advantages that affect the career outcomes of CEOs of different social class backgrounds. My research questions are as follows:

1.4. Research Questions

1.4.1. How has the role of social class in CEO selection evolved over time with the rise of a shareholder value logic? What organizational conditions moderate the preference for a higher social class candidate?

1.4.2. How does social class affect the relationship between performance and CEO career outcomes?

1.5. Overview of Dissertation

This dissertation studies the social class backgrounds of CEOs and explores whether the sociocognitive evaluations of social class background influence the hiring processes and career outcomes of the chief executive. The dissertation integrates a long line of work on social class with upper echelons literature. Chapter 2 extends seminal work by Useem & Karabel (1986) who found that those of higher social class are advantaged and more likely to be selected to the CEO position. However, no work since then has disentangled whether this selection stems from class effects or human and social capital differences among candidates. I theorize that class effects will influence CEO selection, above and beyond the effects of human or social capital. I propose that the preference for a higher social class candidate is determined by the macroinstitutional context and that the rise of a shareholder value logic over the period from 1970-2013 has especially amplified this preference. Companies with greater institutional ownership are more likely to be beholden to this orientation and express a preference for higher social class candidates. However, I theorize that collective bargaining agreements with unions can serve as a countervailing force, which prevents a shareholder value logic from taking hold and reduces the likelihood of higher social class selection while allowing those from lower to middle social class backgrounds a greater chance of attaining the CEO position.

Chapter 3 then explores whether social class background results in sociocognitive inferences that influence evaluations of CEO discretion, and ultimately affects the relationship among CEO career outcomes and performance. I theorize that those of lower social class background are attributed greater discretion over firm outcomes because of their great mobility and ability to change their outcomes. In comparison, those of higher social class background are often attributed as having lower discretion because their background is seen to give them benefits which reduce the amount of agency they are attributed. I find support for these hypotheses in this study, uncovering that those of lower social class background tend to be rewarded more for good performance and penalized more for poor performance in their careers than their higher social class counterparts.

Chapter 2. Class Advantage: The Evolving Role of Social Class Background on CEO Selection

Social class of origin – defined as parents' relative socioeconomic rank in society as reflected by income, education, and occupational attainment – remains one of the most enduring influences on intergenerational mobility. By some accounts, the economic and social stratification in the United States has reached levels not seen since the Gilded age (Couch & Dunn, 1997; Panousi et al., 2013; Saez, 2011). Both sociological and economic perspectives on labor markets have shown that individuals' social class backgrounds fundamentally shape their career trajectories by both affecting access to advancement opportunities, such as networks, and mentorship (Breen & Jonsson, 2005; Breiger, 1995; DiMaggio, 1982; Granovetter, 1973; Nan, 2000), and by shaping divergent employment prospects (Rivera & Tilcsik, 2016). The cumulative effect is that the upper echelons of American society are overwhelmingly dominated by individuals of higher class origins, including the CEOs of the largest public corporations (Mills, 1956; Useem & Karabel, 1986). This class skew in CEO profiles is significant because CEOs can play a substantial role in either leveling the playing field or further entrenching a stratified social order due to the immense power vested in their jobs (Finkelstein, Hambrick, & Cannella, 2009; Mizruchi, 2013; Useem, 1984).

While the topic of how social class background affects individuals' ascent to the highest offices in Corporate America carries both social-scientific and societal relevance, it has received surprisingly little attention since the seminal article by Useem and Karabel (1986) that documented an upper-class skew among corporate elites in the late 1970s. This lack of attention is glaring for at least two key reasons. First, while Useem & Karabel (1986) showed that senior executives of upper class background are more likely to be selected as CEOs, they stopped short of explicating the mechanism that gives rise to this preference. On one hand, it is possible that executives' social class background correlates with their human and social capital, which in turn become the basis of the board's preference for upper class candidates. In this perspective, social class background is merely a proxy for some other latent difference among executives. On the other hand, provocative evidence from a recent study by Rivera & Tilcsik (2016) suggests that, even when all other attributes are held equal, employers tend to derive inferences from the social class backgrounds of candidates that can result in preferential hiring of upper-class candidates. In the absence of any systematic attempts to adjudicate these mechanisms, scholarly understanding of how some individuals, and not others, come to occupy the highest offices in Corporate America remains limited. This issue has considerable implications as upper echelons scholars have emphasized the need to "improve our predictions of who will win CEO succession contests (Hambrick, 2007: 338)."

Second, the corporate landscape in the United States and around the world has undergone systemic shifts in the decades since the 1970s. During the closing two decades of the twentieth century, a set of co-evolving social, cultural, and regulatory forces steadily transformed the goals and governance of corporations in a way that inculcated shareholder logic as the overarching guiding principle for corporate decision-making (Davis & Thompson, 1994; Useem, 1993; Zajac & Westphal, 2004). This systemic shift elevated the interests and preferences of highly (and increasingly) affluent investors over other corporate objectives, such as business expansion and citizenship (Fligstein & Shin, 2007; Useem, 1993). Enabled in part by the adoption of agency-theoretic prescriptions by governance reformists (Davis, 1991; Joseph, Ocasio, & Mcdonnell, 2014), development of the market for corporate control (Davis & Stout, 1992), and the increasing concentration of corporate ownership in the hands of institutional investors (Fligstein, 1990; Useem, 1996), the shift towards shareholder logic created an imperative for executives and directors to weigh all corporate decisions from the standpoint of furthering shareholders' objectives and preferred means of pursuing those objectives. While there is evidence that this gaining prominence of shareholder logic affected various personnel decisions, such as compensation practices (Zajac & Westphal, 1995), no systematic research has examined whether and how it has affected the relevance of social class backgrounds for executives in consideration for the CEO position.

I address these issues in this study. Drawing from prior work on social class and labor markets (Laurison & Friedman, 2016; Rivera & Tilcsik, 2016), I posit that social class background represents a type of capability cue, which employers, intentionally or unintentionally, respond to when making hiring decisions (Belmi, Neale, Reiff, & Ulfe, 2019; Jackson, 2009). I argue that, all other situational and personal characteristics equal, CEO candidates with upper social class backgrounds will have a greater likelihood of being selected because of the prevailing belief that they are more capable of navigating a firm's environment, which requires engagement with various types of elite actors, than their counterparts from lower class backgrounds (Jackson, 2009; Koppman, 2015; Rivera, 2015; Rivera & Tilcsik, 2016).

Furthermore, I theorize that the relevance of executives' social class background has evolved due to changes in the macroenvironmental context in the United States. In other words, macro-institutional conditions will dictate the relative preference for a higher or lower social class candidate. Drawing from research on institutional logics, I argue that, when it comes to CEO selection, the dominant schemas situated in a macro-institutional context determine the criteria on which evaluations are based (Thornton, Ocasio, & Lounsbury, 2012). Based on the premise that CEOs with higher-class backgrounds will be deemed more culturally consonant with wealthy investors, I anticipate that an institutional emphasis on a shareholder value logic will further tilt the CEO selection process in favor of higher-class candidates. Therefore, I posit that the macro-institutional context (and the accompanying logics and priorities) will moderate the effect of CEO candidates' social class background on their likelihood of attaining the CEO position, such that, from the 1970s to early 2000s, the higher-class (lower-class) background of eligible CEO candidates will increasingly have had a more positive (negative) effect on their success over time.

Besides an overall trend in favor of CEO candidates from upper classes, I explore the possibility that the institutionalization of shareholder logic will be uneven across firms in the United States: some firms will exhibit greater conformity to this logic and do so early on, whereas other firms will resist compliance (Davis & Greve, 1997; Fiss & Zajac, 2004). Building on prior work (Davis & Thompson, 1994; Useem, 1996), I posit that the degree of institutional ownership will play a role in instilling shareholder logic in CEO selection decisions, such that the firms with more concentrated institutional ownership will be more inclined to favor candidates from higher class backgrounds because of their greater alignment with these elite shareholders. In contrast, building on prior work suggesting that unionization may serve as a countervailing force to shareholder value orientation (Adams, Licht, & Sagiv, 2011; Cobb, 2019; Pagano & Volpin, 2005), I argue that the presence of collective bargaining agreements will keep firms from fully adopting a shareholder logic, resulting in a more evenhanded treatment of candidates from varying social class backgrounds.

I examine these ideas in a unique, hand-collected dataset of 450 candidates who competed for the CEO position at S&P 1500 companies during 1970-2013. My analytic approach offers several advancements to the literature. First, I introduce a novel measure that uses information on parental income, occupation, and education to create a reflective index of CEO candidates' social class background, which allows me to measure social class more reliably by combining information on its multiple facets. Second, my research design utilizes data on actual contenders for the CEO position as a control group, ensuring internal and external validity of my findings. Third, I leverage two-staged instrumental variable analyses with two theoretically relevant instruments to account for levels of human and social capital and other unobservable factors that might differentiate the rival candidates, and firm fixed effects regressions that account for between-firm heterogeneity.

My findings—across analyses with comprehensive controls including key alternative explanations such as the network ties, experience, education, and academic prestige of the rival contenders—suggest that firms over time underwent a shift to strongly favoring higher class CEO candidates over the period from 1970 to the early 2000s. This suggests that the emergence and institutionalization of shareholder logic in corporate America has amplified advantages for higher class individuals in reaching the apex of the organizational hierarchy. I find stronger presence of institutional ownership strengthens this relationship, but the presence of collective bargaining agreements with unions provides a countervailing force to this relationship, allowing for more individuals of lower-class backgrounds to be selected as CEO.

The theory and findings of this study make several contributions. My research is among the first to develop a socio-cognitive perspective on the effect of social class on CEO selection. This represents a conceptual advance on prior work on social class and executive selection, which had not yet explored the mechanisms that produce class effects in the CEO selection process (Useem & Karabel, 1986). Second, my study is among the first to observe the changes in the relevance of social class background for CEO selection over time. My theory and findings suggesting that institutionalization of shareholder logic has amplified class advantages in the executive selection process advance both scholarly understanding of how class effects have become further entrenched in Corporate America over time, and the firm-level factors that can magnify or dampen these effects. Finally, I contribute to research on upper echelons that has shown the downstream implications of CEO social class background but has not yet examined how contextual conditions may affect the social class backgrounds of those who enter the executive suite in the first place.

2.1. THEORY AND HYPOTHESES

2.1.1. How Social Class Affects CEO Selection

CEO selection has been a topic of great interest for scholars because of the outsized importance of CEOs for companies and society at large. To understand *who* is selected for the CEO position (Cannella & Shen, 2001; Zhang & Rajagopalan, 2004), management scholars have primarily relied on human capital theory, which contends that employers hire employees by assessing candidates' abilities in relation to the firm. Consistent with this, scholars have found that the selection of the CEO depends on an individual's capabilities and alignment with the organization (Chen & Hambrick, 2012; Datta & Guthrie, 1994; Rajagopalan & Datta, 1996). For example, studies have found that CEOs of different functional and educational backgrounds are hired based on the environment or organizational needs (Chen, 2015; Fligstein, 1987; Gomulya & Boeker, 2014).

However, some research has suggested that the selection of CEOs can be subject to other factors, such as demographic, political, and social psychological factors (Cannella & Lubatkin, 1993; Zajac & Westphal, 1996). For example, political theorists have posited that CEO succession can represent a power struggle in which certain factions within the organization gain power while the dominant faction loses power (Fligstein, 1987; Pfeffer, 1981; Zald, 1970). A long line of prior literature has also theorized that top management of public companies is dominated by individuals of higher social class backgrounds (e.g. Bonfield, 1980; Lipset & Bendix, 1991; Miller, 1952; Mills, 1956; Mizruchi, 1992; Swinyaid & Bond, 1976; Useem, 1984). Importantly, Useem & Karabel (1986)'s study found that social class mattered for entering executive positions such that there is an upper-class skew for those in the CEO position. Although Useem & Karabel (1986) conveyed the importance of social class for the CEO position, they were not able to extricate human capital explanations from class effects. Disentangling these effects is valuable because human capital explanations point to tangible differences in skill sets, while class effects suggest a discernable influence of social class background on evaluations. In what follows, I develop a theory for how class effects manifest in the CEO selection process beyond other human capital explanations.

2.1.2. Social Class Background as a Dimension of Person-Job Fit

In evaluating highly qualified candidates, boards of directors face great uncertainty in deciding who to select as CEO (Hermalin & Weisbach, 1998; Westphal & Stern, 2006). The uncertainty emanates for several reasons including the difficulty for boards in assessing future performance of the CEO candidates with incomplete information. Moreover, candidates who are considered are almost always individuals serving in executive positions, which are often very different roles from the CEO position. Estimating the ability of these candidates to take on the more expansive role of CEO can be quite difficult for boards. CEO performance in one job also does not necessarily predict their performance in their subsequent job and may even have a negative effect (Hamori & Koyuncu, 2015). Thus, predicting which CEOs are successful and which ones are not is extremely difficult (Bragaw & Misangyi, 2017). Under conditions of great uncertainty, evaluators tend to rely on tacit schemas and make inferences based on the contextual information available of a candidate (Graffin, Boivie, & Carpenter, 2013; Tversky & Kahneman, 1974). These tacit schemas can, in turn, affect the relevance of social cues for CEO selection decisions. I argue that social class background will be a highly salient cue.

Before I consider how social class background will play a role in the CEO selection process, it is worth considering how the evaluators (i.e., the board of directors) will come to develop an understanding of CEO candidates' class background. There are many ways through which information about a candidate's social background can enter the evaluation process for CEO selection. While in some cases, candidates may volunteer information about their social class background, it is more often intuitively inferred (Belmi et al., 2019; Stern & Westphal, 2010). Studies of social class signaling provide evidence that social class can be assessed based on minimal information (Kraus, Park, & Tan, 2017). Social class background can be inferred from conversations between a board and a candidate about the candidate's background, and it can be observed through a combination of cues, including the hobbies and interests that are discussed in informal meetings between the board and the candidate (Jackson, 2009; Rivera, 2016; Rivera & Tilcsik, 2016). Directors observe and interact with candidates over cocktails and dinner (Charan, 2016). Over multiple informal conversations, candidates can share their background story or reference their parent's occupation, which can lead to deductions of social class background. Knowledge of attaining a scholarship to attend college can elicit inferences of lower social class background (Rivera & Tilcsik, 2016). On the other hand, attendance at a prestigious prep school can signal a higher social class background.

Qualitative and experimental evidence also demonstrate that in informal exchanges, there are inferred understandings that signal a more affluent social class background and exclude other social class backgrounds in the process (Friedman & Laurison, 2020; Kraus, Torrez, Park, & Ghayebi, 2019). In their interviews of 175 executives across multiple industries, Friedman & Laurison (2020) find that although social class is not immediately observable, it is easily discerned from interactions through the fluidity of conversations, codes of nonverbal communication, and the degree of polish of these executives. Those from lower social class background mention how other executives perceived their lack of polish relative to higher class peers, which impeded their careers by delaying career advancement, and even resulting in external presence coaching to improve their presence (Friedman & Laurison, 2020).

Once social class background is inferred, research suggests that socio-cognitive attributions based on this understanding of social class background are inherently made (Rivera & Tilcsik, 2016). While some of these reasoned attributes may loosely correspond with actual attributes of the subject, I argue that the inferences themselves can shape preferences for some candidates over others, above and beyond the effect of any material differences. Below, I describe how higher social class backgrounds can create advantageous perceptions for candidates through perceptions of Person-Job Fit.

The literature on Person-Job Fit suggests that evaluators hire individuals who seem most compatible with the needs of the position (Edwards, 1991; Kristof-Brown, Zimmerman, & Johnson, 2005). Those in hiring positions are concerned with hiring employees who match the needs of the position (Kristof, 1996). For example, research has found that interviewers for job positions formed distinct perceptions of the applicants' degree of person-job fit which ultimately influenced their hiring recommendations (Kristof-Brown, 2000). Literature has also found that individuals with similar values are more likely to be hired into companies because doing so can strengthen the organization's culture (Chatman, 1989; Schein, 1990). The findings of this literature suggest that the board will select candidates with an understanding of the characteristics a CEO needs to effectively carry out the key responsibility of their job.

Even though CEOs are sometimes believed to be primarily responsible for managing firm growth and profitability (Porter, 1980), studies have also revealed that a critical responsibility of the CEO position is to engage with multiple external constituencies and act as the organization's representative with key stakeholders of the firm who include clients, institutional investors, politicians, and information intermediaries (Busenbark, Krause, Boivie, & Graffin, 2016; Mintzberg, 1973; Westphal & Bednar, 2008; Wiersema & Zhang, 2011). Given the importance of this role, when boards consider candidates for CEO, the selection process may benefit those of higher social class because higher class individuals are perceived to be particularly apt in navigating and interacting with a firm's elite stakeholders, including dealing with organizational and political elites (Friedman & Laurison, 2020; Jackson, 2009; Koppman, 2015; Rivera, 2016; Rivera & Tilcsik, 2016; Westphal & Stern, 2006). CEOs are often expected to interact with financial analysts to manage their ratings (Westphal & Graebner, 2010), involve institutional investors in key decision-making (Useem, 1996), and provide advisory services to governments (Hillman, Zardkoohi, & Bierman, 1999).

Consistent with this, Rivera & Tilcsik (2016) find that prestigious law firms have preferences for candidates of higher-class backgrounds because they are assessed to be a better fit to interact with their elite clientele. Friedman & Laurison (2020) describe how it is important that those who make it to partner level of audit and advisory firms need to fit with the largely wealthier clientele. They find this higher-class preference exists for other industries including television programming, such that the television programs of programmers from higher-class backgrounds are more often chosen because of their alignment with the executives making decisions. These observations raise the possibility that, relative to their lower class competitors, upper class candidates for the CEO position may have a greater likelihood of being selected because they are perceived to be better suited for and more competent in engaging with elite actors who are influential to the firm's outcomes.

Therefore, I expect a preference for upper class CEO candidates as the baseline prediction (Domhoff, 2010; Mills, 1956; Useem & Karabel, 1986). In the next section, I describe how the effects of social class in the CEO selection process have evolved in the past several decades.

2.1.3. The Rise of Shareholder Logic in Corporate America

Whether one selection preference is more prevalent than the other in executive selection is often determined by the dominant criteria and conventions of the context (Bills, Di Stasio, & Gërxhani, 2017; Lamont, 2012; Rivera, 2020). These criteria and conventions are shaped by institutional logics— or the sets of assumptions and values that determine how organizational reality is interpreted and where value is placed by decisionmakers (Thornton et al., 2012). Institutional logics guide hiring behavior at the CEO level by providing a framework for the way organizational actors interpret and weigh decisions, and have been shown to lead to different responses depending on the dominant institutional logic (Lee & Lounsbury, 2015; Thornton & Ocasio, 2005). For example, as institutional logics changed, and publishing houses shifted their focus from the stature of their books to increasing profit margins, executive succession decisions changed from being determined by organizational size and structure to being determined by the product market and investors.

Since the prior studies of social class background of executives which found a higher class dominance among executives (e.g. Mills, 1956; Useem & Karabel, 1986), several decades have elapsed in which significant changes have occurred in corporate America that have impacted executive succession decisions. Organizational theorists have documented that the United States' business context has undergone a systemic shift to an investor-oriented shareholder logic during the past several decades (Shleifer & Vishny, 1990; Useem, 1996). While many economists have heralded shareholder logic as the inculcation of objective standards of efficiency (Fama & Jensen, 1983; Jensen & Meckling, 1976), organizational sociologists have highlighted that they represent culturally constructed narratives aimed at furthering class interests, and, at their core, they have created an imperative for companies to pursue actions that are in line with wealthy investors' interests and preferences (Thornton & Ocasio, 1999; Zajac & Westphal, 2004). The period of the new shareholder value logic, described as a period of "investor capitalism", gradually started to take hold in the 1980s (Useem, 1996). A shareholder logic is defined as a logic in which the market or shareholders determine organizational value and is characterized by an increased focus on *external* stock market valuation (Thornton & Ocasio, 1999; Zajac & Westphal, 2004). The shift to shareholder logic was marked by the rise of a culture of shareholder value which placed the maximization of shareholder value at the forefront of corporations (Hambrick, Finkelstein, Cho, & Jackson, 2005). The perspectives of agency theorists who held that managers left to their own devices were prone to shirking became dominant (Shleifer & Vishny, 1997).

Prior research has found that this larger shift to a culture of shareholder value led to many changes in corporate practices (Dobbin & Zorn, 2005; Fligstein & Shin, 2007; Jung & Shin, 2018; Zorn, 2004). For example, the rise of the market for corporate control, which pressured companies that were seen to be underperforming to improve their orientation towards shareholder value or risk takeovers, was a direct result of the shift to a shareholder value orientation (Davis & Stout, 1992). In parallel, shareholder activism also rose as shareholders accrued power, and was aided by legislation in the early 1990s that significantly lowered the costs of shareholder activism (Goranova & Ryan, 2014). The shareholder logic led to changes in firm practices such as increased divestment, layoffs, changes to more independent board structures, and executive compensation practices (Fligstein & Shin, 2007; Goldstein, 2012; Gordon, 2007; Zuckerman, 2000). Regulation in the early 1990s aided the widespread adaptation of shareholder logic by requiring companies to detail executive compensation and its relation to firm performance (Holmstrom & Kaplan, 2001). The prioritization of shareholder value created considerable pressure for boards and CEOs to justify their decisions from the viewpoint of shareholders' interests and preferences. While much research has investigated the shareholder logic and its effects on corporate practices, prior research has not yet unpacked how the emergence of a shareholder logic affected the relevance of social class background in CEO selection. In the following I examine how three contextual factors affected this relationship in corporate America: 1) Temporal context 2) institutional ownership, and 3) collective bargaining agreements.

2.1.4. Shareholder Logic and an Evolving Role of Social Class Background on CEO Selection

As companies became instilled in the climate of shareholder value over time, their orientation shifted towards a view of managers as individuals who needed to primarily serve the interests of powerful and wealthy investors (Lounsbury, 2002; Useem, 1993). For CEO selection, this suggested a shift to focusing on qualities that would appease and align with investors. Under a shareholder logic, it became especially important that CEOs and boards create favorable perceptions and enhance firm reputation in the eyes of shareholders, analysts, and other market intermediaries (Thornton & Ocasio, 1999; Zajac & Westphal, 2004; Zuckerman, 2000). For example, research has documented how companies changed the framing of announcements of CEO compensation to gain favorable reactions from investors (Zajac & Westphal, 1995). Shareholders and related outside constituents (e.g. analysts), who had traditionally been outsiders to significant corporate decisions, were given foremost consideration in these decisions, including executive selection. The implication of this was that other constituencies including employees and communities were considered largely inconsequential for managerial decisionmaking (Fligstein & Shin, 2007). This prioritization of wealthy investors amplified a preference for candidates from higher social classes who are often believed to have both the fit and cultural skills to engage with surrounding elites (Rivera & Tilcsik, 2016) and viewed as well-connected (Stearns & Allan, 1996). A shareholder logic is signified by an increasingly accepted view that the value of key human capital should be assessed from the perspective of shareholders. This view became especially prevalent when evaluating the CEO position because the role of CEOs began to require greater receptivity to shareholders over time, essentially ensuring that CEOs needed favorable interactions and assessments from powerful shareholders. Accordingly, given that shareholder logic steadily gained prominence in Corporate America during 1970-2013, I hypothesize a temporal trend in favor of higher social class contenders:

> ***Hypothesis 1****: CEO contenders' higher (lower) social class backgrounds will have an increasingly positive (negative) effect on their likelihood of attaining CEO position during 1970-2013.*

2.1.5. The Concentration of Institutional Ownership and Higher Class Preference

While institutional logics are historically contingent and tend to vary in predominance over time, time in itself does not determine institutional logics (Thornton, 2001). Within each period, there will be variance regarding the degree to which institutional logics are adopted by firms. The shareholder logic is far from uniform in its adaptation by firms. The adoption of a shareholder logic is especially amplified in the presence of more concentrated institutional ownership. Institutional investors started to amass greater representation in companies in the 1980s, replacing more disparate individual shareholders and largely changing the nature of corporate practices. Prior work has predominantly conceptualized institutional investors as more vigilant monitors for firm performance (Dharwadkar, Goranova, Brandes, & Khan, 2008), and have studied their effects on executive compensation structures, corporate governance enhancements, and strategic decisions (Chen & Feldman, 2018; David, Hitt, & Gimeno, 2001; Tihanyi, Johnson, Hoskisson, & Hitt, 2003). However, as institutional ownership increases, institutional investors are also able to leverage their influence to coerce managers and directors to make changes towards a greater shareholder value orientation. The inculcation in a shareholder logic by the board, in turn, leads them to make decisions for the benefit of shareholders. In this manner, board members are more likely to make decisions that reflect the preferences and considerations of these affluent investors (Useem, 1996).

Institutional investors are instilled within elite systems where those of more affluent backgrounds are more often promoted and given preference in management (Chuprinin & Sosyura, 2018). As such, they are more likely to prefer the appointment of CEOs who embody the elite characteristics of the CEO position. When considering CEO candidates for the CEO position, board members are likely to incorporate the preferences of these powerful investors and favor candidates of higher social class, who are perceived as having traits that are better suited for interactions with societal elites such as institutional investors. The accumulation of influence by large institutional investors and a concomitant adoption of a shareholder logic by the board (Shleifer & Vishny, 1990) should therefore lead to an increasing preference for candidates from a higher social class.:

> ***Hypothesis 2 (H2):*** *CEO contenders' higher (lower) social class backgrounds will have a more positive (negative) effect on their likelihood of attaining CEO position with greater institutional ownership.*

2.1.6. Collective Bargaining Agreements and an Attenuation of Shareholder Logic

Despite the rise of shareholder logic, prior research has documented that some firms were less susceptible to its adoption and has also found that firms adopted certain practices to attenuate some of the effects of the shareholder value orientation (Fiss & Zajac, 2004; Westphal & Zajac, 2001). For example, management of corporations adopted defense mechanisms such as golden parachutes and poison pills in response to the market for corporate control which threatened companies with hostile takeovers (Davis & Greve, 1997). In spite of the divestment of assets being a common strategy undertaken by firms aligned with a shareholder logic, some firms continued to engage in diversification activities (Davis, Diekmann, & Tinsley, 1994). This indicates that some firms were actively resistant or immune to shareholder logic.

While the shareholder logic is amplified by the presence of institutional investors, the presence of collective bargaining agreements with unions can represent firms that are more resistant to the shareholder value logic and willing to consider the perspective of other stakeholders (Adams et al., 2011; Cobb, 2019; Faleye, Mehrotra, & Morck, 2006). The interests of unions and shareholders have often been viewed as conflicting with each other since shareholder value prioritization usually comes at the cost of employee value or vice versa (Cobb, 2019; Lin, 2016). Collective bargaining agreements represent longer-term employment contracts firms are bound by, raising the considerations of other stakeholders to the board of directors, and working against the complete prioritization of shareholders (Pagano & Volpin, 2005). The broader focus on multiple stakeholders allows companies to consider optimizing decisions for all stakeholders and rely on more objective criteria, lessening the reliance on cues of "eliteness" in hiring. This allows for a more balanced consideration of candidates of all social classes. To the extent that board members view lower- or middle-class background as a competence cue, from the overcoming of hardship and greater mobility in their life outcomes, lower and middle class candidates may have a chance in selection. Therefore, the presence of collective bargaining agreements with unions should attenuate the effect of contenders' higher social class backgrounds on their likelihood of attaining CEO position.:

> ***Hypothesis 3 (H3):*** *CEO contenders' higher (lower) social class backgrounds will have a less (more) positive effect on their likelihood of attaining CEO position when firms have collective bargaining agreements.*

2.2. METHODOLOGY

2.2.1. Sample

To collect a comprehensive sample, the sample starts with all S&P 1500 CEOs from 1992-2016. Since the data collection of social class background is restricted to the latest public Census which is from 1940, I restricted the sample to those CEOs who were born in 1945 or earlier, which brought the full sample to 2,023 CEOs. This ensures that there is only a delay of 5 years between the measure of social class and the candidate's birth. I looked up the succession year of each of these CEOs, and searched news articles in this year or the year prior for circumstances of succession to identify if there was a lead contender for the CEO position who was strongly considered. Prior literature has suggested that the majority of successions are relay race successions in which a heir apparent is chosen well before an incumbent CEO's departure and groomed to be CEO, while a smaller portion of successions are horse race successions in which the board chooses among two or more contenders for the CEO position (Finkelstein et al., 2009). In the sample, the majority of the successions were heir apparent successions, or about 588 (35%) successions. 526 (31%) successions were successions in which family members were appointed. For 60 (4%) successions, interim CEOs were appointed. In 33 (2%) successions, a takeover led to the succession, whereby the CEO of the acquiring firm became CEO. Once these were accounted for, the complete sample of successions for which there were possible contenders in the pool became 816 successions. I found contenders for 482 of these CEOs. Appendix A shows the contents of an article that describes the lead contenders for the CEO position. Of these, I was able to find complete social class information on 454 total CEOs and contenders, or 227 successions. The time period of these successions ranges from 1970 to 2013 with the majority of observations occurring in the 1980s (41%) and 1990s (54%).

2.2.2. Dependent Variable

Attainment of CEO Position. This was coded as 1 when a contender became CEO, and 0 otherwise.

2.2.3. Independent Variables

Social Class Background. Prior work on social class has suggested that social class is best proxied through three measures: Parent's education, occupation, and income (e.g. Chetty, Friedman, & Rockoff, 2014; Goldthorpe & Jackson, 2007; Wright, 2005). Despite this, many social scientists have primarily used just one of the measures to proxy for social class background. For example, many sociologists have used occupational schema of parents to proxy for social class background of parents. The Goldthorpe class schema, a popular measure, divides class into seven classes based on the occupation of the individual, distinguishing among higher professionals, self-employed workers, and skilled and non-skilled manual workers (Goldthorpe, Llewellyn, & Payne, 1980). On the other hand, economists and finance scholars have largely used income to proxy for social class at birth (Chetty, Grusky, et al., 2017; Chuprinin & Sosyura, 2018). In addition, research in management drawing from social psychology often measures social class using subjective measures of social class of the individual. For example, in one of the few studies on social class background in the strategy literature, Kish-Gephart and Campbell (2015) measured the social class background of CEOs by asking them to designate their subjective categorization of their social class background which included lower, middle, and upper classes.

Despite the various ways that social class is studied, social scientists would agree that a comprehensive measure would comprise the education, occupation, and income of parents (Kraus & Stephens, 2012; Navarro-Carrillo, Alonso-Ferres, Moya, & Valor-Segura, 2020). Parent's education and occupation determine the social and cultural capital of the child, while income maps onto financial capital (DiMaggio, 2012). For example, a college education can provide access to important cultural cues and access to key social networks (Dimaggio & Useem, 1978). Occupation also captures the degree of prestige that is bestowed upon a role and the different levels of cultural and social capital that are conferred on certain occupations (Friedman, O'Brien, & Laurison, 2017). Income provides access to key material resources and experiences which vary across different income levels (Kraus & Stephens, 2012). Despite the understanding that the three components together determine social class, prior studies have tended to use occupational schema, education, or income separately to proxy for social class largely because of the lack of availability of all three data points. To more holistically capture the concept of social class, I integrate and use each of these measures to create the first composite reflective index measure of social class. In order to collect data on social class background, I traced each of these contenders to their parents' 1940 Census record[1]. Parent's education was measured using the total number of years of education. Parent's occupation was mapped onto Duncan Socioeconomic Index scores, which measure occupational prestige (Duncan, 1961). The Duncan Socioeconomic Index scores were used because it draws from a broad national sample from the NORC (National Opinion Research Center) asking participants the general standing of different occupations. Duncan SEI scores have been shown to have strong replicability and stability across time (correlation=.99) (Haug, 1977). Finally, parent's income was taken as a sum of both parent's incomes. The three components of social class had high coherence (Cronbach's alpha=.71). Consequently, I took the standardized scores of the father's[2] education, occupation, and parent's income to place each contender's parents' financial, social, and cultural capital on a scale with the population of contenders. The standardized items were then averaged to attain an index measure of social class. This is the first study to use a comprehensive set of indicators to create a measure of social class.

Years Elapsed. Institutional theorists have documented that a market logic has become more prevalent over the time period of the study (1970-2013) (Thornton, 2001; Zajac &

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[1] The latest publicly available Census is the 1940 census. Appendix B shows a typical 1940 Census record and Appendix C shows a birth record used to verify the Census record. To accommodate this, the sample was restricted to candidates born in or before 1945. This ensures that there is only a delay of 5 years between the measure of social class and the candidate's birth

[2] I chose to proxy the social class of the parents with the father's because during the time period of collection, fathers were primarily the breadwinners. In only 13% of our sample were the mothers working mothers. In the rare cases of single parent homes where only the mother was present, I replaced the father's information with the mother's.

Westphal, 2004), so I measured the dominant institutional logic using *years elapsed*, coded as the years elapsed from the first succession in the dataset. This value took 1 for the first succession in the year 1970, and 33 for the last succession in 2013. Larger values or later years denote a greater prevalence of a market logic. Smaller values or earlier years denote a greater prevalence of a managerial logic.

Institutional ownership. Institutional ownership was measured as the proportion of shares owned by institutional investors. This data was collected from Thomson Reuters data on institutional ownership from 13F reports. 13F reports are filed yearly by institutional investors who invest $100 million or more in securities. These investors include private equity funds, public and private pension funds, and hedge funds.

Collective bargaining agreement. When companies have relationships with unions, they will engage in collective bargaining agreements with them. I manually checked whether each company in the dataset for the specified year had a collective bargaining agreement with a union by checking the dataset of collective bargaining agreements from the Department of Labor (DOL) Collective Bargaining Agreements File (Aobdia & Cheng, 2018). For companies that did not exist in this database, I manually cross-checked the existence of these agreements by checking the annual reports which indicated this. The variable recorded was a binary variable, with a 1 indicating the presence of a collective bargaining agreement.

2.2.4. Control Variables

I controlled for key alternative explanations through a comprehensive set of controls. At the candidate level, I controlled for alternative human capital explanations for CEO selection. I controlled for *years of education*, or the total number of years of education of the candidate. I also included binary control variables for whether the candidate had experience in *marketing/*

sales, *law, accounting/ finance*, *productions/operation*, and *personnel/labor relations* using the categorizations of functions by Cannella, Park, & Lee (2008) and Crossland, Zyung, Hiller, & Hambrick (2014). I also included a binary variable for *educational prestige*, or when the candidate had attended a prestigious college or graduate school following Gomulya & Boeker (2014). Another key explanation of becoming CEO is a network or social capital explanation. I accounted for this using a count of the *number of boards* served in the year of candidacy. I also included a control for the *number of firms* that a candidate was employed in as well as the *number of industries of experience*. I included a control for *outsider* which was coded as 1 when the individual was an outsider in consideration for CEO. I also controlled for the *age* of the CEO to account for experience. Industry controls are not needed because of the firm fixed effects applied to all the models.

2.2.5. Estimation and Endogeneity

To conduct the analyses, I employed firm fixed effect logistic regressions, which are suitable for modeling discrete binary outcomes, specifying firm-level clustering of standard errors. However, endogeneity may be an issue with the analyses, and is likely to primarily emanate from omitted variable bias, or the potential of an omitted variable to be driving the results. Omitted variable bias occurs when there are correlations between the main independent variable and the error term driving the results. A powerful way of accounting for omitted variable bias is through fixed-effect regressions, which accounts for all the time-invariant between-firm variance in the independent and dependent variables. Another way of safeguarding against omitted variable bias is by calculating the ITCV (Impact Threshold of a Confounding Variable) for the social class variable. ITCV calculates the unobserved confounding variables and derives the minimum correlations needed to turn a statistically significant result to a non-significant result. The ICTV results suggest that an omitted variable would have to be correlated with social class and selection to CEO at 0.19 to nullify the result. This would mean that an omitted variable would need to affect the results as much as the strongest control variables in the analyses for it to be problematic. With the current set of comprehensive controls, it is unlikely that an omitted variable may be driving the results.

There may also be a concern of a nonrandom sample or sample selection bias from observing only successions for which I was able to find contenders. These concerns emanate because the successions that I observed may reflect more prominent companies, or even companies undergoing financial trouble, that were more likely to receive media attention, allowing contender information to be more public and changing the nature of the successions. I studied the companies to gage this possibility. The analyses revealed that only 23 companies (10%) were S&P 500 firms, just 8 companies (3.5%) were Fortune 500 firms, and only 13 companies (6%) were in turnaround situations. Thus, the firms were not overly sampled on prominent or troubled firms.

Despite all these measures, there may still be endogeneity issues emanating from omitted variables that may predict selection. For example, intelligence may be a variable that may predict selection, but is something I was unable to measure. To address this issue, I employ a two-stage least squares (2SLS) instrumental variable model. It is important for an instrumental variable to be a significant predictor of the independent variable, but uncorrelated with the error term in the model. I reasoned that social class background may be determined by 1) *average social class of in the county* where the parents resided in the 1940 Census. I used IPUMS USA 1940 Census data to calculate the average social class by county in 1940 (Ruggles et al., 2019). I also reasoned that the 2) *number of household servants* a CEO grew up with would also predict social class but not selection to the CEO position. The first stage regression indicated that both variables were significantly predictive of the social class of a CEO at childhood ($p<.05$; $p<.01$). Tests indicated that these instruments were relevant and exogenous. In each of the models, the F-statistic was greater than 11.59 ($F=12.15$; $p<.05$), the threshold for strong, valid instruments (Stock, Wright, & Yogo, 2002). The Sargan ($p=.21$) and Bassman ($p=.40$) tests of overidentifying restrictions were not significant in any models, indicating the instruments were relevant and exogenous. The instrumented social class was a significant predictor ($p<.05$) in the model. The Durbin-Wu-Hausman test was not significant, suggesting that social class is not endogenous to the outcomes of interest ($F=5.01$, $p=.15$), and making the 2SLS regression not necessary. For reference, I include the results of the first stage and second stage in Appendix D.

2.3. RESULTS

Table 1 contains descriptive information on the variables used in testing the hypotheses of whether social class background affects the success of a CEO contender. Table 2 reports the results of the fixed effects logistic regressions predicting the main effect of social class, and the moderations by years elapsed, institutional ownership, and collective bargaining agreement on selection to CEO. Model 1 is the baseline model with all the control variables. Model 2 looks at the main effect of social class background on success of a CEO contender. Model 3 looks at the interaction of social class background with years elapsed. Model 4 looks at the interaction of social class background with institutional ownership. Model 5 looks at the interaction of social class background with collective bargaining agreement. Model 6 includes all 3 interactions in the same model.

Hypothesis 1 postulated that as years elapse in the period from 1970 to 2013, contenders of higher social class backgrounds are more likely to attain the CEO position. This hypothesis was supported and significant (p<.05). Figure 1 depicts this relationship between years elapsed and selection to CEO and shows that later in the time period, contenders of higher social class are more likely to attain the CEO position, and that this relationship changed from an earlier time period. Hypothesis 2 (H2) suggested that as institutional ownership increased, those of higher social class were more likely to be selected. The coefficient was positive and significant, providing strong support for H2 (p<.01). Figure 2 illustrates the effect of greater institutional ownership, demonstrating that a high degree of institutional ownership amplified the relationship between higher social class background and success of a contender. Hypothesis 3 (H3) proposed that when companies have active collective bargaining agreements with unions, those of higher social class are less likely to be selected. The coefficient was negative and significant, providing strong support for H3 (p<.01). Figure 3 illustrates the effect of collective bargaining agreements, demonstrating that collective bargaining agreements mitigated the relationship between higher social class background and success of a contender.

Additional Analyses

An explanation of the findings could be that the supply of candidates from lower social class backgrounds has decreased over time. As social scientists have documented (Davis, 2016; Mizruchi, 2013), inequality has increased and there may be fewer people of lower social class moving up the ranks to even be in consideration as candidates for CEO. It should be noted that the sample of CEOs and contenders are of similar age and had often reached upper level management positions before these larger changes occurred in companies which reduced the mobility of those of lower social class background. If this alternative explanation is true, I should see that the social class of contenders and candidates decreases gradually over time. To test this, I compare the means of the social class of the candidates and the CEOs in different time periods.

I find that in both the earlier (1970-1990) and later periods (1991-2013) of the study, there were candidates of both higher and lower social class background in the candidate pool. The t-test of the difference in the means was not significant. The notable difference is that, in the earlier time period, the candidates who ultimately became CEO were of lower social class, while the candidates who did not were of higher social class background. In a later time period, the candidates who ultimately became CEO were of higher social class background, while the candidates who did not were of lower social class background.

An additional explanation may be that the human and social capital controls are the pathways, or mediators, of the effect of social class on the success of a contender. To test whether there is a mediation effect, I ran mediation analyses using the *medeff* command in Stata that applies bootstrapping to estimate the confidence interval. I tested each possible mediating human capital explanation: years of education, marketing/sales, law, accounting/finance, productions/operation, personnel/labor relations, educational prestige, number of boards, number of firms employed in, number of industries of experience, and being an outsider. In only two of these, number of industries and finance background, was there a significant mediation effect ($p<.05$). However, the mediation effect was negative, indicating that the path for those of lower social class to becoming CEO was neither through being employed in numerous industries nor a finance background.

2.4. DISCUSSION

2.4.1. Theoretical Implications

While prior work on social class has demonstrated that those of higher social class tend to be favored for the CEO position (Useem & Karabel, 1986), studies since then have not disentangled whether the selection of higher social class candidates occurs because of distinct class effects or human capital differences. In this study, I investigated social class effects in CEO selection and how an upper class preference has been amplified with the rise of a shareholder value logic.

As hypothesized, I found support for the prediction that a preference for higher social class has changed over time with the shift in the macroenvironmental context in the United States. As the business environment has succumbed to a shareholder value logic, companies started to pay attention to shareholders, primarily their wealthy institutional investors. I theorized that this shift to shareholder primacy over the time period from 1970-2013 led to a preference for those of higher social class background, who align more with the elite stakeholders surrounding organizations. I also conceptualized that institutional ownership, which represents companies more aligned with a shareholder value logic, led to the preference of higher social class candidates. However, I theorized that collective bargaining agreements with unions can counteract the shareholder logic and lead boards to make more balanced decisions because they are forced to take other stakeholders into consideration. Firms with collective bargaining agreements are less likely to align with a shareholder logic and more likely to consider candidates of other social class backgrounds. Surprisingly, the results indicated that those of lower social class background are more likely to be preferred with the presence of collective bargaining agreements. This may be because their great mobility from a starting point of disadvantage enabled an advantageous perception of competence and strong work ethic, allowing them a greater chance at selection in these circumstances.

This study has several implications for the literatures on executive succession, corporate elites, and social class. This paper is among the first papers to develop a socio-cognitive perspective of the effect of social class on selection of CEOs. This study furthers the literature on corporate elites which has long held that the top position of corporations is favored towards those of higher social class (Mills, 1956; Mizruchi, 1989; Useem, 1984). The prior literature did not disentangle whether this emanated from class effects or reflected human and social capital differences among those of different social class backgrounds. I build upon and advance prior work by showing how the evaluative advantages conveyed by social class background can result in the favor of upper class candidates in selection. The study shows that even when key skillsets of candidates are accounted for, social class background was a determining factor that affected the selection process.

Second, this study is the first to observe changes in the preferences of social class background over time, with the rise of a shareholder logic in corporate America. I add to the prior literature which has demonstrated that CEOs' social class backgrounds have implications for the strategy enacted by these CEOs, but has not studied the contextual factors that can influence a preference for candidates of certain social class backgrounds in the executive suite. I articulated the importance of different contextual factors that counteract or amplify this preference. This suggests that organizations may be able to take actions to prevent these systematic preferences.

2.4.2. Future Research Opportunities

This study provides multiple opportunities for future research. This paper investigated whether there is a hiring preference for social class and serves as a conservative test of social class preference because it occurs at the CEO level. Future studies can study mechanisms that lead to a perpetuation of inequality within organizations. Understanding whether there are organizational practices in lower-level promotions that amplify a preference for social class and disadvantage people based on their socioeconomic background is important for future research.

Second, there are many contexts in which to study the selection of candidates of different social class backgrounds. While my study controls for industry effects by applying firm fixed-effects models, studying the variance of social class selection across different industries may be of interest to scholars. In addition, studying whether a higher social class preference occurs in other international governance contexts would be intriguing. It would be helpful to understand whether the greater shareholder value orientation that has taken root across many countries has influenced this preference, and how the presence of other governance forces may diminish or amplify this effect. For example, many countries in the EU require union representation on boards (Fiss & Zajac, 2004). Many large public companies in Asian countries tend have strong founder family presence, whereby the family maintains influential control over these firms (Chen, Chittoor, & Vissa, 2020). In addition, since most of the sample in this study was in the 1980s and 1990s, it would be helpful to explore how the more recent diversity movement from the 2000s across America has influenced and perhaps diminished the higher class preference of candidates.

Finally, future research can further unveil pathways of social mobility for those of disadvantaged social class within organizations. Much of the former research has focused on education as a pathway for social mobility and not looked at the role of organizations in enabling mobility. As a result, there are multiple opportunities for research on how organizations can alleviate or perpetuate social mobility (Amis, Mair, & Munir, 2020).

Chapter 3. Class-based Performance? How Social Class Background Influences the Relationship of Performance and CEO Career Outcomes

A question that has puzzled many corporate governance scholars is why some CEOs are more likely to be rewarded or penalized in their careers than others, despite sometimes little correlation to performance (Aguinis, Gomez-Mejia, Martin, & Joo, 2018; Tosi, Werner, Katz, & Gomez-Mejia, 2000; Wowak, Hambrick, & Henderson, 2011). Research tackling this question has tried to understand why CEO career outcomes such as compensation and dismissal are not better predicted by economic factors despite their largely public and salient nature (e.g. Belliveau, O'Reilly, & Wade, 1996; Wiersema & Zhang, 2011). To understand this, studies have looked at when and why the link between CEO pay and dismissal are more or less sensitive to the performance of the company (Crossland & Chen, 2013; Wowak et al., 2011). These studies have found that organizational and contextual factors contribute to performance sensitivity such as firm size, industry, and the presence of stronger agency conditions (Coombs & Gilley, 2005; Peters & Wagner, 2014; Vergne, Wernicke, & Brenner, 2018; Zajac & Westphal, 1995). Moreover, some research has suggested individual level factors such as characteristics of the board and the experience of the CEO might influence performance sensitivity as well (Gupta & Wowak, 2017; Harris & Helfat, 1997).

In particular, prior work suggests that the influence of performance on CEO career outcomes can be especially heightened when CEOs are attributed to have more agency or discretion in performance outcomes (Cho & Shen, 2007; Crossland & Chen, 2013; Hambrick & Finkelstein, 1987). When CEOs are seen as more capable of influencing performance and changing outcomes of the company, their compensation and likelihood of dismissal are, in turn, more sensitive to the performance of the firm. Much of the research studying CEO career outcomes has studied contextual conditions that lead to greater attributions of CEO's competence and discretion, largely looking at characteristics of the industry and firm's environment that amplify these attributions (e.g., Finkelstein, 2009; Finkelstein & Boyd, 1998; Rajagopalan & Finkelstein, 1992). However, only a handful of studies have looked at individual factors that might influence directors' perceptions of a CEO's discretion and ability to effectively influence performance outcomes (Geletkanycz, Boyd, & Finkelstein, 2001; Shi, Connelly, Mackey, & Gupta, 2019).

These few prior studies have looked at how the board's perception of the CEO's discretion may be derived from professional sources in a CEO's professional background such as professional work experience, ties, and prestige, but no studies to date have looked at personal sources of agency which come from family structure, background, and personal beliefs. Research suggests that the social class background of individuals can influence how individuals are viewed and especially heighten the perception of discretion attributed to an individual (Becker, 2010; Collins & Moore, 1970; Palmer & Barber, 2001). Social class background is defined as the parents' relative socioeconomic rank in society as reflected by income, education, and occupational attainment (Adler & Snibbe, 2003; Cote, 2011; Martin & Cote, 2017). CEOs who are known to come from humble backgrounds are often viewed in the context of the considerable socioeconomic mobility they have been able to achieve and thus attributed greater capability of changing performance outcomes because of their perceived ability to have changed their own fortunes and rise above their upbringing (Hirsch, 1986; Stearns & Allan, 1996). CEOs originally coming from lower social class backgrounds are seen to be self-made, expected to be more likely to undertake deviations in strategy to change performance outcomes, and believed to be more capable of changing outcomes of the company (Espeland & Hirsch, 1990; Palmer & Barber, 2001). On the other hand, those who come from higher social class backgrounds are more likely to be attributed lower discretion than their lower social class counterparts because it does not take as much agency to remain in the same class as one's parents. In addition, their endowed wealth may result in attributions that those from higher class backgrounds could rely on parental resources and not just individual actions in realizing their career outcomes (Chuprinin & Sosyura, 2018; Kraus & Park, 2017; Rivera & Tilcsik, 2016).

Drawing on the premise that social class background will influence boards' perceptions of CEO discretion, the purpose of this study is to understand how a CEO's social class background will moderate the effect of performance on a CEO's career outcomes in the form of CEO pay and the likelihood of dismissal. This study postulates that those from lower social class backgrounds are likely to be seen as more accountable for the performance of their firms when compared to those of higher social class, who are more likely to be buffered from this relationship. As a result, those of lower social class background are more likely to have compensation that displays greater sensitivity to performance and, when faced with poor performance, are more likely to be dismissed. In sum, the career outcomes of lower social class CEOs are more likely to be strongly linked with performance than their higher social class counterparts.

I study these relationships in a dataset of CEO compensation and dismissals of the S&P 1500 companies from 1992-2018. I find support for the hypothesized relationships, finding that lower social class CEOs are more likely to be penalized (rewarded) for poor (good) performance. And when faced with below par performance, those of lower social class are more likely to be dismissed.

In studying how social class moderates the pay performance sensitivity of a CEO's career outcomes, this study makes several contributions. This study contributes to the literature on CEO compensation and dismissal by suggesting that a CEO's personal history can influence evaluations of a CEO's discretion over firm outcomes. Prior literature has largely suggested that contextual and professional factors will influence this perception, but this study shows how observations of a CEO's background, which represent a personal source of discretion, may influence inferences of CEO's discretion over firm performance. This paper also contributes to the broader social science literature by showing how much individuals have accomplished in another setting – social class achievement and positive mobility - affects the extent to which they are viewed as agentic. This study shows how social class background signals CEOs' individual discretion and influences board members' decisions on CEOs' career outcomes. This study provides support for the perspective that the social class achievements of a CEO can influence how they are evaluated and affect them throughout their career. This paper also contributes to the call by recent social class scholars to study those who have experienced class mobility and how their mobility may have shaped these individuals and their interactions with others (Gray & Kish-Gephart, 2013; Martin & Côté, 2019; Phillips, Martin, & Belmi, 2020). The examination done in this study shows that cross-class mobility can provide cues of ability and influence evaluations of an individual even at the apex of their career as the CEO.

3.1. THEORY AND HYPOTHESES

3.1.1. Social Class Background, Managerial Discretion, and CEO Career Outcomes

Scholars researching CEO career outcomes have long been interested in the degree to which CEO career outcomes are influenced by firm performance (Devers, Cannella, Reilly, & Yoder, 2007; Jensen & Murphy, 1990; Tosi, Jr. & Gomez-Mejia, 1994; Wowak et al., 2011). Much scholarly interest in these questions derives from agency theory, which surmises that managers are likely to shirk their duties of management of the firm without proper monitoring and incentives in place (Fama, 1980; Jensen & Meckling, 1976). Boards are tasked with the job of rewarding or disciplining managers in their careers with the appropriate level of compensation, and in cases of extremely poor performance, with dismissal. In trying to understand the agency problem, scholars have been particularly intrigued by the question of *why* some CEOs' career outcomes are more influenced by performance than others. Past research has demonstrated that factors such as industry, firm performance, and human capital provide only a partial explanation of CEOs' career outcomes (Aguinis et al., 2018; Anderson, Banker, & Ravindran, 2000; Devers et al., 2007; Harris & Helfat, 1997). Research on managerial discretion has found that a reason why some CEOs are more heavily rewarded or penalized in their careers based on the performance of their firm is the perception that these CEOs have varying amounts of discretion— or latitude of action— over firm outcomes (Hambrick & Finkelstein, 1987; Wangrow, Schepker, & Barker, 2015). Work on managerial discretion has shown that when boards believe that CEOs have greater control over firm performance, they are much more likely to tie CEO career outcomes with firm performance (Finkelstein & Boyd, 1998; Gupta & Wowak, 2017). Specifically, research studying CEO career outcomes has found that factors such as the complexity of information processing in a firm, degree of internationalization, and deregulation in an industry may influence the degree to which CEO's career outcomes are aligned with performance by shaping boards' perceptions of CEO discretion (Cho & Shen, 2007; Henderson & Fredrickson, 1996; Sanders & Carpenter, 1998).

Board members' perceptions of CEO discretion can be shaped by surrounding contextual conditions, but can also be largely influenced by their evaluations of CEOs' individual capabilities and their perceived ability to directly influence the performance of the firm.

Perceptions of managerial discretion are amplified when CEOs are viewed as having personal qualities which allow them more influence over their environment (Finkelstein et al., 2009). Studies have generally focused on how CEO's managerial actions, power, and professional experience may influence these perceptions, often focusing on the professional capabilities of CEOs (Harrison, Torres, & Kukalis, 1988; Shi et al., 2019). For example, Harrison et al. (1988) found that when CEOs are board chairs, there is considerably less likelihood of turnover because of the power consolidated in the dual position. Boeker's (1992) pathbreaking work demonstrated how more powerful CEOs were buffered from their firm's performance problems by scapegoating other executives, who were dismissed rather than the CEO to placate investors. Shi et al. (2019) found that CEO's actions influence board members' perceptions of CEO discretion in affecting firm performance, which led to higher compensation. They further find that the prestige of the CEO amplifies directors' attributions of a CEO's inherent ability even more.

However, studies suggest that an individual's personal background provides important indicators of individual discretion, and can be as predictive as professional background (Azoulay, Ganguli, & Graff Zivin, 2017; Hitt & Barr, 1989). Professional background includes professional and functional experience, the prestige of education or work experience, qualifications accrued, and professional networks a CEO may be part of (Belliveau et al., 1996; Fulmer, 2009). On the other hand, personal background may include a CEO's family structure (married, divorced, single, or with kids), the type of background a CEO grew up in, and their personal beliefs such as religious beliefs or political ideology (Chin, Hambrick, & Treviño, 2013; Cronqvist & Yu, 2017; Kish-Gephart & Campbell, 2015). Personal background can provide a strong basis for inferring the discretion associated with an individual. For example, within the larger social science literature, there is a broader idea that those who have achieved more in their life are perceived to have more discretion and agency over their outcomes (Anzia & Berry, 2011; Becker, 2010; Saxenian, 2001). Females in leadership positions are often attributed to be more capable of delivering results for their jobs because of the adverse odds they likely faced and overcame personally and professionally to get to these positions (Anzia & Berry, 2011). Similarly, scholars have documented that minorities and immigrants in leadership positions often cite facing discrimination and isolation throughout their life (Park & Westphal, 2013; Saxenian, 2001). Those then who make it to leadership positions are often thought to possess superior capabilities, having prevailed against these adverse circumstances and challenging odds to become successful (Saxenian, 2001). These findings support the overarching concept that personal background can provide a strong signal of personal agency.

Among the different types of personal attributes, social class background is an especially valuable indicator of a CEO's agency or discretion over firm performance (Hirsch, 1986; Palmer & Barber, 2001; Stearns & Allan, 1996). This is because social class background provides a multi-dimensional perspective of the economic, social, and cultural upbringing of an individual which can stand in contrast (or similarity) to their current economic, social, and cultural position (Friedman, Laurison, & Miles, 2015). CEOs from lower social class backgrounds, who have risen from less affluent backgrounds, are perceived to have the capability to transcend their earlier environment, having shown that they have beaten the odds and overcome a disadvantaged background (Becker, 2010). These lower class CEOs should be perceived as more adept in changing the performance outcomes of their companies. For example, Collins & Moore (1970:23) describe business entrepreneurs from lower social class backgrounds as those who "reach the top through sheer determination" and desire not to be in the control of others. They describe those of lower social class as exceptionally agentic, with a strong desire for selfreliance and control over the outcomes of their companies. In the same fashion, we should expect boards will view CEOs of lower social class background as particularly agentic and capable of shaping the outcomes of a company. By contrast, CEOs of higher social class background are attributed less discretion (Chuprinin & Sosyura, 2018) and are evaluated on the basis of the resources provided by their class background such that they are attributed to have lower discretion because of the extensive economic resources and socialization opportunities they can access from their background (Kraus & Park, 2017; Rivera & Tilcsik, 2016; Westphal & Stern, 2006).

Directors are able to assess and intuitively infer social class background through their interactions with CEOs in numerous formal and informal meetings (Tuggle, Sirmon, Reutzel, & Bierman, 2010). Social class background can be perceived explicitly through references to an individual's background and how the CEO grew up (Kraus et al., 2017; Ridgeway & Fisk, 2012). For example, CEOs often refer to what their parents did growing up or the circumstances around their childhood including references to certain childhood family vacation destinations that can signal a higher class background. These references to their upbringing are also often noted in company biographies, interviews with the media, or even the annual letter to shareholders. Moreover, a large body of research in social psychology and sociology finds that social class background is often intuitively inferred early on in interactions with minimal information through discussion of hobbies and interests, mannerisms, styles of communication, and ingratiatory behavior (Bjornsdottir & Rule, 2017; Kraus et al., 2017, 2019; Stern & Westphal, 2010). Friedman & Laurison (2020) conducted 175 in-depth interviews of executives across multiple industries. Consistently across their interviews, they find that executives from lower social class backgrounds frequently mention that they did not fit in. Their lack of polish relative to their higher social class peers was noticed by others and resulted in a much longer track to executive position and the provision of an external presence coach to remedy the lack of polish for some of them. Even though social class background is not immediately visible, it is often easily inferred through interactions. Their interviews indicate that social class background is perceived from how fluidly conversation flows among executives, including through a similar sense of humor and codes of nonverbal communication, and the degree of polish these executives have (Friedman & Laurison, 2020; Stern & Westphal, 2010).

As I turn now to the hypotheses, I will build upon the idea that social class background influences the degree of discretion CEOs are assessed to have. Specifically, I hypothesize that these inferences of CEO discretion should manifest in the degree to which boards align compensation and dismissal decisions to the performance of the company. It is important to acknowledge that I am unable to observe board members' perceptions of CEO discretion. However, building on prior research that has found extensive support that perceptions of managerial discretion are strongly connected to pay and dismissal (e.g. Cho & Shen, 2007; Crossland & Chen, 2013; Finkelstein & Boyd, 1998; Shi et al., 2019), I theorize that outcomes such as pay and dismissal are indicators of board members' perceptions of CEO discretion.

3.1.2. Social Class Background and Pay-Performance Sensitivity

Of the many different CEO career outcomes that could be considered, researchers have been particularly interested in the compensation of CEOs (Devers et al., 2007; Frydman & Jenter, 2010). This is because in agency theory, compensation is the key mechanism through which boards can monitor and reward or punish CEOs (Fama, 1980; Jensen & Meckling, 1976; Tosi, Jr. & Gomez-Mejia, 1994). Agency theory predicts that under conditions of poor performance, CEO compensation should accordingly reflect a lower pay increase and that in good performance, CEO compensation should reflect a larger pay increase (Wowak et al., 2011). While past research on the pay for performance relationship has found that economic factors such as firm size, complexity, and industry conditions predict this relationship (Pathak, Hoskisson, & Richard, 2014; Sanders & Carpenter, 1998; Tosi, Jr. & Gomez-Mejia, 1994), the extent to which they affect differences in CEO compensation are variable among CEOs.

One primary reason for the difference in rewards among different CEOs is the degree to which CEOs are assessed to have the discretion to change performance outcomes (Finkelstein & Boyd, 1998). For example, Shi et al. (2019) found that a CEO's strategic investments and prestige will influence board members' perceptions of managerial discretion, and positively influence the pay for performance relationship. However, prior work has only focused on how the professional attributes of a CEO influence the pay for performance relationship, largely not acknowledging the critical influence of the CEO's personal background. A CEO's personal background is important in influencing attributions of their discretion because personal background represents life situations, experiences, or hardships an individual may have faced and overcome. For example, literature on working mothers has found that the knowledge of having a young child can result in attributions of lower agency because evaluators perceive that an individual's personal life will reduce their efficacy in doing their job (Budig & England, 2001; Ridgeway & Correll, 2004). Of the different aspects of personal background, the social class background of an individual is especially informative because it presents information on the economic, social, and even cultural situation of a CEO's background (DiMaggio, 2012; Kish-Gephart & Campbell, 2015). The greater the progression in social class from their childhood until the present, the larger the perception of discretion will be (Becker, 2010; Martin & Côté, 2019; Phillips et al., 2020).

CEOs from lower social class backgrounds may be favorably evaluated since they have evidenced greater upward mobility from their disadvantaged background and thus are attributed greater discretion and influence over their outcomes because of their ability to overcome their background (Collins & Moore, 1970; Palmer & Barber, 2001). Boards are likely to perceive lower social class CEOs as particularly adept in influencing performance outcomes and will therefore reward these CEOs with higher compensation when firm performance is high. However, when firm performance is subpar, I propose that boards are more likely to blame lower social class CEOs for the poor performance, and penalize them with lower compensation.

Similar to lower social class CEOs, evidence suggests that those of higher social class background are also evaluated in the context of their background (Friedman & Laurison, 2020; Kraus et al., 2017). Unlike lower class CEOs, the background of higher class CEOs is seen to give them advantages in other areas such as their social ties (Domhoff, 2010; Useem, 1984). Those of higher social class background have unparalleled access to economic, social, and cultural resources from childhood which afford them advantages such as greater skills in socialization and the ability to engage in distinct ingratiatory behavior (Durante & Fiske, 2017; Stern & Westphal, 2010). These perceived advantages, however, reduce attributions of CEO agency, since they are seen to replace individual agency, and reduce the discretion attributed to the CEO in affecting performance (Chuprinin & Sosyura, 2018). For example, in their study of mutual fund managers, Chuprinin & Sosyura (2018) find that managers from higher social class backgrounds were promoted, but not because of their performance, but other reasons which they surmised were related to their higher class background such as the likelihood of having better established social connections. Friedman & Laurison (2020) conducted case studies of executives and found that those of more privileged backgrounds were more often mentored in the progression of their careers, reducing their need to work as hard as those of lower social class to reach executive levels. In this manner, boards will perceive a less direct relationship between a higher class CEO and the performance of the firm. Therefore, the compensation of higher class CEOs should be less affected by the performance of the firm. When a firm's performance is high under a higher social class CEO, I propose that higher social class CEOs will be rewarded less than lower social class CEOs. When a firm's performance is poor under a higher social class CEO, I expect that the CEO is less likely to be penalized than a lower social class CEO. In sum, I propose that the lower the social class background of a CEO, the greater the CEO's pay will be with good performance, and the lower it will be with poor performance.

Hypothesis 1 (H1): *The lower the social class background of a CEO, the stronger the relationship between firm performance and CEO pay.*

3.1.3. Social Class Background and CEO Dismissal

Dismissal is another CEO career outcome that has garnered a great deal of academic and media attention especially as it has become more frequent in recent years (e.g. Connelly, Li, Shi, & Lee, 2020; Gentry, Harrison, Quigley, & Boivie, 2021; Gupta, Mortal, Silveri, Sun, & Turban, 2018; Park, Boeker, & Gomulya, 2020; Wang, Zhao, & Chen, 2017). Dismissal is of theoretical interest because under agency theory, dismissal is the ultimate mechanism through which boards can discipline a CEO for poor performance (Fama, 1980; Jensen & Meckling, 1976). Prior literature has found that performance is not the only explanation of CEO dismissal, and that other factors amplify or reduce the likelihood of dismissal (Cannella & Lubatkin, 1993; Zhang, 2006). Contextual conditions such as the regulatory environment, threat of takeover, activist pressures, fraud, and the ratings of investment analysts can amplify the likelihood of dismissal (Gomulya & Boeker, 2015; Lee, Gupta, & Hambrick, 2020; Magnan & St-Onge, 1997; Shen & Cho, 2005;

Wiersema & Zhang, 2011). The literature suggests that these conditions amplify the likelihood of dismissal by shaping board perceptions of the degree to which CEOs have influenced performance outcomes (Crossland & Chen, 2013; Haleblian & Rajagopalan, 2006). The more board members believe that a CEO had the discretion to direct firm performance in the past, the more likely they are to attribute the poor performance of a company to be a direct result of the CEO's actions (Fredrickson, Hambrick, & Baumrin, 1988; Hambrick & Finkelstein, 1987). This attribution should result in a greater risk of dismissal following poor firm performance.

The degree of managerial discretion boards perceive is strongly influenced by CEO attributes (Hambrick & Finkelstein, 1987). CEO attributes such as CEO power, tenure, and outsider or insider status have been found to influence the likelihood of dismissal, but these are reflective of professional attributes, rather than personal ones (Boeker, 1992; Fredrickson et al., 1988; Shen & Cannella, 2002). Social class is an especially telling example of a personal attribute because it reflects the degree to which a CEO has traversed across different social classes (if coming from a lower social class background) or has stayed in a similar social class (if coming from a higher-class background), and is a valuable signal of individual agency. CEOs from lower social classes, who have significantly improved their individual fortunes, are likely to be attributed greater agency over firm outcomes. Consequently, I expect they are more likely to be rewarded and retained on the job when a firm is performing well. However, when a firm is performing poorly, they are more likely to be blamed and ultimately dismissed since they will be held to greater responsibility for performance.

In contrast, CEOs from higher social class backgrounds are likely to be attributed less agency because they could rely on the resources of their upbringing including social capital and parental guidance and training rather than their own agency in changing outcomes (Chen, Treviño, &

Hambrick, 2009; Stern & Westphal, 2010). Therefore, I expect that they are likely to be attributed less discretion than their lower social class counterparts and are also less likely to be held responsible for poor performance and dismissed. On the flip side, in instances of good performance, they are less likely to be accredited for the positive performance. Accordingly, in the face of very poor performance, I hypothesize that CEOs of lower social class background are more likely to be dismissed.

> ***Hypothesis 2 (H2):*** *The lower the social class background of a CEO, the stronger the relationship between firm performance and CEO dismissal.*

3.2. METHODOLOGY

3.2.1. Sample

My sample starts with all S&P 1500 CEOs from 1992-2016. I restrict the sample for CEO pay and dismissal to CEOs who have more than 2 years of tenure because the first 2 years of a CEO's tenure may not reflect their performance. The data on the social class background of CEOs is gathered from the latest public Census from 1940. I restricted my sample to CEOs born in 1945 or earlier to ensure that there is only a delay of 5 years between the measure of social class background and the CEO's birth year. This brings my sample to 772 CEOs over 4,630 firm-year observations for the pay analyses, and 693 CEOs over 3,943 observations for the dismissal analyses. The reason for the difference in sample size is because dismissal for performance-related reasons is rare, and in some industries in different years, there were no dismissals recorded. This means there was no variation in outcome within the industry year to allow for a prediction of dismissal, leading to an exclusion of these observations from the sample in the models. The results for the pay analyses hold when I focus on the same set of CEOs as the dismissal analyses.

3.2.2. Dependent Variables

CEO pay. I measured CEO pay using the TDC1 variable from Execucomp, which consists of salary, bonus, restricted stock, other income, and stock options (using the Black-Scholes option pricing model) paid to a CEO in a given year. The variable was natural log-transformed to correct for skew. This measure of CEO pay is consistent with much of the prior research on CEO compensation (e.g. Falato, Li, & Milbourn, 2015; Pathak, Hoskisson, & Richard, 2014; Wowak, Hambrick, & Henderson, 2011).

CEO dismissal. I obtained data on dismissals from Gentry, Harrison, Quigley, & Boivie (2021)'s comprehensive dataset of CEO dismissals from 1992-2018. The dataset further parses out reasons for dismissal, including performance. Dismissal was coded as 1 only in the cases when dismissal occurred for performance reasons. This also allows me to exclude other extraneous reasons such as fraud and criminal conduct which can lead to dismissal.

3.2.3. Independent Variables

Social Class Background. Scholars of social class would largely agree that class is best captured by three constructs: Parent's education, occupation, and income (e.g. Chetty, Friedman, & Rockoff, 2014; Goldthorpe & Jackson, 2007; Wright, 2005). Parent's education and occupation capture the social and cultural capital of an individual (DiMaggio, 2012). Parent's income represents access to financial resources (Kraus & Stephens, 2012). However, most of the prior literature has only used one of the measures to proxy for social class, largely due to the inability to collect all three sources of information. By using information gathered from the 1940 Census records, I created the first comprehensive measure of social class using the standardized scores of the father's[3] education, occupation, and parent's income to place each contender's parents' financial, social, and cultural capital on a scale with the population of contenders. The three components of social class had high coherence (Cronbach's alpha=.71). The standardized items were averaged to attain an index measure of social class. The executives' class background measure ranged from -2 to 2. An example of an executive from a relatively lower social class background is David D. Glass, the former CEO of Walmart, whose father was listed as a laborer, had a 4th grade education, and whose family income was in the 12th percentile of family incomes in the 1940 Census. An executive with an upper class background is Robert B. Shapiro, the former CEO of Monsanto Inc., whose dad was listed as a lawyer, had a college education, and whose family income was in the highest percentile of income. His dad later served as chairman of General Instrument.

Industry adjusted total shareholder returns (TSR). TSR is a measure of stock performance and was coded as the total compounded return to shareholders. I then adjust TSR by the industry median TSR because firm performance is often benchmarked in comparison to other firms in the industry. I use a market-based measure of performance rather than a book based measure because prior studies have found that CEO compensation is more strongly related to market performance since boards and shareholders are especially sensitive to a firm's performance in the stock market. (Murphy, 1999; Shi et al., 2019). I then bucket this measure into quartiles to capture how poorly or well the firm is doing relative to industry. A measure of 1 represents the lowest quartile of performance, while a measure of 4 captures the highest quartile of performance. This is consistent with prior research that has found that performance is often

[3] I chose to proxy the social class of the parents with the father's because during the time period of collection, fathers were primarily the breadwinners. In the rare cases of single parent homes where only the mother was present, I replaced the father's information with the mother's.

conceptualized into categories that are not linear. It is often CEOs of firms in the lowest performance category who are subject to the greatest penalization (Boeker, 1992; Wowak et al., 2011).[4]

3.2.4. Control Variables

To account for other predictors of pay and dismissal, I controlled for a broad array of factors in our models. All control variables were lagged by one year unless otherwise noted. To ensure comparability across calendar years, I adjusted all financial and pay variables for inflation to 2010 dollars using the U.S. Consumer Price Index. Below, I first describe control variables that are common across all models.

At the firm level, I controlled for *company size* using net sales (logged) to account for the possibility that firms of different sizes may differ in their governance structures and practices. I added controls for financial health including industry-adjusted return on assets (ROA), or net firm income divided by year-end total assets which was then adjusted by industry median ROA, *market-to-book ratio*, the ratio of a firm's market capitalization to book value, and *Altman's Z*, a composite score of five financial ratios aimed at capturing a firm's degree of financial troubles (Barker & Duhaime, 1997; Chen, 2015).

I accounted for differences in governance structures and board vigilance by controlling for *CEO duality*, coded as one when the CEO also served as board chair and zero otherwise; *board outsider ratio*, the ratio of independent directors on the board; and *independent directors' shareholdings*, the proportion of company shares held by independent directors. To account for large investors who may have a disproportionate influence on governance outcomes and

[4] I ran models using Industry adjusted TSR which was not quartiled and the results remained equally significant and robust.

shareholder unrest, I controlled for *institutional ownership*, the proportion of shares owned by institutional investors who invest $100 million or more in securities (e.g. mutual funds, hedge funds, banks, pension funds), which I collected from Thomson Reuters data on institutional ownership from 13F reports.

At the CEO level, I controlled for common predictors of CEOs' career outcomes. Across all models, I entered *CEO tenure* and *CEO age*, to reflect the premise that CEOs' career outcomes are partly determined by their career and life stages. I controlled for *CEO prestige*, coded as a one if a CEO had received a major award, attained prior prestigious employment, or elite education (Acharya & Pollock, 2013; Gomulya & Boeker, 2014) and zero otherwise. To control for the CEO's embeddedness inside the firm, I entered a dummy variable for *inside hire*, coded as one if he or she worked for the firm prior to becoming CEO and zero otherwise, and *CEO shareholdings*, coded as the proportion of company stock owned by the CEO excluding stock options and restricted stock (Barker & Mueller, 2002). This variable was logged to correct for skew.

In analyses predicting CEO pay, I controlled for the *industry median CEO pay*, coded as the median pay received by peer CEOs in the same industry in the same year. I also controlled for *prior year CEO pay*, coded as CEO pay in the prior year. Lastly, to control for macro factors, I included fixed effects for calendar years and industries (4-digit GICS) across all models.

3.2.5. Estimation and Endogeneity

I used generalized estimating equations (GEEs) for the models predicting pay and dismissal because they model longitudinal data taking into account intertemporal correlations across multiple observations per firm (Liang & Zeger, 1986). GEE models do not assume a normal distribution for the dependent variables, and are better suited to estimate parameters for models with correlations of observations across years, making them a popular choice for models studying time-invariant CEO characteristics across firm years (e.g., Campbell, Jeong, & Graffin, 2019; Gamache, Neville, Bundy, & Short, 2020; Hill, Recendes, & Ridge, 2018).

3.3. RESULTS

Table 3 contains descriptive information on the variables used in testing the hypotheses of whether social class background affects the relationship of performance on career outcomes. Table 4 reports the results of the GEE regressions predicting the effect of social class on the pay for performance relationship. Table 5 reports the results of the GEE regressions predicting the effect of social class on the dismissal for performance relationship. Model 1 is the baseline model with all the control variables. Model 2 looks at the interaction of social class with industry adjusted TSR on CEO pay and dismissal respectively.

Hypothesis 1 proposed that the lower the social class, the greater the sensitivity of pay to performance. This hypothesis was supported and significant ($p<.05$). Figure 4 depicts this relationship between social class and performance on CEO pay and shows that pay is higher with higher performance and lower with lower performance for lower social class CEOs in comparison to higher class CEOs. In terms of effect sizes, this means that when performance is at a low (-1 s.d.) level, pay decreases by 2.65 percent for a lower social class CEO relative to a higher social class CEO. Hypothesis 2 proposed that the lower the social class, the greater the likelihood of dismissal when performance is poor. This hypothesis was supported and significant ($p<.05$). Figure 5 depicts this relationship between social class and performance on dismissal and indicates that dismissal is much more likely for lower social class CEOs with lower performance and that those of higher social class have an equal likelihood of being dismissed with high or low performance. In terms of effect sizes, when performance is at a low (-1 s.d.) level, dismissal likelihood increases by 33.46 percent for a lower social class CEO relative to a higher social class CEO.

3.4. DISCUSSION

Corporate governance scholars have puzzled over the degree to which some CEOs' career outcomes are more aligned with performance than others and found that economic factors only provide a modest explanation of this relationship (Chen et al., 2020; Devers et al., 2007; Jensen & Murphy, 1990). Boards are especially prone to carrying out greater performance sensitivity of CEOs' outcomes when they perceive CEOs are capable of more discretion. While prior studies have looked at industry, firm, and contextual explanations of managerial discretion (e.g., Balkin, Markman, & Gomez-Mejia, 2000; Magnan & St-Onge, 1997; Napier & Smith, 1987; Rajagopalan & Finkelstein, 1992; Sanders & Carpenter, 1998), no studies have considered the personal attributes of the CEO that can influence evaluations of CEO discretion and lead to greater or lower sensitivity of CEO career outcomes with performance. This study examines the implications of social class background on CEOs' career outcomes. I theorized that social class background provides a strong signal of discretion by demonstrating the discretion an individual has had over their personal life to board members. This consequently influences board members' evaluations of the CEO's ability to have discretion over firm performance such that those of lower social class tend to be rewarded or penalized more in stronger relation to performance because their positive upward mobility demonstrates greater discretion in comparison to their higher social class counterparts. As hypothesized, I found that the career outcomes of lower social class CEOs are subject to greater sensitivity to performance in career outcomes. Lower social class CEOs are rewarded higher compensation with better performance, but also subject to greater penalization with poor performance. And in the extreme of very poor performance, they are more likely to be dismissed than their higher social class counterparts.

3.4.1. Theoretical Implications

The findings of this study have significant theoretical implications, including some new insights for the literature studying the sensitivity of CEO pay and dismissal with performance. First, this study puts forth and tests an abstract idea that has been conceptualized in disparate literatures across the social sciences which suggests that the personal accomplishments of an individual can influence the degree of discretion attributed to an individual (Anzia & Berry, 2011; Saxenian, 2001). Using social class background as the context in which to test this premise, I find support for this idea that accomplishments can influence evaluations of discretion of an individual. This study is able to test the applicability of the larger idea in a more refined context.

Second, this study contributes to the literature on CEO compensation and dismissal by providing support for the idea that a CEO's personal background can influence evaluations of a CEO's discretion over firm outcomes. This is novel in that the prior literature has largely only considered professional factors, involving attributes directly associated with a CEO's professional career, or attributes of their organizational and contextual environment. By not studying personal factors, which are often very influential in an individual's life, the prior research largely left out some influential components of managerial evaluation and decisionmaking. Finally, this study contributes to the social class literature which has called for studies of social class transitioners, or those who have traversed across different social classes, and the effects of their experiences in these different classes (Gray & Kish-Gephart, 2013; Martin & Côté, 2019; Phillips et al., 2020). I find support for the idea that evaluations of these individuals and their varied experiences can influence other organizational decisions throughout their careers.

3.4.2. Future Research Opportunities

This study provides many possibilities for future research. First, researchers can study how social class background affects CEO's opportunities to attain subsequent jobs and whether these evaluations are greatly weakened or heightened with more experience on the job. If this paper's findings are carried over, one should expect that lower social class CEOs who come from firms with high performance may have a greater chance at being hired for a new job than an upper class CEO from a firm with high performance. This would be an interesting test of whether the effect of social class background weakens with more experience on the job.

I also encourage researchers to test whether these attributions of discretion are also made by analysts and third party intermediaries to the firm who also assess CEO's capabilities in analyzing the firm. It would be intriguing to test whether analyst's evaluations are different or similar to board evaluations and why they may differ. It is possible that boards interact on a personal level with CEOs to a much greater degree than analysts, and are able to perceive social class background more strongly. However, analysts are often limited in CEO interactions and may assess the CEO purely based on the firm's performance or surface-level attributes.

Finally, I envision that future research could investigate the downstream consequences of social class background on firm strategy. Prior research suggests that social class background affects the amount of risk CEOs undertake in executing firm strategy (Kish-Gephart & Campbell, 2015). However, research on social class in social psychology suggests that social class background should also affect collaborative efforts (Piff, Kraus, Côté, Cheng, & Keltner, 2010; Piff & Robinson, 2017). Future research could investigate whether these experimental findings hold up in archival data and explore how CEO's social class background affects collaboration strategies of firms, and whether those of lower or higher social class are more likely to engage in collaborative or deviant strategies to add to our knowledge of CEOs who have experienced different levels of mobility.

3.5. CONCLUSION

This dissertation looked to understand whether and how social class background influences selection into the CEO position and career outcomes of CEOs. I investigated whether the upper class preference documented in prior literature has changed over time and studied the organizational conditions in the form of institutional ownership and unionization that moderated this preference. I further investigated whether social class background can influence evaluations of managerial discretion and influence the career outcomes of a CEO. The findings from both studies reveal that lower and higher social class backgrounds can have advantageous evaluations that affect the careers of different background CEOs differently. In doing so, this dissertation makes contributions to the literatures on social class, upper echelons, and corporate elites by illuminating the demand side processes that result in a preference for social class in the CEO position and further studying how these evaluations of social class background then affect CEO career outcomes.

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APPENDIX A: TABLES

Table 1. Descriptive Statistics and Correlations for CEO Selection Analyses (N=454)

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Selection to CEO	.50	.50																
2	Social Class	-.01	.73	-.01															
3	Years of education	17.28	1.49	.16	.13														
4	Marketing/Sales experience	.15	.36	.01	.05	-.03													
5	Law experience	.12	.33	.03	.08	.41	-.08												
6	Accounting/Finance experience	.16	.37	-.02	-.07	.06	-.07	.01											
7	Production/Operations experience	.83	.37	.13	.03	.08	.01	-.03	.16										
8	Personnel/Labor relations experience	.03	.16	.03	.02	.02	-.07	-.02	.04	.04									
9	Prestigious Education	.38	.48	.14	.22	.51	.03	.14	.07	.13	.07								
10	Number of Boards served	1.63	2.67	.29	.03	.09	-.08	.07	.15	.25	-.01	.13							
11	Number of firms experience (logged)	1.64	1.00	.28	.08	.22	-.02	.06	.25	.48	.11	.23	.53						
12	Number of industries experience (logged)	.92	.58	.34	.10	.25	-.01	.04	.22	.36	.07	.27	.52	.82					
13	Outsider	.07	.26	.16	.04	-.02	-.05	-.08	-.01	.08	.01	-.08	.05	.17	.17				
14	CEO age	55.56	6.38	0	-.07	0	-.04	.13	.03	-.05	-.09	-.07	.16	-.09	-.12	-.05			
15	Time Elapsed	22.02	5.67	0	-0	.05	-.01	.01	.06	.03	-.05	-.05	.17	.05	-.02	.05	.37		
16	Institutional ownership	.47	.21	0	.06	.01	.06	-.01	-.04	.05	-.04	.08	.03	.07	.10	-.02	.11	.25	
17	Collective bargaining agreement	.30	.46	0	-.04	.01	-.04	.04	.01	.06	.01	-.03	.03	.04	.07	.02	.07	-.12	-.08

Table 2. Fixed Effect Logistic Regression Models Predicting Selection to CEO (N=454)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Years of education	0.305**	0.319**	0.308**	0.419**	0.313**	0.387**
	(0.113)	(0.115)	(0.116)	(0.125)	(0.116)	(0.125)
Marketing/Sales experience	0.111	0.088	0.210	0.094	0.078	0.246
	(0.392)	(0.393)	(0.417)	(0.406)	(0.413)	(0.446)
Law experience	-0.053	-0.083	-0.078	-0.145	-0.090	-0.068
	(0.450)	(0.459)	(0.460)	(0.482)	(0.462)	(0.481)
Accounting/Finance experience	-0.759*	-0.776*	-0.861*	-0.572	-0.759+	-0.606
	(0.383)	(0.390)	(0.407)	(0.409)	(0.409)	(0.447)
Production/Operations experience	0.397	0.462	0.482	0.372	0.362	0.302
	(0.356)	(0.363)	(0.375)	(0.374)	(0.373)	(0.388)
Personnel/Labor relations experience	1.179	0.665	0.890	0.794	0.535	0.878
	(0.824)	(0.865)	(0.887)	(0.894)	(0.896)	(0.898)
Prestigious Education	0.371	0.302	0.372	0.393	0.212	0.402
	(0.337)	(0.348)	(0.359)	(0.359)	(0.352)	(0.373)
Number of Boards served	0.345**	0.333**	0.355**	0.358**	0.304**	0.371**
	(0.107)	(0.109)	(0.106)	(0.112)	(0.104)	(0.112)
Number of firms experience	-0.343	-0.393	-0.516+	-0.591+	-0.368	-0.626*
	(0.280)	(0.283)	(0.284)	(0.303)	(0.289)	(0.314)
Number of industries experience	1.940**	2.135**	2.337**	2.466**	2.135**	2.515**
	(0.505)	(0.528)	(0.541)	(0.578)	(0.540)	(0.589)
Outsider	3.329**	3.210**	3.359**	3.870**	3.343**	3.963**
	(1.180)	(1.235)	(1.257)	(1.319)	(1.269)	(1.338)
CEO age	0.049*	0.045+	0.051+	0.043	0.045+	0.049+
	(0.025)	(0.025)	(0.026)	(0.027)	(0.026)	(0.028)
Social Class		0.111	-4.613*	-1.168*	0.466*	-4.473*
		(0.185)	(2.034)	(0.507)	(0.231)	(2.259)
Social Class x Time Elapsed			1.528*			1.246+
			(0.652)			(0.726)
Social Class x Institutional Ownership				2.617**		2.097*
				(0.948)		(1.035)
Social Class x Collective Bargaining Agreement					-1.271**	-1.217*
					(0.460)	(0.493)
Log Likelihood	-99.06	-96.14	-92.55	-89.63	-91.66	-83.93

+ p<0.1; * p<0.05; ** p<0.01

Table 3. Descriptive Statistics and Correlations for CEO Pay and Dismissal Analyses (N=4,630)

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	CEO Pay	7.83	1.12																		
2	Dismissal	.01	.12	.01																	
3	Social Class	.02	.77	.01	-.01																
4	Prior year CEO pay	7.84	1.11	.75	.02	0															
5	Median industry CEO pay	7.84	.37	.28	.01	.05	.27														
6	Company size	7.23	1.72	.52	.01	.02	.52	.14													
7	Industry adjusted ROA	2.58	31.45	.07	-.03	-.01	.07	.02	.09												
8	Industry adjusted TSR	2.52	1.11	.08	-.06	.03	.06	-.02	-.02	.10											
9	Market to book ratio	2.06	2.24	.14	-.01	-.01	.11	.08	-.03	.12	.26										
10	Altman's Z	3.01	22.75	0	0	-.03	0	-.01	-.03	.23	.05	.16									
11	CEO Duality	.36	.48	.13	0	.04	.12	-.17	.10	.01	.01	.27	.04								
12	Board outsider ratio	.73	.14	.11	.01	-.06	.12	.09	.10	0	-.04	-.18	-.05	-.20							
13	Independent directors' shareholdings	.01	.24	-.02	0	.01	-.03	.04	-.05	0	-.01	0	0	-.01	.01						
14	Institutional Ownership	64.47	24.84	.27	.01	-.06	.28	.27	.22	.10	-.05	-.14	-.07	-.14	.20	0					
15	CEO tenure	9.70	7.83	-.06	-.03	.09	-.06	0	-.04	.02	.01	-.05	0	.09	-.11	-.01	0				
16	CEO age	55.94	7.66	.05	0	.01	.07	.05	.14	.01	-.03	-.06	-.02	.15	-.02	-.01	.02	.46			
17	CEO prestige	.05	.21	.08	-.01	0	.08	-.06	.15	.02	.02	.10	.01	.20	-.05	0	-.05	.05	.17		
18	CEO shareholdings	1.95	4.24	-.22	-.02	.06	-.23	-.04	-.19	.01	.02	.11	.04	.17	-.21	.01	-.22	.44	.16	.04	
19	Inside Hire	.46	.50	.13	.02	-.01	.13	-.04	.10	.01	0	.22	.04	.31	-.12	0	-.02	-.02	.02	.14	.02

Table 4. GEE Models Predicting CEO Pay (N=4,630)

Variables	Model 1	Model 2
Social Class	0.007	0.067*
	(0.019)	(0.034)
Prior year CEO pay	0.355**	0.350**
	(0.028)	(0.028)
Median industry CEO pay	0.358**	0.354**
	(0.070)	(0.070)
Company size	0.227**	0.227**
	(0.018)	(0.018)
Industry adjusted ROA	0.001	-0.000
	(0.003)	(0.003)
Industry adjusted TSR	0.048**	0.045**
	(0.009)	(0.009)
Market to book ratio	0.011**	0.025**
	(0.003)	(0.009)
Altman's Z	-0.004	-0.004
	(0.005)	(0.005)
CEO Duality	0.113**	0.112**
	(0.034)	(0.034)
Board outsider ratio	0.212*	0.213*
	(0.084)	(0.085)
Independent directors' shareholdings	-0.546	-0.614
	(0.482)	(0.480)
Institutional ownership	0.003**	0.003**
	(0.001)	(0.001)
CEO tenure	0.006**	0.006**
	(0.002)	(0.002)
CEO age	-0.013**	-0.013**
	(0.003)	(0.003)
CEO prestige	0.083*	0.079*
	(0.032)	(0.033)
CEO shareholdings	-0.004	-0.004
	(0.004)	(0.004)
Inside Hire	0.079*	0.077*
	(0.034)	(0.035)
Social Class x Industry adjusted TSR		-0.024*
		(0.012)
Constant	0.646	0.701
	(0.601)	(0.605)
Wald chi-square test	4774.14	4693.28

+ p<0.1; * p<0.05; ** p<0.01

Table 5. GEE Models Predicting Dismissal (N=3,943)

Variables	Model 1	Model 2
Social Class	-0.050	-0.706+
	(0.193)	(0.380)
Company size	0.260**	0.262**
	(0.091)	(0.092)
Industry adjusted ROA	0.003	0.003
	(0.011)	(0.010)
Firm TSR	-0.281*	-0.276*
	(0.130)	(0.129)
Market to book ratio	-0.087	-0.092
	(0.094)	(0.094)
Altman's Z	0.042*	0.044*
	(0.018)	(0.018)
CEO Duality	0.023	0.028
	(0.359)	(0.360)
Board outsider ratio	0.441	0.434
	(1.105)	(1.095)
Independent directors' shareholdings	-3.878	-3.829
	(6.380)	(6.517)
Institutional Ownership	-0.000	0.000
	(0.009)	(0.009)
CEO tenure	-0.017	-0.017
	(0.020)	(0.020)
CEO age	-0.019	-0.019
	(0.028)	(0.027)
CEO prestige	-1.090**	-1.093**
	(0.341)	(0.339)
CEO shareholdings	-0.060	-0.061
	(0.050)	(0.050)
Inside Hire	0.194	0.190
	(0.329)	(0.332)
Social Class x Industry adjusted TSR		0.299*
		(0.138)
Constant	-4.233+	-4.250+
	(2.460)	(2.464)
Wald chi-square test	117.05	134.63

+ p<0.1; * p<0.05; ** p<0.0

APPENDIX B: FIGURES

Figure 1. The Effect of Time Elapsed on Likelihood of Attaining CEO Position for Higher or Lower Social Class Background Contender

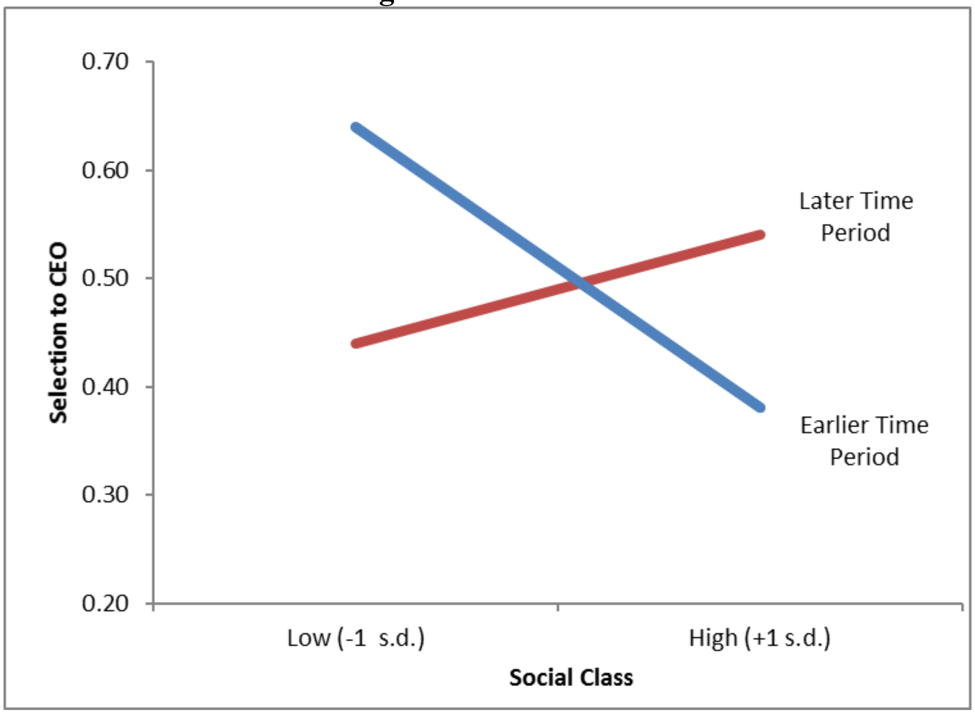


Figure 2. The Effect of Institutional Ownership on Likelihood of Attaining CEO Position for Higher or Lower Social Class Background Contender

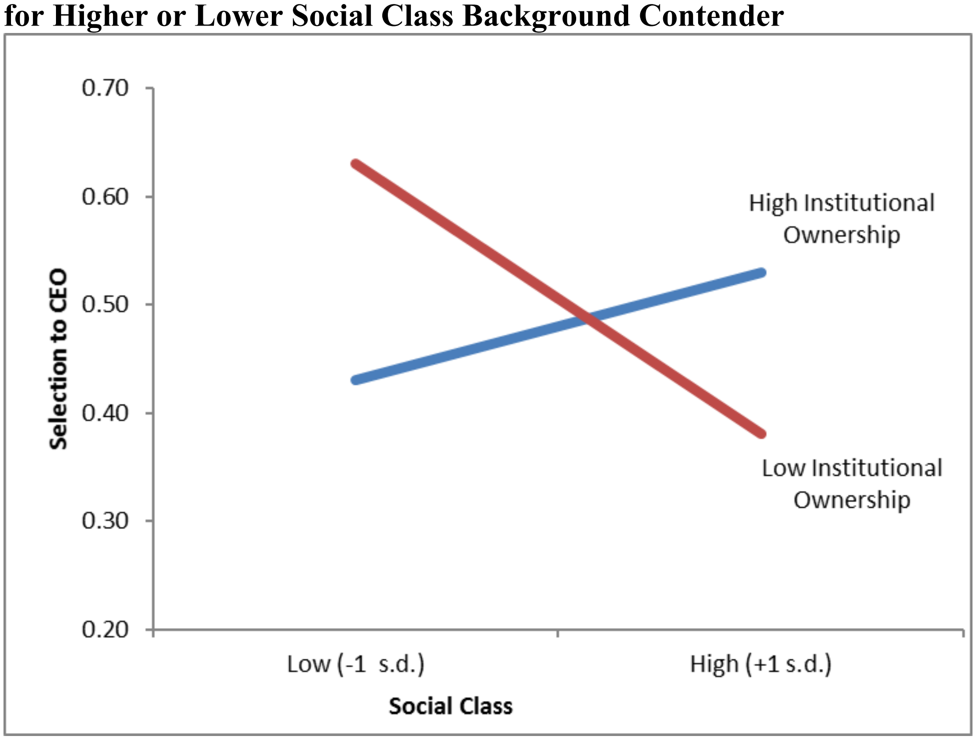


Figure 3. The Effect of Collective Bargaining Agreement on Likelihood of Attaining CEO Position for Higher or Lower Social Class Background Contender

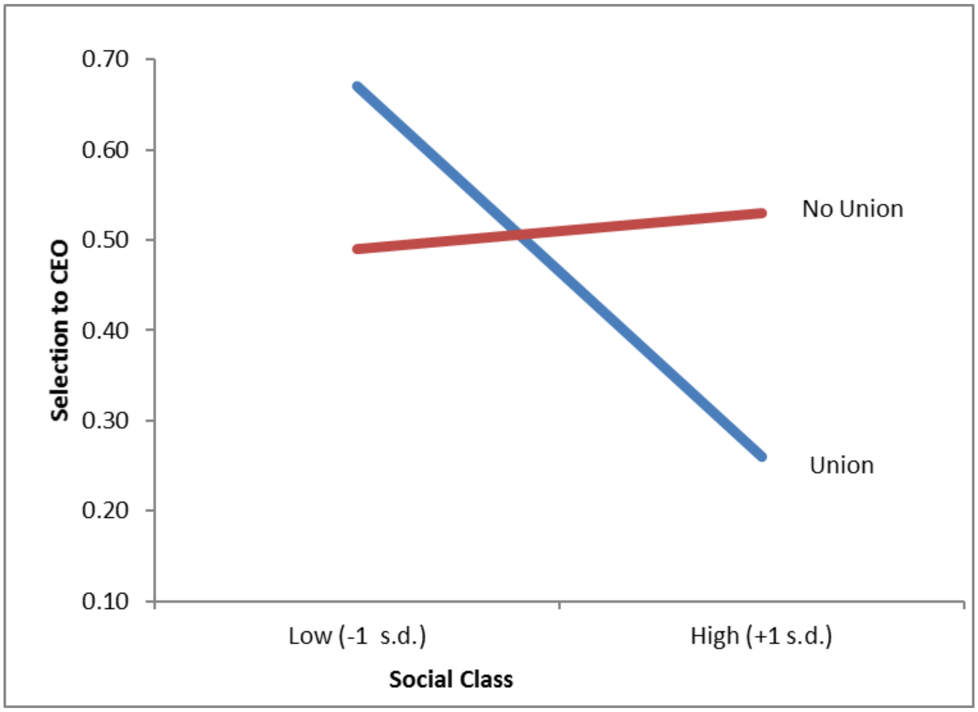


Figure 4. The Effect of the Interaction of Social Class with Industry-adjusted TSR on CEO Pay

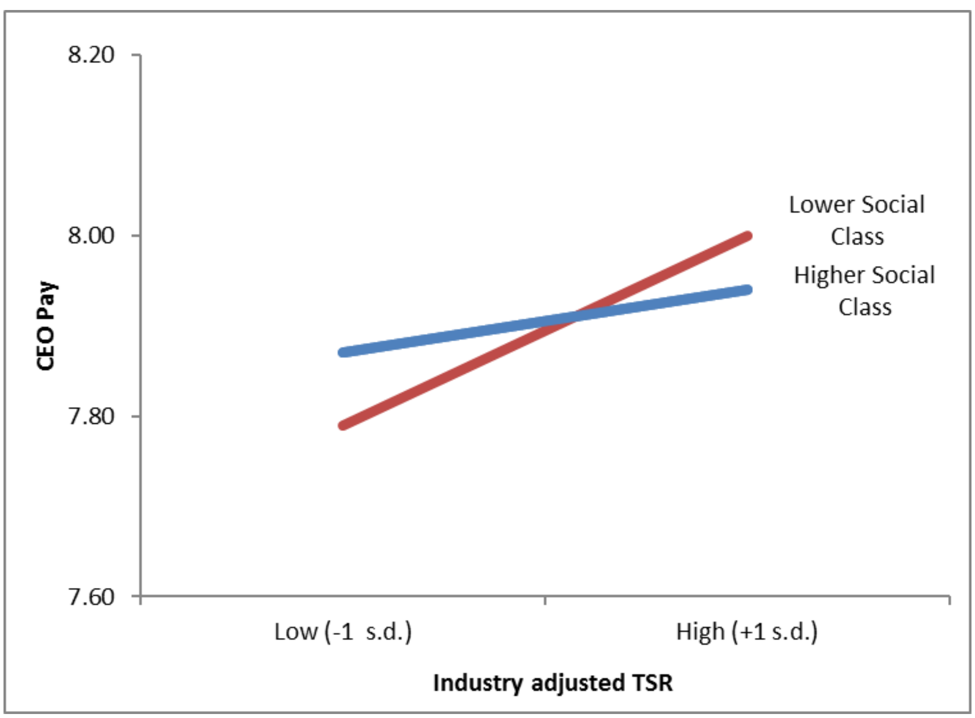
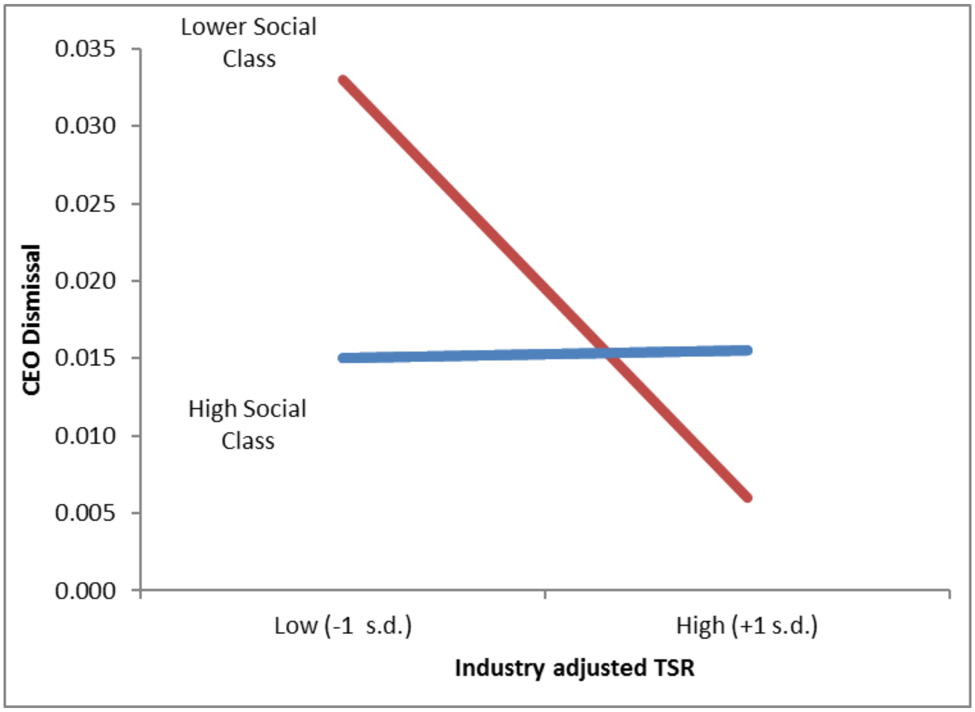


Figure 5. The Effect of the Interaction of Social Class with Industry-adjusted TSR on CEO Dismissal



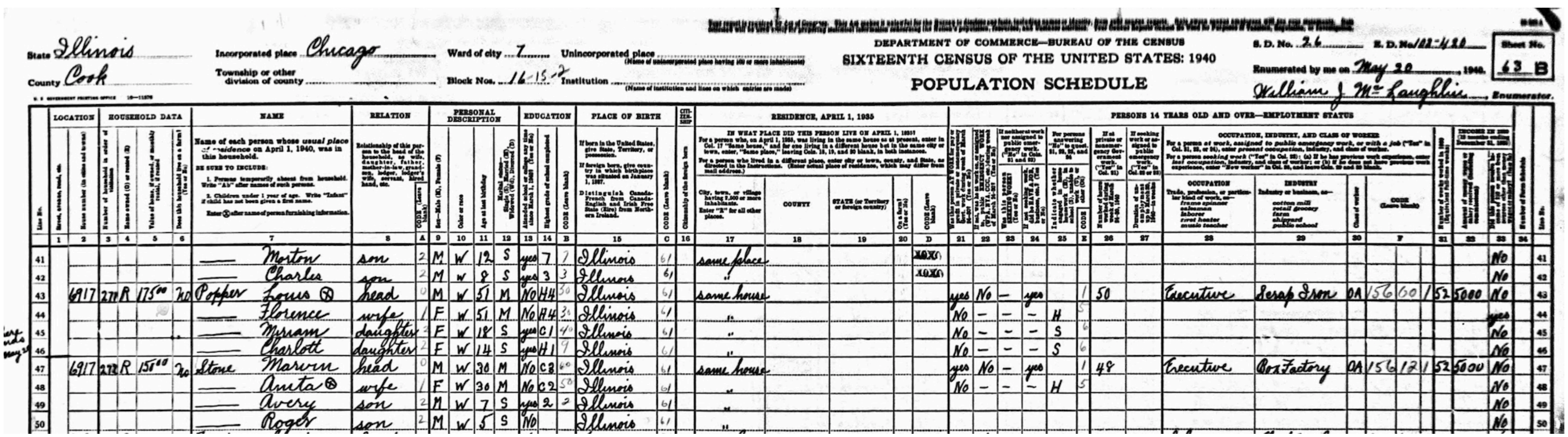
APPENDIX C: APPENDICES

Appendix A. Sample Article with Information on Contenders

Mr. [redacted] 59, who joined the company in 1963 as a staff attorney, was most recently an executive vice president in charge of the consumer products and medical devices groups. He was also responsible for planning and development.

Two other executives had been considered contenders for the presidency --[redacted], executive vice president in charge of the pharmaceutical and nutrition business, and [redacted] chief financial officer. All three are also members of the board.

Appendix B. Sample Census Record



DEPARTMENT OF COMMERCE—BUREAU OF THE CENSUS
SIXTEENTH CENSUS OF THE UNITED STATES: 1940
POPULATION SCHEDULE

State Illinois; County Cook; Incorporated place Chicago; Ward of city 7; Block Nos. 16-15-?; S.D. No. 26; Sheet No. 63 B; Enumerated by me on May 20, 1940, William J. McLaughlin, Enumerator.

Line No.	2	3	4	5	6	7		8	A	9	10	11	12	13	14	B	15	C	17	D	21	22	23	24	25	E	26	28	29	30	F	31	32	33	Line No.
41						—	Morton	son	2	M	W	12	S	yes	7	7	Illinois	61	same place	XOXO														No	41
42						—	Charles	son	2	M	W	8	S	yes	3	3	Illinois	61	"	XOXO														No	42
43	6917	271	R	175⁰⁰	No	Popper	Louis ⊗	head	0	M	W	51	M	No	H4	30	Illinois	61	same house		yes	No	—	yes		1	50	Executive	Scrap Iron	OA	156 60 1	52	5000	No	43
44						—	Florence	wife	1	F	W	51	M	No	H4	30	Illinois	61	"		No	—	—	—	H	5								yes	44
45						—	Miriam	daughter	2	F	W	18	S	yes	C1	40	Illinois	61	"		No	—	—	—	S	6								No	45
46						—	Charlott	daughter	2	F	W	14	S	yes	H1	9	Illinois	61	"		No	—	—	—	S	6								No	46
47	6917	272	R	150⁰⁰	No	Stone	Marvin	head	0	M	W	30	M	No	C3	60	Illinois	61	same house		yes	No	—	yes		1	48	Executive	Box Factory	OA	156 12 1	52	5000	No	47
48						—	Anita ⊗	wife	1	F	W	30	M	No	C2	50	Illinois	61	"		No	—	—	—	H	5								No	48
49						—	Avery	son	2	M	W	7	S	yes	2	2	Illinois	61	"															No	49
50						—	Roger	son	2	M	W	5	S	No			Illinois	61	"															No	50

Appendix C. Sample Birth Records Used to Verify Census Record

Alfred [redacted]
in the Texas, Birth Index, 1903-1997

Name:	Alfred [redacted]
Date of Birth:	14 Jan 1933
Gender:	Male
Birth County:	Medina
Father's name:	Alfred [redacted]
Mother's name:	Elvie [redacted]
Roll number:	1933_0007

GENERAL INDEX TO BIRTHS, TRANSYLVANIA COUNTY

MONTH	DAY	YEAR	NAME	PARENT	TOWN OR TOWNSHIP	BOOK	PAGE
JAN	27	1935	HINKLE, WOOD, JR.	HINKLE, WOOD S.	HOGBACK	21	244
APR	21	1935	HAMILTON, MARY EIIZABETH	HAMILTON, T. C.	LITTEL RIVER	21	274
SEPT	18	1935	HOTIT, VERNON HENRY	HOTIT, BURGS	LITTLE RIVER	21	287
OCT	8	1935	HAMPTON, JULIA ELIZABETH	HAMPTON, THOMAS DANCY	BREVARD	21	51
AUG	30	1935	HALL, MARY LELA EARLENE	HALL, JIMELL	BREVARD	21	113
NOV	4	1935	HOLDEN, HENRY GENE	HOLDEN, KATHLEEN	BREVARD	22	12
AUG	4	1936	HEATH, ANNIE FAYE	HEATH, JAY	BREVARD	22	27
DEC	19	1936	HOLLINGSWORTH, VINIAU SUE	HOLLINGSWORTH, D. H.	BREVARD	22	49
FEB	21	1936	HENSLEY, NELLE MARIE	HENSLEY, LEWIS	BREVARD	22	62
MAR	18	1936	HUTCHINSON, ANNIE MARIE	HUTCHINSON, EDWARD	BREVARD	22	67
APR	17	1936	HUDSON, FRANCES REBEKAH	HUDSON, JOHN R.	BREVARD	22	75
JUNE	12	1936	HIPPS,	HIPPS, JOHNNIE	BREVARD	22	91
NOV	2	1936	HUBER, RICHARD LESLIE	HUBER, WILLIAM WARDEN	BREVARD	22	103

Appendix D. Two Stage Least Squares Instrumental Variable Regression

Variables	First Stage	Second Stage
Social Class (Instrumented)		-0.355* (0.152)
Average Social Class (Instrument)	1.104* (0.491)	
Number of household servants (Instrument)	0.517** (0.105)	