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Kinga Siuta
Institute of Econometrics, SGH Warsaw School of Economics, Poland

Countering Legislative Hostility: Corporate Equality Index as a Response to Anti-LGBT State Laws in the Early Trump Era

Przeciwdziałanie wrogości legislacyjnej. Indeks równości korporacyjnej jako odpowiedź na stanowe ustawy anty-LGBT we wczesnej erze Trumpa

Abstract

This study investigates the impact of state-level anti-LGBTQ+ legislation on changes in the Corporate Equality Index (CEI) among large U.S. corporations during the early years of the first Trump administration, – a period of significant political uncertainty and legislative shifts affecting LGBTQ+ rights. Employing regression analysis, this research examines how varying degrees of state-level legislative hostility influence corporate inclusivity policies, with a specific focus on the role of corporate headquarters' location in shaping these responses. The findings reveal a nuanced relationship, where firms in states with a moderate number of anti-LGBTQ+ bills exhibit significant improve in their CEI scores, suggesting a strategic countermeasure to the negative socio-political climate. Conversely, corporations in a states with an extreme number of such bills, specifically Texas, show no changes beyond the ones observed in firms headquartered in non-hostile states, potentially reflecting entrenched socio-political stances or stakeholder preferences that aligned with conservative views. This study contributes to the discourse on the interplay between political uncertainty, legislative environments, and corporate inclusivity strategies, highlighting the importance role of contextual factors in shaping corporate decision-making making regarding on LGBTQ+ inclusivity.

Keywords:
CSR, Corporate Equality Index, anti-LGBT legislation, Trump administration, corporate inclusivity policies

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Streszczenie

W badaniu przeanalizowano wpływ stanowych ustaw anty-LGBTQ+ na zmiany indeksu równości korporacyjnej (CEI) w dużych amerykańskich korporacjach we wczesnych latach administracji Trumpa, okresie naznaczonym znaczną niepewnością polityczną i zmianami legislacyjnymi dotyczącymi praw osób LGBTQ+. Korzystając z analizy regresji, zbadano, w jaki sposób zróżnicowany stopień wrogości legislacyjnej na poziomie stanowym wpływa na polityki włączania korporacyjnego, ze szczególnym uwzględnieniem roli lokalizacji siedziby korporacyjnej w kształtowaniu tych reakcji. Wyniki ukazują złożony związek: firmy w stanach z umiarkowaną liczbą ustaw anty-LGBTQ+ znacząco poprawiają wyniki CEI, co sugeruje strategiczne przeciwdziałanie negatywnemu klimatowi społeczno-poli-

Słowa kluczowe:
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tycznemu. Z kolei korporacje w stanach z największą liczbą takich ustaw, jak Teksas, nie wykazują zmian poza tymi obserwowanymi w przypadku firm z siedzibą w stanach bez wrogości legislacyjnej, co odzwierciedla potencjalnie utrwalone postawy społeczno-polityczne lub preferencje interesariuszy zgodne z konserwatywnymi poglądami. Badanie stanowi głos w dyskusji na temat relacji między niepewnością polityczną, środowiskami legislacyjnymi a strategiami inkluzywności w korporacjach, dowodzi znaczenia czynników kontekstowych w podejmowaniu decyzji korporacyjnych dotyczących włączania osób LGBTQ+.

Introduction

Corporations operate within an intricate ecosystem, constantly interacting with and adapting to evolving political, social, and economic landscapes. Their survival and growth hinge on their ability to respond to these external forces, maintaining legitimacy, competitiveness, and profitability [Votaw, Sethi, 1969]. This adaptability is particularly relevant in the face of political uncertainty, as exemplified during the early years of the first Trump administration, a period that presented a unique backdrop for corporate inclusivity policies. The Trump administration's tenure was characterised by a significant departure from the preceding administration's inclusive stance on LGBT rights, marked by shifts in federal and state-level policies. This period saw an increase in legislation perceived as anti-LGBT, creating an environment of uncertainty and challenge for LGBT rights across the nation.

Societal progress towards inclusivity and equity often prompts corporations to adopt forward-thinking policies. As societal norms evolve, businesses adjust their operations to resonate with these changing values, thereby broadening their appeal to a diverse array of stakeholders, including employees, customers, and investors. This strategic realignment serves not just as an ethical commitment but also as a means to enhance the corporation's reputation and brand equity [Bies et al., 2007]. Expanding on this, Campbell [2007] presents an institutional theory of corporate social responsibility (CSR), suggesting that corporate engagement in social responsibility is influenced by a spectrum of institutional factors such as regulations, non-governmental organisations (NGOs), and established norms. Zhao [2012] underscores that CSR extends beyond altruistic efforts, embodying a strategic response deeply intertwined with the political landscape.

Corporations, as entities embedded within this socio-political ecosystem, are compelled to adapt and respond to these external pressures. The Corporate Equality Index (CEI), developed by the Human Rights Campaign, serves as a barometer for corporate inclusivity policies, reflecting how businesses address the needs and rights of the LGBT community within their operations. This study delves into the shifts observed in CEI ratings among large US corporations during the tumultuous early Trump era, aiming to unravel the interplay between state-level anti-LGBT legislation and corporate inclusivity initiatives.

Drawing from Rubin [2008], it is posited that the headquarters' state will align corporate executives with the local political climate, impacting the organisation's response to the external environment. The focus here transcends the mere enactment of laws, probing into the dynamics of change amid uncertain political conditions. This approach aligns with insights from Choi et al. [2023], highlighting the importance of understanding corporate behaviour in terms of CSR initiatives during periods marked by heightened political uncertainty, especially regarding anti-LGBT laws.

Such times of turbulence challenge the continuity of corporate policies, compelling senior executives to navigate potential impacts of regime changes without a clear forecast, as elucidated by Engau and Hoffmann [2011], Aragón-Correa and Sharma [2003], and Kaplan [2008]. The decision to adhere to established strategies or to forge new paths is significantly influenced by the degree of political uncertainty, a predominant feature of the Trump era.

While previous research has explored various dimensions of CSR and the impact of socio-political climates on corporate policies, a gap persists in understanding how corporations specifically navigate the challenges posed by anti-LGBT legislation at the state level during periods of heightened political uncertainty. This research aims to fill this gap by examining the relationship between state-level legislative hostility and changes in corporate CEI scores, with a particular focus on the influence of corporate headquarters' locations. By exploring the strategic adjustments made by corporations in response to the legislative environment, this study contributes to the broader discourse on the interplay between political uncertainty, legislative contexts, and corporate strategies for LGBT inclusivity.

Through analysis of CEI changes and the consideration of state-level anti-LGBT laws, this research endeavours to highlight the strategic measures employed by corporations to navigate the socio-political landscape, shedding light on the interaction between corporate actions and socio-political developments. In doing so, it seeks to contribute insights into the mechanisms through which corporations uphold their commitment to inclusivity and equality in the face of legislative adversity, enhancing our understanding of corporate social responsibility in a politically volatile era.

Background and hypotheses

Trump and LGBT inclusivity

Federal policies under the first Trump administration

After assuming office on January 20, 2017, the Trump administration swiftly implemented policies impacting the LGBT community. Within hours of Vice President Mike Pence's inauguration, references to LGBT individuals were removed from official documents, signalling the administration's stance. Shortly thereafter, on January 23, the Trump State Department erased former Secretary of State John Kerry's apology for the "Lavender Scare" and LGBT content from its website, including pride month observances and the State Department's Special Envoy for the Human Rights of LGBT Persons [**The Independent, 2017**].

In response to the US Department of Justice's decision to cease opposition against a nationwide injunction on protections for transgender students, hundreds of parents with transgender children penned a letter criticising the move and urging the administration to uphold federal civil rights laws [**Human Rights Campaign, 2017e**].

Throughout his presidency, Trump made appointments to the judiciary with records opposing LGBT rights, including Supreme Court Justices Neil Gorsuch and Brett Kavanaugh, as well as various federal nominees [**NBC News, 2021**]. There were several areas of life where the Trump administration implemented particularly visible LGBTQ policy changes.

In the workplace, the Department of Justice under the Trump administration altered interpretations of the Civil Rights Act, diminishing protections for transgender and non-binary workers against employment discrimination. Additionally, non-discrimination safeguards were discontinued, and an adversarial stance toward LGBT workers was evident in legal proceedings [**The Advocate, 2017**].

In the healthcare system, the Department of Health and Human Services (HHS) proposed a significant modification to the administrative rule interpreting Section 1557 of the Affordable Care Act (ACA). This proposed change aims to eliminate explicit protections for LGBT individuals in healthcare programmes and activities by excluding them from safeguards against discrimination based on sex stereotyping and gender identity.

State-level LGBT-related laws

According to the ACLU, in 2017 alone, more than 100 anti-LGBT bills were introduced in over 29 states [**American Civil Liberties Union, 2017**]. Other reports show even higher numbers, with 129 bills considered the same year [**Human Rights Campaign, 2017c**]. Conservative-leaning states such as Texas, South Dakota, and Alabama enacted legislation with the potential to curtail the parental rights of LGBT individuals, as per the report's findings.

The State Equality Index brought attention to a legislative proposal in Tennessee that necessitates the interpretation of “undefined terms” in accordance with their “natural and ordinary meaning” within state statutes. While the ultimate rendition of the bill did not expressly identify any “undefined terms,” an earlier version notably mandated that terms such as “husband,” “wife,” “mother,” and “father” be interpreted based on their natural and ordinary significance.

In contrast, seven states followed the opposite trajectory set by the Obergefell decision. For instance, Nevada introduced a new law that stripped gendered language from both state code and marriage documents. One notable example is Texas’ House Bill 3859, which permits faith-based organisations collaborating with the Texas child welfare system to refuse services “under circumstances that conflict with the provider’s sincerely held religious beliefs” [**Human Rights Campaign, 2017d**].

Influences on state-level anti-LGBT legislation

The landmark Supreme Court case Obergefell v. Hodges, decided on June 26, 2015, established the constitutional right to same-sex marriage across the United States. The 5–4 decision, authored by Justice Anthony Kennedy, ruled that the Fourteenth Amendment requires all states to grant marriage licences to same-sex couples and recognise same-sex marriages performed in other jurisdictions. This decision was hailed as a historic victory for marriage equality and civil rights, affirming that marriage is a fundamental right inherent in the liberty of the person [**Supreme Court of the United States, 2015**]. However, it also faced significant opposition from conservative groups and states [**Deming, 2016**]

It is difficult to determine whether the rise of state-level anti-LGBT laws was directly caused by the Trump administration’s policies or a backlash after the Obergefell v. Hodges SCOTUS ruling in June 2015. Both factors likely played a role, with the Trump administration’s stance potentially emboldening state legislatures to pursue anti-LGBT measures.

In his interview, Human Rights Campaign President Alphonso David underscored the extraordinary nature of the policies enacted by the Trump administration, labelling them as unparalleled in their hostility towards LGBT rights. He emphasised that despite claims to the contrary, the administration’s actions consistently undermined and eroded protections for LGBT individuals, marking a stark departure from previous administrations. David reiterated that attempts to downplay the severity of these policies were misguided, as they represented a significant regression in LGBT rights that had not been witnessed for decades [**Human Rights Campaign, 2024**].

In summary, the policies and actions of the Trump administration had significant implications for the LGBT community across various domains. The administration’s initiatives were met with criticism and concerns from advocates for LGBT rights, citing potential adverse impacts on civil liberties and mental health outcomes within the community. While there is no clear conclusion about the extent of the administration’s effect on state-level LGBT policies in light of the Obergefell v. Hodges SCOTUS ruling, empirical evidence suggests a notable escalation in adverse mental health outcomes among LGBT individuals, highlighting the need for continued research and advocacy to address these challenges effectively [**Kuroki, 2021**].

Prior studies

The landscape of corporate responsibility and inclusivity, particularly concerning the rights and representation of the LGBT community, has been significantly influenced by legislative changes and societal attitudes. Recent years, especially those under the Trump administration, have seen a marked shift in the legal and social environment impacting LGBT rights, which in turn has affected corporate practices and policies.

The correlation between changes in LGBT rights and corporate behaviour is well-documented. On the corporate level, **Hossain et al.** [**2020**] explored how anti-discriminatory laws prohibiting discrimination in the workplace based on sexual orientation and gender identity influence firm performance, revealing a positive relationship between the Corporate Equality Index (CEI) and firm innovation. Similarly, the work of Klawitter and Flatt [1998] assessed the impact of local and state policies on the earnings within the LGBT community. While not directly addressing corporate actions, this study underscores the broader economic and social context influencing corporate strategies in response to anti-LGBT laws.

Pichler et al. [2018] further examined how LGBT-supportive corporate policies affect firm value, productivity, and profitability, finding a positive association with higher firm performance. They proposed that, when the adoption of LGBT-supportive policies is not voluntary but state mandated, adoption is less likely to be perceived as socially responsive by stakeholders and thus less likely to lead to enhanced firm performance outcomes. This in turn can lead to lower corporate motivations to improve CEI in states where LGBT equality laws are in place.

A recent study by Choi et al. [2023] integrates resource dependence theory, institutional theory, and stakeholder theory to argue that a firm's LGBT friendliness is influenced by its marketing orientation and the external political environment. The findings indicate a significant positive relationship between a firm's marketing orientation and its LGBT-friendly activities. Moreover, this relationship is weakened by state-level diversity policies and strengthened by country-level political uncertainty.

The Trump administration presented a particularly challenging period for LGBT rights, with numerous legislative actions perceived as hostile towards LGBT individuals as outlined in subsection 2.1. Kuroki [2021] highlighted an increase in extreme mental distress among LGBT individuals during Trump's rise and presidency, particularly in states where Trump won, suggesting the administration's policies had a tangible negative impact on the LGBT community's mental well-being. In light of these challenges, Gonzales and McKay [2017] emphasised the need for continued advocacy for LGBT health equity, predicting the administration's potential to repeal health reform laws, undermine non-discrimination protections, and institutionalise discrimination.

In response to the adverse legislative climate, the Human Rights Campaign noted a significant uptick in corporate support for LGBT rights. The 2017 and 2018 editions of the CEI reported an unprecedented number of businesses achieving perfect scores and actively opposing anti-LGBT legislation, illustrating a clear shift in corporate behaviour towards greater inclusivity and support for the LGBT community [Human Rights Campaign, 2017a; 2018].

This trend can be partially explained by perceived organisational support theory, which posits that employees view their organisations more favourably when they believe their well-being is a genuine concern. This is particularly relevant in states without protective legislation, where voluntary corporate policies signal care and support, potentially leading to greater social responsiveness among employees and consumers.

Research by Ragins, Singh, and Cornwell [2007] has demonstrated the significant impact of both firm policies and state laws on reducing perceived workplace discrimination, underscoring the importance of investigating the interplay between firm-level policies and state-level laws in relation to firm performance outcomes – with the positive impact of corporate policies on perceptions of discrimination being nearly triple that associated with state or local legislation.

To date, there has been a notable absence of research explicitly examining the evolution of corporate LGBT equality policies during the distinctive early years of the first Trump administration. This period stands out due to its significant impact on state-level anti-discrimination laws concerning the LGBT community. Although this era has attracted scholarly attention across various domains – evidenced by studies such as Kuroki [2021], which delved into mental distress during this time, and Antonini, Olczak, and Patten [2021], which focused on changes in climate change disclosures – the specific area of corporate inclusivity policy shifts remains unexplored. This oversight highlights a gap in the literature that requires analysis in this unique context.

Hypothesis

The early years of the first Trump administration presented a distinct landscape for corporate inclusivity policies. While existing research primarily examines how the Corporate Equality Index influences other indicators or considers state law as an instrumental variable, this study seeks to analyse changes in CEI through the prism of state-level politics.

The location of a company's headquarters plays a critical role in shaping corporate policies. Following the insights of **Rubin** [**2008**], it is expected that HQ state plays a significant role in this context as corporate executives, who often reside near the firm's headquarters, will align with the prevailing political values of the state. Although the general trends in CEI levels support Rubin's hypothesis, the focus of this investigation is the dynamics of change under uncertain political conditions, rather than the enactment of laws, which aligns more closely with insights into political uncertainty pointed out in **Choi et al.** [**2023**].

The early Trump era under study represents a period of heightened political uncertainty, particularly regarding LGBT anti-discrimination laws. This era of uncertainty is critical for understanding the strategic behaviour of enterprises, especially in terms of their CSR initiatives. As **Zhao** [**2012**] elucidates, CSR is not merely an altruistic endeavour but a strategic manoeuvre deeply rooted in the political landscape. With legislators and political leaders frequently introducing new regulations, firms often find themselves navigating a labyrinth of unpredictability – uncertain about political priorities, the nuances of engagement, and the overall stability of the policymaking process [**Sutton et al., 2021**].

In such turbulent times, the continuity of policy becomes a luxury, leaving senior executives grappling with the potential impacts of sudden regime changes. This discontinuity, as highlighted by **Engau and Hoffmann** [**2011**] and further supported by **Aragón-Correa and Sharma** [**2003**] and **Kaplan** [**2008**], challenges firms to either cling to their established strategies or venture into formulating new ones, often without a clear forecast of the implications. The inclination to maintain the status quo or to instigate change is significantly influenced by the degree of political uncertainty – a factor that was palpably heightened during the Trump years.

This backdrop of political volatility and its implications for corporate behaviour underscores the essence of CSR as a response mechanism. Firms, in an effort to mitigate the risks associated with such uncertainty, may opt to bolster their CSR initiatives. This strategic enhancement of CSR practices serves not only as a buffer against the unpredictability of the political climate but also as a testament to the firm's resilience and adaptability in the face of regulatory flux.

This study, therefore, endeavours to examine the influence of state political climates on corporate inclusivity measures, with particular attention to how the locale of headquarters affects the introduction and expansion of LGBT equality policies amid a politically volatile era.

Hypothesis: Firms located in ststes with prevalent anti-LGBT activities enhanced their LGBT equalitypolicies more significanty during the early Trump administration period.

Methodology

LGBT inclusivity reporting measure

Within the landscape of corporate inclusivity metrics, the Corporate Equality Index (CEI), administered by the Human Rights Campaign Foundation, emerges as a distinguished tool for gauging the commitment of businesses to LGBT inclusion. Established in 2002, this annual index serves as a critical measure within the Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) frameworks, offering a quantifiable insight into the practices and policies businesses employ to create an inclusive environment for LGBT employees.

Targeting mid to large-sized, for-profit private-sector entities, the CEI evaluates over a thousand US employers, each employing at least 500 full-time domestic workers. Companies partake by self-reporting their inclusivity initiatives, with their submissions validated against publicly available data to ensure accuracy. This robust assessment process positions the CEI as a cornerstone for identifying "Best Places to Work for LGBTQ Equality," extending its reach even to non-respondents through independent evaluation to estimate their implicit ratings.

The evaluation criteria of the CEI are encapsulated within four fundamental areas:

- **Non-discrimination Policies Across Business Entities:** This pillar assesses the presence of explicit non-discrimination policies regarding sexual orientation and gender identity, aiming to ensure equal opportunities and diverse talent acquisition.
- **Equitable Benefits for LGBT Workers and Their Families:** This criterion evaluates employer-provided healthcare coverage, non-healthcare benefits, and transgender-inclusive healthcare benefits.
- **Supporting an Inclusive Culture & Corporate Social Responsibility:** This pillar scrutinises LGBT inclusion practices, such as diversity training, gender transition guidelines, and LGBT community outreach, while also assessing companies' CSR standards related to the LGBT community.
- **Punitive Criterion:** The punitive dimension deducts points when a company is found to discriminate against the LGBT community publicly.

The CEI not only serves as a benchmark for inclusivity but also as a potent research tool, underpinning studies that link LGBT-friendly policies with enhanced business performance and innovation, thereby highlighting the business case for inclusivity [**Hossain et al., 2020**; **Shan, Fu, Zheng, 2017**; **Fatmy et al., 2022**].

The index's role as a transparent and objective marker of a company's dedication to diversity and inclusion offers a reliable gauge for stakeholders, mitigating concerns of insincere signalling and bolstering a firm's reputation for genuine inclusivity efforts.

The index is not the only work of the Human Rights Campaign that is useful to the study. The organisation has been involved in the LGBT equality movement for the last 40 years and has also been issuing equality indices for municipalities and states (i.e., a review of statewide laws and policies that affect LGBT people and their families) as well as monitoring various LGBT-related activities such as new legislation, and does different types of pro-LGBT activism.

Sample

The sample size is dictated by the CEI availability, but is otherwise appropriate for the problem at hand. The CEI report describes large American enterprises that have more than 500 employees and are well established and well known. This sample is widely used in studies on companies' inclusivity due to the scope and thoroughness of the index. For instance, using this data and consequently, large companies subset, **Choi et al.** [**2023**] highlight the strategic decisions of larger firms to adopt LGBT-friendly policies, partially driven by their visibility and need to maintain legitimacy in a diverse and changing social environment.

The resulting sample consists of 509 American corporations that reported the CEI for the years 2014, 2015, 2017 and 2018. The change in the CEI between the pre-Trump and Trump eras is calculated using two-year averages, i.e., the difference between the average CEI for 2017 and 2018 and the average CEI for 2014 and 2015. The year 2016 was excluded due to the difficulty of assessing corporate positions relative to the Trump presidency. This approach aligns with the methodology of **Antonini, Olczak, and Patten** [**2021**], who investigated corporate climate change disclosures during the Trump administration over the same period.

Regression analysis

The regression analysis in this study employs a cross-sectional model where each row represents a company's CEI change between the pre-Trump and Trump eras. The model includes two key types of variables:

First, it is important to note that the higher a company's CEI in 2014–2015, the fewer areas remain for improvement. To account for this limitation – similar to the approach used by **Antonini, Olczak, and Patten**

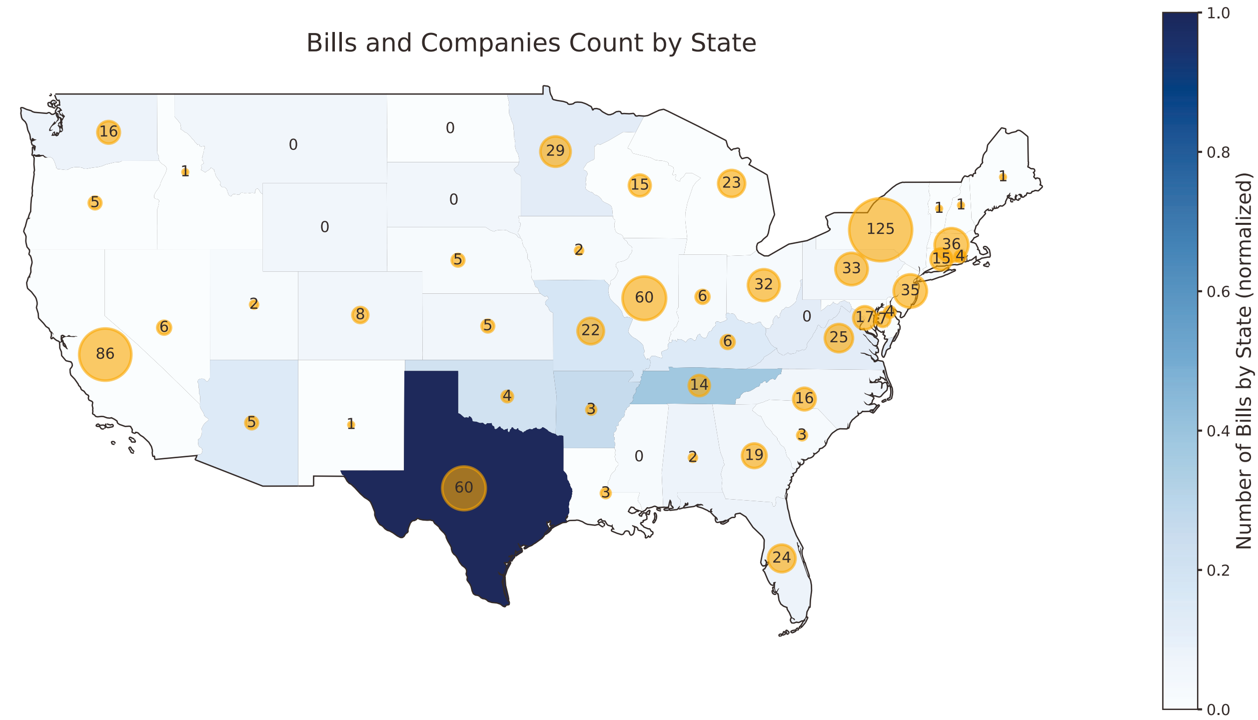
[2021] – the prior CEI value from 2014–2015 is included in the model. In the baseline analysis, companies with prior CEI values equal to 100 were excluded due to their inability to demonstrate further improvement. In fact, out of 278 companies with perfect scores in 2014–2015, only nine showed any change, making them unfit for the purpose of this study. However, these observations will be incorporated into additional analyses.

Second, a set of variables was constructed to measure the scope of state-level anti-LGBT legislation. As in Antonini, Olczak, and Patten [2021], it is assumed that 2017 is the reference year for the legislative environment in which corporations operated during the early Trump era. To capture this environment in each state, LGBT-related bills considered in 2017 were used – classified by the Human Rights Campaign [Human Rights Campaign, 2017b] into three categories:

- bill area (e.g., patenting bills or health & safety related bills),
- bill status (passed, active, dead),
- bill impact (favourable, neutral, unfavourable).

Given the hypothesis of the study and the public response to anti-LGBT laws described in subsection 2.1, it was concluded that only the third category of bills is relevant to the issue at hand. Specifically, all unfavourable bills have the potential to add to the overall sense of increasing discrimination, potential threats, and disruptions to the status quo. Even bills that were ultimately unsuccessful generated public reactions due to the sheer volume of proposed legislative changes. As Alex Sheldon, a research analyst with The Movement Advancement Project, stated in 2017, "states like Texas and Arkansas are now trying to pass multiple bills that target people specifically. The clear message to LGBT people: You are not welcome" [USA Today, 2017].

Figure 1. Geographical distribution of anti-LGBT bills (fill colour) and sample size (circle size and labels)



Source: Author's own elaboration.

Figure 1 visually depicts the distribution of the 787 companies in the dataset and the number of anti-LGBT bills in each state. In this figure, the colour intensity of each state corresponds to the number of anti-LGBT bills considered in 2017, while the circles and accompanying labels indicate the number of sampled companies. Notably, there are significant disparities in the number of observations per state, with 19 states having three or fewer companies in the sample, rendering state-level analysis impractical. Additionally, the subset of companies included in the study's primary regression analysis contains even fewer observations. For visualisation purposes, Hawaii and Alaska were excluded from the map to enhance readability; however, this does not affect the data analysis, as both states had zero observations in the dataset.

To address the challenges posed by the uneven distribution of companies and the diverse legislative landscape across states, this research employs a categorisation strategy that segments states into four distinct bins based on the number of anti-LGBT bills: 0 anti-LGBT bills, 1–4 bills, 5–13 bills, and a unique category for Texas, which had the highest count at 34 bills directly targeting the LGBT community. This classification approach was designed to ensure a degree of consistency in CEI data across different groups while maintaining a viable number of observations within each bin. Table 1 presents the main descriptive statistics for these categories, covering both the complete dataset and the narrower subset used for regression analysis, which comprises companies with less than perfect prior CEI scores. As anticipated, the full sample exhibits a smaller average CEI change across all bins compared to the subset, due to the limited room for improvement among these firms. Remarkably, in both datasets, the 5–13 bill category shows a significantly higher average CEI change than other groups, underscoring a trend that warrants further investigation in the regression analysis.

Table 1. Grouped statistics

	Full sample			
	Number of companies	Number of states	Avg CEI change (Std)	
0 bills	261	18	7.577	(18.938)
1–4 bills	412	18	6.365	(15.397)
5–13 bills	54	6	20.509	(23.897)
34 bills	60	1	10.917	(24.208)
	Less than perfect prior CEI			
	Number of companies	Number of states	Avg CEI change (Std)	
0 bills	154	18	12.922	(23.212)
1–4 bills	252	18	10.734	(18.268)
5–13 bills	46	6	24.076	(24.183)
34 bills	57	1	11.491	(24.712)

Source: Author's own elaboration.

In the regression analysis, the category of 0 bills is the reference category that is not present in the model. Consequently, the coefficients for all other categories are interpreted in reference to the HQ state that did not consider any unfavourable bills in 2017. As a result, the following equation was constructed:

$$\Delta CEI = \beta_0 + \beta_1 prior\_CEI + \beta_2 bills\_1-4 + \beta_3 bills\_5-13 + \beta_4 bills\_34 + \epsilon$$

where ΔCEI is the change in a company's CEI between the pre-Trump and Trump eras, $bills\_i-j$ are binary variables representing the number of anti-LGBT bills introduced in 2017 in the company's HQ state, while β_k are the estimated coefficients. In Additional Analyses, variations of this equation are explored, incorporating additional control variables or using a different sample.

Results

Regression analysis

The regression analysis presented in this study offers clear insights into the ways firms navigated the political and social upheaval concerning LGBT rights in the early years of the Trump administration. The findings, detailed in Table 2, highlight a significant relationship between shifts in the Corporate Equality Index (CEI) and the enactment of state-level anti-LGBT laws.

Interestingly, the analysis suggests that a moderate number of state-level anti-LGBT bills (5–13 bills) can serve as a significant catalyst for firms to proactively enhance their CEI, with an average increase of 8 points compared to states with no such bills. This suggests that firms in these states may perceive a stronger imperative to affirm their commitment to LGBT inclusivity, possibly as a countermeasure to the negative socio-political climate. No such relationship was observed for companies based in states with low anti-LGBT legislative activities (1–4 bills).

Conversely, the lack of a significant response from firms in states with an extreme number of anti-LGBT bills (Texas with 34 bills) might reflect a deeply entrenched socio-political stance towards LGBT issues, where corporate responses are less influenced by activist pressures or are aligned with the prevailing conservative stakeholder preferences. This reasoning aligns with the press around the state. In a 2023 study by LawnStarter, which ranked the 200 largest US cities based on 20 indicators of an ideal LGBT-friendly environment, six Texas cities were named among the 10 least friendly [**Fox 26 Houston, 2024**]. The sentiment in 2017 was similarly hostile, with reports highlighting an alarming rise in violence against LGBT Texans. That year, Texas saw its highest number of anti-LGBT homicides in two decades, with seven murders across the state, including three in Houston: "Texas led the United States in hate-related homicides against LGBT people, which jumped by 86 percent from 2016 to 2017" [**Equality Texas, 2024**].

Table 2. Regression results

Variable	Coefficient	P-value
const	26.5454	0.000
prior CEI	−0.2263	0.000
bills 1–4	−1.1268	0.592
bills 5–13	9.8151	0.007
bills 34	−3.6817	0.301
Observations	509	
Adjusted R-squared	0.120	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.
Source: Author's own elaboration.

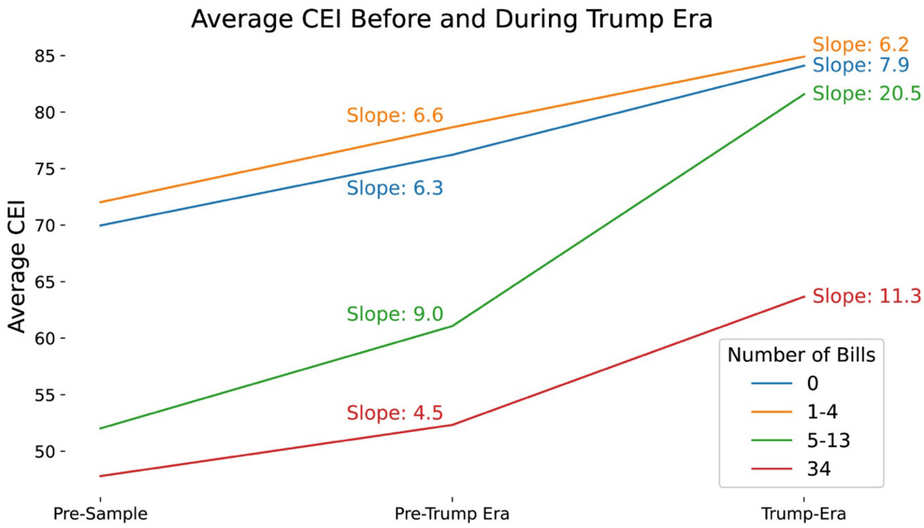
The coefficient of the prior CEI value is negative and statistically significant as expected.

The graphical representation in Figure 2 further illustrates these findings. While firms in different states started with varying baseline CEI scores in the pre-Trump era, those in states with 5–13 anti-LGBT bills demonstrated a markedly steeper increase in their CEI scores during the Trump era. This shift underscores the significant impact of moderate levels of state-level legislative hostility on corporate inclusivity policies.

To validate these trends, a benchmark CEI average was calculated for 2012/2013 as a *pre-sample* observation and is also presented in Figure 2. The purpose of this addition is to determine whether the noticeable difference in slope for companies based in states with a moderate number of anti-LGBT bills is unique to the transition from the pre-Trump era to the Trump era or if it was already evident earlier, i.e., in the transition between the pre-sample period and the pre-Trump era. While the lines in Figure 2 are not entirely parallel between the pre-sample and pre-Trump periods, the slopes are not as dramatically different as those between the pre-Trump and Trump periods.

To substantiate this observation, an additional regression was conducted, similar to that in equation [eq:-main_regression_model]. In this model, the change in CEI, which is the outcome variable in this case, is measured between the pre-Trump era and the pre-sample period at the company level. The prior CEI is the average CEI of a company from 2012/2013, while the bills-related variables remain the same, i.e., the number of anti-LGBT bills introduced in the company's HQ state in 2017. The results in Table 3 support the claim that CEI trends for the same subsets of companies were different between the two studied periods. Specifically, there is no significant difference between the changes for companies located in no-bills states and those in states with a moderate number of bills (5-13), but a possible negative difference was observed for Texas, with 34 bills. However, this equation does not explain the variance of the dependent variable at the same level as it did for the original variable (the adjusted R-squared is nearly three times lower for the pre-sample CEI change regression), so these results should be interpreted with caution.

Figure 2. Trends in average CEI by state-level anti-LGBT bill exposure (pre-sample: 2012/13, pre-Trump: 2014/15, Trump era: 2017/18)



Source: Author's own elaboration.

Table 3. Regression results for the 2012/2013 to 2014/15 CEI change

Variable	Coefficient	P-value
const	13.8802	0.000
prior CEI (2012-2013)	−0.0858	0.000
bills 1–4	−0.0459	0.971
bills 5–13	1.5437	0.530
bills 34	−3.9486	0.019
Observations	552	
Adjusted R-squared	0.042	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.
Source: Author's own elaboration.

Another robustness check involves reformulating the regression problem into a binary one. While companies with perfect scores were excluded from the model, the remaining companies with relatively high scores still face limitations on how much their CEI can grow, as CEI is capped at 100. To address this, a binary outcome variable was created to indicate whether a company's CEI score increased or not. This approach has several advantages. First, it avoids the ceiling effect; by focusing on whether the score increased rather than by how much, the issue that high-scoring firms have limited room for improvement is mitigated. It also verifies the robustness of the results – if the findings hold under the binary outcome variable, this means they are not solely driven by low-scoring firms that have more room for improvement.

The results hold under the new outcome variable as shown in Table 4. The logistic regression results indicate that firms in states with a moderate number of anti-LGBT bills (5–13) are significantly more likely to increase their CEI scores. Meanwhile, no significant effect was found for firms in states with a small number of bills (1–4) or the state with the highest number of bills (Texas). The prior CEI score also positively influences the likelihood of an increase, though with a relatively small effect size, suggesting that companies with more prior structures and inclusivity efforts are likely to strive for improvements more than others. This analysis supports the robustness of the original findings and addresses the ceiling effect concern by focusing on the likelihood of score changes rather than their magnitude.

Table 4. Logistic Regression results with binary outcome variable for CEI score increase

Variable	Coefficient	P-value
const	0.1642	0.522
prior CEI	0.0071	0.029
bills 1–4	0.2203	0.312
bills 5–13	2.1290	0.001
bills 34	−0.1270	0.696
Observations	509	
Accuracy	0.69	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.
Source: Author's own elaboration.

The nuanced corporate responses across states challenge the initial hypothesis. Firms in states with either very low or very high anti-LGBT legislative activity tended to maintain a relatively consistent trajectory in their CEI scores, reflecting a preference for the status quo. In contrast, firms in states with moderate to high legislative hostility appeared more inclined to depart from the status quo, implementing substantial enhancements to their CEI scores in a relatively short timeframe. This pattern of response highlights the complex interplay between political uncertainty, state-level legislative environments, and corporate strategies regarding LGBT inclusivity, suggesting that firms may adopt more aggressive inclusivity measures as a strategic response to moderate levels of socio-political adversity.

Additional analyses

Alternative model specifications

As part of the sensitivity analysis, two additional models were constructed. First, observations with perfect prior CEI scores (previously excluded) were added to the sample in Table 5, creating a sample of 787 enterprises. To account for the limited potential for change in perfect-scoring companies, a binary variable was added to the model (1 if a company had a CEI of 100 in both 2014 and 2015, 0 otherwise). The signs and statistical significance of the coefficients remained unchanged, with only minimal fluctuations in the values of significant variables.

Table 5. Regression results including perfect prior score observations

Variable	Coefficient	P-value
const	26.5869	0.000
prior CEI	−0.2276	0.000
perfect score	−3.8936	0.000
bills 1–4	−0.8384	0.505
bills 5–13	8.3955	0.005
bills 34	−3.4714	0.274
Observations	787	
Adjusted R-squared	0.219	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.
Source: Author's own elaboration.

The enhanced version of the model incorporates a new control variable, the natural logarithm of total 2017 revenues, to refine the previous iteration. This inclusion necessitated a reduction in the dataset to 349 companies, constrained by the availability of financial data in the Orbis database. This variable serves to account for a company's current financial status, acknowledging that firms with ample resources are likely to adapt their CSR policies more readily [**McGuire, Sundgren, Schneeweis, 1988**]. Financial metrics such as ROA and Tobin's Q, frequently employed in studies related to the Corporate Equality Index, exemplify this approach [**Fatmy et al., 2022**; **Shan, Fu, Zheng, 2017**]. Additionally, the natural logarithm of 2017 revenues was used as a proxy for firm size in the context of climate disclosure changes [**Antonini, Olczak, Patten, 2021**].

By incorporating this additional financial control variable, it is possible to verify the robustness of the initial findings. Despite variations in the dataset due to financial data availability, the stability of the coefficients for prior CEI and the 5–13 bills category across different models underscores the reliability of the results. This test also helps mitigate potential confounding effects that could arise from variations in firm size, financial health and resource availability, ensuring that the observed effects are more accurately attributed to the legislative environment rather than extraneous financial factors.

Table 6. Regression results including 2017 revenues as a control variable

Variable	Coefficient	P-value
const	2.2167	0.852
prior CEI	−0.2054	0.000
ln total revenues 2017	1.5105	0.051
perfect score	−5.9488	0.001
bills 1–4	−2.2203	0.333
bills 5–13	8.4960	0.071
bills 34	−2.0663	0.656
Observations	349	
Adjusted R-squared	0.185	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.

Source: Author's own elaboration.

As seen in Table 6, while the constant term understandably changes in this model, the coefficients for prior CEI and bills 5–13 remain highly stable, confirming the robustness of the results. Additionally, the parameter for the natural logarithm of total revenues in 2017 is positive, as expected, indicating that companies with higher revenues are more likely to show an increase in their CEI scores. This positive value aligns with the purpose of adding this variable as a control, as it reflects that financially stronger firms are better positioned to enhance their CSR policies. It is important to note that three different data subsets were used across the models due to data availability constraints, yet the coefficients remained stable.

Heterogeneity tests

To delve deeper into the mechanisms behind the changes in CEI scores, additional heterogeneity tests were conducted. These tests aimed to shed light on how policies of different types of companies relate to state-level anti-LGBT legislation. Specifically, two key distinctions were analysed: companies with low versus high starting CEI scores and business-to-business (B2B) versus business-to-consumer (B2C) companies. These distinctions provide insights into whether certain types of firms are potentially more reactive to legislative environments and what underlying factors might drive these relationships.

The heterogeneity tests were constructed by segmenting the sample into distinct groups based on initial CEI scores and client-facing orientation.

- Low vs. High Starting CEI Scores:
  - Companies were split into two groups based on whether their initial CEI score (in the pre-Trump era) was below or above the mean score of 60.88.
  - Separate regressions were run for each group to assess how changes in CEI scores related to the shifts in legislative environment.
- B2B vs. B2C Companies:
  - The sample was divided based on the sectors classification into B2C and B2B companies (as per Table 9 in Appendix).
  - Separate regressions were conducted for each group to determine the differential relationship between the number of state-level anti-LGBT bills and CEI scores.

As shown in Table 7, the coefficient for the moderate number of bills (5-13) is positive and statistically significant only in the low CEI group. This suggests that companies with more room for improvement are more responsive to moderate levels of legislative hostility, potentially as a strategic countermeasure to a negative socio-political climate. However, the model fit for this group is notably poorer compared to other specifications, and the prior CEI score is not a significant factor in explaining the change in CEI within the low CEI group. These factors cast doubt on the reliability of these results.

The division of the sample based on the mean CEI score was determined in a purely statistical manner, with similar results obtained using the median as the threshold. Due to the limited sample size, thresholds that divide the sample in half were the only viable options. Further subdivisions based on finer quantiles would result in one subgroup being too small to yield meaningful insights. With a larger sample size, thresholds could potentially be determined using domain knowledge or specific characteristics of CEI scores during the researched time period.

Table 7. Regression results for low and high CEI score groups

Variable	Low CEI score group		High CEI score group	
	Coefficient	P-value	Coefficient	P-value
const	23.7783	0.000	41.1889	0.000
prior CEI	−0.1088	0.416	−0.4074	0.000
bills 1–4	−3.3208	0.472	0.2160	0.879
bills 5–13	15.7334	0.024	3.1887	0.150
bills 34	−4.8336	0.456	−2.0131	0.378
Observations	215		294	
Adj. R-squared	0.028		0.129	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.
Source: Author's own elaboration.

According to Table 8, the coefficient for prior CEI is negative and statistically significant for both B2B and B2C companies, consistent with the main model. Among the bills-related variables, a statistically significant positive relationship is observed between the moderate number of bills (5–13) and the change in CEI scores for B2C companies. This finding suggests that B2C companies, due to their direct interaction with customers and greater reliance on public image, are more likely to adjust their inclusivity policies in response to legislative hostility. Additionally, the constant term is larger for B2C companies, implying a higher baseline CEI score. This can be attributed to their exposure to customer relationships, which necessitates stronger initial inclusivity measures.

It is important to note that the subsample sizes were relatively small, which may account for some of the inconclusive results, and highlights the need for further research with larger datasets. These findings underscore the complexity of corporate responses to socio-political challenges and the importance of considering company-specific factors in such analyses.

Table 8. Regression results for B2B and B2C companies

Variable	B2B Companies		B2C Companies	
	Coefficient	P-value	Coefficient	P-value
const	21.5874	0.000	31.4288	0.000
prior CEI	−0.1781	0.000	−0.2661	0.000
bills 1–4	1.7001	0.584	−4.0343	0.194
bills 5–13	7.2966	0.129	12.1515	0.033
bills 34	−3.5085	0.470	−2.4054	0.684
Observations	231		247	
Adj. R-squared	0.066		0.164	

Notes: Standard errors are calculated using heteroscedasticity-consistent estimators.

Source: Author's own elaboration.

Conclusion

This study explores Corporate Equality Index (CEI) changes during the tumultuous early years of the first Trump administration, a period characterised by heightened political uncertainty and legislative shifts impacting LGBT rights. The research findings shed light on the strategic responses of large corporations to state-level anti-LGBT legislation, revealing a nuanced landscape of corporate inclusivity initiatives across different states.

The regression analysis revealed that firms in states with a moderate number of anti-LGBT bills significantly enhanced their CEI scores between 2014/15 and 2017/18, possibly as a strategic countermeasure to the prevailing negative socio-political climate. This suggests that in the face of moderate legislative hostility, corporations may perceive a stronger imperative to affirm their commitment to LGBT inclusivity. Conversely, the lack of significant response from firms in Texas, the state with the highest number of anti-LGBT bills in 2017, might reflect deeply entrenched socio-political stances, where corporate inclusivity efforts are less influenced by activist pressures or are aligned with prevailing conservative stakeholder preferences.

The findings contribute to the broader discourse on the interplay between political uncertainty, legislative environments, and corporate inclusivity strategies, highlighting the role of moderate legislative adversity in catalysing more pronounced corporate responses. This study underscores the importance of contextual factors, including the political climate and state-level legislation, in shaping corporate policies and practices regarding LGBT inclusivity.

While this research provides valuable insights into corporate responses to LGBT legislative changes during a politically charged period, it also acknowledges key limitations. The study focuses on large US corporations within a specific timeframe, which may limit its generalisability. Future research could extend this inquiry to a more diverse array of organisational types and geographical settings, offering a more comprehensive understanding of the dynamics at play in corporate inclusivity policies amid rapid political shifts.

In conclusion, this study highlights the complex and strategic nature of corporate inclusivity initiatives in response to political and legislative changes, offering a nuanced perspective on how firms navigate the challenges and opportunities presented by a volatile socio-political landscape. As the discourse on corporate social responsibility and inclusivity continues to evolve, this research contributes to a deeper understanding of the factors that drive corporate actions in support of LGBT rights and inclusivity.

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Appendix

Table 9. Classification of sectors into B2C and B2B categories

Sector	Classification
Agriculture, Horticulture & Livestock	B2B
Banking, Insurance & Financial Services	B2C
Biotechnology and Life Sciences	B2B
Business Services	B2B
Chemicals, Petroleum, Rubber & Plastic	B2C
Communications	B2C
Computer Hardware	B2C
Computer Software	B2B
Construction	B2C
Food & Tobacco Manufacturing	B2C
Industrial, Electric & Electronic Machinery	B2C
Leather, Stone, Clay & Glass products	B2C
Media & Broadcasting	B2C
Metals & Metal Products	B2B
Mining & Extraction	B2B
Miscellaneous Manufacturing	B2C
Printing & Publishing	B2B
Property Services	B2B
Public Administration, Education, Health Social Services	B2B
Retail	B2C
Textiles & Clothing Manufacturing	B2C
Transport Manufacturing	B2C
Transport, Freight & Storage	B2B
Travel, Personal & Leisure	B2C
Utilities	B2B
Waste Management & Treatment	B2B
Wholesale	B2B
Wood, Furniture & Paper Manufacturing	B2B

Source: Author's own elaboration.