AMAZON DELIVERS DIVERSITY:
GEOGRAPHICAL & SOCIAL INFLUENCES ON
CORPORATE EMBEDDEDNESS

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ABSTRACT

This is the first Article to discuss the new phenomenon in America of corporations opening second headquarters in regions that are geographically distinct from their original headquarters. Currently, this trend is most notably evidenced by Amazon.com, Inc. and its plan to create a second headquarters equal in size and importance to its original headquarters located in Seattle, Washington. Amazon’s second headquarters search provides an ideal interdisciplinary case study to explore two important and interrelated aspects of

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** M.B.A., Florida State University. We are sincerely grateful to our research assistants, Carlee Rizzolo and Katharine Stewart, for their superb research and warm support. Thank you!
business law and organizational behavior theory: corporate sustainability and corporate embeddedness. Choosing a location for a second headquarters that is culturally distinct from the first could have critical consequences for a corporation. For example, employees who relocate from the first headquarters to the second could have trouble becoming embedded in the new headquarters due to cultural differences. This could affect employee productivity and retention. Similarly, the embedded culture and values of the second headquarters’ community could overtly and implicitly influence the organizational identity of the overall corporation. While corporations can be driving forces for social change, this Article looks to show how they can be changed themselves. Business research concerning headquarters location thus far has largely ignored these issues. Therefore, this Article seeks to begin a dialogue concerning how the geography of a second headquarters influences internal organization and sustainability practices, corporate embeddedness, and organizational and individual identity issues within a corporation.

INTRODUCTION

There is a new phenomenon in America of companies opening second corporate headquarters in regions that are geographically and culturally distinct from their original headquarters. Currently, this trend is most notably evidenced by Amazon.com, Inc. (“Amazon”) and its plan to create a second headquarters (“HQ2”) equal in size and importance to its original headquarters (“HQ1”) located in Seattle, Washington. The search for HQ2’s location has drawn requests for proposals from over 200 cities. It is no surprise that HQ2 will have

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2. Amazon HQ2, AMAZON, https://www.amazon.com/b?ie=UTF8&node=17044620011 (stating Amazon’s headquarters in Seattle consists of 33 buildings, 8.1 million square feet, and over 40,000 employees).

a noticeable impact upon the community in which it will be located, as it is estimated to create 50,000 jobs and a $5 billion investment in local infrastructure. What might be less evident, however, is that the change in demographics, individual employee identities, and values of the new community surrounding HQ2 will also have an impact on Amazon’s organizational identity and social networks. Accordingly, Amazon’s search for HQ2’s location provides an ideal interdisciplinary case study to explore two important, interrelated aspects of business law and organizational behavior theory.

First, Amazon has been transparent that one of its goals in its search for HQ2 is to strengthen corporate sustainability and foster positive social purposes, especially concerning LGBT issues. Therefore, this Article explores the extent to which corporations can and should be instruments of change concerning diversity, inclusion, and other identity issues—both internally and externally.

Secondly, embedded organizational norms, employees’ individual backgrounds, geographic location, and societal influences affect the operational aspects of organizations. More specifically, corporations are comprised of various races, ethnicities, genders, sexual orientations, and religions. This diverse framework of individuals is fragile, and the ability of these individuals to safely and productively sustain their identities within their workplaces is key to an organization’s success. Choosing a location for a second headquarters that is culturally distinct from the first could have critical consequences for a corporation. For example, employees who relocate from the first headquarters to the second could have trouble becoming embedded in HQ2 and the new location due to cultural differences. This could affect employee productivity and retention. Similarly, the embedded culture and values of the new second headquarters’ community could overtly and implicitly influence the organizational identity of the overall company. While companies can be a driving force for social change, they can also be changed themselves. Business research concerning headquarters location has largely ignored these issues. Therefore,

4. See generally Thomas Klier & William Testa, Location Trends of Large Company Headquarters During the 1990s, 2Q ECON. PERSPS. 12 (2002) (discussing how landscapes of cities are influenced and defined by the presence of corporate headquarters).

5. See Amazon HQ2 RFP, https://www.documentcloud.org/documents/4112684-Amazon-Requirements.html (listing several features that Amazon has specifically requested HQ2 have, including, but not limited to: metropolitan areas with a population of over 1 million, a stable and business-friendly environment, within 30 miles of a population center, within 45 minutes of an international airport, proximity to major highways, access to mass transit routes, and a cultural community).


7. For the definition and discussion of embeddedness, see infra Part III.C.

this Article looks to unveil how the geography and culture of a second headquarters influences the internal organization and sustainability of a corporation, corporate embeddedness, and organizational and individual identity issues.

Considering that Amazon is one of the world’s largest corporations, any social motives behind its search for HQ2’s location and the potential consequences in picking a geographically distinct region, makes it the perfect candidate for this research. At the time this Article was written, twenty finalists have been named. To further the discussion concerning the impact that the location of a second headquarters may have on Amazon, and the impact Amazon may have on the location, this Article focuses on the city of Atlanta because it is the most geographically and culturally opposed to Amazon’s HQ1, which is located in Seattle, Washington. Even if Amazon does not choose this location, it provides an ideal hypothetical to act as a springboard for second headquarters research.

In Amazon’s request for proposals (“RFP”), it specifically mentions the following criteria for its new location:

- Metropolitan areas with a population of over 1 million
- A stable and business-friendly environment
- Within 30 miles (48 km) of a population center
- Within 45 minutes of an international airport
- Proximity to major highways and arterial roads 1–3 miles (2–5 km)


10. See e.g. Klier & Testa, supra note 4, at 14 (“Overall, then, our findings for the 1990s suggest that the largest urban areas continue to be highly preferred as headquarter locations. However, we identify a changing trend in the distribution of large headquarters across metropolitan areas. This trend implies that the second tier of metropolitan areas may begin to enjoy greater success in the competition for headquarters. The evidence shows that corporate headquarters are dispersing to mid-sized metropolitan areas and following a shifting population and markets, especially toward the South . . . What exactly are the competitive advantages of large cities? The central function of corporate headquarters is the acquiring and dissemination of information. The demand side of the profit equation requires that corporate headquarters stay abreast of emerging developments in their markets.”).

11. Creating second headquarters is a burgeoning trend, but many of the factors corporations consider for their headquarters’ locations will apply to a second headquarters’ locations. See, Murray D. Rice & Donald Lyons, Geographies of Corporate Decision-Making and Control: Development, Applications, and Future Directions in Headquarters Location Research, 4 GEOGRAPHY COMPASS 320, 328 (2010) (“However, beyond these basic facts, headquarters research has also resulted in a wealth of detailed insights into the fundamental factors that influence decision-making location, including the impact of airline connections, the availability of business services, the ability to access the firm’s own facilities, the geography of stock ownership and investment, the impact of incentives on relocations, headquarters location differences among firm types, and other considerations related to headquarters relocations.” (citations omitted)).
Access to mass transit routes
- Up to 8 million square feet (740,000 m²) of office space for future expansion
- Cultural Community Fit and Quality of Life

Although specifically missing from this list (or rumored to be included in the general “cultural fit” category), LGBT issues are also a concern for Amazon in its search for HQ2. Amazon is not quiet about its support of the LGBT community, so it seems natural that this would be one of its concerns in choosing a location. On its website, Amazon proudly announces that it provides gender transition benefits to its employees. Additionally, the website discusses Amazon’s LGBT affinity group, glamazon, which helps foster an inclusive community within Amazon and promote diversity outside Amazon. There is no question that Amazon will influence the location of HQ2 economically. The more interesting question is whether Amazon can influence the culture of this location. Perhaps Amazon could bring social change to Georgia, however, Georgia may influence Amazon as well. For example, when Delta Air Lines pulled its support of the NRA, Georgia denied the company a tax break. Georgia is known for its anti-LGBT views, so if Amazon pushes for more LGBT rights, it could face similar financial backlash from the state. The extent to which a corporation can influence its location culturally, and vice versa, needs to be explored.

The issue of whether a corporation’s culture will be impacted by its location directly relates to the potential conflicting relationship between cultural embeddedness, organizational identity, and employee identities. The location of HQ2 may impact not only Amazon’s organizational identity, but also the internal social networks of Amazon and its employees’ self-identities. These impacts may create unintended consequences stemming from the corporate boardroom.

12. See Wong, supra note 3.
13. See O’Connell, supra note 6.
15. Id. (“Glamazon helps make Amazon a great place to work by educating and informing employees about LGBTQ+ issues and opportunities. The group mentors fellow employees (both LGBTQ+ and allies) and promotes diversity and visibility in recruiting and throughout Amazon. The group makes Amazon more visible within the LGBTQ+ community-at-large by sponsoring events and PRIDE parades around the globe.”).
16. Id. It should be noted, however, that the Georgia Governor who approved the bill that did this to Delta will not be in office by the time HQ2 is complete. See Associated Press, Georgia Punishes Delta for Crossing the NRA; Airline Insists It’s ‘Not Taking Sides,’ L.A. TIMES (Mar. 2, 2018, 12:30 PM), http://www.latimes.com/business/la-fi-delta-nra-20180302-story.html; Kevin Sack & Alan Blinder, In Georgia Governor’s Race, a Defining Moment for a Southern State, N.Y. TIMES (July 28, 2018), https://www.nytimes.com/2018/07/28/us/politics/georgia-governor-race.html.
down the organizational chain to the organization’s operations and even product offerings. If Amazon wishes to continue delivering diversity, it should consider all of these factors in choosing the location for HQ2.

As the first Article to discuss the potential impacts of a second headquarters, this Article seeks to begin a dialogue that will lead to more research on these issues. Part I of this Article provides an overview of the historical development of corporate headquarters to show how Amazon’s HQ2 is making history. Part II analyzes different theories of corporate governance and how the concept of embeddedness is connected to these theories. Part III discusses the understudied aspects of headquarters location research—cultural embeddedness and social networks—which could impact the organization, its identity, and its profits. More specifically, Part III posits how the location of HQ2 will influence the organization, its identity, and its employees’ identities, and possibly its continued success. Finally, this Article concludes by identifying specific questions for future empirical research related to these topics.

I. THE HISTORY AND SIGNIFICANCE OF CORPORATE HEADQUARTERS

To understand how the location of a corporation’s second headquarters can affect a company’s identity, it is important to consider the history and significance of this organizational structure. Organizations’ need for expansion and mobility in a growing economy sparked the trend in creating corporate headquarters. This same need may have sparked the second headquarters trend, but the impacts of having a second headquarters on the organization and its employees has not been heavily studied. An appreciation of the history and significance of corporate headquarters may reveal potential problems with spreading what should be the center of the corporation’s management across two culturally distinct locations.

The term “headquarters,” is defined as “a place from which a commander performs the functions of command” and “the administrative center of an
enterprise.” Generally, a corporation’s headquarters manages the day-to-day operations to help centralize managerial and administrative functions, which is key to a corporation’s success.

To touch briefly upon the history of corporate headquarters, no semblance of modern-day business existed prior to 1850. For example, the two or three people responsible for a corporation’s future success handled all its activities: economic, administrative, operational, and entrepreneurial. In the agrarian and commercial economy of ante-bellum America, business administration did not yet exist. However, this began to change. For example, when the DuPont Company began to decline, it implemented autonomous operating divisions and general offices comprised of executives and specialists. This was one of the first recognized attempts at a structured corporate hierarchy that would handle the company’s various new product lines within centralized functional departments.

When corporations began to expand geographically by building or acquiring facilities and personnel distant from its original location, they had to create a central organization. Slowly, headquarters became a place to acquire, maintain, and retain positions that held value for the company. “These departmental headquarters soon had offices for the recruitment and training of personnel, for the inspection of product and process, for the maintenance of plant, for the improvement of processes, and, for a time, for planning new construction and purchasing supplies other than raw materials and equipment.” The solution to the struggles these early corporations faced was the development of today’s corporate headquarters, which highlights the significance of the modern-day headquarters. Corporate headquarters evolved to centralize corporate management by consolidating and structuring different departments within an organization.

21. *Id.*
23. C. CHANDLER, JR., supra note 20, at 58.
24. From a legal standpoint, the location of a corporation’s headquarters is a significant factor when determining whether a dispute may be heard in federal court. Connor D. Deverell, *Defining a Corporation’s “Principal Place of Business”: The United States Supreme Court’s Decision in Hertz Corp. v. Friend*, 56 LOY. L. REV. 733, 733 (2010) (“[I]t is well settled that corporations perceive federal forums as friendlier than state courts. Accordingly, corporations use tactical devices to gain access to federal courts and vehemently fight remands to state courts.”). Under federal diversity jurisdiction, a corporation will be deemed a citizen of every state where it has been incorporated or has its “principal place of business.” 28 U.S.C. § 1332(c)(1) (2012). For example, if a corporation maintains headquarters in more than one state, “courts must choose between several locations.” Seungwon Chung, The Shoe Doesn’t Fit: General Jurisdiction Should Follow Corporate Structure, 100 MINN. L. REV. 1599, 1600 (2016). Determining what exactly constitutes a corporation’s “principal place of business” proves to be a difficult issue. In Hertz Corp. v. Friend, the Court held that a corporation’s “principal place of business” refers “to
However, Amazon is partaking in a new phenomenon, in which companies have begun to open second headquarters in locations different from their initial headquarters. This trend contrasts with the original reason for creating headquarters: centralization of company management. By creating HQ2, Amazon is decentralizing its organization. Because this is in direct conflict with the historical pattern of corporate management, it is important to understand the impacts of having a second headquarters. If the overt or embedded culture of HQ2, or its employees, is different from HQ1, this could have significant ramifications throughout the company. From board meetings to low-level employee interactions, clashes of opinions spanning the political and cultural spectrum may increase. Before discussing these potential ramifications, it is necessary to discuss corporate governance theories, which may drive Amazon’s decision-making.

II. THE LAW OF CORPORATE GOVERNANCE

This Part analyzes the evolution of corporate governance and its relationship to sustainability and corporate social responsibility to illustrate what factors companies consider when making corporate decisions. As a for-profit corporation, Amazon will naturally look at wealth maximization when making its HQ2 decision. However, Amazon is also a socially-conscious company that holds inclusiveness, employee satisfaction, and LGBT rights in high regard. This Part explains how embeddedness can tie into profitability and sustainability, and the possible ramifications that the location of HQ2 could have on both.

A. Shareholder Primacy

Corporate governance is the framework that outlines the division of power in a corporation. The traditional view is the shareholder primacy model, which focuses on the maximization of shareholder wealth. While there is not a
specific statute mandating the maximization of profits, it has been widely accepted that “[t]he central command of corporate governance law is that directors must serve the shareholder interest.” Directors and officers of a corporation cannot sacrifice shareholder wealth in favor of stakeholder interests, such as employee welfare and environmental concerns. As stated by economist Milton Friedman, “in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to them.” The line becomes blurred as to whether a corporation may deviate from this traditional model to incorporate stakeholder values and interests when making corporate decisions.

Today, corporations have begun to deviate from the traditional view of corporate governance. There is an increase in public corporations that instead of

Social Responsibility Through Constituency Statutes: Legend or Lie?, 11 HOFSTRA LAB. EMP. L.J. 461, 462 (1994) (“Traditionally, it has been beyond the scope of corporate directors’ duties to conduct corporate activities in furtherance of non-shareholder interests. Corporate governance, however, has gradually evolved and currently embraces an expansion of fiduciary duties to include the accommodation and consideration of non-shareholder constituencies.”); see also Wayne Drash, Report: Pharma Exec Says He Had a ‘Moral Requirement’ to Raise Drug Price 400%, CNN (Sept. 12, 2018), https://www.cnn.com/2018/09/11/health/drug-price-hike-moral-requirement-bn/index.html (noting how the founder and president of Nostrum Pharmaceuticals, Nirmal Mulye, defended the executive responsible for the price increase by stating that it was within his right to raise the price of the drug in order to “reward his shareholders”).


29. David G. Yosifon, Opting out of Shareholder Primacy: Is the Public Benefit Corporation Trivial?, 41 DEL. J. CORP. L. 461, 462 (2017); see also Marshall M. Magaro, Two Birds, One Stone: Achieving Corporate Social Responsibility Through the Shareholder-Primacy Norm, 85 IND. L.J. 1149, 1149 (2010) (“[A] basic premise of corporation law is that a business corporation should have as its objective the conduct of such activities with a view to enhancing the corporation’s profit and the gains of the corporation’s owners, that is, the shareholders.”) (emphasis added); see also, Dodge v. Ford Motor Co., 170 N.W. 668, 684 (Mich. 1919) (“A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits among stockholders in order to devote them to other purposes.”). Contra Licht, supra note 26, at 688 (“While being widely cited and compelling in its rhetoric, the ruling in Dodge only marks the beginning of the discussion. It does not reflect current legal doctrines in the U.S. nor does it fully comport with subsequent theoretical analyses.”); Lynn A. Stout, Why We Should Stop Teaching Dodge v. Ford, 3 VA. L. BUS. REV. 163, 166 (2008) (“Dodge v. Ford is indeed bad law, at least when cited for the proposition that the corporate purpose is, or should be, maximizing shareholder wealth.”); supra note 28 (discussing how a lack of case law imposing a duty to maximize profits has led to over-reliance on Dodge v. Ford).

30. See Yosifon, supra note 29, at 462.

31. MILTON FRIEDMAN, CAPITALISM AND FREEDOM 133 (40th Anniversary ed. 2002) (“T]here is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”). But cf. Licht, supra note 26, at 682 (“Every time decision makers face a situation that is not directly and exhaustively governed by legal rules or court decisions, they would fall back on social norms and on their sense of what is appropriate or at least acceptable.”).

32. See Yosifon, supra note 29, at 463 (“Uncertainty regarding what is permissible and what is forbidden will impede broad experimentation, and, where experimentation is undertaken in the face of such uncertainty, costly and disruptive litigation will lurk, and strike.”).
just considering the interests of shareholders, also want to integrate social purposes into their business models. Because of this, the question of whether a corporation may disengage from shareholder primacy is “now a pressing matter of organization law.” 33 A notable example is when Facebook’s founder, Mark Zuckerberg, released a public letter stating that Facebook does not strive to serve only the interests of its shareholders. 34 Zuckerberg noted that Facebook was “built to accomplish a social mission” and that “people want to use services from companies that believe in something beyond simply maximizing profits.” 35 Is shareholder primacy merely a default rule that can be altered? 36 Will a corporate director or officer breach his or her fiduciary duty by deviating from shareholder maximization? 37 According to Jonathan Macey, a prominent legal scholar, shareholders may opt out of shareholder primacy if they so desire. 38 However, Macey argues that shareholders of public corporations do not have a strong interest in altering this “default rule.” 39 Nevertheless, this supports the argument that a corporation, like Amazon, has the ability to consider stakeholder interests, not just profit maximization.

The critical problem with corporations deviating from shareholder primacy is that shareholder wealth maximization is still “the law on the books.” 40 Even the American Law Institute’s Principles of Corporate Governance (“Principles”) advocate that corporations should enhance shareholder gain. 41 In fact, the Principles state that the only exceptions to shareholder primacy are for compliance with the law, charitable contributions, and the devotion of resources for public, humanitarian, educational, and philanthropic purposes. 42 These exceptions do not factor in the consideration of stakeholders interests or values.

In addition to their shareholders, large corporations serve millions of customers, which creates conflicting interests and obligations. 43 Maximizing shareholder wealth is only one aspect of a corporation and should not dominate corporate governance because solitary focus on a corporate purpose that maximizes shareholder wealth “becomes far less simple and perhaps

33. Id. at 463.
34. Id. at 464.
37. Magaro, supra note 29, at 1149 (“Under this view, directors are trustees of the shareholders’ property, and, therefore, have duty, first and foremost, to increase shareholder wealth.”).
38. Macey, supra note 36, at 179.
39. Id.
40. Id. at 181 (noting that shareholder wealth maximization is still the law, even if not in practice).
41. ALI Principles of Corporate Governance § 2.01 (1994).
42. Macey, supra note 36, at 178–79.
43. Stout, supra note 29, at 175.
incoherent.” Additionaly, public corporations depend on stakeholder interests, which supports a deviation from shareholder primacy. While many corporations’ main focus is to maximize shareholder wealth, there are corporations with social purposes that should be permitted to make corporate decisions in favor of these purposes.

B. Sustainability and Corporate Social Responsibility

Today, many corporations seek to achieve sustainability through means that are not solely geared toward the maximization of shareholder wealth. This broad concept of corporate sustainability encompasses “environmental protection, social justice and equity, and economic development.” The concept derives from shareholder primacy, corporate accountability, sustainable development, and corporate social responsibility (“CSR”). Corporate sustainability can thus be viewed as “an evolving corporate management paradigm.” Under this paradigm, corporations should focus on environmental and social purposes in an effort to achieve sustainability.

CSR is a controversial approach that allows corporations to consider non-shareholder and social interests. Nonetheless, many corporations widely accept and apply CSR because it embodies a “balanced approach to corporate governance, where stakeholder interests are given their due considerations.” Some may argue that CSR is a means to achieve shareholder primacy, but this does not change the fact that CSR encourages “positive labor-management relationships, environmental stewardship, corporate philanthropy, and

44. Id. (“Even the seemingly simple directive to ‘maximize shareholder wealth’ becomes far less simple and perhaps incoherent in a public firm with many shareholders with different investment time frames, tax concerns, outside investments, levels of diversification, and attitudes toward corporate social responsibility.”) (emphasis added).
45. Id. at 176.
46. An interesting argument is made by Marshall M. Magaro, who argues that corporations may be able to incorporate corporate social responsibility as a form of shareholder primacy. See Magaro, supra note 29, at 1150 (noting that constituency statutes allowing corporations to consider non-shareholder interests are necessary because “consideration of non-shareholder constituents’ interests can lead to increased long-run profitability and shareholder wealth”). However, Magaro makes it clear that this approach does not mean a director or officer has a fiduciary duty to stakeholders. Id.
48. Id.
49. See David L. Engel, An Approach to Corporate Social Responsibility, 32 STAN. L. REV. 1, 3 (1979) (discussing whether it is socially desirable for corporations to pursue social ends when it conflicts with the “presumptive” shareholder theory to maximize profits).
51. Id. at 347-48.
community engagement. This approach “threatens to change the fiduciary duties traditionally embedded in the board of directors.”

One of the main concerns in CSR is determining when it is socially desirable for a corporation to forego profit because of the social need that the corporation’s pursuit of profit will not fulfill. This inquiry, however, fails to identify that implementing CSR can increase a corporation’s profits. Because a corporation serves thousands or millions of customers and stakeholder interests—not just its shareholders’ interests—serving a social purpose can directly increase shareholder wealth. Thus, corporate governance can be reformed to include social priorities.

While CSR has gained more notoriety in recent years, it has been heavily debated since the 1930s by famous economists Berle, Means, and Dodd, as well as Milton Friedman in the 1960s. Critics of CSR allege that it gives away and reallocates the shareholders’ wealth to non-shareholder constituencies. Friedman argued that corporate managers, as agents of the shareholders, are responsible for the shareholders’ money and thus it would be “inappropriate” to endorse a social agenda. Berle once argued that a corporation’s management should only protect the shareholders. These arguments, however, do not consider the indirect benefits that can be achieved through altruistic pursuits. In contrast, Dodd argued that corporations are allowed to consider other constituencies. He noted that in addition to the goal of profit-making, corporations also provide a social service. Dodd believed that corporations have a relationship with society and are responsible for the welfare of its employees. Additionally, in the 1960s, proponents of CSR and social activists

52. Id. at 348 (“[O]ne can embrace both strands of stakeholder theory simultaneously by arguing that embracing stakeholder concerns is good both because it is good for shareholders and the larger economy and because it is the just and right thing to do.”).

53. Von Stange, supra note 27, at 462.

54. Wilson, supra note 47 and accompanying text.

55. The author concedes that there is a strong case supporting the reformation of corporate governance to include corporate social responsibility. See Engel, supra note 49, at 31-32 (discussing the plausible and most prominent case made against his proposition).

56. See Licht, supra note 26, at 699–700; see also Stephen M. Bainbridge, Interpreting Nonshareholder Constituency Statutes, 19 Pepp. L. Rev. 971, 971 (1992) (“Every couple of decades the corporate social responsibility debate heats up again. While it is almost as old as the corporate form itself, the debate took its modern form in the 1930s in an exchange between Professors Adolf Berle and Merrick Dodd.”).

57. Vargas, supra note 50, at 342.


59. Id. at 439.

60. Id. at 440.

61. Licht, supra note 26, at 699–700; see also Engel, supra note 49, at 6 (noting that CSR has even dated back beyond Berle and Means).

62. Vargas, supra note 50, at 341.
recognized that corporations serve other purposes, in addition to the maximization of shareholder wealth.63

Ultimately, CSR expands the traditional shareholder primacy view by supporting the notion that corporate directors and officers can and should consider the interests of stakeholders.64 CSR has been found to increase shareholder wealth; therefore, it is a form of shareholder primacy. It is important to understand that a corporation is not abandoning shareholder primacy just because it wants to implement CSR. At the end of the day, a corporation will not survive if it is not profitable. Because of this, corporations should focus on profit maximization in addition to serving social purposes.

Socially-conscious corporations are some of the biggest players in today’s corporate world and are continuing to grow, which supports the theory that CSR can contribute to profit maximization.65 For-profit corporations, such as Whole Foods and Google, use “traditional for-profit structures to scale their growth while implementing many untraditional practices that aren’t profit motivated.”66 These extremely profitable corporations have, in part, abandoned the traditional shareholder primacy view to consider social purposes. For example, several times a year, Whole Foods has days where it donates 5% of its net sales to local non-profits and Google strives to create an exceptional work environment for its employees.67 These “non-traditional” corporate decisions have proven to be successful, illustrating how corporations can consider CSR and the interests of its employees, as well as society, while still maximizing profits.68

C. State Statutes

Before analyzing the specific types of state statutes, it is important to note how state statutes impact corporations. Pursuant to the internal affairs doctrine, “only the law of the state of incorporation governs and determines issues relating to a corporation’s internal affairs.”69 The rationale behind this doctrine is that corporations should not be subject to inconsistent legal standards in multiple
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jurisdictions.\textsuperscript{70} Rather, only the state of incorporation should govern matters between the corporation and its directors, officers, and shareholders.\textsuperscript{71}

State statutes are one of the main sources of corporate law. State laws regulate the critical aspects of a corporation, including the code of conduct for directors and officers, the structure of the corporation’s governance, derivative suits, and many other important provisions. Directors and officers owe fiduciary duties to the shareholders because corporate decisions directly impact the corporation’s shareholders. State statutes and case law provide the framework for shareholder derivative suits, which is a complicated and difficult process that allows shareholders to sue the controlling directors and officers of the corporation for breaches of fiduciary duties.\textsuperscript{72}

Derivative suits directly relate to corporate governance. If director or officer actions injure shareholders, they can sue the corporation. These suits are seen “as an invaluable procedural vehicle permitting shareholders to champion their corporation’s rights when corporate management refuses to do so.”\textsuperscript{73} For example, if a corporation adheres to the shareholder primacy model, the shareholders can sue the corporation if it attempts to put social interests before the shareholders’ interests, as seen in \textit{Dodge v. Ford Motor Co.}\textsuperscript{74} However, shareholder derivative suits are rare, given the complex statutory and procedural barriers that the shareholders must overcome.\textsuperscript{75} For example, most states require that shareholders make a pre-suit demand on the corporation’s board of directors before the suit can proceed, unless demand is excused as futile, which can be difficult to prove.\textsuperscript{76}

\textbf{1. Constituency Statutes}

The rationale behind sustainability and CSR has led to another approach that departs from the traditional corporate governance theory of shareholder primacy: the enactment of state constituency statutes.\textsuperscript{77} Generally, state constituency statutes either permit or require corporations to include a “statement in the corporate charter that defines and limits the purpose for which the corporation is

\begin{itemize}
\item \textsuperscript{70} \textit{Id.} at 1112.
\item \textsuperscript{71} \textit{Id.}
\item \textsuperscript{72} \textit{See} Carol B. Swanson, \textit{Juggling Shareholder Rights and Strike Suits in Derivative Litigation: The ALI Drops the Ball}, 77 \textit{MINN. L. REV.} 1339, 1340 (1993).
\item \textsuperscript{73} \textit{Id.}
\item \textsuperscript{74} \textit{See generally} Dodge v. Ford Motor Co., 170 N.W. 668 (Mich. 1919) (finding that Mr. Ford breached his fiduciary duties when he considered employee and community interests over shareholder interest).
\item \textsuperscript{75} Swanson, \textit{supra} note 72, at 1341 (“These competing views have spawned a variety of complex procedural requirements and equally complex judicial dilemmas regarding derivative litigation.”).
\item \textsuperscript{76} \textit{Id.}
\item \textsuperscript{77} Von Stange, \textit{supra} note 27, at 462 (“Constituency statutes spur this dramatic shift in corporate governance.”).
\end{itemize}
being formed.” Constituency statutes explicitly authorize corporate directors and officers to consider stakeholder interests when making corporate business decisions. Therefore, these statutes preserve the traditional idea that a corporation should maximize shareholder wealth while allowing corporations to consider non-shareholder interests. Given the number of successful corporations that have social purposes, it is not surprising that several states have enacted constituency statutes. Constituency statutes, however, are not uniform; they vary depending on the state and the corporation.

Constituency statutes developed after the “wake of the feeding frenzy atmosphere of numerous hostile takeovers” in the 1980s. To protect themselves, corporations began to amend their charters, or articles of incorporation, to allow shareholders to consider the interests of non-shareholder constituencies “should their corporation become subject to a change of control.” Since these statutes explicitly allow directors and officers of corporations to consider a range of other factors when making business decisions, including structural and operative decisions, they raise several concerns for advocates of shareholder primacy. Many believe that constituency statutes reject or will lead to the rejection of shareholder primacy. However, one of the biggest concerns with constituency statutes is their interpretation and enforcement.

78. See Stout, supra note 29, at 169. For example, Georgia has an opt-in constituency statute. It provides that a corporation’s articles of incorporation may set forth, “[a] provision that, in discharging the duties of their respective positions and in determining what is believed to be in the best interests of the corporation, the board of directors, committees of the board of directors, and individual directors, in addition to considering the effects of any action on the corporation or its shareholders, may consider the interests of the employees, customers, suppliers, and creditors of the corporation and its subsidiaries, the communities in which offices or other establishments of the corporation and its subsidiaries are located, and all other factors such directors consider pertinent; provided, however, that any such provision shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency any right to be considered.” GA. CODE. ANN. § 14-2-202(b)(5) (2010) (emphasis added).

79. Id.; see also Magaro, supra note 29, at 1150 (“Several states have implemented statutes allowing directors to consider these non-shareholder constituents’ interests in the corporate decision-making process.”).

80. See Eric W. Orts, Beyond Shareholders: Interpreting Corporate Constituency Statutes, 61 GEO. WASH. L. REV. 14, 16 (1992) (“[T]he statutes purport to expand the traditional view that directors of corporations have a duty to make business decisions primarily, if not exclusively, to maximize shareholders’ wealth by explicitly permitting consideration of non-shareholder interests.”); Rhee, supra note 28 (noting that some state statutes allow the board to consider the interests of constituents).

81. But cf. Budzynski, supra note 58, at 437 (“However, few courts and legislatures have imposed a duty to stakeholder constituencies on corporate directors or managers.”).

82. See Orts, supra note 80, at 26-27 (“The interests defined vary from state to state, but always include interests beyond shareholders, the primary group to whom directors must traditionally answer.”).

83. Von Stange, supra note 27, at 467; see also Licht, supra note 26, at 701.

84. Von Stange, supra note 27, at 467.

85. Id. at 480.

86. See Bainbridge, supra note 56, at 986.

87. Id. at 974.

88. Id.
It is uncontested that constituency statutes significantly amend traditional corporate law. The issue is that they “offer surprisingly little guidance to directors and officers faced with corporate decisions or to courts faced with reviewing those decisions.” The statutes authorize the consideration of non-shareholder interests, but how are these provisions actually enforced procedurally and substantively? It is argued that they do not create new fiduciary duties to non-shareholders. A more in-depth analysis into specific state statutes, however, is necessary to shed light on these issues.

2. State Statutes Creating New Entities

Instead of, or in addition to, constituency statutes that authorize or allow corporations to consider the interests of stakeholders, some states have created new for-profit entities. Due to an increase in CSR, states are creating corporate entities that “consider[] both social and shareholders’ interests.” Specifically, these corporations “strive to create public benefit to the community and environment or even to a corporations’ employees, supply chain, and customers.” These new corporate forms include social purpose corporations and public benefit corporations. These “social corporations” still consider profit maximization, but “their social and environmental missions are at the core of their business models.

While these new statutes provide an alternative legislative option for corporations that want to focus on social purposes in addition to the maximization of shareholder wealth, their relatively new existence raises many issues.
unanswered questions. One criticism is that the subjugation of shareholder wealth maximization might give directors too much discretion. Another criticism revolves around the potential fiduciary duties that directors and officers of these corporations have towards stakeholders. This increase in fiduciary duties could increase corporate liability. These issues will heavily depend on the language of a specific state statute.

3. A Closer Look at Amazon’s State of Incorporation: Delaware

It is critical to look at the law in Amazon’s state of incorporation, Delaware, to understand what drives Amazon’s decision-making. Delaware has the most developed corporate law of any state and has been referred to as “the Mother Court[] of corporate law” because it has been responsible for deciding the “most major corporate law cases in the United States, and courts in other jurisdictions have often applied Delaware precedents to non-Delaware corporations.” Delaware has developed an “extensive body of precedent,” which explains why so many corporations choose to incorporate in Delaware.

To begin, Delaware has its general corporate law, which applies to regular corporations. It has been argued that Delaware law permits a deviation from shareholder primacy through private ordering, but this is not entirely clear. Pursuant to Delaware Code section 101(b), “a corporation may be incorporated or organized under this chapter to conduct or promote any lawful business or purposes, except as may otherwise be provided by the Constitution or other law of this State.” Just by the statute’s plain language, this provision appears to allow a corporation to have a social purpose that deviates from shareholder wealth maximization principles. However, this raises a statutory interpretation issue because case law in Delaware has held otherwise. Therefore, it appears

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98. See Gomez, supra note 93.
99. See Plerhoples, supra note 68, at 228.
100. See, e.g., Mark E. Van Der Weide, Against Fiduciary Duties to Corporate Stakeholders, 21 Del. J. Corp. L. 27, 84 (1996) (“The weight of the evidence presented in this article indicates that subjecting managers to a universal stakeholder fiduciary duty is not the most efficient form of corporate governance.”).
102. Id. at 1346–47.
103. Id. at 1347.
104. See Yosifon, supra note 29, at 462.
105. Id. at 462–63.
107. The Supreme Court of Delaware held that the controlling shareholders breached their fiduciary duties by trying to incorporate a policy that was not meant for the benefit of the shareholders and did not maximize economic value. See eBay Domestic Holdings, Inc. v. Newmark, 16 A.3d 1, 34 (Del. Ch. 2010) (“Having chosen a for-profit corporate form, the craigslist directors are bound by the fiduciary duties and standards that accompany that form. Those standards include acting to promote the value of the corporation for the benefit of its stockholders.”); see also Rhee, supra note 28, at 1959-60.
that Delaware adheres to shareholder primacy, especially in regards to for-profit corporations. Because of this, Amazon cannot make corporate decisions that blatantly favor the interests of society over shareholder wealth maximization. However, Amazon may consider social purposes that will contribute to shareholder wealth.

In 2013, Delaware amended its laws to include a subchapter dedicated to public benefit corporations (“PBCs”). According to Delaware Code section 362, a PBC is a “for-profit corporation organized under and subject to the requirements of this chapter that is intended to produce a public benefit or public benefits and to operate in a responsible and sustainable manner.” A “public benefit” is defined as a “positive effect (or reduction of negative effects)” on persons, entities, and communities. This can include “effects of an artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific or technological nature.” In terms of fiduciary duties, directors shall manage the corporation’s affairs in a manner that balances the interests of stockholders, the interests of those materially affected by the corporation’s conduct, and the public benefits stated in the corporation’s certificate of incorporation. However, directors will not owe stakeholders any fiduciary duties, and the corporation’s certificate may even provide that a disinterested failure to satisfy section 362 will not constitute a breach of the duty of loyalty. Under this statute, Amazon would have more leeway to take social considerations into account when selecting its location for HQ2. However, this code section does not apply to Amazon because it is not a PBC, but other corporations can consider using this statute to promote social purposes.

In summary, even with Delaware’s recent enactment of PBCs, the traditional fiduciary duties that directors and officers owe to the corporation and its shareholders have not changed. However, this new law in Delaware may evidence the state’s acceptance of the corporate practice of considering social issues in addition to shareholder wealth. Thus, a general corporation, such as Amazon may be able to take social purposes into account. Amazon, however, must exercise caution because its directors and officers still owe a duty to the corporation’s shareholders, not its stakeholders.

(comparing eBay Domestic Holdings, Inc. v. Newmark to Dodge v. Ford, in that both case advocate shareholder-centrism, but do not impose a duty to maximize profits).

108. See Yosifon, supra note 29, at 480.
110. Id. § 362(b).
111. Id.
112. Id. § 365(a).
113. Id. § 365(c).
D. Corporate Governance and Amazon’s HQ2 Decision

After analyzing the competing models of corporate governance, Amazon’s corporate decisions regarding its search for the location of HQ2 raise several important questions. Critics believe that HQ2’s location is a race to the bottom—an attempt to undercut wages and living standards for employees. Conversely, proponents allege it is contributing to Amazon’s double bottom line—the attainment of positive social impacts in addition to profit maximization. As a for-profit corporation, Amazon will seek a location in which it can maximize profits. It may also seek a location in which it can further its social purpose of supporting the LGBT community inside and outside of Amazon. Amazon should consider internal organizational behavior and the impact that a new headquarters will have on existing employees who will relocate to HQ2, new employees, and the surrounding community. Additionally, Amazon should consider the effect the surrounding community may have on its company culture, as new employees embedded in the new location bring their community’s values to the company.

As discussed above, achieving corporate sustainability is becoming more prominent in large public corporations. Given that Amazon is a Delaware public corporation, the first question that must be addressed is whether it can incorporate social purposes and non-shareholder interests in its search for HQ2. The short answer is yes. However, there are limitations. At the end of the day, Amazon is a for-profit, public corporation that owes a duty to its investors and owners. It is unclear to what extent corporations may put non-shareholder interests over those of its shareholders. However, that does not mean Amazon must make decisions that focus only on profit maximization, because fostering social purposes may also contribute to profitability. This is clearly illustrated by the recent influx of public corporations that have begun to invest “heavily in efforts to manage their impacts on society and the environment.”114 If a corporation is publicly committed to specific social purposes, it can be inferred that its shareholders are well aware of these considerations, and perhaps even considered these social purposes when deciding to invest in the corporation.

Amazon has been very transparent in its search for HQ2’s location by inviting cities to explain why they would be the prime location for HQ2. This has sparked an inquiry into the real motives behind Amazon’s actions. However, it is important to note that what a corporation believes is beneficial to itself and to society depends on the lens the corporation is looking through. What is beneficial to one corporation may not be beneficial to another. There are several American private and public companies that are known for their religious and

114. George Serafeim et al., The Role of the Corporation in Society: Implications for Investors, CALVERT (Sept. 2015) https://www.calvert.com/includes/loadDocument.php?embed&fr=24319.pdf&dt=fundPDFs (“They are vocal about social and environmental issues, they commit more and more resources to address these concerns, and they are increasingly transparent about their impact on society and the environment.”).
conservative beliefs, including Hobby Lobby, Chick-Fil-A, In-N-Out Burger, Alaskan Airlines, and Tyson Foods, Inc. For example, Hobby Lobby’s first mission statement was “Honoring the Lord in all we do by operating the company in a manner consistent with biblical principles.” While Hobby Lobby is a private company, there are also public companies that express and adhere to religious beliefs. The founder of Tyson Foods, Inc. publicly speaks about his Christian beliefs and how Tyson Foods, Inc. strives to be a “faith-friendly company.” Another example of a conservative public corporation is Alaska Air Group, which provides religious notecards with verses from the Old Testament when serving meals to customers.

It is evident that transparency plays a significant role in a corporation’s success. The companies discussed above are notable examples of private and public companies that are profitable despite their sustainability initiatives of publicly embracing religious beliefs. Corporations can still thrive regardless of whether they are viewed as more liberal or conservative. This explains why Amazon has been publicly announcing its economic, corporate, and social goals for HQ2. But, considering the different social purposes and factors Amazon is trying to achieve with HQ2, will it harm Amazon financially if it picks a location that is not the most beneficial for all of its purposes and goals? What if Amazon picks a state that is more liberal or that does not offer employee protections for LGBT individuals? How would that decision impact its customer and employee relationships?

Amazon communicates with its shareholders to ensure that investors are aware of the corporate and social purposes behind all its future decisions, including the location of HQ2. For example, in Amazon’s public 1997 Letter to Shareholders, Amazon explicitly stated, “a fundamental measure of our success will be the shareholder value we create over the long term.” Amazon notified its shareholders that it makes decisions and weighs tradeoffs differently than other companies. The letter explains that because Amazon makes bold investment decisions, Amazon will share its strategic thought process with its shareholders so that they may evaluate its decisions. More importantly, Amazon states: “[w]e will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options
rather than cash.”[121] This is directly applicable to Amazon’s search for HQ2’s location and the impact it will have on its future employees and current shareholders, and emphasizes how Amazon should consider cultural fit and embeddedness. Despite this letter being written in 1997, Amazon still prioritizes its customers and employees, focusing on long-term profit maximization through bold investment decisions. Currently, Amazon’s website states, “[w]e are firm believers that the long-term interests of shareholders are tightly linked to the interests of our customers. If we do our jobs right, today’s customers will buy more tomorrow, we’ll add more customers in the process, and it will add up to more cash flow and more long-term value for our shareholders.”[122]

When Amazon launched in 1995, its mission was “to be Earth’s most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices.”[123] One of Amazon’s many goals is to invest in the local communities where it operates. For example, Amazon has donated to hundreds of charitable organizations “that support people of all backgrounds and income levels.”[124] Amazon is also committed to being sustainable by striving to “seek diverse builders from all walks of life” and encourages its employees to “bring their authentic, original, and best selves to work.”[125] In doing so, Amazon sponsors several Affinity Groups, including: “glamazon,” “Asians@Amazon,” “Latinos@Amazon” and many more.[126] All of these goals are explicitly set forth in Amazon’s public statement regarding its search for HQ2’s location.[127]

Considering the above, it is evident that Amazon has incorporated sustainability initiatives into its corporate governance structure, while still adhering to a form of shareholder primacy. Amazon believes that incorporating social purposes will be beneficial to the corporation in the long run, increasing its customer base, thus maximizing shareholder profits. Amazon understands this approach may be riskier, but Amazon is willing to take this risk because of the long-term benefits that will follow. Therefore, in its search for HQ2’s location, Amazon should find the location that will best strengthen the relationship between its employees and the surrounding community. This will increase embeddedness inside and outside Amazon, which will increase job satisfaction, thus increasing productivity, positive decision-making, and product

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121. Id.
124. Amazon HQ2, supra note 2.
125. Diversity at Amazon, supra note 14.
126. Id. (listing several other Affinity Groups that are sponsored by Amazon).
127. Amazon HQ2, supra note 2.
development.\textsuperscript{128} In turn, it can be inferred that this will increase profits. Thus, embeddedness may create a link between social purpose and profit. With this in mind, an analysis of the social impacts Amazon will have on the city it chooses will be analyzed next.

Critics of HQ2 have pointed out that it is a “race to the bottom.” For example, opponents have asked elected officials “to pledge to reject tax giveaways and monetary incentives to lure Amazon to their cities.”\textsuperscript{129} Several cities are offering “immense incentive packages,” which have been deemed by critics to be wasteful and counterproductive.\textsuperscript{130} On the other hand, proponents of HQ2 believe that these incentives will be beneficial in the long-run, as they will benefit the city as a whole, not just Amazon,\textsuperscript{131} which is the same rationale behind Amazon’s corporate strategy.

While Amazon has immensely expanded in recent years and provided thousands of jobs, critics point out the perceived negative impact hosting Amazon has had on Seattle, including an increased cost of living.\textsuperscript{132} Critics suggest that Amazon’s decisions to publicize HQ2 is nothing more than a brilliant corporate strategy underlined with ulterior motives.\textsuperscript{133} Is it possible that Amazon is being too transparent in its search for HQ2’s location? For example, Amazon could receive backlash for choosing a location that does not cater to one of its request for proposal factors, or that does not offer employee protections for LGBT individuals.\textsuperscript{134} This has already been noted by researchers who have analyzed the cities that did not become one of Amazon’s top twenty finalists.\textsuperscript{135}

\textsuperscript{128}. Anthony R. Wheeler et al., \textit{How Do Employees Invest Abundant Resources? The Mediating Role of Work Effort in the Job-Embeddedness/Job-Performance Relationship}, 42 J. APPLIED SOC. PSYCHOL. E244, E245 (2012).
\textsuperscript{129}. Elizabeth Weise, \textit{Amazon’s Second Headquarters Search Hits Crunch Time; One Group Warns ‘It’s a Race to the Bottom,’} USA TODAY (Apr. 2, 2018 2:06 PM), https://www.usatoday.com/story/tech/2018/04/02/amazons-second-headquarters-search-crunch-time-one-group-warns-its-race-bottom/473705002/.
\textsuperscript{130}. Id.
\textsuperscript{131}. Id.
\textsuperscript{133}. Cohen, \textit{supra} note 130 (“Many experts never believed the HQ2 competition was truly open, insisting there were only a few places that could meet the company’s stated requirements, particularly if it wanted to diversify by opening up a headquarters away from the West Coast.”).
\textsuperscript{134}. \textit{See} Nisen, \textit{supra} note 115 (discussing how Chick-Fil-A provoked a “firestorm” of criticism after its COO, Dan Cathy, made controversial statements regarding gay marriage and the biblical definition of a family unit).
\textsuperscript{135}. \textit{See} Wingfield, \textit{supra} note 9.
In fact, Amazon has already been receiving backlash regarding how it has created a bidding war between different cities.\(^\text{136}\)

Despite the critics of HQ2, proponents have realized that Amazon is not your average corporation. Rather, “Amazon has been unique in its ability to generate growth and jobs.”\(^\text{137}\) While some may view the search for HQ2 negatively, Amazon has the power to create over 50,000 new jobs, which will have a positive impact on the surrounding community. For example, the presence of Amazon in Seattle helped decrease the unemployment rate from 9% in 2010 to 3.7% today.\(^\text{138}\) Additionally, Amazon makes other social contributions in Seattle, including providing shelter for more than 350 families through a local partnership with Mary’s Place and paying millions of dollars to Seattle for affordable housing.\(^\text{139}\)

These examples relate back to the idea of the lens a corporation is looking through. Amazon has stated to its shareholders that it makes bold investment decisions and weighs tradeoffs differently than any other company. While some corporations and critics may focus only on the potential drawbacks of bringing Amazon’s HQ2 into a new city, Amazon sees it as an opportunity to grow and diversify as a corporation by bringing in new employees and expanding its customer base. However, Amazon should consider how embeddedness could affect its social purposes. For instance, the social purpose of focus in this Article is LGBT rights. If Amazon wishes to promote LGBT rights in the location of HQ2, it may have difficulties if HQ2’s location does not share the same passion for LGBT rights. New employees may not become involved in the glamazon affinity group, and without employees to promote this group, Amazon may find itself ineffective in promoting LGBT rights in this new community.

In summary, Amazon’s public search for HQ2’s location has placed its corporate structure and social purposes into the spotlight. By doing so, Amazon has opened the door to an analysis of its social and corporate motives and how they will be impacted by the geographic location of HQ2. By choosing a location for HQ2 that has a similar culture to HQ1, Amazon can promote embeddedness within Amazon and in the surrounding community, which could positively impact Amazon’s profits. However, if Amazon chooses a culturally distinct location, it could impede its social purposes. To better understand the effects of embeddedness, this Article will next discuss the concept of embeddedness and possible outcomes of building HQ2 in a location that is culturally distinct from HQ1.


\(^{137}\) Id.

\(^{138}\) Luckerson, *supra* note 132.

\(^{139}\) Id.
III. EMBEDDEDNESS AND SOCIAL STRUCTURE

The relationship between several factors significantly affects the internal organization and social structure of corporations. The most pressing factors include the individual backgrounds and identities of employees, as well as the societal influences that surround the corporation’s geographic location. Corporations are comprised of various races, ethnicities, genders, sexual orientations, religions and other commonalities. As a result, the diverse framework of individuals within a specific corporation is fragile and the ability of each individual to safely and productively sustain their identities within their workplace is key to a corporation’s success. HQ2’s regional location may have unintended consequences on an organization, its identity and its employees. Therefore, it is imperative that further empirical research be conducted in connection with quaternary location research—the study of economic geography. Because Amazon is looking at locations for HQ2 that are culturally distinct from HQ1, yet strives to hire employees with diverse backgrounds including its initiative to hire LGBT employees, Amazon may find itself in the middle of a culture clash that could affect its success. To analyze the impact a specific geographic region can have on an organization, and the impact the organization can have on the region, this Part will discuss embeddedness, identity, and social network structures. These concepts are particularly important when picking a location for a second headquarters, because two headquarters in distinct geographic locations might create different (and potentially competing) embedded corporate cultures, organizational identities, employee identities, and social networks and structures. Given the lack of empirical research in this area, this section is used as a proxy to try and simulate potential issues that may arise as a result of embeddedness, cultural identities, and social structure.

A. Embeddedness

Organizations are “connected by networks of personal relations.” As a result, implicit corporate culture, social networks, and individual behavior significantly influence social structure and decision-making within organizations. The relationship between these factors has generally evolved into

140. The term “quaternary” was introduced by J. Gottmann to refer to elite, information-based activities involving the direction of production and distribution. See Rice & Lyons, supra note 11, at 322.
141. Id. at 321 (defining the field of quaternary location studies to include “the past advancements, current challenges, and potential applications linked to the investigation of the location of headquarters and related business decision-making activities. . .”).
142. Diversity at Amazon, supra note 14.
a concept referred to as "embeddedness." The term itself originally expressed "the idea that the economy is not autonomous, as it must be in economic theory, but subordinated to politics, religion, and social relations." Therefore, it follows that social relations become embedded in the economic system. The question then becomes: to what extent are organizations constrained by these ongoing embedded social relations?

Since the concept was first introduced, different types of embeddedness have been researched and applied to sociology and business, as the behavior of individuals is derived from economic sociology. For example, where employees are from plays a significant role in how they will perceive other social relationships within their organization. As a result, one aspect of embeddedness addresses the "internal externalities" that individuals learn from their upbringings and how they apply them to people, places, and things. In turn, these psychological forces enmesh employees into their companies. Insistence that economic behavior is inescapably embedded in networks of interpersonal relationships plays off of the idea that societal differences highly affect the outcome of an operation. When a firm makes an economic decision, it is based largely on the sentiments of those in decision-making roles. Consider the following excerpt and example of embeddedness provided by Dennis Wrong, a prominent American sociologist:

It is frequently the task of the sociologist to call attention to the intensity with which men desire and strive for the good opinion of their immediate associates in a variety of situations, particularly those where received theories or ideologies have unduly emphasized other motives... Thus, sociologists have shown that factory workers are more sensitive to the attitudes of their fellow workers than to purely economic incentives... It is certainly not my intention to criticize the findings of such studies. My objection is that... although sociologists have criticized past efforts to single out one fundamental motive in human conduct, the desire to achieve a favorable self-image by winning approval from others frequently occupies such a position in their own thinking.

As mentioned above, the concept of embeddedness has been applied to several different areas, including non-market forces, corporate elites, and corporate sustainability. This Article, however, specifically addresses “job embeddedness” and “social embeddedness” and how both apply to the social

144. See Granovetter, supra note 143, at 481.
145. Id.
146. See Granovetter, supra note 143, at 481.
147. Id. at 482 (stating that the argument of embeddedness is that the behavior and institutions to be analyzed are constrained by these ongoing social relationships and therefore, to construe them as independent would be entirely misleading).
148. This term has been coined by Ryan Teschner. This term refers to the external expression of a person’s internal processes based on that person’s upbringing and life experiences.
149. See Wheeler et al., supra note 128, at E245.
151. Granovetter, supra note 147, at 483 (citing Dennis Wrong, The Oversocialized Conception of Man in Modern Sociology, 26 AM. SOC. REV. 183, 188–89 (1961)).
structure and internal organization of a corporation as well as corporate decision making.

First, job embeddedness evaluates the social forces that interweave employees into their companies and how these forces affect internal organization, such as employee attitude and job satisfaction. Job embeddedness theorists have also recognized how community sacrifices can prove embedding. "That is, people [] stay where they live to avoid giving up family friendly neighborhoods, even ‘football tickets or ballet seats that took 20 years of seniority to obtain.’" These examples of embedded influences stem from the community and outside of the workplace, including familial responsibilities and personal conflicts, known as “off-the-job embeddedness.” Thus, an employee’s family may be embedded in a geographic area (e.g., spouse owns a local business, teenagers attend magnet schools), thereby embedding the employee [,] and conversely embedding the community into the organization. Though these factors may seem trivial at first glance, they bear a significant relationship to the geographic location of an employee’s organization and will affect how an employee acts within his or her organization.

Second, social embeddedness influences organizations as well. It may be no surprise that societal differences highly affect and influence social structure, especially in the form of social networking in organizations. Sociologist Mark Granovetter posits that social structure in the form of social networks affects economic outcomes. Granovetter refers to this relationship as “social embeddedness,” which is “the extent to which economic action is linked to or depends on action or institutions that are non-economic in content, goals or processes.” For example, it is evident that social networks impact and facilitate the “flow and quality of information.” This creates an interdependence between the various networks of individuals. These networks influence the organization and its employees and directly applies to corporate decision making. For example, Granovetter discusses a core principle known as “the strength of weak ties.” According to this principle, an individual’s close

152. Wheeler et al., supra note 128, at E245.
154. Id.
155. Id. at 644.
156. Id. (“Such ‘embeddedness by proxy’ (or ‘family embeddedness in community’; FEC) should not be conflated with other extra familial community forces for people may remain to avoid disrupting spousal careers or children’s schooling, but not feel community attachment.”).
158. Id. at 35.
159. Id. at 33.
160. Id. at 37.
161. Id. at 34.
friends know one another, which in turn forms a closely-knit clique.  This remains true within organizations, even though close friends may be more interested than work acquaintances. Individuals can also be strongly connected to other cliques through their weak ties rather than their strong ties. As a result, these “weak ties” will influence the end product of a company and may impact the internal organization, its operations, and its products. Some sociologists tend not to research in this area, as “[t]hey have implicitly accepted the presumption of economists that ‘market processes’ are not suitable objects of sociological study because social relations play only a frictional and disruptive role, not a central one, in modern societies.” This can be argued two ways. First, one could argue that with modernization, effect of embeddedness on economies and organizations has diminished. However, one could also argue that, in current times, it is easier to influence market processes or organizations through technology and the high speed at which information travels within different social networks. With the entrenchment of social media in today’s society, some would lean towards the second argument due to the strong correlation of negative publicity to market values. For instance, Tesla had its worst day of trading since 2016 after Elon Musk took a puff of marijuana on a podcast and after his chief accountant quit.

Further, one must also investigate the motives of employees. This must be done because “the corporate governance question of how the structure of firms will affect productivity and profit cannot be reduced to the argument that division managers should stay out of central management, given their likely opportunism on behalf of their own units, while central management should not meddle in division operating procedures, in which they would have little competency or knowledge.” While embedded in those division level roles, one cannot assume that the employees will only act in their best interest.

The concept of embeddedness and social networks are central to Amazon’s search for HQ2’s location due to the way these concepts can affect productivity and decision making within an organization. Weber’s Theory of the Locations of Industries laid the foundation for headquarters location studies by developing the concept of a “central organizing stratum,” defined as “all those who are engaged

162. Id.
163. Id.
164. Id.
165. Id.
166. Granovetter, supra note 143, at 504.
167. Id. 482–83.
168. Id.
170. Granovetter, supra note 157, at 43.
in the general organization and management of the exchange of goods, whether material or immaterial.” Corporate headquarters are the most elite of economic venues, encompassing activities like strategy creation and high-level business decisions. When a company such as Amazon seeks a new location for its headquarters, there is a substantial amount of data-driven decision making that must take place. Depending on the geographic region, HQ2’s future employees will become enmeshed in the company and significantly impact, as well as create, the social structure and internal organization of HQ2. Notably, “[a]s the study of quaternary phenomena has developed . . . linkage to contemporary corporate culture and embeddedness debates transcend a purely positivistic approach.” These links to culture are exactly what this Article seeks to explore and advocate for future empirical studies.

It has been noted that in “the social realm, economic geographers have long recognized that firm location [is] the result of a decision-making process rooted in the preferences, perceptions, and social and cultural networks of decision makers.” As discussed above, off-the-job embeddedness—which means “the cumulative forces of an individual’s family, community, and non-work activities which bind an individual to his or her current location” can be just as important as on-the-job embeddedness. Additionally, as further explained in Section C below, the future employees of HQ2 will play a significant role when it comes to making decisions within the corporation. As stated by Murray Rice and Donald Lyons, “[t]he concept of embeddedness, linked to personal relations, trust, and formal and informal deal-making, further emphasizes the importance of the social dimension as it impacts the activities of the firm. Therefore, the embedded cultural differences between HQ1 and HQ2 will come into play once Amazon decides the location of HQ2.

B. Potential Differences between HQ1 and HQ2

To fully appreciate how cultural differences between Amazon and the potential location of HQ2 could affect the company, this article will focus on the differences between Seattle, Washington, where HQ1 is located, and Atlanta, Georgia, one of the finalists for HQ2. Until further empirical evidence can be conducted on this issue, this section analyzes different state employment discrimination statutes and the treatment of LGBT issues. These references serve as a proxy to conduct a cursory analysis of the potential issues relating to cultural embeddedness based on various geographic regions and the interaction of

172. Rice & Lyons, supra note 11, at 321.
173. Id. at 324.
175. See Rice & Lyons, supra note 11, at 324-25.
employee identities within those regions. Each one of these statistics will come directly into play when Amazon chooses a location for HQ2, and therefore must be critically analyzed.  

1. Employment Discrimination Protection

One of the most important differences between Georgia and Washington is the employment discrimination protection each state provides. As discussed above, Amazon has made it clear that it values its employees and inclusion in its workplace. Because of this, Amazon should consider a state’s employment discrimination protection, or lack thereof.

Under Georgia law, employers cannot discriminate based on age and disability. Additionally, employers must provide equal pay, regardless of sex. By contrast, under Washington law, employers cannot discriminate based

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176. The social and political contrast between these two states provides much fodder for the inquiry into how cultural differences between a company and its new headquarters location can affect the company. See e.g., Josh Green, Among Amazon HQ2 Cities, National Voters Ranked Atlanta No. 2 Most Appealing, CURBED ATLANTA (July 24, 2018, 3:54 PM), https://atlanta.curbed.com/2018/7/24/17608410/amazon-hq2-finalists-geekwire-atlanta-jeff-bezos.

177. State nondiscrimination laws are supplemented by Federal employment discrimination laws, which prohibit discrimination based on race, color, religion, national origin, sex, pregnancy, disability, and genetic information. 42 U.S.C. § 2000e-2 (Title VII); Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. The Pregnancy Discrimination Act of 1978, which amended Title VII, requires employers to treat women the same, regardless of “pregnancy, child birth, or related medical conditions.” 42 U.S.C. § 2000e-2. The Genetic Information Nondiscrimination Act of 2008 prohibits employers from “fail[ing] or refus[ing] to hire, or to discharge, any employee, or otherwise to discriminate against any employee with respect to the compensation, terms, conditions, or privileges of employment of the employee, because of genetic information with respect to the employee.” Id. § 2000ff-1(a)(1) It also prohibits employers from requiring genetic testing. Id. § 2000ff-1(b).

178. GA. CODE ANN. § 34-1-2 (2018). Employers are prohibited from discriminating based on age only for the ages forty to seventy. Id. In Washington, there is no cap at age seventy. WASH. REV. CODE § 49.44.090 (2018). However, in Georgia, a violation of the age antidiscrimination statute is a misdemeanor. GA. CODE ANN. § 34-1-2(b). In Washington, it is considered an “unfair practice,” but not a misdemeanor. WASH. REV. CODE § 49.44.090.

179. GA. CODE ANN. §§ 34-6A-2–6A-4. Georgia’s disability statute specifically provides that employers may reject an applicant due to the applicant’s “communicable disease, either carried by or afflicting the applicant.” Id. § 34-6A-3. This is in sharp contrast to Washington’s prohibition of HIV or hepatitis C testing “as a condition of hiring, promotion, or continued employment” and discrimination based on HIV or hepatitis C status. WASH. REV. CODE § 49.60.172(1).

180. GA. CODE ANN. § 34-5-3.

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on age, \(^{181}\) creed, \(^{182}\) disability, \(^{183}\) gender identity, \(^{184}\) marital status, \(^{185}\) military status, \(^{186}\) HIV status, hepatitis C status, \(^{187}\) national origin, \(^{188}\) pregnancy, \(^{189}\) race, sex, and sexual orientation. \(^{190}\) Employers also must provide equal pay, regardless of gender. \(^{191}\) Additionally, Washington employers cannot require employees to submit genetic, \(^{192}\) HIV, or hepatitis C tests. \(^{193}\) Lastly, Washington regulates

\(^{181}\) WASH. REV. CODE §§ 49.60.180, 49.44.090. Like in Georgia, the age at which employers cannot discriminate begins at forty. \(\text{Id.} \) § 49.44.090. However, unlike Georgia, there is no cap at age seventy. A violation of age discrimination is not a misdemeanor, so an employer does not make it a misdemeanor to discriminate based on age, though, so in that respect, Georgia affords more protection against age discrimination.

\(^{182}\) \(\text{Id.} \) § 49.60.180.

\(^{183}\) \(\text{Id.} \) This includes discrimination due to use of a trained service animal. \(\text{Id.} \) The Washington Code also provides further protection to those with service animals by establishing an extra penalty, in addition to any other criminal or civil remedies or penalties, if such animal is maliciously or negligently injured or killed. \(\text{Id.} \) § 49.60.370 (providing a fine of $1,000, as well as reasonable attorney’s fees and costs if civil action is pursued). While this is not directly related to employment, it is something employers should consider. Not only are employers prohibited from discriminating due to the use of a service animal, employers must also be aware of the animal’s safety.

\(^{184}\) WASH. REV. CODE § 49.60.180. While this statute does not specifically list “gender identity” as one of the protected classes, the code defines “sexual orientation” as including “gender expression or identity.” \(\text{Id.} \) § 49.60.040. The State of Washington provides a comprehensive guide on gender identity and sexual orientation discrimination for employers on their website. See generally WASH. STATE HUMAN RIGHTS COMM’N, GUIDE TO SEXUAL ORIENTATION AND GENDER IDENTITY AND THE WASHINGTON STATE LAW AGAINST DISCRIMINATION (2014), https://www.hum.wa.gov/media/dynamic/files/207 Updated%20SO%20GI%20Guide.pdf (providing guidelines on Washington’s sexual orientation and gender identity antidiscrimination laws).

\(^{185}\) WASH. REV. CODE § 49.60.180.

\(^{186}\) \(\text{Id.} \) Both Georgia and Washington allow for a veteran preference in hiring. GA. CODE ANN. § 34-1-8; WASH. REV. CODE § 73.16.110. However, only Washington specifically provides that employers cannot discriminate based on “honorably discharged veteran or military status.” WASH. REV. CODE § 49.60.180. Both Washington and Georgia define veteran as someone who was honorably discharged from the military. GA. CODE ANN. § 34-1-8; WASH. REV. CODE § 73.16.110.

\(^{187}\) WASH. REV. CODE § 49.60.172.

\(^{188}\) \(\text{Id.} \) § 49.60.180.

\(^{189}\) \(\text{Id.} \) § 43.10.005. Even though employers in Georgia cannot discriminate on the basis of pregnancy due to Title VII, Washington law provides much more protection to pregnant women. In Washington, not only can employers not discriminate against pregnant women, they also must provide reasonable accommodation for pregnant women. These accommodations include job restructuring, such as part-time or modified work schedules, “[s]cheduling flexibility for prenatal visits,” “[p]roviding for a temporary transfer to a less strenuous or hazardous position,” and any other reasonable accommodation the employee requests, based on the employer’s consultation with the employee’s physician and the department of labor and industries. \(\text{Id.} \) (1)(c). An employer cannot require a pregnant employee to go on leave if another reasonable accommodation is available. \(\text{Id.} \) (2)(d). These are just some of the examples of the protections Washington law has in place for pregnant women.

\(^{190}\) \(\text{Id.} \) § 49.60.172.

\(^{191}\) \(\text{Id.} \) § 49.002.175. In Washington, this law carries more weight than the equivalent law in Georgia, because in Washington, it is a misdemeanor to violate this provision. \(\text{Id.} \) In Georgia, violators of the equal pay law will receive a fine not to exceed $100, but the statute does not classify the violation as a misdemeanor. GA. CODE ANN. § 34-5-3.

\(^{192}\) WASH. REV. CODE § 49.44.180. This statute does not provide as much protection as the Genetic Information Nondiscrimination Act of 2008, but it was enacted four years prior to the federal act. S.B. No. 6180, 58th Leg., Reg. Sess. (Wash. 2004). The Washington law only prohibits employers from requiring genetic testing, while the federal law also prohibits discrimination based on genetic information. 42 U.S.C § 2000ff-1 (2012).

\(^{193}\) WASH. REV. CODE § 49.60.172(1).
credit and criminal background checks and protects those with a criminal history.

Washington provides wide liberal and political protection for its employees. For example, protecting employees from sexual orientation and gender identity discrimination is more in line with a liberal than a conservative viewpoint. This is evidenced by the fact that red states were some of the final states to legalize same-sex marriage, and only after being required to do so by the U.S. Supreme Court. The Supreme Court has not yet acknowledged sexual orientation as a protected class, so states that proscribe discrimination based on sexual orientation, like Washington, should be considered progressive.

Another example of Washington’s progressive antidiscrimination laws would be its prohibition of discrimination based on marital status. Red states tend to have traditional Christian values, which means non-married cohabitation is generally frowned upon. Georgia is no exception, and its cultural values are reflected by its laws. Thus, Georgia does not safeguard against marital status discrimination. By contrast, blue states tend to value inclusion, which means they want to ensure everyone is treated equally, irrespective of adherence to traditional Christian values. This is reflected in Washington’s law prohibiting discrimination based on marital status.

Both Washington and Georgia allow their cities to create local nondiscrimination laws. In Georgia, only Atlanta has such local laws. Atlanta’s antidiscrimination laws provide protection for sexual orientation, gender identity, race, color, creed, religion, sex, marital status, parental status, familial status, national origin, age, and disability. Of these, sexual orientation, gender identity, marital status, parental status, familial status and creed go

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194. *Id. § 19.182.020(2).* In addition to certain disclosure requirements, Washington law does not allow employers to inquire into a person’s creditworthiness for employment purposes, unless it is substantially job related or required by law. *Id. § 19.182.020(2)(c).* This law makes Washington one of only thirteen states that restrict an employer’s use of credit history for employment purposes. MICROBIT, STATE LAWS LIMITING USE OF CREDIT INFORMATION FOR EMPLOYMENT 1 (2017), http://www.micribit.com/Cms_Data/Contents/Microbit/Media/Docs/MicroBilt-State-Laws-Limiting-Use-of-Credit-Information-For-Employment-Version-1-1-03-01-17-.pdf. In addition to these thirteen states, New York City and Washington, D.C. provide credit history protection for employees. *Id.*

195. WASH. REV. CODE § 49.001.002. For example, Washington employers cannot inquire into an applicant’s criminal history until after the employer has determined that the applicant is qualified for the position. *Id. § 49.001.002(1).*


Beyond Federal requirements. This illustrates that in the context of employment protection, Atlanta is more comparable to Washington than it is to the rest of Georgia. The similarities between Atlanta and Washington are encouraging for Amazon because they could induce organizational embeddedness with its new employees. One way in which employees become organizationally embedded is by sharing the same values as the corporation. By having multiple headquarters in locations that share similar cultures with each other and are in line with the company’s own identity, Amazon will attract people in these locations who share such values. The culture that Atlanta, Washington, and Amazon seem to embrace is one of inclusiveness, as evidenced by the extensive range of antidiscrimination laws in Washington and Atlanta and the antidiscrimination policies within Amazon. By strategically locating in areas that share its values, Amazon can easily foster organizational embeddedness, which will help Amazon retain valuable employees.

2. LGBT Rights

Because Amazon is especially invested in fostering the LGBT community inside and outside of the organization, differences in LGBT rights in Washington and Georgia are critical. If Georgia has fewer LGBT protections, or even discriminates against the LGBT community, this could affect job and off-the-job embeddedness for any LGBT individuals who work for Amazon.

To begin, these two states have handled same-sex marriage differently. Washington legalized same-sex marriage in 2012, three years before the Supreme Court decided Obergefell v. Hodges. By contrast, Georgia did not legalize same-sex marriage until forced by the Supreme Court.

Additionally, even though Georgia has legalized same-sex marriage, it has actively fought against equal rights for married same-sex couples. For example, Georgia is attempting to pass a law that will effectively prevent same-sex couples from adopting children. On the other hand, Washington has made it easier for

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201. Diversity at Amazon, supra note 14 (“Amazon is an Equal Opportunity-Affirmative Action Employer—Minority / Female / Disability / Veteran / Gender Identity / Sexual Orientation.”).
202. Kiazad et al., supra note 153, at 649 (“[O]rganization embeddedness should be the strongest (negative) predictor of turnover. As turnover involves leaving the organization (rather than job or occupation per se), resources derived from the organizational context (i.e. organization fit, links, and sacrifices) should be most subject to a primacy-of-loss effect.” (emphasis added)).
203. 135 S. Ct. 2584 (2015) (legalizing same-sex marriage across the country); see also Tritt, supra note 17 (discussing the differences in how red and blue states treat LGBT issues, including Washington and Georgia).
204. Tritt, supra note 17; Same-Sex Marriage State by State, supra note 196.
same-sex couples to have children by making its Assisted Reproductive Technology (“ART”) and marital presumption statutes gender-neutral to encourage the use of ART by same-sex couples. Georgia has not done either of these things to support same-sex couples.

These differences reveal a sharp contrast between how Washington and Georgia support their LGBT communities. While Washington supports LGBT rights, Georgia fights them. The state’s laws reflect the voting population, so the people of Georgia likely share these anti-LGBT sentiments. If Amazon builds HQ2 in Georgia, this anti-LGBT culture could negatively impact Amazon’s LGBT employees, causing them to become less embedded in their jobs and the surrounding area.

C. Embeddedness Applied to Amazon

This section explores the possible repercussions of building HQ2 in a different location from HQ1. Amazon has a huge decision looming, and it is imperative that it ruminates all aspects of the process, regardless of the driving factors of its decision. Amazon must put a plan in place to address each aspect of the process. In the end, embeddedness may play a more influential role in the future success of the company than financial savings on salary or site.

Georgia has limited statewide protections for LGBT people and is far behind other states with other discriminative categories, such as age, disability, compensation, gender, genetic information, harassment, national origin, pregnancy, race, religion, retaliation, sex and sexual harassment. This disparity is critical because Amazon currently asserts itself as a progressive company on its “Diversity at Amazon” webpage, stating, “[a]t Amazon, we pride ourselves on our peculiar culture. We honor and respect the differences inherent in each Amazonian, and we seek to include those perspectives as we develop new products and services for our customers around the world.”


206. The traditional marital presumption rule presumes that a child born to the wife is the child of the husband. June Carbone & Naomi Cahn, The Past, Present and Future of the Marital Presumption, in THE INTERNATIONAL SURVEY OF FAMILY LAW 387, 387 (Bill Atkin ed., 2013); Tritt, supra note 17. This traditional presumption poses problems for same-sex couples because there may be two husbands and no wife, or two wives and no husband, rendering the presumption inapplicable.


208. See Tritt, supra note 17.

209. See supra Part II.B.

Employees in Washington are accustomed to a broader range of employment discrimination protections than employees in Georgia. Based on these supplementary protections, Amazon is able to widen its potential employee base, creating a more diverse workforce. Substantial research has been conducted on the benefits of diversity in the workforce, but when Red meets Blue, there are not always smooth transitions. Likewise, international cases of retail failure are highly documented. One notable example is Wal-Mart’s experience in Germany that led to its divestiture in 2006. This was “largely attributed to a lack of understanding of the competitive discounting inherent in the German retail market, strongly entrenched supplier relationships and the subsequent psychology of the customer.” This exemplifies that a company entering new waters must fully understand the market. Similarly, a headquarters entrenched in west coast ideology may struggle to find its feet in the Deep South.

Consequently, Amazon should be aware that ideological difference that parallel location can lead to issues for relocated employees. While HQ2 has been slated to create 50,000 jobs in the new location, it cannot be assumed that Amazon will hire all of these employees locally. People with knowledge of Amazon’s structure and practices will have to be relocated to the new headquarters. One researcher defines five sets of variables which might influence employees’ willingness to move during corporate relocations. The variables are: (1) attachment to the present community; (2) demographic status; (3) attachment to the current organization (4) lack of alternative job opportunities; and (5) attraction to the new community. Imagine a board room of “equals” meeting from two separate geographic locations. The differences could be as minuscule as a penchant for the Braves over the Mariners, or they could be as drastic as stances on religion, abortion, immigration, and LGBT rights. These ideologies are often divisive, and when mixing employees from different upbringings, someone will get offended, and productivity may decrease. These differences could potentially lead to bullying, harassment, or even violence. International research on this topic is well-established, providing that manufacturing firms and service businesses need to achieve ‘embeddedness’ within their host region. This is a concept linked to harnessing localized culture, knowledge, innovation, and enhancing the depth and quality of relationships with local firms (whether partners or suppliers), customers and other organizations.

213. Alli et al., supra note 18.
214. Wood & Reynolds, supra note 212, at 1372.
215. See id.
suitable working conditions, Amazon will need to educate its employees about diversity and empathy if it chooses to locate in a state such as Georgia.

The next prediction for HQ2 is that it will not be self-contained. “The fact that most firms do not operate in isolation but are often engaged in interorganizational relationships (IORs) and networks that influence their actions is largely neglected [by these firms].”216 This is striking since Mark Granovetter’s widely accepted scientific literature acknowledges that communications within networks can enable as well as constrain the behavior of its members.217 Furthermore, Enrico Moretti, an Economics Professor at UC-Berkeley, predicts that HQ2 will create up to 250,000 indirect jobs.218 This will include jobs in the service industry, as well as suppliers, courters, professionals, educators, and more. These jobs will support Amazon as a whole and its employees individually. When these shops, schools, and firms open, they will not have the same employee protections as those at Amazon. They will be much more congruous to the locality in both substance and scale than Amazon. Therefore, progressive Amazon employees’ spouses may have to work with or for much more conservative law firms, trades men and women, and others outside the Amazon community. This could cause strain on the spouses, which could strain Amazon’s employees’ relationships and likely impact Amazon itself.219

Additionally, people are not always welcome in foreign areas.220 New surroundings may cause discomfort for certain employees. People do not work at their best if they work in fear, and they can be frightened in new settings. Data shows that fear is still prevalent in the workplace for LGBT individuals specifically. For example, 93% of people who self-identify as LGBT live open lives, however only 55% of them are out to their bosses.221 This is concerning when such a drastic change in demographics is on the horizon for Amazon.

Another noticeable difference between the East Coast and the West Coast is that the Asian population is much more concentrated on the West Coast, especially California.222 Imagine being raised as an Asian American in California—which is known to have many communities and comforts specific to

216. Knoben et al., supra note 18, at 386.
217. Id.
219. Trouble at home could lead to less productivity in the workplace. Additionally, if the strain is bad enough, it could force employees to quit and relocate to a more suitable area.
220. For example, a discrimination lawsuit filed against a gay bar in Provincetown, a predominately gay city where the typical 90:10 straight-to-gay ratio is flipped. LIZ WINEFIELD, STRAIGHT TALE about GAYS in the WORKPLACE: CREATING an INCLUSIVE, PRODUCTIVE ENVIRONMENT FOR EVERYONE in YOUR ORGANIZATION 3–4 (3d ed. 2005). The bar refused to hire a straight man that applied for a bar back position. He was told that they do not hire, “straight boys.” Id.
221. Id. at 46.
222.
that culture—and then moving to a new location. You may not be able to find people of your religion; you may not be able to find grocery stores with your favorite items; and most importantly, you may not be able to pass your culture down to your children.

Numerous demographic factors need additional exploration through future research, including ethnicity, gender, disability, and a spouse’s career options. Since Amazon employees are embedded in the Seattle-based culture, it will be difficult to transplant them from this setting and, instead, relocate them to an area with different undesirable factors. After all, disorder and malfeasance occur when social relations are absent. If an individual’s needs are congruent with the community environment in terms of lifestyle (family, religious, or civic organizations), then they will thrive. This is the definition of off-the-job-embeddedness. However, if off-the-job embeddedness does not exist or is reduced, it is likely to cause an unstable environment for the employees that will negatively affect the business.

Amazon needs to deliver on its promises when it decides HQ2’s location. Amazon states, “We strive to create a sense of community among employees of various backgrounds in order to foster engagement and innovation.” Likewise, Jeff Bezos, CEO of Amazon, is quoted on the “Diversity at Amazon” webpage saying:

Amazon has more than 500,000 employees around the world, and from our earliest days, we’ve been committed to equality in our workplace. We want our employees to be empowered to speak their minds, and to be heard. Every Amazonian should feel comfortable sharing their unique perspectives, and every Amazonian should seek out the perspectives of others. We want our employees and the communities where we operate to embrace that we are all human, we are all different, and we are all equal.

This is an altruistic stance and great for the labor force of Amazon. However, relocating to a Sanctuary City like Atlanta may have adverse effects on the home life of many employees (regardless of benefits afforded by the company). For instance, the LGBT population and lifestyle are thriving in the Midtown areas of Atlanta. However, many in this community do not feel safe once they leave the sanctuary of Midtown. Looking into this subset, the effects that

223. Id. Most of the previous research on transfer decisions outside the context of corporate relocation has almost exclusively examined male employees. While this study has more female participants than many others, females are still significantly underrepresented here.
224. Granovetter, supra note 147.
225. See Daniel C. Feldman et al., Off-the-Job Embeddedness: A Reconceptualization and Agenda for Future Research, in RESEARCH IN PERSONNEL AND HUMAN RESOURCES MANAGEMENT.
227. Anthony Michael Kreis, Amputating Rights-Making, 69 HASTINGS L.J. 95, 98 (2017) (“In 2017, Texas became the latest state to ban so-called sanctuary cities, penalizing municipalities that refuse to cooperate with federal immigration enforcement. After St. Louis adopted an ordinance in 2017 banning employment and housing discrimination against women for their reproductive healthcare decisions, Missouri’s governor called on legislators to overturn it in a special session, warning that St. Louis would become an ‘abortion sanctuary city.’ The Missouri Legislature did so, overturning the St. Louis ordinance via preemption legislation.”).
geographical change in culture can have overall are quite high. Employees that are used to the progressive West Coast/Seattle culture may become subject to harassment in the Southern parts of the country. This is a tangential factor that may not be fully considered by the corporation when weighing financial terms against social norms as they make their final decision on location.\footnote{228} Amazon has two choices for HQ2’s new location. First, Amazon could build HQ2 in one of the progressive cities on the list (e.g. Boston or New York). This decision could be viewed as rewarding the city for having more LGBT rights and employee protections.\footnote{229} Alternatively, Amazon could build HQ2 in Atlanta, Dallas, or Raleigh,\footnote{230} where Amazon could promote social purposes like LGBT protections and positive identity perceptions within this community.\footnote{231} However, if Amazon does not have a concrete strategy in place to support employees in a location with fewer employee protections than Seattle, Washington, the decision to build HQ2 in Atlanta, Dallas, or Raleigh could send the wrong message both internally and externally. While Amazon may impact the area in which HQ2 is located, the area may influence Amazon as well. This external influence could result in a less-inclusive culture within Amazon. This investment into HQ2 would not only put the company’s future on the cutting edge of technology, but also put its cultural identity on the chopping block.

\footnote{228} Markus Menz et al., \textit{What Do We Know About Corporate Headquarters? A Review, Integration, and Research Agenda} 18-19 (Harv. Bus. School Strategy Unit, Working Paper No. 14-016, Aug. 19, 2013) (“The literature that considers geographic aspects either examines the CHQ in a specific geographic context, reviewed earlier as the CHQ location, or explores international differences of the CHQ. There are only few studies in the latter strand. They explore international differences of the CHQ arguing that the institutional, legal, and cultural heritage of different countries will have significant effects on the CHQ. Collins and colleagues find that ‘MNCs from different countries have substantially different corporate headquarters – US headquarters are large (255 median staff for a 20,000 FTE MNC) and European headquarters smaller (124)’. Although they reveal an ‘administrative heritage’ of the CHQ, there is little knowledge on the CHQ differences across geographic regions and countries.” (citations omitted)).

\footnote{229} One of these cities would come with a high price tag because salaries and real estate are at a premium in these areas. However, the location selection process benefits from close collaboration of operating unit line managers and support staff, rather than singular adherence to the insulated real estate, tax alleviating and deal making approach of the past. Chris Manning et al., \textit{Devising a Corporate Facility Location Strategy to Maximize Shareholder Wealth}, 17 J. REAL EST. 321, 322 (1999) (“Direct cost savings are more readily quantified and include lowering expenses such as taxes, wages, utilities, other overhead expenses and transportation costs. Indirect cost benefits include improved educational levels, the work ethic of the labor force and improved communication with the firm.”). For this reason, Amazon may be making a financially sound decision, even if it decides to build HQ2 in one of these expensive cities.

\footnote{230} One of these cities would come with a lower price tag because salaries would be lower and the company could face less liability from employment discrimination lawsuits.

\footnote{231} Conservative cities may instead be both beneficial for HQ2’s location and for the advancement of LGBT issues. Reverend Neil G. Cazares-Thomas, a prominent gay pastor of a “gay” megachurch in Dallas, has pressed Amazon to build HQ2 there. O’Connell, \textit{supra} note 6. The Reverend believes that Amazon could bring change to Dallas, Texas by making it more LGBT-friendly. \textit{Id.} American Airlines Chief Executive, Doug Parker, believes his company has done more for LGBT rights because its headquarters is in conservative Fort Worth, Texas. \textit{Id.} Additionally, there is a financial benefit to building HQ2 in one of these locations. Salaries would be lower, and the company would face less liability from employment discrimination lawsuits. This location choice would adhere to the shareholder primacy model, while still allowing Amazon to promote LGBT rights.
Therefore, when selecting HQ2’s location, Amazon must carefully consider all the social and cultural factors in play, as well as the pros and cons of choosing a more conservative or liberal city.

**CONCLUSION**

Amazon is just one of several American corporations partaking in the trend of opening a second headquarters in a geographically distinct location from its first headquarters. Amazon’s consideration of Atlanta, Georgia for the location of HQ2 makes for a great case study on how cultural embeddedness and identity can affect a company that is considering a location with a culture polarized to that of the company’s own culture. The intertwining of corporate sustainability and embeddedness is ripe for more research. Specifically, this Article calls for empirical research on these issues:

1. Should socially conscious companies like Amazon incorporate as a Social Purpose Corporation or Public Benefit Corporation?
2. How well defined must a social corporate mission statement be in order to minimize liability for leadership’s discretionary activity?
3. Would a change in location affect the social values of a corporation and its sustainability endeavors?
4. How do employees who move from HQ1 to HQ2 prioritize their social values after they move?
5. How do second headquarters affect organizational and decision-making dynamics within a company?
6. What are the differences in embeddedness between HQ1 and HQ2, once it opens?
7. Is the cultural risk of creating a second headquarters in a geographically distinct location worth the reward for companies with a great need for expansion?
8. How is embeddedness affected by opening a second headquarters (both on-the-job and off-the-job embeddedness)? What are the differences in embeddedness between Amazon’s HQ1 and HQ2, once it opens?
9. To what extent do internal externalities play a role in corporate actions, including corporate decision-making, hiring, profitability and product development?
10. Can corporations change the social values and culture of a community?

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