

The Impact of Critical Allegations on Corporate Reputation

--- Work in progress ---

Dominik Breitinger

University of Lausanne

Faculty of Business and Economics

Quartier Dorigny, Bâtiment Internef

1015 Lausanne, Switzerland

Phone: +41 21 692 34 30

dominik.breitinger@unil.ch

Paper submitted for the
Corporate Responsibility Research Conference 2010
September 15 – 17, 2010
Marseille France

Abstract

The goal of this working paper is to capture empirically the effect of social and environmental critique on a firm's reputational performance. Over the 2006-2010 period we collected 8,000 firm-critique observations for more than 400 corporations. Claiming that the so far conducted critique studies focus exhaustively on huge critic events, so-called boycotts, and their impact on a firm's financial performance, we seek to estimate the impact of ordinary critical allegations on a firm's reputational performance instead. We hypothesize that specific types and severities of 'ordinary corporate critique' may have significant effects on the firm's reputation that is proxied by the Fortune's Ranking of the World's Most Admired Companies.

1. *Setting the plot on reputation & critique*

Already Shakespeare's Othello rightly pointed out: "Reputation is an idle and most false imposition: oft got without merit, and lost without deserving" (cf. Mahon, 2002 quoting Shakespeare's Othello: II, 3: 260). Doubtlessly, the relationship between reputation and critique reveals appealing questions that occupy poets like social scientists: The pursuit of good reputation holds for persons (Othello) like for corporations: Highly admired people are, like highly admired firms, in the spotlight. They are admired because they have reached or done anything exceptional in the past. However, due to their media exposure, bad reputation, on the other hand, can become a significant obstacle in a person's or firm's future development and prospering.

From a corporate perspective, it is particularly stakeholder activism that increasingly affects a firm's reputation. So far, various empirical investigations have examined the impact of corporate allegations on corporate performance. In particular the effects of media effective *boycotts* on corporate performance as well as on post-boycott corporate concessions have been exhaustively studied (cf., e.g. Koku et al., 1997; Bentzen & Smith, 2002, 2007; King & Soule, 2007) since Friedman and Pruitt began to quantify this research phenomenon (cf. Friedman, 1985; Pruitt & Friedman, 1986; Pruitt et al., 1988). The aim of these studies remained similar: It is to estimate the influence of boycotts on a firm's financial performance, and/or its boycott reactions. The reported results, however, remain inconclusive: Whereas King and Soule (2007) report, for instance, significant stock price decreases during the boycott event studied, Koku and colleagues find share price increases of their boycotted firms observed.

In view of these inconclusive results we do not aim at replicating this prevailing empirical approach for two reasons. First, we deem boycott studies unsatisfactory in that they represent huge albeit comparatively rare events that affect only a few corporations like Shell's oilrig Brent Spar in 1995 or BP's Deepwater in 2010. Second, we posit that the classical boycott studies estimating direct effects of boycotts on financial performance blind out important variables in-between such as corporate reputation or legitimacy that play an important 'pusher or blocker' role in the final boycott-financial performance relationship.

Therefore, we turn away from these boycott studies. We will instead focus on the impact of 'ordinary' social, legal and environmental *critique*: Allegations against corporations of child labor, corruption, or environmental pollution that companies are exposed to in daily press, non-governmental (NGO) reports, Internet blogs etc. We thereby hypothesize that such common albeit permanent or reoccurring critique may have longer lasting and significant effects on corporations. We seek to capture the critique effect on the firm's reputational performance since reputation is deemed a vital indicator for the firm's future prospering.

Astonishingly, the literature on stakeholder/NGO activism has dedicated little or no attention to our 'ordinary critique claim'. Even if critique – if reoccurring or accumulated – is likely to threaten the firm's persistence, it has not yet raised academic awareness. The reasons for this lack in empirical investigation may reside in theoretical and methodological barriers. Theory-wise, little work has been produced that conceptually captures the raise of NGO influence and power in a global context (cf. Spar & La Mure, 2003). From a methodological viewpoint, it may be operational constraints in the data collection that prevent the examination of 'ordinary corporate critique' beyond a national context.

We seek to contribute to the closure of these conceptual and empirical gaps in the following way: First, we will briefly conceptually resume why a firm's reputation has become, more than ever, both corporate asset and obstacle within the globalization dynamics. Second, and more in-depth, we will empirically examine whether and how 'ordinary critique' affects the firm's reputational performance. Methodologically, we estimate with truncated regression models the impact of 8,000 corporate critique observations collected over a five-year period (2006-2010) on the corporate *reputational* performance, proxied by the Fortune's annual ranking of the world's most admired corporations.

2. Theoretical background: Corporate reputation – asset & obstacle

According to Deephouse and Carter (2005), reputation has been in past definitions conceptualized as esteem, prestige or image (cf. also Fombrun & Shanley, 1996), standing or quality or favorableness (cf. Deephouse, 2000). In the strategy literature, reputation has been conceived as a corporate resource that "contributes, somehow, to competitive advantages in the marketplace" (Mahon, 2002: 416). Researchers of communication conceptualize reputation as decisive "in crisis management and in the development of a firm's image that marketing scholars want to push" (ibid).

Whether resource, prestige or quality, reputation is, in any case, "formed by the beliefs that people hold about an organization based upon their experience with it, their relationship to it, and their knowledge gained through word of mouth or mass media" (Sims, 2009: 454). Fombrun & Shanley resume (1990) that corporations strive for reputation like they strive for customers and market shares: Since the public is constructing reputation "from available information about firms' activities originating

from the firms themselves, from the media etc.” (1990, p.234), which becomes manifested with the time-being, corporations are highly interested in a good reputation.

Reputation is built upon “complex interrelationships and exchanges between and among stakeholders and the organization” over time (Mahon, 2002: 423), “based on “historical actions, and memories/perceptions of the stakeholders involved with the organization in a given situation over time” (ibid).

Thus, corporations desire to send out or reflect corporate activities, achievements and prospects that the publics accumulate hopefully into positive “collective judgments that crystallize into reputational orderings of firms in organizational fields” (ibid, cf. DiMaggio & Powell, 1983). The publics’ judgments decide whether they deem a firm either as a renowned or a scandalous organization: Various “corporate audiences routinely rely on the reputations of firms in making investment decisions, career decisions, and product choices” (Fombrun & Shanley, 1990: 233). A good corporate reputation certainly represents a vital corporate *asset*: It may attract better employees and investors, allow firms to charge higher prices, and signal higher product quality (ibid).

Since such “reputational orderings crystallize the statutes of firms within an industrial social system” (Fombrun & Shanley, 1990: 233, it is not surprising that academic attention toward corporate reputation “ignited in the last two decades” (Deephouse & Carter, 2005: 329): “The business and popular press, such as Fortune, The Financial Times, and US News & World Report fuelled this fire by publishing reputational rankings of businesses and universities” (ibid).

For the corporate world, reputation is highly relevant as well: 63% of a firm’s “market value is attributed to reputation” (Sims, 2009: 454). Among global corporate leaders, reputation is considered the main driver for corporate sustainability (United

Nations Global Compact Study, 2010) while reputation risks are considered as priority issues to be dealt with (Reputation Rx, 2008).

Why the high relevance in theory and practice? Reputation needs years to be thoroughly built but can be destroyed within one critical moment: Well managed, reputation may evolve into a firm's asset; badly managed, it is likely to become a major corporate *obstacle*: Pruzan (2001) resumes that corporate reputation is attributed more attention than ever since "broad groups of constituencies including customers, shareholders, employees, local communities, financial institutions, competitors, regulating bodies, and the media are increasingly interested in the way corporations behave – that is, appear to behave" (2001: 50-51):

"Throughout the world the media keep a wary eye on corporate behavior and zoom in sharply on suspected corporate misdeeds; the TV news' guillotine and the Internet are ever ready to defame business leaders that are accused of unethical behavior. They provide consumers with information which enables them to make purchasing choices that are based not only on traditional parameters such as price and functionality, but also on such matters as how and where the product/service is produced and what the reputation is of the firm producing it."

This civil society pressure is mainly exerted by Non-Governmental Organizations (NGOs) that heavily criticize corporations deviating from societal expectations, norms, or values. Corporate targets of NGO critique may suffer substantially in terms of reputational and financial performance due to the power NGOs have meanwhile developed (cf. Spar & La Mure, 2003). Lamin and Zaheer (2006) summarize the reputation-critique dilemma firms are increasingly facing in a globalizing world: "(they) have been under public scrutiny, and receiving negative media attention for their outsourcing activities for a number of years." In particular, transnationally operating

firms are exposed to permanent scrutiny and critique of economic, social and environmental nature raised along the firms' globally dispersed supply and production networks (cf. Henderson et al., 2002). These companies are vulnerable to NGO attacks "due to the complexity and multiplicity of environments they operate in, and the fact that they are large and visible targets for activists who wish to mobilize social action" (Lamin & Zaheer, 2006: 03; quoting Kostova & Zaheer, 1999).

Certainly, corporations are economically motivated to counter these critiques, since reputational risks may threaten the firms' survival (Meyer & Rowan, 1977; Hannan & Freeman, 1984). These corporate response strategies represent an interesting research topic on its own that goes, however, beyond the scope of our empirical investigation.

The fact that NGOs and the media express and spread their concerns is conceptualized in *stakeholder theory* after which "various stakeholders have legitimate claims on corporate governance" (King, 2008: 395; Donaldson & Preston, 1995, Freeman, 1984). The theory ascribes firm stakeholders the legitimate right to raise their voice, and indicates how firms depend on stakeholders to keep "these critical institutional resources" (King, 2008: 416, quoting Oliver, 1997).

NGOs and the media are of particular interest since they represent secondary stakeholders who "do not have a formal contractual bond with the firm (Eesley & Lenox, 2006: 765). Even though those stakeholders "vary in their power, urgency and legitimacy" (Mitchel et al., 1997: 15), they meanwhile efficiently exploit "advances in communication technology to access information" (Gardberg & Newburry, 2010: 02) about controversial corporate behavior as well as to increase awareness regarding corporate allegations (cf. Eesley & Lenox, 2006; Martin & Kracher, 2008; Doh & Guay, 2006; Keck & Sikkink, 1998).

Much of the work on firm-NGO interaction is further theoretically linked with the *social movement* literature to evaluate to what extent social movements affect corporations (see, e.g., Hoffman, 1999; Lounsbury et al., 2003). The most influential 'extra-institutional' movements to gain influence over corporations are *boycotts*: They represent *the* extra-institutional and "quintessential tactic of the anti-corporate, labor, and other social change movements" (King, 2008: 396; cf. Den Hond & De Bakker, 2007).

Boycotts are conceived as "social action where individuals withhold resources to punish a firm for actions or policies perceived as illegitimate or socially irresponsible and to influence corporate strategy" (Gardberg & Newbury, 2010: 05). These social movements involve secondary stakeholders who aim at influencing coercively "corporate behavior despite their inability to legitimately participate in organization change" (ibid; cf. King & Soule, 2007).

Boycotts usually seek to affect a firm negatively in its benefits or positively in its costs "through a refusal to do business with a firm or invest in its securities, respectively" (Gardberg & Newbury, 2010: 05, cf. also Frooman & Murrell, 2005; Davidson et al., 1995). To effectively hurt a corporation, boycott planners dispose over a manifold arsenal of 'weapons' such as "buying full-page ads in popular magazines and newspapers to more directly target the public; producing videotapes; recruiting large vendors, customers, or sympathetic celebrities; sending mass mailings and publishing newsletters (...) creating blogs and posting Facebook appeals" (Gardberg & Newbury, 2010: 06, cf. Eesley & Lenox, 2006; Martin & Kracher, 2008).

From the theoretical reflections above, we take away that reputation is both corporate asset and obstacle. It takes to be successfully built and is vital for the corporation's

persistence. Notwithstanding, a firm's reputation is also sensitive to stakeholder critique, so far theorized mainly in the boycott literature.

Review of selected empirical boycott studies

The so far conducted critique/boycott studies can be clustered into two research groups: A first group of studies concentrates to capture the direct effect of boycott *events* on financial performance; the second study group examines the likelihood for a firm to *respond* to a boycott in form of compliance.

a) Event studies

The selected studies that we discuss below summarize best the research methodology of event studies to capture whether a boycott event was successful, i.e. it led to negative cumulative abnormal returns (CAR) on the stock market.

King & Soule (2007) apply this event study research design (cf. Fama et al., 1969) in their analysis of 342 NGO/activist protest of US-corporations between 1962-1990, based on newspaper articles published in the New York Times. Capturing the effect of NGO protest on share price, their results indicate that protests generate negative CAR if the protests had been labor- or consumer-related and had risen media attention.

Hunter et al. (2008) study the impact of the Danone boycott call in France of 2001 on the firm's market value. From their event study they conclude that Danone's "refusal to engage in dialog with adversaries and stakeholders may negatively impact management's reputation, and with it market valuation" (2008: 335). They further report that "news media may be of less importance to the outcome of a crisis and to corporate reputation than stakeholder-controlled media" (ibid, e.g. Internet protest sides like Corporate Watch, Accountability or the like).

Koku and colleagues (1997) also follow the event study approach to analyze “the impact of actual boycotts and threats of boycott on the value of target firms” (1997: 15). Their results are, however, contradictory to those presented by King & Soule and Hunter et al. Nonetheless, Koku and his scholars report that the value of the boycott targets increased, “on average, by 0,76% on the day that news of the boycott became public” (1997: 15).

Chavis and Leslie (2008), finally, investigate the boycott call for French Wine in the U.S. due to the French opposition to the war in Iraq in early 2003 (with an estimated boycott period of two months). Based on their results from a difference-in-difference estimation they infer that at the boycott peak the “French wine sales would have been 27% higher if there had been no boycott” (2008: 22). They also report that the boycott duration was six months, and “French wine sales would have been 13% higher over these six months if there had been no boycott” (2008: 1). Regarding the impact of the media in boycotts, they conclude: “front page news coverage is not particularly important for promoting boycott participation” (2008: 22).

b) Response-likelihood studies

Studies that seek to examine corporate response to NGO attacks estimate the *probability* by which a firm is likely to acquiesce to the NGOs’ requests as dependent variable; said differently, these studies investigate “why some corporate targets are more willing than others to yield to the demands of boycotts” (King, 2008: 397).

King’s (2008) work mirrors this line of research: He examines the likelihood of US corporate concessions as response to 144 consumer- and labor related NGO boycotts reported in articles of five leading US newspapers between 1990-2005. The results of this Heckman probit model indicate that firms are more likely to concede to NGO

demands if the protest were media-effective. Firm size and corporate reputation seem to attract additional “unwanted attention from social movement activists” (p.409).

Eesley & Lenox (2006) “explore the conditions under which secondary stakeholder groups are likely to elicit positive firm responses” (p.765). During the 1971-2003 period, they built a dataset from LexisNexis newspaper articles covering approximately 600 NGO environmental attacks (again) against US-corporations. With this dataset they seek to measure the likelihood of firm compliance to an NGO request, within five years of initiation. They infer from the results that “stakeholder with greater power relative to the target firm in terms of resources and whose request is more legitimate in the eyes of the general public is more likely to elicit a positive response from a firm (p.777).

Three years later, the same scholars examine again the likelihood of corporate compliance up to five years after an NGO attack. They posit that firms condition their boycott compliance on “whether the benefit of avoiding the threatened harm exceeds the expected operational loss associated with complying with the request” (Lenox & Eesley, 2009: 48). In total, they study 552 environmental campaigns against 273 corporations from 1988 to 2003. They resume that the probability of firm compliance decreases with an increase in emissions of harmful substances. They further estimate the likelihood of a firm become a boycott target: Here, the results show that the likelihood of becoming a NGO target increases with an increase in firm emissions, firm assets, advertising intensity, and with an decrease in firm cash and cash flow.

Lastly, Lamin & Zaheer (2006) analyze in a slightly different research setting the firm responses toward NGO pressure: They screened 1,051 articles from 1990-2002 to finally identified 104 allegations against 21 individual corporations. Coding them accordingly, they test hypotheses on *legitimacy recovery* in the short and long run” (p.02). To estimate how corporations from the apparel industry seek to recover legitimacy in the

short and long run (once confronted with sweatshop allegations by corporate denial versus accommodation strategies), they distinguish *two phases*. They find that corporations with isolation (decoupling) responses were the less successful attempts to regain societal legitimation in the long run.

Concerning the impact of legitimacy on short term stock performance, they find that “the effect of firm response of performance is fully mediated by legitimacy” (2006: 36); in other words, the media (reflecting society) have a different perception than the investors (determined by stock market value). They reason: “while legitimacy with the public at large is negatively affected by firm responses in the short run, investors appear to respond more positively to firms’ responding to accusations” (2006: 40).

To resume the selected studies on boycott events and corporate response likelihood, both study groups reveal methodological strengths and weaknesses. Without doubt, the majority of the boycott studies do report significant boycott effects on financial performance and/or corporate compliance. Context-wise, the studies so far conducted generally comprise huge data sets of boycott events covering several years or even decades.

Regarding *limitations*, the boycott studies do not analyze whether the corporate attacks concern one specific firm or target numerous firms, operating in the same industry or country. It is not investigated either, whether the time window of a few weeks typically applied in event studies is long enough to capture lagged boycott effects. Geographically, the conducted studies concentrate on the US-market and are hence constrained to US firms, -NGOs and -media.

Finally, the answers to boycott effectiveness remain unsatisfactory since the study results remain inconclusive. Gardberg & Newburry resume this ‘contentious debate

about boycott effectiveness' as followed: "Firms tend to claim that boycotts have little or no effect on sales to avoid legitimating the tactic. Of course, activists claim success. Academic research finds mixed results..." (2010: 02).

3. Research question / hypothesis development

In view of these limitations, we do not seek to reproduce the conventional boycott studies. Certainly, the latter may capture "the demands of those stakeholders on whom their firms most depend" (Gardberg & Newburry: 2010: 01, cf. also Frooman, 1999; Mitchell et al., 1997; Pfeffer & Salancik, 1978).

However, "ironically, the stakeholders who may be the most negatively affected by corporate behavior are those with the least power – marginalized groups" (2010: 02). They may successfully articulate their interests only if their concerns find their way into hopefully widely salient media/press. The Public Eye Award of the Berne Declaration¹ or the Multinational Monitor Ranking² are examples of NGO initiatives that successfully question the firms' reputation.

Hence, we deem it crucial to take particularly into consideration the ordinary often silent albeit crucial critique of marginalized groups, which the reviewed studies do not cover. Therefore, we aim at answering the *research question* whether and how ordinary corporate critique affects the firm's reputation. The main hypothesis we raise is that

H1. Ordinary critique affects a firm's reputational performance.

To take into account different critique types as well as severity levels corporate critique can obtain, we further hypothesize that

¹ <http://www.publiceye.ch/en>

² <http://multinationalmonitor.org/editorsblog/index.php?/archives/105-The-10-Worst-Corporations-of-2008.html>

H2. The more severe the critique/allegation against a firm, the higher the impact on the firms' reputational performance.

H3. Environmental critique has a higher effect on reputational performance than social and legal allegations against corporations.

To account for firm size and firm visibility, we further aim at investigating, whether firm profitability and media attention intensify or absorb the critique impact on the firm's reputation. We hereby raise the hypothesis that

H4. Financially successful companies face lower reputational loss due to critical allegations than financially unsuccessful firms.

H5. Highly internationalized firms suffer more in their reputational performance due to critical allegations than less transnationally operating companies.

Finally, we seek to integrate the effects of globalization requirements such as NGO and/or cyber activism. To capture their potential impact on corporate allegations, we hypothesize that

H6. Critical allegations against firms that are raised online impact the firm's reputational performance more than critique expressed in offline media.

H7. Corporate critique raised by NGOs affects the firm's reputational performance more severely than critique reported indirectly through/by the media.

To test these hypotheses, we have to set up an appropriate research design:

4. Research design / Empirical investigation

a) Data sample & methodology

Methodologically, we aim at estimating the effect of ordinary critique on the *reputational performance* of companies. To *quantify* the concept of reputational performance we revert to the reputation performance, proxied by the annual Fortune Ranking of 'The

World's Most Admired Companies'. By measuring the critique impact on reputational instead of financial performance, we further circumvent the reoccurring claim that the Fortune ranking were suffering from a financial halo effect (cf. Brown & Perry, 2000).

Regarding the data on corporate *critique*, we built a second, independent database containing NGO and media critique that was collected for every corporation which was at least one time rated in the Fortune ranking over the observed five-year period (2006-2010). The critique database consists of environmental, social and legal critique that had been raised by over 1,000 leading and local newspapers, Internet blogs and NGO reports around the world. We merged the database of the Fortune Reputation Score with the corporations' critique data to construct a panel data containing more than 8,000 firm-critique observations for 442 firms over the period studied.

To capture the effect of different critique type and -severity, we regress the critique raised within one year (e.g. 2006) on the firm's Fortune reputation score of the following year (e.g. 2007). However, to test the raised hypotheses, simple linear OLS estimations would not be an accurate estimation method since the Fortune Ranking publishes only the 'most admired companies, i.e. those companies that are rated above the final 50% cut-off level. Since not every rated corporation remains above this upper-50% threshold over the observed five-year period, we need to account for this sample selection bias.

To deal with not-random data (cf. Hill et al. 1998: pp378-379; Pindyck & Rubinfeld, 1997: pp. 325-331), we revert to the maximum likelihood estimations (Tobit model) since the Fortune ranking does not indicate what scores cut-off-failing firms would have received if they had been rated above the 50% threshold, necessary to belong to the most admired corporations (indicated with an exact reputation score). Since the

observations of Fortune scores below the 50% threshold are not included in the analysis, we run truncated instead of censored Tobit models.

b) Measures

Dependent variable: Annual Fortune reputation score

The Hay Group surveys, on behalf of Fortune and the Money Magazine, since 1997 “top executives and directors from eligible companies, along with financial analysts, to identify the companies out of 55 industry groups that enjoy the strongest reputations within their industries and across industries” (Hay Group³).

To become eligible, corporations must surpass \$10 billion in revenue and rank among the largest firms within their industry peers (by revenue). The Fortune survey is sent out to roughly 15,000 corporate executives, outside board of directors, financial and industry analysts. For the preselected firms, a “maximum of 10 top executives and seven directors (outside board members) per company are selected as well as a pool of industry analysts”: Raters are asked to evaluate each corporate candidate on nine attributes⁴ “by assigning a score from zero ('Poor') to ten ('Excellent')”. The firm’s overall score is determined by the average of the individual attribute scores.

The Fortune’s participant list is compiled in July–September and the surveys are sent out in October/November. All surveys are due back to the Hay Group by mid-December at the latest. Fortune finally releases the latest rankings in their March edition that hits newsstands early March. Companies who rank in the top half of their industry are defined as most admired within their industry. These are the scores that are published every March and are used for our analysis (source Hay Group).

³ http://www.haygroup.com/ww/Best_Companies/Index.aspx?ID=1582

⁴ 1. Ability to attract and retain talented people, 2. Quality of management, 3. Social/Environmental responsibility, 4. Innovativeness, 5. Quality of products/services, 6. Wise use of corporate assets, 7. Financial soundness, 8. Long-term investment value, 9. Effectiveness in doing business globally.

At this point, we have to deal with a second shortcoming claim (apart the financial halo) of the Fortune survey, namely that “Fortune’s choice of executives, directors, and analysts represents a limited set of stakeholders” (Deephouse, 2000: 1094). This claim does not pose a problem for our research approach: In fact, we seek to *contrast* the evaluations of the firm made by the Fortune’s stakeholders/electors with those made by the NGO/media stakeholders in our critique database. We thereby support Deephouse’s claim that the media offer the public arenas to debate the “worthiness of a company” (1997: 69).

Independent & control variables

To estimate the effect of ordinary critique on the firm’s Fortune score, we revert to our separate critique database that contains different types and severities of corporate allegations in terms of environmental, legal and social issues in nine languages⁵. To quantify the collected critique, each critique was coded according to its critique type (environmental, social, legal) and critique novelty. We also coded whether the critique has been submitted directly by an NGO or by/via the media.

To *control* for firm- and industry specific effects, we included a series of control variables. We controlled for *firm size* by adding the firm’s cash flow to the estimation. Cash flows may also indicate how many ‘excess resources’ a company disposes to potentially “absorb any disruption costs” due to critique or boycotts (King, 2008: 407). Firm *assets and sales* were further included as (logarithmized) control variables for firm size. We also controlled for firm *profitability* to account for the bias that more profitable firms “may garner more positive media coverage” (Lamin & Zaheer, 2006: p.30).

⁵ English, Spanish, German, French, Mandarin, Japanese, Russian, Korean, and Portuguese.

Technically, we operationalized this by inserting into the equation the return on assets, calculated as the ratio of net income to total assets.

5. Results & discussion

The first regression estimates indicate that the hypotheses H1, H3 and H5 are supported while H2 and H4 are refuted. The hypotheses H6 and H7 remain insignificant yet. Detailed results will be presented at the conference.

6. Conclusion

In this working paper we aim at analyzing the influence of critical allegation on a firm's reputation. By assessing the critique-reputation relationship we seek to contribute twofold: First, we avoid reproducing the classical boycott studies that merely analyze rare and extraordinary events. Second, by capturing critique effects on a firm's reputational performance instead of the (classical) financial performance, we hope to receive more accurate insights about the so far unstudied critique-reputation relationship. Context-wise, we extended the research scope from an US-focus on a global level in terms of observed companies and critique. However, we are fully aware that not all corporate abusive behaviors find their way into our critique database. This summer will tell whether we can generate and present significant and robust results.

Bibliography

Bentzen, J., & Smith, V. (2002). French nuclear testings and consumption of French wine in Denmark. *International Journal of Wine Marketing*, 14(3), 20–36.

Bentzen, J., & Smith, V. (2007). The military action in Iraq 2003: Did U.S. consumer boycott of French wines have any economic effects? *Journal of Wine Economics*, 2(1), 75–83.

Chavis, L. & Leslie, P. 2008 (2009). Consumer boycotts: The impact of the Iraq war on French wine sales in the U.S. Working Paper (published in *Quantitative Marketing and Economics* 7(1): 37-67.

Davidson, W. N., Worrell, D. L., & El-Jelly, A. (1995). Influencing managers to change unpopular corporate behavior through boycotts and divestitures. *Business & Strategy*, 34, 171–196.

Deephouse, D.L. & Carter, S.M. 2005. An Examination of Differences Between Organizational Legitimacy and Organizational Reputation; *Journal of Management Studies*, Vol. 42 Issue 2, p329-360.

Deephouse, D.L. 2000. Media reputation as a strategic resource: An integration of mass communication and resource-based theories. *Journal of Management*, Vol. 26(6).

Deephouse, D.L. 1997. How Do Reputations Affect Corporate Performance?: The Effect of Financial and Media Reputations on Performance. *Corporate Reputation Review*, 1(1): 68-72.

Den Hond, F. & De Bakker, F. 2007. Ideologically Motivated Activism: How Activist Groups Influence Corporate Social Change Activities. *Academy of Management Review*, 32(3): 901-924.

DiMaggio, P.J. & Powell, W.W. 1983. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review* 48: 147–160.

Doh, J.P. & Guay, T.R. 2006. Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective. *Journal of Management Studies*, 43(1), 47-73.

Donaldson, T. & Preston, L.E. 1995. The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20: 65–91.

Eesley, C. & Lenox, M.J. 2006. Firm Response to Secondary Stakeholder Action. *Strategic Management Journal* 27, 765-781.

Fershtman, C., & Gandal, N. (1998). The effect of the Arab boycott on Israel: The automobile market. *RAND Journal of Economics*, 29(1), 193–214.

Fombrun, C. & Shanley, M. 1990. What's in a Name? Reputation Building and Corporate Strategy 33(2), 233-258.

Fombrun, C. & Shanley, M. 1996. Reputation: Realizing Value from the Corporate Image. Boston : Harvard Business School Press.

Fombrun, C. & van Riel, C.B. 2004. Fame & Fortune. How Successful Companies Build Winning Reputations. FT : Prentice-Hall. Document Type: book

Friedman, M. (1985). Consumer boycotts in the United States, 1970–1980: Contemporary events in historical perspective. *Journal of Consumer Affairs*, 19, 96–117.

Friedman, M. (1999). Consumer boycotts: Effecting change through the marketplace and the media. London: Routledge.

Frooman, J. 1999. Stakeholder influence strategies. *Academy of Management Review*, 24:

191–205.

Gardberg, N.A. & Newburry, W. 2010. Who Boycotts Whom? Marginalization, Company Knowledge, and Strategic Issues. *Business Society*, 20(10), 01-38.

Hannan, M.T. & J Freeman, J. 1984. Structural inertia and organizational change. *American sociological review*.

Hayagreeva, R. 1994. The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the American automobile industry, 1895-1912. *Strategic Management Journal* 15, summer issue.

Henderson, J., Dicken, P., Hess, M., Coe, N. & Wai-Chung Yeung, Henry. 2002. Global production networks and the analysis of economic development. *Review of International Political Economy*. 9(3), pp. 436-464.

Hill, R.C., Griffiths, W.E. & Judge, G.G. 1998. *Undergraduate Econometrics*. John Wiley & Sons, 2nd edition.

Hoffman, A. 1999. Institutional evolution and change: Environmentalism and the U.S. chemical industry. *Academy of Management Journal*, 42: 351–371.

John, A., & Klein, J. G. 2003. The boycott puzzle: Consumer motivations for purchase sacrifice. *Management Science* 49, 1196–1209.

Keck, M. & Sikkink, S. 1998. *Activist Beyond Borders*. Ithaca, NY: Cornell University Press: 217-228.

King, B.G. & Soule, S.A. 2007. Social Movements as Extra-institutional Entrepreneurs: The Effect of Protests on Stock Price Returns. *Administrative Science Quarterly* 52: 413-442.

- King, B.G. & Whetten, D.A. 2008. Rethinking the Relationship between Reputation and Legitimacy: A Social Actor Conceptualization. *Corporate Reputation Review* 11(3), pp. 192-207.
- King, B.G. 2008. A Political Mediation Model of Corporate Response to Social Movement Activism. *Administrative Science Quarterly* 53, 395-421.
- Koku, P. S., Akhigbe, A., & Springer, T. M. (1997). The financial impact of boycotts and threats of boycotts. *Journal of Business Research*, 40, 15–20.
- Kostova, T. & Zaheer, S. 1999. Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise. *Academy of Management Review*, 24(1): 64-81.
- Lamin, A. & Zaheer, S. 2006. Does Mud Stick? Legitimacy Recovery and Performance Effects of Firm Responses to Societal Attacks. Working Paper Carlson School of Management, University of Minnesota.
- Lenox, M.J. & Eesley, C. 2009. Private Environmental Activism and the Selection and Response of Firm Targets. *Journal of Economics & Management Strategy*, 18(1), 45-73.
- Illia, L. Passage to Cyberactivism: How dynamics of activism change. *Journal of Public Affairs*. 2003. Vol. 3(4), pp. 326-337.
- Lounsbury, M., Ventresca, M. & Hirsch, P.M. 2003. Social movements, field frames, and industry emergence: A cultural-political perspective on US recycling. *Socio-Economic Review*, 1: 71–104.
- Mahon, J.F. 2002. Corporate reputation: research agenda using strategy and stakeholder literature. *Business and Society*, 41(4).

- Martin, K. D. & Kracher, B. 2008. A conceptual framework for online business protest tactics and criteria for their effectiveness. *Business and Society*, 47: 291–311.
- Meyer, J. W. & Rowan, B. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83: 340–363.
- Pindyck, R.S. & Rubinfeld, D.L., 1997. *Econometric Models, Economic Forecast*. McGraw-Hill/Irwin, 4th Edition.
- Pruitt, S. W., & Friedman, M. (1986). Determining the effectiveness of consumer boycotts: A stock price analysis of their impact on corporate targets. *Journal of Consumer Policy*, 9, 375–387.
- Pruitt, S. W., Wei, K. C. J., & White, R. E. (1988). The impact of union-sponsored boycotts on the stock prices of target firms. *Journal of Labor Research*, 9, 285–289.
- Pruzan, P. 2001. Corporate Reputation: Image and Identity. *Corporate Reputation Review*, Vol. 4 Issue 1, p50-64,
- Rindova, V. P. & Petkova, A. P. 2007. When is a new thing a good thing? Technological change, product form design, and perceptions of value for product innovations; *Organization Science*, Vol. 18, p217-232,
- Rindova, V., Williamson, I. O., Petkova, A. P. & Sever, J. M. 2005. Being good or being known: An empirical examination of the dimensions, antecedents, and consequences of organizational reputation; *Academy of Management Journal*, Vol. 48, p1033-1050.
- Russo, P. A. 1994. Othello Goes to Washington: Cultural Politics and the Thomas/Hill Affair. *Journal of American Culture*, 17(4): 15-22.
- Sims, R. 2009. Toward a Better Understanding of Organizational Efforts to Rebuild Reputation Following an Ethical Scandal. *Journal of Business Ethics*, 90(4): 453-472.

Spar, D. L. & La Mure, L.T. (2003): The Power of Activism: Assessing the Impact of NGOs on Global Business. *California Management Review* 45, 78–101.

Tyran, J. R., & Engelmann, D. (2005). To buy or not to buy? An experimental study of consumer boycotts in retail markets. *Economica*, 72, 1–16.