UNIL | Université de Lausanne

FACULTÉ DES HAUTES ÉTUDES COMMERCIALES

DÉPARTEMENT DE STRATÉGIE

GLOBAL CHALLENGES FOR GLOBAL COMPANIES: A TRILOGY OF ESSAYS ON ANTI-FIRM ACTIVISM, REPUTATIONAL DAMAGE AND POLITICAL RESPONSIBILITY

THÈSE DE DOCTORAT

présentée à la

Faculté des Hautes Etudes Commerciales
de l'Université de Lausanne

pour l'obtention du grade de
Docteur en Sciences Economiques, mention « Management »

par

Dominik Maximilian BREITINGER

Directeur de thèse
Prof. Guido Palazzo

Jury

Prof. Yves Pigneur, Président
Prof. Jean-Philippe Bonardi, expert interne
Prof. Déborah Philippe, experte interne
Prof. Jean Boddewyn, expert externe

LAUSANNE
2011

UNIL | Université de Lausanne
HEC Lausanne
Le Doyen
Bâtiment Internef
CH-1015 Lausanne

IMPRIMATUR

Sans se prononcer sur les opinions de l'auteur, la Faculté des hautes études commerciales de l'Université de Lausanne autorise l'impression de la thèse de Monsieur Dominik BREITINGER, titulaire d'un Master in Economics and Business Administration de la WHU – Wissenschaftliche Hochschule für Unternehmensführung – de Coblence/Allemagne, en vue de l'obtention du grade de docteur en Sciences Economiques, mention « Management ».

La thèse est intitulée :

GLOBAL CHALLENGES FOR GLOBAL COMPANIES: A TRILOGY OF ESSAYS ON ANTI-FIRM ACTIVISM, REPUTATIONAL DAMAGE AND POLITICAL RESPONSIBILITY

Lausanne, le 20 septembre 2011

Le doyen

Daniel Oyon

Composition du jury

Directeur de thèse
Prof. Guido Palazzo
Université de Lausanne

Expert interne
Prof. Jean-Philippe Bonardi
Université de Lausanne

Experte interne
Prof. Déborah Philippe
Université de Lausanne

Expert externe
Prof. Jean Boddewyn
Baruch College, City University of New York

Université de Lausanne
Faculté des Hautes Etudes Commerciales

Doctorat en Sciences Economiques,
mention « Management »

Par la présente, je certifie avoir examiné la thèse de doctorat de

Dominik BREITINGER

Sa thèse remplit les exigences liées à un travail de doctorat.
Toutes les révisions que les membres du jury et le-la soussigné-e ont demandées durant le colloque de thèse ont été prises en considération et reçoivent ici mon approbation.

Signature : ______________________ Date : 17/9/2011

Prof. Guido PALAZZO
Directeur de thèse

Université de Lausanne
Faculté des Hautes Etudes Commerciales

Doctorat en Sciences Economiques,
mention « Management »

Par la présente, je certifie avoir examiné la thèse de doctorat de

Dominik BREITINGER

Sa thèse remplit les exigences liées à un travail de doctorat.
Toutes les révisions que les membres du jury et le-la soussigné-e ont demandées durant le colloque de thèse ont été prises en considération et reçoivent ici mon approbation.

Signature : ______________________ Date : 16/09/2011

Prof. Jean-Philippe BONARDI
Membre interne du jury

Université de Lausanne
Faculté des Hautes Etudes Commerciales

Doctorat en Sciences Economiques,
mention « Management »

Par la présente, je certifie avoir examiné la thèse de doctorat de

Dominik BREITINGER

Sa thèse remplit les exigences liées à un travail de doctorat.
Toutes les révisions que les membres du jury et le-la soussigné-e ont demandées durant le colloque de thèse ont été prises en considération et reçoivent ici mon approbation.

Signature : ______________________ Date : 19/09/2014

Prof. Déborah PHILIPPE
Membre interne du jury

Université de Lausanne
Faculté des Hautes Etudes Commerciales

Doctorat en Sciences Economiques,
mention « Management »

Par la présente, je certifie avoir examiné la thèse de doctorat de

Dominik BREITINGER

Sa thèse remplit les exigences liées à un travail de doctorat.
Toutes les révisions que les membres du jury et le-la soussigné-e ont demandées durant le colloque de thèse ont été prises en considération et reçoivent ici mon approbation.

Signature : Jean Boddewyn Date : 9/8/2011

Prof. Jean BODDEWYN
Membre externe du jury

Let us choose the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.

Kofi Annan, Secretary-General of the United Nations (1997–2006)

Acknowledgments

Once, a professor told me that a PhD would be the passport to intellectual autonomy. I will not arrogate myself that I have already received this passport, but at least many people helped me on the way toward such autonomy: It is without doubt that this work would have never been accomplished without the great support from those at work and at home. First, I am indebted to my two supervisors Professors Guido Palazzo and Jean-Philippe Bonardi. Throughout the entire PhD journey, they guided me with all their admirable knowledge and experience. I thank them cordially for all this great and unique intellectual and moral support and the trust they had in me from the very first days. Their office doors were always open, and they were always ready and willing to provide precise comments on my work with their impressive analytical sharpness and theoretical reasoning.

I am also endowed with gratitude for my external expert, Professor Jean Boddewyn from Baruch College, City University of New York. He was the living inspiration for my theory paper, for which he prepared the theoretical ground. In any exchange I had across the Atlantic, he provided me with valuable feedback to improve my work, never ending his comments but with encouraging words. I am also very indebted to Professor Déborah Philippe, my second internal expert. I thank her for the valuable comments which helped my articles gain in quality and preciseness. Besides, I was her teaching assistant for business ethics and strategy. She gave me a lot of freedom in teaching and showed a very high level of trust and confidence in me.

I also thank HEC Lausanne for the generous support of making my conference participations possible in various different geographical and cultural places. Further, I would like to thank my colleagues at HEC Lausanne for their enriching comments during the research seminars, and the very cooperative atmosphere. In addition, I gratefully acknowledge the support of the team at Reprisk AG in Zurich which provided me with one substantial part of my raw data.

Finally, of course, this work would have never been written without the moral support of my family. The supportive love of my parents and sister helped me through the difficult moments during the PhD, which every doctoral student experiences in some way.

CONTENTS

PROLOGUE

Setting the plot

This thesis is a trilogy of essays sequentially dealing with prevailing global challenges for global companies. Influential works from both theoretical fields, business strategy and ethics (see Baron, 2009; Scherer & Palazzo, 2007; Porter & Kramer, 2006), have been proposed to redefine the roles of corporations, which are being challenged amidst the dynamics of economic globalization: Since the fall of the Berlin Wall in 1989 and the creation of the World Trade Organization in 1995, the economic globalization process has taken off (Beck, 2000; Zürn, 2004). It has literally opened global opportunities for business firms that have become globally flexible and mobile (Winston, 2002). They locate parts of their value creation, i.e., sourcing, production, and sales markets in countries with firm-favorable (often insufficient) regulation (Shamir, 2004; Held & McGrew, 2002).

State regulation, however, has remained mainly national, at least with regard to the enforcement aspect of regulation (Della Porta & Tarrow, 2005). This asymmetry between transnationally operating corporations (TNCs) and nationally bounded governments is in as far problematic as the political (regulative) globalization is lagging the economic one.

As a reaction, *societal* opposition has emerged against such partially untamable economic hegemony. It peaked with violent protests against the WTO's trade round in Seattle (1999), and the G-8 meeting in Genoa (2001, see, e.g. Prakash, 2002). Nonetheless, such civil society[1] activism is no longer constrained to protesting against public institutions (de Bakker & den Hond, 2008). More and more, these social movements target firms directly. Some of these so-called contentions in *private politics* (Baron, 2003; Baron & Diermeier, 2007) between civil society and corporations (without any state interference) have reached global media attention, such as the campaigns against Nike's sweatshops in Southeast Asia, or more recently, against Nestlé's chocolate bar Kit Kat.

With these campaigns, civil society, in particular non-governmental organizations (NGOs), has demonstrated determined resistance to some firms' unleashed "race to

[1] According to Taylor (1995), civil society can be understood as "a web of autonomous associations independent of the state, which bind citizens together in matters of common concerns, and by their existence or actions could have an effect on [public or private] policy" (p. 204).

the bottom" (Ruggie, 2004: 502), in which companies are accused of exploiting regulatory deficits with regard to human rights or environmental protection. This happens especially in developing and underdeveloped countries, where companies then strive for maximization of profits at the cost of humanity and nature. Such corporate irresponsibility has led to scholars picturing corporations as the Leviathans of the 21st century (Chandler & Mazlish, 2005; Hobbes, 2008 [1651]).

Notwithstanding, this dissertation is not at all aimed at collaterally criticizing economic globalization, in which corporate unchained homines oeconomici (Gonin, 2007) unceasingly strive for the maximization of their individual economic rents (see, critically Habermas, 1989). Without doubt, generating profits is the *raison d'être* for business firms, and is claimed to have contributed, when aggregated to the collective level, to the wealth of broader society since Adam Smith (2007 [1776]). However, this welfare assumption preconditions homogenous national contexts with functioning state regulation and sanction mechanisms. Amidst the globalization dynamics, this precondition is becoming diluted with partial power shifts from nationally bounded state regulation to TNCs, and growing private contentions between TNCs and civil-society actors.

Aims and structure of the thesis

Certainly, abusing regulative deficits is a risky strategy for a firm as it might backfire sooner or later on the firm: As already indicated, civil society protest is addressed more and more directly against firms (contentions of private politics). NGOs understand how to use the technical achievements of globalization such as the Internet (e.g. Twitter, Youtube) to advance their causes. Globally, often virtually connected, they have found efficient means to scan for corporate malpractices around the world, rapidly turning them into salient issues of high media attention (Bonardi & Keim, 2005). Thus, NGOs have elaborated alternative albeit efficient sanction mechanisms into state ones, which are likely to be missing when (state) regulation is already insufficient or even missing.

The targeting and selection of 'disobedient' firms through NGOs and the media is the first phenomenon I aim to study. Without doubt, we do know the consequences for companies that have become NGO targets. They face negative headlines in the global media, and are confronted with unforgettable pictures of children sticking footballs, slave workers operating in goldmines, or oil companies leaving water and air in disastrous conditions once the drilling has ended. What we do *not* know are the underlying reasons that drive or motivate NGOs and media actors in their firm selection: What makes some corporations preferred NGO-targets? Is it particular firm characteristics or industry affiliations that attract such unwanted NGO/media attention? Or is it the socio-economic and institutional conditions of the country in which the firm is embedded? These are the questions I deal with in my first essay in which the empirical analysis reveals that firm characteristics are not the major factors attracting activists…

The second essay builds upon the first one and deals with the long-term implications resulting from such activist criticism. It is based on the idea that firms that are criticized (targeted) for controversial business practices jeopardize their societal approval – their legitimacy. The latter is nothing less than the license-to-operate, which is vital for the persistence of a firm. If the legitimacy is questioned, *reputational* damages are not far away either. If reputation damages occur, negative financial impacts are also highly likely to emerge (e.g., King & Soule, 2007).

Such protest-driven short-term financial impacts are relatively easy to capture. They can be traced in the profit and loss statement, or at least approximated as cumulative abnormal returns on the stock markets. However, non-financial images, in particular longer lasting reputational losses have not been examined in-depth so far. Hence, reputational damage due to civil-society critique/activism is the second relatively unstudied phenomenon on which I seek to shed light (conceptually and empirically) in this second article. Thereby, the results of the empirical analysis indicate that particular stakeholder groups and strategies drive such processes of reputational damages…

The last article of this sequential paper trilogy then deals with the revealing question of how these targeted firms that face reputational losses can handle these new threats related to the globalization process: It builds upon the observation that companies begin to realize that "walking the line" between exploiting regulatory gaps for the sake of short-term profits and long-lasting reputational and financial damages can become very risky due to raising civil-society scrutiny. Consequently, more and more companies are joining, for instance, the United Nations' Global Compact, the Fair Labor Association or other multi-stakeholder initiatives, thereby signaling (intrinsic or extrinsic) commitment to dealing with the challenges of globalization.

Thereby, firms begin to take corporate social responsibility (CSR), a term for a long time just fashionable rather than serious. Meanwhile, it is no longer a question of *whether* to engage in CSR, but of *how* (Smith, 2003). A minority of formerly denounced firms such as Nike or Chiquita is thereby going further, by engaging in health and education projects, and setting their own human rights and environmental standards, where nation-states are incapable of or unwilling to set such a regulatory frame for businesses, which is essential to ensure public (civil society) interests.

Such corporate *political* responsibility (CPR) (see Matten & Crane, 2005; Scherer & Palazzo, 2007) in which firms take on state-like roles is derived from political philosophy (Habermas, 1996; 2001). It entails promising ideas on how corporations can compensate for insufficient state regulation. However, CPR has not actually been embedded where it should really belong, namely, in the social and political, so-called non-market environments of firms (Mahon, 1989). This is the third research challenge and purpose, which I present and advance in this last (conceptual) essay…

After this prologue, a very short summary of each of the essays is presented in the following section.

Summary of paper trilogy:

Essay 1: Stakeholder activism against firms: What makes firms become targets of unwanted NGO/media attention?

Some firms seem particularly prone to attracting unwanted NGO/media attention while others do not. What is it that makes some corporations become preferred targets while other, comparable firms remain operating below these stakeholders' radar? Certainly, many empirical studies exist that study the consequences of firm targeting, particularly the financial impact of extreme targeting forms, so-called boycotts. However, only few works examine the targeting *causes*, and merely assess *corporate* characteristics such as size, performance, or visibility as drivers of stakeholder activism. Thereby, targeting wealthy and visible firms is often seen as an effective way for NGOs/media to push the causes these groups embrace.

In this work, I examine the causes of firms becoming activist targets from a broader perspective: First, I look not at boycotts as they represent extreme albeit rare events concerning a few firms; but instead, I consider the mundane criticism NGOs/media frequently engage in when they select firms. Second, I seek to explore industry and cross-country differences: The intuition there is that, beyond firm characteristics, I deem the socio-economic as well as institutional context in which firms are embedded to influence the amount and intensity of stakeholder activism (firm targeting).

To explore the targeting phenomenon in such twofold multi-dimensionality, I built a unique database of about 8,600 CSR-based criticisms against 450 of the world's most admired companies during 2006–2009. Interestingly, results indicate that firm and industry characteristics do not constitute the dominant targeting influence factors. In fact, it is the firm's embeddedness in outstanding *countries* – i.e. in both welfare economies and countries of regulatory deficits – that makes it the most likely target of unwanted NGO/media attention. I discuss these results in the light of various theories, including stakeholder and institutional theory.

Essay 2: Reputational Damage: What is it? What does it cause?

With these new insights regarding the various factors of different (corporate, industrial, and country) influence levels that attract NGO/media activism, the question that begs to be asked next is: if a company has become targeted, does it impact its image or reputation?

In general, the literature on corporate reputation is rich and manifold. To be precise, numerous concepts in empirical studies have been suggested that deal with the construction and benefits of reputation. I discuss two co-existing theoretical streams that, I find, explain the building of reputation. Either, it is the firm's own consistent behavior over time that creates reputation. This view is embedded in economic theory. Or, it is the firm's environment that observes and interprets the firm behavior and thereby creates a firm's reputation. This alternative view is grounded in the sociology literature.

However, contributions that analyze the *drivers* of corporate reputation loss are modest. Besides, the few studies hitherto conducted miss providing clear theoretical reasons why a reputation might be damaged. Hence, the purpose of this second essay is twofold: First, I elaborate a theoretical explanation that describes how corporate reputation can be damaged if a firm deviated from an institutionalized norm that becomes reported by stakeholders. Second, to capture any potentially resulting reputational effect due to such illegitimate corporate conduct empirically, I deduce testable hypotheses which I assess in a highly normative context, Corporate Social Responsibility (CSR).

Using the same firm sample and period of the targeting study, I analyze the reputational effects for firms exposed to 8,600 CSR-based critique observations that had been reported in one of over 1,000 reporting sources. The findings indicate that particular stakeholders – NGOs and influential media actors – cause significant reputational damages if they constitute credible reporters that uncover particularly novel breaches of norms.

Essay 3: Corporate Political Activities amidst Globalization Dynamics

From both preceding articles it can be inferred that, in view of growing CSR-related demands and critique, compliance with legislation and social norms (contracts) remains the best insurance for transnational corporations (TNCs) to avoid being targeted by NGOs/media and encounter reputational damages. However, such an apparently ordinary rule has become far more complex to respect since the economic globalization process has unfolded its dynamics: First, globally operating companies locate their sourcing and production networks in firm-favorable regulatory contexts, i.e. in countries with weak, insufficient, or even missing state governance. Second, the exploitation of such regulatory gaps has provoked civil-society opposition, often orchestrated by NGOs, which no longer refrain from shaming and blaming corporations through their campaigns. Instead, they increasingly request that firms *alleviate* these regulative failures they used to benefit from.

Surprisingly, the literature on corporate political activity and legitimation activity remains widely silent regarding such new political demands. Current views still assume a firm to be undertaking political and legitimation activities as 'usual': They can be summarized as corporate attempts to advance private interests vis-à-vis (powerful) state actors (CPA), and to legitimize business activities according to civil society (CLA).

I posit that these CPA/CLA conceptions reveal shortcomings as their underlying assumptions of strong state regulation and civil society malleability lose validity amidst these globalization dynamics. Hence, the purpose of this paper is to elaborate an advanced CPA/CLA concept. It is aimed at repairing instead of exploiting regulative failure. I will label this refined concept 'collaborative regulative failure alleviation'. It presumes corporations and civil society are providing regulation together – in deliberative alliances – where state regulation is insufficient, and hence unable to protect public interests.

REFERENCES

Baron, D.P. 2003. Private Politics. *Journal of Economics and Management Strategy*, 12: 31–66.

Baron, D.P. 2009. *Business and its environment*. Sixth (International) Edition. Upper Saddle River, NJ: Pearson Education.

Baron, D.P., & Diermeier, D. 2007. Strategic activism and nonmarket strategy. *Journal of Economics and Management Strategy*, 16: 599–634.

Beck, U. 2000. *What is globalization?* Cambridge, UK: Polity Press.

Bonardi, J.P., & Keim, G. 2005. Corporate political strategies for widely salient issues. *Academy of Management Review*, 30(3): 555-576.

Chandler, A.D. & Mazlish, B. 2005b. Leviathans. Multinational Corporations and the New Global History. Cambridge: Cambridge University Press.

De Bakker, F.G.A., & den Hond, F. 2008. Introducing the politics of stakeholder influence – a review essay. *Business & Society*, 47(1): 8-20.

Della Porta, D., & Tarrow, S. 2005. Transnational processes and social activism: An introduction. In D. Della Porta & S. Tarrow (Eds.). *Transnational Protest & Global Activism. People, Passions, and Power* (Chapter 1). Oxford, UK. Rowman & Littlefield.

Gonin, M., 2007. The social disembedding of business theory and practice. A neo-institutional analysis of the homo economicus and corporate social responsibility, and the inherent responsibility of business scholars. PhD thesis. Université de Lausanne, Faculté des hautes études commerciales.

Habermas, J. 1989. Structural Transformation of the Public Sphere. Cambridge, Mass: MIT Press.

Habermas, J. 1996. *Between facts and norms: Contributions to a discourse theory of law and democracy*. Cambridge, MA: MIT Press.

Habermas, J. 2001. *The postnational constellation*. Cambridge, MA: MIT Press.

Held, D., & McGrew, A.G. (Eds.) 2002. *Governing globalization: Power, authority and global governance*. Oxford, UK: Blackwell Publishers Ltd. Digital edition Google books.

Hobbes, T. 2008 [1651]. *Leviathan: Or the Matter, Form, and Power of a Common-Wealth Ecclesiastical and Civil*, Oxford, UK: Oxford University Press, digital edition forgottenbooks.org

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.

Mahon, J. F. 1989. Corporate political strategy. *Business in the Contemporary World*, 2: 50-62.

Matten, D., & Crane, A. 2005. Corporate citizenship: Towards an extended theoretical conceptualization. *Academy of Management Review*, 30(1): 166-179.

Porter, M., & Kramer, M.R. 2006. Strategy & society: the link between competitive advantage & corporate social responsibility. *Harvard Business Review*, 84(12): 78-

93.

Prakash, A. 2002. Beyond Seattle: globalization, the nonmarket environment and corporate strategy. *Review of International Political Economy*, 9(3): 01-25.

Ruggie, J.G. 2004. Reconstituting the global public domain – Issues, actors, and practices. *European Journal of International Relations*, 10(4): 499-531.

Scherer, A.G., & Palazzo, G. 2007. Toward a political conception of corporate responsibility. Business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4): 1096–1120.

Shamir, R. 2004. Between self-regulation and the Alien Tort Claims Act: on the contested concept of corporate social responsibility. *Law & Society Review*, 38, 635–64.

Smith. A. 2007 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations.* Metalibri digital edition.

Smith, N.C. 2003. Corporate social responsibility: not whether, but how? *Working Paper No. 03-701*, London Business School, April 2003.

Taylor, C. 1995. *Philosophical Arguments.* 2nd printing. Harvard, MI: Harvard University Press.

Winston, M. 2002. NGO strategies for promoting corporate social responsibility. *Ethics and International Affaires*, 16(2): 71-87.

Zürn, M. 2004. Global governance and legitimacy problems. *Global Governance and Opposition*, 39(2): 260-287.

PART I:
STAKEHOLDER ACTIVISM AGAINST FIRMS:
WHAT MAKES FIRM BECOME TARGETS OF UNWANTED NGO/MEDIA ATTENTION?

"Avoid popularity if you would have peace"
(Abraham Lincoln)

ABSTRACT

Some firms seem particularly prone to attracting external criticism while others do not. What is it that makes some corporations become targets of such unwanted NGO/media attention while other, comparable firms remain operating below these stakeholders' radar? Certainly, many empirical studies examine the consequences of firm targeting, studying the financial impact of firm boycotts. However, few works investigate the targeting causes, and merely highlight firm characteristics such as size, performance, or visibility as drivers of stakeholder activism. Targeting rich and visible firms is therefore often seen as an effective way for NGOs/media to push the causes these groups embrace.

This paper has two objectives. First, it provides a broader empirical investigation of the phenomenon described above by looking not only at boycotts but also at the more mundane criticism NGOs/media frequently engage in when they target certain firms. Second, I seek to explore cross-country differences: The intuition there is that, beyond firm and industry characteristics, the country in which firms are embedded also influences external critique exposure.

To explore the targeting causes in such multi-dimensionality, I built a unique database of about 8,600 CSR-based criticism, against 450 world's most admired companies during 2006-2009. Results indicate that country variables, i.e. socio-economic as well as institutional factors (such as environmental attitude or corruption levels) constitute much more significant targeting threats than corporate characteristics. I discuss these results in the light of various theories, including stakeholder and institutional theory.

INTRODUCTION

Why is it that Monsanto, the world's largest producer of genetically modified (GM) crops, is prospering in the US without encountering societal resistance, but does not manage to sell its GM-products on the European markets? Over years, activists across France, Germany or Austria mobilized and campaigned against the 'green monster' (McWilliams, 2009) coming from the other side of the Atlantic with 'Frankenfood' (ibid). In the end, NGOs[2] successfully lobbied the national Governments to ban GM-crops in France and Germany, and Monsanto had no other possibility then to turn back to the US- and UK-markets where activism was less intense.

Certainly, these activists had legitimate reasons to question the state-of-the-art albeit relatively new and hence unstudied GM-engineered crops. However, it remains surprising that, in the Anglo-Saxon world, especially in North America and the UK, Monsanto has not been exposed to such intense NGO or media campaigns. Are these countries simply higher risk-takers? Do NGOs/media[3] then select their campaigns against firms particularly in countries that are more 'sensible' or prone to their causes? At least in France and Germany, the campaigns against the 'green monster' provided evidence for this claim.

From the targeting literature, it is known that activists (to which I subsume NGOs and the media) somehow 'select' their firm targets. From the few studies that have hitherto analyzed the phenomenon, we can infer that specific *firm* characteristics attract such unwanted NGO/media attention (Lenox & Eesley, 2009; King & Soule, 2007; King, 2008): Companies that are large, visible, and financially successful seem to be preferred NGO/media targets. Some studies further mention the affiliation to certain *industries* as an influence factor of stakeholder activism (see Lenox & Eesley, 2009).

However, these findings do not explain why Monsanto has been primarily targeted in Continental Europe, and not in the United States or Great Britain. Hence, somehow, country characteristics might also play a role in whether activists target firms. The literature, however, does not consider factors beyond the firm or industry level that

[2] Non-Governmental Organizations (NGOs) are construed as "private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights" (Teegen et al., 2004: 466).

[3] If not outlined separately, the combined term "NGO/media" describes the two secondary stakeholder groups or – in short – 'activists', who are ascribed leading roles in selecting and targeting firms (see Mitchell et al., 1997; Eesley & Lenox, 2006).

might influence the activists' willingness and capacities to mobilize against firms. Thus, the purpose of this paper is to study targeting causes from a broader perspective.

By including country aspects in the analysis, I aim at examining whether country-specificities such as environmental attitude (consciousness), economic welfare and also institutional factors such as education level, political stability or rule of law encourage or discourage NGO/media in their firm targeting, besides firm characteristics. Further, I broaden the activism *context* as well. In contrast to the hitherto conducted studies on targeting strategies that focus on *extreme* forms of activism, so-called boycotts in a *single* institutional/country setting, I seek to make the study multi-dimensional in both aspects:

I built a global dataset of CSR-related criticism that includes not only firm boycotts but also far more frequent mundane criticism reported on 451 multinational and highly admired companies between 2006 and 2009. These companies are incorporated in 26 countries and operate, according to the criticism reported, in 114 countries. This institutional context comprises highly industrialized states, emerging economies, as well as underdeveloped countries, and consist of democratic governance forms, authoritarian or corrupt regimes, or states without functioning government (failed states).

The results of this cross-country study on general firm-criticism/targeting support, at first, prior studies that claimed corporate and industrial characteristics behind stakeholder activism: Companies that operate in particular close-to-consumer (food/beverage; personal goods/textile) and per se controversially perceived industries (e.g. tobacco; mining) are more likely to become selected.

Moreover, new evidence is provided for my claimed influence of country factors: Throughout different estimation models, it seems that companies that are *incorporated* in countries of high educational level, environmental attitude, living quality, and low unemployment rates are preferred targets of NGO/media activism. Likewise, companies that *operate* in (host) countries with lower education levels, and living quality incentify NGOs/media mobilizing against these firms.

I compare these findings of general targeting with those of the boycott studies, and discuss the results in the light of various theories, including stakeholder-, institutional, and resource dependence theory.

Before developing and testing the hypotheses about targeting influence factors (drivers) on corporate, industry, and country levels, I review at first the literature on stakeholder activism to determine what has been studied, and what has remained neglected.

LITERATURE REVIEW ON STAKEHOLDER ACTIVISM

The *origins* of public activism can be, historically seen, embedded in *social movement theory*. This theory conceives any form of public movement as a protest organized by "groups who have unequal access to power or who oppose the status quo" (King & Pearce, 2010: 251, quoting McAdam et al., 1996: 21). Thereby, social movement theory explained contentions in public politics, i.e. protests of civil society groups directed against the state, such as civil rights, anti-war, or anti-nuclear energy movements (e.g., Della Porta & Tarrow, 2005; Keck & Sikkink, 1998).

With the economic *globalization* process, social movements have made their way into private politics (King & Pearce, 2010; Beck, 2000). This shift is explained by *economic theories* on private or nonmarket politics (Baron, 2003). It describes how *public* politics strategies of activists, i.e. public protest against state regulators or legislators, *have* increasingly lost *attractiveness*: "[M]any activists have concluded that public politics is too easily blocked" (Baron & Diermeier, 2007: 600), and that lobbying governments "takes forever and can easily be counter-lobbied by corporations" (ibid, p.600, quoting Greenpeace's former head Paul Gilding). Instead, activists have begun to engage in contentions in *private politics*, and *directly* "target private [corporate] agents, often accompanied by high media attention. With this shift in contentions from public to private politics, *stakeholder activism* targeting private actors (firms) has been proliferating.

Such direct influence seeking of stakeholders on corporations also enjoys high academic attention (Den Hond & de Bakker, 2007; Mitchell et al., 1997). Original initiators of anti-firm protests comprised *primary* stakeholders, i.e. employees, customers, and investors, expressing diverging or opposing interests in disruptive corporate (economic) actions (corporate restructuring/delocalization, dividend policy, product quality). Meanwhile, because more and more disruptions (private politics contentions) concern social and environmental issues (Lyon & Maxwell, 2008; Alvesson, 1990) it is increasingly the media and NGO as *secondary* stakeholders or broader society's advocates that advance these causes (Mitchell et al., 1997; The Economist, 2008).

Thereby, calling for more (authentic) corporate social (including environmental) responsibility (CSR) and questioning the legitimacy of firms in case of irresponsible behavior are the major missions of *NGOs* (Bunn, 2003-2004; Yaziji & Doh, 2009). They have meanwhile evolved into well-organized civil society groups that diligently scrutinize firms' business practices. To make uncovered social/environmental issues salient, NGOs dispose of an arsenal of weapons to target or hit firms, ranging from symbolic duels to public, sometimes violent, campaigns (Teegen et al., 2004). NGOs thereby employ "radio, television and newspaper ads to condemn practices of particular firms, organize boycotts, sit-ins, customer confrontations; and employ face-to-face challenges in the form of blockades, protests, banner-hangs, and so on" (Sasser et al., 2006: 06).

Then, with the help of the *media*, CSR-issues are (loudly) transmitted to the otherwise uninformed public (Bonardi et al., 2006: 1212; Bonardi & Keim, 2005; Doh & Guay, 2006; Keck & Sikkink, 1998). While NGOs are construed as movement incubators, the media are perceived as its accelerators: Conceived as the "link between public events and the public sphere" (Oliver & Myers, 1999: 38), media transmit "movement frames and messages to the larger public and frame contentious issues as problematic for broader society" (King & Pearce, 2010: 255).

Together, NGOs and the media have professionalized using – in social movement terminology – 'window of opportunity', i.e. in a "socio-political favorable climate (that is) particularly characterized by major disruptions in the [public or private] political status quo, and (…) that is loosing legitimacy and is vulnerable to new demands for rights [or changes] from the aggrieved population" (Davis & Thompson, 1994: 152).

Hence, if we know that stakeholders increasingly search direct (private) contentions with firms, the question that begs to be asked next is: what are the *causes* of such CSR-related activism/targeting? And what are the (activism) *consequences* for the firm? Studies are numerous that search empirical answers to the *second* questions. I review briefly these targeting *consequences* first – also, because I will focus the primary attention afterwards on the *causes* of firm targeting.

Consequences of stakeholder activism

Among the activism-impact studies, the majority examines the most extreme activism or protest form, so-called *boycotts*.[4] As most common boycott calls are actually 'buycotts' (Friedman, 1996), the latter emphasize more accurately the underlying *financial* threat for the targeted corporations. Ostracizing firms' products or shares are classical 'buycotts' of consumers or investors, withdrawing "resources to punish a firm for actions or policies perceived as illegitimate or socially irresponsible" (Gardberg & Newburry, 2010: 05; see also Davis & Thompson, 1994; Teegen et al., 2004).

If successful, boycotts are highly likely to raise *public attention* (King, 2008; John & Klein, 2003). The *financial consequences* of such highly mediatized NGO-boycotts have been empirically assessed since Friedman and colleagues (1985; Pruitt & Friedman, 1986) initiated the boycott research. Since then, numerous studies have been suggested that seek to capture the impact of consumer boycotts on the firm's share price (Koku et al., 1997; King & Soule, 2007; Hunter et al., 2008), or sales (Bentzen & Smith, 2002, 2007; Chavis & Leslie, 2009).

Overall, the estimation results remain relatively *inconclusive*: While some scholars report significant share price or sales drops following the boycotts (Davidson et al., 1995; Bentzen & Smith, 2002; 2007; King & Soule, 2007), others present opposite findings, indicating significant share price or sales increases for the boycotted firms (Koku et al., 1997; Teoh et al., 1999). Others again find mixed evidence (Epstein & Schnietz, 2002). The results of these (boycott)-impact studies are summarized in table 5 (p.42/43).

In addition to the quantitative inconclusiveness, boycott studies also reveal methodological and conceptual *constraints*: From a *methodological* point of view, estimating the financial impact in event-studies with Cumulative Abnormal Returns (CAR) captures best stock market or sales reactions over a limited period of time. However, the longer the estimated event window is defined, the less accurate the

[4] The term boycott entered the English language during the Irish 'Land War' and is derived from an influential land agent, named Captain Charles Boycott. He was confronted with social ostracism, organized by Irish peasants in 1880. Even if the word 'ostracism' was the closest word that could describe the protest action taken by the peasants against their landlords to demand rent reductions in view of poor harvests, the meaning of the word was not familiar to the farmers. Hence, two of the leaders of the movement created a new phrase. Instead of ostracizing Mr. Boycott "they felt it was much more fitting to say to boycott him" (Friese, 2000: 493; Friedman, 1999; Marlow, 1973).

predictions of the CAR become (see Fama et al., 1969). If event windows remain shortened, it is impossible to "see when and if the stock price recovers" (Gardberg & Newburry, 2010: 7; see McWilliams & Siegel, 1997, for a critique of event studies). Hence, purely boycott-driven financial effects become diluted with time.

Further, from a conceptual perspective, most boycott studies do not differentiate between a boycott threat and an actual executed boycott (see John & Klein, 2003). However, as organizing boycotts is very costly and requires resources to conduct the campaign, most boycotts are actually boycott *threats* (see Lyon & Maxwell, 2008, p.250). Moreover, real boycotts remain rare events that affect only very few corporations. In fact, most anti-firm movements happen through lower-scale albeit much more frequent *mundane* NGO/media criticism, which I will integrate into my analysis later on.

Causes of stakeholder activism (Targeting studies)

Second, a more recent stream of research has turned away from studying the *consequences* to rather examining the *causes* of private activism[5] against firms. These scholars aim, like me, at investigating the *drivers* behind the activist's firm selection/targeting.

Rehbein and colleagues (2004) analyze 1,944 labor- and environmental-related shareholder resolutions against (roughly 600) US firms during 1991 and 1998. They provide evidence that companies with inferior social performance significantly receive more shareholder resolutions. Likewise, companies that "have produced products that have negative contingencies are preferred stakeholder targets" (2004: 261). The study of Lenox and Eesley (2009) examined the selection (targeting) and responses strategies of 552 environmental campaigns organized against 273 US firms between 1988 and 2003: They find, similar to the results of Rehbein et al., that smaller, less visible firms are less likely to be targeted. Further, they suggest that, once targeted, firm "size and visibility decrease the frequency of being targeted" (p.67).

A further study, conducted in *experimental* form by Hendry (2006), examines the behavior of five leading NGOs interviewed in thirty-three telephone conversations. The results of this methodologically atypical study indicate similar findings that

[5] Private activism, stakeholder activism, and NGO/media activism are considered synonymous and are used interchangeably.

visible firms with known brands, operating in close-to-consumers or controversial industries mobilize stakeholder activism. King and Soule (2007) studied between 1962 and 1990 the effect of 342 reported protests against US firms on the stock price return of these firms. Notwithstanding, they also run robustness checks to examine the targeting likelihood of past protests and industry affiliation. However, they do not find supporting evidence for these claims.

A year later, King (2008) studied boycott-driven concessions (positive responses) of 144 US firms that had become boycott targets between 1990 and 2005. Again, he presents results from control models that indicate that companies are more likely to be targeted if they are large (i.e. asset-wise), and enjoy good reputations. Hence, similar to Rehbein et al., as well as Lenox and Eesley, King concludes that corporate reputation and size "appear to be powerful magnets [or corporate drivers] for attracting unwanted attention from social movement activists" (p.409).

Minor (2010) studies whether CSR can serve as such reputation insurance that "better withstands the tumult of negative business shocks" (p.01). In a study of product recalls concerning the 500 largest US firms over 1991-2006, he reasons that it pays for companies to be responsible ex ante. This behavior is estimated to save over $600 million of cumulative negative returns should the firm be exposed to stakeholder protest. Also Luo and colleagues (2010) examine whether corporate socially/environmentally responsible behavior buffers stakeholder activism. Studying oil spills of any dimension in the US between 2001 and 2007 they find (in contrast to Minor) that the media are more likely to cover oil spills at firms with extraordinary environmental performance in both directions. Oil firms occur greater risks of having their spills reported if they are perceived either as environmentally responsible pioneers or as sinners.

Gardberg and Newburry (2010) analyze, in a study with 25,000 individual evaluations of 59 boycotted US firms, the role of the individual as targeting subject. In their boycott-concept, firm visibility is construed as the central factor for being targeted. According to the survey results, the responding individuals are less likely to boycott companies "about which they are knowledgeable" (p.01) regarding environmental issues. Moreover, the findings suggest that particularly more *educated* individuals are likely to boycott the firms. Apart from this institutional factor education, Gardberg and Newburry do not evaluate any other institutional factor as potential boycott magnet. Table 6 on p.44/45 summarizes the handful of targeting studies that have been so far proposed.

What can be inferred from the literature review? First, the literature concentrates on studying activism *consequences*. Second, the few studies that investigate activism *causes/drivers* examine the targeting motives from *mono-dimensional* perspectives. Either, the activism *context/content* is one-dimensional: Rehbein and colleagues (2004) look at *shareholder resolutions* addressed to US firms. King (2008) analyzes anti-firm *boycotts,* which constitute (as already noted) a very extreme form of anti-firm protest, fundamentally disrupting "the exchange relationship between the firm and its customers" (Ettenson & Klein, 2005: 201). Or, the targeting context is *geographically* constrained: In fact, all here presented studies on targeting strategies focus on the US context in terms of targeting objects (US firms) and subjects (US newspapers/US activists).

Third, the emphasis on *corporate characteristics* as influence factors (drivers) of stakeholder activism can be stated. Certainly, *some studies do also consider industry particularities* as drivers of stakeholder activism. However, influence factors *beyond* firm and industry level – that is on the *country level* are entirely blinded out.

Hence, altogether, the one-dimensionality of the reviewed targeting study crystallizes as the main weakness or research gap that I aim to contribute towards closing. To do so, I will broaden the research context to elaborate and test hypotheses in a multi-dimensional setting.

CONTEXT AND HYPOTHESES

To build a multi-dimensional study, I first suggest broadening the activism *content*: By including stakeholder activism of far lower escalation levels, so-called *mundane* criticism, I account for the fact that only very *few* protests are actually highly mediatized boycotts or campaigns (as the prior targeting studies presumed). In fact, activists are likely to constrain, in most cases, a firm's operations with continuously articulated albeit mundane critique. While boycott organizers seek directly corporate concession or industry change by withholding firm-essential resources (see Pfeffer & Salancik, 1978), mundane criticism rather discreetly constrains a firm in its action as the activists keep pushing their agendas. Certainly, if successfully articulated, mundane criticism can escalate over time into larger, organized campaigns or boycotts (e.g., Den Hond & de Bakker, 2007; Baron & Diermeier, 2007).

Second, as I seek to analyze cross-country differences, I also broaden the context geographically. I leave the hitherto prevailing focus on the US context, and include targeting objects (firms) and subjects (media/NGOs) from various countries. Third, and most importantly, I consider causes of stakeholder activism to be located on three different influence levels: I suggest not only considering corporate and industrial factors as potential influence attractors or magnets for activist action. Instead, I will also investigate to what extent socio-economic and *institutional (governance) factors* at the country level determine the frequency and intensity of the activism that firms are encountering because they are embedded in these countries (see North, 1990; 1994). I consider such corporate embeddedness from two perspectives: I will assess whether companies are targeted because they are (historically or legally) *incorporated* in a certain country (home-country perspective); or activists approach them because they *operate* in a particular country. Such home-host country differentiation has already been applied in studies that examined the effect of foreign direct investments on the firm's home/host country (see, e.g., Lipsey, 2004). However, an assessment of these two dimensions in studying activism/targeting strategies of activists has not been conducted yet.

With this enlarged activism context, I can develop the following hypotheses that test the targeting causes from a multi-dimensional perspective. To capture the targeting effects of corporate, industry, and country factors separately, the following hypotheses are set up according to these three influence levels.

1. Corporate characteristics

First, regarding the influence of *corporate characteristics* as factors attracting unwanted NGO/media attention, the targeting literature has proposed numerous variables to be tested. As inferred from the literature review, the emphasis is thereby placed on firm size, visibility, and financial and/or social performance: Lenox & Eesley (2009) have argued that activists selectively target *resource-poor* firms (low cash flows), as "cost to an activist to deliver a certain level of harm to a firm is greater, the greater the firm's financial capital (p.50). Thus, activists expect higher chances from targeting firms with lower cash flows. Firms with higher cash flows at their disposal might enable greater corporate opposition as they "are able to support dedicated legal and public relation staff" (ibid).

Nonetheless, opposite views claim that financially successful firms – i.e. wealthy in terms of assets or sales – indeed provoke NGO/media attention because they have sufficient resources at their disposal to satisfy the activist's demands (see Yaziji, 2004-5). Hence, a wealthy firm can more easily implement the requested changes, under the assumption that it does not employ its resources to 'buffer' the activism raised against it. Whether resource-rich or -poor corporations attract NGO/media attention, I leave the assessment to the statistical analysis and set up the first hypothesis as follows:

H1: The wealthier the firm, the higher the likelihood of becoming a target of stakeholder activism

Further, it has been posited in the targeting literature that firm "*size* alone may be a reason why activists target companies" (Rehbein et al., 2004: 250, see also Drope, 2006; Graves et al., 2001). This is based on the general observation that firm size is usually highly correlated with firm visibility, which in turn creates higher *media attention* for the stakeholder's campaign (Meznar & Nigh, 1995). Also, targeting scholars claim that "[L]arge, visible firms are attractive targets as campaigns against them are more likely to garner attention from the media and the general public" (Lenox & Eesley, 2009: 50).

In a similar vein, Baron and Diermeier (2007) posited that companies with "primary and prominent brand(s)" (p.612) are more likely to be selected as activists expect to derive publicity for themselves. Hence, well-known firms might be preferred targets as contentions with these firms are more 'visible' and make the activists themselves better known. The "better known a company is, the juicier the target it makes" (Yaziji, 2004: 111; see also Hendry, 2006; Diermeier & van Mieghem, 2005). Also contributions to social movement theory associate such "potential threats of negative publicity" (Den Hond & de Bakker, 2007: 911) with highly exposed, well-known companies and/or brands. Following these theoretical claims and reasoning, I therefore hypothesize that:

H2: The less visible the firm, the less likely it is to be targeted

Finally, the CSR- (i.e. the social or environmental) performance has also been discussed as potential firm factor that attracts or buffers NGO/media attention. Rehbein and colleagues (2004), as well as Lenox and Eesley (2009) have argued that companies that underperform in CSR provoke unwanted activist attention. Conversely, companies showing high commitment to CSR, so-called "stellar type" firms (Minor, 2010, e.g. through membership in self-regulation initiatives or multi-stakeholder fora) are believed to 'buffer', i.e. decrease the targeting likelihood (see also Baron & Diermeier, 2007; Maxwell et al., 2000).

Notwithstanding, other scholars argue that *socially responsible* firms do receive more activist attention particularly because of their "emphasis on social responsibility" (Argenti, 2004: 111). Since firms are "thought to be sympathetic" (Baron & Diermeier, 2007: 612), i.e. more receptive to social and environmental concerns, such "truly socially responsible companies" (Argenti, 2004: 111) are more likely to become targeted. In this vein, it has been further argued that good 'corporate students' are evaluated more strictly so they keep up their good performance. Luo and colleagues (2010) suggest that the media are more likely to report on corporate 'environmental sins' if target firms indicate better environmental records, and provide higher degrees of CSR transparency (disclosure of environmental performance data). Again, I leave the evaluation (i.e. the sign of the influence) to the statistical analysis, and set up the hypothesis as follows:

H3: Companies that are perceived as more socially/environmentally responsible are less likely to be targeted

2. Industry influence

Some works on stakeholder activism do, apart from corporate factors, also consider *industry specificities* as potential causes of NGO/media activism. Yaziji (2004), for instance, posits that companies are particularly exposed to external critique if they sell unhealthy products (tobacco, alcoholic beverages), offer dangerous services (gambling, pornography), or even produce dangerous goods (weapons, nuclear energy). Studies on corporate reputation emphasize the inherent dangers to which a high-reputation firm is exposed if it operates in a per se relatively controversially perceived industry (see Barnett & Hoffman, 2008).

As indicated, Rehbein and colleagues (2004) provide evidence for such industry-affiliation claims: They find that operating in industries that are likely to "produce negative contingencies" (p.249) does provoke NGO/media attention. King and Soule (2007) as well as King (2008) provide further empirical evidence that supports this believed causality between industrial controversy and stakeholder activism.
Thus, in line with prior works, I set up the first hypothesis on the industry level as follows:

H4: Companies that operate in controversially perceived industries are more likely to be targeted than comparable firms from less controversial industries

Further, it has been claimed that "high customer exposure" (Weber & Marley, 2009: 09), i.e. operating close to final consumers may increase the targeting likelihood. Baron and Diermeier (2007) reason that it "may be relatively low cost for an activist" (p.614) to damage the reputation of a "consumer product company (…) whereas harming an industrial products company may be quite costly" (ibid).
This argument is not only explained by higher customer *visibility*. In fact, it has also been associated with the existence of *substitute products*: For example, the boycott against Shell's oilrig Brent Spar in 1995 was highly successful for Greenpeace, because final consumers, who followed the NGO's boycott call, incurred comparatively low switching costs by 'easily' getting fuel elsewhere (see Diermeier & van Mieghem, 2005). Resource-dependence theory explains such stakeholder movements, according to which consumers can successfully withhold resources from a firm if they possess power (e.g. knowledge) about this company (Pfeffer & Salancik, 1978). This is the case for corporations whose products are familiar, hence close to the final consumer. Thus, in line with this reasoning, I hypothesize that:

H5: Companies that are operating in 'close-to-consumer' industries are more likely to be targeted

3. Country influence

Firm targeting that is motivated beyond corporate and industry characteristics is actually assumed (albeit often implicitly) in the activism literature: Doh and Guay, for instance, claimed that activists search particular "access points" (2006: 52) on the country level due to *national particularities*. Also Diermeier and van Mieghem (2005), with regard to the Brent Spar case, illustrated how Greenpeace chose not to target Shell Plc. in England, which designed the firm's plan to sink the oilrig in the North Sea. Instead, the NGO concentrated its activism on Shell's German subsidiary, because Germany was deemed as being more receptive and sensible to *environmental* concerns.

However, even though such so-called *country* specificities might somehow influence stakeholders in their firm targeting, there has been no empirical investigation conducted yet that examines such country-driven activism. Hence, to fully understand how NGOs/media actually select their firm targets, I deem – apart from capturing corporate and industry motivations – assessing the influence of *country* determinants a promising research extension (see also Meek et al., 1995).

But, first, what is actually meant by such country influence? In general, it comprises the socio-economic and political conditions of a country that thereby impact markets and firms operating therein (see Polanyi, 2008; Matten & Moon, 2008).

First, among *socio-economic* conditions that shape corporate behavior, common indicators comprise a country's education level, its employment rate, or its economic productivity (see Beck & Levine, 2005; La Porta et al., 1998, 2000). Studies on corporate foreign direct *investments* (see, e.g. Schneider & Frey, 1985; Root & Ahmed, 1978) examined such claimed *socio-economic* impact on firms *empirically*: Thereby, countries of high economic growth and educational levels positively impacted the investment decisions of corporations. Further albeit without empirical analysis, Matten and Moon (2008) claimed that the varying corporate attitudes towards CSR (Corporate Social Responsibility) depended on the value and norm conceptions of a country's society.

So, in the same way in which *corporate* decisions about foreign investments or CSR-approaches are driven by socio-economic (country) factors, I argue that *activists* place their decisions on firm targeting as well on socio-economic conditions. I will analyze such claimed socio-economic influences from the home/host-country perspective as described before: On the one side, I assess to what extent corporations attract NGO/media attention because they are *incorporated* in a certain country (historical/legal home); on the other side, I examine whether *operating* in specific countries influences the targeting likelihood (host-country perspective).

To capture the potential activism-impact of *socio-economic* factors in this twofold perspective, I set up the first hypothesis on the country level as follows:

H6: The better (worse) the socio-economic situation of a country, the higher the likelihood for firms incorporated (operating) in it to become severely targeted

Second, to entirely cover potential country influences on anti-firm activism, I also need to consider (apart from socio-economic factors) the *political/governmental* conditions that might either encourage or discourage activists to target a corporation because it is embedded in a particular political environment. Such political factors form a country's basic structure and are conceived as its *institutional* setting (Rawls, 1993). Institutions include "constitutions, laws, policies, [hence] any formal agreements" (Doh & Guay, 2006: 52) that are (formally) set up in the national context to "provide the background conditions against which the actions of individuals and associations take place" (ibid; see also Jones, 1999).

The stakeholder literature has emphasized (albeit without any empirical analysis) the *variation* across countries' political environments: Doh & Guay (2006, summarized in De Bakker & den Hond, 2008: p.14), for instance, highlight such governmental variance notably between Europe and the United States by referring to: "the opposition of several European countries to the marketing of genetically modified crops and food in Europe; the insistence of US-firms and Government to enforce patent protection for Aids/HIV medication in developing countries; as well as the differing national commitments to CO2-emission reductions of the Kyoto Protocol" (ibid).

The *influence* of such political/governmental factors on corporations has been *empirically* analyzed in the context of regulation: For instance, it has been shown that countries with innovation-friendly regulation stimulated corporate productivity and technological innovations (see Scarpetta et al., 2002). Similarly, evidence was provided that countries with strict environmental policies and regulations (such as the Scandinavian countries) positively promoted corporate environmental responsibility (see, e.g., Halme & Huse, 1997).

Hence, as governments seem to influence *companies* in their behaviors and decisions they might also influence *activists* in their targeting strategies. Thereby, *favorable* country contexts might actively encourage stakeholder activism (see, e.g. Jones, 1999). To examine whether and which political factors motivate stakeholder activism, I set up the second and last hypothesis on the country level – which I will analyze, as before, from home and host-country perspectives:

H7: The better (worse) the political/governance situation of a country, the higher the likelihood for firms incorporated (operating) in it to become severely targeted

Figure 1 illustrates the three levels of influence that I hypothesized attracting stakeholder activism on the corporate, industrial, and country level.

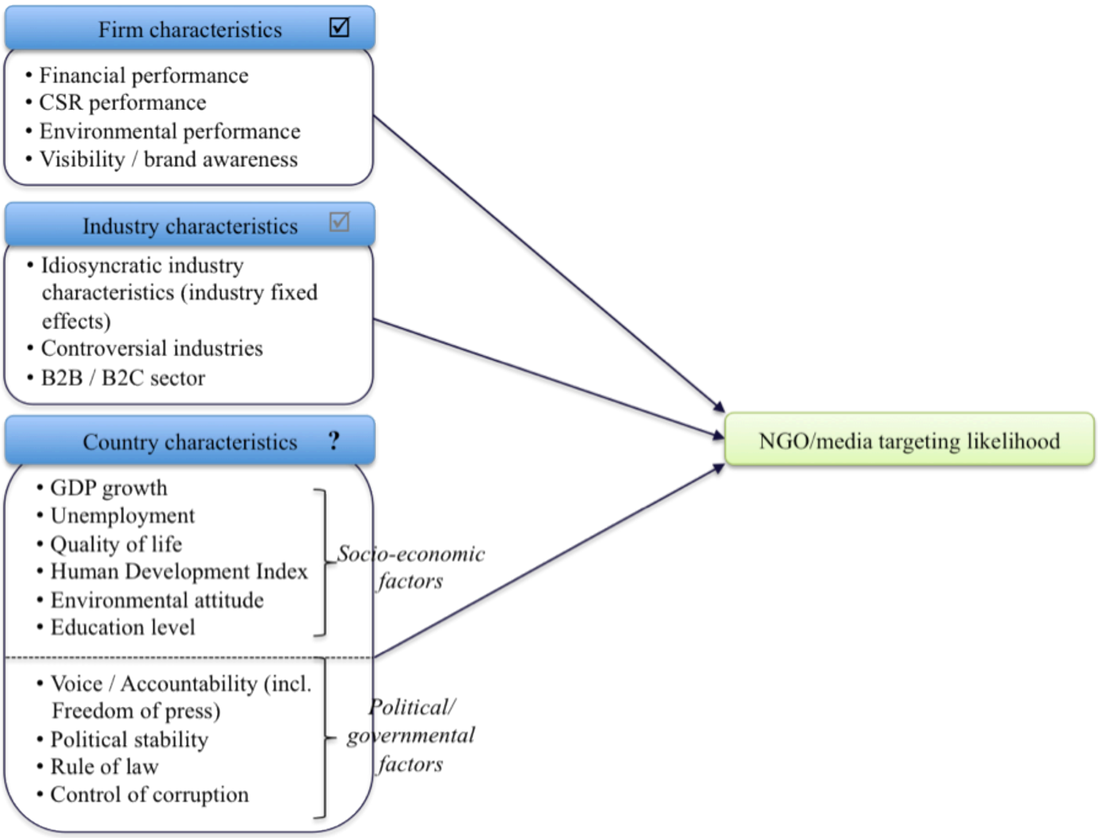


Figure 1: Potential influence factors attracting (unwanted) NGO/media attention

EMPIRICAL ANALYSIS

Data and sample

To examine which factors from which influence levels drive private activism against firms, I build on a unique dataset of firms that were exposed to *CSR-related criticism* during 2006-2009. The firm sample consists of the world's most admired firms, annually ascertained by Fortune.[6] I chose this sample as the firms included are

[6] For an explicit description of how the Fortune ranking is composed see p.88/89 of essay #2.

transnationally active and known, which exposes them to various different socio-cultural contexts and stakeholder scrutiny. The Fortune rankings of the years 2006-2009 count 642 companies, which have been elected at least once. Each ranking is the result of a survey of over 15,000 top managers, industry experts and financial analysts who annually select their most admired firms. Table 10 (p.52-64) provides the Fortune rankings for the four relevant years (2010 is also included for essay #2).

The database on *CSR-related criticism* was, in its original form, provided by the Swiss-based consultancy *Reprisk*. It includes critique information collected for all those firms that were elected at least once among Fortune's most admired companies during the estimation period. Each firm-specific critique (stakeholder activism) contains detailed information about the content, initiator, date and location of the reported stakeholder action, as well as its level of severity (see Annex II of article 2 p.113-124 for original news/criticism reports).

The constructed panel dataset, by merging the data on reputation firms and critique exposure, comprises over 8,600 critique/activism observations for 451 out of the 642 Fortune-rated companies. Critique actions are considered from more than 1,000 different sources (NGOs and media) expressed in nine languages.[7] The collapsed dataset counts, depending on the variables and estimation methods, between 938 and 1,419 firm-activism observations against 450 firms during these four years, resulting in 4.5 stakeholder protest actions per firm and year on average (see table 1). Company origin and industry affiliation are provided in tables 3 and 4. Further, the severity of each critique observation varies between three degrees (1-3, see table 2), which had been coded by the consultancy based on predefined criteria in terms of criticism extent (e.g. one-time accident or systematic corporate infringement; material damage or personal injury). Tables 3 and 4 provide the numbers of criticism collected against the sample firms in terms of industry affiliation and country origin.

Tables 1-4: Descriptive statistics

Table 1: Number of criticism collected over 2006-2009

Variable / Year	*2006*	*2007*	*2008*	*2009*
# of total critique quantity p.a. (TCQ)	604[8]	1,657	3,269	2,524
# of firms included in critique database	451	451	451	451
Average critique per firm p.a.	1.34	3.67	7.25	5.60

[7] Critique on companies is included from sources (i.e. media, news agencies, NGO reports) reporting in English, Spanish, German, French, Italian, Portuguese, Mandarin, Korean, and Russian.

[8] The database for CSR critique was only established in 2006; this explains the fewer number of firm-critique observations for 2006, provided in tables 1 and 2.

Table 2: Number and severity level of criticism / activism

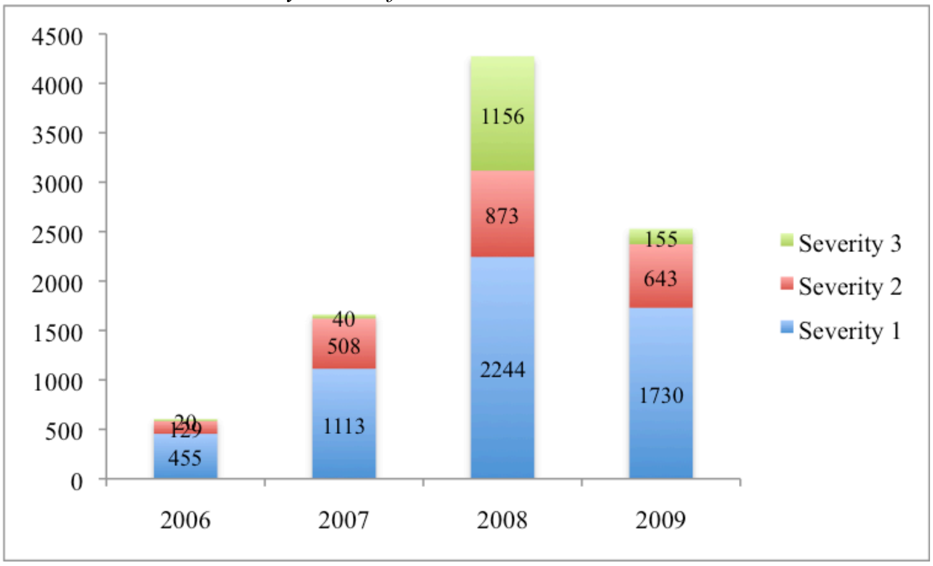


Table 3: Industry background of 8,403 targeted firms in the sample:

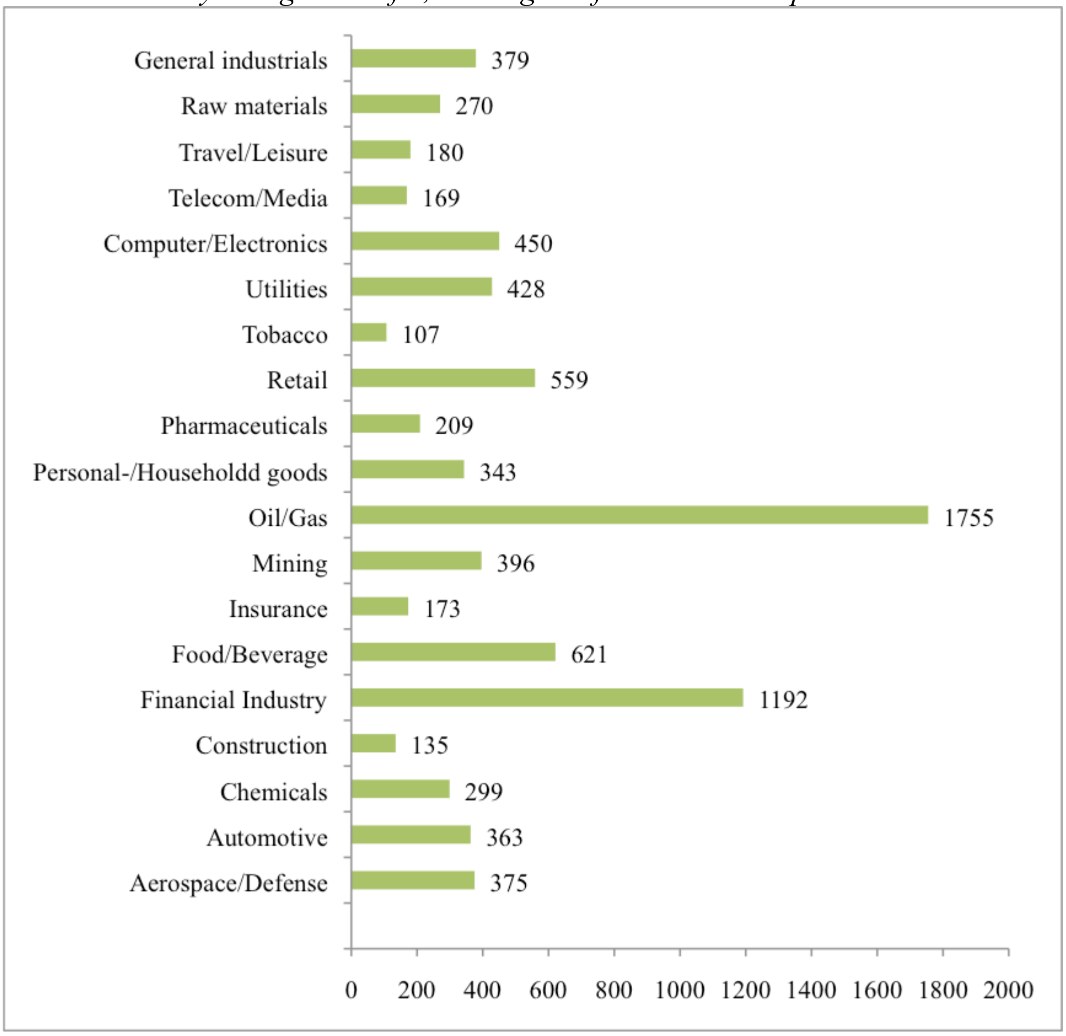
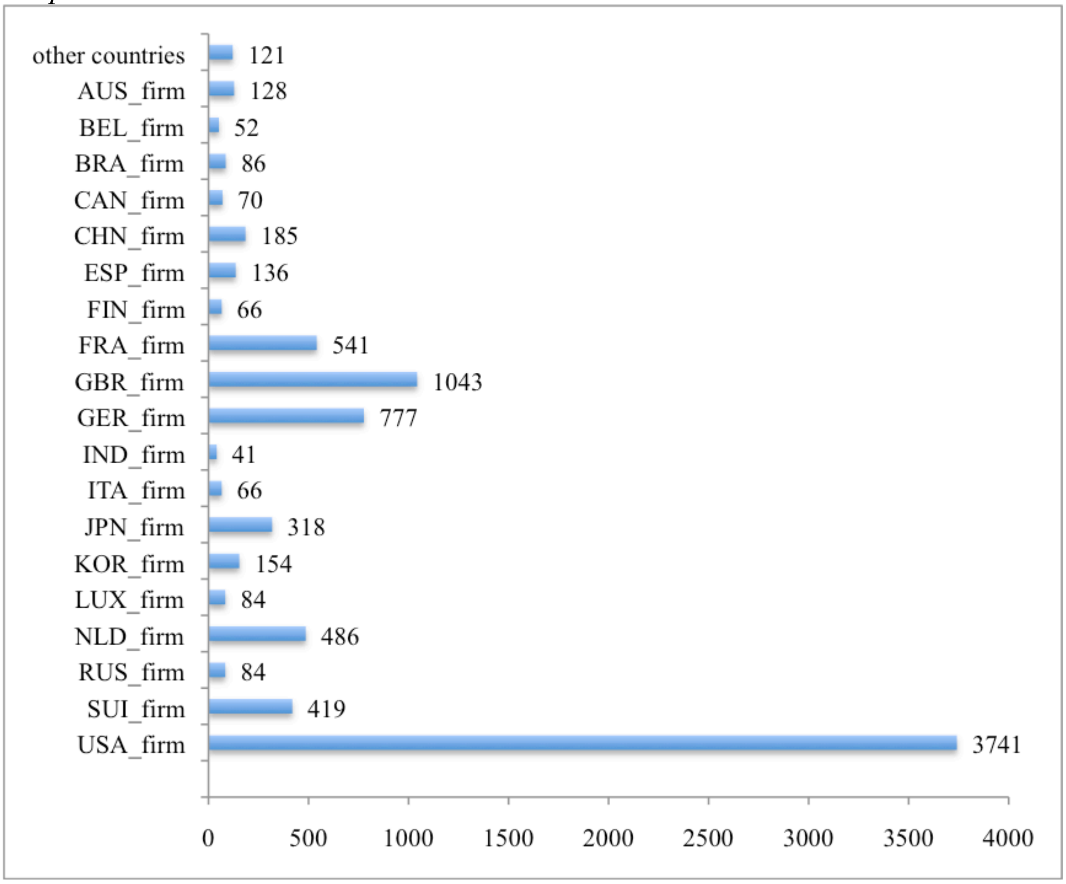


Table 4: Country origin of 8,598 targeted firms in the sample



Measures

Dependent variable(s)

The outcome variable of the basic model is computed as binary variable ('criticism'). It takes one as value if a firm has been the target of stakeholder activism during each observation (calendar) year; otherwise its value is zero.

To run more advanced estimation models – which I will explain in the methodology section on pages 30/31 – I also constructed two further dependent variables. First, I computed a binary outcome variable ('severe criticism') that indicates whether a company has been exposed to *severe* stakeholder activism over the year.

Second, I created an *ordinal* dependent variable that includes all four possible different levels of *harm/critique* a corporation can be exposed to. It ranges from zero (i.e. zero harm or no critique) to four, with four being the most severe level of critique/ stakeholder activity. The level of harm is coded for each critique reported by two independent analysts of the consultancy, based on numerous (predefined) criteria that determine the extent and severity of the accusation.

Independent variables

The variables that will be manipulated to estimate the critique/activism exposure of firms are constructed according to the tripartite logic of influence factors, claimed to be located on the corporate, industrial, and institutional level:

1. Firm variables

To test the hypotheses H1-H4 assessing the influence of the *corporate factors* on critique exposure, I computed the following explanatory variables: To estimate the influence of corporate financial characteristics (as hypothesized in H1/H2), I inserted firm *assets*, and *cash flow* as proxies of resource-richness. To account for firm profitability, I further included *net income* and *return on assets*. *Sales* are inserted as a measure of firm size. All financial data were obtained from Thomson-Datastream and, for the sake of comparability, logarithmized. To approximate firm visibility in terms of brand awareness, I computed a further binary variable that indicates whether a firm possesses top brands (annually ranked by Interbrand)[9] in its corporate portfolio. The absolute brand values were not included owing to insufficient data.

With regard to variables controlling for a firm's *CSR performance* (as hypothesized in H4), I included a binary variable that distinguishes companies that belong to the Dow Jones Sustainability Index (DJSI)[10]; as an approximated measure of ecological/environmental performance, I constructed a dummy variable that indicates whether the firm disclosed its carbon footprint (proxied with the data from the carbon disclosure project, CDP).[11] Again, absolute scores were not taken into consideration, as it would have restrained the estimation sample significantly. I finally computed a binary variable that controls whether a company is publicly listed.

2. Industry variables

To identify industry-specific effects, as hypothesized in H5, I computed dummy variables for each industry sector (based on the sector-classification of the critique database). Further, the classification of firms into *controversially* perceived industries was conducted in line with prior empirical works on so-called 'sin-industries' as well as most polluting industries (see Fabozzi et al., 2008). Further, to test consumer

---

[9]http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx

[10] http://www.sustainability-index.com/07_htmle/data/djsiworld.html

[11] https://www.cdproject.net/en-US/Results/Pages/reports.aspx

proximity as suggested in hypothesis H6, I coded and constructed binary variables for all companies that operate in close-to-consumer, so-called business-to-customer (B2C) industries.

3. Country variables

To evaluate whether an NGO/media's firm selection depends on the particularities of the country in which the firm is embedded, I inserted variables that mirror the (institutional) quality of a country as well as its socio-economic situation. Their usefulness has been approved in numerous prior works in economics on nation-state prosperity (see, e.g., Kaufmann et al., 2010; Sachs, 2003; Gallup et al., 1999).

First, to estimate the influence of socio-economic factors as hypothesized in H6, I included the *GDP* (Gross Domestic Product) –annual growth rate per capita and the country's annual *unemployment* rate as *economic* measures. To account for *sociological* factors I further inserted a country's *education* index, as well as an indicator of its *living quality* and *human development*. The data for all four variables was obtained from the database of the United Nations' Development Program (UNDP).[12]

Because not all country data are collected each year, I used in this case the average of two consecutive years, or assigned the countries the same data for all four years if only one data point was available. Further, to take into account the growing importance of *environmental* awareness in many nation-states (Halme & Huse, 1997; Philippe & Durand, 2011), I also included a measure indicating a country' *environmental consciousness*: It is proxied by the environmental performance index (EPI),[13] which is ascertained biennially.

Second, to capture the effects of institutional factors as hypothesized in H7, I further inserted so-called governance indices that constitute approved proxies for indicating a country's institutional quality (see, e.g. Kaufmann et al., 2010; Sachs, 2003): Such governance data was obtained from the Worldwide Governance Indicators (WGI) project.[14] Thereby, I applied and adjusted four variables: *Voice and accountability* indicates to what extent "a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free

---

[12] http://hdr.undp.org/en/data/build/
[13] http://epi.yale.edu/Countries
[14] http://info.worldbank.org/governance/wgi/index.asp

media" (Kaufman et al., 2010: 3). *Political stability* "measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism" (ibid). Further, the indicator *rule of law* shows to what extent citizens "have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence." Finally, *control of corruption* mirrors "perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests" (ibid).

Estimation procedure

Model 1

To quantify the different causes behind NGO/media-targeting of firms (with CSR-based criticism), I examined which factors (of the three influence levels) significantly contribute to the *likelihood* of receiving unwanted NGO/media attention. The most appropriate statistical analysis to estimate such probabilities constitutes maximum likelihood estimations (Hosmer & Lemeshow, 2000; Miranda & Rabe-Hesketz, 2006). In the basic model, model (1), I estimated the probability (probit) for a firm to become criticized as a function of firm, industry, and country influence factors.

Models 2/3

In a *second* estimation procedure, I narrowed down the estimations by assessing which of the influence factors contribute to a firm's likelihood to become *severely criticized.* Besides, by running this extended model, I accounted for low variation in the data sample, as approximately 7% of the 8,650 firm-critique observations indicated an activism-level of zero (i.e. 595 zero-critique observations on the firm level during the four-year observation period). Moreover, with models 2/3, I can assess the country influence factors also from the *host*-country perspective, as operating in foreign countries is the precondition for 'destination' (host-country)-based activism to emerge. Thus, in model (2) I tested the influence of the country determinants in the *home*-country perspective, and in model (3) I examined the *host*-country perspective.[15]

Model 4

To estimate the intensity of NGO/media critique that a firm is likely to face, I ran ordered probit estimations in model (4) (see Hausman et al., 1992). Such estimation approach is particularly useful for my data sample because it can account for more than two (ordinal) dependent variables (Lenox & Eesley, 2009). Here, ordered probit estimations are used to test the likelihood that NGO/media criticism is low, harsh, or very harsh.

To run these adjusted probit models, I used the *ordinal*-scaled dependent variable ('criticism intensity'). Depending on the severity level of the critique/activism described before, this variable takes one out of four possible values (0-3) for the home-country perspective, and one out of three possible values (1-3) for the host-country perspective (because zero/no operations in the host country implies no activism). Each criticism level thereby constitutes a so-called cut point (thresholds, Greene, 1993; Dayking & Moffatt, 2002). This dependent variable is modeled as a function of the explanatory variables used before in models 1-3, and of the corresponding cut points. As with the models 2/3, I first took the home-country perspective (model 4a) and then estimated the host-country perspective (model 4b).

RESULTS

The results of all three estimation models are provided in tables 7-9. I first discuss the results of the targeting likelihood estimations (models 1-3).

Results for model 1) - Likelihood of general criticism

In model 1/column (1) of table 7 (p.46/47), I estimated the likelihood of firms to become a target of general NGO/media criticism. The model 1 explains 24% of the variability in the data (pseudo R2).[16] Among the corporate factors, the two variables signaling firm size and visibility – sales and brand awareness – seem to significantly

---

[15] Thereby, I am aware of the fact that the destination choices might be strategically, hence endogenously driven, compared to the decision of the corporate headquarters which is, in most of the cases, historically, hence relatively exogenously explainable.

[16] In all estimations I controled for country-fixed effects, i.e. for a firm's nationality.
Besides, the country-variables human development index, and rule of law were dropped from the model after the VIF- (Variance Inflation Factor) test controlling for variance inflation, i.e. multicollinearity among these independent variables (see O'Brien, 2007).

increase the targeting likelihood. They thereby support hypothesis H2. Likewise, for stock-listed corporations, the fact that belonging to the Dow Jones Sustainability Index (DJSI) increases the targeting likelihood (support for H3): This implies that corporations with acknowledged CSR-performances are particularly selected by stakeholders; thus, DJSI-listed companies are more critically evaluated, and/or disclose more CSR-related information (including non-achievements), which makes them more transparent, hence more attackable (see Luo et al., 2010).

With regard to industry effects, service industries particularly, such as travel/leisure, insurance/banking, telecom or media reduce the targeting likelihood. This goes in line with the argument that service industries are perceived as less polluting industries than those of the manufacturing sectors (see, e.g., Cole, 2000). Interestingly, no statistical support could be provided for H4 and H5: neither controversial nor B2C-industry sectors seem to influence activists' targeting behavior. This might be explained by the fact that general criticism (as it was estimated in this model 1) is articulated across-industries, without concentrating 'shooting' on any particular (controversially perceived) industries.

Concerning country effects, statistical evidence is mixed; statistical support is provided for both superior and inferior country parameters: On the one side, the findings suggest that the targeting likelihood is high for firms incorporated in countries of inferior institutional quality: The coefficients of voice/accountability and political stability as proxies of political/institutional influence (H7) are both negative and significant. These results are further supported by the socio-economic influence factors hypothesized in H6: Firms incorporated in countries of low living standards are preferred activist targets.

On the other side, evidence is also provided for superior country variables: Companies that are incorporated in countries of *high* environmental consciousness (H6) attract unwanted NGO/media attention. This finding is endorsed by the corruption indicator, a further measure of institutional quality (H7): the better a firm's home-country controls corruption, the higher the company's targeting likelihood becomes. This might be explainable by the fact that the better a country's anti-corruption mechanisms work the more corporate abuse is uncovered and reported (see, e.g. Huther & Shah, 2000).

Even though the results of the county parameters might appear contradictory, they simply suggest that activism takes place in two extreme contexts: Corporations are targeted in both highly developed and developing economies.

With regard to the size of the influence, the estimated coefficients in probit, non-linear regression models cannot be interpreted directly as marginal effects (Liao, 1994). Hence, I separately calculated the latter for models 1-3, which are provided in table 8 (p.48/49). According to the results, the marginal effects for firm sales and firm (brand) awareness are 15% and 18% respectively; further, the marginal effect of social performance accounts for a 6% increase in the probability of becoming an NGO/media target. Companies incorporated in countries of high environmental attitude (consciousness) increase the targeting likelihood by 5%; companies incorporated in low-living quality countries increase their targeting likelihood by 2%. The institutional parameters voice/accountability and political stability decrease the targeting likelihood by -3% and -1%, while with growing control of corruption the targeting likelihood increases by 3%. The largest marginal effects were calculated for the (significant) service industries that range between -30% and -53%.

Model 2: Likelihood of being severely criticized (home-country perspective)

Column (2) of the same table 7 provides the results of the maximum likelihood estimations for severe NGO/media activism from the home-country perspective. With a pseudo R2 of 17% model 2 also captures relatively well the variability in the data in maximum-likelihood estimations.

In model/column (2), firm *assets* seem to increase the targeting likelihood on the corporate level, hence supporting hypothesis H1 on firm wealth. Moreover, and rather surprisingly, the general control variable for B2C-industry firms reduces this likelihood, hence refuting hypothesis H5. Nonetheless, individual industry-fixed effects indicate that still close-to-consumers operating industries do attract unwanted NGO/media attention: Significant coefficients are estimated for companies producing food/beverages, as well as personal/household goods – which includes the textile/fashion sector. These findings support H5 in that highly visible firms constitute preferred activist targets.

Moreover, operating in controversially discussed industries such as mining or tobacco positively influences the targeting likelihood, and thereby supports H4. On the *country* level, five influence variables seem to encourage NGOs/media to target firms: Companies are especially selected if they are *incorporated* in countries of high environmental attitudes, efficient corruption control, high educational levels and low unemployment rates; this applies especially for companies incorporated in so-called welfare-states/economies (see, e.g. Stigler, 1992); in addition, and rather surprisingly, corporations also receive unexpected activist attention if they are incorporated in countries of low voice/accountability indices, which is, due to these countries' repressive governance rather courageous from the activist's perspective.

With regard to the magnitude of the coefficients (table 8, column (2)), the largest marginal effects were again estimated for the significant industry variables that range between 32% and -47%. On the country level, low unemployment rates and high education levels increase the targeting likelihood by 10%; the remaining significant socio-economic and institutional parameters show marginal effects between 2% and 7%.

Model 3: Likelihood of being severely criticized (host-country perspective)

When running the maximum likelihood estimations for severe activism from the *host-country* perspective (model 3), results of column (3) of table 7 suggest, overall, the same findings on the *industry* level as in the home-country estimation (model/column 2): NGOs/media keep selecting firms that operate in the food/beverage, and personal/household goods industry (support for H5); and also target firms from controversial industries such as tobacco (supporting H4). The coefficient of the general B2C dummy itself remains negative and significant, and hence refutes the B2C-hypothesis H5.

Interestingly, no *corporate* factor significantly attracts NGO/media attention in the host-country perspective. Thus, none of the corporate financial hypotheses H1-H3 find statistical support. Hence, instead of corporate influences, the targeting likelihood is being driven rather by industry- and country-specificities: NGOs/media continue selecting firms that operate in countries with low levels of education and living standards, which supports H6. Besides, firms also become targeted if they operate in countries of stable politics and high environmental consciousness, which supports H7 although in the opposite way than hypothesized. Nonetheless, these findings remain logical in the sense that well-ordered/regulated nations might create favorable climates for stakeholder activism (see Price, 2003).

With regard to the *magnitude* of the coefficients of model (3) (marginal effects are provided in column (3) of table 8), the general B2C-dummy variable reduces the targeting likelihood by 47%. The coefficients of the significant *industry* variables influence the targeting likelihood, once again, with relatively high percentages between 35% and 52%, although at lower statistical significance levels (0,05% - 0,1%, as highlighted in table 7). On the *country* level, the significant coefficients loose their magnitude, and contribute merely 0.4-1% to the targeting likelihood. Nevertheless, country influences remain the targeting magnets with the highest significance levels.

Model 4: Intensity of criticism

First, the results of the ordered probit specifications of model 4 are presented in table 9 (p.50/51). Five out of six cut-off levels (home/host-country perspective) are significant in both models, suggesting that the proposed criticism thresholds indeed constitute different (severity) levels of critical allegations.

In column (4a), I estimated the criticism intensity from the *home*-country perspective. A positive sign of (significant) coefficients implies a positive likelihood that the raised critique is harsh or very harsh. On the corporate influence level, positive signs are estimated for firm sales, and brand awareness.

On the *country* level, companies incorporated in countries with high environmental attitudes, education and anti-corruption levels, and GDP growth rates raise likewise the likelihood of more intense activism. At the same time, the negative signs of the two significant coefficients living quality and political stability indicate once again that also *inferior* life qualities make NGO/media criticism likely to be severe. Interestingly, *industry* affiliation is unlikely to intensify NGO/media activism, compared to the prior models 1-3 where controversial and close-to-customer industries attracted general and severe activism.

Second, the results estimating the criticism intensity from the *host*-country perspective (column (4b) of table 9) indicate, on the corporate influence level, high likelihoods of intense activism for firms with high cash flow. This suggests that ‘wealthy’ companies are likely to attract severe NGO/media attacks. Industry affiliation seems again, in contrast to the home-country view, to positively influence the likelihood of intense (i.e. harsh or very harsh) criticism albeit in non-significant manners. Only companies operating in the *tobacco* sector risk being (per se) exposed to intense stakeholder activism.

On the country level, two country-variables seem to increase the likelihood of severe NGO/media activism. Companies, targeted in countries of low living quality and loose corruption-control apparently provoke intense critique regarding irresponsible firm practices.[17] Likewise is the activist's attack likely to be intense if the firm's host-country is politically stable. These findings apply particularly to firms that operate in countries with democratic governance albeit afflicted by socio-economic failures such as many South-American economies (see, e.g., Sachs, 1985).

DISCUSSION

What are the conclusions that can be drawn from my empirical investigation? To keep the three-partite order of influence levels, I start by discussing the findings on the corporate level: First, no firm factor could be identified that consistently attracts stakeholder activism throughout the different estimation models: Depending on the model and country-perspective, it is firm sales, assets, or brand awareness that positively influence the targeting likelihood. Such varying albeit observed corporate influence still supports social movement and stakeholder theory, claiming that visible, well-known and financially healthy corporations are preferred activist targets (see King & Soule, 2007; Lenox & Eesley, 2009). Besides, these findings also endorse the arguments of economics and nonmarket scholars positing that activists select these firms for CSR-related issues that seem to possess the highest potential for issue saliency and large public audience (Bonardi & Keim, 2005).

Concerning the influence of a firm's CSR/environmental performance, no consistency could be identified either. Only in model (1), estimating the general targeting likelihood, did a firm's CSR-performance (inclusion in DJSI) generate a significant coefficient for the home-country perspective. This represents an interesting finding as it shows that companies with such CSR-labels become preferred targeting objects. This is again in line with social movement/stakeholder theory in

[17] Marginal effects were also calculated for model (4), but not disclosed due to the high amount of data outputs. For the home-country perspective, industry effects again seem to drive the activism escalation once again with double-digit percentages (30-40%), while institutional effects contribute about one percent. The marginal effects of the host-country view are of similar magnitudes.

that transparently operating firms disclosing CSR-data offer more room for criticism (see, e.g., Luo et al., 2010). These findings also support the strategic accounting literature, which associates the provision of corporate information with a competitive disadvantage for the disclosing firm (see, e.g., Verrecchia, 2001). Alternatively, these firms might be particularly targeted by activists who suspect the firms to rather decorate themselves with the DJSI-label than to actually engage in CSR – this is what Laufer (2003) conceived as corporate green-washing.

Nonetheless, the varying corporate influence suggests that firm characteristics lose their targeting attractiveness when industry and/or country specificities are accounted for in the analysis:

With regard to the influence factors tested on the *industry* level, the findings suggested that particular industry affiliation contributes the most to the targeting likelihood (especially for models 1-3). However, belonging to a certain industry does not per se imply severe attacks, as tested with model (4).

Overall, the significant influence of particular industry affiliation provides further support for stakeholder theory: Companies operating in industries that are per se controversially discussed (mining, tobacco) or close (B2C), hence familiar to final consumers (e.g. food/beverage; textile sector), seem to be preferred targets for activists. These results indicate that, in these industries, the activists might better emphasize the urgency and legitimacy of their claims and protests as stakeholder theory assumed (e.g. Mitchell et al., 1997). Besides, these findings endorse economic explanations stating that activists select these industries where they expect higher returns in terms of corporate compliance/responses to the activists' requests ex post (see Baron & Diermeier, 2007).

Further, from a *resource-dependence* theory perspective (Pfeffer & Salancik, 1978), targeting close-to-consumer firms might be the most efficient targeting strategy as consumers can decide whether they withhold resources, and do not purchase the company's products. Besides, the customer-proximity hypothesis (H5) also supports the economist view that consumers are willing to support a boycott as long as affordable *substitute* products are available (Diermeier & van Mieghem, 2005). This is certainly the case in the food/beverage sector, or with personal/household goods or clothes.

Finally, concerning the influence of *country* variables, the results indicated that both socio-economic and institutional conditions significantly incentify the activists in their firm targeting, especially when the corporations are embedded in countries with superior or inferior country parameters: These findings support *institutional and social movement theory* in that activists locate or mediatize their campaigns against/about firms in countries that are *extreme* in terms of institutional quality, as well as socio-economic performance: Either, they target firms incorporated in healthy and wealthy economies where an environmental consciousness is already highly advanced (e.g. Matten & Moon, 2008; DiMaggio & Powell, 1983); or they select companies that operate in unstable and poorer economies, with less developed ecological sensitivity (e.g. Kaul et al, 2003). In this latter case, NGOs/media might specifically target firms operating in such countries to exert pressures on the firms taking on (more) social/environmental responsibility.

Overall, it appears that activists pursue a twofold targeting strategy: selecting firms incorporated in high welfare-states to somehow *guard* about already established socially responsible corporate practices, while at the same time targeting firms that operate in countries with institutional and/or socio-economic deficits to *enhance* CSR. In the first case, NGOs/media can be conceived as 'norm guards' in already institutionalized (CSR) contexts whereas, in the second case, they act like agents of change, so-called institutional entrepreneurs (see Levy & Scully, 2007; Clemens & Cork, 1999). For companies confronted with unwanted NGO/media attention, this might result in the *relocation* of their headquarters to more 'inconspicuous' countries in which the firms are apparently the least exposed to public scrutiny and activism.

CONCLUSION

In this paper, I studied the characteristics that make firms preferred targets of NGOs and media revealing social and environmental issues. The empirical analyses suggested that it is not primarily corporate attributes but industry affiliation and socio-economic and institutional factors of the countries, in which the companies are embedded that significantly contribute to such unwanted NGO/media attention.

With these findings, I sought to *contribute* threefold: At first, I suggested a *shift* from studying the financial consequences of anti-firm activism to the analysis of its *causes*, which were still quite unknown. Second, I then proposed to *enlarge* the contextual and geographical scope of the targeting study, by including mundane activism against international firms in the empirical investigation rather than delivering a constrained analysis of relatively rare boycott events due to corporate characteristics. Finally, I suggested an empirical assessment of the impact of socio-economic and institutional factors of countries, to gain new insights about targeting influence factors beyond the firm and industry levels.

Despite the interesting and new findings presented and discussed above, this study is certainly subject to *limitations*. First, I did not include firm *responses* to the criticism they are confronted with. So, there may be biases in the sense that positive firm responses may decrease the targeting likelihood in the future. Nevertheless, negative firm responses would have increased the targeting likelihood, so that, at the end, positive and negative firm responses would have been balanced, therefore resulting in negligible influences on the targeting likelihood.

Second, studying the host country perspective inevitably reveals, as already briefly stated, the question of *endogeneity among the explanatory variables*.[18] While the home country perspective is quite objectively exogenously determined, i.e. firms have chosen their headquarters decades, or even centuries ago, the choice of destination is certainly more endogenously driven: A firm's choice of the countries, in which it decides to finally operate, is of a strategic nature. Hence, it might be that firms that considered operating in one or another country finally opted against it, maybe for targeting reasons. These cases would certainly be missing in my empirical analysis. While anecdotal evidence exists that companies explicitly leave countries (e.g. ABB closed its operations in Sudan), observing the strategic decisions for corporate *inactivity* (i.e. no market entry in a specific country) is already difficult from a methodological viewpoint.

In view of these limitations, how could this paper be advanced in future studies related to the targeting phenomenon? I consider promising *research opportunities* to be crystallizing under three avenues: First, to account for the endogeneity issue concerning the host-country perspective, one might explore (statistical) means that control why firms choose to operate in a specific country or not. A two-stage least squares model could be a statistical tool for such an approach, in which, for example, 'favorable country parameters' such as tax benefits, or national subsidies for firms

[18] In this case, endogeneity occurs when the explanatory variables are correlated with the error term of the estimation model (see, e.g., Verbeck, 2008).

could serve as the dependent variable of the first stage that would control for whether a firm enters these countries or not. The second stage would then account for this country selection effect and estimate the firms' targeting likelihood only in host countries that have been explicitly chosen by the firms to operate in.

Second, it could be valuable to investigate (what I criticized as one further shortcoming of this paper) to what extent an activist's targeting provokes firm *responses*. So far, very few works have dealt with this interconnected question of targeting selection and response (see Eesley & Lenox, 2006; King, 2008). Using the different influence levels I have elaborated in my targeting study could thereby be useful in analyzing which of the levels (i.e. corporate, industrial, or country) actually provoke firm responses to activist requests.

Third, it could be interesting to extend the study by analyzing the characteristics of the *targeting subjects*, i.e. NGOs and the media. It might reveal insights into what types of NGOs/media actually target firms and how: Do they target single firms, or do they 'attack' several firms at the same time? Do they target separately, or do they attack together like shoals of fish? The financial strength (annual budget) as well as international outreach of these targeting subjects could thereby constitute variables to be included in the empirical analyses. Singling out individual and collective targeting strategies might, however, be more complex to model.

Finally, one could gain new insights of studying the *industry affiliation* more closely. Especially in CSR-related activism, stakeholders seem to pick one industry after the other: While the tobacco and apparel industries used to be primary targets of NGOs/media in the 1990s, the campaigns of the early 21st century are more and more directed toward companies of the food/beverage sector (McDonalds and obesity). As my findings provide evidence for the attractiveness of these industries, it would be hence interesting to study whether one can capture industry *trends* over time with regard to the industry selection and targeting strategies of activists.

To *conclude*, the main message of this paper is that companies are not targeted primarily or uniquely because of firm or industry characteristics. In particular, it is country factors that constitute influential drivers attracting and encouraging stakeholder activism to emerge: The national context, in which firms are embedded, does play a significant role in determining stakeholder activism and its intensity. This message is not new, but it is finally being sent explicitly, while it formerly used to circulate around rather implicitly, without any empirical evidence.

ANNEX

Table 5: Review of studies on activism consequences / boycott impact

Author(s)	***Year***	***Data sample***	***Period***	***Research question / purpose***	***Results***
Bentzen, Smith	2002	350 Danish executives ranking wine products	1995/1996	French nuclear testings and consumption of French wine in Denmark	Slight decrease in sales near the time of the nuclear tests are observed; but no quantification of effect, no statistical test of the claim.
Chavis, Leslie	2009	4 main US-regions	2001-2003	The impact of the Iraq war on French wine sales in the U.S.	Wine boycott resulted in 26% lower weekly sales at boycott peak;13% lower sales observed over the 6 months period that they estimated the boycott duration.
Davidson et al.	1995	Boycott announcements against 59 firms, 35 announcements of stock divesture	1969-1991	Investor reactions to announcements of product boycotts and stock divestures made	Announcement of boycotts associated with significant negative market reactions, while divesture announcements caused no negative market response.
Eesley, Lenox	2006	602 secondary stakeholder actions against 331 US-firms	1971-2003	Explore the conditions under which secondary stakeholder groups are likely to elicit positive firm responses	Stakeholders 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 are more likely to elicit positive firm responses
Epstein, Schnietz	2002	Fortune 500	WTO meeting 1999 in Seattle	Measuring the cost of environmental/labor protests to globalization: An event study of Seattle: How serious were the protests?	Investors bid down the stock price of a portfolio of Fortune 500 firms almost 2% after the Seattle protests.
Ettenson, Klein	2005	Survey with 261 Australian Coast inhabitants	1996 and later	Impact of French nuclear testing on Australia's willingness to buy French products	Consumer anger over nuclear testing did not lead to significant buycotts of French wine.
Friedman	1985	90 boycotts against US-firms	1970–1980	Consumer boycotts in the US: Boycott initiators/sponsors, boycott targets, boycott duration, and -success	Labor groups and racial minorities are main boycott sponsors; most boycotts follow an escalate path of militancy; primary targets were 'producers, processors and retailers'; 24 out of 90 boycotts were considered as 'successful'.

Author(s)	***Year***	***Data sample***	***Period***	***Research question / purpose***	***Results***
Hunter et al.	2008	Danone	2001	Impact of Danone boycott of 2001 on the firm's financial performance	Purely visual results - plotting share prices/sales during the boycott
Koku et al.	1997	25 boycott threats and 29 actual boycotts	1980-1993	The financial impact of boycotts and threats of boycotts	Boycott targets' share price increased after a boycott threat or announcement.
Kumar et al.	2002	all 87 US firms with equity interests in South Africa	1991-1995	Stock price performance of boycotted US firms due to South African ties	Once the boycott related to investment in South Africa was lifted, the 87 U.S. companies that were boycott targets experienced abnormal positive returns of 4.26%.
Lamin, Zaheer	2011	126 sweatshop allegations against US-firms	1990-2002	Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders	Find that denial and defiance responses hinder the recovery of legitimacy on Main Street, whereas Wall Street is unaffected by denial and defiance. Main Street and Wall Street thus perceive firm actions to defend its legitimacy quite differently: Main Street appears to privilege fairness as a core value, whereas Wall Street privileges profit.
Pruit et al.	1988	16 events / union-sponsored boycotts	*Not indicated (n.i.)*	The impact of union-sponsored boycotts on the stock prices of the target firm	Union boycott announcements initially lead to economically and statistically significant losses in the stock prices of the target firms. However, this short-term price decline is almost completely erased by rebounds in stock prices over the ensuing 15 trading days.
Pruitt, Friedman	1986	21 events	*n.i.*	Determining the effectiveness of consumer boycotts	Consumer boycott announcements were followed by significant decreases in stock prices for the target firms. In addition, the overall market value of the target firms dropped by an average of more than 120mn USD over the two-month post boycott period.
Teoh et al.	1999	Data on US-firms	1986, 1987, 1989	The effect of socially activist investment policies on the financial markets: Evidence from the south African boycott	Weak evidence that institutional shareholdings increased when corporations divested; despite the publicity of the boycott and the multitude of divesting companies, political pressure had little visible effect on the financial markets.
Tyran, Engelmann	2005	112 undergraduate students	*n.i.*	Investigate experimentally how firms and consumers react to a sudden cost increase in a competitive retail market	Cost increases translate into sudden price increases, and that consumer boycotts are frequent in response. However, consumer boycotts are unsuccessful in holding down market prices.

Table 5: continued

Table 6: Review of studies on targeting strategies/causes

Author(s)	***Year***	***Data sample***	***Period***	***Research question / purpose***	***Results***
Rehbein et al.	2004	1,944 labor- and environmental related shareholder resolutions against roughly 600 US firms	1991-1998	Understanding shareholder activism: Which corporations are targeted?	Activists are selective in their targeting of companies, choosing the most visible (largest) companies and those whose practices raise specific issues of interest to society.
Hendry	2006	Coding of 33 telephone interviews with 5 leading NGOs	*n.i.*.	What factors lead environmental non-governmental organizations to target particular firms	Likelihood that a firm will be confronted with stakeholder pressure increases if (a) that firm is a proven, repetitive trespasser of norms, (b) is visible to consumers in the value chain or through brands and is an important player in the industry, or (c) operates in an industry that is under high levels of scrutiny by activist groups
King, Soule	2007	342 protest events reported in the NYT	1962-1990	Effect of social protest/movements on stock price returns; but also robustness checks of targeting likelihood	Stock prices decrease of 1% during 26-day event window; no support for the idea that the number of past protests directed at the firm or at other firms in the firm's industry influences investors' perceptions
King	2008	Boycotts against 144 US-firms	1990-2005	Corporate responses to social movement activism; but also targeting likelihood estimated	28% of the corporate targets conceded to stakeholder demands; results of first stage indicate: Activists tend to boycott firms with strong reputations and that are highly visible because of their size.
Lenox, Eesley	2009	522 Environmental campaigns against US-firms	1988-2003	Private environmental activism and the selection & responses of firm targets	Smaller, less visible firms are less likely to be targeted. However, once targeted, size and visibility may decrease the frequency of being targeted.
Gardberg, Newburry	2010	25,000 individuals surveyed about 59 firm boycotts	*not specified*	Who boycotts whom? Marginalization, company knowledge, and strategic issues	Educated individuals are more likely to boycott.
Luo et al.	2010	23,000 oil spills reported/associated with five US oil firms	2001-2007	Test whether the societal response to corporate failings varies with an organization's prior CSR activities	Media are more likely to report spills at companies with a better environmental record. Oil companies that invest in clean energy face a greater risk of having accidents covered; spills at firms with the poorest environmental performance are more likely to find attention as well.

Author(s)	***Year***	***Data sample***	***Period***	***Research question / purpose***	***Results***
Minor	2010	Product recalls of S&P 500 firms	1991-2006	CSR as reputation insurance that better withstands the tumult of negative business shocks	It pays for firms to be responsible ex ante; this tends to save over $600 million of CAR should a firm face an adverse event; However, then becoming an exceptional corporate citizen by engaging in additional stellar behavior, does not seem to pay additional dividends in an insurance sense or financial sense.

Table 6: continued

Table 7: Results of targeting likelihood - models 1-3

VARIABLES	DV	**Model (1)** General criticism (Home)	**Model (2)** Severe criticism (Home)	**Model (3)** Severe criticism (Host)
Corporate influence				
ln cashflow		-0.0299	0.0440	0.133
		(0.0694)	(0.0811)	(0.0840)
ln roa (return on assets)		-0.312	0.138	-0.788
		(0.574)	(0.622)	(0.634)
ln sales		0.460***	0.171	0.183
		(0.0994)	(0.111)	(0.115)
ln assets		0.0849	0.201*	0.120
		(0.0962)	(0.115)	(0.120)
Social performance (DJSI)		0.182*	0.158	0.138
		(0.110)	(0.115)	(0.122)
Environmental disclosure (Carbon footprint)		0.0190	0.111	0.150
		(0.107)	(0.120)	(0.123)
Non public listed dummy		-1.005	-1.185	-0.925
		(1.226)	(1.425)	(1.668)
Topbrand dummy		0.657***	-0.0641	-0.00777
		(0.127)	(0.122)	(0.127)
Country influence				
GDP growth rate per capita		0.0396	0.0215	0.00738
		(0.0599)	(0.0743)	(0.0397)
Unemployment		-0.162	-0.2795***	-0.00135
		(0.194)	(0.447)	(0.0101)
Living quality		-0.0547**	-0.0283	-0.0269**
		(0.0234)	(0.0263)	(0.0108)
		(0.0317)	(0.0344)	(0.0143)
Education level		-0.0108	0.273***	-0.00975**
		(0.0408)	(0.0845)	(0.00474)
Environmental Consciousness		0.149***	0.0531**	0.0196*
		(0.0354)	(0.0234)	(0.0112)
Voice & Accountability		-0.0800**	-0.194***	0.00145
		(0.0361)	(0.0628)	(0.00695)
Political Stability		-0.0361*	-0.00953	0.0154***
		(0.0211)	(0.0226)	(0.00574)
Control of Corruption		0.102***	0.0735**	-0.0113
		(0.0301)	(0.0343)	(0.00874)

Table 7: continued next page…

Table 7: - continued

VARIABLES	DV	Model (1) General criticism (Home)	Model (2) Severe criticism (Home)	Model (3) Severe criticism (Host)
Industry influence				
Close-to customer industry (B2C)		-0.484	-1.136**	-1.301**
		(0.420)	(0.547)	(0.609)
Aerospace/Defense		-0.492	0.205	0.0550
		(0.563)	(0.376)	(0.407)
Automotive		-0.575	1.106	1.309*
		(0.369)	(0.697)	(0.770)
Chemicals		-0.561	0.0152	-0.102
		(0.563)	(0.393)	(0.419)
Construction		-0.922	-0.154	-0.446
		(0.563)	(0.395)	(0.425)
Financial Industry		-1.099*	--	--
		(0.611)		
Food/Beverage		0.0849	1.581**	1.526**
		(0.367)	(0.707)	(0.774)
Insurance		-1.434**	-1.309***	-1.514***
		(0.606)	(0.287)	(0.319)
Mining		--	1.170**	0.857
			(0.502)	(0.531)
Oil/Gas		-0.539	0.436	0.256
		(0.564)	(0.387)	(0.413)
Personal-/Household goods		-0.440	1.466**	1.470*
		(0.347)	(0.721)	(0.792)
Pharmaceuticals		-0.392	0.709	0.910
		(0.353)	(0.687)	(0.758)
Retail		-1.007***	1.188	1.271
		(0.353)	(0.736)	(0.811)
Tobacco		--	1.707**	1.829**
			(0.777)	(0.834)
Utilities		-0.477	-0.146	-0.0687
		(0.579)	(0.330)	(0.354)
Computer/Electronics		-0.375	1.090	1.030
		(0.353)	(0.699)	(0.765)
Telecom/Media		-1.407***	0.0641	0.0214
		(0.362)	(0.581)	(0.656)
Travel/Leisure		-0.800**	0.566	0.570
		(0.352)	(0.729)	(0.805)
Raw materials		-0.567	-0.105	-0.0730
		(0.566)	(0.403)	(0.431)
General Industrials		-1.176**	-0.229	-0.220
		(0.546)	(0.359)	(0.382)
Constant		-11.61***	-20.42***	-3.414**
		(4.034)	(4.420)	(1.501)
Pseudo R2		24%	17%	20%
Observations		1,377	984	938

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8: Marginal effects for models 1-3

VARIABLES	DV	**Model (1)** General criticism (Home)	**Model (2)** Severe criticism (Home)	**Model (3)** Severe criticism (Host)
Corporate influence				
ln cashflow		-0.9%	1.7%	5.1%
ln roa (return on assets)		-9.8%	5.3%	-30.1%
ln sales		**14.5%**	6.5%	7.0%
ln assets		2.7%	**7.7%**	4.6%
Social performance (DJSI)		**5.6%**	6.0%	5.2%
Environmental disclosure (Carbon footprint)		0.6%	4.2%	5.7%
Non public listed dummy		-31.7%	-45.3%	-35.3%
Topbrand dummy		**17.7%**	-2.5%	-0.3%
Country influence				
GDP growth rate per capita		1.2%	0.8%	0.3%
Unemployment		-5.1%	**-10.68%**	-0.1%
Living quality		**-1.7%**	-1.1%	**-1.0%**
Education level		-0.3%	**10.4%**	**-0.4%**
Environmental Consciousness		**4.7%**	**2.0%**	**0.7%**
Voice & Accountability		**-2.5%**	**-7.4%**	0.1%
Political Stability		**-1.1%**	-0.4%	**0.6%**
Control of Corruption		**3.2%**	**2.8%**	-0.4%

Table 8: continued next page…

Table 8: - continued

VARIABLES DV	Model (1) General criticism (Home)	Model (2) Severe criticism (Home)	Model (3) Severe criticism (Host)
Industry influence			
Close-to customer industry (B2C)	-0.15%	**-41.2%**	**-46.5%**
Aerospace/Defense	-17.5%	7.6%	2.1%
Automotive	-20.7%	31.9%	**34.9%**
Chemicals	-20.2%	0.6%	-3.9%
Construction	-34.4%	-6.0%	-17.6%
Financial Industry	**-41.0%**	--	--
Food/Beverage	2.6%	**38.5%**	**37.9%**
Insurance	**-52.6%**	**-46.9%**	**-51.7%**
Mining	--	**31.9%**	26.2%
Oil/Gas	-19.3%	15.4%	9.4%
Personal-/Household goods	-15.4%	**37.6%**	**37.5%**
Pharmaceuticals	-13.6%	23.3%	27.8%
Retail	**-37.2%**	34.1%	35.4%
Tobacco	--	**37.1%**	**37.7%**
Utilities	-16.9%	-5.7%	-2.6%
Computer/Electronics	-13.0%	32.2%	31.0%
Telecom/Media	**-51.7%**	2.4%	0.8%
Travel/Leisure	**-29.5%**	19.2%	19.3%
Raw materials	-20.5%	-9.0%	-2.8%
General Industrials	**-43.6%**	-9.6%	-8.6%

significant marginal effects in ***bold***

Table 9: Model 4 – Intensity of criticism

	Model (4a)	Model (4b)
DV	Criticism escalation	
VARIABLES	Home	Host
Corporate influence		
ln cashflow	0.0375	0.167**
	(0.0529)	(0.0794)
ln roa (return on assets)	-0.709	-0.729
	(0.440)	(0.619)
ln sales	0.312***	0.0935
	(0.0745)	(0.108)
ln assets	0.0552	0.0433
	(0.0710)	(0.108)
Social performance (DJSI)	0.0994	0.0112
	(0.0743)	(0.0987)
Environmental disclosure (Carbon footprint)	0.129	0.155
	(0.0849)	(0.112)
Non public listed dummy	-1.317	-1.182
	(1.156)	(1.690)
Topbrand dummy	0.338***	-0.0104
	(0.0821)	(0.114)
Country influence		
GDP growth rate per capita	0.0555*	0.0113
	(0.0295)	(0.0361)
Unemployment	-0.0123	-0.00324
	(0.00975)	(0.00953)
Living quality	-0.0222***	-0.0214**
	(0.00704)	(0.00954)
Education level	0.00578*	-0.00622
	(0.00315)	(0.00434)
Environmental Consciousness	0.0417***	0.0182
	(0.0130)	(0.0112)
Voice & Accountability	-0.00292	0.00277
	(0.00756)	(0.00693)
Political Stability	-0.0202***	0.0117**
	(0.00392)	(0.00532)
Control of Corruption	0.0165*	-0.0153*
	(0.00872)	(0.00874)

Table 9: continued next page…

Table 9: - continued

	Model (4a)	Model (4b)
DV	Criticism escalation	
VARIABLES	Home	Host
Industry influence		
Close-to customer industry (B2C)	-0.658*	-0.965
	(0.342)	(0.599)
Aerospace/Defense	-1.077**	-0.0173
	(0.510)	(0.368)
Automotive	-0.720*	0.760
	(0.372)	(0.748)
Chemicals	-1.166**	-0.214
	(0.510)	(0.384)
Construction	-1.395***	-0.603
	(0.508)	(0.407)
Financial Industry	-1.303**	--
	(0.566)	
Food/Beverage	-0.177	1.093
	(0.374)	(0.767)
Insurance	-1.963***	-1.325***
	(0.566)	(0.286)
Mining	-0.271	0.350
	(0.533)	(0.413)
Oil/Gas	-0.932*	0.00286
	(0.510)	(0.346)
Personal-/Household goods	-0.558	0.968
	(0.365)	(0.772)
Pharmaceuticals	-0.580	0.533
	(0.362)	(0.739)
Retail	-0.900**	0.903
	(0.367)	(0.804)
Tobacco	--	1.550*
		(0.841)
Utilities	-1.093**	-0.144
	(0.524)	(0.320)
Computer/Electronics	-0.594	0.664
	(0.367)	(0.759)
Telecom/Media	-1.670***	-0.302
	(0.383)	(0.635)
Travel/Leisure	-1.041***	0.122
	(0.370)	(0.789)
Raw materials	-1.036**	-0.202
	(0.505)	(0.380)
General Industrials	-1.527***	-0.233
	(0.509)	(0.357)
cut1	7.061***	3.723***
Constant	(1.559)	(1.438)
cut2	7.983***	6.939***
Constant	(1.565)	(1.491)
cut3	10.65***	
Constant	(1.619)	
Pseudo R2	12%	16%
Observations	1,419	942

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 10: Fortune Reputation rankings 2006-2010[19]

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
3M				6.96	6.87
ABB	5.50	5.65	6.62		6.18
Abbott Laboratories	6.66	6.61	6.55	6.78	6.68
ABN Amro Holding	5.56	4.97			
Accenture				7.46	7.35
ACS	5.61	5.86			
Adecco				5.2	4.98
Adidas					6.45
Adobe Systems				7.32	7.31
Aegon	5.36	5.31	5.26		
AEON	6.63	5.91			
Aetna				7.39	6.79
Aflac				6.68	6.5
Air France-KLM Group	5.62	5.22		7.15	5.6
Air Liquide	5.44				
Air Products & Chemicals				5.66	
Airgas				6.08	
Aisin Seiki	5.59	5.77	6.19	5.5	
Aker		5.35			
Akzo Nobel	5.62	4.13			
Albertson's	4.47				
Alcan	7.41	7.94	6.29		
Alcatel	5.60				
Alcoa	7.53	6.78	6.69	7.05	7.24
Allianz	5.84	5.85		6.2	5.7
All Nippon Airways	5.25	5.15			
Allstate	7.04	6.41	6.27		5.83
Alliance UniChem	5.68				
Alstom	4.87	5.19			
Altria				8.01	7.14
Amazon.com				7	7.39
American Electric Power	5.81	5.85		6.03	
American Express				6.79	7.06
American International Group	6.65	6.66	6.31		
American Standard	5.87	5.51			
Amerigroup					4.97
AmerisourceBergen	5.17				
Amgen	6.62	6.62	6.04	6.47	5.91
América Móvil					5.61
Anadarko Petroleum				5.29	6.4
Anheuser-Busch	8.00	8.17	7.97	7.5	6.88
Anglo American		5.10			
AMR	5.36	5.10			
Apple	7.31	7.45	7.4	7.07	7.95
Applied Materials	7.50		6.22	6.77	6.68
Aramark				6.62	6.6
Arcelor	6.54	6.41	7.74	6.89	6.78
Archer Daniels Midland				7.06	7.2

[19] As described on p.88/89, the Fortune reputation scores range from 0-10 with 10 as the highest reputation score, hence indicating the most admired firm.

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Areva	7.19	6.21			6.23
Arkansas Best				6.17	
Arrow Electronics				6.58	6.25
Asahi Breweries	4.79	3.46			
Asahi Kasei	4.99	3.65			
Assicurazioni Generali	4.64	4.36			
AstraZeneca	5.97	6.00		6.18	5.93
AT&T Inc	6.96	6.74	7.32	7.05	6.63
Autodesk				6.63	
Automatic Data Processing				6.77	6.69
AutoNation				6.37	
Avnet				6.97	6.55
Aviva	4.97	4.48			
Avis Budget Group				5.36	
Avon Products		5.65			
AXA	6.08	5.75	5.99	5.48	5.96
BAE Systems	5.97	6.05			
Banco Santander					6.04
Ball				6.35	
Bank of America	7.59	7.34	7.35	6.69	
Bank of New York Mellon				6.78	6.8
Baosteel Group				6.94	6.36
Barclays	5.87				
BASF	7.42	6.93	6.89	7.06	7.04
Baxter International				6.71	6.78
Bayer	6.53	5.70	6.29	5.53	6.87
BB&T Corp				5.53	5.82
Becton Dickinson				6.78	6.9
BellSouth	6.09				
Berkshire Hathaway					6.19
Berkshire Hathaway	7.90	8.28	8.07	7.78	7.12
Bertelsmann	5.88	5.98		6.79	5.83
Best Buy	7.38	7.10	7.2	6.63	6.63
BG Group			6.05	5.78	6.64
BHP Billiton		6.07	6.39	5.9	6.92
Black & Decker				5.55	5.81
BlackRock				7.21	
BMW	7.07	7.38	7.88	6.5	6.94
BNP Paribas	4.46	5.77	5.96	4.89	
Boeing	6.70	7.43	7.12	6.67	6.38
Bombardier	5.48	5.30			
Bouygues	6.40	6.21			5.8
BP	8.17	7.32	6.6	6.84	6.63
Bridgestone	5.85	5.81		5.64	5.66
Brightpoint				6.6	6.28
Brinker International				6.03	
Bristol-Myers Squibb	5.23	4.98			
British Airways	5.80	5.37	5.68		
British American Tobacco				7.71	7.18
Broadcom					6.66
BT	5.90	6.59	6.47	6.46	5.76
Bunge				7	6.55

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Burlington Northern Santa Fe				7.54	
CACI International				5.91	
C.H. Robinson Worldwide					7.14
Cameron International					6.48
Cadbury Schweppes	5.65	6.01			
Calpine		4.65			
Canon	6.88	6.84	6.56	6.05	6.12
Cardinal Health	7.42			6.24	6.36
CarMax				6.32	
Carrefour	6.91	6.82	7.09	6.35	5.65
Catalyst Health Solutions					5.92
Caterpillar	7.57	7.56	7.98	7.61	7.06
CBS	6.30	5.49			
Cathay Pacific Airways					5.68
CB Richard Ellis Group				6.21	
Centex				6.24	5.24
Charles Schwab				5.73	
Chevron	7.92	7.72	7.8	7.62	7.02
China Life Insurance	3.83				
China Mobile Communications	5.06	5.86			
China National Petroleum	5.10	5.08			
China Railway Construction		4.86			
China Railway Engineering	5.06	4.95			
China State Construction	5.04	5.10			
China Telecommunications	4.94	5.66			
Chiquita Brands International				5.41	5.59
Christian Dior					5.98
CHS				7.34	7.34
Circuit City Stores	5.46	5.85			
Cigna				5.4	
Cintas				5.5	
Cisco Systems	7.29	N/A	7.82	7.36	7.83
Citigroup	7.40	6.87	5.54		
Clear Channel Communications	5.56				
CNP Assurances	4.71	4.32			
Coca-Cola	6.09	6.09	6.9	6.84	6.98
Coca-Cola Enterprises	5.57	4.85	5.88		5.58
Cognizant Technology Solutions				6.39	5.94
Coles Group		5.93			
Coles Myer	6.70				
Colgate-Palmolive	6.62	6.36	6.81		7.15
Comcast	6.43	6.72	6.36	5.68	5.34
Community Health Systems				6.17	6.21
Compass Group					5.38
Computer Sciences					5.88
ConAgra Foods	5.71	4.86			
ConocoPhillips	6.84	6.74	6.94	6.8	
Constellation Energy	6.99	6.43			
Continental	5.47	4.76			
Continental Airlines	7.27	8.20	9.14	7.71	6.52
Convergys				5.6	
Con-way					5.87

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Corn Products International					6.58
Corning				6.41	6.34
Corus Group	5.21	5.76			
Costco Wholesale	7.01	6.97	7.71	6.92	6.67
Credit Agricole	4.55	5.12			
Credit Suisse	5.53	5.85	6.54	6.53	6.63
Cummins			6.94	6.49	6.25
CVRD			5.84		
CVS	6.73	7.35	6.83	6.79	6.67
Dai-ichi Mutual Life	4.92	5.01			
Daimler			7.57	5	4.42
DaimlerChrysler	5.94	5.85			
Daiwa House Industry	6.08				
Darden Restaurants				6.37	6.21
DaVita				6.22	6.54
Dean Foods	5.80	5.29			
Deere	7.52	7.71	8.18	7.39	6.92
Dell	6.12	6.03		5.62	6.14
Delphi	3.73	3.61			
Delta Air Lines	3.67	3.55	5.55	6.18	6.31
Denso	6.22	6.19	6.38	6.26	
Deutsche Bank	4.69	5.10		6.03	5.59
Deutsche Post (DHL)	5.20	4.84	5.5	5.41	5.17
Deutsche Telekom	5.80	5.97	5.13		
Devon Energy		7.37	7.36	7.44	7.08
Dexia Group		4.75			
Diageo	5.41	4.66		5.82	5.4
Discovery Communications					6.78
Dixons Group	5.97				
Dominion Resources				5.96	6.49
Domtar					4.91
Dow Chemical	7.32	6.12	6.43	5.64	6.11
DST Systems				6.37	
Duke Energy	7.16			5.88	
Dun & Bradstreet				6.98	6.16
DSG International		5.60	6.86		
DuPont	7.63	7.26	6.91	6.43	7.03
E.ON	6.79	5.82		6.2	7.06
EADS	5.88	5.21			
Eaton	6.78	6.77		7.01	6.34
Edison	6.81	6.44		7.92	6.96
Electronic Arts				6.71	
Electrolux	6.03				
Eli Lilly	6.54	6.73	6.49		
EMC				7.63	6.86
EMCOR Group				7.55	6.42
Emerson Electric			6.86	7.12	6.31
Enbridge Energy Partners				6.17	
EnCana		5.67	6.32	5.8	6.46
ENI	6.07	5.70			5.92
Energizer Holdings				5.23	
Enterprise GP Holdings				6.11	

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Equifax					5.8
Estée Lauder				6.97	6.15
Exelon				6.35	6.68
Expedia				6.12	
Expeditors International of Washington					6.73
Exxon Mobil	8.24	8.17	7.9	7.79	7.36
FedEx	7.88	8.41	7.9	7.56	7.26
Fiat	3.52	4.38			
Finmeccanica	5.15	5.12			
Fiserv				6.1	6.05
Flextronics International	6.50	6.82	7.11	5.19	5.69
Fluor	6.65	6.53	7.14	7.15	6.24
FMC Technologies					7.94
Ford Motor	5.09	5.21			
Fortis	5.01	5.40			
Fortune Brands				7.81	6.36
FPL Group				6.8	7.05
France Telecom	5.48	6.03	5.41	5.66	
Freeport-McMoRan Copper & Gold				5.25	
Fresenius					6.03
Franz Haniel	5.89				
Fujitsu	5.83	5.57			
Gap	6.23	5.92	6.28		
Gannett				4.1	
Gasunie	5.54				
GasTerra		5.69			
Gazprom	5.69	5.50			
GDF Suez					6.21
General Dynamics	6.66	6.70	6.88	6.3	6.38
General Electric	8.29	8.24	8.4	7.44	7.07
General Mills	7.29	6.94	7.03	6.89	6.68
General Motors	4.57	5.60	5.86	4.73	
Genuine Parts				5.87	5.52
George Weston	7.77	6.49			
Georgia-Pacific	6.03				
GlaxoSmithKline	6.58	6.68	6.33	6.48	5.94
Goldman Sachs Group				7.75	7.66
Goodyear Tire & Rubber	6.07	6.40	6.89	6.62	6.23
Google				7.73	7.7
Graybar Electric				8.08	6.45
Groupama	5.30	5.68			
Groupe Auchan	6.50	6.05			
Groupe Danone	6.65	6.87	6.63	6.8	6.26
Grupo Ferrovial					5.8
GUS	5.83	5.38			
Halliburton					7.4
Hanwha	4.48	3.35			
Hartford Financial Services	6.85	6.81	6.65		
HBOS	5.00	5.55			
HCA				5.97	6.12
Harris				6.17	
Health Management Associates				5.79	

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Heineken	5.48	4.54		5.59	
Henkel	5.03	6.03		7.12	
H.J. Heinz	6.30	5.29			
Henry Schein				6.84	6.34
Heraeus Holding			6.44		
Herman Miller				7.83	6.39
Hertz Global Holdings				5.65	
Hewitt Associates				5.87	6.29
Hewlett-Packard	7.08	6.56	7.38	7.04	7.74
Hitachi	6.16	6.33			
HNI				6.75	
Hochtief	6.48	6.48		6.62	5.78
Holcim				5.88	
Home Depot	7.72	6.64	6.66	6.08	6.29
Hon Hai Precision Industry	5.21	5.39			5.34
Honda Motor	6.33	6.41	6.8	5.99	5.32
Honeywell International	6.47	6.19	6.96	6.66	6.64
Host Hotels & Resorts				6.59	
HSBC Holdings	6.92	6.73	6.07		6.5
Humana				5.69	5.79
Huntsman		3.49			
Hyundai Motor	5.39	4.66			4.49
IAC/InterActiveCorp					6.54
IBM	7.67	7.57	7.5	7.55	7.6
Illinois Tool Works	7.83	7.93	7.31	7.11	6.35
Imperial Chemical Industries	4.64				
IMS Health					5.89
InBev		4.62	5.42	7.21	
ING Group	6.23	6.16	6.15	5.63	
Ingram Micro				6.62	6.35
Ingersoll-Rand	6.96	6.51	6.37	6.09	
Integrys Energy Group				7.94	6.53
Intel	7.88	7.12	6.98	7.57	7.96
International Paper	7.31	7.47		8.56	6.12
Intuit				7.41	6.73
Iron Mountain				6.16	6.32
Ishikawajima-Harima	4.67	5.08			
Ito-Yokado	6.44				
J. Sainsbury	6.98	6.22	7.34	5.96	5.69
J.B. Hunt Transport Services				6.38	6.25
J.C. Penney			7.3	5.81	5.6
J.P. Morgan Chase	5.99	6.28	6.79	6.53	7.13
Jack in the Box					4.97
Jacobs Engineering Group				7.55	6.32
Japan Airlines	5.38	5.16	5.32		
Japan Post	4.93	5.10		5.41	
Japan Tobacco				7.15	
JFE Holdings	6.16	6.03	6.19	6.61	6.13
Johnson & Johnson	7.64	7.53	6.95	7.31	6.67
Johnson Controls	7.03	6.87	6.5	6.39	6.26
Jones Lang LaSalle				6.27	
Juniper Networks				6.65	5.76

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Kajima	6.33	6.77	6.35		
KAO	5.26	5.36			
Kawasaki Heavy Industries	5.02	5.42			
KB Home				6.58	6.08
KDDI	5.91	6.02	5.92		
Kellogg	7.12	6.67		6.39	6.43
Kimberly-Clark	6.24	6.07	6.34	6.9	
Kindred Healthcare				6.36	6.22
Kingfisher	5.57	5.17	6.48		
Kirin Brewery	5.13	3.67			
Knight				6.35	
Kobe Steel	6.13	6.08			
Koc Holding		4.97			
Kohl's			6.27	5.33	6.06
Korea Gas					6.24
Komatsu	5.48	5.73	6.52		
Kraft Foods					6.04
Kroger	7.24	6.23	7.63		6.49
Kubota	5.50	5.85			
L'Air Liquide		5.26	5.09		6.36
L'Oreal	7.26	7.16	7.25		6.86
L-3 Communications		5.68			
L.M. Ericsson	6.93		6.93		6.37
La Poste	4.55	4.62			
Laboratory Corp. of America				5.97	
Landstar System				6.64	5.93
Lear	7.25	4.62	5.43	5.55	
Legal & General Group		4.44			
Leggett & Platt				6.8	
Levi Strauss				5.63	5.62
LG Electronics	6.39	6.14	6.41		5.79
Liberty Media	5.90				
Liberty Mutual Insurance Group	5.96	6.42	6.07	5.93	
Limited Brands	6.51	6.75		5.62	
Linde	5.36	4.53	4.74		5.97
Lockheed Martin	6.79	6.95	6.84	6.63	6.66
Lowe's	6.82	6.94	7.2	6.09	6.43
Lucent Technologies	5.42				
Lufthansa Group	5.68	5.53	5.82	6.57	6.15
Lyondell Chemical		3.69			
Macy's			6.93		
Magna International	5.96	5.15			
MAN	5.20	5.15			6.02
Manpower				6.53	6.06
Marathon Oil	5.80	6.41	6.6		
Marks & Spencer			6.9		
Marriott International				8.22	7.81
Martin Marietta Materials				6.8	
Massachusetts Mutual Life Insurance				6.21	5.94
MasterCard				6.76	6.86
Matsushita Electric Industrial	6.12	7.03			
Mazda Motor	5.51	6.03			

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
McDonald's				7.72	8.08
McGraw-Hill				5.45	
McKesson	7.21			6.63	7.28
MeadWestvaco	5.72				
Medco Health Solutions				7.68	6.57
Mediceo Holdings	5.54				
Medtronic				6.71	6.52
Meiji Yasuda Life Insurance	4.14	4.13			
Merck	5.07	5.88	6.68	6.67	
MetLife	5.94	5.37	6.26	5.99	6.47
Metro	6.66	6.51	6.76		
MGM Mirage					5.17
Michelin	6.26	6.04	5.47		6.38
Microsoft	7.51	7.03	7.16	6.37	6.54
Millea Holdings	5.25	5.50			
Mitsubishi Chemical	5.27	4.87	4.79		5.63
Mitsubishi Electric	6.29	5.63			
Mitsubishi Heavy Industries	5.32	5.41			
Mitsubishi Materials	5.73	6.10			
Mitsui Sumitomo Insurance	5.34	5.76			
Mittal Steel	6.13	6.77			
Motorola	7.41	N/A	7.16		
Morgan Stanley				6.61	5.84
Munich Re Group	5.88	6.08	6.07	6.44	5.8
Nationwide	5.59	5.66			
National Oilwell Varco					6.69
NEC	5.84	5.35			
Nestlé	8.07	7.79	8.17	8.08	7.63
NetApp				7	
New York Life	7.19	7.14	7.04	6.55	6.72
News Corp.	6.31	6.41		7.16	6.19
New York Times				6.25	
Newell Rubbermaid					5.65
Nike				8.02	8.15
Nippon Express	5.31	5.22			
Nippon Life Insurance	5.17	5.63	5.56		
Nippon Paper Group	5.80	5.82			
Nippon Steel	6.30	6.51	6.87	6.73	6.54
Nippon Telegraph & Telephone	5.98	6.56		5.89	5.48
Nissan Motor	6.07	5.31	6.12	5.17	
Nokia	7.46	N/A	7.8	6.96	6.94
Norsk Hydro	6.81	6.68			
Nordstrom				6.49	6.44
Norfolk Southern				7.59	
Nortel Networks	4.21				
Northern Trust				6.57	6.94
Northrop Grumman	6.68	6.69		6.04	6.15
Northwest Airlines	4.37	3.97			
Northwestern Mutual	7.49	6.94	7.21	6.62	6.26
Novartis	6.99	7.66	6.89	7.05	6.61
Nucor	6.25	6.46		6.54	6.16
Nvidia				6.11	

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
NVR				5.71	5.77
Obayashi	6.31	6.78	6.09		
Occidental Petroleum		7.48	7.89	8.04	7.27
Oneok				6.59	6.43
Office Depot	5.64	5.70			
OfficeMax	4.84				
Oil & Natural Gas		4.19			
Oji Paper	5.62	5.71			
Oneok		7.81			
ONEX (Celestica)	6.09	4.65			
Oracle	6.11	6.05	6.32		6.79
Otto Group	5.47	5.33			
Owens Corning				6.38	
Owens & Minor					6.4
Pactiv				7.27	
Panasonic				6.78	5.94
Parker Hannifin					6
Paychex					6.46
PDVSA		3.61			
Pemex		4.14			
Penske Automotive Group				6.59	
Pepsi Bottling Group	7.17	6.56	7.17	6.36	6.17
PepsiCo	7.86	7.62	6.5	7.47	6.88
Petrobras	5.37			6.14	6.63
Pfizer	5.75	6.00			
Philip Morris International					7.72
Phillips-Van Heusen				6.27	5.74
Plains All American Pipeline				6.24	
Plum Creek Timber				5.55	
PNC Financial Services Group				6.72	6.35
Polo Ralph Lauren				7.47	7.02
POSCO	6.41	6.04	6.48	6.72	6.37
Poste Italiane		4.04			4.56
PPG Industries	6.54			5.46	6.96
Praxair				6.06	
Procter & Gamble	8.52	8.36	8.39	7.69	7.94
Prudential Financial	7.01	7.46	7.25	6.41	6.57
Prudential PLC	5.03	4.44			
PSA Peugeot Citroen	5.40	4.84			4.39
PSS World Medical				6.49	
Public Service Enterprise Group				6.06	6.21
Publix Super Markets				6.87	6.66
Pulte Homes				6.06	6.3
Qualcomm				7.04	7.16
Quanta Computer		5.01			
Quest Diagnostics				7.13	6.02
RAG		4.43			
Raytheon	6.21	6.75	7.1	6.55	6.61
Reckitt Benckiser Group					7.13
Reliance Steel & Aluminum				6.7	6
Reliant Energy	5.71	6.03			
Renault	5.32	5.17		4.57	

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Repsol YPF	4.99	4.75			
Rexel					5.84
Reynolds American				6.86	7.01
Ricoh	5.87	5.63			
Rio Tinto		5.94	5.97	5.37	6.3
Robert Bosch	6.69	6.40	6.41	6.57	6.9
Robert Half International				6.7	6.12
Roche Group	6.36	6.97	6.3		6.19
Rolls-Royce	6.13	6.07	6.37		6.11
Royal Ahold	5.97	4.68			
Royal Bank of Scotland	5.73	6.46	6.12		
Royal Dutch Shell	7.22	7.17	7.28	7.55	7.05
Royal Mail Holdings	4.62	5.00	5.19		
Royal Philips Electronics	6.79	6.63	6.77	5.98	
RWE	6.38	5.87			6.54
Ryder System				6.3	6.14
SABIC	4.98	3.78			
SABMiller	5.02	3.95			6.26
Safeway	7.89	7.56	7.55	6.87	6.39
SAIC				5.94	6
ScanSource				6.14	
Samsung Electronics	6.88	6.79	6.48		6.74
Sanmina-SCI	4.44	4.32			
Sanofi-Aventis	5.68	6.07			
Sanyo Electric	5.60	4.94			
SAP	6.63	6.86			
Sara Lee	5.83	5.40			
SCA					5.61
Schering-Plough	4.62	5.53			
Schlumberger					7.91
Schneider Electric					5.75
Seaboard				5.24	
Seagate Technology				6.63	5.89
Sealed Air				6.67	
Sempra Energy				6.4	6.45
Seiko Epson	5.95	5.42			
Sekisui House	6.06				
Seven & I Holdings		5.79			
Shanghai Baosteel Group	5.68	5.25			
Sharp	6.39	6.21			
Shimizu	6.51	6.86	6.52	6.47	
Siemens	7.32	7.19	6.98	6.4	6.12
Simon Property Group				6.59	
Singapore Airlines	6.45	5.82	6.51	6.85	6.68
Sinopec	5.23	5.03			
SK	4.73				
Skanska	6.71	7.19	6.45	7.08	5.87
Societe Generale		5.66			
Sodexo					5.85
Solectron	5.03	4.16			
Solvay	4.95	4.43	4.42		
Sonoco Products				6.26	

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Sony	6.53	6.49	7.01	6.3	6.29
Southern Co.					6.55
Southwest Airlines				6.89	6.26
Spectra Energy				6.61	
Sprint Nextel	6.72	5.79			
St. Paul Travelers	5.79	6.52			
St. Jude Medical				6.85	6.54
Stanley Works				5.59	5.87
Staples	6.45	6.62	7.11	5.93	6.22
State Farm Insurance	6.10	6.06			
Starbucks				6.88	6.75
Starwood Hotels & Resorts				6.15	6.68
State Farm Insurance				5.95	5.59
State Street				6.23	6.29
Statoil	6.31	6.50	6.72	6.42	6.59
Steelcase				7.13	5.76
STMicroelectronics					5.72
Stora Enso	6.65	6.44		5.67	
Stryker				6.47	
Suez	6.69	5.78		5.92	
Sumitomo Chemical	5.36	3.92			
Sumitomo Electric Industries		5.38			
Sumitomo Life Insurance	4.45	4.28	5.01		
Sumitomo Metal Industries	5.98	5.91			
Sun Microsystems	5.95	6.24	6.71	5.92	
Suntory	4.53	3.51			
Suzuken	5.57				
Surgutneftegas		4.31			
Suzuki Motor	4.70	4.57			
Svenska Cellulosa	4.28	4.14			
Swiss Reinsurance	6.02	6.37	6.18	6.21	6.18
Symantec					6.71
Sysco				7.98	7.77
Taiwan Semiconductor Manufacturing					6.83
Taisei	6.02	6.44	6.06		
Takenaka	6.73	7.25	6.66	6.62	
Target	N.A.	N/A	7.69	6.9	6.92
Tech Data					6.27
Technip					6.41
Telecom Italia	5.72	5.53			
Telefonica	6.40	6.40		6.04	6.47
Temple-Inland				6.57	
Tesco	8.39	7.72	8.02	7.11	6.61
Texas Instruments	7.95	8.21	7.26	7.16	7.3
Textron	6.64	6.55	7.29	6.15	
Thales Group	5.59	5.41			
Thermo Fisher Scientific					6.43
Thomson Reuters				6.56	6.54
Thyssen Krupp	5.31	5.35	6.76	6.69	6.57
TIAA-CREF				5.47	5.77
Time Warner	6.50	5.71		7.24	6.45
TJX	5.49	5.39			5.67

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
TNT	5.97	5.39	5.62	5.87	5.96
Tokyu	4.43	4.98			
Toll Brothers				6.53	6.77
Toshiba	6.22	6.11	6.3	5.94	
Total	6.89	6.70	6.77	6.7	6.72
Total System Services			6.7	5.59	5.64
Toyota Industries	7.28	7.06		6.84	6.65
Toyota Motor	7.51	7.18	7.86	6.25	5.2
Toys R' Us		4.32			
Trane			6.77		
TransCanada				6.64	
Travelers			6.63	6.49	6.04
TRW Automotive Holdings	5.42				
Tupperware Brands				6.85	6.36
TXU	6.97	6.86			
Tyco International	5.45	5.44			
U.S. Bancorp				6.51	6.82
U.S. Postal Service	4.63	4.47			
UAL	3.37	3.81			
UBS	5.73	7.06	5.99		
Unified Grocers				5.69	5.81
Unilever	6.63	6.46	6.1	6.55	6.52
United Health Group				6.39	6.77
Union Pacific				7.97	
United Natural Foods				5.98	6.12
United Parcel Service	8.38	8.17	8.42	7.39	8.2
United States Steel	5.10	5.16			
United Technologies	7.18	7.39	7.27	7.3	7.32
UPM-Kymmene	6.66	6.35		5.56	4.39
US Oncology Holdings				6.08	6.15
Universal					6.68
USG				6.35	
UST				6.86	
Vale					6.31
Valero Energy	6.40	6.68			
Verizon Communications	6.63	6.84	7.04	6.87	6.67
Verso Paper					4.86
VF				7.09	7.72
Viacom		5.41		6.86	6.44
Vinci	6.44	6.82	6.35	6.64	5.89
Visa				6.98	7.21
Visteon	4.42	3.31			
Vivendi Universal	5.25	5.74			
Vodafone	6.47	6.42	6.38	6.48	6.63
Volkswagen	5.17	5.09	6.75	5.22	4.74
Volt Information Sciences				6.04	4.69
Volvo	5.85	6.27	6.24		
Vornado Realty Trust				6.29	
Vulcan Materials				6.23	
W.W. Grainger				7.17	7.55
Wal-Mart Stores	N.A.	N/A	6.54	7.29	7.14
Walgreen	8.42	7.38	6.81	6.36	5.97

Fortune ranked company	*2006*	*2007*	*2008*	*2009*	*2010*
Walt Disney	8.38	8.70		8.53	8
Warnaco Group					5.8
Washington Post				7.34	
Wells Fargo	7.29			6.38	6.14
WellPoint				6.68	6.44
Werner Enterprises					5.82
Western Digital					5.67
Western Union				5.32	
Weyerhaeuser	6.90	6.75		5.76	5.1
Whirlpool				6.01	
Williams	5.55	7.13		6.87	
Wilmar International					6.46
Woolworths		4.84			
Wyeth	5.85	6.43			
Wyndham Worldwide				7.08	6.87
Wynn Resorts				6.49	6.02
Xcel Energy				6.05	
Xerox		7.03	6.92	7.28	6.51
Yahoo!					6.45
Yum! Brands				6.63	7
ZF Friedrichshafen					5.91
Zurich Financial Services	5.75	6.08			6.64

Source: http://money.cnn.com/magazines/fortune/mostadmired/2010/

REFERENCES

Alvesson, M. 1990. Organization: From substance to image. *Organizational Studies*, 11(3): 373-394.

Argenti, P.A. 2004. Collaborating with activists: How Starbucks works with NGOs. *California Management Review*, 47: 91-114.

Barnett, M.L., & Hoffmann, A.E. 2008. Beyond corporate reputation: Managing reputational interdependence. *Corporate Reputation Review*, 11(1): 1-9.

Baron, D.P. 2003. Private Politics. *Journal of Economics and Management Strategy*, 12: 31–66.

Baron, D.P., & Diermeier, D. 2007. Strategic activism and nonmarket strategy. *Journal of Economics and Management Strategy*, 16: 599–634.

Beck, U. 2000. *What is globalization?* Cambridge, UK: Polity Press.

Beck, T., & Levine, R. 2005. Legal institutions and financial development. In C. Menard & M. Shirley (Eds.). *Handbook of New Institutional Economics*, Springer: 251-278.

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.

Bonardi, J.P., & Keim, G. 2005. Corporate political strategies for widely salient issues. *Academy of Management Review*, 30(3): 555-576.

Bonardi, J.P., & Holburn, G.L.F., & Vanden Bergh, R.G. 2006. Nonmarket strategy performance: Evidence from U.S. Electric Utilities. *Academy of Management Journal*, 49(6): 1209-1228.

Bunn, I.D. 2003-2004. Global advocacy for corporate accountability: Transatlantic perspectives from the NGO community. *American University International Law Review*, 19: 1265-1306.

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

Clemens, E.S., & Cook, J.M. 1999. Politics and institutionalism: Explaining durability and change. *Annual Review of Sociology*, 25(1): 441-466.

Cole, M.A. 2000. Air pollution and 'dirty industries': How and why does the composition of manufacturing output change with economic development? *Environmental and Resource Economics*, 17(1): 109-123.

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.

Davis, G.F., & Thompson, T.A. 1994. A social movement perspective on corporate control. *Administrative Science Quarterly,* 39(1): 141-174.

Daykin, A.R., & Moffatt, P.G. 2002. Analyzing ordered responses: A review of the ordered probit model. *Understanding Statistics*. *I(3): 157-166.*

De Bakker, F.G.A., & den Hond, F. 2008. Introducing the politics of stakeholder influence – a review essay. *Business & Society*, 47(1): 8-20.

Della Porta, D., & Tarrow, S. 2005. Transnational processes and social activism: An introduction. In D. Della Porta & S. Tarrow (Eds.). *Transnational Protest & Global Activism. People, Passions, and Power* (Chapter 1). Oxford, UK. Rowman & Littlefield.

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.

Diermeier, D., & van Mieghem, J.A. 2005. A stochastic model of consumer boycotts. Working Paper, Kellogg School of Management, Northwestern University, August 2005.

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.

Drope, J.M., & Hansen, W.L. 2006. Does firm size matter? Analyzing business lobbying in the United States. *Business & Politics*, 8(2): Article 4.

Eesley, C., & Lenox, M.J. 2006. Firm response to secondary stakeholder action. *Strategic Management Journal*, 27: 765–781.

Epstein, M., & Schnietz, K. 2002. Measuring the cost of environmental and labor protests to globalization: An event study of the failed 1999 Seattle WTO talks. *The International Trade Journal*, 16(2): 129–160.

Ettenson, R., & Klein, J. G. 2005. The fallout from French nuclear testing in the South Pacific: A longitudinal study of consumer boycotts. *International Marketing Review*, 22(2): 199-224.

Fabozzi, F.J., Ma, K.C., & Oliphant, B.J: 2008. Sin stock returns. *Journal of Portfolio Management*, 35(1): 82-94.

Fama, E., Fisher, L., Jensen, M., & Roll, R. 1969. The adjustment of stock price to new information. *International Economic Review*, 10: 1-21

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. 1996. A positive approach to organized consumer action: the 'buycott' as an alternative to the boycott. *Journal of Consumer Research*, 19: 439-51.

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

Friese, S. 2000. Consumer boycott: Effecting change through the marketplace and the media. Book Review. *Journal of Consumer Policy*, 23(4): 493-497.

Gallup, J.L., Sachs, J., & Mellinger, A.D. 1999. Geography and economic development. International Regional Science Review, 22(2): 179-232.

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

Graves, S.B., Rehbein, K., & Waddock, S. 2001. Fad and fashion in shareholder activism: The landscape of shareholder resolutions, 1988-1998. *Business and Society Review*, 106(4): 293-314.

Greene, W.H. 1993. *Econometric Analysis*: 2nd edition. New York, NY: Macmillan.

Halme, M., & Huse, M. 1997. The influence of corporate governance, industry and country factors on environmental reporting. *Scandinavian Journal of Management*, 13(2): 137-157.

Hausman, J.A., Lo, A.W., & MacKinlay, A.C. 1992. An ordered probit analysis of transaction stock prices. *Journal of Financial Economics*, 31(3): 319-379.

Hendry, 2006. Taking aim at business: What factors lead environmental non-governmental organizations to target particular firms? *Business & Society*, 45: 47-86.

Hosmer, D., & Lemeshow, S. 2000. *Applied Logistic Regression* (Second Edition). New York, NY: John Wiley & Sons, Inc.

Hunter, M.L., Le Menestrel, M., & De Bettignies, H.C. 2008. Beyond control: Crisis strategies and stakeholder media in the Danone boycott of 2001. *Corporate Reputation Review*, 11(4): 335–350.

Huther, J., & Shah, A. 2000. Anti-corruption policies and programs: A framework for evaluation. *World Bank, Policy Research Working Paper*, 2501.

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

Jones, M.T. 1999. The institutional determinants of social responsibility. *Journal of Business Ethics*, 20(2): 163-179.

Kaufmann, D., Kraay, A., & Mastruzzi, M. 2010. The worldwide governance indicators: Methodology and analytical issues. *Draft Policy Research Working Paper*, Brooking Institution and World Bank, September 2010.

Kaul, I., Conceicao, P., Le Goulven, K., & Mendoza, R. U. (Eds.) 2003: Providing public goods. Managing globalization. New York, NY: Oxford University Press.

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

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., & Pearce, N.A. 2010. The contentiousness of markets: Politics, social movements, and institutional change in markets. *Annual Review of Sociology*, 36: 249-267.

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.

Kumar, R., Lamb, W.B., & Wokutch, R.E. 2002. The end of South African sanctions, institutional ownership, and the stock price performance of boycotted firms. *Business & Society*, 41: 133-165.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. 1998. Law finance. Journal of Political Economy, 106: 1113-1155.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. 2000. Investor protection and corporate governance. Journal of Financial Economic, 58: 3-27.

Lamin, A., & Zaheer, S. 2011. Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders. *Organization Science*, in press.

Laufer, W.S. 2003. Social accountability and corporate greenwashing. Journal of Business Ethics, 43: 253-261.

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.

Levy, D., & Scully, M. 2007. The institutional entrepreneur as modern price: The strategic face of power in contested fields. Organization Studies, 28(7): 1-22.

Lipsey, R.E. 2004. Home- and host-country effects of foreign direct investments. In R.E. Baldwin & L.A. Winters (Eds.). Challenges to Globalization: Analyzing the Economics: (Chapter 9). Chicago, MI: Chicago University Press.

Liao, T.F. 1994. *Interpreting Probability Models: Logit, Probit, and Other Generalized Linear Models*. Thousand Oaks, CA.

Luo, J., Meier, S., & Oberholzer-Gee, F. 2010. What's news? CSR and corporate reputation management. Working Paper, May 2010.

Lyon, T.P., & Maxwell, J.W. 2008. Corporate social responsibility and the environment: A theoretical perspective. *Review of Environmental Economics and Policy*, 2(2): 240–260

Marlow, J. 1973. *Captain Boycott and the Irish*. Landon, UK: Harper Collins.

Matten, D., & Moon, J. 2008. "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(2): 404-424.

Maxwell, J.W., Lyon, T.P., & Hackett, S.C. 2000. Self-regulation and social welfare: The political economy of corporate environmentalism. *Journal of Law and Economics*, 43(2): 583–618.

McAdam, D., Tarrow, S., Tilly, C. 1996. To map contentious politics. *Mobilization*, 1:17–34

McWilliams, A., & Siegel, D. 1997. Event studies in management research: Theoretical and empirical issues. *Academy of Management Journal*, 40(3): 626-657.

McWilliams, J.E. 2009. The green monster: Could Frankenfoods be good for the environment? *Slate.com*, retrieved July 27, 2011 from http://www.slate.com/id/2209168/

Meek, G.K., Roberts, C.B., & Gray, S.J. 1995. Factors influencing voluntary annual report disclosure by U.S., U.K. and continental European multinational corporations. *Journal of International Business Studies*, 26: 555-572.

Meznar, M.B., & Nigh, D. 1995. Buffer or bridge? Environmental and organizational determinants of public affairs activities in American firms. *Academy of Management Journal*, 38(4): 975-996.

Minor, D.B., 2010. Corporate Social Responsibility as reputation insurance: Theory and evidence. *Working Paper, Haas School of Business*, UC Berkeley, April 2010.

Miranda, A., & Rabe-Hesketz, S. 2006. Maximum likelihood estimation of endogenous switching and sample selection models for binary, ordinal, and count variables. Stata Journal, 6: 285-308.

Mitchell, R.K., Agle, B.R., & Wood, D.J. 1997. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4): 853–886.

North, D.C. 1990. *Institutions, institutional change, and economic performance*. Cambridge, UK: Cambridge University Press.

North, D.C. 1994. Economic performance through time. *American Economic Review*, 84: 359–68.

O'Brien, R.M. 2007. A caution regarding rules of thumb for variance inflation factors. *Quality and Quantity*, 41(5): 673-690.

Oliver, P.E., & Myers, D.J. 1999. How events enter the public sphere: conflict, location, and sponsorship in local newspaper coverage of public events. *American Journal of Sociology*, 105:38–87.

Pfeffer, J., & Salancik, G. 1978. Th*e external control of organizations: A resource dependence perspective*. New York, NY: Harper & Row.

Philippe D., & Durand, R. 2011. The impact of norm-conforming behaviors on firm reputation. *Strategic Management Journal*, forthcoming.

Polanyi, K. 2008. The great transformation. In N.W. Biggart, & K. Polanyi (Eds.) *Readings in Economic Sociology*, Oxford, UK: Blackwell Publishers Ltd.: Chapter 4: 38-64

Price, R. 2003. Transnational civil society and advocacy in world politics. *World Politics,* 55(4): 579-606.

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.

Rawls, J. 1993. *Political Liberalism.* New York, NY: Columbia University Press.

Rehbein, K., Waddock, S., & Graves, S.B. 2004. Understanding shareholder activism: Which corporations are targeted. Business & Society, 43(3): 239-267.

Root, F.R., & Ahmed, A.A. 1978. The influence of policy instruments on manufacturing direct foreign investment in developing countries. *Journal of International Business Studies*, 9(3): 81-93.

Sachs, J. 1985. External debt and macroeconomic performance in Latin America and East Asia. *Brooking Papers on Economic Activity*, 1985(2): 523-573.

Sachs, J. 2003. Institutions don't rule: Direct effects of geography on per capita income. *NBER Working Paper Series, #9490*, Columbia University.

Sasser, E.N., Prakash, A., Cashore, B., & Graeme, A. 2006. Direct targeting as an NGO political strategy: Examining private authority regimes in the forestry sector. *Business and Politics*, 8(3): Article 1.

Scarpetta, S., Hemmings, P., Tressel, T., & Woo, J. 2002. The role of policy and institutions for productivity and firm dynamics: Evidence from micro and industry data. *OEDC Working Paper Economics Department,* 2002: *1-52*

Schneider, F., & Frey, B.S. 1985. Economic and political determinants of foreign direct investment. *World Development*, 13(2): 161-175.

Stigler, G.J. 1992. Law or economics? *Journal of Law and Economics*, 35(2): 455-468.

Teegen, H., Doh, J.P., & Vachani, S. 2004. The Importance of Nongovernmental Organizations (NGO) in Global Governance and Value Creation: An International Business Research Agenda. *Journal of International Business Studies*, 35: 463-483.

Teoh, S.H., Welch, I., & Wazzan, C.P. 1999. The effect of socially activist investment policies on the financial markets: Evidence from the South African boycott. *Journal of Business*, 72: 35–89.

The Economist, 2008. Just good business. A survey of corporate social responsibility. Jan 17, 2008.

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.

Verbeck, M. 2008. *A Guide to Modern Econometrics.* West Sussex, England: John Wiley & Sons, Ltd. 3rd edition.

Verrecchia, R.E. 2001. Essays on disclosure. *Journal of Accounting and Economics*, 32: 97-180.

Weber, J., & Marley, K.A. 2009. In search of stakeholder salience: Exploring corporate social and sustainability reports. Business & Society, published online first March 11, 2010: 1-23.

Yaziji, M. 2004-5. Toward a theory of social risk: Antecedents of normative delegitimation. *International Studies of Management & Organization*, 34(4): 87–107.

Yaziji, M. 2004. Turning gadflies into allies. *Harvard Business Review*, Feb 2004: 110-115.

Yaziji, M., & Doh, J. 2009. NGOs and corporations: Conflict and collaboration. Cambridge, UK: Cambridge University Press.

PART II:
THE PHENOMENON OF REPUTATIONAL DAMAGE
WHAT IS IT? WHAT DOES IT CAUSE?

"Reputation… oft got without merit, and lost without deserving it"
(William Shakespeare - Othello: II, 3)

ABSTRACT

Reputation is a phenomenon that has always enjoyed high attention in the management literature. Numerous concepts and empirical studies have been suggested that deal with the construction and benefits of reputation as well as the financial consequences of negative reputation. Studies that examine the causes of reputational damage are, however, few and miss providing clear theoretical reasons why a reputation might be destructed. Studying the causes of reputation damage is the purpose of this paper, with a twofold agenda: First, building on institutional theory, I conceptualize how preceding illegitimate corporate behaviors can drive the destruction of corporate reputation. To capture the reputational impact of such a so-called norm-deviating behavior empirically, I deduce hypotheses which I test in a highly normative context, Corporate Social Responsibility (CSR). Building on a new global dataset of over 8,600 CSR-related norm breaches reported from more than 1,000 sources directed against 451 firms belonging to the Fortune reputation ranking over the 2006–2009 period, I find strong support for framed and new critique from influential sources as the main causes of reputational damages.

INTRODUCTION

Already 400 years ago reputation was inspiring great poets and playwrights such as William Shakespeare: In his play, Othello, the latter bewails that reputation is "oft got without merit, and lost without deserving" (Othello: II, 3: 260). Transferred to the firm level, Othello's exclamation reveals two important questions: How is reputation merited/built, and how can it be lost or, less dramatically, damaged?

Concepts of corporate reputation focus widely on Shakespeare's *merit* part, and describe how reputation is built, and what various kinds of benefits a positive reputation can entail (see Barnett et al., 2006). Thereby, reputation is generally conceived as the "result of substantive and symbolic" (Mahon, 2002: 419) corporate and environmental actions and reactions over time, in which "firms send signals to [environmental] observers and observers use these signals to form impressions of these firms" (Basdeo et al., 2006: 1205).

Once built, reputation is then described alternatively as individual corporate asset, status, esteem or quality (Deephouse & Carter, 2005; Fombrun, 1996) that is essential for firms' competitive performance (Barney, 1991; Roberts & Dowling, 2002). Various empirical studies i) test the (positive) effects of reputation on firms' financial performance (e.g., Shrivastava et al., 1997; Deephouse, 1997; Roberts & Dowling, 1997; Jones et al., 2000); or ii) examine, vice versa, the financial or social performance on corporate reputation (e.g., Fombrun, 1990; Hammond & Slocum, 1996; Brammer & Millington, 2005; Love & Kraatz, 2009).

The results of both research streams are, like the causal direction between reputation and financial/social performance, ambivalent and inconclusive (De la Fuente-Sabate & de Quevedo-Puente, 2003): Sometimes, reputation creates financial value, sometimes it does not; sometimes financial/social performance creates reputation, sometimes it destroys it. However, even though the *destruction* process of corporate reputation is somehow present (or implicitly assumed) in empirical and conceptual works on corporate reputation, it has not yet been placed in the research focus.

Therefore, the *purpose* of this paper is to shed light (conceptually and empirically) on the phenomenon of reputation damage. More precisely, I seek to investigate: what are the causes of reputational damages? To answer this question, I begin with a review of the literature on reputation, showing that a lot of empirical work has been done, although it does not really study reputation loss, and (more importantly) does not really provide clear theoretical reasons why a reputation might be damaged.

I then elaborate an explanation grounded in institutional theory that illustrates how corporate reputation can be damaged if a firm has behaved in illegitimate ways: I particularly posit that a corporation, if it *deviates* from established, i.e. institutionalized norms (e.g. employing children, bribing politicians, polluting water and air), will risk its license to operate (legitimacy) if influential firm stakeholders – so-called norm guards – consider this behavior as illegitimate; in this case, such *breach* of norm might then turn into reputational damages due to the intertwined relationship between legitimacy and reputation on which I will elaborate.

From the theoretical elaboration, I deduce five variables that I hypothesize driving reputational damages due to illegitimate conduct: the amount, severity, and newness of the reported norm breach as well as the general credibility of the reporting source, and the impact of particularly influential norm guards, Non-Governmental Organizations (NGOs).

To test the reputational impact of these content- and reporter-related criticism, I submit the hypotheses to empirical analysis which I conduct in a highly institutionalized context of high normativity: norm breaches in the field of Corporate Social Responsibility (CSR): I built a unique dataset of 8,600 CSR-related critique observations, i.e. of social, environmental, and economic issues (norm breaches), raised against 461 (highly admired) corporations between 2006 and 2009. With 2SLS estimations I empirically assess the *likelihood* of reputational damage due to a firm's critique exposure.

Results of these so-called heckprobit estimations indicate that the reporting of framed and/or new critique from influential media sources and NGOs (acting as norm guards) increase the likelihood for firms to encounter reputational damage after a breach of norm far more than rather objective critique factors such as the amount or severity of reported norm breaches. These findings reveal interesting *implications* for theory and practice: On the theoretical level, the social construction hypothesis in activism/critique reporting – generally articulated in social movement and stakeholder theory – is supported in that reputational loss is driven rather by framed critique (through NGOs) than objective reasons for critique (i.e. high amounts of criticism; numerous severe allegation). Hence, on the managerial level, the results imply that any breach of norm reported can entail severe reputational consequences for the firm if the raised critique has been effectively socially framed.

REVIEW OF THE LITERATURE ON CORPORATE REPUTATION

Studying works taken from the literature on economics and sociology, I suggest two theoretical streams that explain how corporate reputation is built. I consider the first explanation to be found in works that contribute to economics literature, especially with regard to game theory (see Kreps & Wilson, 1982; Milgrom & Roberts, 1982). Thereby, reputation is considered as a necessary product to overcome imperfect information and uncertainty among players. Reputation is "built on a record of actions" (Baron & Diermeier, 2007: 621), whereby reputation gains are achieved through repeated *consistent* behavior proved over time.

Barro (1986) and Rubinstein (1985) model such reputation building processes among monetary politicians. They indicate that only politicians' *reliable* behavior over time creates credibility and reputation for the central bank which thereby achieves monetary stability and uncertainty reduction. Thus, it depends on the actor her/himself to decide whether to invest in reputation or not. Fudenberg and Levine (1992) suggest that, if games are repetitive, a rational actor "invests in his reputation by playing the strategy even when doing so incurs short-run costs, provided the costs are outweighed by the long-run benefit of influencing his opponents' play" (p. 561).

Transferred to the corporate context, striving for good reputation on imperfect markets is essential for becoming a credible actor and, hence, able to generate economic rents. Companies send out activities, achievements, and prospects that firms' constituents, if aware of them (e.g. Barnett et al., 2006), accumulate into "collective judgments that crystallize into reputational orderings of firms in organizational fields" (Fombrun & Shanley, 1990: 234; DiMaggio & Powell, 1983). Corporate reputation is successfully built if firms manage to repetitively send *positive* signals that are consistent with existing laws, contracts or implicit albeit prevailing social norms and values (Vickers, 1986; see also Kreps & Wilson, 1982). Social values and norms are conceived as "powerful [social] standards of behavior that are rooted in widely shared [society's] beliefs about how [corporate] actors should [responsibly] behave" (Philippe & Durand, 2011: 02). They will be central in this paper for conceptualizing reputational damages.

The second theoretical stream that I deem explains how reputation is constructed is rooted in contributions to *sociology* literature. Here, it is argued that the economic models of reputation overlook how reputation is the "product of social construction and validation" (Rao, 1994: 31) by the firm's environment. Hence, corporation reputation is viewed as being socially constructed by the actors surrounding the firm (Whetten & Mackey, 2002; Thomas, 2007). It is "formed by the beliefs that people hold about an organization" (Sims, 2009: 454) by aligning the firm's value conception with their own. "Outside observers scrutinize" firms' behaviors (Philippe & Durand, 2011: 06), "interpret this posture, and finally communicate with one another in a search for meaning of these actions" (Mahon, 2002: 419-420; see also Basdeo et al., 2006; Rindova et al., 2006).

Such assessment can be based on observers' direct experiences, memories, and perceptions of the firm (Winn et al., 2008) or on "social comparison processes" (King & Whetten, 2008: 193), using the available information issued by the corporations or uncovered by the influential intermediary actors media[20] and non-governmental organizations (NGOs)[21] (Fombrun & Shanley, 1990). Good reputation is built if the firm's behavior is positively and consistently *framed* and interpreted over time (Rao, 1994; King & Whetten, 2008). Hence, it is less the corporate action and more the environmental interpretation of that action that counts.

Whether corporate reputation is finally constructed by the firms or their environment, it still has manifold facets (Deephouse & Carter, 2005): It has been described as a firm's standing, esteem, and status (Shrum & Wuthnow, 1988; Ruef & Scott, 1998; Dollinger et al., 1997; Fombrun, 1996; Heugens, 2004), as quality (Podolny, 1993) or goodwill (Shenkar & Yuchtman-Yaar, 1997), as intangible asset or resource (Fombrun, 2001; Drobis, 2000; Miles & Covin, 2000) – always in relation to its peers (Love & Kraatz, 2009).

[20] "The main means of mass communication (television, radio, and newspapers) regarded collectively" (Oxford Dictionary).

[21] "[A]any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-orientated and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concern to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health" (United Nations, 1998: Paragraph 1).

Hence, central to reputation in all definitions "is a *comparison* of organizations to determine such relative standing, or esteem. For any two organizations, they will either have the same reputation, or more likely, one will have a better reputation than the other" (Deephouse and Carter, 2005: 331). That is why a good reputation is perceived as an essential and distinctive firm competitive advantage (Barney, 1991; Roberts & Dowling, 2002).

Previous empirical studies

Numerous studies have been conducted that examine *empirically* such role of reputation in the creation (and loss) of such competitive advantage of firms. Reputation is then assessed either as a *predictor (X)* or a *outcome (Y)* of firms' financial (or social) (dis)advantages. Because I am interested in the *output* of corporate reputation, or more precisely in the causes of reputational *damages*, the following review includes only those studies that treat reputation as explained, hence as a dependent variable. For the sake of clarity, the studies are classified into works that analyze the impact of corporate (internal) and market (external) factors causing reputational changes.

Fombrun and Shanley (1990) studied the Fortune reputation ranking of 269 US companies in 1985 to assess which corporate activities affect firms' reputation. They provide evidence that particularly diversification, risk attitude, advertising, communications and PR, CSR approach, as well as dividend policy, and accounting profitability significantly influence firms' reputation score. Hence, "market and accounting signals indicating performance, institutional signals indicating conformity to social norms, and strategy signals indicating strategic postures" (p. 233) sent out by the firm seem to influence the public in its reputation building.

Riahi-Belkaoui and Pavlik (1991), in a study on 114 large US firms, examined financial effects (asset management and performance) on firms' reputation. Their results indicate that in particular asset size, turnover, and profit margins positively affect firms' reputation. Like Fombrun and Shanley, they concluded that firms' audiences participate in reputation building, by interpreting the performance signals that the firms are emitting. Hammond and Slocum (1996) presented a further study with financial measures as explanatory variables for reputation building of 149 US firms in 1981 and 1986. They found that both return on sales and share price can improve the firm reputation "by lowering financial risk and controlling cost" (p. 159).

Brammer and Millington (2005) studied the reputational impact of corporate philanthropic spending. In their study of Britain's most admired firms of 2002, they find a positive relationship, implying that companies with higher levels of corporate philanthropic spending realize higher reputations. Williams et al. (2005), in a study of 178 Fortune-500 firms from 1997 to 2000, examined the effects of corporate *strategy* on reputation. They particularly examined to what extent corporate diversification influenced the reputation scores. The results suggest that diversified firms achieve lower reputation scores than single business firms. These findings indicate that diversification may signal discontinuous corporate behavior. Delgado et al. (2010), in a study of 59 Spanish corporations between 2000 and 2007, analyzed the reputational effect of *ownership*. They provide evidence that "ownership concentration in the hands of the largest shareholder" (p. 540) is perceived to erode firms' reputation, "whereas contestability of the main shareholder's power" is seen to enhance it (ibid).

Other scholars examined to what extent corporate *deviating behavior* affects their reputation: Zyglidopoulos (2004) studied whether firms' downsizing decisions affect a firm's reputation. He studies downsizing announcements of America's most admired companies between 1988 and 1991, and found that downsizing negatively impacts the firms' reputations. Also Love and Kraatz (2009) investigated downsizing decisions, namely of America's 100 largest corporations from 1985 to 1994. They confirmed negative reputational effects for firms that they deemed to have lacked general trustworthiness and reliability. Philippe and Durand (2011) examine the reputational impact of non-economic corporate environmental disclosure policies of 90 highly admired US corporations from 2001 to 2004. Their findings suggest that companies derived "reputational rewards depending on whether they conform to the goal or procedure dimension of the environmental transparency norm" (2011: 01). That implied that if companies signaled compliance with environmental expectations, they could enhance their reputation.

The second group of empirical studies on reputation gain or loss takes external, hence market, events or 'shocks' (Diermeier & Trepanier, 2009) as predictors of firms' reputational performance. Zyglidopoulos (2001) studied 109 accidents associable with the Fortune 1,000 companies over the period 1989–1995. He found that environmental damage significantly affects reputation in terms of social performance while social "damage to human life, surprisingly, does not" (p. 416).

Brammer and Pavelin (2006) applied external CSR-ratings of Britain's 210 most admired companies of 2002 to study the reputational effects of environmentally and socially surveyed firm performance. The results indicate that "a strong record of environmental performance may enhance or damage reputation depending on whether the firm's activities 'fit' with environmental concerns in the eyes of stakeholders" (p. 451). Further, their measure of social performance, the firm's community involvement, contributes to the building of reputation.

In an experimental research design, Dean (2004) analyzed *consumer* reactions to negative firm publicity. To investigate the impact of corporate crises on corporate reputation, he created crises scenarios and hypothetical firm reactions. His results remained, however, inconclusive: "[A]n inappropriate response by a bad company resulted in an increase in regard [reputation] toward the firm, whereas the same response by a good company resulted in a decrease in regard of the firm" (Dean, 2004: 192).

Basdeo and colleagues (2006) studied to what extent *competitors'* actions affect corporate reputation. In a seven-year study on America's most admired companies, they provided evidence that a firm's reputation is also influenced by the market actions of the firm's competitors. Table 2 (p.100/101) summarizes the outlined studies with reputation as outcome variable.

Following this review, one can infer that the building of reputation – which we defined as "a social comparison among organizations on a variety of attributes" (King & Whetten, 2008: 199), such as relative corporate esteem, status, or standing, etc. – closely depends on the firm's consistent, hence *legitimate* behavior:

CORPORATE REPUTATION AND LEGITIMACY

Organizational legitimacy is conceived as the "social control or acceptance resulting from [the firm's] adherence to [established] regulative, normative or cognitive norms and expectations" (Deephouse & Carter, 2005: 332, see also Bitekine, 2011; Ruef & Scott, 1998; Shenkar & Yuchtman-Yaar, 1997). Hence, companies receive legitimacy when they *conform* to such social prevailing standards "associated with a particular population [stakeholder group]" (King & Whetten, 2008: 192; see also Deephouse &

Carter, 2005). Such social legitimation[22] means not only the normative justification of organizations but also the cognitive validation of an entity [firm] as desirable, proper, and appropriate in a widely shared system of beliefs and norms” (Rao, 1994: 30-31, referring to Berger & Luckmann, 1966).

Thus, those companies that *comply* with socially institutionalized (established) norms and values are assumed to achieve *legitimacy*. However, only those firms that manage to *maintain* their legitimacy over time enhance their *reputation* (see King & Whetten, 2008): Each legitimate corporate behavior is likely to contribute to the building of (high) reputation whereas each illegitimate activity is likely to deteriorate the firm’s reputation. So, the relationship between corporate legitimacy and reputation is interdependent because both “arise from common social comparison processes, whereby stakeholders use institutionalized standards to assess and compare organizations [companies]” (King & Whetten, 2008: 193; see also Rindova & Fombrun, 1996). Rephrased, both legitimacy and reputation are “needed to create impressions on [firm] audiences” (Rao, 1994 30; see also Feldman & March, 1981).

Hence, by taking such an interdependent perspective, reputation can be inferred as being the *extension* (King & Whetten, 2008) or, more precisely, the *outcome* of legitimation processes (Rao, 1994). Having elaborated this intertwined relationship is essential to describe and understand the process of why and how reputation can be damaged:

THEORY ON REPUTATION DAMAGE

Institutional theory emphasizes that organizations strive for *conformity* in order to receive social legitimation (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). It is achieved “by conforming to the norms and regulations imposed by the external environment” (Bitekine, 2011: 14; Deephouse, 1996). Hence and in reverse, any non-conforming, hence deviating behavior is likely to negatively affect such legitimation process by potentially causing reputational damages due to the reciprocal relationship. But, at first, what is actually meant by *reputational damage*?

For the BBC (2009), the term seems to have only recently been created. It referred to the behavior of one British politician threatening to wash his major political opponent’s dirty linen in public to inflict on his image. I would tend to dispute the term’s newness. Contributions to game theory and organizational behavior have

[22] Legitimation “emphasizes the process of social construction of legitimacy” (Bitekine, 2011: 6)

already used the term 'loss of reputation' to *describe* the outcome of inconsistent and negative behavioral attitudes of *individuals* (see Barro & Gordon, 1983; Withey & Cooper, 1989). *Descriptions* of reputational damages also exist on the *corporate* level, where contributions to social movement theory reason about firm-external "potential threats of negative publicity" (Den Hond & de Bakker, 2007: 911), social risks from industrial crises (Shrivastava et al., 1988) or "normative delegitimation campaigns" (Yaziji, 2004-5: 88-89).
However, these works – like the empirical studies reviewed before – do not discuss the process of reputation damage in depth: To the best of my knowledge, so far no work has been proposed that conceptualizes why and how corporate reputation can be actually *damaged*. Therefore, to explain theoretically how reputation can be damaged, I revert to the beforehand-described reciprocal relationship between legitimacy and reputation, preconditioning reputational damage on a preceding breach of an institutionalized (legitimate) norm:

Previous conceptual works on organizational crises define such *trigger* events as the potential beginning of "organizationally-based disasters which [can] cause extensive damage and social disruption, involve multiple stakeholders, and unfold through complex technological, organizational and social processes" (Shrivastava et al., 1988: 285). Thus, in the corporate context, a breach of a (institutionalized) norm (hence an illegitimate action) can be conceived as the starting point (trigger) that is likely to reveal legitimation-doubts among stakeholder groups (see Philippe & Durand, 2011). Among such initial trigger can be associated any deviating behavior of a corporate actor who somehow *breaches*, intentionally or unconsciously, an explicit law, a written contract, or deviates from an implicit albeit institutionalized social norm or prevailing value (in the following all subsumed as a 'breach of norm');[23] cheating, and colluding but also employing children, bribing politicians, or polluting water and air are examples of such corporate norm breaches.
If this corporate breach of norm is considered illegitimate and reported by influential stakeholders advocating this norm (Rao, 1994; Deephouse, 1996; Deephouse & Carter, 2005), their publicly articulated legitimation doubts can turn into reputational damages for the targeted corporation.

[23] "An act of breaking or failing to observe a law, agreement, or code of conduct" (Oxford Dictionary).

Figure 1 illustrates the building and loss of reputation based on legitimate and illegitimate corporate conduct respectively.

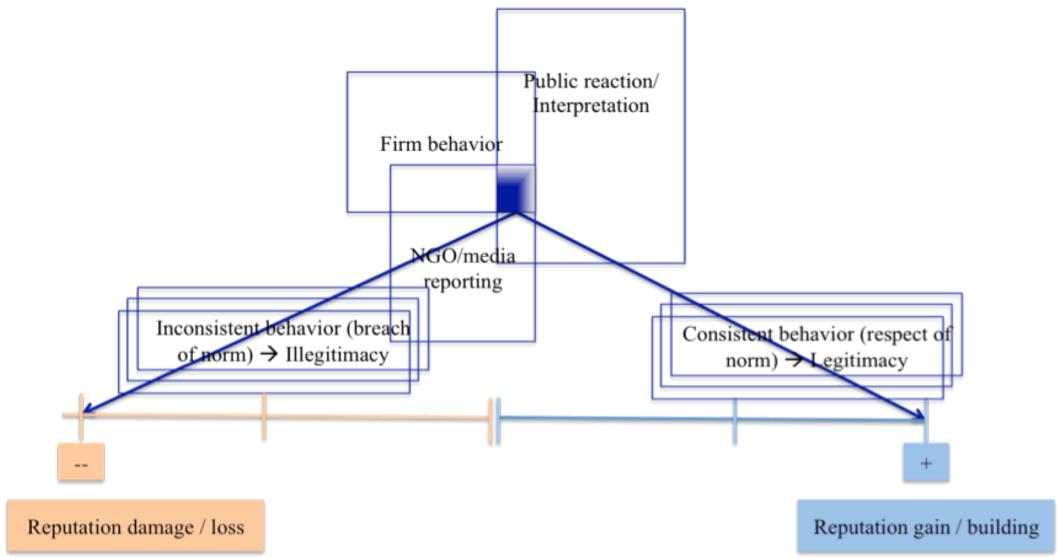


Figure 1: Reputation building and damage

If corporate norm breaches reveal legitimation questions that can turn into reputational damages, it is necessary to discuss next the factors that are potentially causing such reputational damage. I will elaborate five variables that I hypothesize to drive such destruction of firm reputation:

Hypotheses

Factors that drive such reputational damage might be either related to the content of the reported norm breach or to the reporting subject/source. First, with regard to the reporting sources: A reporter is likely to disclose the firm's breach of norm, if he or she considered a particular corporate behavior as illegitimate; whether the general public then reconsiders granting legitimacy to the company as well depends on whether it "judge(s) the organization and its activity [still] as beneficial" (Bitekine, 2011: 13). Thereby, each stakeholder places his/her judgment also on the source that reports about a specific firm's (deviating) behavior (see Puncheva, 2008). Therefore, the reporter's credibility can be considered as the (first) essential influence factors in causing reputational loss (see Bonardi & Keim, 2005).

Certainly, if a breach of norm is reported, the concerned company does not necessarily encounter reputational damage. This may reside in *insufficient* influence and credibility of the actor reporting the breach: Stakeholder theory suggests that the more powerful, legitimate, and urgent a stakeholder claim is, the more substance it receives to trigger reputational damage by influencing other stakeholders (see Mitchell et al., 1997). In addition, research in journalism indicates that the more power and legitimacy that is attributed to the critique sender, the more capable and likely he or she is to sell the critique (breach) to, or even manipulate, the public in its own judgment (see Gaziano & McGrath, 1986; Lyon & Maxwell, 2008).

Hence, whether source influence/credibility causes reputational loss shall be examined empirically by setting up the first hypothesis as follows:

H1. The more influential/credible the reporting source, the higher the likelihood of reputational damage for the norm-breaching firm

Second, and apart from the reporting source's general credibility, one particular reporting group is ascribed high influence with regard to the sanctioning of corporate norm-deviating behavior: So-called individual and collective *elites* such as opinion leaders, elected leaders, and public interest groups such as Non-Governmental Organizations (NGOs) are conceived as *norm guards* (Mahon & Wartick, 2003; Keck & Sikkink, 1998; Benford & Snow, 2000): Perceived as linking actors between the firm and the public (Oliver & Myers, 1999), they are advocating public interests against private ones (Doh & Guay, 2006). Some of these guards have become influential actors questioning the firms' legitimacy (see, e.g. Rao, 1994; Deephouse, 1996; Deephouse & Carter, 2005; Bonardi & Keim, 2005).

In particular *NGOs*, specialized in topics such as corporate governance (e.g. Transparency International), environmental protection (notably Greenpeace) and human rights (notably Amnesty International), successfully raise awareness of social and environmental harm (norm breaches) caused by companies that employ children, pay minimum wages, or pollute water and air (e.g. Livesey, 2001). Thereby, NGOs are – as self-proclaimed norm guards holding firms responsible or accountable – expected to objectively report potential norm breaches without the invention or contortion of facts (see Bunn, 2003-2004).

Nevertheless, norm guards cannot be perfect monitoring agents (see Raustiala, 1997): In fact, to advance their interests, they are likely to include 'noise' (Anand et al., 2007) in the reporting of norm breaches, especially if they do not succeed in sanctioning the deviating firm otherwise. Because norm guards depend on publicity to widely spread their cause to the public (Bonardi & Keim, 2005; Eesley & Lenox, 2006; Martin & Kracher, 2008), and to gain weight against often more powerful corporate actors, they often apply *framed rhetoric* “to identify the problem and the ‘victims’ (…), and help attribute blame and responsibility” (Lamin & Zaheer, 2006: 16; King & Soule, 2007).

Generally, framing is understood as the “strategic creation and manipulation of shared understandings and interpretations of the world, its problems, and viable courses of action” (Lamin & Zaheer, 2006: 16). In the corporate context, framing is deemed a powerful tool in “galvanizing societal pressure to affect change” (Lamin & Zaheer, 2006: 16; see also Druckman, 2001).

The ‘better’ an uncovered norm breach is framed (sold), i.e. the stronger the reported breach *collides* with established norms, the higher the probability that the public will respond to the revealed issue, reassessing the firm’s reputation (see Lamin & Zaheer, 2006). According to this logic, reputational damage then results (also) from the guards successful framing of corporate breaches of norms, as Benford & Snow (2000) and Hall (1992) have posited without further conceptual deepening and empirical investigation. To achieve the desired outcomes, norm guards might sacrifice substance for symbols (Risse, 2004), and select “their campaigns less for the significance of the cause than for their ability to attract publicity” (The Economist, 2003: 49-50).

Therefore, I associate norm breaches revealed by such norm guards with framed reporting leading to reputational damage, and set up the second hypothesis as follows:

H2. Companies confronted with (framed) critique from norm guards are more likely to face reputational damage

So far, I have hypothesized that companies are “more likely to be [negatively] noticed” (Elsbach & Sutton, 1992: 699), if the openly violated societal [institutionalized] norms are reported by *credible* ‘norm guards’ that are likely to frame the criticism (e.g. NGOs). But what constitute other rather, criticism/content-related factors that drive such reputational sanction/damage mechanisms if firms “defy widely accepted standards for [legitimate] behavior” (ibid)?

In line with the notion that "an organization will be rewarded" (Elsbach & Sutton, 1992: 700) for behaving in legitimate ways, I have already claimed that, *conversely*, a corporation runs the risk of being (reputationally) sanctioned every time it deviates from an institutionalized norm – thus the amount of reported norm breaches counts: Whether the number of negative headlines increases the probability of reputational damages is controversially discussed: As can be inferred from *game theory*, only players who remain consistent in their behavior over time are believed to build up reputation (Barro & Gordon, 1983; Barro, 1986). Thus, conversely, with any inconsistent, i.e. deviating behavior (norm breach), the firm inevitably creates incredibility and mistrust because its future moves become difficult to anticipate.

Similarly, the *psychological literature* assumes a negative relationship between critique exposure and reputation. Studies on individual behavior and judgment specify that individuals pay more attention to bad news than to good news, because "negative information is weighted more than positive one in the evaluation of people, objects, and ideas" (Dean, 2004: 193). As individuals also tend to memorize bad news longer than good news (Detert et al., 2007; Baumeister et al., 2001), it can be inferred that high amounts of CSR-based criticism (norm breaches) make individuals reduce their esteem (reputation) for the corporation concerned.

The *marketing* literature, on the contrary, indicates that the reporting of negative news can also lead to opposite outcomes, thus causing positive reputational effects. This claim builds upon the assumption that individuals are not capable of differentiating between bad and good news due to information overload. Instead, they simply 'pleasantly' memorize the brand or name of the reported corporation, without associating the negative news anymore with the company (see Bergel, 1997). This phenomenon of uncritical, even positive brand memorization is described as the "Pollyanna principle" (Matland & Stang, 1978: 3).

I suggest leaving the assessment of whether a firm's frequent exposure to external criticism leads to positive or negative reputational effects to the empirical analysis, and set up the third hypothesis as follows:

H3. The more breaches of norms reported, the higher the likelihood of reputational damage

If I associate the amount of reported breaches as a criticism/content-related impact factor causing reputational damage, I also need to consider the *severity* of the breach as a potential driver of reputational loss. Building again on game theory, the latter claims that contracts (norms) breached on purpose are considered more severe than those that occur unconsciously or happen accidently due to a player's bounded rationality, or incomplete information about the other actors' preferences, respectively (see Rubinstein, 1985). Further, the reputational consequences of norm breaches depend on the *costs* they might impose on the other players. If such costs are negligible, the breach might be considered less severe than one causing high costs.
Hence, assuming a positive relationship between breach severity and reputational damage, I set up the third hypothesis as follows:

H4. The more severe the breach of norm, the higher the likelihood of reputational damage

Apart from the amount and severity of breaches, I finally posit that illegitimate considered behaviors are likely to be reputationally sanctioned if they are associated with a firm for the first time, thus are *new*. Hence, the reporting emphasis on new breaches of institutionalized norms might adversely affect a firm's reputation: Focusing on "what is new at the expense of history and tradition" (Alvesson, 1990: 384) is especially the role of the mass media. They "relegate recent historical experiences as rapidly as possible into the past" (Alvesson, 1990: 384 quoting Jamison, 1983: 125). The (news) audiences then tend to react stronger about attacks of established norms that are reported for the *first* time (e.g., Jamison, 1983). To capture potential reputational effects caused by reported *new* breaches of norms, I set up the final hypothesis as follows:

H5. Companies confronted with the first, i.e. a new breach of norm are more likely to encounter reputational damages

The question now crystallizing is how can the detrimental/sanctional impact of the five influence factors be quantified? To do so, I submit the raised hypotheses to empirical analysis. Thus, I first need to define the empirical *context* in which I aim at capturing the reputational effects due to corporate norm breaches.

EMPIRICAL ANALYSIS

Context

The reputational effects of breaches of norms will be studied in the context of *corporate social responsibility* (CSR). Certainly, CSR has still manifold facets, ranging from philanthropic to strategic activities, and self-regulative initiatives (see Scherer & Palazzo, 2007). Without deepening or discussing the various meanings of CSR, I define it here – in line with the most recent 'CSR school' – as any corporate attempt at 'not causing harm' in its business activities (Scherer & Palazzo, 2011; 2007).[24]

In any case, CSR has meanwhile become an institutionalized (recognized) field of its own, accompanied by high normative expectations (Campbell, 2006; Freeman, 1994): While corporations acting in purely socially responsible ways used to be longtime considered as economically irresponsible according to neo-classical economics (see, e.g. Jensen, 2002), a so-called isomorphistic (imitating) shift towards (more) CSR has been stated among many corporations due to the growing number of corporate social and environmental scandals revealed around the globe (The Economist, 2008):

In view of the economic globalization, transnationally operating companies have dispersed their sourcing, production, and marketing activities to (more) firm-favorable regulative environments (Henderson et al., 2002; Ahuja & Yayavaram, 2011; Rondinelli, 2002), where state regulation is insufficient, unenforceable, or entirely missing (see Kaul et al., 1999; 2003). Hence, it is highly likely that these firms encounter new challenges in legal and legitimate terms (intentionally or unconsciously) and produce new negative headlines and scandals.

As hypothesized before (H2), NGOs especially have evolved into influential corporate watchdogs – or norm guards –, diligently scrutinizing whether firms pursue socially, economically, and environmentally illegal/illegitimate business practices (see Yaziji & Doh, 2009). NGOs meanwhile effectively exploit technological developments such as the Internet to scan for corporate norm breaches on the *global* playground (Gardberg & Newburry, 2010; Teegen et al., 2004; Spar & La Mure, 2003): CSR-related breaches of norms are not limited to the infringement of laws and norms of one specific national legal context but also include violations of institutionalized social and environmental norms and values of internationally

[24] By contrast, old school approaches to CSR emphasize the 'do-good' component, hence underlining the philanthropic responsibility of a firm (see, e.g. Wettstein, 2010).

operating corporations (e.g. employing children, paying famine wages, bribing politicians, polluting water and air, see, e.g. Della Porta & Tarrow, 2005).

Besides the global dimension of CSR, CSR-related sanctions are taken by *multiple* various social actors (stakeholders) "rather than by a central state authority" (Philippe & Durand, 2011: 4), which further enlarges the research context with regard to the possible sources reporting corporate norm breaches. Thus, all in all, CSR constitutes a large and various field of high normativity (Philippe & Durand, 2011; see also Scott, 1991; Kraatz & Zajac, 1996) that makes it a promising research context.

Sample and data

To estimate the impact of reported CSR-related norm breaches on corporate reputation, I collected data on both the reputation and critique exposure of firms. For the estimates of *corporate reputation*, I revert – like most of the empirical works on reputation – to Fortune's reputation ranking. Since 1990, these rankings are approved indicators to proxy the reputation of large corporations.[25]

I use Fortune's *global* ranking, annually electing the world's most admired companies. It is particularly useful because it reflects the *global* dimension of business activities, NGO/media activity, and CSR-related norm breaches as outlined before. For the estimation window of 2006–2009, this ranking includes 642 companies. Each annual ranking is the result of a survey of over 15,000 top managers, industry experts, and financial analysts, who select their most admired firms among a *preselected* sample.

To become eligible, corporations must surpass $10 billion in revenue and rank among the largest firms within their industry peers (by revenue). Raters assess each eligible corporate candidate on various attributes such as financial and social soundness, innovativeness, leadership or product/service quality, assigning a score from ten (excellent) to zero (poor). As I am interested in a firm's general reputation performance, I use Fortune's overall reputation score, computed as the average of the individual attribute scores.

Regarding the survey timing, the 'electoral lists' are sent out by the end of each year, in October/November. To be included in the ranking, the surveys are due back by mid

[25] Opponents of the Fortune ranking criticize that the ranking is "influenced by prior financial performance, hence creating a so-called "financial performance halo" (Brown & Perry, 1994: 1347). However, as I do not study the causal relationship between the financial and reputational performance of a firm, this criticism is negligible.

December. The rankings are then published early March of the following year. Companies that are ranked above the upper 50% threshold in their industry are defined as 'most admired companies'; (only) their scores are published. The annual rankings of my estimation period are provided in table 10 of essay 1 (p.52-64).

The *database* on *CSR-related criticism* was, in its original form, provided by the Swiss-based consultancy Reprisk AG. It includes critique information (norm breaches) for all those firms that were elected at least once among Fortune's most admired companies during the estimation period. Each firm-specific critique (breach of norm) contains the content, date and location of the reported accusation, as well as its level of severity, the reporting source including its influence level, as well as the information whether the reported breach was new for the firm. Real examples of corporate norm breaches are provided in annex II (p.113-124).

The merged database of Fortune scores and critique exposure comprises over 8,600 critique observations for 451 out of the 642 Fortune rated companies, reported in or over 1,000 different news sources covering nine languages. This unique variety and quantity of both datasets is of particular advantage: Even though Fortune's firm reputations might concern a "limited set of [business-related] stakeholders" (Deephouse, 2000: 1094) of corporate executive, financial, and industry experts, it can be assumed that a) due to 15,000 reputation assessors, most of the critique reported by 1,000 newspapers, news agencies, and NGOs is somehow absorbed and integrated in the reputation ranking, and that b) 1,000 different news sources cover most of the relevant corporate breaches that indeed occurred during the calendar year.

Measures

Dependent variable

Reputation damage is proxied with the Fortune reputation score of the world's most admired companies. However, due to diplomatic (protective) disclosure policies, only the scores above the 50% threshold are published. To account for this unobserved data problem, I use relative instead of absolute reputation scores. To be precise, I compute reputation damage as a dichotomous (binary) dependent variable that takes the value of one if the Fortune reputation score of year t+1 has decreased or disappeared compared to that of year t.

Independent variables

To compute the estimates for the explanatory variables I revert to the critique database. For any firm-specific critique observation (breach of norm), I elaborate five *critique variables* that I consider influencing reputational damage as hypothesized before.

1. Source influence: The influence of the stakeholder reporting the norm breach is determined by Reprisk indexing his or her level of circulation (international, regional, national, local) as well as of its public reach (from 1/low, to 2/high, to 3/very high). Together, both factors, calculated in complex algorithms, determine the overall influence (escalation) level of the reporting source, which ranges from one (low influence), to two (influential), and three (very influential).

2. Direct NGO-criticism: To test the influence of NGO-critique as proposed in hypothesis H2, I scanned all critique observations to identify any directly NGO-reported breaches; I then computed a binary variable that equals one if the source for a reported breach of norm is a NGO.

3. Critique quantity: The number of breaches of norms has been proposed as further potential driver of reputational damage (hypothesis H3). It is calculated as the sum of all critique observations for one individual corporation, accumulated over the calendar year. Each specifically reported issue is coded as a unique critique observation. Two or more reported observations on exactly the same issue at the same location are not taken into consideration for a time window of six weeks: Within this period, any repetitive information about the same breach of norm is blocked from being inserted in the database unless a) the second critique sender's credibility is higher than that of the first issue reporter and/or b) the severity of the norm breach has increased in the meantime. With this blocking strategy, redundant issue reporting is prevented.

4. Issue severity: Apart from the critique quantity, the quality, i.e. the severity of the issue reported, has also been suggested as critique/issue-related driver of reputation damage (hypothesis H4). The evaluation of any CSR-issue is always executed by two independent CSR analysts of the consultancy, based on a strict coding scheme. It has

three different levels ranging from one/low, to two/severe, and three/very severe critique. Most issues (breaches) compiled in the CSR database have a pre-defined severity level. For instance, issues such as animal testing or fraud have a severity default level of one. Most issues such as corruption or the selling of banned or illegal products have a severity level of two. Violations of human rights such as using child or slave labor are pre-assessed as severity level three.

Despite such default severity levels, each reported breach can reach a higher severity level if: a) the *consequence* of the norm breach turns out to be medium or large (e.g. injuring or killing of people); b) the *extent* of the reported issue becomes average or major (e.g. one, ten, or a hundred injured/killed people); or c) the *type of incident/accusation* is no longer a one-time accident but becomes an intentional action or one due to neglect or systematic failure. To obtain one single measure of average issue severity per year and firm, I calculated the weighted average of all three severity-levels, and then divided it by the sum of each firm's individual critique (quantity) per year.

5. Critique newness: To estimate whether the reporting of new breaches of norms causes reputational damages, as proposed in hypothesis H5, I created a binary variable of critique newnewss. It equals one when the reported breach is associated with a particular corporation for the first time.

Control variables

To account for unobserved heterogeneity, i.e. unobserved corporate and industrial particularities, I add a series of control variables that are commonly applied in reputation studies listed in the literature review table 2 (p.100/101): On the corporate level, I insert various financial variables to control for firm performance, size, and visibility. To test the reputational influence of firm visibility, I include firm sales; to account for financial performance, I include firms' free cash flows. The latter may indicate how many 'excess resources' a company possesses to potentially "absorb any disruption costs" due to external criticism (King, 2008: 407).

I also control for the bias that more profitable firms "may garner more positive media coverage" (Lamin & Zaheer, 2006: 30), by inserting firms' return on asset (ROA), calculated as the ratio of net income to total assets into the equation. All financial data were obtained from Thomson Datastream. I *logarithmized* (ln) all financial indicators, a standardized procedure to account for outlying variances between the firms.[26] To account for idiosyncratic industry effects, I also computed industry-specific (fixed) effects. *Table 1* provides the descriptive statistics.

Table 1:

Descriptive Statistics

Variable / Year	*2006*	*2007*	*2008*	*2009*
# of total critique quantity (TCQ) per annum (p.a.)	604[27]	1,657	3,269	2,524
# of firms included in critique database	451	451	451	451
Average critique per firm p.a.	1.34	3.67	7.25	5.60
Weighted average critique severity (1-3) / TCQ	1.28	1.35	1.36	1.38
Weighted average critique influence (1-3) / TCQ	1.66	1.66	1.67	1.73
Average NGO critique / TCQ	46%	58%	47%	38%
Average new critique / TCQ	40%	31%	38%	43%

Methodology

To estimate the reputational effects on the firm-critique level, I collapsed the panel data set which resulted in 1,440 firm-critique observations between 2006 and 2009.

The basic idea is to regress reputation damages on the five CSR-critique/reporting variables. To account for the delayed publication of the Fortune ranking, I regress the Fortune scores of year t+1 (published in March of year t+1) on the critique variables of year t. I thereby ensure (theoretically) that norm breaches occurring sometime during the entire calendar year t can be integrated into Fortune's reputation survey, except from the last two weeks of each year (as the survey closes mid December).

The conventional method to estimate these reputational effects would be ordinary least squares (OLS) regressions. However, given the fact that Fortune publishes only the scores of those firms that are rated above the 50% cut-off level, OLS-regressions do not constitute an accurate estimation method: Due to the unobserved heterogeneity for the lower 50% of the Fortune ranking, OLS regressions are then likely to cause biased estimation results (see Levitt, 1997; Basdeo et al., 2006; Hill et al., 2000[1998]: 378-379; Pindyck & Rubinfeld, 1997[1998]: 325-331). If the regressand is censored – i.e., positive outcomes are not observable for all outcomes – a

[26] In this case, the geometric mean approximates better the 95% prediction limits than the arithmetic mean.

[27] The database for CSR critique was only established in 2006; this explains the fewer number of firm-critique observations for 2006.

“concentration of observations at zero values” (Harjoto et al., 2010: 13) is likely to occur. In this case OLS estimations would produce biased estimates (Heckman, 1979; see also Poggione, 2004)

Hence, to account for this sample selection bias, *two-stage least squares* (2SLS) estimations are much more accurate. The most common 2SLS estimation procedure would be the Heckman selection model (Heckman, 1979; Shaver, 1998), in which sample bias correction takes place in two stages: In the first stage, the probability of observing a positive outcome of the dependent variable is estimated. In the second stage, OLS *regressions* are run that include as additional explanatory variables the self-corrected predicted probabilities from stage one.

However, once again Fortune’s protective disclosure policy (50% threshold) prevents running these conventional 2SLS estimations: Due to the high fluctuations in the Fortune ranking – for instance, only 20% of all firms remain as ‘Fortune evergreens’ above the threshold during the five ranking years – future scores falling below this barrier become untraceable, and hence make the classical Heckman estimation impossible (STATA, 2007a: 595).

Instead, I run a more advanced form of 2SLS, so-called two-stage Heckman probit regression. They partially account for missing/ unpublished Fortune scores by using *probit* regressions in the *second* stage rather than *OLS* as in the classic Heckman selection model (see King, 2008). In the (unchanged) first stage, probit regressions estimate (as in the classic Heckman model) the selection effect coefficient λ, or inverse Mills’ ratio (Greene, 1993). It describes a “monotone decreasing function of the probability that an observation is selected into the sample” (Heckman, 1979: 156). Sample selection bias is avoided by the selection equation, which determines whether an observation makes it into the random sample (Kennedy, 2003).

In my case, I determine in the first stage by maximum likelihood estimations (MLE) whether a norm breach has been reported by NGOs/media in year t. Thereby, any endogenously motivated firm selection is empirically controlled for. In the second stage, I estimate again with MLE the likelihood of reputation damage for all the Fortune firms that had been accused and reported of norm-deviating behavior. Thereby, the selection effect coefficient λ, generated in the first stage, is included as additional explanatory variable in the second stage (probit regression), and controls for the probability that a corporation will not be criticized (see King, 2008; Kennedy, 2003).

In order to run such two-stage Heckman probit models, I had to compute a (binary) dependent variable for the first stage that indicates whether a corporate breach of norm has been actually reported. Further, I had to collect additional data necessary to compute explanatory variables for this first stage. Apart from the financial measures described before, I included (dummy) variables that indicate whether a firm contains 'top brands' in its corporate portfolio (approximated by the annual Interbrand ranking),[28] is perceived as socially responsible (proxied by a firm's inclusion into the Dow Jones Sustainability Index, DJSI),[29] discloses environmental performance data (carbon footprint, monitored by the Carbon Disclosure Project),[30] or is publicly listed on the stock market.

RESULTS

The results of the 2SLS probit-estimations[31] are presented in table 3 (p.102/103). The overall average of the inverse Mill's ratio (i.e. of the selection effect calculated in the identical first stage of model 1+2) is 61%, indicating an average truncation (i.e. selection ratio) of almost two third of all data, which underlines the necessity of the chosen two-stage estimation approach.

Columns (1) and (2) of table 3 show the results of *model 1*, which does not account for industry-specific (fixed) effects. Looking first at the relevant *second stage* of the maximum likelihood estimations, the estimates of new as well as NGO-reported norm breaches are both positive and significant, hence increase the likelihood of reputation damages and support hypotheses H5 and H2 (with 95% confidence intervals). By contrast, hypotheses H3 and H4 set up to capture detrimental reputational effects driven by quantity and severity remain without empirical support: The coefficients of number and severity of norm breaches (reported CSR-based criticism) are insignificant and, surprisingly – albeit very slightly – negative (severity). Hypothesis H1, testing the influence of the reporting source, cannot be confirmed either: the estimate is, as expected, positive albeit insignificant. So in model 1, framed (NGO) and new critique drive reputational damages.

---

[28] http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx
[29] http://www.sustainability-index.com/07_htmle/data/djsiworld.html
[30] https://www.cdproject.net/en-US/Results/Pages/reports.aspx
[31] A second possibility to check the necessity of 2SLS estimations is to run 'orindary' probit regressions. The results of this obvious biased estimation approach indicate that four out of five critique variables are significant; thus, they confirm the expected bias if one does *not* control for selection effects. These one-stage maximum likelihood estimations are reported in table 5 on p.104.

Among the financial *control* variables, only firm assets significantly influence the likelihood of reputation damages: The coefficient's negative sign suggests that the larger or more resource-rich a firm is, the better it seems to 'buffer' external critique. The estimates of the *first stage*, controlling for the likelihood that a breach of norm is reported, indicate results as expected: Firm visibility (sales), brand awareness as well as the disclosure of environmental performance data all increase the likelihood that a firm breaching a norm will be reported.

Columns (3) and (4) of table 3 provide the estimation results of *model 2*, which includes *industry-specific (i.e. fixed) effects*. It constitutes the more accurate model as it accounts for idiosyncratic effects on the industry level (see Basdeo et al., 2006). Overall, the results (of the relevant second stage) remain robust and become even stronger. The significant influence of new and NGO-reported breaches on reputational damage is confirmed, thus suggesting again support for hypotheses H5 and H2: Corporations face reputational damage if they commit new breaches and/or violate norms that NGOs uncover and report directly.

Further, the influence of the reporting *source* becomes significant, indicating that CSR criticism made public by powerful or credible reporting sources increases the likelihood of reputational downgrades, and hence supports hypothesis H1 (with $p<0.1$). By contrast, the content-related hypotheses H3 and H4 still do not receive any statistical support: Number and severity of reported norm breaches still exert no significant influence on the likelihood of reputational downgrades. At least the estimate of critique quantity becomes positive, indicating a positive likelihood of reputational damage with a growing number of CSR-related issues reported.

Further, the estimates of the *industry fixed effects* indicate that 'producing' industries that are close to final consumers (e.g. automotive, pharmaceuticals, retail) increase the likelihood of reputational damages, whereas services industries (e.g. telecommunication, travel/leisure, financial services) remain without significant effects. Surprisingly, most generally controversially deemed industries such as oil/gas, tobacco[32] or mining do not per se reveal significant impacts (whereas aerospace/defense show significant effects). Reasons for these non-significant results might be twofold: On the one side, tobacco producers are generally *rarely* (most often

[32] Stata dropped the tobacco sector due to its high collinearity with the remaining sectors.

only for one year) included in the reputation ranking (see, e.g. Altria, British American Tobacco; Japan Tobacco; Philip Morris in the Fortune ranking of table 10/essay 1). Hence, it is a simple question of data reoccurrence. On the other side, oil producers, for instance, are elected among the most admired companies in several years (e.g. BP, Chevron, Exxon, Royal Dutch Shell, Statoil). However, despite the above-average amount of critique that these firms attract, based on the results, such criticism is not strong enough or protected by priory built-up reputation capital to destroy the firms' reputation.

The financial *control* variables in model 2 remain without significant effect, hence underlining that the risk of reputational damage is rather related to critique exposure than to financial (over- or under-) performance. The results of the *first stage* confirm the estimations of model 1, with one minor change. Instead of firm sales it is now firm assets that increase the likelihood of norm breaches being reported. It still suggests that norm breaches of large and visible firms are more likely to be reported.

Finally, to *quantify* the impact of these reputational-loss drivers, I provide the *marginal effects* in table 4 (p.104). I had to compute them separately, because the marginal effects of the coefficients generated in non-linear (probit) estimations cannot be interpreted directly from the results table (the coefficients would only indicate linear effects, see Liao, 1994).

Among the significant coefficients, the reporting emphasis on new norm breaches seems to possess not only the highest significant levels but also the highest marginal effects in causing reputational damages (7% in model 1, 10% in model 2). The likelihood that NGO-reported critique downgrades firms' reputation slightly increases with the more accurate estimation procedures (6% in model 1, 7% in model 2). Source influence increases the likelihood of reputational damages when controlling for industry fixed effects (model 2) by 5%.

DISCUSSION AND CONCLUSION

What can be drawn from these empirical results? As NGOs as norm guards have an inherent interest in emotionalizing the debate, NGO-reported norm breaches are likely to contain 'noise'. Hence, according to the findings, *framed* critique sanctions the firm significantly, i.e. leading to significant reputational damage; by contrast, reported corporate deviating behavior that rather emphasizes *objective* criteria of violations of established norms (e.g. the amount and severity of allegations) remain without any significant impact. Merely, the influence/credibility of the reporting source was identified as significant (objective) contributor to reputation loss (in model 2).

On the theoretical level, this finding entails one interesting message for social movement and stakeholder scholars: The identified dominance of framed criticism in reputation damages provides explicit evidence for the hitherto merely implicit assumption in social movement and stakeholder theory that NGOs pursue *symbolic* rather than *information* politics (Sasser et al., 2006; Keck & Sikkink, 1998), and advance *opinions* rather than *facts* (see Anand et al., 2007; Alvesson, 1990). Moreover, these sanction mechanisms applied by NGOs are effective in terms of reputational damages for the targeted firms.

On the *managerial level*, the findings underline the intertwined relationship between NGOs and media actors: If NGOs do not succeed alone in their (reputational) sanctioning, they often revert to – ideally highly credible, hence powerful – media actors (Bonardi & Keim, 2005), who scan the corporate environment for new 'stories', i.e. new breaches of norms (Hunter et al., 2008). Hence, the combination of new negative headlines reported by powerful media sources and/or well framed by professional NGOs makes firms likely to encounter reputational damages.

In any case, independently of whether reputational damage is driven by symbols or substance once occurred, it constitutes a considerable obstacle for the corporation: Because corporate constituents such as investors, employees, or customers "routinely rely on the reputations of firms in making investment decisions, career decisions, and product choices" (Fombrun & Shanley, 1990: 233; see also Bhattacharya & Korschun, 2008), they are increasingly interested in the way corporations behave – or appear to behave (Pruzan, 2001: 50-51). Thus, reputation damages must be repaired as fast as possible.

So what can corporations do about it – and apart from the fact that respecting dominant norms certainly remains the best insurance? The findings imply that 'allying with the enemy', i.e. with influential media or NGOs (Yaziji, 2004-5) might be a more successful so-called 'bridging' strategy for companies than to reactively deny or 'buffer' their claims (see Scott, 1987). If norm breaches occur, companies that are in close interaction – or even cooperate – with NGOs or media might thereby forestall, or at least limit potential framing mechanisms being unfolded.

Despite these interesting findings and implications, my study is certainly subject to *limitations*. I deem two aspects important to mention: First, I do not include corporate *responses* to the reported breaches of norms. Hence, I may have deprived 'good' firms from documenting potentially positive corporate reactions to CSR allegations with credible attempts to respect the norm next time. Second, I did not contrast the highly admired Fortune firms with companies that are not at all admired. Contrasting extreme cases (Eisenhardt, 1989) might have delivered interesting insights about low-reputation firms: It might reveal whether poorly admired companies encounter reputational damages for the same reasons (critique newness, NGO criticism). However, such comparison with 'bad' firms would have preconditioned that reputation scores would be available for such highly non-admired or even detested firms, which is unlikely in view of the diplomatic disclosure policy of Fortune.

In view of these limitations, I deem to be particularly appealing two avenues for *future research*: First, with the five critique variables identified as causing reputational damage, it would be interesting to study which of them tends to trigger firm responses set up to repair the reputational damage: Would firms rather respond to highly mediatized reputational-harm causing NGO-requests than stop breaching severe norm breaches that remain however without any reputational consequence? Second, if including 'low-reputation' firms is not possible due to undisclosed reputation data, one could seek to examine in longitudinal studies which of the rated firms actually recover from reputational damages.

If one concludes with the message that new and socially constructed/framed critique (i.e. direct NGO-critique) articulated by influential sources matters more than the actual number and severity of illegitimate corporate conduct, do companies then accrue more reputational damages than they (to use Othello's words) actually 'deserve'? Certainly, no company is innocent, nor was Othello – he murdered his wife: Thus, a breach of norm (even of a law) is doubtless the case. However, the noise, i.e. the framed stories surrounding the reported breach seems to damage at the end the reputation. Apparently, William Shakespeare 400 years ago already anticipated that the destruction of someone's reputation is particularly driven by social construction.

ANNEX I

Author	***Year***	***Firm sample***	***Period***	***Research question***	***DV***	***Results***
Fombrun, Shanley	1990	292 US firms	1985	Who is constructing reputation and how?	Fortune Reputation Score	Reputation constructed by the firm audience that uses accounting and institutional signals, indicating performance and conformity to social norms respectively
Riahi-Belkaoui, Pavlik	1991	114 large US firms	1987-1988	Financial performance impact (asset performance) on reputation	Fortune Reputation Score	Corporate audience construct reputation by using the firms' asset performance as signal
Hammond, Slocum	1996	149 US firms	1981; 1986	Impact of prior financial performance on subsequent corporate reputation	Fortune CSR Reputation Score	Market return and return on sales positively affect the firms' subsequent reputation scores
Zyglidopolous	2001	Fortune 1000	1989-1995	Impact of news of environmental and social accidents on firms' reputation	Fortune CSR reputation Score	Environmental damage affects corporate reputation, whereas social accidents do not impact it significantly
Dean	2004	Experiment	*n.i.*	Consumer reactions to negative publicity	Corporate reputation/image	Negative publicity can affect firms' reputation if they are considered responsible for the event or responding to it too late/inappropriately
Zyglidopolous	2004	AMAC firms (America's Most Admired Firms)	1988-1991	Impact of downsizing (negative firm activities) on CSR reputation	Delta of Fortune Reputation Score	Downsizing decisions negatively affect the firms' reputation scores
Brammer, Millington	2005	British most admired firms	2002	Impact of philanthropic expenditure on firm reputation	Fortune Reputation Score	Firms with high philanthropic expenditures have higher reputation scores
Williams et al.	2005	178 firms of the Fortune 500	1997-2000	Impact of corporate strategy (diversification) on reputation	Fortune Reputation Score	Diversified firms have lower reputation scores than single business firms
Brammer, Pavelin	2006	210 UK firms	2002	Effect of CSR on reputation	Fortune Reputation Score	Environmental & social performance affect the firm's reputation score, whereby the social performance influence is more consistent
Basdeo et al.	2006	AMAC	7 year period, not specified	Impact of corporate and competitors' signals (pricing-, marketing,- product announcements-, legal-, etc. actions) on reputation	Fortune Reputation Score	The firms' reputation is influenced by both own corporate as well as competitors' actions/signals
Love, Kraatz	2009	US Fortune 100	1985-1994	Effect of downsizing on corporate reputation	Fortune Reputation Score	Downsizing decisions negatively affect the firms' reputation scores

Table 2: Review of studies with reputation as dependent variable

Author	***Year***	***Firm sample***	***Period***	***Research question***	***DV***	***Results***
Delgado et al.	2010	59 Spanish firms	2000-2007	Impact of ownership structure on reputation	Spanish monitor of corporate reputation (MERCO)	Ownership concentration in the hands of the largest shareholder erodes corporate reputation, whereas contestability of the main shareholder's power enhances it
Philippe, Durand	2011	90 US firms	2001-2004	Impact of non-conforming firm behavior on reputation	Fortune Reputation Score	The corporate decision to disclose environmental performance data affects its reputation score: signaling environmental compliance raises the reputation scores
Roberts, Dowling	2002	540; 300 US firms	1984-1998	Impact of reputation on subsequent superior financial performance	ROA (Return on Assets)	Firms with relatively high reputation scores report higher subsequent ROA
Monga & Roedder John, 2008	2008			Does negative brand publicity hurt the company/its brand?	Consumer brand attitude/belief	Depending on the consumer's reasoning (holistic vs. analytic thinker), negative news can change the consumer's brand attitude/belief
King	2008	144 US corporate boycott targets	1990-2005	Corporate responses to boycotts	Corporate compliance	Corporations are likely to concede if boycotts receive a great deal of media attention
Diermeier, Trepanier	2009	NYSE listed firms	2005; 2006	Impact of reputational shocks reported on firm performance	CAR (Cumulative Abnormal stock market Returns)	Certain reputation shocks (negative news reports) significantly affect CAR
Lamin, Zaheer	2011	104 accusations against 21 US firms	1990-2002	Legitimacy recovery and performance effect after social attacks	Legitimacy	Firm responses hinder the recovery of legitimacy, a decrease in short-term legitimacy was associated with positive financial performance;
Minor	2010	S&P 500	1991-2006	Impact of negative and positive news on stock market return with CSR are reputation insurance	CAR	Firms with high CSR efforts buffer negative news better in terms of subsequent stock price performance
Pfarrer et al.	2010	291 US firms	1991-2005	Effect of firm reputation on financial performance	Variation in earnings estimations; Investor reactions	A high reputation protects when firms announce lower earnings than expected, and causes less harmful analyst reactions

Table 2: continued

Table 3: Likelihood of reputational damage – 2SLS estimations
(Model 1 without industry fixed effects)

	Model 1		**Model 2**	
VARIABLES	(1) Reputation score decrease *2nd stage*	(2) Targeting likelihood *1st stage*	(3) Reputation score decrease *2nd stage*	(4) Targeting likelihood *1st stage*
Critique variables				
Critique quantity	-0.000334		0.00325	
	(0.00363)		(0.00386)	
New criticism	0.215*		0.282**	
	(0.125)		(0.132)	
NGO critique	0.163*		0.186*	
	(0.0969)		(0.101)	
Criticism severity	-0.00431		-0.0296	
	(0.103)		(0.106)	
Influence of critique source	0.106		0.144*	
	(0.0806)		(0.0837)	
Financial controls				
ln assets	-0.0722	0.0564	-0.0265	0.130***
	(0.0485)	(0.0516)	(0.0850)	(0.0470)
ln roa (return on assets)	-0.247	-0.346	-0.161	-0.320
	(0.464)	(0.496)	(0.481)	(0.487)
ln sales	0.0289	0.227***	-0.0202	
	(0.0721)	(0.0608)	(0.0789)	
ln cashflow	0.0830	-0.0168	0.0858	0.0719
	(0.0558)	(0.0556)	(0.0656)	(0.0514)
Non-financial controls (for 1st stage)				
CSR performance (DJSI)		-0.0126		-0.00564
		(0.0802)		(0.0802)
Non public listed dummy		-0.610		-0.547
		(1.049)		(1.066)
Topbrand dummy		0.622***		0.706***
		(0.101)		(0.0998)
Environmental disclosure (Carbon footprint)		0.349***		0.310***
		(0.0799)		(0.0817)

Table 3: (industry fixed effects) continued next page…

Table 3: continued: industry fixed effects (for model 2)

	Model 1		Model 2	
	(1)	(2)	(3)	(4)
VARIABLES	Reputation score decrease *2nd stage*	Targeting likelihood *1st stage*	Reputation score decrease *2nd stage*	Targeting likelihood *1st stage*
Industry effects	none	none		none
Aerospace/Defense			0.659**	
			(0.325)	
Automotive			0.841***	
			(0.323)	
Chemicals			0.813**	
			(0.338)	
Construction			0.961***	
			(0.344)	
Financial Industry			0.131	
			(0.370)	
Food/beverage			0.613*	
			(0.323)	
Insurance			0.648*	
			(0.358)	
Mining			0.0214	
			(0.370)	
Oil/Gas			0.366	
			(0.306)	
Personal/household goods			0.352	
			(0.317)	
Pharmaceuticals			0.627**	
			(0.316)	
Retail			0.656**	
			(0.323)	
Utilities			0.357	
			(0.326)	
Computer/Electronics			0.489	
			(0.306)	
Telecom/Media			0.432	
			(0.330)	
Travel/Leisure			0.318	
			(0.327)	
Raw materials			0.847**	
			(0.334)	
General Industrials			0.799**	
			(0.325)	
Constant	-0.618	-4.292***	-1.229	-3.037***
	(1.057)	(0.628)	(1.183)	(0.498)
Observations	1,486	1,486	1,468	1,468

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: Marginal effects for 2SLS estimations

	Model 1	**Model 2**
Variables	Marginal effects	
Critique quantity	0%	0%
New criticism	**7%**	**10%**
NGO critique	**6%**	**7%**
Criticism severity	0%	-1%
Influence of critique source	4%	**5%**

*Significant marginal effects in **bold***

Table 5: 'Ordinary probit / Maximum Likelihood Estimations

	Model 1	**Model 2**
VARIABLES	Reputation score decrease	
Critique quantity	0.0108***	0.0135***
	(0.00365)	(0.00415)
New criticism	0.328**	0.409***
	(0.135)	(0.149)
NGO critique	0.159	0.201*
	(0.110)	(0.120)
Criticism severity	-0.0938	-0.139
	(0.119)	(0.129)
Influence of critique source	0.160*	0.186*
	(0.0935)	(0.100)
Industry fixed effects	no	yes
Constant	-0.736***	-1.271***
	(0.193)	(0.379)
Observations	1,207	1,118

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

REFERENCES

Ahuja, G., & Yayavaram, S. 2011. Explaining influence rents: The case for an institutions-based view of strategy. *Organization Science*, in press.

Alvesson, M. 1990. Organization: From substance to image. *Organizational Studies*, 11(3): 373-394.

Anand, B., Di Tella, R., & Galetovic, A. 2007. Information or opinion? Media bias as product differentiation. *Journal of Economics and Management Strategy*, 16(3): 635-682.

Bansal P., & Clelland I. 2004. Talking trash: legitimacy, impression management, and unsystematic risk in the context of the natural environment. *Academy of Management Journal*, 47(1): 93–103.

Barnett, M.L., Jermier, J.M., & Lafferty, B.A. 2006. Corporate reputation: The definitional landscape. *Corporate Reputation Review*, 9(1): 26-38.

Baron, D.P., & Diermeier, D. 2007. Strategic activism and nonmarket strategy. *Journal of Economics and Management Strategy*, 16: 599–634.

Barney, J.B. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99–120.

Barro, R.J. 1986. Reputation in a model of monetary policy with incomplete information. *Journal of Monetary Economics*, 17(1): 3-20.

Barro, R.J., & Gordon, D.B. 1983. A positive theory of monetary policy in a natural rate model. *Journal of Political Economy*, 91(4): 589–610.

Basdeo, D.K., Smith, K.G., Grimm, C.M., Rindova, V.P., & Derfus, P.J. 2006. The impact of market actions on firm reputation. *Strategic Management Journal*, 27: 1205-1219.

Baumeister, R.F., Bratslavsky, E., Finkenauer, C., & Vohs, K.D. 2001. Bad is stronger than good. *Review of General Psychology*, 5(4): 323-370.

BBC. 2009. Just what is 'reputational damage'? April 17, 2009.

Bhattacharya, C.B., & Korschun, D. 2008. Stakeholder marketing: Beyond the four Ps and the customer. *Journal of Public Policy and Marketing*, 27(1): 113-116.

Benford, R. D., & Snow, D.A. 2000. Framing processes and social movements: An overview and assessment. *Annual Review of Sociology*, 26: 611-639.

Bergel, H. 1997. Cyberspace 2000: Dealing with information overload. *Communications of the ACM*, 40(2): 19-24.

Berger, P. L., & Luckmann, T. 1966. *The Social Construction of Reality*. New York: NY. Doubleday.

Bitekine, A. 2011. Towards a theory of social judgments of organizations: The case of legitimacy, reputation and status. *Academy of Management Review*, 36(1): forthcoming.

Bonardi, J.P., & Keim, G. 2005. Corporate political strategies for widely salient issues. *Academy of Management Review*, 30(3): 555-576.

Brammer, S.J., & Millington, A. 2005. Corporate reputation and philanthropy: An empirical analysis. *Journal of Business Ethics*, 61: 29–44.

Brammer, S.J., & Pavelin, S. 2006. Corporate reputation and social performance: The importance of fit. *Journal of Management Studies*, 43(3): 435-455.

Brown, B., & Perry, S. 1994. Removing the financial performance halo from Fortune's most admired companies. *Academy of Management Journal*, 37(5): 1347–1359.

Bunn, I.D. 2003-2004. Global advocacy for corporate accountability: Transatlantic perspectives from the NGO community. *American University International Law Review*, 19: 1265-1306.

Campbell, J.L. 2006. Institutional analysis and the paradox of corporate social responsibility. *American Behavioral Scientist*, 49: 925–938.

De la Fuente-Sabate, J. M., & de Quevedo-Puente, E. 2003. Empirical analysis of the relationship between corporate Reputation and financial performance: A survey of the literature. *Corporate Reputation Review*, 6(2): 161-177.

De Quevedo-Puente, E., de la Fuente-Sabate, J. M., & Delgado-Garcia, J. B. 2007. Corporate Social Performance and Corporate Reputation: Two Interwoven Perspectives. *Corporate Reputation Review*, 10(1): 60-72.

Dean, D.H. 2004. Consumer reaction to negative publicity effects of corporate reputation, response, and responsibility for a crisis event. *Journal of Business Communication*, 41(2): 192-211.

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.

Deephouse, D.L. 2000. Media reputation as a strategic resource: An integration of mass communication and resource–based theories. *Journal of Management*, 26(6): 1091–1112.

Deephouse, D.L., & Carter, S.M. 2005. An examination of differences between organizational legitimacy and organizational reputation. *Journal of Management Studies*, 42(2): 329–360.

Delgado-García, J.B., Esther De Quevedo-Puente, E., & De La Fuente-Sabaté, J.M. 2010. The impact of ownership structure on corporate reputation: Evidence from Spain. *Corporate Governance*, 18(6): 540-556.

Della Porta, D., & Tarrow, S. Transnational processes and social activism: An introduction. In D. Della Porta & S. Tarrow (Eds.). *Transnational Protest & Global Activism. People, Passions, and Power* (Chapter 1). Oxford, UK. Rowman & Littlefield.

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.

Detert, J.R., Trevino, L.K., Burris, E.R., & Andiappan, M. 2007. Managerial modes of influence and counterproductivity in organizations: A longitudinal business-unit-level investigation. *Journal of Applied Psychology*, 92: 993–1005.

Diermeier, D., & Trepanier, M. 2009. Measuring reputation. *Working Paper*, Kellogg School of Management, February, 2009.

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.

Dollinger, M.J., Golden, P.A., & Saxton, T. 1997. The effect of reputation on the decision to joint venture. *Strategic Management Journal*, 18: 127–40.

Drobis, D. 2000. Public relations: Priorities in the real economy. *Vital Speeches of the Day*, 67(1): 15–19.

Druckman, J.N. 2001. The implications of framing effects for citizen competence. *Political Behavior,* 23(3): 225-256.

Eesley, C., & Lenox, M.J. 2006. Firm response to secondary stakeholder action. *Strategic Management Journal*, 27: 765–781.

Eisenhardt, K.M. 1989. Building theories from case study research. *Academy of Management Review*, 14, 532-550.

Elsbach, K.D., & Sutton, R.I. 1992. Acquiring organizational legitimacy through illegitimate actions: A marriage of institutional and impression management theories. *Academy of Management Journal*, 35: 699-738.

Feldman, M., & March, J.G. 1981. Information in organizations as signal and symbol. *Administrative Science Quarterly*, 26: 171-186.

Fombrun, C.J. 1996. *Reputation: Realizing value from the corporate image*. Boston, MA: Harvard Business School Press.

Fombrun, C.J. 2001. Corporate reputations as economic assets. In M.A. Hitt, R.E. Freeman, & J.S. Harrison (Eds.). 2001. *The Blackwell Handbook of Strategic Management*. Oxford, UK: Blackwell: 289–312.

Fombrun, C.J., & Shanley, M. 1990. What's in a name? Reputation building and corporate strategy. *Academy of Management Journal*, 33(2): 233–258.

Freeman, E.R. 1994. The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, 4: 409-421.

Fudenberg, D., & Levine, D.K. 1992. Maintaining a reputation when strategies are imperfectly observed. *The Review of Economic Studies*, 59(3): 561-579.

Gardberg, N.A., & Newburry, W. 2010. Who boycotts whom? Marginalization, company knowledge, and strategic issues. *Business & Society*, 20(10): 01–38.

Gaziano, C., & McGrath, K. 1986. Measuring the concept of credibility. *Journalism Quarterly*, 63(3): 451–462.

Greene, W.H. 1993. *Econometric Analysis*: 2nd edition. New York, NY: Macmillan.

Hall, R. 1992. The strategic analysis of intangible resources. *Strategic Management Journal*, 13: 135–44.

Hammond, S.A., & Slocum, J.W. 1996. The impact of prior firm financial performance on subsequent corporate reputation. *Journal of Business Ethics*, 15: 159-165.

Harjoto, M.A., Yi, H.-C., & Chotigeat, T. 2010. Why do banks acquire non-banks? *Journal of Economics and Finance*. Published online 16 April, 2010.

Heckman, J.J. 1979. Sample selection bias. *Econometrica*, 47(1): 153-161.

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

Heugens, P., van Riel, C., & van den Bosch, F. 2004. Reputation management capabilities as decision rules. *Journal of Management Studies*, 41(8): 1349–77.

Hill, R.C., Griffiths, W.E., & Judge, G.G. 2000 [1998]. *Undergraduate Econometrics*. 2nd edition Sept, 1998). New York, NY: John Wiley & Sons.

Hunter, M.L., Le Menestrel, M., & De Bettignies, H.C. 2008. Beyond control: Crisis strategies and stakeholder media in the Danone boycott of 2001. *Corporate Reputation Review*, 11(4): 335–350.

llia, L. 2003. Passage to cyberactivism: How dynamics of activism change. *Journal of Public Affairs*, 3(4): 326–337.

Jamison, F. 1983. Postmodernism and consumer society. In H. Foster (Ed.) *Postmodern Culture*, London, UK: Pluton Press.

Jensen, M. 2002. Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12(2): 235-256.

Jones, G.H., Jones, B.H, & Little, P. 2000. Reputation as reservoir: Buffering against loss in times of economic crisis. *Corporate Reputation Review*, 3(1): 21-29.

Kaul, I., Conceicao, P., Le Goulven, K., & Mendoza, R.U. (Eds.) 2003: *Providing public goods. Managing globalization*. New York, NY: Oxford University Press.

Kaul, I., Grunberg, I., & Stern, M.A. (Eds.) 1999: *Global public goods. International cooperation in the 21st century*. New York, NY: Oxford University Press.

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

Kennedy, P. 2003. *A Guide to Econometrics*. 5th edition. Bodmin/Cornwall, UK: MPG Books

King, B.G. 2008. A political mediation model of corporate response to social movement activism. *Administrative Science Quarterly*, 53: 395–421.

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): 192–207.

Kraatz, M.S., & Zajac, E.J. 1996. Exploring the limits of the new institutionalism: the causes and consequences of illegitimate organizational change. *American Sociological Review*, 61(5): 812–836.

Kreps, D.M., & Wilson, R. 1982. Reputation and imperfect information. *Journal of Economic Theory*, 27(2): 253-279.

Lamin, A., & Zaheer, S. 2006. *Does mud stick? Legitimacy recovery and performance effects of firm responses to societal attacks*. SSRN Working Paper Carlson, School of Management, University of Minnesota, June 2006.

Lamin, A., & Zaheer, S. 2011. Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders. *Organization Science*, in press.

Levitt, S.D. 1997. Using electoral cycles in police hiring to estimate the effect of police on crime. *American Economic Review*, 87(3): 270-290.

Livesey, S.M. 2001. Eco-identity as discursive struggle: Royal Dutch/Shell, Brent Spar, and Nigeria. *Journal of Business Communication*, 38: 58-91.

Love, E.G., & Kraatz, M. 2009. Character, conformity, or the bottom line? How and why downsizing affected corporate reputation. *Academy of Management Journal*, 52(2): 314–335.

Lyon, T.P., & Maxwell, J.W. 2008. Corporate social responsibility and the environment: A theoretical perspective. *Review of Environmental Economics and Policy*, 2(2): 240–260

Mahon, J.F. 2002. Corporate reputation: research agenda using strategy and stakeholder literature. *Business & Society*, 41(4): 415–445.

Mahon, J.F., & Wartick, S.L. 2003. Dealing with stakeholders: How reputation, credibility and framing influence the game. *Corporate Reputation Review*, 6(1): 19-35.

Martin, K. D., & Kracher, B. 2008. A conceptual framework for online business protest tactics and criteria for their effectiveness. *Business & Society*, 47: 291–311.

Matland, M.W., & Stang, D.J. 1978. *The Pollyanna principle: Selectivity in language, memory, and thought.* Cambridge, MA: Schenkman Pub.

Meyer, J.W., & Rowan, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83: 340–363.

Miles, M.P., & Covin, J.G. 2000. Environmental marketing: A source of reputational, competitive, and financial advantage. *Journal of Business Ethics*, 23(3): 299–312 .

Milgrom, P., & Roberts, J. 1982. Predation, reputation, and entry deterrence. *Journal of Economic Theory*, 27: 280-340.

Minor, D.B., 2010. Corporate Social Responsibility as reputation insurance: Theory and evidence. *Working Paper, Haas School of Business*, UC Berkeley, April 2010.

Mitchell, R.K., Agle, B.R., & Wood, D.J. 1997. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4): 853–886.

Monga, A.B., & Roedder John, D. 2008. When does negative brand publicity hurt? The moderating influence of analytic versus holistic thinking. *Journal of Consumer Psychology*,18 (4): 320–332.

Oliver, P.E., & Myers, D.J. 1999. How events enter the public sphere: conflict, location, and sponsorship in local newspaper coverage of public events. *American Journal of Sociology*, 105:38–87.

Pfarrer, M.D., Pollock, T.G., & Rindova, V.P. 2010. A tale of two assets: The effects of firm reputation and celebrity on earnings surprises and investors' reactions. *Academy of Management Journal*, 53(5): 1131-1152.

Philippe D., & Durand, R. 2011. The impact of norm-conforming behaviors on firm reputation. *Strategic Management Journal*, forthcoming.

Pindyck, R.S., & Rubinfeld, D.L., 1997 [1998]. *Econometric models, economic forecast*. 4th edition. New York, NY: McGraw-Hill.

Podolny, J. 1993. A status-based model of market competition. *American Journal of Sociology*, 98: 829–72.

Poggione, S. 2004. Exploring gender differences in state legislators' policy preferences. *Political Research Quarterly*, 57(2): 305-314.

Pruzan, P. 2001. Corporate reputation: Image and identity. *Corporate Reputation Review*, 4(1): 50–64.

Puncheva, P. 2008. The role of corporate reputation in the stakeholder decision-making process. *Business & Society*, 47: 272-290.

Rao, H. 1994. The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the American automobile industry. *Strategic Management Journal*, 15: 29-44.

Raustiala, K. 1997. States, NGOs, and international environmental institutions. *International Studies Quarterly*, 41(4): 719-740.

Riahi‑Belkaoui, A., & Pavlik. E. 1991. Asset management performance and reputation building for large MY firms. *British Journal of Management*, 2: 231-238.

Rindova, V.P., & Fombrun, C.J. 1996. Constructing competitive advantage: the role of firm–constituent interactions. *Strategic Management Journal*, 20(8): 691-710.

Rindova, V.P., Pollock, T., & Hayard, M. 2006. Celebrity firms: The social construction of market popularity. *Academy of Management Review*, 31(1): 50–71.

Risse, T. 2004. Transnational governance and legitimacy. *Working Paper*, Otto Suhr Institute for Political Science, University Berlin, November 2004.

Roberts, P.W., & Dowling, G.R. 1997. How do reputations affect corporate performance?: The value of a firm's corporate reputation: How reputation helps attain and sustain superior profitability. *Corporate Reputation Review*, 1: 72-76.

Roberts, P.W., & Dowling, G.R. 2002. Corporate reputation and sustained superior financial performance. *Strategic Management Journal*, 23: 1077-1093.

Rondinelli, D. A. 2002. Transnational corporations: international citizens or new sovereigns. *Business and Society Review*, 107(4): 391-413.

Rubinstein, A. 1985. A bargaining model with incomplete information about time preferences. *Econometrica*, 53(5): 1151-1172.

Ruef, M., & Scott, W.R. 1998. A multidimensional model of organizational legitimacy: hospital survival in changing institutional environments. *Administrative Science Quarterly*,43(4): 877-904.

Sasser, E.N., Prakash, A., Cashore, B., & Graeme, A. 2006. Direct targeting as an NGO political strategy: Examining private authority regimes in the forestry sector. *Business and Politics*, 8(3): Article 1.

Scherer, A.G., & Palazzo, G. 2007. Toward a political conception of corporate responsibility. Business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4): 1096–1120.

Scherer, A.G., & Palazzo, G. 2011. The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48(4): 899-931.

Scott, W.R. 1987. *Organizations: Rational, natural, and open systems*. Englewood Cliffs, NJ: Prentice-Hall International Editions. 2nd edition.

Shakespeare, W. 2004 [1603] Othello. *The Moor of Venice*. Reprint edition. B.A. Mowat & P. Werstine (Eds.) New York, NY: Washington Square Press.

Shaver, J.M. 1998. Accounting for endogeneity when assessing strategy performance: Does entry mode choice affect FDI survival? *Management Science*, 44: 571–585.

Shenkar, O., & Yuchtman-Yaar, E. 1997. Reputation, image, prestige and goodwill: an interdisciplinary approach to organizational standing. *Human Relations*, 50: 1361–1381.

Shrivastava, R.K., McInish, T. H., Wood, R. A., & Capraro, A. J. 1997. The value of corporate reputation: Evidence from the equity markets. *Corporate Reputation Review*,1: 62–68

Shrivastava, P., Mitroff, I.I., Miller, D., & Miglani, A. 1988. Understanding industrial crises. *Journal of Management Studies*, 25: 285–303.

Shrum, W., & Wuthnow, R. 1988. Reputational status of organizations in technical systems. *American Journal of Sociology*, 93: 882–912.

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.

STATA. 2007a. *Stata Statistical Software*: Release 10. References A-H. College Station, TX: StataCorp LP.

Teegen, H., Doh, J.P., & Vachani, S. 2004. The Importance of Nongovernmental Organizations (NGOs) in Global Governance and Value Creation: An International Business Research Agenda. *Journal of International Business Studies*, 35: 463-483.

The Economist. 2003. *Living with the enemy*. Vol. 368, issue 8336: 49-50.

The Economist. 2008. A survey of corporate social responsibility: Just good business. Print edition, Jan. 17, 2008.

United Nations. 1998. Arrangements and practices for the interaction of Non-Governmental Organizations in all activities of the United Nations system. *Report of the Secretary-General*. New York, NY: United. Nations.

Vickers, J. 1986. Signaling in a model of monetary policy with incomplete information. *Oxford Economic Papers*, 38: 443-455.

Wettstein, F. 2010. For better or for worse: Corporate responsibility beyond “do not harm”. *Business Ethics Quarterly*, 20(2): 275-283.

Whetten, D.A., & Mackey, A. 2002. Identity congruence and its implications for the study of organizational reputation. *Business & Society*, 41: 393-414.

Williams, R.J., Schnake, M.E., & Fredenberger, W. 2005. The impact of corporate strategy on a firm’s reputation. *Corporate Reputation Review*, (8)3: 187-197.

Winn, M.I., MacDonald, P., & Zietsma, C. 2008. Managing industry reputation: The dynamic tension between collective and competitive reputation management strategies. *Corporate Reputation Review*, 11(1): 35-55.

Withey, M.J., & Cooper, W.H. 1989. Predicting exit, voice, loyalty, and neglect. *Administrative Science Quarterly*, 34(4): 521-539.

Yaziji, M. 2004-5. Toward a theory of social risk: Antecedents of normative delegitimation. *International Studies of Management & Organization*, 34(4): 87–107.

Yaziji, M., & Doh, J. 2009. *NGOs and Corporations: Conflict and Collaboration*. Cambridge, UK: Cambridge University Press.

Zyglidopoulos, S.C. 2001. The impact of accidents on firms' reputation for social performance. *Business & Society*, 40(4): 416-441.

Zyglidopolous, S.C. 2004. The impact of downsizing on the corporate reputation for social performance. *Journal of Public Affairs*, (4)1: 11-25.

ANNEX II

Original news reports about corporate malpractices / breaches of norms

#1 (news abstract)

An employee of Foxconn Electronics in Shenzen, China has reportedly committed suicide after reporting to his employers that an upcoming iPhone prototype went missing. After the item was reported missing, Foxconn employees allegedly entered the man's apartment to search the premises. Chinese media reports alleged the apartment search was illegal and quoted former classmates claiming that the fallen employee told them he was beaten and harshly interrogated by his superiors. Foxconn Electronics is a direct supplier of Apple products.

DATE: July 23, 2009 | FIRM TARGET: APPLE INC | ISIN US0378331005| ISSUE(S): Poor Employment Conditions, Supply Chain Issues, Violation of National Legislation | LOCATION: China | ISSUE SEVERITY: level 2 - high | Reporting SOURCE: Sydney Morning Herald | Source INFLUENCE 2 – high | NEWNESS: yes http://www.stuff.co.nz/technology/2663485/Terrified-Chinese-iPhone-worker-commits-suicide

#1 (original news)

Terrified Chinese iPhone worker commits suicide

By ASHER MOSES

Last updated 13:19 22/07/2009

A Chinese factory worker who reported an upcoming iPhone prototype missing was so scared of the wrath of his bosses and Apple that he committed suicide by jumping out of a 12th-floor window. Apple's unusually secretive company culture has helped it gain an edge on competitors and maintain unparalleled pre-launch buzz for its products. However, the death of Sun Danyong, 25, highlights the effect it can have on employees and supply chain workers who are tasked with keeping upcoming products under wraps.

VentureBeat, which broke the news, and Chinese media report that Sun worked at Apple's manufacturing partner Foxconn, based in Shenzhen. His job involved shipping iPhone prototypes from Foxconn to Apple. Sun, a recent university graduate, had ordered 16 prototype phones from Foxconn's assembly line on July 9 but, within days, he noticed that one of them was missing. His apartment was searched by Foxconn employees after he reported the device missing on July 13. Three days later Sun was dead. Surveillance footage from his apartment showed he had jumped out of a 12th-floor window at 3.30am on July 16.

Some Chinese media reports alleged the apartment search was illegal and quoted former classmates saying that Sun told them he was beaten and harshly interrogated by his superiors. Apple has confirmed the incident, telling reporters that it was “saddened by the tragic damage of this young employee”. It said it was awaiting the results of the investigation into Sun’s death but stressed it required suppliers to treat all workers with “dignity and respect.” Foxconn told Chinese news sites that it apologized for the death and admitted that some of its employees might have used “inappropriate interrogation methods.” A plethora of gadget sites lap up even the most insignificant Apple-related rumours, forcing the company to put extra pressure on partners to maintain its cult of secrecy. The company reportedly even briefs some staff with deliberately false information so as to catch the source of leaks. In 2006, the technology world was shocked when Britain’s Daily Mail published photographs and details of the harsh working conditions in the Chinese factories where iPods are made. One, owned by Foxconn and located in Longhua, housed 100 low-paid workers per dorm room with all visits from people outside the plant barred. Workers toiled for up to 15 hours a day and were ruled with an iron fist by bosses. A worker told the paper: “It’s like being in the army. They make us stand still for hours. If I move I am punished by being made to stand still for longer.” Apple responded by launching a 10-week investigation into the Foxconn plant, which found that, while Foxconn was complying with the “majority” of Apple’s policies, some issues needed to be addressed.

- Sydney Morning Herald

#2 (news abstract)

According to a Swiss TSR television report, private security firm Securitas was hired in the lead up to the 2003 G8 Summit in Evian to observe groups opposing the world leaders’ meeting. It is claimed they used an undercover agent to infiltrate the activist group Attac. The program alleged that Securitas had been contracted by Nestlé. An official inquiry into the allegations and the role of the police is currently underway in the state parliament of Canton Vaud in Switzerland. Attac announced its intention to take legal actions against the companies.

DATE: June 20, 2008 | FIRM TARGET: NESTLE SA | ISIN CH0038863350| ISSUE(S): Violation of National Regulation | LOCATION: Switzerland | ISSUE SEVERITY: level 1 - low | Reporting SOURCE: Neue Zürcher Zeitung | Source INFLUENCE 2 - high | NEWNESS: yes. | LANGUAGE: German |

#2 (original news)

20. Juni 2008, Neue Zürcher Zeitung - Westschweizer Spitzelaffäre zieht Kreise

Infiltration der Aktivistengruppe Attac als Politikum

Das Westschweizer Fernsehen hat neulich gezeigt, wie die Firma Securitas die unternehmenskritische Waadtländer Aktivistengruppe Attac infiltrierte. Nun möchte die Kantonsregierung klären, ob dies legal war und welche Rolle die Polizei spielte. Eine Gerichtsklage ist hängig. Es sieht ganz so aus, als ob die Reportage der TSR-Sendung «Temps présent» über den Fall Securitas - Attac noch weite Kreise ziehen würde. Letzte Woche strahlte die TSR eine Reportage von Jean-Philippe Ceppi und Mauro Losa aus, die zeigte, dass die Sicherheitsfirma Securitas in ihrer Arbeit gelegentlich zu recht unzimperlichen Methoden greift. Die Firma ist, wie die TSR-Reportage deutlich machte, längst nicht mehr nur das sympathische Unternehmen, dessen Mitarbeiter mit Taschenlampe und Schäferhund nachts durch Bauplätze und leerstehende Gebäude streifen, sondern eine breit tätige Sicherheitsgruppe, die unter anderem auch für den Transport von Häftlingen und Asylbewerbern, für die Sicherheit in der Eisenbahn und für andere Aufgaben beigezogen wird. Auch übt sie unter dem Namen «Investigation Services» eine proaktive Überwachungs- und Informationstätigkeit aus, die vom Standpunkt des Datenschutzes aus nicht immer unproblematisch ist und vor allem die – politische – Frage aufwirft, wie weit die Privatisierung polizeilicher Befugnisse zulässig und wünschenswert sei. Um was geht es genau? Im Vorfeld des G-8-Gipfels 2003, der im Kurort Evian am französischen Genferseeufer stattfand, machte man sich auch in der Westschweiz Sorgen um die öffentliche Sicherheit und befürchtete Gewaltanwendung durch Drittwelt-Aktivisten (nicht ganz zu Unrecht, wie sich bald herausstellte). Deshalb beschloss die Securitas-Direktion in Lausanne, eine Frau in die Aktivistengruppe Attac Waadt einzuschleusen, um sich ein Bild von der Tätigkeit dieser unternehmenskritischen

Gruppe zu machen. Attac setzt sich nach eigenen Aussagen für eine gerechtere Wirtschaftsordnung und eine «andere Globalisierung» ein, aber mit gewaltlosen Methoden. Unter dem Namen «Sara Meylan» beteiligte sich die Securitas-Informantin unter anderem an der Ausarbeitung eines kritischen Buchs über Nestlé, das ein Jahr später erschien. Dann verschwand die geheimnisvolle «Sara» von der Bildfläche und ward seither nicht mehr gesehen. So weit die Kernaussage der TSR-Reportage. Bei der Securitas bestätigt man, dass vor und während des G-8-Gipfels die Gegner systematisch beobachtet wurden; doch einen spezifisch auf Attac ausgerichteten Auftrag habe es nicht gegeben. Die Firma räumt aber ein, dass sie, um Überraschungen auszuschliessen, auch die Attac beobachtet habe. Ja, es komme gelegentlich zum Einsatz von Mitarbeitern unter falschem Namen. Den Einsatz von «Sara Meylan» will man jedoch nicht ausdrücklich bestätigen, und auch die Namen allfälliger Auftraggeber werden nicht preisgegeben. Laut TSR dürfte die Securitas im Auftrag von Nestlé gehandelt haben. Auch diese Information wird von der Securitas nicht bestätigt. Die Nestlé-Gruppe wiederum beschränkt sich in ihrer Stellungnahme auf ein dürres Communiqué. Sie bestätigt, dass im Zusammenhang mit dem G-8-Gipfel «angemessene Massnahmen» zur Wahrung der Sicherheit getroffen worden seien, in enger Kooperation mit der Securitas, die für die Sicherheit von Nestlé-Anlagen in der Schweiz zuständig sei, sowie mit der lokalen Polizei. «Diese Massnahmen gingen mit dem Schweizer Gesetz völlig konform», liest man weiter. Überdies wird um Verständnis dafür gebeten, dass «Nestlé aus nachvollziehbaren Gründen ihre Sicherheitsabsprachen nicht öffentlich kommentiert». In jedem Fall aber wird die Sache die politischen Instanzen noch beschäftigen. So hat der Waadtländer Ständerat Luc Recordon von der Grünen Partei in der kleinen Kammer eine Interpellation eingereicht, in der er den Bundesrat zu einer Stellungnahme aufruft. Unterstützt – sofern dies als Unterstützung bezeichnet werden kann – wurde er von Nationalrat Josef Zisyadis, der seinerseits einen Vorstoss lancierte, in dem kurzerhand ein Verbot von Privatpolizei-Aktivitäten gefordert wird. Vermutlich wird das Thema im Herbst im Bundesparlament zur Sprache kommen. Viel zu reden gab die Affäre aber bereits im Waadtländer Kantonsparlament. Dabei wurde von linken Abgeordneten vor allem auch die Rolle der Kantonspolizei thematisiert, die von den Securitas-Aktivitäten zumindest teilweise gewusst haben soll. FDP-Staatsrätin Jacqueline de Quattro versprach die Einleitung einer Administrativuntersuchung über die Rolle der Polizei. Diese steht pikanterweise unter dem Kommando von Eric Lehmann, einem früheren TSR-«Tagesschau»-Sprecher und SRG-Präsidenten. Der Fall wird auch die Gerichte beschäftigen. Die Attac hat angekündigt, dass sie eine Klage gegen die Securitas und gegen Unbekannt einreichen werde. Die Frage, wie weit private Unternehmen in ihrer Informationsbeschaffung gehen dürfen, wird auch in Kreisen, die Sicherheitsanliegen grundsätzlich hoch werten, intensiv diskutiert. So hat der Sprecher eines nationalen Polizeiverbands öffentlich Kritik an der Waadtländer Polizei geübt, mit dem Argument, die präventive Informationsbeschaffung stehe ausschliesslich den staatlichen Instanzen zu.

#3 (news abstract)

22.04.2009 - Canadian Natural Resources and Sinopec Shanghai Engineering are facing 53 charges relating to two workers' deaths at the Alberta oil sands projects in 2007. The workers were killed, while five others were injured, when the roof of an oil tank they were constructing collapsed on them. The companies have been charged with failing to ensure the health and safety of the workers. The maximum penalty for each charge is USD 403,000.

DATE: April, 22, 2009 | FIRM TARGET: SINOPEC | ISIN CNE1000002Q2 | ISSUE(S): Violation of National Legislation, Occupational Health and Safety | LOCATION: Canada | ISSUE SEVERITY 3 – very harsh | Reporting SOURCE: Reuters | Source INFLUENCE 2 – high | NEWNESS: yes | http://www.reuters.com/article/2009/04/21/canadiannatural-charges-idUSN2149139620090421

#3 (original news)

Canadian Natural charged in deaths of workers

Tue, Apr 21 2009

CALGARY, Alberta, April 21 (Reuters) - Canadian Natural Resources Ltd (CNQ.TO: Quote, Profile, Research, Stock Buzz) and a pair of other firms face 53 charges in the deaths of two workers at the company's oil sands project in Alberta in 2007, the province said on Tuesday.

Two temporary workers from China were killed and five others were injured when the roof of an oil tank they were constructing collapsed on them at the Horizon project site, north of Fort McMurray, Alberta. Canadian Natural, which is the country's No. 2 independent oil explorer, Sinopec Shanghai Engineering Co Ltd and SSEC Canada Ltd face charges for failing to ensure the health and safety of the workers.

Among the other counts are failing to ensure that a professional engineer prepared and certified drawings and procedures and failing to ensure the roof support structure was stable during assembly. The companies are due for their first court appearance June 8 in Fort McMurray, the government said. The maximum penalty for each charge is C$500,000 ($403,000).

#4 (abstract of NGO report)

Protesters planning to meet on July 28, 2007 outside BNP-Paribas' Paris offices aim to draw attention to the company's alleged involvement in the diversion of public funds from the Congolese Treasury by President General Denis Sassous-Nguesso. Protesters will demand the funds be frozen.

DATE: July 27, 2007 | FIRM TARGET: BNP PARIBAS | ISIN FR0000131104 | ISSUE(S): Corruption, Bribery, Extortion and Money Laundering; Human Rights Abuses and Corporate Complicity | LOCATION: France | SEVERITY 1 – low | Reporting SOURCE: Global Voice Online.org | Source INFLUENCE 1 – low | NEWNESS: yes | LANGUAGE: French |
http://www.globalvoicesonline.org/2007/07/22/france-protest-against-bnp-denis-sassou-nguesso/

#4 (oringial NGO-report)

Appel à manifester ce samedi 28 juillet 2007 à Paris devant le siège de la BNP

20 juillet 2007

Nous avons reçu cet appel à manifestation lancé par le Conseil Represénatif de la Diaspora du Congo-Brazzaville. Les Banques occidentales étant le symbole du détournement des fonds des pays africains sous dictature, la BNP-Opéra sera le lieu de la manif à laquelle appellent les Congolais ce samedi 28 juillet à Paris de 14h à 19H.

APPEL A MANIFESTATION

LE CONSEIL REPRESENTATIF DE LA DIASPORA DU CONGO-

BRAZZAVILLE, APPELLE à une GRANDE MANIFESTION ce samedi 28 juillet 2007 de 14 h à 19 h devant le siège de la BNP-PARIBAS à la place de l'OPERA à Paris, afin d'obtenir le GEL des Fonds détournés du Trésor Public Congolais par le Général Denis SASSOUS NGUESSO, ce qui constitue en droit un délit d'abus de biens sociaux et d'enrichissement illicite. Ce rassemblement sera l'occasion pour les manifestants de dénoncer les exactions et les crimes commis par ce pouvoir odieux et d'exprimer leur colère face aux élections truquées du dimanche 24 juin 2007 qui ont couvert notre pays de ridicule.

MANIFESTATION SAMEDI 28 juillet 2007 à 14 heures

LIEU de la MANIFESTATION :

Rassemblement : 14 h Place de la REPUBLIQUE Départ : 15 h 30 pour la Place de l'OPERA à PARIS

Manifestation de : 16 h 00 à 18 h 00 devant le siège de la BNP-PARIBAS à la Place de l'OPERA.

POUR TOUT CONTACT :

06 63 32 95 45

06 19 47 86 88

CHERS COMPATRIOTES et AMIS :

PHOTOCOPIEZ et DISTRIBUEZ ce TRACT ! SOYONS DES MILLIERS A CETTE MANIFESTATION ! N'ATTENDEZ PAS ! MOBILISONS ! MERCI !

Le Comité de Pilotage et de Supervision & Le Comité d'Organisation du CRDC

#5 (abstract of NGO-report)

Amnesty International's "Nigeria petroleum, pollution and poverty in the Niger Delta" report criticized Shell Petroleum Development Corporation for human rights impacts of company oil spills in Nigeria. A total of three oil spills since 2004 were reviewed for their negative impacts on human rights with regard to food, work and an adequate standard of living, as well as to health and the right to a healthy environment. Two of these spills involved the Trans Niger Pipeline. The Government of Nigeria was criticized for not doing enough to protect the Ogoni community from the impacts of the pipeline spills. The three spills were at Ikarama and Kira Tai in March 2008 and at Bodo in August 2008. Chevron, ENI, Total, and NNPC were also mentioned in the report.

DATE: June 30, 2009 | FIRM TARGET: ROYAL DUTCH SHELL | ISIN GB00B03MLX29 | ISSUE(S): Human Rights Abuses and Corporate Complicity; Impacts on Communities; Local Pollution | LOCATION: Nigeria | SEVERITY 2 – harsh | Reporting SOURCE: Amnesty.org | Source INFLUENCE 1 – low | NEWNESS: no |
http://www.amnesty.org/en/library/asset/AFR44/017/2009/en/e2415061-da5c-44f8-a73c-a7a4766ee21d/afr440172009en.pdf

#5 (original NGO-report)

Case study THE OIL SPILL AT BODO, 2008

If you want to go fishing, you have to paddle for about four hours through several rivers before you can get to where you can catch fish and there is less oil ... some of the fishes I catch, when you open the stomach, it smells of crude oil.

On 28 August 2008 a fault in the Trans-Niger pipeline resulted in a significant oil spill into Bodo Creek in Ogoniland. The oil poured into the swamp and creek for weeks, covering the area in a thick slick of oil and killing the fish that people depend on for food and for their livelihood. A local NGO, the Center for Environment, Human Rights and Development (CEHRD), which investigated the case (including taking video footage of the leak), reported that the oil spill resulted in death or damage to a number of species of fish that provide the protein needs of the local community. Video footage of the site shows widespread damage, including to mangroves which are an important fish breeding ground.

The pipe that burst is the responsibility of the Shell Petroleum Development Company (SPDC). The community claim that the spill began on 28 August 2008. SPDC has reportedly stated that the spill was only reported to them on 5 October of that year. Rivers State Ministry of Environment was informed of the leak and its devastating consequences on 12 October by CEHRD. A Ministry official is reported to have visited the site on 15 October. However, the leak was not stopped until 7 November.

In October 2008, members of the community said they were desperate for action to stop the leak that was destroying their food source and environment. A community representative stated: I want the Federal Ministry of Environment and SPDC in particular to come and put a stop to this... My people... don't go to fishing any longer – you can see the devastating effects – and this is the main source of livelihood.

It is not clear why SPDC failed to stop the leak and contain the spill swiftly, as required by Nigerian oil industry regulations. Nor is it clear why the federal regulators did not take action. The failure to stop the leak swiftly significantly increased the damage. “[T]he creek is dead” CEHRD concluded, finding that as a result, “there is real food insecurity in the area....”. Local community representatives claim that people suffered skin problems through contact with the oil – a common complaint of communities affected by oil spills.

Nigerian government regulations also require the swift and effective clean-up of oil spills. As of May 2009, the site of the spill had still not been cleaned up, and there was controversy over the clean-up contract (oil companies usually hire contractors to clean up spills). Moreover, a second oil spill was reported to have occurred in the same area on 2 February 2009, further damaging the environment on which people depend for their food and livelihood.

Although the oil spill has seriously undermined the local community’s right to food, at the time of writing (May 2009) no adequate action had yet been taken to address the food insecurity. On 2 May 2009, eight months after the spill, SPDC staff reportedly brought food relief to the community, which they rejected as wholly inadequate. According to Nenibarini Zabbey of CEHRD, “SPDC officials arrived at the palace of the paramount ruler of Bodo on Saturday 2 May, 2009, and presented as relief materials 50 bags of rice, 50 bags of beans, 50 bags of garri, 50 cartons of sugar, 50 cartons of dry peak milk, 50 cartons of milo tea, 50 cartons of tomatoes and 50 tins of groundnut oil. The Bodo population is a little above 69,000. Given the population figure, the Bodo people consider the offer by SPDC as insulting, provocative and beggarly, and unanimously rejected the items.”

Amnesty International asked SPDC to comment on the case, but the company did not do so.

#6 (abstract of NGO-report)

The Gamawela community has criticized Anglo American’s Anglo Platinum for its intentions to obtain 100 hectares of valuable irrigable lands to build the Richmond Dam. They say their livelihoods will be undermined, their ancestors’ graves will be removed, and the community’s sacred rain-making pools will be submerged. The community is also saying that the current framework for the mining sector does not involve signatories from the community but only between the government and mining companies.

DATE: Oct. 03, 2008| FIRM TARGET: AngloAmerican PLC | ISIN GB00B1XZS820 | ISSUE(S): Impact on Communities, Impact on Ecosystem/Landscapes, Local Participation Issues | LOCATION: South Africa | SEVERITY 2 –harsh | Reporting SOURCE: business-humanrights.org | Source INFLUENCE 2 – high | NEWNESS: no | http://www.business-humanrights.org/Links/Repository/123456

#6 (original NGO-report)

By Mathibela Mankge (via Business Human Rights)

Tel: 012 394 1101

Fax: 012 394 2101

Cell: 072 186 4205

Email: MRMankge@thedti.gov.za

Mathibela Mankge is a member of the Gamawela Communal Property Association. He works for the Department of Trade and Industry as Deputy Director: BEE, Enterprise and Industry Development Division. These are his personal views.

3 October 2008.

MARUPING GO KA BOELWA: DEFENDING CULTURAL HERITAGE AGAINST EXPROPRIATION BY MINING COMPANIES

Angloplatinum intends to remove my ancestors' graves and submerge my community's sacred rain-making pools under a dam. The community objects to this action as it will destroy the invaluable heritage, as well as destroy the foundations of the identity as the Gamawela community. The Gamawela community was the owner of a beautiful valley in a tributary of the Steelpoort (Tubatse) River since time immemorial. The tributary, which is known to the community as Molototsi, is blessed with sufficient water from the high mountains of the district to meet its commercial farming and other needs. This blessing is being turned into a curse first by the appearance of colonizers who claimed ownership of the land, and then by foreign mining companies who have come to exploit us again.

The community, which numbers about 500 households, began its battle with Angloplatinum in 2002 when its first land claim on the farm St George was gazetted by the land claims commission in 2000, and the company made its intentions clear that it would fight the claim in court. The Legal Resources Centre, Johannesburg, agreed to defend the community and brought a "direct access" application to the Land Claims Court, given that the Gamawela community had sufficient capacity to do so without assistance from the Commission on Restitution of Land Rights. The community won its case in court in July 2004.

The land claims court finally ordered the land to be restored to the community in July 2006, eight years from the time at which the community lodged its claims. Angloplatinum even made a submission to the court, based on its mining rights application to the Department of Minerals and Energy, that it had limited plans to use the land.

It is clear to the community now that Angloplatinum coveted the water resources which were being claimed by the community. The community has now been informed by Angloplatinum that it is going to expropriate at least 100 hectares of its most valuable irrigable lands on the farm St George to build a dam, known as the Richmond Dam. This will undermine the livelihoods of the community in ways that are incalculable.

The dam will also require even more land on the farm Richmond, which is under claim by other clans in the community.The community is very anxious that the grave of Kgoshi Marobele, the great-great-great… ancestor, who gave rise to all the Mankge people who are today found in the entire world, will be submerged under water on the farm Richmond.

We respect Kgoshi Marobele and I believe Angloplatinum should respect the site where his remains are kept because that's the place he had chosen and loved. That respect will never die or be made to die. From time to time I may be required as it's the cultural practice to pay respect to him as he's a mediator between us and God. And that must continue to be done at his grave as I normally do – in perpetuity. Truly speaking Africans do not believe in any foreign ancestor no matter in which book he may be written. We believe entirely on the ones who gave rise to us and God only. They are the Saviours. Marobele is the chief ancestor.

The Richmond Dam will destroy the sacred heritage sites. The beauty of the land and its natural habitat would be lost forever. Our heritage would be lost forever. Our land is also the source of our identity as clans, and as a community.

No matter how poor the magnitude of this community might be, I think it's yet another insult to the people by Angloplatinum to offer a few rands for a dam that will destroy their social well-being. I believe that a partnership between Angloplatinum and the Gamawela community would change the social well-being of the whole community over the next decade – and by saying that I mean that a reasonable direct ownership in the productive mining assets proposed in their land would take the community out of poverty. If not, its members remain part of communities documented by government as among the poorest in both Limpopo and Mpumalanga Provinces.

I don't think that Anglo can start thinking that it has met the empowerment targets as set out under in the B-BBEE Codes of Good Practice if it continues to enrich itself at the expense of communities such as my own who are directly affected by its mining operations. My wish is that Angloplat will accept mediation; otherwise the community has declared publicly that it is determined to fight the case all the way to the Constitutional Court. We believe that I can set an important precedent against mining companies for socio-economic rights in this country. The Gamawela community is armed with people of great minds and has no intention of selling the land to anyone in any given time, no matter at what price, because the land is the heritage. No price would buy that, and this is the message that I will send with great pride to generations to come. Lastly, it has become clear to the Gamawela community that the current legal framework for the mining sector is a recipe for conflict. Mining companies ride roughshod over communities, and their agreements with government are shrouded in confidentiality.

The fact is that communities are not signatories to any agreement between government and mining companies and, justifiably, reject any decisions taken by government on their behalf. If government does not enforce the mining charter as intended, communities directly affected by mining will be forced to take matters into their own hands, outside of the inadequate framework of the law, to negotiate legally enforceable impacts and benefits contracts with mining companies.

PART III:
NEW POLITICAL ROLES AND RESPONSIBILITIES
AMIDST GLOBALIZATION DYNAMICS

"In the next society, the biggest challenge for the large company – especially for the multinational - may be its social legitimacy" (Peter Drucker, 2001).

ABSTRACT

An exhaustive literature is dedicated to corporate political and legitimation activity (CPA/CLA). It can be summarized as a corporate attempt to advance private interests vis-à-vis state actors, and to legitimize business activities vis-à-vis civil society. I posit that these current views of CPA/CLA reveal shortcomings as their underlying assumptions of strong state regulation and civil society malleability lose validity amidst globalization dynamics: First, globally operating companies locate their sourcing and production networks in firm-favorable regulatory contexts, i.e. in countries with weak, insufficient or even missing state governance. Second, the exploitation of such regulatory gaps has provoked civil-society opposition, often orchestrated by NGOs which not only shame and blame corporations through their campaigns, but also increasingly request that firms alleviate these regulative failures. Surprisingly, the literature on CPA/CLA remains widely silent regarding such political demands. Hence, the purpose of this paper is to elaborate an advanced CPA/CLA concept aimed at repairing regulative failure through the assumption by firms of certain governmental roles. This concept builds upon political corporate social responsibility (CSR) and internalization theory, thereby ensuring both civil society participation and economic rationality.

INTRODUCTION

Business against business regulation is an old game. Since the term was created by the 18th U.S. President Ulysses S. Grant (1869–1877) in the lobby of his beloved Willard Hotel where he was besieged by businessmen advocating their interests, companies have continued to *lobby* state authorities (see Gelak, 2008). Firms seek to defend and advance their causes against state regulation which is supposed to ensure and protect public interests against the firms' private agenda.

Such political-influence seeking of firms is conceptualized as corporate political activity (CPA) set up to achieve favorable regulations (Hillman et al., 1999; Hillman et al., 2004). CPA constitutes the dominant form of firms' strategies to compete with political and legal, but also non-state, hence civil-society actors in so-called nonmarket environments (Boddewyn, 2003; Mahon, 1989). In addition, corporate legitimation activity (CLA) describes business attempts to influence civil society's (public) opinion[33] about the legitimacy of a firm's business practices (Baysinger, 1984; Oliver & Holzinger, 2008).

Together, CPA and CLA provide a basis for a firm's nonmarket strategies set up to influence state and civil society actors (Baron 1995; 2009). Such power games involving nonmarket hegemony are highly institutionalized on the national level (Ostas, 2007). However, when contrasting CPA/CLA against an international or global dimension, they reveal a certain mono-dimensionality that works less effectively amidst the dynamics of the economic globalization process.

First, I posit that the underlying assumption of strong and functioning state regulation has lost validity because business activities have become global whereas business regulation has remained mainly national – at least in its enforcement aspect (Della Porta & Tarrow, 2005; Hsieh, 2009). Thus, transnational corporations (TNCs) can choose to locate their sourcing and production facilities in favorable regulatory contexts (Shamir, 2004). This concern especially countries that are marked by weak, failed or authoritarian state governance (Held & McGrew, 2002; Fukuyama, 2004).[34]

[33] According to Taylor (1995), civil society can be understood as "a web of autonomous associations independent of the state, which bind citizens together in matters of common concerns, and by their existence or actions could have an effect on policy" (p. 204; cited in Kligman, 1990: 420; see also Hann & Dunn, 1996).

[34] Certainly, some regulatory gaps like global warming or sea pollution are transnational per se, and hence transcend the regulative capacity of any, even willing nation-states. Nevertheless, for the sake of clarity, I concentrate on regulatory gaps that emerge due to regulatory weakness on the national level.

The corporate exploitation of such regulatory deficits may appear, at first, as desired CPA outcomes achieved without significant influence or lobbying efforts (e.g. Ahuja & Yayavaram, 2011). However, the corporate ability and willingness to exploit regulatory deficits on global markets is crystallizing as a disadvantage as it increasingly provokes civil-society opposition (see, e.g., Yaziji & Doh, 2009).

Hence, the (second) assumption (underlying CLA) of civil society malleability becomes challenged: In particular non-governmental organizations (NGOs)[35] have taken on the role of civil-society advocates and developed into corporate watchdogs: they oppose TNC abuse of regulatory gaps often in highly mediatized boycott calls, as observed in the campaigns against sweatshops in Southeast Asia producing for Western brands such as Nike (Siegeman, 2008); or more recently against Unilever and Nestlé both purchasing palm oil sourced from plantations that have been created by destroying tropical rainforest areas in Indonesia (The Economist, 2010).

However, anti-firm protest is evolving and is no longer constrained to the blaming and shaming of firms that take advantage of regulatory weaknesses. Instead, more and more civil-society protests contain political messages requiring TNCs to fill the regulatory gaps they used to benefit from. Companies that ignore such political demands remain exposed to civil-society activism and delegitimation threats. Anecdotal and empirical evidence is manifold, highlighting the impact of such alternative sanctioning mechanisms of societal delegitimation on a firm's reputational and financial performance (e.g., Yaziji, 2004-5; Dean, 2004; Zyglidopolous, 2001; King & Soule, 2007).

Some firms incur potential reputational and economic risks if these political demands remain ignored. Hence, these companies begin to close some of the regulatory gaps that state regulation is incapable or unwilling to fill. They engage in education, health, and peace-keeping projects, and even set social and environmental standards to protect humans and the environment (e.g., Margolis & Walsh, 2003; Fort & Schipani, 2002; Matten & Crane, 2005). This new form of CPA is often executed in collaboration with NGOs, and sometimes governments, in so-called multi-stakeholder

[35] "[A]ny non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-orientated and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concern to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health" (United Nations, 2008: Paragraph 1).

initiatives (Bäckstrand, 2006; Detomasi, 2007), which will be illustrated later on with the cases of Nike and Chiquita.

This development fundamentally changes the meaning of CPA/CLA from manipulating regulatory gaps and civil society toward the provision of regulation in collaboration with civil society. Astonishingly, such a new, broader form of CPA/CLA has, to the best of my knowledge, not been conceptualized yet in the literature on nonmarket strategies. It still assumes strong, enforceable state governance and malleable civil-society actors. Therefore, the purpose of this paper is to investigate whether there are more positive forms of CPA/CLA aimed at repairing *regulatory deficits* through the assumption by TNCs of certain governmental roles rather than by exploiting these deficits.

For this purpose, I will address the following research questions which will be discussed throughout the rest of my analysis: 1) What are the current views of CPA and CLA? 2) Why are they problematic today? 3) Which emerging views of CPA/CLA take a broader perspective? 4) How can such advanced forms of CPA/CLA be conceptualized from a nonmarket viewpoint? 5) What are the implications of these developments at the theoretical and managerial levels?

To answer these questions, I begin with a review of the literature on CPA/CLA, which I challenge by exposing it to the changes the globalization process has provoked. I then draw on theories of corporate *political* responsibility (CPR) and *nonmarket failure internalization* to elaborate a refined CPA/CLA concept that compensates for regulatory deficits that current CPA/CLA views still ignore.

CORPORATE POLITICAL ACTIVITY: CURRENT VIEWS & UNDERLYING ASSUMPTIONS

"Organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio & Powell, 1983: 150). In other words, business firms compete not only in markets but also in nonmarket environments, where they target non-economic actors (Boddewyn, 2003; Mahon, 1989). Firms advance and defend corporate interests against state and civil-society concerns. If firms successfully influence legislative and regulative authorities, they can generate alternative or additional *economic* rents to those of their market activities. If they succeed in the shaping of the (public) opinion of civil-society actors such as shareholders, employees, customers, or NGOs, firms can also obtain societal approval, i.e., legitimation for their business practices.

Corporate Political Activity

Corporate activities that target *state actors* are summarized under the umbrella term corporate political activity (CPA, Mantere et al., 2007; Hillman et al., 2004; Getz, 1997). Because CPA is conceived as an alternative or additional form of *economic rent-seeking*, it is predetermined by firms' market objectives, and designed to maintain market efficiency and market power by influencing lawmakers and regulators (Hillman et al., 1999). Therefore, CPA focuses on issues with a "potentially significant impact on [economic] performance" (Baron, 2009: 43).

To achieve favorable policy outcomes, i.e. increase *influence rents*[36] (Ahuja & Yayavaram, 2011), firms participate in political power games with state agencies (Hillman et al., 2004), commonly described as *lobbying* strategies (Keim & Baysinger, 1988). Lobbying is construed as firms' attempts, through selective information provision, campaign financing and constituency building, to keep state regulations at firm-favorable levels (see Baysinger, 1984; Lamberg et al., 2004; Oberman, 2004; Hillman & Hitt, 1999; Vining et al., 2005).

In such antagonistic political power games, self-interested corporate actors seek to overcome the resistance of their opponents (regulator, Astley & Sachdeva, 1984; see also Foucault et al., 1988: pp.104-105) to "effect or to resist change in the law" (Ostas, 2007: 33; see also Hansen & Mitchell, 2000). Thus, CPA means that firms in general aim at avoiding either more, stricter or suboptimal regulation. Only if stricter regulation is advantageous for them might CPA turn into a strategy of advocating *for* and not against regulation (Maxwell et al., 2000; Lyon & Maxwell, 2003; Baron & Diermeier, 2007).

The American Chemical Industry is exemplary for regulation avoidance: When the clouds of regulation gathered due to a series of industry accidents with fatalities and environmental pollution, its member firms came up with their own pre-emptive voluntary standards 'Responsible Care' before any stricter state regulation could have been imposed (King & Lenox, 2000; Gunningham & Rees, 1997). Such anticipatory corporate standard setting has been criticized as pseudo or self-serving (industrial)

[36] "Influence rents are the extra profits earned by an economic actor because the rules of the game of business are designed or changed to suit an economic actor or a group of economic actors" (Ahuja & Yayavaram, 2011: 1-2).

self-regulation (Schillemans, 2008; Héritier & Eckert, 2008).
On the other hand, to ensure market power, companies also lobby for more regulation (Stigler, 1971; Mitnick, 1981). Research-based pharmaceutical companies, airplane producers, and steelmakers are often-cited examples of such corporate regulation calls made to raise rival costs and entry barriers for potential competitors (Abraham, 2002; Glasgow, 2001; McWilliams et al., 2002).

In any case, current CPA conceptions build on the *assumption* that state actors are capable and willing regulators who effectively control corporate behavior by setting and adjusting the regulatory framework within which firms operate. State regulation is believed to protect public concerns against private corporate interests by enforcing regulations and sanctions that benefit society best (see Henderson, 2001; Sundaram & Inkpen, 2004; Friedman, 1962; 1970). Through state regulation, governments ensure that firms' activities do not constrain citizens' rights in that citizens do not have to account for cost or market externalities caused by firms' activities (Marsden, 2000). Hence, CPA assumes *governance*[37] to be synonymous with *government* (see Baron, 1995; Bonardi et al., 2006)

Corporate Legitimation Activities

Even if a firm's nonmarket activities are dominated by political activity, they also include corporate efforts to influence and propitiate *civil society* actors in their legitimation processes (see Gardberg & Fombrun, 2006). Generally, organizations are granted legitimacy if their actions, objectives, and purposes are perceived as desirable, appropriate and congruent with the values and norms of their surrounding civil society actors composed of various interest groups (Suchman, 1995; see also Boddewyn, 1995).
Thus, civil-society legitimation is equally essential for firms as it represents the 'license to operate,' which insures a corporation's continued existence in a competitive environment (see Carroll & Hannan, 1989; Meyer & Rowan, 1977). However, and in contrast to most material and immaterial corporate resources, legitimacy is not owned by the firm, but "granted and revoked" (Yaziji, 2004-5: 92)

[37] Governance describes the processes through which a government steers itself to the continuous provision of order, security, health, education, coherence and prosperity to its population (Rosenau, 1995; Habermas, 2001).

by a firm's constituting environment.

Therefore, achieving legitimacy is an "organizational imperative" (Rees, 1997: 485), since legitimation threats may negatively impact the financial performance of firms (Baysinger, 1984; Yaziji, 2004-5; Lamin & Zaheer, 2011). The less legitimate an industry is perceived to be among civil-society actors, the lower the regulatory freedom that the industry may acquire. The tobacco business is exemplary as a highly regulated industry in Europe and the US because the legitimacy of its products has been highly questioned by influential civil society legitimacy constituents (see Miles & Cameron, 1982).

A firm is unlikely to lose its civil society legitimation all at once – civil society interests are too divergent and pluralistic. However, corporations that are encountering recurring legitimacy threats are likely to suffer from a legitimacy discount (Zuckerman, 1999), at least among specific societal actors, that may provoke boycotts, lawsuits, or stricter regulations against the firm or industry in which it operates. I conceive this as the 'vicious circle' of legitimacy deficits and regulatory inflation that firms seek to break through with appropriate CLA.

Current CLA *assumes the malleability* of civil society through either pragmatic/manipulative or cognitive/adaptive legitimation efforts (see Scherer et al., 2008; Palazzo & Scherer, 2006; Suchman, 1995).[38] Through *pragmatic* CLA, firms seek to receive the license to operate through the manipulation of the legitimizing actors (Suchman, 1995): Societal legitimation is successfully ascribed to a firm if it manages to "shape and manipulate the underlying values and beliefs of important constituents" (Oliver & Holzinger, 2008: 511). Hence, firms seek to influence the 'calculations' and reasoning of (important) self-interested stakeholders (Palazzo & Scherer, 2006) until they consider the firms' operations as legitimate (Ashforth & Gibbs, 1990).

In pursuing pragmatic CLA, firms employ resources to actively settle or at least

[38] Suchman (1995) as well as Palazzo and Scherer (2006) discuss also a third form of legitimation which they conceive as moral – or, in different terminology – deliberative form of legitimacy. Moral/deliberative legitimation is socially constructed by "conscious moral judgments" (Palazzo & Scherer, 2006: 73) by the public that differ "fundamentally from narrow self-interest" (Suchman, 1995: 579) outcomes, which pragmatic and cognitive approaches pursue. Instead, moral legitimacy is achieved only through the ex ante participants' "vigorous participation in discussions" (ibid, p.585) – hence the term deliberative legitimacy. I will revert to this third alternative, sublimated legitimation form when developing the advanced CPA/CLA concept, for which it is the most adequate legitimation approach due to its input-orientation.

reduce legitimation doubts (see Pfeffer & Salancik, 1978). From a resource perspective, a firm's legitimation dependence is reduced if it succeeds in "developing some form of countervailing power" over the legitimizing constituents (Baysinger, 1984: 251). Examples of pragmatic CLA include: firms running PR-campaigns to justify controversial working conditions; providing scientific studies to signal safe or healthy products to concerned consumers; going to court and seeking, with (favorable) court verdicts, to gain societal legitimation based on the assumption that whatever will be legally approved, must be also then perceived as legitimate.

Alternatively, if pragmatic legitimation attempts are impossible or remain unsuccessful, corporations are presumed to seek civil society approval through *cognitive/adaptive* approaches (see Bansal & Cleland, 2004). In this case, CLAs are set up to make firm behavior reflect the surrounding institutional context. It resembles the implicit corporate imitation of and adaptation to prevailing civil society norms and value conceptions (Oliver & Holzinger, 2008).

Cognitive legitimation is achieved when a firm's norms and values are shared by its civil-society constituents. That often requires that both the firm and the surrounding civil society are embedded within a nationally bound context characterized by "a national governance system and a dense and homogeneous cultural background of common norms, beliefs and values" (Palazzo & Scherer, 2006: 74). Further, cognitive CLA implies that companies seek to produce a corporate image that is perceived as socially desirable and legitimate. These value-mirroring tactics are described as impression management (Bromley, 1993; Bansal & Clelland, 2004) whereby firms try to control at least the "images that are projected in real or imagined social interactions" (Schlenker, 1980, p. 6 quoted in Hooghiemstra, 2000).

Firms that comply with existing law pursue cognitive legitimation which again builds upon the assumption that whatever is legal is assumed to be legitimate. Furthermore, corporate/industrial self-regulation mechanisms can be part of cognitive CLA. For instance, companies that use fair-trade or environmental labels on their products signal to ethical consumers that the corporation shares values that are considered essential for these consumers (Ahuja & Yayavaram, 2011).

Figure 1 summarizes the current views of CPA and CLA, and indicates their objectives, and nonmarket assumptions.

Conventional nonmarket strategies				
	Corporate targets	**Corporate objectives**	**Corporate activities**	**Nonmarket assumptions**
Corporate Political Activity (CPA)	All legislative & regulative state agencies	Increase economic performance CPA as support for market strategy: alternative/additional source of economic rent-seeking Maintain market efficiency and power Avoid stricter state regulation/ legislation or request it to keep competition low	Information provision, campaign financing Lobby against stricter regulation (e.g. Tobacco, GM-food/crops industry) Lobby for more favorable regulation/ legislation (e.g. Pharmaceutical industry) Corporate/ Industrial self-regulation (e.g. Fair trade or ecological labels)	Powerful and enforceable state governance & regulation State as primary nonmarket target
Corporate Legitimation Activity (CLA)	Civil Society Actors: = non-state = non-corporate	Increase overall performance Achieve societal legitimation = license to operate for business activities Societal legitimation as security against state regulation	Constituency building: Pragmatic legitimation seeking (e.g. Providing scientific health/safety studies; PR-campaigns) or Cognitive adaptation to society's norm and value perceptions (e.g. Corporate/industrial self-regulation) CLA is often CPA-orientated: Seeking favorable jurisprudence/court verdicts (pragmatic) or complying with existing law (cognitive)	Civil society is malleable: Corporate legitimacy as outcome of business activities and/or CPA Legal/ legally approved activities are legitimate corporate practices

Figure 1: Conventional nonmarket strategies

From the literature review, the dominance of *political* activity (CPA) in a firm's nonmarket strategy can be inferred. Besides, the influence of CPA extends to a firm's *legitimation* attempts (CLA): Seeking *legal* (political) approval by firm-favorable jurisprudence or mere compliance with existing law is common practice to gain *societal* approval as well, i.e. legitimation, through pragmatic and cognitive means respectively. This is based on the assumption that whatever is legal is likely to be perceived and approved as legitimate. Therefore, in conventional nonmarket reasoning, societal legitimation is often merely the *outcome* or by-product of CPA (Scherer et al., 2008). Inversely, societal approval (i.e. legitimation) is also used by firms as a means to achieve state (legal) approval for the business activities under examination.

Having outlined the current views of CPA and CLA, the next question to be addressed is: If CPA/CLA in their current views seem to be approved nonmarket strategies, why do I claim that they entail shortcomings? And where do the latter come from? In the next section, I will provide answers to these questions, disclosing how globalization is changing and challenging firms' nonmarket activities.

IMPACT OF GLOBALIZATION ON CURRENT VIEWS & REVEALING SHORTCOMINGS

Despite the success of CPA and CLA at the national level, I posit that their current conceptualizations are based on two assumptions that lose effectiveness and validity when confronted with the dynamics of globalization. *Globalization* is conceived as a growing transnational interdependence of economic, political, and cultural processes and activities (Giddens, 1990; Baumann, 2009). This interdependence has increased with the fall of the Berlin Wall in 1989 and the General Agreement of Tariffs and Trade (GATT) in 1995 which boosted the rise of the globalized marketplace (see Beck, 2000; Zürn, 2004).

Since then, the operations of more and more firms have turned into transnational companies, hence the term TNCs. They represent the group of "geographically dispersed and goal-disparate organizations" (Ghoshal & Bartlett, 1990: 603) that operate in transnational environments with globally dispersed supply, production and sales networks (Henderson et al., 2002).

Contrary to the increasingly global activities of TNCs, *state regulation* has remained chiefly national. Inter-state regulation on transnational levels does exist, as the present inter-state regulatory efforts of the financial industry demonstrate. However, many of the established transnational institutions such as the World Trade Organization, the World Bank, and the International Monetary Fund regulate for *economic* purposes (see, e.g., Della Porta & Tarrow, 2005). These institutions aim at promoting globalized economic activities and not at controlling them.

In addition, even those inter-state regulatory bodies such as the European Union and the United Nations (UN) that have been established for a long time possess very limited powers in terms of regulation enforcement. Transnational standards do exist, like the UN Declaration of Human Rights. However, to be properly implemented and ensured, they depend on willing and functioning national *state governance* (Frankel, 2000; Clapham, 2006; Scherer & Smid, 2000).

As already defined, state governance constitutes the formal processes through which governments set and enforce the regulative frame for businesses in which civil society's public interests are respected (Rosenau, 1995; Habermas, 2001).

Public interests comprise the provision and protection of all goods that are public, i.e., non-exclusive and non-rival (Mahoney et al., 2009): "If no one can be barred from consuming the good, then it is nonexcludable. If it can be consumed by many without becoming depleted, then it is nonrival in consumption" (Kaul et al., 1999: XX; Olson, 2002 [1971).[39] Such *public goods* comprise not only all tangible public goods such as trains, roads, and hospitals; they also include intangible goods, or rights of public nature such as the human rights to health, education, security, property, etc., as well as the regulation of these public goods (Kaul et al., 1999; 2003).

Amidst the globalization dynamics, I argue that the CPA-underlying assumption concerning existing and enforceable state provision of such public goods, especially regulation, is increasingly losing validity: "[M]any [scholars] see a shift in the axis of power from politics to the market, with neoliberal economic policies increasing the power of multinational corporations and reducing the capacity of traditional state structures to control them" (Della Porta & Tarrow, 2005: 2). Owing to their global mobility, TNCs can select their preferred regulatory context, and locate their sourcing, production, and sales markets in countries with firm-favorable, often insufficient and arbitrary or entirely missing business regulation – for instance, in terms of worker health and safety, minimal wages, and environmental protection (Ahuja & Yayavaram, 2011).

Many TNCs "are in a position to effectively escape local jurisdiction by playing one legal system against the other, by taking advantage of local systems ill-adapted for effective corporate regulation, and by moving production sites (…) to places where local laws are most hospitable to them" (Shamir, 2004: 637). Rephrased, such "([J]urisdiction shopping (…) entails avoidance of institutions by finding a geographic location where the institutional setting is more favorable. In its most active form, this can entail using the competition between jurisdictions that seek to attract firms to shape the institutional regime in the chosen jurisdiction to the firm's advantage" (Ahuja & Yayavaram, 2011: 11-12).

Because the government's capacity and willingness to regulate TNCs and sanction deviating behaviors obviously vary significantly from state to state (see Kobrin, 2001), (regulative) constellations on the globalizing markets exist, in which the rule

[39] The question whether public goods are provided for free is controversially discussed. While international business scholars consider such 'free jointness' as essential characteristics for a public good (see Boddewyn & Lundan, 2011), economists do not conceive it as necessary attribute of a public good (see, e.g., Head, 1962). They argue, for instance, that citizens have to pay taxes so that the Government pays the police to provide *security* and workers to build public *roads*. Thus, due to this indecisive determination with respect to the 'free' aspect, I rather keep the commonly shared twofold definition of a public good as being non-exclusive and non-rival.

of law and democratic control have been weakened (Habermas, 2001; Scherer & Palazzo, 2011), i.e., in which the state provision of regulation is not executed as (ideally) assumed (see Held & McGrew, 2002):

In the case of '*failed states*' such as Somalia or Congo, companies face neither a functioning government nor any effective governance mechanisms, and, consequently, operate completely on their own (Fukuyama, 2004; Helman & Ratner, 1992). In countries such as China, Zimbabwe, or Myanmar, with *repressive* governments, foreign TNCs can hardly deny that state interventions do not necessarily serve public interests, as conventional nonmarket strategies assume (Koenig-Archibugi, 2005). In countries marked by weak government structures, such as Bangladesh and Sierra Leone, state governance over corporate activities is partially powerless and paralyzed (see Brookings Institution, 2008).

In *developing* and *emerging* countries, TNCs can execute their jurisdiction shopping most effectively, and bargain for firm-favorable regulation due to their economic weight compared to the national governments (see, e.g., Mathews, 1997; Kinley & Tadaki, 2004; Levy, 2008; Walsh, 2005; Rondinelli, 2002).

Lastly, even *democratic* regimes with relatively strong governments and governance capacities, such as the EU member states or the United States, face regulatory paralysis when business-related issues transcend national regulation and resolution: Water and air pollution – e.g., global warming and plastic waste in the oceans – represent problems that no nation state can solve on its own (Marsden, 2000; Frankel, 2000; Zürn, 2004). Even if a nation state could do so (e.g. through regulating CO2-emissions), it would be unlikely to set regulation: as long as governments from other countries do not follow in setting similar regulation, so that firms operating in these countries will continue exploiting (polluting) public goods such as water and air without being sanctioned (Ostrom, 2002; Held & McGrew, 2002; Kaul et al., 1999). Hence, such transnational issues are likely to create largely unregulated arenas for corporations.

Whether incapable, weak, failed, or authoritarian, when state mechanisms fail to regulate businesses due to "the fragmentation of authority, [and] the increasing ambiguity of border and jurisdiction" (Kobrin, 2009: 350), nonmarket failures in the form of *regulatory gaps* or *arbitrariness* arise (Hirschman, 1970; Boddewyn & Lundan, 2011). Companies that operate in countries with weak or missing regulation not only benefit from less regulative constraints concerning minimum social and environmental standards but they also run a limited risk of regulative sanction. In this case, the CPA-assumption of existing and enforceable state regulation becomes obsolete.

Although the occurrence of such gaps may appear from a CPA perspective, at first, as desired nonmarket outcomes that TNCs would have achieved without considerable lobbying efforts, the exploitation of regulatory gaps has become highly risky for TNCs. It is more and more likely to rebound on the firms because: While the *state* as primary sanctioning institution might be missing, *civil-society actors* have taken on the role of non-state watchdogs (see Spar & La Mure, 2003): They have developed their own alternative *sanctioning mechanisms* for regulatory gap-exploiting TNCs. In particular, NGOs, notably Greenpeace and Amnesty International, have evolved into well-organized civil-society groups that are nowadays "inextricably woven into the fabric of their [firm] institutional environment" (Doh & Guay, 2006: 69; Teegen et al., 2004; Yaziji & Doh, 2009).[40] They have become influential counterparts of TNCs and possess an arsenal of weapons to efficiently discredit companies taking advantage of regulatory gaps (The Economist, 2003; see also Kulik, 2005; Winston, 2002).

NGOs apply various forms of power to raise public awareness. They range from (normative) symbolic influence seeking, to PR-campaigns and boycott calls, sometimes escalating into (sometimes violent) protests and boycotts (see also Etzioni, 1964). Some of these campaigns have reached global (media) attention, such as the campaign in the early 1990s against Nike's sweatshops in its South East Asian factories. More recently, Greenpeace's 2010 campaign targeted Nestlé's chocolate bar Kit Kat, which contains palm oil sourced from plantations that have been created by destroying tropical rainforest areas in Indonesia (The Economist, 2010).

However, NGO campaigns are no longer restrained to destructive shaming and blaming of corporations abusing regulatory failures. Instead, more and more NGOs are threatening the firm's license to operate by using corporate legitimacy as a 'leverage' for *political demands*: Civil-society actors thereby request TNCs to

---

[40] It is estimated that the number of transnational operating NGOs grew from 6,000 to 26,000 during the first half of the 1990s (McGann & Johnstone, 2006). In the meantime, some NGOs have acquired impressive financial resources: Karajkov (2007), for instance, reports on the flowing globally active NGOs: 'World Vision' spends over $2 billion a year, 'Save the Children' reports an annual budget of $863 million; the 'Catholic Relief Services' discloses $694 million in its financial statement; 'CARE' reports a budget of $624 million, 'Doctors Without Borders' (Médecins sans Frontières) $568 million, and Oxfam of $528 million (Karajkov, 2007).

alleviate regulatory gaps and arbitrariness they used to benefit from, asking corporations to account for the (regulative) provision of public goods which state actors failed to procure (see Doh & Guay, 2006). Hence, the CLA-underlying assumption of societal legitimation through civil-society *malleability* becomes questioned as the case of Yahoo illustrates:

Yahoo and Chinese legislation of data privacy

The Internet giant *Yahoo* experienced new forms of political request as a result of its business practices in China. At the request of the Chinese authorities, Yahoo handed over the private Internet Protocol address of the regime-critical Chinese journalist Shi Tao together with two other dissidents who ended up in prison for having sent regime-critical emails from their Yahoo-operated accounts (Dann & Haddow, 2008).

However, Yahoo's decision caused great indignation in the Western world where the IT-firm's decision was perceived as anything but legitimate. Yahoo's decision was deemed as consciously ignorant of obvious human-rights violations in terms of freedom of expression and privacy. In Europe, the Internet giant was put under social pressure by the prestigious "international PEN writers group that used the UN-designated World Press Freedom Day (May 3) to call attention to the arrest of Shi Tao with the support of Yahoo" (PEN, 2008). In the United States, Yahoo's decision initiated a public hearing in the U.S. Congress about human rights with regard to data privacy, in which Yahoo's CPA-approach was criticized as "spineless and irresponsible" (New York Times, 2007).

Moreover, Yahoo's 'complicity' was brought to court in San Francisco in April 2007 by the 'World Organization for Human Rights' NGO (BBC, 2007). Confronted with the accusation of "complicity in [human] rights abuses and acts of torture in China" (BBC, 2007: 01), Yahoo responded that "its Chinese subsidiary had no choice but to comply with local laws" (BBC, 2007: 01), asking the U.S. court to dismiss the lawsuit. In late 2007, Yahoo agreed to settle the lawsuit filed against itself, under unspecified conditions.

The Yahoo case indicates that the decision to comply with national Chinese data-privacy regulation was certainly correct from a conventional CPA conception, because any deviating behavior would have probably caused stricter regulation for Yahoo in China. Yahoo's main competitor *Google* also experienced such regulative sanctions by the Chinese authorities in 2010 when they interfered in the Gmail email system to prevent the disclosure of uncensored regime-critical search results during the 'jasmine revolution' (Rushe, 2011). However, Google did not tolerate such governance interference and threatened to pull out of China instead (Nakashima et al., 2010).

Nonetheless, Yahoo's compliance-based CPA in China did not result in (as assumed in conventional nonmarket strategies) the civil-society legitimation in Europe and the United States of Yahoo's business practices in China. Instead, Yahoo ended up in a San Francisco court of justice. In Western cultural contexts, Yahoo was expected to take political responsibility in China for human rights violations due to arbitrary state regulation. Thus, Yahoo had miscalculated that even if the context of action and legislation on the one hand, and the context of critique and legitimation, on the other, were geographically different, they remain intertwined (Scherer et al., 2008). Operating legally and operating legitimately are two different sides of a coin that do not necessarily go hand-in-hand, "SMOs [social movement organizations] often criticize firms in just this way, claiming that the focal firm is acting legally but, nonetheless, immorally or irresponsibly" (Yaziji, 2004-5: 92).

'Legal win' (i.e. a positive verdict or mere legal compliance) no longer automatically implies 'legitimate win' (legitimation ascription), even if legal and legitimating contexts are geographically different. Societal opposition nowadays easily evolves or spills over to different geographical and cultural contexts. Therefore, different contexts (i.e. political/societal but also geographical) can almost no longer be treated differently as conventional CPA/CLA assumes.

What is the consequence of CPA/CLA assumptions increasingly losing validity amidst globalization dynamics? Political demands such as that with which Yahoo was confronted with *transcend* hitherto suggested CPA/CLA conceptions. Instead of exploiting regulatory gaps and arbitrariness, TNCs are expected to alleviate them; otherwise the corporate legitimacy is at risk.

Some firms have realized the economic necessity of responding to these new political demands because the risk of societal delegitimation (Yaziji, 2004-5), as in the Yahoo case, can considerably threaten a firm's reputational and financial performance (Brammer & Pavelin, 2006; Dean, 2004; King & Soule, 2007). These firms "engage in public health, education, social security, and protection of human rights (…); address social ills such as AIDS, malnutrition, homelessness, and illiteracy (…); and promote societal peace and stability" (Scherer & Palazzo, 2011: 899-900, referring to Matten & Crane, 2005; Margolis & Walsh, 2003; Fort & Schipani, 2002).

Often, this happens in "heterarchic or network-like relationships" (Scherer & Palazzo, 2011: 909, referring to Detomasi, 2007), in which TNCs contribute together with NGOs (and sometimes governments) to the filling of regulatory gaps, owing to the absence of state regulators. They are described as multi-stakeholder initiatives (Bäckstrand, 2006).

Such self-regulation goes far beyond the already described self-regulating initiatives such as Responsible Care, set up to avoid (stricter) state regulation (Gunningham & Rees, 1997; King & Lenox, 2000). Besides, such conventional self-regulation practices are not useful since they assume relatively predictable nonmarket environments with functioning and powerful state regulation; further, they *exclude* external parties (e.g. NGOs) in the setting and monitoring of the regulation, revealing doubts about the objectivity of such self-regulation (e.g. Sasser et al., 2006).

Still, the literature on CPA/CLA remains astonishingly silent about this new form of corporate regulation setting aimed at alleviating regulatory gaps instead of exploiting them. The question that is then revealed is: If the traditional nonmarket literature proposes no explanation, are there other theories that conceptualize such emerging views of more positive forms of CPA/CLA?

EMERGING VIEWS OF CPA/CLA:

Corporate political responsibility (CPR)

The concept of CPR offers interesting insights into how positive forms of CPA are conceptualized from a responsibility perspective. CPR is a recent research stream of CSR-theories that is embedded in political philosophy. CPR conceives the corporate assumption of governmental roles as firms' responses to growing societal requests to take on political responsibility where state governance is insufficient, arbitrary or missing (Scherer & Palazzo, 2007; see also Peters & Pierre, 1998). Firms that compensate for missing state governance are construed as corporate political actors who attempt to protect the social, political, and civil rights of individuals exposed to insufficient state protection (Matten & Crane, 2005).

Such corporate commitment is executed through firm engagement in health, education, environmental projects, and in processes of social/environmental regulation and standard setting. CPR describes such private provision of public goods as the voluntary corporate contribution with "expertise and resources to fill gaps in global regulation and to resolve global public goods problems" (Scherer & Palazzo, 2011: 903). Furthermore, regarding the emerging questions of: (a) "*When* do firms engage in collective failure alleviation? and (b) To *what extent* do they do so"?, CPR provides clear answers, referring to: (a) firm *social connectedness* to (association with) the regulative failure; and (b) to the corporate political power and resources (Young, 2004; 2006).

To ensure and gain civil society's democratic legitimation or deliberative approval (Scherer et al., 2008), CPR further suggests that such private provision of public goods be made in collaboration with civil-society actors. CPR ascribes these new political roles and responsibilities to TNCs from a political philosophy perspective (see Habermas, 1996). However, it does not embed these political roles in a nonmarket perspective. Nor does it explicitly discuss which governance *mode* would then be appropriate for the corporate taking on of governmental roles.

Nonmarket failure internalization

Such discussion about potential governance modes in the private provision of public goods can be presented from a different angle, namely through internalization theory (see Boddewyn & Lundan, 2011). Originally, internalization theory presumed merely the internalization of market failures, i.e., whether a market-based production is failing (Buckley & Casson, 1976). Companies are supposed to internalize intermediate steps in the production process that would be subject to failures if externally produced through market transactions (Buckley & Casson, 1976; 1979).

Market failures are typically caused by the firm's own bounded rationality as well as market partners' potential opportunistic behavior in terms of price discrimination, bargaining, asymmetric information, and potential governmental intervention. Such market failures are likely to render market-based transactions for intermediate products costly or impossible (Buckley & Casson, 1976; see also Williamson, 1975).

Firms internalize the production of intermediate (private) goods under the two assumptions of (1) profit maximization and (2) rational choice. First, "(I)internalization theorists normally assume that the firm's objective is to maximize profits" (Buckley & Casson, 2009: 1568); second, and more important: *rational behavior* is central to internalization theory: "Rational agents will internalize markets when the expected benefits exceed the expected costs" (ibid, p.1567).

Hence, firms internalize market failures as long as the benefits of firm-internal production (due to market failures) outweigh the internalization costs. Internalization costs particularly concern the financing of the supplementary tangible (e.g. additional machines, tools, workers) and intangible (e.g. know-how, technology) resources necessary for the in-house production of intermediate products (Buckley & Casson, 1976).[41]

As indicated above, applying internalization for nonmarket failures has also been suggested. Thus, Boddewyn and Lundan (2011) constrain the private provision of goods to intermediate public goods that are auxiliary but essential to the production of the final-market goods or services. Such intermediate public goods include "security, transportation, a literate and healthy work force, as well as social cohesion and positive work motivation in order to create wealth" (Boddewyn & Lundan, 2011: p.16-18).

The difference with political CSR is that the private provision of public goods according to internalization theory is based on the underlying assumption in internalization theory of *profit maximization*. Therefore, nonmarket failures are internalized as long as market-based solutions – i.e. the provision of these intermediate goods and services by private suppliers – are more costly or impossible.

When *evaluating* the Boddewyn-Lundan concept of nonmarket failure internalization, it is noteworthy that their work is the first that explicitly deals with the phenomenon of corporate provision of public goods from an international-business perspective. Thus, their proposed concept is trend setting in the sense that its conceptual extension to the nonmarket context recognizes that "firms providing public goods is nothing [no task] that should be 'trusted peripheral'" (Boddewyn & Lundan, 2011: 12). When nonmarket (state) institutions fail in the provision of public goods, it is private actors (TNCs) that intervene by internalizing the nonmarket failures that are vital for the firm's successful international expansion.

Second, the *internalization* of nonmarket failures is obviously superior to the alternative governance mode of *market-contracting* which is very difficult or almost impossible to implement if the state as contract-partner is missing or unwilling.

[41] Internalization theory stresses that "while rationality may be 'bounded' in the sense that information is incomplete, behaviour is not irrational, in the sense that the information collected [for the planned internalization] is a rational response to the information available" (Buckley & Casson, 2009: 1568).

Moreover, market-based solutions as governance form to compensate for regulatory deficits have revealed in the past severe problems in terms of legality and legitimacy as the case of the private security firm Blackwater Ltd. in Iraq showed.[42]

However, Boddewyn and Lundan's strict adherence to the assumptions of the original internalization theory creates two fundamental conceptual problems. First, suggesting that firms internalize if the benefits outweigh the cost is certainly in line with the two central assumptions of rational choice and profit maximization. However, with regard to the private provision of public intermediate goods, as Boddewyn and Lundan suggest, the premise of profit maximization is difficult to maintain.

A cost-benefit analysis is often not possible as it is very difficult to estimate ex ante the benefits and cost of providing, for instance, education or motivation in-house. Estimating ex-ante contingencies is difficult for all business activities, not just internalization. Nonetheless, public goods such as regulation make ex-ante cost estimations even more difficult as they do not necessarily have, by contrast to private goods, a (market) price for comparison. Likewise, it is impossible to capture ex post the hypothetical benefits and cost that would be realized in case of eschewing the nonmarket failure internalization. For example, it is difficult to estimate what the cost of a legitimation threat (i.e. NGO protest) could realistically amount to.

Second, and more problematic: any internalization, regardless of markets or nonmarket failures, bears the risk of causing a so-called monopolization problem. Internalization scholars already admit that this problem is inherent in any hierarchical (firm-internal) production of intermediate (private or public) goods. Illustrating the internalization of *knowledge*, Buckley and Casson (2009) conceded that, from internalization, "welfare implications" (cannot be) "explicitly derived" (Buckley & Casson, 2009: 1568, referring to their work of 1976):

[42] Blackwater was in charge of providing security in Iraq and to internalize the failed provision of security through state actors. By doing so, Blackwater accidentally killed and wounded fourteen unarmed civilians in Bagdad in 2007 (Wallstreet Journal, 2010). However, it was and is still unclear what the legal consequences would be for the private security provider when the 'production' of the public good security fails, i.e. the accidental killing of civilians instead of guaranteeing their security. Apart from the legal irregularities, the private security service was never legitimized by the Iraqi population, which was not integrated in the provision of security in its own country. How can the private provision of public goods (here security) find societal approval if the internalization is executed without the legitimizing constituents (i.e. civil society), thereby monopolizing security, which remains without legal consequence if its 'production' fails?

> "It was suggested that MNEs [TNCs] were a two-edged sword", improving welfare by seeking and replacing imperfect external markets with more perfect internal ones, but potentially reaping rewards by reducing competition. This assessment paid particular attention to the role of MNEs in the creation and diffusion of knowledge. (…) In the absence of free competitive auctioning of knowledge, MNEs represent a second-best solution, but one that is likely to outperform alternative, more wasteful institutional choices. [If an MNE] then monopolises a new technology (…) it can play off potential host countries against each other to appropriate most of the gains for itself."

The issue of monopolization is much more problematic for the internalization of *nonmarket* failures. Even though the Boddewyn-Lundan (2011) concept presupposes a "consensual bottom-up process" (ibid, p.09), it does, by definition, not include any firm-external, i.e. civil society actor, participating in the internalization process. Such inclusion, however, would be (essentially) needed to compensate for the monopolization problem that inevitably occurs when for-profit non-state (corporate) actors provide public goods. Because Boddewyn-Lundan leave the exclusive right to decide how and when to internalize nonmarket failures up to the TNCs, such a corporate prerogative then turns the monopolization into a legitimation problem:
Legitimation is indispensable for any provision of public goods, but particularly for *private* providers (Kaul et al., 1999; Vogel, 2009, 2008). Companies are neither democratically elected nor democratically sanctionable (Orts, 1995). Thus, corporate-exclusive provisions of public goods are likely to backfire on the TNCs. If executed without civil society participation, the failure-internalizing corporation runs the risk of triggering new legitimation problems related to the firm's actual (positive) engagement in the alleviation of nonmarket failures.
Although Boddewyn and Lundan acknowledge that the legitimacy of internalization interventions may deserve attention in future research, the legitimacy aspect remains missing in their current conceptualization. The question of legitimacy is, however, crucial although its urgency certainly varies and depends on the public good itself. Companies building public roads, for instance, raise less legitimacy concerns than companies that 'build' regulation. Therefore, proposing nonmarket failure internalization as a governance mode for positive CPA without accounting for the

monopolization/legitimation problem is likely to trigger new *legitimation* threats for TNCs that render the internalization concept then tautological.

If CPR does not suggest an explicit governance *mode* for the alleviation of regulatory gaps, and if internalization is deemed a suboptimal mode, causing new legitimacy concerns, the question that begs to be asked is: What is the governance mode that describes most accurately such emerging positive forms of CPA and CLA?

REFINING CPA/CLA: COLLABORATIVE ALLEVIATION OF REGULATIVE FAILURES

The choice of the governance mode depends on the nature of the public good. As already indicated, internalizing the provision of, for instance, an infrastructure may not cause considerable legitimation problems. However, the private provision of regulation reveals much more serious legitimation problems that must be taken into account. Because *regulation*, if missing, is probably the most relevant *nonmarket failure*, given the previously described diminishing regulatory impact of governments on corporations and the rising tide of civil-society attacks on corporations exploiting this particular nonmarket failure, I will focus on this specific public good to refine the positive forms of CPA and CLA.

In contrast to Boddewyn and Lundan (2011) who discuss rather "impure public goods" (Kotchen, 2006: 818) such as water, roads, or electricity, which can be non-exclusive but rival or vice versa (Kaul et al., 2003), regulation can be perceived as a public good that genuinely shares both its particularities of non-exclusivity and non-rivalry.

In the nonmarket context, providing regulation implies that TNCs initiate or participate in costly self-regulatory activities, when a regulative failure occurs regarding their business operations, and when it becomes an issue of public debate and NGO pressure. As we saw before, this is particularly the case in the debate on insufficient social standards, i.e. bad working conditions in so-called sweatshops that produce for TNCs in weak regulatory contexts, i.e., in emerging and underdeveloped countries.

To ensure that the corporate provision of regulation remains non-exclusive and non-rival, I need to construct a regulative failure alleviation model that does not end up in *conventional* – and often ineffective – corporate or industrial self-regulation mechanisms. As indicated before, pure private firm regulations as with fair-trade labels do often *rival* and *exclude* external, i.e., societal participation in the regulation setting. Hence, they are, provokingly stated, considered to produce "symbolic subscriptions to self-serving [and self-imposed] rules" (Gunningham & Rees, 1997: 372; King & Lenox, 2000) that do not satisfy the public-good conditions of non-exclusiveness and non-rivalry.

Hence, to conceptualize an enhanced, positive form of CPA without legitimation deficits (caused by monopolization as described before), I instead present a concept of regulative failure alleviation that is executed not only by the company itself: If market-contracting is impossible due to missing contractual partners, and internalization presents monopolization and or legitimation problems, the most appropriate governance mode for the private provision of regulative public goods is *co-production/alliance*.

Generally, alliances are conceived as "cooperative arrangements between two or more firms to improve their competitive position and performance by sharing resources" (Ireland et al., 2002: 413; see also Hitt et al., 2000), and to "minimize the firm's transaction cost" (Ireland et al., 2002: 427; Jarillo, 1988). The shift from classical hierarchical production to *co-production/alliances* is also acknowledged by internalization theory scholars stating that most transactions end up as "a mix of market and hierarchy" (…), as something in the "swollen middle," incorporating features of both "market" and "hierarchy" (Hennart, 1993: 529). The reason for this is that alliances are claimed to minimize both the sum of costs that are likely to occur on market productions (cheating) and the costs that potentially accompany any hierarchical production (shirking, see Hennart, 1993).

Concerning the private-public provision of regulation, the superiority of co-production, or alliances over internalization (hierarchical production) consists in the fact that alliances do not *monopolize* but share the production of these public goods, and therefore exclude ex ante the fundamental legitimacy problem that accompanies any monopolistic hierarchical (in-house) provision of public goods. In comparison to market-based (contractual) production, the hierarchical traits underlying any alliance protect the latter better from *imperfections* in markets as outlined above (e.g., opportunism, information asymmetry, etc.).

Moreover, alliances promise synergy creations through the bundling of complementary resources, when "firms search partners having specialized resources that aren't readily available from others" (Ireland et al., 2002: 430, referring to Doh, 2000). "Such resource complementarities can be used to develop new competitive advantages" (Ireland et al., 2002: 430). Also in the context of regulation provision, such resource-sharing in any corporate-societal alliance is deemed a distinct advantage. If TNCs bring economic resources and political influence into the alliance, then NGOs can contribute their local credibility, technical expertise, and "awareness of social forces" (Yaziji, 2004: 111; Ireland et al., 2002; Jones et al., 1998). Thereby, as in pure corporate alliances, alliances with NGOs certainly vary in their degree of resource-sharing.

Therefore, the nonmarket failure alleviation in firm-civil society *alliances* bears certain *risks* that need to be critically assessed in any foreseen alliance. They primarily involve fears on the part of allying parties related to command and control (Osborn & Hagedoorn, 1997). "Alliance transaction costs include, those concerned with negotiating and writing contingent contracts, monitoring of partner performance relative to the contract and dealing with the breaches of contractual commitments" (Ireland et al., 2002: 427). For corporations, relying on NGOs can become costly for the firm when the allying NGO promotes the wrong goals and means, misallocates resources to pursue merely its own agenda, or discloses sensitive corporate information to the public (see Berger et al., 2004; Yazihi & Doh, 2009).

Nevertheless, despite potential asymmetric "mutual trust and interaction" (Ireland et al., 2002: 429) in this unusual corporate-civil society alliance, NGOs are generally the partner that enjoys the higher social legitimation (see Spar & La Mure, 2003). Thus, to make such alliances beneficial for both sides, the *collaborative* provision of regulation must be appropriately legitimized from the very beginning, not just ex post. Because conventional legitimation attempts – that is, the previously-described pragmatic manipulation or cognitive adaptation – constitute these ex-post *outcomes* or by-products of CPA, they are not appropriate forms of CAP for such deliberative regulative failure alleviation as I suggest.

Hence, CLA must shift from focusing on output and civil-society malleability to input and deliberation. *This input-orientated legitimation approach is* suggested in CPR, which I described before. It presumes legitimation to be attained through a process of deliberation (Habermas, 1996; Fung, 2003), in which the discourse participants input and exchange both economic and ethical arguments (Scherer & Palazzo, 2011; 2007). It is essential for such refined CPA/CLA concept. The advantage of such a *deliberative* legitimation process is that it “cannot be engineered, manipulated or bought by organizations” (Palazzo & Scherer, 2006: 79).

For any corporate provision of regulation, this implies that for regulative failure alleviation TNCs must seek *deliberative* (i.e. discursive) CLA to establish a new match between civil society’s expectations and corporate interests with regard to the nonmarket failure at stake (Palazzo & Scherer, 2006).

If TNCs manage to alleviate regulative failures by providing the corresponding regulation in deliberative alliances with civil society, then the ground is prepared for the suggested enhancement of CPA. The following section provides two examples from the corporate reality that mirror a typical deliberative ‘co-production’ of regulation in firm–civil society alliances.

Chiquita and Latin American Coordination of Banana Workers Union

The dispute between the global banana giant, Chiquita, and the Latin American Coordination of Banana Workers Unions (Colsiba) reflects this ‘wrestling’ (Riisgaard, 2005) for deliberative self-regulatory solutions for nonmarket failures. In May 1998, Chiquita faced the beginning of a series of heavy attacks by Latin American unions and NGOs accusing the firm of political corruption, risking worker health, and suppressing trade union activities. Because the Latin American governments were absent from both standard setting and dispute settlement, regulations on fair working conditions and guaranteed labor rights were lacking.

Exposed to large media and consumer campaigns, the banana producer agreed in November 1998 to meet with Colsiba for the first time. At that meeting, Chiquita refused Colsiba’s proposal to sign a regional agreement on minimal labor rights. Nonetheless, the two parties agreed on continuing the dialogue, despite deep mutual mistrust and skepticism. Three years later, negotiators from both sides started a new round of meetings and bargaining, and finally signed a framework agreement in June 2001 (see Riisgaard, 2005).

The agreement was deemed a historic, deliberatively elaborate achievement of a firm–civil society alliance without governmental intervention. It provides each Chiquita worker in Latin America the right to “choose to belong to and be represented by an independent and democratic trade union and to bargain collectively” (Colsiba, 2001: 2). It further commits Chiquita to respect the core conventions of the International Labor Organization (ILO), which ban forced and child labor as well as any kind of discrimination and to guarantee freedom of association and the right to organize and collective bargaining. The agreement also required that suppliers, contract growers and joint venture partners should comply with the same standards. A review committee, composed of representatives from Chiquita and Colsiba, meets twice a year to monitor the agreement's application (Colsiba, 2001).

The Chiquita case highlights how two formerly extremely opposed parties – employer and worker unions – finally ally to alleviate a nonmarket failure. Chiquita and Colsiba not only alleviated the regulative failure of inappropriate working conditions and labor rights (that were caused by lacking state regulative capacity and willingness, which conventional CPA would have still assumed to be strong), but went further and set the standards in deliberative alliances with Colsiba. Thereby, the firm legitimized ex ante the private provision of regulation by Colsiba as a civil-society actor. Shortly thereafter, Chiquita extended its regulative framework to its suppliers and further involved business partners, thereby accounting for the firm's political responsibility along the entire value chain.

Nike and Fair Labor Association

It is widely known that Nike was exposed to severe civil-society protests during the 1990s concerning repetitively reported labor scandals (in particular famine wages and child labor) in Nike's outsourced production facilities in Vietnam and Indonesia. To end the reoccurring allegations threatening its reputational and financial performance, Nike Corp., at the peak of the protests in 1997, set up regulation on its own that should guarantee minimal wages. However, such conventional CPA/CLA did not calm societal protests questioning Nike's double role as a self-regulator and self-monitor (see Baron, 2009).

Hence, and more interestingly, Nike searched for allies in civil society for collective failure alleviation and joined the Fair Labor Association (FLA) in 2002 (Nike, 2005). The FLA describes itself as an ILO-spin-off that includes "socially responsible companies, colleges and universities, and civil society organizations to improve working conditions" in textile production facilities in countries with insufficient state regulation (FLA, 2008). It can be deemed as a pioneer among so-called Multi-Stakeholder Initiatives (MSI) as it converges stakeholder interests from "multiple, fragmented, nested or often conflicted institutional environments" (Kostova et. al., 2008: 998) where state governance is lacking (see Vogel, 2008).

Corporations that join the FLA voluntarily submit themselves to a fair "Workplace Code of Conduct" based on ILO standards that the founding (corporate and non-corporate) members of the FLA have collectively and discursively elaborated. Furthermore, corporate members accept unannounced inspections of their globally dispersed supplier and production factories by independent monitors, verifying the compliance of the labor code set to compensate for the missing state regulation.

Nike went further and beyond FLA/ILO standards and, in 2005, disclosed its entire network of 700–900 suppliers to FLA-assigned independent control authorities to ensure appropriate working conditions in every country where its products are made or sourced and where regulatory gaps prevail (Nike Inc., 2009). The decision for nonmarket failure internalization required significant organizational changes in Nike's market approach and in its daily business operations. In its efforts to upgrade the corporation's entire supplier list to the same level of ethical standards to which the sport fashion producer had just committed itself, Nike withdrew from various suppliers who could not guarantee the protection of Nike's Workplace Code of Conduct (see Baron, 2009; Siegemann, 2008).

Undoubtedly, Nike was capable of executing such a tremendous organizational and mental shift because of its corporate resource power and the external pressure to act. Nonetheless, it is noteworthy that the sport fashion producer made remarkable efforts, from the blue-collar workers to the executive board, to enforce its new labor condition codes. Zadek (2004) illustrates how Nike implicitly abandoned its former strict focus on conventional CPA/CLA, and slowly but increasingly developed a broader understanding of its nonmarket activities – from private self-regulation, to collective self-regulation with the FLA, and finally to the disclosure of the entire supplier network – in the firm's market strategy and decision-making processes.

Moreover, Nike's enhanced nonmarket approach exerted isomorphic (institutional) pressure on its major competitors, Adidas and Puma, to deal similarly with nonmarket failures (see DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Both competing sport fashion producers followed Nike in the disclosure of their supplier network shortly after Nike's move. In an isomorphistic logic, to keep pace with the U.S. firm with the "swoosh" logo, Adidas and Puma had no choice as 'second movers' other than to imitate Nike's commitment in deliberative regulative failure alleviation, and also joined the FLA.

The collective failure alleviation that Nike is continuing to implement in alliance with the FLA in Nike's production host countries with weak or nonexistent state regulative protection is close to the ideal form of deliberative co-provision of regulation. It resembles a noteworthy and "valid complement to [often insufficient] government regulation" (Boddewyn, 1985: 129; see also King & Lenox, 2000), in which TNCs bundle their resources and influence, together with NGO-expertise, to remedy regulatory gaps and execute governance in deliberative means without government.

DISCUSSION & IMPLICATIONS

Both cases illustrate how CLA has gained growing importance in nonmarket activities and strategizing. Because legitimacy deficits expose TNCs to severe legitimation threats, corporate legitimacy is turning into a strategic resource, whereas it used to be widely perceived merely as an outcome or by-product of business activities in conventional nonmarket strategies. Like Chiquita, Nike was squeezed between regulatory gaps, legitimation threats, and political demands. Nevertheless, both firms demonstrated successful nonmarket failure alleviation in deliberative alliances with civil-society actors, and hence broadened the meaning of CPA substantially from influence seeking to regulation setting.

Through the collective provision of regulation, both TNCs bundled resources with their corresponding NGO-ally which is typical in alliance formation as described before (see Yaziji, 2004; Ireland et al., 2002; Jones et al., 1998): The corporations brought in the financial resources and political influence, the NGOs provided local expertise, local credibility and knowledge.

Further, the two TNCs indirectly supported or supplemented governments that were incapable or unwilling to provide regulation that had guaranteed the protection of labor rights (see Rondinelli, 2002). Chiquita even went one step further and replaced state regulation in Latin America. Furthermore, by becoming an ally of NGOs, Nike, like Chiquita, compensated for their limited local expertise and credibility. Together, in line with CPR-reasoning, they concentrated on the shared resources and power to deliberatively cure nonmarket (labor right) failures to which the firms were socially connected (Young, 2004; 2006).

In the end, *economic urgency* dominated and drove firm decision-making about regulative failure alleviation due to societal pressure. Without doubt, TNCs have an interest in some regulative order, as the alternative would be permanent instability or even anarchy in the nonmarket environments – a situation that is anything but favorable for economic prosperity (see Fremeth & Marcus, 2008). The theory of the firm "relies on the "police powers of the state" (Jensen & Meckling, 1976, fn. 14) in the enforcement of legal rules and contract" (Scherer & Palazzo, 2011: 921).

In general, even if such corporate–societal alliances may be an effective tool in a deliberative alleviation of nonmarket (particularly regulatory) failures, the shift from conventional CPA/CLA to such enhanced positive forms *is subject to limitations*: First, the urgency of, and willingness to undertake, nonmarket failure internalization is likely to depend on the public *exposure* of TNCs. For publicly listed corporations such as Nike and Chiquita, their freedom of choice is limited because these companies are under permanent media and NGO scrutiny. Hence, the benefits of failure alleviation are likely to outweigh (in the long run) the '*non-alleviation cost'* of future NGO-targeting – that is, continuing legitimation threats and reputation loss.
Nonetheless, nonmarket failure alleviation endorsed by NGOs "may not come cheaply" (Yaziji & Doh, 2009: 134). Instead, skeptics fear that "the use of trust, status and reputation to ensure cooperation greatly *increases* transaction cost because exchange systems that do not rely on money as the main currency tend to occasion high setup costs and little opportunity to leverage the relationships" (Boddewyn & Lundan, 2011: 10).
Second, committing to *alliances bears risks* in terms of command, control, trust, and commitment, as indicated above. For corporations, this is primarily to overcome the organizational *inertia* impeding any organizational strategic re-orientation (see Hannan & Freeman, 1984). Corporations are known to base their (nonmarket) strategies on "stability seeking and uncertainty avoidance through organizational structure and processes" to avoid both change and costs (Ilinitch, D'Aveni & Lewin, 1996: 217).
In particular, institutionalized routines of conventional corporate lobbying and NGO buffering strategies (i.e. pragmatic/cognitive CLA) might trump the willingness to effect nonmarket strategy change, especially when the required nonmarket turn becomes too complex and exceeds familiar corporate values, goals, or policies (see Argyris & Schön, 1978). As state regulation used to force companies to innovate (Mitnick, 1981), regulatory gaps also require that TNCs maintain an entrepreneurial spirit to rethink their business model and nonmarket strategies.

Third, to overcome organizational inertia, appropriate *leadership* is also crucial. Without the true support of a firm's leadership team, deliberative regulation provision will not succeed. Therefore, TNCs that commit to nonmarket failure alleviation are well advised to have transformational leaders (see Antonakis et al., 2004) aboard, who are convinced of the new political responsibilities that TNCs have to take on in the globalization dynamics marked by regulatory gaps.

One such *bridging* (i.e., cooperation instead of confrontation or buffering) strategy is co-optation (Scott, 1987) which Wal-Mart engaged in by hiring former NGO leaders to sit on retailer executive committees. If influential corporate executives personally express the "values and concerns of critics of economic globalization" (Vogel, 2006[2008]: 25), then employees may intensify the desire to belong to the organization which is perceived as (more) ethical and legitimate in society and government than its competitors (Bhattacharya & Korschun, 2008). Nevertheless, corporate regulative failure alleviation must, despite civil-society integration and the claimed universality of human rights (Clapham, 2006), be executed carefully to prevent creating images of *neo-colonialist or proselytizing* companies from the Western hemisphere (see Banerjee, 2003).

Implications

What are the *implications* for TNCs that integrate the assumption of governmental roles in their CPA/CLA? *Theoretically*, the refined CPA shifts its focus from regulatory gap exploitation (see Ahuja & Yayavaram, 2011) to gap filling; the refined CLA turns from civil-society malleability to deliberation and integration. The corporate provision of public goods constitutes a new, positive form of CPA that is highly dependent on deliberative CLA. Hence, CLA receives a much more central role not only in firms' nonmarket activities but also in their market operations as legitimation deficits are likely to cause drawbacks on their economic objectives.

Together, refined CPA and CLA have become highly interdependent and are approaching each other: corporations do politics no longer only with state representatives but also increasingly with civil society actors. Thereby, they reflect what conventional nonmarket strategies still widely ignore, namely the changes the globalization process has provoked. Firm–civil society alliances in nonmarket failure alleviation turn CLA from buffering into bridging strategies (Scott, 1987), and hereby acknowledge the growing "symbiotic interdependence" (ibid, p. 186) of firms and civil society.

Insights from *game theory* support this interdependency claim by indicating that coordinated collective action among interdependent actors creates mutual trust over time, and improves collaboration between TNCs and NGOs (see Ireland et al., 2002; Ostrom, 2000). Experiments show that if the players "are allowed to exercise strategies they might use in the real word, for example to punish those who defect, participation in the Common stabilizes" (Richerson et al., 2002: 405).

Thus, co-operation in public good provision can pay off. If so, deliberative nonmarket failure alleviation may achieve what conventional nonmarket strategies would have never deemed rational: Whereas it had been deemed irrational for firms to *provide public* goods because competitors could free-ride on them – as no one can be excluded from using public goods, the same analogy as discussed with nation-states (see Olson, 2002 [1971]; Ostrom, 2002) – it can be deemed now as a *rational choice* and economic necessity for firms to provide public goods.

In fact, the corporate provision of regulation to ensure, e.g., minimal human rights and environmental standards, does not offer unlimited free-riding room for competitors any more. For instance, there is less risk for multinationals setting up regulations to guarantee minimum wages of creating free-ride opportunities for their (main) competitors. Instead, the latter (such as Adidas or Puma) might be rather disadvantaged or under pressure to follow the regulating firm, if they do not want to jeopardize their reputation or legitimacy. Continuing to pay famine wages, for instance, is certainly no enduring and sustainable competitive advantage over time, but rather a time bomb, at least for highly visible TNCs (see, e.g., Rehbein et al., 2004; Lenox & Eesley, 2009).

From the *managerial* perspective, I see two major implications. First, refined CPA and CLA require new political *competencies* that TNCs need to develop or acquire over time in the same fashion as they have professionalized their lobbying competences over the years. Therefore, teaming up in alliances with civil society actors (e.g., NGOs) is indispensable, not only for the legitimation aspect but also to practice deliberation and share knowledge in failure alleviation and public good provision. If firms manage to develop these skills, they are likely to make the collaborative regulation setting (public good provision) routine. A deliberative public good provision may further create *legitimation capital* protecting corporations against negative reputational effects spilling over from competitors (see Yu et al., 2008). Second, TNCs that understand the economic necessity to extend their nonmarket activities into the provision of public goods (i.e., of regulation) re-establish *stability* in the firms' global nonmarket environments. Therefore, deliberative failure internalization can achieve what conventional nonmarket activities have increasingly failed to accomplish, namely sustainable legitimation.

CONCLUSION

In this paper, I started with a critique of the conventional conception of CPA and CLA. I criticized their over-emphasis on CPA, while paying little attention to the social environment and the legitimation of business activities (CLA) by civil society. I demonstrated that the globalization process has provoked changes in firms' nonmarket environments, weakening conventional nonmarket strategies and assumptions. TNCs are increasingly expected to fill regulatory gaps whereas conventional CPA suggested the exploitation of regulatory gaps. Outlining the theories of CPR and failure internalization, I aimed at elaborating a governance mode for nonmarket failure alleviations (alliances) that bridges the core premise of both theories: deliberative legitimation and rational action.

Overall, I aimed at *contributing* to the nonmarket strategy literature in two ways. First, I defined the challenges CPA and CLA face in a postnational constellation that render hitherto approved nonmarket assumptions increasingly invalid. Second, I refined current albeit limited views of CPA/CLA by proposing a positive form of deliberative failure alleviation in firm–civil society alliances. In the end, the corporate commitment to the provision of public goods may even mirror the two premises of PCR and internalization theory. Firm commitment to engage collectively in nonmarket failure internalization can be construed as the outcome of a *rational* decision to *deliberatively* reduce social harm, avoid legitimation threats, and reputational and financial risks.

With regard to *further research* it could be interesting to examine *empirically*, for instance through case studies, whether such proposed corporate-societal alliances are (more) successful and sustainable in alleviating regulative failures *deliberatively* compared to internalized, i.e. monopolized, failure alleviation attempts without civil society participation through, for example, pure (conventional) industrial self-regulation initiatives such as 'Responsible Care', or of business groups. The latter constitute dominant conglomerates of legally independent albeit densely connected firms such as Indian's Tata or South Korea's Samsung that internalize failures in emerging countries in view of their dominant market positions (Khanna, 2000). So far, merely the economic success of business groups has been empirically assessed (e.g. Khanna & Rivkin, 2001).

To conclude, in any case, *time* will tell whether nonmarket failure alleviation through collective standard-setting can serve as a deliberative role model for political responsibilities of TNCs in the current asymmetric constellation in which the political globalization process is lagging behind the economic one. It is in this period of transition that alliances of deliberative failure alleviation may compensate best for insufficient, arbitrary, or non-existent state regulation, particularly in emerging or underdeveloped economies with varying (regulative) priorities and capacities.

REFERENCES

Abraham, J. 2002. The pharmaceutical industry as political player. *The Lancet*, 360(9): 1498-1502.

Ahuja, G., & Yayavaram, S. 2011. Explaining influence rents: The case for an institutions-based view of strategy. *Organization Science*, in press.

Antonakis, J., Anna T. Cianciolo, A.T., & Sternberg, R.J. 2004. *The nature of leadership*. Thousand Oaks, CA: Sage.

Argyris, C., & Schön, D. 1978. *Organizational learning: a theory of action perspective*. Reading, MA: Addison-Wesley.

Ashforth, B., & Gibbs, B. 1990. The double-edge of organizational legitimation. *Organization Science*, 1: 177-194.

Astley, W.G., & Sachdeva, P.S. 1984. Structural sources of intraorganizational power. *Academy of Management Review*, 9(1): 104-113.

Bäckstrand, K. 2006. Multi-stakeholder partnerships for sustainable development: rethinking legitimacy, accountability and efficiency. *European Environment*, 16, 290–306.

Banerjee, S.B. 2003. Who sustains whose development? Sustainable development and the reinvention of nature. *Organization Studies*, 24, 143–80.

Bansal, P., & Clelland, I. 2004. Talking trash: Legitimacy, impression management, and unsystematic risk in the context of the natural environment. *Academy of Management Journal*, 47(1): 93-103.

Baron, D.P. 1995. Integrated strategy: Market and nonmarket components. *California Management Review*, 37: 47-65.

Baron, D.P. 2009. *Business and its environment*. Sixth (International) Edition. Upper Saddle River, NJ: Pearson Education.

Baron, D.P., & Diermeier, D. 2007. Strategic activism and nonmarket strategy. *Journal of Economics and Management Strategy*, 16: 599–634.

Baumann, Dorothée. 2009. Global Rules – private actors: The role of the multinational corporation in global governance. PhD thesis. University of Zurich, Faculty of Economics, Business Administration and Information Technology.

Baysinger, B. 1984. Domain maintenance as an objective of business political activity: An expanded typology. *Academy of Management Review*, 9(2): 248-258.

BBC 2007. Yahoo plea over China rights case. Retrieved October 19, 2009, from http://news.bbc.co.uk/2/hi/6966116.stm

Beck, U. 2000. *What is globalization?* Cambridge, UK: Polity Press.

Berger, I.E, Cunningham, P.H., & Drumwright, M.E. 2004. Social alliances: Company/non-profit organization. *California Management Review*, 47(1): 58-90.

Bhattacharya, S., & Korschun, D. 2008. Using corporate social responsibility to win the war for talent. *MIT Sloan Management Review*, 49(2): 37-44.

Boddewyn, J.J. 1985. Advertising self-regulation: private government and agent of public policy. *Journal of public policy & marketing*, 4(1): 129-141.

Boddewyn, J.J. 2003. Understanding and advancing the concept of “nonmarket”. *Business & Society,* 42(3): 297-327.

Boddewyn, J.J., & Lundan, S.M. 2011. The internalization of civil society failures. *Working Paper*, City University of New York, January 2011.

Boddewyn, J.J. 1995. The legitimacy of international-business political behavior. *International Trade Journal*, 9: 143-161.

Bonardi, J.P., Holburn, G.L.F., Vanden Bergh, R.G. 2006. Nonmarket strategy performance: Evidence from U.S. Electric Utilities. *Academy of Management Journal*, 49(6): 1209-1228.

Brammer, S., & Pavelin, S. 2006. Voluntary environmental disclosures by large UK companies. *Journal of Business Finance & Accounting*, 33(7-8): 1168-1188.

Bromley, D.B. 1993. *Reputation, image and impression* management. Oxford, UK: John Wiley & Sons.

Brooking Institutions 2008. *Weak and failed states*: What they are, why the matter and what to do about them. Transcript of event, *Transnational Security Threats, National Security, Foreign Policy, Global Poverty, Development*. Washington, DC: Brooking Institutions.

Buckley, P.J., & Casson, M. 1976. *The future of the multinational enterprise*. London and New York: Macmillan.

Buckley, P.J., &, Casson, M. 1979. *A theory of international operations*. European Research in International Business, North-Holland, Amsterdam. In P.J. Buckley & P.N. Ghauri (Eds.). The Internalization of the firm. A reader. 1993. London, UK: Academic Press Limited.

Buckley, P.J., & Casson, M. 2009. The internalization theory of the multinational enterprise: A review of the progress of a research agenda after 30 years. *Journal of International Business Studies*, 40(9): 1563-1580.

Carroll, G.R., & Hannan, M.T. 1989. Density delay in the evolution of organizational populations: A model and five empirical tests. *Administrative Science Quarterly*, 34: 411-430.

Clapham, A. 2006. *Human rights obligations of civil society actors*. Oxford, UK: Oxford University Press.

Coase, R.H. 1937. The Nature of the firm. *Economica*, 4(16): 386-405.

COLSIBA 2001. IUF/COLSIBA and Chiquita Agreement on freedom of association, minimum labor standards and employment in Latin American banana operations. Retrieved June 26, 2010, from http://www.iufdocuments.org/www/documents/Chiquita-e.pdf

Dann, G.E., & Haddow, N. 2008. Just doing business or doing just business: Google, Microsoft, Yahoo! and the business of censoring China’s internet. *Journal of Business Ethics*, 79, 219–234.

Dean, D.H. 2004. Consumer reaction to negative publicity effects of corporate reputation, response, and responsibility for a crisis event. *Journal of Business Communication*, 41(2): 192-211.

Della Porta, D., & Tarrow, S. 2005. Transnational processes and social activism: An introduction. In D. Della Porta & S. Tarrow (Eds.). *Transnational Protest & Global Activism. People, Passions, and Power* (Chapter 1). Oxford, UK. Rowman & Littlefield.

Detomasi, D.A. 2007. The multinational corporation and global governance: modelling global public policy networks. *Journal of Business Ethics*, 71, 321–34.

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. 2000. Entrepreneurial privatization Strategies: Order of entry and local partner collaboration as source of competitive advantage. *Academy of Management Review*, 25: 551–571.

Doh, J.P., & Guay, T.R. 2006. Corporate social responsibility, public policy, and NGOs activism in Europe and the United States: An institutional-stakeholder perspective. *Journal of Management Studies*, 43(1): 47-73.

Etzioni, A. 1964. *Modern organizations*. Englewoods Cliffs, NJ: Prentice-Hall.

Fair Labor Association 2008. FLA Mission. Retrieved June 17, 2011 from http://www.fairlabor.org/about_us_fla_mission_b1.html

Fort, T. L., & Schipani, C. A. 2002. The role of the corporation in fostering sustainable peace. *Vanderbilt Journal of Transnational Law*, 35: 389-439.

Foucault, M., Kritzman, L.D., & Sheridan, A. 1988. On Power. *In Power, philosophy, culture: interviews and other writings*. Digital edition Google books.

Frankel, J. 2000. Globalization of the economy. In Nye, J.S. Jr., Nye, J.S., & Donahue, J.D. (Eds.). *Governance in a globalizing world*. Washington, D.C.: Brooking Institution Press: 45-71.

Fremeth, A.R., & Marcus, A.A. 2008. Institutional void and stakeholder leadership: Implementing renewable energy standards in Minnesota. *Working Paper*, Carlson School of Management, December 2008.

Friedman, M. 1962, *Capitalism and Freedom.* Chicago, Il: University of Chicago Press.

Friedman, M. 1970. The social responsibility of business is to increase profits. *The New York Times Magazine*, 13 September.

Fukuyama, F. 2004. *State Building: Governance and World Order in the 21st Century*. Ithaca, NY: Cornell University Press.

Fung, A. 2003. Deliberative democracy and international labor standards. *Governance*, 16(1): 51-71.

Gardberg, N.A., & Fombrun, C.J. 2006. Corporate Citizenship: Creating intangible assets across institutional environments. *Academy of Management Review*, 31(2): 329-346.

Gelak, D. 2008. *Lobbying and Advocacy: Winning Strategies, Resources, Recommendations, Ethics and Ongoing Compliance for Lobbyists and Washington Advocates*. Alexandria, VA: TheCapitol.Net.

Getz, K.A. 1997. Research in corporate political action: Integration and assessment. *Business & Society*, 36(1): 32-72.

Ghoshal, S. 2005. Bad management theories are destroying good management practices. *The Academy of Management Learning and Education*, 4(1): 75-91.

Ghoshal, S., & Bartlett, C. 1990. The multinational corporation as an interorganizational network. *Academy of Management Review*, 15: 603- 625.

Giddens, A. 1990. *Consequences of modernity*. Cambridge, UK: Polity Press.

Glasgow, L.J. 2001. Stretching the limits of intellectual property rights: Has the pharmaceutical industry gone too far? *The Journal of Law and Technology,* 41(2): 227-258.

Gunningham, N., & Rees, J. 1997. Industry self-regulation: an institutional perspective. *Law & Policy*. 19(4): 363-414.

Habermas, J. 1996. *Between facts and norms: Contributions to a discourse theory of law and democracy*. Cambridge, MA: MIT Press.

Habermas, J. 2001. *The postnational constellation*. Cambridge, MA: MIT Press.

Hann, C., & Dunn, E. 1996. *Civil society: Challenging western models*. London, UK. Routledge.

Hannan, M.T., & J Freeman, J. 1984. Structural inertia and organizational change. *American Sociological Review*, 49(2): 149-164.

Hansen, L., & Mitchell, N.J. 2000. Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics. *The American Political Science Review*, 94(4): 891-903.

Head, J.G. 1962. Public goods and public policy. *Public Finance*, 18(3): 197-219.

Held, D., & McGrew, A.G. (Eds.) 2002. *Governing globalization: Power, authority and global governance*. Oxford, UK: Blackwell Publishers Ltd.

Helman, G.B., & Ratner, S.R. 1992. Saving failed states. *Foreign Policy*, 89: 3-20.

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

Henderson, P. D. 2001. *Misguided virtue*: False notions of corporate social responsibility. London, UK: Institute of Economic Affairs.

Hennart, J.-F. 1993. Explaining the swollen middle: Why most transactions are a mix of market and hierarchy. *Organization Science*, 4(4): 529-547.

Héritier, A. & Eckert, S. 2008. New modes of governance in the shadow of hierarchy: self-regulation by industry in Europe. *Journal of Public Policy*, 28, 113–38.

Hillman, A.J., & Hitt, M. 1999. Corporate political strategy formulation: A model of approach, participation and strategy decisions. *Academy of Management Review*, 24(4): 825-842.

Hillman, A.J., Keim, G.D., & Schuler, D.A. 2004. Corporate political activity: A review and research agenda. *Journal of Management*, 30, 837-857.

Hillman, A.J., Zardkoohi, A., & Bierman, L. 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the U.S. Government. *Strategic Management Journal*, 20(1): 67-81.

Hirschman, A.O. 1970. *Exit, voice and loyalty: Reponses to decline in firms, organizations and states*. Cambridge, MA: Harvard University Press.

Hitt, M.A., Dacin, M.T., Levitas, E., Arregle, J.L., & Borza, A. 2000. Partner selection in emerging and developed market contexts: Resource-based and organizational learning perspectives. *Academy of Management Journal*, 43: 449–467.

Hooghiemstra, R. 2000. Corporate communication and impression management – new perspectives – why companies engage in corporate social reporting. *Journal of Business Ethics*, 27(1-2): 55-68.

Hsieh, N. 2009. Does global business have a responsibility to promote just institutions? *Business Ethics Quarterly*, 19: 251-273.

Ilinitch, A.Y., D'Aveni, R.A., & Lewin, A.Y. 1996. New organizational forms and strategies for managing in hypercompetitive environments. *Organization Science*, 7(3): 211-220.

Ireland, R.M., Hitt, M.A.,& Vaidyanath, D. 2002. Alliance management as a source of competitive advantage. *Journal of Management*, 28(3): 413-446.

Jarillo, J.C. 1988. On strategic networks. *Strategic Management Journal*, 9: 31–41.

Jensen, M.C., & Meckling, W. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4): 305-360.

Jones, C., Hesterly, W.S., Fladmoe-Lindquist, K., & Borgatti, S.P. 1998. Professional service constellations: How strategies and capabilities influence collaboratives, stability and change, stability and change. *Organization Science*, 9: 396–410.

Karajkov, R. 2007. *The Power of N.G.O.'s*. They're big, but how big. *Worldpress*. Retrieved July 27, 2010, from http://www.worldpress.org/Americas/2864.cfm

Kaul, I., Conceicao, P., Le Goulven, K., & Mendoza, R. U. (Eds.) 2003: *Providing public goods. Managing globalization*. New York, NY: Oxford University Press.

Kaul, I., Grunberg, I., & Stern, M. A. (Eds.) 1999: *Global public goods. International cooperation in the 21st century*. New York, NY: Oxford University Press.

Keim, G., & Baysinger, B. 1988. The efficacy of business political activity – Competitive considerations in a principal-agent context. *Journal of Management*, 14(2): 163-180.

Khanna, T. 2000. Business groups and social welfare in emerging markets: Existing evidence and unanswered questions. *European Economic Review*, 44: 748-761.

Khanna, T., & Rivkin, J.W. 2001. Estimating the performance effects of business groups in emerging markets. *Strategic Management Journal*, 22: 45-74.

King, A.A., & Lenox, M.J. 2000. Industry self-regulation without sanctions: The chemical industry's responsible care program. *Academy of Management Journal*, 43(4): 698-716.

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(3): 413-442.

Kinley, D., & Tadaki, J. 2004. From talk to walk: The emergence of human rights responsibilities for corporations at international law. *Virginia Journal of International Law*, 44: 931-1022.

Kligman, G. 1990. Reclaiming the public: A reflection on recreating civil society in Romania. *Eastern European Policies and Societies,* 4(3): 393-438.

Kobrin, S. J. 2001. Sovereingty@bay: Globalization, multinational enterprise, and the international political system. In A. M. Rugman & T. L. Brewer (Eds.). *The Oxford Handbook of International Business.* Oxford, UK: Oxford University Press: 181-205.

Kobrin, S.J. 2009. Private political authority and public responsibility: transnational politics, transnational firms and human rights. *Business Ethics Quarterly*, 19, 349–74.

Koenig-Archibugi, M. 2005. Transnational corporations and public accountability. In D. Held, & M. Koenig-Archibugi, (Eds.) *Global Governance and Public Accountability*. Oxford: UK. Blackwell: 110–135.

Kostova, T., Roth, T., & Dacin, T. 2008. Institutional theory in the study of TNCs: A critique and new directions. *Academy of Management Review*, 33(4): 994-1006.

Kotchen, M.J. 2006. Green markets and private provision of public goods. *Journal of Political Economy*, 114(4): 816-834.

Kulik, B.W. 2005. Agency theory, reasoning and culture at Enron: In search of a solution. *Journal of Business Ethics*, 59(4): 347-360.

Lamberg, J.A., Skippari, M., Eloranta, J., & Mäkinen, S. 2004. The evolution of corporate political action: A framework for processual analysis. *Business & Society*, 43(4): 335-365.

Lamin, A., & Zaheer, S. 2011. Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders. *Organization Science*, in press.

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.

Levy. D.L. 2008. Political contestation in global production networks. *Academy of Management Review*, 33(4): 943-963.

Lyon, T.P., & Maxwell, J.W. 2003. Self-regulation, taxation and public voluntary environmental agreements. *Journal of Public Economics*, 87: 1453–1486.

Mahon, J. F. 1989. Corporate political strategy. *Business in the Contemporary World*, 2: 50-62.

Mahoney, J.T., McGahan, A.M., & Pitelis, C.N. 2009. The interdependence of private and public interests. *Organization Science*, 20(6): 1034-1052.

Mantere, S., Pajunen, K., & Lamberg, J.A. 2007. Vices & virtues of corporate political activity: The challenge of international business. *Business & Society*, 20(10): 01-28.

Margolis, J.D., & Walsh, J.P. 2003. Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48: 268-305.

Marsden, C. 2000. The corporate citizenship of big business: Part of the solution to sustainability? *Business and Society Review*, 105(1): 09-25.

Mathews, J.T. 1997. Power shift. *Foreign Affairs*, 76(1): 50-66.

Matten, D., & Crane, A. 2005. Corporate citizenship: Towards an extended theoretical conceptualization. *Academy of Management Review*, 30(1): 166-179.

Maxwell, J.W., Lyon T.P., & Hackett, S.C. 2000. Self-Regulation and social welfare: The political economy of corporate environmentalism. *Journal of Law and Economics*. (October): 583–617.

McGann, J., & Johnstone, M. 2006. The power shift and the NGOs credibility crisis. *International Journal of Not-for-Profit Law*, 8(2).

McWilliams, A., Van Fleet, D.D., & Cory, K.D. 2002. Raising rivals' costs through political strategy: An extension of resource-based theory. *Journal of Management Studies*, 39(5): 707-723.

Meyer, J.W., & Rowan, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83: 340–363.

Miles, R.H., & Cameron, K.S. 1982. *Coffin nails and corporate strategies*. Englewood Cliffs, NJ: Prentice Hall.

Mitnick, B.M. 1981. The strategic use of regulation and deregulation. *Business Horizons*, 24: 71-83.

Nakashima, E., Mufson, S., & Pomfret, J. 2010. Google threatens to leave China after attacks on activists' e-mail. *Washington Post*, January 13, 2010.

New York Times. 2007. Yahoo chief apologizes to Chinese dissidents' relatives. Nov. 7, 2007. Retrieved August 27, 2010, from http://www.nytimes.com/2007/11/07/business/worldbusiness/07iht-yahoo.1.8226586.html

Nike Inc. 2005. Fair Labor Association accredits Nike's compliance program. Published on May 12, 2005. Retrieved August 27, 2010, from http://www.nikebiz.com/media/pr/2005/05/12_Compliance.html

Nike Inc. 2009. Nike contract factory disclosure list. Retrieved September 30, 2010, from http://www.nikebiz.com/responsibility/documents/FactoryDisclosureList6.1.09.pdf

Oberman, W.D. 2004. A framework for the ethical analysis of corporate political activity. *Business & Society*, 109(2): 245-262.

Oliver, C., & Holzinger, I. 2008. The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, 33(2): 496-520.

Olson, M. 2002 [1971]. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Harvard, MA: Harvard University Press. 20th pritinting.

Orts, E.W. 1995. The legitimacy of multinational corporations. In L.E. Mitchel (Ed.). *Progressive Corporate Law*. Boulder, CO: Westview Press: 247-279.

Osborn, R.N., & Hagedoorn, J. 1997. The institutionalization and evolutionary dynamics of interorganizational alliances and networks. *Academy of Management Journal*, 40(2): 261-278.

Ostas, D.T. 2007. The law and ethics of K Street: Lobbying, the first amendment, and the duty to create just laws. *Business Ethics Quarterly*, 17(1): 33-63.

Ostrom, E. 2000. Collective action and the evolution of social norms. *Journal of Economic Perspectives*, 14(3): 137-158.

Ostrom, E. 2002. *The drama of the commons*. National Research Council. Washington, D.C.: National Academy Press

Palazzo, G., & Scherer, A.G. 2006. Corporate legitimacy as deliberation: A communicative framework. *Journal of Business Ethics*, 66: 71–88.

PEN 2008. 3 May world press freedom day – China campaign: Writers react. Retrieved August 27, 2010, from http://www.internationalpen.org.uk/go/news/3-may-world-press-freedom-day-2008-china-campaign-writers-react

Peters, B.G., & Pierre, J.P. 1998. Governance without government? Rethinking public administration. *Journal of Public Administration Research and Theory*, 8(2): 223-243.

Pfeffer, J., & Salancik, G. 1978. Th*e external control of organizations: A resource dependence perspective*. New York, NY: Harper & Row.

Rees, J. 1997. Development of communitarian regulation in the chemical industry. *Law & Policy*, 19(4): 477-528.

Rehbein, K., Waddock, S., & Graves, S.B. 2004. Understanding shareholder activism: Which corporations are targeted. *Business & Society*, 43(3): 239-267.

Richerson, P., Boyd, R., & Henrich, J. 2002. Cultural evolution of human corporation. *Unpublished Manuscript*, University of California. Prepared for Dahlem Conference on Genetic and Cultural Evolution of Cooperation Berlin 23-28 June, 2002

Riisgaard, L. 2005. The IUF/COLSIBA – Chiquita framework agreement: a case study. *International Labour Office*. Geneva, Suisse: ILO Working Paper Nr. 94.

Rondinelli, D. A. 2002. Transnational corporations: international citizens or new sovereigns. *Business and Society Review*, 107(4): 391-413.

Rosenau, J.N. 1995. Governance in the twenty-first century. *Global Governance*, 1: 13-43.

Rushe, D. Google accuses China of interfering with Gmail email system. *The Guardian*, March 20, 2011. Retrieved March 25, 2011 from http://www.guardian.co.uk/technology/2011/mar/20/google-gmail

Sasser, E.N., Prakash, A., Cashore, B., & Graeme, A. 2006. Direct targeting as an NGO political strategy: Examining private authority regimes in the forestry sector. *Business and Politics*, 8(3): Article 1.

Scherer, A. G., & Smid, M. 2000. The downward spiral and the U.S. model principles. Why MNEs should take responsibility for the improvement of world-wide social and environmental conditions. *Management International Review*, 40, 351–71.

Scherer, A.G., & Palazzo, G. 2007. Toward a political conception of corporate responsibility. Business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4): 1096–1120.

Scherer, A.G., & Palazzo, G. 2011. The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48(4): 899-931.

Scherer, A.G., Palazzo, G., & Baumann, D. 2006. Global rules and private actors: toward a new role of the transnational corporation in global governance. *Business Ethics Quarterly*. 16(4): 505-532.

Scherer, A.G., Palazzo, G., & Seidl, D. 2008. Legitimacy strategies in a globalizing world: Organizing for complex and heterogeneous environments. *Working Paper*, University Zurich/Lausanne.

Schillemans, T. 2008. Accountability in the shadow of hierarchy: the horizontal accountability of agencies. *Public Organization Review*, 8, 175–94.

Schlenker, B.R. 1980. *Impression management: The self-concept, social identity, and interpersonal relations*. Monterey, CA: Brooks/Cole Publishing Co.

Schuler, D.A. 2001. Public affairs, issues management and political strategy: Methodological approaches that count. *Journal of Public Affaires*, 1(4): 336-355.

Scott, W.R. 1987. *Organizations: Rational, natural, and open systems*. Englewood Cliffs, NJ: Prentice-Hall International Editions. 2nd edition.

Shamir, R. 2004. Between self-regulation and the Alien Tort Claims Act: on the contested concept of corporate social responsibility. *Law & Society Review*, 38, 635–64.

Siegeman, K.A. 2008. Soccer ball production at Nike in Pakistan. *Economic & Political Weekly*, May 31, 2008: 57-64.

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.

Stigler, G.J. 1971. The theory of economic regulation. *Bell Journal of Economics and Management Science*, 2(1): 3-21.

Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20 (3): 571-610.

Sundaram, A.K., & Inkpen, A.C. 2004. The corporate objective revisited, *Organization Science,* 15: 350–363.

Taylor, C. 1995. *Philosophical Arguments.* 2nd printing. Harvard, MI: Harvard University Press. Digital edition Google books.

Teegen, H., Doh, J.P., & Vachani, S. 2004. The importance of nongovernmental organizations (NGOs) in global governance and value creation: an international business research agenda. *Journal of International Business Studies*, 35: 463-483.

The Economist 2003. Living with the enemy. 368(8363): 49-50.

The Economist 2010. The campaign against palm oil: The other oil spill. Print edition, June 24, 2010.

The Wallstreet Journal 2010. The real Blackwater scandal. Another example of prosecutorial abuse in a political case. Retrieved July 27, 2011 from http://online.wsj.com/article/SB10001424052748704065404574636170633783890.html

United Nations. 1998. Arrangements and practices for the interaction of Non-Governmental Organizations in all activities of the United Nations system. *Report of the Secretary-General*. New York, NY: United. Nations.

Vining, A.R., Shapiro, D., & Borges, B. 2005. Building the firm's political (lobbying) strategy. *Journal of Public Affairs*, 5: 150-175.

Vogel, D. [2006]2008. Private global business regulation. *Annual Review Political Science*, 11: 261-282.

Vogel, D. 2009. The private regulation of global corporate conduct. *Business & Society*. OnlineFirst, published on August 17, 2009.

Walsh, J. P. 2005. Book review essay: Taking stock of stakeholder management. *Academy of Management Review*, 30: 426-452.

Williamson, O.E. 1975. *Markets and hierarchies, analysis and antitrust implications: a study in the economics of internal Organization*. New York, NY: Free Press.

Winston, M. 2002. NGOs strategies for promoting corporate social responsibility. Ethics & International Affaires, 16(2): 71-87.

Yaziji, M. 2004. Turning gadflies into allies. *Harvard Business Review*, Feb 2004: 110-115.

Yaziji, M. 2004-5. Toward a theory of social risk: Antecedents of normative delegitimation. *International Studies of Management & Organization*, 34(4): 87–107.

Yaziji, M., & Doh, J. 2009. *NGOs and Corporations: Conflict and Collaboration*. Cambridge, UK: Cambridge University Press.

Young, I.M. 2004. Responsibility and global justice. *Journal of Political Philosophy*, 12(4): 365-388.

Young, I.M. 2006. Responsibility and global justice: a social connection model. *Social Philosophy and Policy*, 23(1): 102-130.

Yu, T., & Lester, R.H. 2008. Moving beyond firm boundaries: A social network perspective on reputation spillover. *Corporate Reputation Review*, 11(1): 94-108.

Zadek, S. 2004. The path to corporate responsibility. *Harvard Business Review*, 82 (Dec).

Zuckerman, E. 1999. The categorical imperative: Securities analysts and the illegitimacy discount. *American Journal of Sociology*, 104: 1398-1438.

Zürn, M. 2004. Global governance and legitimacy problems. *Global Governance and Opposition*, 39(2): 260-287.

Zyglidopoulos, S.C. 2001. The impact of accidents on firms' reputation for social performance. *Business & Society*, 40(4): 416-441.

EPILOGUE

Contribution of the thesis

Overall, what are the implications that can be drawn from this work? To what and how does it contribute? This essay trilogy has dealt with topics, phenomena, and challenges that I deem highly relevant for both management theory and practice. On the theory level, the phenomena of targeting, reputational damage, and political responsibility all represent prevailing topics to which the literature has not yet contributed sufficiently. I have tried to incrementally shed new light on these phenomena, with new empirical approaches as well as theoretical concepts and reflections.

From my first essay on firm targeting, one can take away that it is not only firm and industry characteristics that attract unwanted NGO/media attention, but also the institutional/country setting in which firms are embedded. Hence, I have provided new (explicit) evidence for what had been so far merely implicitly assumed in the targeting literature: socio-economic and institutional environments on the country level influence the targeting likelihood. Thereby, activists act as both 'norm guards' and agents of change/institutional entrepreneurs.

For my second essay on reputational damage, the research motivation was similar: Whereas the building of corporate reputation has been exhaustively studied in the literature, reputational damage or loss has remained widely neglected. This is surprising, in view of the obvious negative effects that reputational damages can entail. Hence, I first sought to conceptualize reputational damage, based upon the intuition that a corporation breaches a contract. When submitting the hypothesized reporting source- and content-related criticism to empirical analysis, the findings suggested that it is particularly the framed (NGO)-reporting by powerful sources about novel breaches that provoke reputational damages.

Finally, with my third article, I aimed at reflecting on the consequences for companies that want to avoid being targeted by the media or NGOs, and suffering from reputational damages thereafter. Thus, against the background of the dynamics of economic globalization, I sought to refine the political roles for corporations by going beyond the current (lobbying-centered) views of corporate political and legitimation activities (CPA/CLA). Drawing from recent theories on CPR and internalization theory, I suggested a concept of collaborative regulative failure alleviation, in which corporations together with civil society actors compensate for missing state regulation.

Apart from these theoretical implications, what are the findings of my work that could be of interest for *practitioners*? First, with the targeting study, I provided evidence that industry affiliation and institutional/country context do play important roles with respect to the targeting likelihood. Hence, even if managers are operating in exposed industries or countries very diligently, negative news about competitors or other companies operating in the same country might spill over to the managers' firms, hence suddenly creating unwanted NGO/media attention. Thus, proactive collaboration with NGOs and the media might be one strategy for firms to "bridge" (collaborate) with stakeholders rather than reactively buffer their criticism, once the firms have already become targeted.

From my second essay on reputational damage, the main message for managers is that breaches of norms are likely to cause reputational damages if the social construction, i.e., the framing of the reported corporate wrongdoing outcasts the objective reporting of facts. Again, close and proactive collaboration with NGOs and media could constitute a (bridging) strategy, set up to avoid the framing mechanisms becoming (too) dominant in the stakeholders' reporting of corporate contract breaches.

Finally, with my last (conceptual) essay on refined corporate political roles and responsibilities I sought to theoretically deduce the economic necessity for firms to shift from lobbying-centered CPA toward the assumption of state-alike roles when state regulation is missing. As business opportunities become global, so do responsibilities and challenges. Once again, I highlight that bridging, here through deliberative failure alleviation with civil society constitutes the more adequate, authentic, and sustainable solution for global companies to deal with the global challenges of regulatory variance and civil society scrutiny.

Overall conclusion

Certainly, companies cannot be held responsible for everything, nor can they solve every problem. As already stated at an early stage in the introduction, the primary *raison d'être* for corporations is certainly to maximize profits while minimizing costs. I recall that, in a national homogenous context, such self-interested rent-seeking aggregates to society's welfare as long as the state government is able and willing to set and enforce the regulatory frame within which the firms pursue their rents.

However, the economic globalization process has led to power shifts and globalization asymmetries between nation-states, corporations, and civil society actors. In such postnational constellation (Habermas, 2001), Adam Smith's invisible (state) hand (Smith, 2007[1776]) that was assumed over centuries to regulatively protect public (civil society) interests increasingly disappears.

Hence, amidst globalization dynamics, corporations need to refine their business approach if they do not want to be exposed to constant targeting and reputation threats. Slowly, firms understand that pursuing business practices responsibly is not a normative duty but an economic necessity. "Good firms will listen hard, and explain even harder (…). The best companies, striving to create global brands and strong reputation, recognized this trend some time ago" (The Economist, 1995: 15-16): Altogether, collaboration and discourse between the main actors (corporations, civil society, and governments) seems, at the moment, the most effective way not to widen but to close the gap between the economic and political globalization processes:

> No company can possibly satisfy every pressure group or political opportunist that chooses to mount a campaign against it, and a policy of indiscriminate appeasement should anyway not earn the loyalty of consumers. Nonetheless, tomorrow's successful company can no longer afford to be a faceless institution that does nothing more than sell the right product at the right price. It will have to present itself more as if it were a person – as an intelligent actor, of upright character, that brings explicit moral judgments to bear on its dealing with its own employees and with the wider world. There is in such a change a great potential for good (The Economist, 1995: 15-16).

REFERENCES

The Economist. 1995. *Saint and Sinners*. Editorial, Vol. 335, June 24.

Habermas, J. 2001. *The Postnational Constellation*. Cambridge, MA: MIT Press.

Smith. A. 2007 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations.* Metalibri digital edition.

Closing remarks

Global challenges for global companies require both robust business strategies and solid, consistent business ethics. To stay competitive on global markets, companies have certainly to increase their economic efficiency but can no longer, or only under high risks, jeopardize ethical principles. This growing inter-dependency between the often-believed antagonist elements business ethics and strategy is the result of economic and societal globalization that fascinated me from the very first day I came to Lausanne to take on my PhD studies. It is certainly also thanks to my professors that this twofold research interest grew day by day.

Professor Guido Palazzo showed me the ethical (responsibility) dimension in any business activities; Professor Jean-Philippe Bonardi joined the faculty later but emphasized with the same determination that Guido advocated the *ethical* dimension, the necessity of *economic* (efficiency) reasoning in business strategy and social responsibility.

Hence, I found myself torn between my two supervisors: I was convinced that it was feasible albeit challenging to integrate both perspectives, i.e., both ethical and strategic arguments, in my theoretical and empirical reflections.

Applying both post-positivist (essay 3) and positivist research (essays 1 and 2), I tried to conceptually bridge these two different research foci and schools of thought, to which my professors belong. This bridge contains also a literal aspect as both professors have their offices indeed across the corridor. I leave it to the reader to decide whether this bridge building has been a successful attempt.

In any case, I am convinced of the importance of business ethics in strategy and vice versa. It was and still is a true challenge to find means and ways to align the two elements, which might at first sight look like fire and ice. From the very first day I wanted to advocate both elements, and I also had the opportunity to emphasize the reciprocal importance while teaching both business ethics and strategy in Bachelor and Master classes.

Fusioning elements in social science may be the implicit influence of my parents, a chemist and a pharmacist. Although I did not pursue a career in natural science, at least I was inspired by its magic of fusioning apparently opposing elements if one chooses the right ingredients.