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What's Next? The Intersection Of Politics And Marketing: A Look At Its Impact On Shareholder Wealth

Ashley Morgan

WHAT'S NEXT? THE INTERSECTION OF POLITICS AND MARKETING: A LOOK AT ITS IMPACT ON SHAREHOLDER WEALTH

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ASHLEY MORGAN, BS; MSFE

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ABSTRACT

The first essay attempts to explain the heterogeneity in the stock market's reaction to a firm's lobbying for good efforts. It is hypothesized that higher (a) CEO equity-to-pay ratio, (b) marketing influence in the TMT, (c) marketing capabilities, (d) corporate social performance, and (e) institutional ownership, will be associated with less negative abnormal stock returns. Results indicate that firms with a greater amount of marketing influence in the top management team experience greater negative abnormal returns. While firms with a higher CEO equity-to-pay ratio and a greater level of institutional ownership experience less negative abnormal returns.

The second essay explores the impact of a consumer boycott on the shareholder wealth of the competitors of the targeted firm. It is hypothesized that similarities between the target and the competitor will result in less of a competition effect. Additionally, its hypothesized that firms with higher (a) advertising, (b) marketing influence in the TMT, (c) marketing capabilities, and (d) corporate social performance will experience a greater competition effect. Results indicate that firms with greater institutional ownership overlap and marketing capabilities experience less and more of a competition effect, respectively.

The third and final essay focuses on the impact of a consumer boycott on long-term firm value (i.e., buy-and-hold abnormal returns) for the targeted firms. It is hypothesized that firms with greater amount of corporate political activity experience more negative buy-and-hold abnormal returns. Furthermore, firms with a marketing CEO will experience less negative buy-and-hold abnormal returns and this effect is mediated by marketing influence in the TMT and marketing capabilities.

DEDICATION

I dedicate this dissertation to all of my friends, family, peers, and colleagues who have shown me nothing but support throughout this process. I would specifically like to thank my dad, Dan Morgan, and my brother, Chris Morgan, for all of their support, for consistently reminding me that I would finish my Ph.D. program, and for providing the foundation for the support system that I had during my time at Ole Miss. I'd also like to thank all my friends, specifically, Tara Hagen, Sydnee Parkhurst, Ally Stanton, Natalie Walker, and Tyler Young, who have each played an important role in the completion of this process. To my peers, specifically Siddik Bozkurt, Jennifer Locander, and Ashley Thomas, thank you for your friendship and all your help during our time at Ole Miss. I'm also thankful for all of my fellow doctoral students, especially Andrea Blakely, LaToya Flint, John Galvan and all those in the 3rd floor office who I've shared plenty of laughs and memories with during these last four years. I truly believe that having others around you who understand what you are going through and are willing to help is vital to success in a Ph.D. program. I would also like to thank Robert King, Anne Macy, and Neil Terry for the advice they have given me from the time I started applying to programs to the defense of my dissertation. Finally, I'd specifically like to thank my mom, who was always my biggest supporter. Mom, this if for you.

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I. INTRODUCTION

In January of 2010, the Supreme Court of the United States handed down a decision in the landmark and controversial case, *Citizens United vs. Federal Election Commission*. In a 5-4 decision, the Supreme Court deemed that the laws that barred corporations political spending was unconstitutional under the First Amendment. As result, the constraints placed on corporations with regards to a corporation's ability to spend money on elections were relaxed and we have seen increase in both the frequency and amount of corporate political activity (Coates, 2012).

Researchers across several fields have labeled this type of firm action as corporate political activity. Prior research has defined corporate political activity as a firm's efforts to influence the political arena through several avenues including "contributions to campaigns, lobbying, testimony done before legislators and regulators, the operation of government relations offices, and contributions made to political action committees" (Lux et al., 2011). With regards to lobbying, prior research has provided an indication that there are several kinds of lobbying such as corporate lobbying, (Chen et al., 2015), ethical lobbying (Wettstein & Baur, 2016) and lobbying for good (Peterson & Pfitzer, 2009).

A firm's effort to influence the political arena can have an impact on both public policy (Hilland & Hitt, 1999) and the firm performance (Shaffer et al., 2000). Specifically, the studies that have examined corporate political activity and firm performance has found inconsistent results. Thus, in order to address this limitation with corporate political activity literature, researchers could look to examine why some firms are punished or rewarded more than others

Another outcome of a firm's political activity that has become more prevalent in today's highly polarized society is the call for consumer boycotts. When it comes to business and politics, there was this longstanding belief that businesses should stick to making products and providing services while staying out of politics. However, in recent years, we have seen more and more businesses getting involved in politics through lobbying and contributions or taking political stances. For instance, in 2017 under the leadership of Howard Schulz, Starbucks took a political stance with regards to the issue of refugees by vowing to hire them. While some of Starbuck's stakeholders (e.g., employees and customers) may be supportive of this stance, others may either disagree with the stance or disagree with Starbucks taking a political stance of any kind because they fear that such an action will alienate various stakeholders. As expected there were some people that disagreed with Starbucks and as a result some individuals called for a boycott of the Seattle-based coffee chain.

With regards to prior literature, researchers have defined a consumer boycott as an "attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace" (Friedman, 1985). In other words, a consumer boycott is a form of anti-consumption (Makarem & Jae, 2016). Prior research has examined consumer boycotts in terms of the (1) causes of boycotts (Innes, 2006), (2) motivations for engaging in a boycott (John & Klein, 2003), and (3) the outcomes of boycotts (Klein et al., 2004). However, in order to get a better understanding of the impact that consumer boycotts have on the business world as a whole, research could look at their impact on the competitors to see if they benefit from the targeted firm's misfortune or misstep or the if there is any long-term effects of a consumer boycott.

In order to investigate these limitations and gaps in the research, the three essays which follow use three different perspectives to capture the impact of when business and politics mix. Unlike prior research, these studies incorporated a marketing aspect and examined how the interface of business and politics impacts shareholder wealth. Using signaling theory, and agency and upper-echelon literature as support, the essays that follow hope to address these limitations and drive future marketing research to investigate the role that marketing plays in the intersection of business and politics.

Essay 1

Essay 1 investigates the relationship between a firm's political activity, specifically its lobbying for goods efforts, and shareholder wealth (i.e., abnormal returns). Drawing from signaling theory, the author focuses on a handful of moderating factors related to corporate governance, marketing, and social responsibility to determine why abnormal returns vary between firms. The results of this essay suggest that the market reacts negatively to a firm that engages in lobbying for good. Furthermore, the results indicate that this negative market reaction varies based on the CEO's equity-to-pay, the amount of marketing influence in the TMT, and institutional ownership. Specifically, firms whose CEO has a higher equity-to-pay ratio and those with a greater amount of institutional ownership experience less of a negative reaction from investors (i.e., less negative abnormal returns). While on the other and contradictory to what was hypothesized, firms with higher marketing influence in the TMT experience more of a negative reaction from investors (i.e., greater negative abnormal returns).

Essay Two

Essay 2 investigates the relationship between a consumer boycott and the shareholder wealth for competitors of the targeted firms. Drawing from signaling theory, the author focuses on

a handful of moderating factors related to similarities between the targeted firm and its competitors, marketing, and social responsibility to determine why the market reactions vary from to firm to firm when a consumer boycott occurs. The results of this essay demonstrate that the market reacts positively to a consumer boycott when it comes to competing firms. In other words, the competitors experience a competition effect. Additionally, the results also indicate that the market's positive reaction varies based on the amount of institutional ownership overlap and a firm's marketing capabilities. Specifically, firms with a greater amount of institutional ownership overlap with the targeted firm experience less of a positive reaction from investors (i.e., less positive abnormal returns). Whereas firms with a greater amount of marketing capabilities experience a more positive reaction from investors (i.e., more positive abnormal returns).

Essay Three

Essay 3 investigates the relationship between a consumer boycott and long-term firm value for those firms that became the target of a consumer boycott. Specifically, this essay examines how a consumer boycott impacts a firm's buy-and-hold abnormal returns. Drawing from upper echelon and corporate political activity literature, the author focuses a couple of moderating factors related to a firm's political activities and the background of the firm's CEO. Additionally, the examines how a CEO's background moderating impact on the relationship between a consumer boycott and long-term firm value is mediated by a firm's marketing influence in the TMT and marketing capabilities. The results of this essay suggest that the market reacts negatively in the year following a consumer boycott. However, there was no support for the hypotheses related to a firm's political activity, a CEO's background, or the mediation hypotheses. Nonetheless, the results do provide some interesting points that are worth discussing.

Conclusion

Together these three essays have important implications for practitioners including managers, board of directors, and investors. These essays also provide contributions to areas of research in marketing, corporate governance, corporate political activity, consumer boycotts, and social activism. These implications are discussed in greater detail in the essays that follow.

II. ESSAY ONE: I'LL BE THERE FOR YOU: INVESTORS' RESPONSE TO A FIRM'S LOBBYING FOR GOOD EFFORT

Introduction

Firms engaging in the political process is not a sudden revelation. In fact, from 2007-2017, some of the most recognizable and well-known firms in the U.S. have donated millions of dollars to politicians and other political entities. Specifically, during that time span, firms such as General Electric and Johnson & Johnson have donated a total amount of $1.75 and $1.98 million, respectively (Cain, 2018). Firms entering the political arena through donations falls under the notion of corporate political activity (CPA). From a broad sense, CPA is a firm's effort to influence the political process through lobbying or making contributions.

Lobbying is defined as "the political activities that special interests, including corporations, are engaged in to influence legislators at various levels of the government" (Chen et al., 2015). Prior research has indicated that there are different types of lobbying including corporate lobbying (Chen et al., 2015), ethical lobbying (Wettstein & Baur, 2016) and lobbying for good (Peterson & Pfitzer, 2009). In the present study, the author focuses on lobbying for good. According to Wettstein & Baur (2016) lobbying for good is a firm's effort to influence the political arena not only to benefit its own financial interests, but also to advance some type of social change. However, as with most things related to politics, not everyone is going to have the same opinion on things. Thus, not every member of society is going to agree with a firm's lobbying for good efforts or the type of social change that the firm is trying to advance. For example, it's probably safe to assume that not everyone agreed with the stance that Apple Inc. and some other firms too

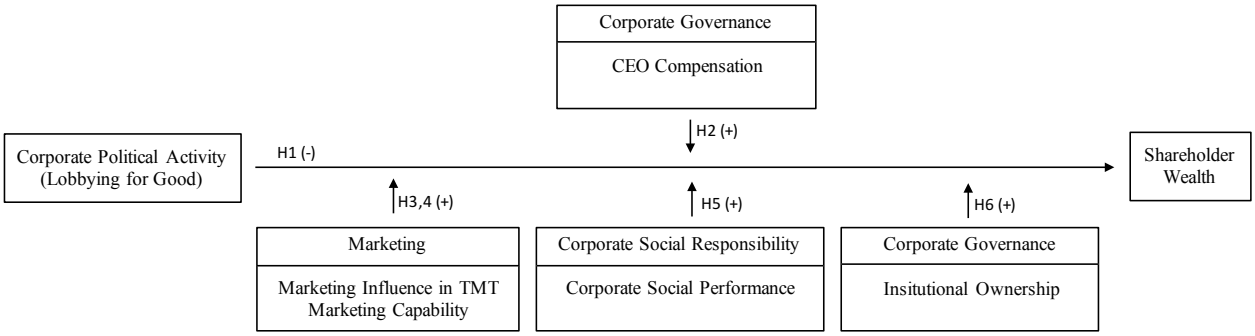
when they joined forces to file an amicus brief (i.e., friend of the court) in support of a marriage equality case being heard by the Supreme Court.

Prior research that has investigated CPA, has looked at the antecedents, types of CPA, organizational implementation, and outcomes (Hillman et al., 2004). However, very little attention has been given towards other types of CPA and different ways in which firms get involved with politics. For instance, with regards to the business world, most of the prior research has focused on corporate lobbying through lobbying expenditures. So, in order to provide further insight into the world of business and politics, the author aims to examine how lobbying for good through the filing of an amicus brief impacts shareholder wealth. Additionally, prior research has given very little attention to the role of marketing, social performance, and corporate governance when it comes to a firm's political activity. Due to the lack of research in this area, the author addresses the following questions: (1) Are a firm's lobbying for good efforts likely to decrease shareholder wealth? (2) What are the marketing, social responsibility, and governance-related boundary conditions under which a firm engaging in lobbying for good will experience a smaller decrease in shareholder wealth?

The author argues that news of a firm's political activity, specifically lobbying for good, is likely to increase an investor's perceived uncertainty due to the risk associated with political activity. Drawing from signaling theory and resource-based view (RBV) literature, the author argues that certain marketing and corporate responsibility-related resources are likely to alleviate some of the uncertainty that comes with political activity. Additionally, based on signaling theory and agency literature, the author argues that a certain governance-related factors are also likely to reduce some of the uncertainty associated with a firm's political activities.

Figure 1.1 outlines the conceptual framework of the author's research. The author tests this framework using a data set that consists of 201 firms that engaged in lobbying for good through being a part of an amicus brief that was filed with the Supreme Court. The results reveal that lobbying for good via the filing of an amicus brief resulted in negative abnormal returns for those firms listed on the legal document. Furthermore, firms with greater marketing influence in the top management team were found to experience a more negative abnormal return. Lastly, firms with a greater CEO equity-to-pay ratio and institutional ownership experience a less negative abnormal return.

Figure 1.1 Conceptual Framework of the Link Between Lobbying for Good and Shareholder Wealth



Based on these findings, the author makes several contributions to existing literature. First, the author extends corporate political activity literature by demonstrating the effect of lobbying for good on shareholder wealth (i.e., stock price). Second, the findings extend corporate governance literature by demonstrating the role it plays with regards to improving firm performance. Specifically, both a CEO's compensation structure and the amount of institutional ownership help to reduce the uncertainty associated with a firm's political activity and as a result reduce the market's negative response. Third, the author extends marketing research by demonstrating that marketing influence fails to serve as a signaling benefit when it comes to a firm's political activities.

Theoretical Framework

First developed when examining labor markets, signaling theory (Spence, 1974) focuses on situations in which there is asymmetric information. Ideally, the company and its stakeholders (e.g., investors, employees, customers, etc.) would have the same information, and this problem of asymmetry wouldn't arise. With regards to a firm's political activity, there is some asymmetry of information that exists between the stakeholders and the firm. For instance, firms that engage in politics have more information about their political activities and the potential outcome of it than other stakeholders. So, in order to deal with this asymmetric information, firms can provide signals of their own. With regards to the present study, these signals include those related to marketing, corporate social responsibility, and corporate governance.

Literature Review and Hypotheses

Corporate Political Activity

Following the decision in the landmark, but also controversial Supreme Court case, *Citizens United vs. Federal Election Commission*, corporate political activity has increased both in frequency and amount (Coates, 2012). CPA is defined as the firm's efforts to influence the political arena through "campaign contributions, lobbying, testimony before legislators and regulators, operating government relations offices, and contributing to industry and trade political action committees (PACs)" (Lux et al., 2011). According to Stigler (1971), the motivation for firms to enter the political arena is derived from government regulation and policy having an impact on most firms. However, the firm's benefit is not the only motivation for a firm's political activity. In fact, a firm will also engage in political activity because they are corporate citizens (Matten & Crane, 2005; Moon et al., 2005; Wood & Logsdon, 2008). In other words, a firm's political role comes from the idea of promoting social welfare (Scherer et al., 2013; Azola, 2013).

CPA has been widely studied in a variety of disciplines including management, economics, political science, and sociology. Such research has examined CPA with regards to antecedents (Hillman, 2003), types of CPA (Blumentritt, 2003), organizational implementation (Bonardi, 2004), and the outcomes of CPA including changes in public policy or firm performance (e.g.., gross profit margin or market share) (Shaffer et al., 2000). Specifically, the impact of CPA on firm performance has resulted in inconsistent findings. For instance, some researchers have found the relationship between CPA and firm performance to be negative (Aggarwal et al., 2012), some have found a positive relationship (Hadani & Schuler, 2013), and others have found no relationship between CPA and firm performance (Hersch et al., 2008). Research that sheds light on these inconsistent findings is limited in at least two ways.

First, little research has been conducted to understand whether certain firm's that engage in political activities are punished differently, and if so, what are the reasons for such differences. Second, the existing literature on corporate political activity (Aggarwal et al., 2012; Hadani & Schuler et al., 2013; Hersch et al., 2008; Shaffer et al., 2000), focuses on performance variables such as gross profit margin, market share, market value, Tobin's q, and excess returns. Thus, in order to address these limitations, the author conducted an event study of a firm's political activities and explains why the author expects the stock market to react more or less negatively to certain firms.

Corporate Political Activity: Lobbying

As for lobbying, prior research defines it as a set of activities used to influence legislators at the various levels of the government (Chen et al., 2015). Such activities include expenditures (Hill et al., 2013) and the communication of information (Chen et al., 2010; Nownes, 2006). One such way a firm can disseminate information is through oral or written communication (NCSL,

2019). For example, an organization can file an *amicus brief* (i.e., a friend of the court) to lobby the court system (Harper & Etherington, 1953). Prior research investigating the outcomes of lobbying has looked at its impact on effective tax rates (Richter et al., 2009), trade protection (Drope et al., 2004), firm contracts (Ridge et al., 2017), market entries from competitors (Grossman & Stegner, 2008), visa or trade policy (Kerr et al., 2011), fraud detection (Yu & Yu, 2011), and bailout assistance (Duchin & Sosyura, 2012).

As previously mentioned, there are various categories of lobbying including corporate lobbying, ethical lobbying, or lobbying for good. The focus of the present study is on lobbying for good. This idea of lobbying for good and having a firm's political activity be of benefit to more than just the firm falls under this notion that a firm should engage in political activities because the firm is a corporate citizen. Prior research has found that lobbying for good has an impact on health or education (Scherer & Palazzo, 2007; Valente & Crane, 2010) and basic rights (Matten & Crane, 2005; Wettstein, 2009). However, no study to the author's knowledge has specifically investigated the impact of lobbying for good on shareholder wealth.

Corporate Political Activity and Firm Performance

According to agency literature, issues arise when the goals of the firm's management are not in line with its stakeholders. From a CPA perspective, there is an "opaque nature" or uncertainty that comes with it (Hadani et al., 2015). This uncertainty and opacity is derived from an agency problem that exists because of several different issues associated with a firm's political activities.

First, senior management that engages in CPA may make additional "risky business decisions" (Hadani & Schuler, 2013). Specifically, Igan et al. (2012) demonstrated that a firm's lobbying is associated with taking on higher risk, thus resulting in worsening performance. Second,

there is an issue when it comes to the allocation of resources and the opportunity cost associated with CPA. Specifically, when a firm engages in CPA, the firm shifts the focus from market activities to political activities through the redirection of firm resources (Bonardi, 2008). Additionally, there is an opportunity cost that comes with CPA (Bhuyan, 2000). An opportunity cost occurs when a firm forgoes or misses a benefit because the firm's attention is directed at something else. In other words, when a firm makes an investment in political activities, it takes away from a firm's ability to invest in areas that are strongly related to improving the firm's products, services, and profits (e.g., resource allocation towards new product development, R&D, etc.) (Bhuyan, 2000).

Third, it is difficult for investors to monitor the political activity of a firm (Hadani & Schuler, 2013). This lack of monitoring ability results in information asymmetry (Chaney et al., 2011; Hadani, 2012; Yu & Yu, 2011) which has been found to be associated with moral hazard and increased agency cost (Igan et al., 2012). Lastly, a firm may engage in CPA for reasons other than improving firm performance (Hadani & Schuler, 2013). Specifically, senior management might engage in political activity for reasons including ideological beliefs, compensation, and job security (Tripathi et al., 2002; Arlen & Weiss, 1995; Coates, 2012). This agency problem can then have a negative impact on firm performance (Hadani & Schuler, 2013; Borghesi & Chang, 2015).

Therefore, in line with agency literature, the author expects that there will be a level of opacity and misallocation of resources because of a firm's lobbying for good efforts. Thus, a firm's efforts to lobby for good will result in a negative impact on shareholder wealth. Hence, the author hypothesizes,

> ***H1:*** *The announcement of a firm engaging in lobbying for good is likely to decrease the shareholder value.*

CEO Equity-to-Pay Ratio

Drawing from signaling theory and agency literature, the author expects that a CEO's equity-to-pay ratio will reduce some of the uncertainty associated with lobbying for good. Prior research has demonstrated that stock options motivate a CEO to be less risk averse (Haugen & Senbet, 1981; Rajgopal & Shevlin, 2002; Sanders, 2001; Tufano, 1996; Sanders & Hambrick, 2007). As a result, a CEO is incentivized to "invest heavily in uncertain areas" (Sanders & Hambrick, 2007) such as political activities (Ozer, 2010). However, a higher equity-to-pay ratio for the CEO also helps to align the risk tendencies of the CEO with that of the other shareholders (Jensen & Murphy, 1990; Kashmiri & Mahajan, 2017).

Thus, a higher CEO equity-to-pay ratio is likely to signal to investors that under the leadership of the CEO, the firm is engaging in risky behavior, but not at the expense of the other shareholders. Therefore, in line with signaling theory and agency literature, the author expects a firm's engagement in lobbying for good to have less of a negative impact on firm performance when a firm's CEO has a higher equity-to-pay ratio. Thus, the author hypothesizes,

> ***H2:*** *The greater a firm's CEO equity-to-pay ratio, the less negative a firm's abnormal returns surrounding a firm's effort to lobby for good.*

Marketing Influence and Marketing Capabilities

Drawing from signaling theory and resource-based-view (RBV) literature, the author examines the role of two marketing-related resources (i.e., marketing influence and marketing capability) and how they can help to reduce the uncertainty surrounding a firm's lobbying for good efforts.

Marketing Influence in the Top Management Team

First, the author expects that a firm's marketing influence within the top management team (TMT) to be an important factor when related to minimizing uncertainty associated with political activities. The marketing department often plays a key role in strategic marketing decisions (Nath & Mahajan, 2008). Firms where marketing has an influence in the TMT tend to pay more attention to the opinions of the customer and serve as a voice for them (Brown et al., 2005; Kerin, 2005). Additionally, when marketing has an influence in the TMT, a firm also works to safeguard brand and customer equity (McGovern & Quelch, 2004), while taking into account customer insights when it comes to formulating firm strategies (Kerin, 2005), and including marketing as a part of strategic decisions (Crosby & Johnson, 2005).

Thus, a higher amount of marketing influence will signal to investors that firm's lobbying for good activities includes the customer and takes their insights into account. Additionally, the firm's political activities will be done in a way that does not damage brand or customer equity, thereby, reducing some of the uncertainty. Therefore, in line with signaling theory and RBV literature, the author expects a firm's engagement in lobbying for good to have less of a negative impact on firm performance when a firm has a higher marketing influence in the TMT. Hence, the author hypothesizes,

> ***H3:*** *The greater a firm's marketing influence in the TMT, the less negative a firm's abnormal returns surrounding a firm's effort to lobby for good.*

Marketing Capability

Based on RBV literature, a firm's marketing capability is a firm-specific resource that provides the firm with a competitive advantage due to the rarity, inimitability, and sustainability of the resource (Barney, 1991; Wernerfelt, 1984; Song et al. 2007; Murray et al. 2011; Capron &

Hulland 1999; Kozlenkova et al. 2014). Marketing literature has defined marketing capabilities as the process by which the firm uses both its tangible and intangible resources to accomplish several things including understanding the complex and specific needs of the consumer (Day, 1994; Dutta et al., 1999). In other words, marketing capability is the market knowledge that a firm has about customer needs, and the experience a firm has with regards to forecasting and responding to those needs (Day, 1994). A firm can use this knowledge about consumer needs and work to include them in the firm's political activities. Responding to customer needs by including them in a firm's political activities should lead to sustained customer satisfaction (Hooley et al. 2005; Rapp et al., 2010; Trainor et al. 2014) and improved future business performance (Morgan & Rego, 2006).

Thus, a firm with superior marketing capabilities, due to its market knowledge, is likely to signal to investors that a firm's lobbying for good efforts takes into account the needs of customers, thereby reducing some of the uncertainty. Therefore, in line with signaling theory and RBV literature, the author expects a firm's lobbying for good efforts to have less of a negative impact on performance when a firm has superior marketing capabilities. Hence, the author hypothesizes,

> ***H4:*** *The greater a firm's marketing capability, the less negative a firm's abnormal returns surrounding a firm's effort to lobby for good.*

Corporate Social Performance

Drawing from signaling theory, and RBV and corporate social responsibility (CSR) literature, the author expects a firm's corporate social performance (CSP) to help reduce some of the uncertainty surrounding a firm's lobbying for good efforts. Prior research has demonstrated that a "firm's commitment to CSR allows it to develop a valuable, rare, inimitable, and non-substitutable resource in the form of superior corporate reputation" (Kashmiri et al., 2017). A superior corporate reputation offers several benefits to a firm including long-term customer loyalty

(Maignan & Ferrell, 2004; Lacey et al., 2015), and superior financial performance (Branco & Rodrigues, 2006; McWilliams & Siegel, 2011).

Additionally, the development of superior social performance has been found to result in a "positive moral capital" that offers an insurance-like protection (Godfrey, 2005). According to Godfrey (2005), this insurance-like protection limits the damage to customer trust and the likelihood of stakeholder sanctions (e.g., boycott) following a negative event. Given the benefits that arise from a superior CSP, a firm will work to ensure that it maintains a superior CSP by not engaging in any risky activity that would damage it. Thus, a firm with superior social performance is likely to signal to investors that a firm's engagement in lobbying for good will be done in a way that prevents any damage to the firm's social performance, thereby, reducing some of the uncertainty and incurring less of a punishment for its political activities.

In addition to developing a positive moral capital and a buffer, a superior social performance can also support a firm's political activities through (a) access, (b) efficacy, and (c) cost (den Hond et al., 2014). In fact, a superior reputation helps to lower the barriers of entry into the political arena (Wang & Qian, 2011). This access to the political arena allows for firms to develop an alliance with legislators and regulators (Schuler et al., 2002). This political access also serves as a valuable resource that helps a firm to develop a competitive advantage within the political arena and eventually the marketplace (Bonardi, 2011). As for efficacy, firms that invest in CSR develop a stronger and more diverse "set of relationships with the community and non-governmental organizations" (den Hond et al., 2014). Such relationships increase the efficacy of these firms when it comes to the political arena and enhance the firm's influence "in the policy process" (den Hond et al., 2014). Lastly, CSR investments can help to reduce the costs associated

with a firm's political activities by lowering the amount of donations that a firm must make to politicians (den Hond et al., 2014).

Thus, firms with a superior CSP are likely to signal to investors that a firm's lobbying for good efforts will be done in a way that does not damage the firm's superior social performance or the benefits that come with it, thereby reducing some of the uncertainty. Therefore, in line with signaling theory and RBV literature, the author expects a firm's engagement in lobbying for good to have less of a negative impact on firm performance when a firm has a superior CSP. Hence, the author hypothesizes,

> ***H5:*** *The greater a firm's corporate social performance, the less negative a firm's abnormal returns surrounding a firm's effort to lobby for good.*

Institutional Ownership

Drawing from signaling theory and agency literature, the author expects that a firm's level of institutional ownership will help to reduce some of the uncertainty associated with lobbying for good. Prior research has demonstrated that there is a negative relationship between institutional ownership and CPA (Hadani, 2012). The reasoning behind this negative relationship is that it's difficult for investors to monitor a firm's actions (Hadani & Schuler, 2013). This lack of monitoring results in "information asymmetries between shareholders and managers, which have been associated with moral hazards and increased agency cost" (Hadani & Schuler, 2013). However, the level of institutional ownership can help to mitigate some of these asymmetries through direct access to management (Schnatterly et al., 2008).

For instance, prior literature demonstrates that institutional owners are important when it comes to reigning in a manager's opportunistic behavior (Hoskisson et al., 2002). From an equity standpoint, institutional investors are incentivized to take on the costs (Hadani, 2012) associated

with monitoring a firm's actions (Schnatterly et al., 2008) in order to protect their investment (Del Guercio & Hawkins, 1999). Monitoring has also been found to lower the agency costs that are associated with a firm's political activities (Schnatterly et al., 2008).

Thus, a higher level of institutional ownership is likely to signal to the market that the firm's political activities are being monitored by the institutional investors, thereby, reducing some of the uncertainty. Therefore, in line with signaling theory and agency literature, the author expects a firm's engagement in lobbying for good to have less of a negative impact on firm performance when the firm has a higher level of institutional ownership. Thus, the author hypothesizes,

> ***H6:*** *The higher a firm's level of institutional ownership, the less negative a firm's abnormal returns surrounding a firm's effort to lobby for good.*

Methodology

Sample

To develop the sample, the author used the "SCOTUSblog" website to identify firms that are both listed on one of the two main stock exchanges in the United States (e.g., New York Stock Exchange and NASDAQ) and are also included on an amicus brief that has been filed with the Supreme Court. In accordance with an event study methodology, the author confirmed that firms within our sample had no major announcements within the 10-day window surrounding the filing of an amicus brief (Srinivasan & Bharadwaj, 2004). Such announcements included dividend payout, a change in CEO, or corporate restructuring (Srinivasan & Bharadwaj, 2004; Kashmiri et al., 2017). The final sample for this study consisted of 201 publicly listed U.S. firms over the course of a three-year span (2015 to 2017).

Event Study Methodology

The author used an event study methodology (Geyskens et al., 2002; Boyd et al., 2010) to calculate the abnormal returns (ARs) for each firm in the sample surrounding the date that an amicus brief was filed. Event studies are used to investigate "stock price movements around corporate events" (Sorescu et al., 2017). Specifically, the objective of an event study is to examine the extent to which an investor earns abnormal stock returns due to an event that results in new information. In the present study, the Market Model was used to calculate the ARs:

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t}$$

$$AR_{i,t} = \varepsilon_{i,t} = R_{i,t} - E(R_{i,t})$$

In Eq. 1, $R_{i,t}$ represents the rate of return (RoR) on the stock price of firm i on day t; $R_{m,t}$ is the average RoR for a benchmark portfolio of market assets for an estimation period that proceeds the event; α_i is the intercept; and $\varepsilon_{i,t}$ is the residual of the estimation. As for Eq. 2, $AR_{i,t}$ represents the abnormal returns of firm i on day t. In other words, AR is the difference between the observed RoR (i.e., $R_{i,t}$) and the expected rate of return (e.g., $E(R_{i,t})$). In addition to the ARs, the author took into account for information leakage or a delay in the market's response to new information by calculating the cumulative abnormal returns (CARs) for each firm i:

$$CAR_i[-t_1, t_2] = \sum_{t=-t1}^{t2} \varepsilon_{i,t}$$

Regarding CAR, t = 0 is the date of when an amicus brief is filed. Additionally, since the author conducted an event study across different firms, the author also averaged the CARs and calculate the cumulative average abnormal returns (CAAR) for the entire sample and test to see if the CAAR is significantly different from zero by using Patell's (1976) Z and the Generalized Sign tests (Cowan, 1992).

Regression Model and Control Variables

The author regressed the ARs (%) for each firm in the sample on the proposed explanatory variables. The author controlled for a firm's prior performance, financial leverage, and firm size because poorly performing firms, firms with a greater amount of debt on its books, and smaller firms may have less of a safety net to fall back on, thus the shareholder punishment will be more negative. Additionally, the author controlled for globalization and diversification. Firms with higher globalization experience a greater amount of sales outside of the U.S. and these customers may not care that a firm enters the political arena, so the firm incurs less of a punishment from shareholders. As for diversification, a greater amount diversification is associated with less risk, and therefore the filing of an amicus brief will result in less negative abnormal returns. Additionally, the author controlled for advertising and whether the filing occurs during an election year (e.g., presidential or midterm election). Advertising was controlled for because a firm with higher advertising is more well-known to the consumer and the consumer may not like that a firm is engaging in political activities.

Along the same line of reasoning, consumers are more polarized during election years and as a result they may not like a firm lobbying through amicus briefs during that time. Lastly, the author controlled for the location of a firm's headquarters. Firms in a typically more liberal state (e.g., California) versus a more conservative state (e.g., Texas) might be more inclined to take on the risk of being a part of an amicus brief, thus those firms are punished less.

Data Measures and Sources

Corporate Governance Measures. Following prior research (e.g., Kashmiri & Mahajan, 2017), the author used Execucomp and DEF-14A filings to operationalize a CEO's equity-to-pay ratio as the ratio of a CEO's stock and option awards (in dollars) to the CEO's total compensation. As for

the level of institutional ownership, the author used the operationalization approach used by Hadani (2012). Specifically, using 13-F filings, the author measured each firm's total institutional ownership equity as equity owned by all institutional investors divided by the firm's market equity.

Marketing Measures. The author operationalized marketing influence in the TMT by employing the approach used by Feng et al. (2015). Specifically, marketing influence was measured using five indicators for each firm year: (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives; (2) a dummy variable indicating whether a marketing executive was mentioned among the top five most highly compensated TMT members in the firm's proxy statement; (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1; (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT; and (5) the number of responsibilities reflected in marketing TMT executives' job titles. Once these five indicators for each firm year were collected, the author combined them using principal component factor analysis. Then the author rescaled the saved Bartlett factor score between 0 and 100. This rescaled factor score was then used as our measure of a firm's marketing influence in the TMT for each firm-year.

As for marketing capability, the author operationalized it following the technique presented by Dutta et al. (1999). Specifically, marketing capability was measured by modeling a firm's activities as an efficient frontier that relates its marketing investments (i.e., advertising, SG&A, and investments in customer relationships) to an optimal attainment of the firm's objectives (i.e., sales). More information about how this variable was measured in Table 4.1 which can be found in the Appendices.

Corporate Activity Measures. Following prior research (e.g., Muller & Kraussl, 2011), the author used KLD Analytics Ratings via the KLD database to measure corporate social performance. KLD tracks a firm's social performance across seven categories and provides an annual count of each firm's strengths and concerns. With regards to the present study, the author calculated the sum for both the strengths and concerns for the year most prior to the filing of an amicus brief and calculated the net CSP (i.e., total strengths minus total concerns).

Control Variable Measures. Using Compustat, the author measured prior performance as the ratio of net income to total assets for each firm-year, financial leverage as the ratio of total debt to total equity, and firm size as the natural log of the number of employees. As for globalization and diversification, globalization was measured as the ratio of a firm's sales outside the U.S. and diversification was measured using an entropy measure based on two and four-digit-level segment sales (Palepu, 1985). The author also used Compustat to measure advertising as a firm's advertising expenditure as a percentage of total assets. The final control variables, election year (i.e., presidential or midterm election year) and corporate headquarters will be dummy coded (1 = election year). As for corporate headquarters location, the author used information from the presidential election most prior to filing of an amicus brief to determine if the state leaned Democrat or Republican (1 = Democrat).

Results

Effect of Lobbying for Good

As shown in Table 1.1a, the author found support for H1, with the results indicating that lobbying for good through the filing of an amicus brief led to a loss in shareholder value for those U.S. firms listed on the amicus brief. The average abnormal stock return for the sample on the day

of the event was negative ($AAR_{MarketModel}$ = -.34). This average abnormal return was significant according to both the Patell Z-test and the Generalized Z-test ($p < .01$). In addition to the day of the event, the following day was also negative and significant. The results were also robust when looking at the Market Adjusted Model (Table 1.1b).

Table 1.1a Abnormal Returns for Lobbying for Good (Market Model)

Average daily abnormal return (AAR) Market model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	0.03	0.46	1.42$	54
-4	0.08	0.52	0.29	50
-3	0.43	4.68***	4.37***	64
-2	0.04	0.14	0.71	51
-1	0.01	-0.41	-2.52**	40
0	-0.34	-2.44**	-2.38**	41
1	-0.20	-2.34**	-2.10*	42
2	0.29	4.24***	4.09***	63
3	-0.18	-3.23***	-1.40	44
4	-0.24	-1.85*	-0.41	48
5	0.34	4.46***	3.39***	61

$p < .10, *p < .05, **p < .01, ***p < .001

Table 1.1b Abnormal Returns for Lobbying for Good (Market Adjusted Model)

Average daily abnornal return (AAR) Market adjusted model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	0.06	1.04	1.60$	56
-4	0.11	1.11	1.32$	55
-3	0.45	4.69***	3.57***	63
-2	0.08	0.90	1.17	54
-1	0.02	0.10	-2.63**	41
0	-0.30	-2.20*	-2.06*	43
1	-0.16	1.30$	-3.47***	38
2	0.33	4.85***	4.27***	65
3	-0.13	-1.96*	-1.50$	45
4	-0.22	-1.49$	-0.37	49
5	0.34	4.16***	3.14***	61

$p < .10, *p < .05, **p < .01, ***p < .001

As for the CAAR, Table 1.2a shoes that a number of windows are both negative and significant. Specifically, the most negative occurring during the [0, +1] window ($CAAR_{MarketModel}$ = -.54, p < .001). The results were also robust when looking at the Market Adjusted Model (Table 1.2b). Lastly, adding further support to H1, the Appendices shows an additional event study that the author conducted using a different estimation window.

Table 1.2a Cumulative Returns for Lobbying for Good (Market Model)

Cumulative average abnormal return (CAAR)				
Market model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	-0.34	-2.44**	-2.38**	41
[-2, 2]	-0.21	-0.36	-0.41	48
[-1, 1]	-0.54	-3.00**	-3.51***	37
[-1, 0]	-0.34	-2.02*	-3.79***	36
[0, 1]	-0.55	-3.38***	-3.51***	37
[0, 2]	-0.25	-0.31	0.01	49

$p < .10, *p < .05, **p < .01, ***p < .001

Table 1.2b Cumulative Returns for Lobbying for Good (Market Adjusted Model)

Cumulative average abnormal return (CAAR)				
Market adjusted model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	-0.30	-2.20*	-2.06*	43
[-2, 2]	-0.02	1.045	-0.37	49
[-1, 1]	-0.44	-1.97*	-2.91**	40
[-1, 0]	-0.28	-1.49$	-3.33***	39
[0, 1]	-0.46	-2.48**	-3.75***	37
[0, 2]	-0.13	0.77	0.19	51

$p < .10, *p < .05, **p < .01, ***p < .001

Moderating Role of Marketing, Social Responsibility, and Corporate Governance

Table 1.3 presents the descriptive statistics and correlations for all the variables used in the author's regression model.

Table 1.3 Descriptive Statistics and Correlation Coefficients for Lobbying for Good

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Abnormal return on day 0 (%)	-0.33	1.86	1												
2. CEO Compensation	0.53	0.29	0.09	1											
3. Marketing Influence	14.87	18.04	0.01	0.11	1										
4. Marketing Capability	78.70	17.42	0.22***	-0.11	0.17**	1									
5. Corporate Social Performance	4.91	4.34	0.01	0.12	0.12	0.26***	1								
6. Insitutional Ownership	0.72	0.23	0.09	0.23***	0.04	-0.06	-0.05	1							
7. Prior Performance	0.04	0.11	0.10	0.04	0.17**	0.50***	0.24***	0.07	1						
8. Financial Leverage	1.15	4.35	0.05	-0.04	-0.06	0.07	0.04	0.04	0.12*	1					
9. Firm Size	1.44	0.76	0.18**	-0.07	0.14**	0.75***	0.33***	-0.07	0.48***	0.04	1				
10. Globalization	0.38	0.24	0.04	-0.03	0.06	0.09	0.21***	-0.08	0.29***	-0.01	0.03	1			
11. Diversification	0.59	0.64	0.08	0.05	0.01	0.29***	0.33***	-0.05	0.17	0.01	0.42***	0.18**	1		
12. Advertising	3.87	5.85	0.06	-0.16**	0.19	-0.09	-0.10	0.13	0.09	-0.13	-0.13	0.13	0.16*	1	
13. Corporate Headquarters	0.92	0.27	-0.02	-0.15**	0.02	-0.13*	0.12*	0.03	-0.03	-0.06	-0.16**	0.12*	0.07	0.12	1

*p < .10, **p < .05, ***p < .01

As for the results of the OLS regression analysis, with abnormal return on day 0 serving as the dependent variable, Table 1.4 summarizes the results of the author's cross-sectional regression analysis. Due to missing data the sample size was reduced from 201 to 99. The results indicate that CEO compensation (i.e., equity-to-pay ratio) is both positive and significant ($\beta = 1.74$, $p < .05$), thus there is support for H2. Next, the results show that marketing influence in the TMT is significant but in the opposite direction as predicted ($\beta = -.02$, $p < .05$), thus no support for H3. Next, with regards to marketing capability, the results are positive ($\beta = .01$) but non-significant, thus no support for H4. As for corporate social performance, the coefficient was negative ($\beta = -.03$) and non-significant, thus no support for H5. Lastly, the results indicate that institutional ownership is both positive and significant ($\beta = 2.07$, $p < .05$), thus showing support for H6.

The lack of support for the hypotheses related to marketing influence in TMT, marketing capability, and corporate social performance could be the result of several things. First and foremost, the lack of support might be the result of the sample size being reduced from 202 to 99 due to missing data, which in turn can lead to low statistical power during an analysis.

Additionally, the counterintuitive results associated with marketing influence may be due to marketers choosing to ignore customer opinions by engaging in politics or taking political stances that don't align with customer opinions in order to benefit themselves or for their own ideologies (Tripathi et al., 2002; Arlen & Weiss, 1995; Coates, 2012). Thus, having more of a marketing influence means that the firm has more marketers attempting to fulfill their own agendas while ignoring the customer. As a result, this leads to a more severe punishment from investors because there is concern about how customers will react. At the very least, they may shift their support to firms that engage in politics that align with their own beliefs. As for corporate social performance, the lack of support might be due to the author having used KLD data that is not up

to date. For example, the author used KLD data from 2013 to explain differences in abnormal returns that occurred in 2017.

Table 1.4 OLS Regression with ARs (%) on day 0 for Lobbying for Good

	Model with estimation window [-250, -30]	
Variables	Coefficients (SE)	P-Value (CI)
	Model 1	
H2: CEO Compensation	1.74 (.67)**	0.01 [.41, 3.07]
H3: Marketing Influence	-0.02 (.01)**	0.049 [-.04, -.0001]
H4: Marketing Capability	0.01 (.02)	0.44 [-.02, .05]
H5: Corporate Social Performance	-0.03 (0.05)	0.54 [-.13 .07]
H6: Institutional Ownership	2.07 (.86)**	0.02 [.37, 3.78]
Prior Performance	1.32 (2.08)	0.53 [-2.82, 5.45]
Financial Leverage	-0.02 (.13)	0.85 [-.28, .23]
Firm Size	0.26 (.49)	0.59 [-.71, 1.23]
Globalization	0.45 (.85)	0.60 [-1.23, 2.14]
Diversification	0.16 (.36)	0.67 [-.56, .87]
Advertising	0.05 (.03)	0.12 [-.01, .11]
Corporate Headquarters	0.06 (.70)	0.93 [-1.33, 1.45]
Intercept	-4.24 (1.43)***	0.004 [-7.09, -1.40]
R2	26.3%	
N (number of firms)	99	
Overall F-Test	F(12, 86) = 2.56***	

*p < .10, **p < .05, ***p < .01

Robustness Checks and Additional Analyses

As shown in the Appendices, the author performed a series of robustness checks that are related to alternate estimation window and additional analyses that deal with (1) alternate measures for marketing influence in the TMT, (2) alternative measures for CSP, (3) the issue that is being heard by the Supreme Court, (4) sample selection bias, and (5) missing data.

First, with regards to estimation windows, the results found in Table 1a and 1b are based on an estimation window that begins 250 days prior to the event and ends 30 days prior to the event. Thus, in order to add further support for H1, the author runs an event study using an

estimation window that begins 299 days prior to the event and ends 11 days prior to the event (Table 1.5a/b and Table 1.6a/b). Additionally, the author also used the abnormal returns from the additional event study as the dependent variable in an additional analysis (Table 1.7). Second, the results from using alternate marketing influence and CSP measures. Specifically, the alternate measures for marketing influence included Chief Marketing Officer presence (Table 1.8) and the five individual factors that were previously discussed (Table 1.9). Third, the author also conducted an analysis that included dummy coded variables to represent the issues that the Supreme Court cases were dealing with (Table 1.10). Such issues included those related to LGBT rights, discrimination, affirmative action, and immigration.

Fourth, in order to address any concerns related to sample selection bias, the author conducted a two-stage Heckman (Heckman, 1979) analysis. The first stage estimated a probit selection model in which the dependent variable (i.e., "CPA Firms") was equal to 1 for firms that were included on an amicus brief and 0 for firms that were not included on an amicus brief. The selection was modeled in terms of the firm's prior performance, financial leverage, firm size, and advertising intensity. The first stage selection model provided the inverse mills ratio, which was included in the second stage as a control variable. The results from the Heckman analysis indicate that the p-value for mills lambda was nonsignificant ($p = 0.38$), thus there is no indication of selection bias for this study's sample (Table 1.11).

Lastly, the author used two approaches to deal with any missing data including multiple imputation and replacing any missing values with zeros (Table 1.12). The results from these additional analyses differ from the initial analysis in that there is no support for H6 but there was support for H2 and H4.

Discussion and Implications

Even though the results above were mostly non-significant, they did provide some interesting points of discussion. First, the significant negative relationship between a firm's political activities and shareholder wealth suggests that the market reacts negatively to the news of a firm's lobbying for good efforts. Such a result extends CPA literature by demonstrating that a firm's political activity not only has a long-term impact (i.e., policy changes or Tobin's q) but also an impact in the short-term. Additionally, the present study adds to CPA research by exploring the effect of a more recent type of political activity that firms are engaging in such as lobbying for good. Furthermore, this study extends CPA research by examining a different approach by which a firm engages in lobbying. Prior research has primarily focused on lobbying through a firm's lobbying expenditures. Whereas, the present study investigates a firm's lobbying activities from more of a communication of information perspective (i.e., filing an amicus brief).

Second, the positive moderating effect of CEO compensation suggests that the negative relationship between a firm's lobbying for good and shareholder wealth is weakened for firms whose CEO has a higher equity-to-pay ratio and for firms with a greater amount of institutional ownership. Such findings add to existing research on the role that corporate governance plays in improving firm performance. Specifically, the author demonstrates that in addition to motivating a CEO to take on more risk including engaging in politics, a higher equity-to-pay ratio also helps to reduce some of the uncertainty associated with corporate political activity. Furthermore, the findings also show that institutional owners not only help to reduce a firm's amount of political activity (Hadani, 2012), but these investors also serve as monitors with regards to corporate political activity. Such monitoring allows for institutional investors to reign in opportunistic behavior including a firm's political activities and reduce the uncertainty that comes with it. Thus,

a higher CEO equity-to-pay ratio and greater amount of institutional ownership serve as a signaling benefit to investors.

Third, the significant negative moderating effect of marketing influence in the TMT suggests that the negative relationship between a firm's lobbying for good and shareholder wealth is strengthened for firms with a greater amount of marketing influence. This finding is contradictory to prior research that has demonstrated that marketing influence can help improve firm value (Kashmiri et al., 2017). Such findings may be driven by the notion that senior management, including those marketers within the TMT, has the firm engage in political activities to serve their own personal agenda or needs while ignoring the opinions of their customers. Thus, marketing influence in the TMT fails to serve as a signaling benefit for the market.

In addition to extending several areas of research, the findings also provide implications for practitioners. First, since the Supreme Court case of *Citizens United vs. Federal Election Commission,* we have seen an increase in political activity among businesses in the U.S. However, the results from the present study suggest that while lobbying for good may appear that firms are lobbying for positive change, the market actually reacts negatively to this type of political activity. Therefore, firms and its senior management should use caution when deciding whether to enter the political arena by conducting some sort of cost benefit analysis. In other words, the firm's senior management should determine if the short-term cost (i.e., negative abnormal returns) that the firm may experience will be outweighed by the potential long-term benefits of its political activities.

Second, the author's research also provides firms and its board of directors with an action they can take to help reduce the uncertainty that comes with a firm's political activity. For instance, the results demonstrate that the negative market reaction in response to a firm's lobbying for good efforts will be reduced when the CEO has a higher equity-to-pay ratio. Therefore, a firm's board

of directors should work to ensure that a large portion of a CEO's compensation should be stock option based in order to align the risk tendencies of the CEO with those of other shareholders.

Third, the findings provide institutional investors with an action that they can take in order to protect their investments in these firms that engage in political activities such as lobbying for good. Specifically, based on their access to the firm and its top executives, these types of investors can work to monitor a firm's actions including those related to politics. By monitoring a firm's actions, institutional investors can help to ensure that the firm is not engaging in activities that will damage shareholder wealth for all investors. Additionally, monitoring on the part of institutional investors can also help them maintain their positive reputation when it comes to their monitoring capabilities.

Lastly, with regards to marketers, the results provide guidance for them when it comes to the firm's political activities. Specifically, the findings indicate that it's important for marketers to ensure that customer opinions are included in the firm's strategic decisions. Doing so may result in a positive reaction on the part of the market when a firm engages in politics because investors believe that a firm's activities are done with the customer in mind.

Limitations and Future Research

The present study has several limitations and offers several directions for future research. First, this study's sample only consists of publicly listed firms. Thus, future research could examine the impact of lobbying for good on privately held firms and how it impacts the private firm's sales, customer purchase intentions, etc. Second, the present study focuses solely on lobbying for good through the filing of an amicus briefs. So, future research could examine the impact of other manners in which a firm can lobbying for good such as contributions made to organizations. Additionally, future research could look at companies that try to advance some type

of social change via a press release or those who incorporate a politically-related issue into their marketing. Fourth, future research might also look at the impact of lobbying for good on other firm-related outcomes such as Tobin's q or customer/brand loyalty. Lastly, future research could look at using a different measure for corporate social performance such as using *Fortune's* "Most Admired Companies" list as a proxy for reputation.

III. ESSAY TWO: BOYCOTTS ARE COMING: A LOOK AT THE IMPACT OF CONSUMER BOYCOTTS ON COMPETITORS

Introduction

In today's political landscape, there has been an increase in consumer activism. According to a poll conducted by *The Washington Post* "one in five Americans has participated in some type of political rally" (Horst, 2018). Consumer activism has taken on many forms including rallies, marches, protests, a ballot box, and social media. One such method that has become increasingly more popular among activists in recent years is a consumer boycott directed at businesses (Horseman, 2018). According to Friedman (1985) a consumer boycott is an "attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace". In other words, a consumer boycott is a "form of anti-consumption behavior, where boycotters are market activists who forgo the consumption of certain products and services because of environmental, political, ethical, or social issues" (Makarem & Jae, 2016). The present study focuses on consumer boycotts that occur for political reasons.

Consumer boycotts have been urged by both organizations and individuals. For instance, Eric Bauman, the chairman of the California Democratic Party, urged for consumers to boycott In-N-Out Burger due to the fast-food chain's $25,000 donation to the California Republican Party (Horseman, 2018; Boxall, 2018). Additionally, the American Family Association urged consumers to boycott Ford Motor Co. because the car company was running advertisements in gay publications. The urging of consumers to boycott a company has even come from the highest political office in the United States. In 2017, President Trump called for a boycott of the news

network, CNN (Heavey, 2017).

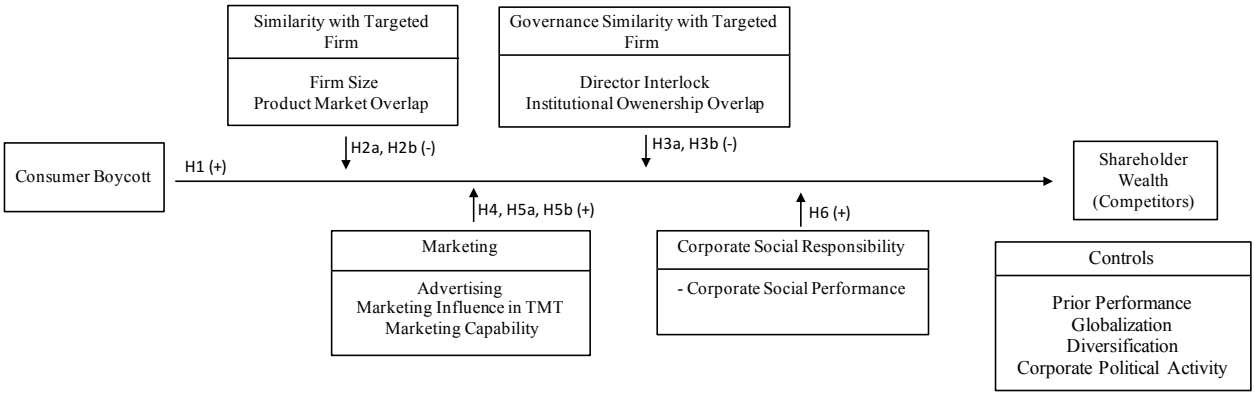
Prior research that has investigated consumer boycotts has examined the causes for boycotts (Makarem & Jae, 2016), a consumer's motivations for engaging in a boycott (Balbanis, 2013), and the outcomes of consumer boycotts (Ettenson & Klein, 2005; King, 2008; Koku, 2012). Even with this abundance of prior literature, there is no study to the author's knowledge, that investigates the impact of a consumer boycott on the competitors of the targeted firm or how the impact on competitors is weakened or strengthened by certain firm-specific factors. Addressing this gap in the literature allows for a fuller understanding of what happens when a consumer boycott occurs. Such information would be valuable to both the targeted firms and the competitors. Thus, the present study aims to address the following questions: (1) Are consumer boycotts likely to increase the shareholder wealth of a targeted firm's competitor? (2) What are the similarity and governance-related boundary conditions under which a competitor will experience a smaller increase in shareholder wealth? (3) What are the marketing and social responsibility-related boundary conditions under which a competitor will experience a greater increase in shareholder wealth?

The author argues that the announcement of a consumer boycott is likely to increase an investor's expectations that a competitor will experience an increase in shareholder wealth. This is due to an increase in other firm-related outcomes such as an increase in sales or market share as a result of customers switching from the targeted firm to its competitors. Drawing from the accessibility-diagnosticity framework, the author argues that similarities between a targeted firm and its competitors regarding size and product market overlap are likely to facilitate negative spillover, thereby reducing the competition effect. Additionally, drawing from social network theory, the author argues that certain corporate governance-related ties between the targeted firm

and its competitors are likely to reduce the competition effect. On the other hand, based on signaling theory and resource-based view (RBV) literature, the author argues that certain marketing and corporate responsibility-related resources will strengthen the competition effect.

Figure 2.1 outlines the conceptual framework of the author's research. The author tests this framework using a data set that consists of 241 firms that are the competitors of targeted firms. The findings reveal that a consumer boycott resulted in positive abnormal returns for the competitors of targeted firms. In other words, the competitors experience a competition effect. Additionally, firms with a greater amount of institutional ownership overlap experience a smaller positive abnormal return. Lastly, firms with a greater amount of marketing capabilities experience a greater positive abnormal return.

Figure 2.1 Conceptual Framework of the Link Between Consumer Boycott and Shareholder Wealth for Competitors



Based on these findings, the author makes several contributions to existing literature. First, the author extends consumers boycott and social activism literature by demonstrating the effect of a consumer boycott on the shareholder wealth (i.e., stock price) of the competitors of the targeted firm. Second, the author extends corporate governance literature by demonstrating how it can further diminish firm performance. Specifically, a greater amount of institutional ownership overlap between a targeted firm and its competitors reduces the competition effect. Lastly, these

findings add to marketing research by showing that marketing capability acts as a signaling benefit for competing firms when a consumer boycott occurs.

Theoretical Framework

First developed when examining labor markets, signaling theory (Spence, 1974) aims to deal with situations when there is asymmetric information. In a perfect world, the company and its stakeholders (e.g., investors, employees, customers, etc.) would have the same information, and this problem of asymmetry wouldn't arise. With regards to consumer boycotts, there is some asymmetric information that exists between the stakeholders and the firm. For instance, when a firm becomes the target of a consumer boycott, the competitors of the targeted firm have more information about whether customers will switch from the targeted firm to them. In order to deal with this asymmetric information, firms can provide signals of their own. With regards to the present study, these signals include those related to the similarities between the targeted firm and the competitor, corporate governance, marketing, and corporate social responsibility.

Literature Review and Hypotheses

Consumer Boycotts

Consumer boycotts have primarily been the focus of marketing and management scholars. Consumer boycott research can be broken down into three areas including (1) the causes of boycotts, (2) the motivations for engaging in a boycott, and (3) the outcomes of a boycott. First, according to Friedman (1999) early boycotts were due to issues with price (Tyran & Engelmann, 2005). More recent causes for boycotts include environmental issues (Innes, 2006), human rights, and corporate strategies (Makarem & Jae, 2016).

Second, researchers have also investigated the motivations for participating in a boycott (John & Klein, 2003; Sen et al., 2001; Balbanis, 2013; Makarem & Jae, 2016). Specifically,

researchers have looked at motivations to participate in a boycott from a cost-benefit perspective (James, 2010; Klein et al., 2004). Others have investigated motivations from a socio-psychological perspective (Farah & Newman, 2010; James, 2010; Lindenmeier et al., 2012; Hoffman & Muller, 2009).

Lastly, researchers have examined the outcomes of consumer boycotts. Prior literature has demonstrated the negative impact that consumer boycotts have on attitudes and purchase intentions (Ettenson & Klein, 2005; Klein et al., 2002), a company's image (Klein et al., 2004), reputation (Garrett, 1987; Putnam & Muck, 1991), and a politician's willingness to be associated with a firm (McDonnell & Werner, 2016). These negative outcomes can then lead to a negative influence on a firm's financial performance (Makarem & Jae, 2016). Additionally, prior research has found that a consumer boycott can influence changes in company policies (Davidson et al., 1995), strategic responses (Yuksel & Myrteza, 2008), concession to the demands of the boycott (King, 2008), and a firm's social responsibility initiatives (McDonnell & King, 2013). However, previous research examining the relationship between a consumer boycott and financial performance has resulted in mixed findings (Koku, 2012; Koku et al., 1997).

Competition Effect: Consumer Boycotts and Firm Performance

When a negative event occurs, investors may perceive the event as a systematic risk for the entire industry (Zou & Li, 2016). If this is the case, a contagion effect is likely to occur (Feldman & Lynch, 1988; Lang & Stulz, 1992). In other words, a crisis is likely to increase investor's expectations that the same thing is happening at "bystander" firms within the same industry (Paruchuri & Misangyi, 2015). As a result, firms within the same industry as the focal firm experience a decrease in shareholder value (Seo et al., 2014). On the other hand, when a crisis occurs, investors might perceive the crisis as idiosyncratic or a risk that is unique to the focal firm

(Zou & Li, 2016). This idiosyncratic nature may result in a competition effect and lead investors to expect an increase in the demand for the products of other firms within the same industry as the focal firm (Kashmiri et al., 2017).

Prior research that has investigated the competition effect has primarily looked at it from the perspective of product recalls (Dowdell et al., 1992; Govindaraj et al., 2004; van Heerde et al., 2007). For example, a product recall has been found to result in an increase in competitor's sales (van Heerde et al., 2007). Specifically, the recall of Firestone tires by Bridgestone Corporate had a positive impact on the market value of competitors within the tire and automobile industry because the competitors were substitutes (Govindaraj et al., 2004). A competition effect has also occurred in the pharmaceutical industry. Specifically, a recall had a positive impact on the stock price of competitors (Dowdell et al., 1992). In addition to the impact on firm performance, customers often switch from the firm involved in the crisis to a competitor and in some cases the switch becomes permanent (Roehm & Tybout, 2006). So, when a consumer boycott occurs, it may signal to investors that a shift on the part of consumers may occur. Specifically, some consumers may take part in the boycott and switch from purchasing goods or services from the targeted firm to a competitor.

Thus, when a consumer boycott occurs, the author expects that investors will view it as an idiosyncratic risk and that the boycott will benefit the targeted firm's competitors. Therefore, a consumer boycott will result in positive impact on a competitor's performance. Hence, the author hypothesizes,

> ***H1:*** *The announcement of a consumer boycott is likely to increase the shareholder value of the competitors of the targeted firm.*

Similarity with Targeted Firm

The accessibility-diagnosticity framework (Feldman & Lynch's 1988), as it relates to two brands, suggests that if a consumer perceives Firm A is informative (diagnostic) of Firm B, the consumer will use their perceptions about observations of Firm A to make inferences about Firm B, if the perceptions of both firms are retrieved from the consumer's memory (accessible) (Roehm & Tybout, 2006; Janakiraman et al., 2009). Prior research has extended this framework to look at what happens when a negative event occurs and looking at how these negative events spillover to competing firms (Roehm & Tybout, 2006; Trump & Newman, 2017; Janakiraman et al., 2009). Such research has found that when a negative event occurs the negative perceptions (Janakiraman et al., 2009; Trump & Newman, 2017) and attitudes (Roehm & Tybout, 2006) that consumers have towards the brand at the center of the controversy will spillover to competing brands and the product category as whole. Furthermore, a spillover between brands has also been found to have a negative impact on the sales, stock market performance (Borah & Tellis, 2016), and consumers' liking and purchase intentions (Trump & Newman, 2017) for the competing brands. Lastly, a spillover is especially prevalent and more likely to occur when the competing brands are more similar to brand in trouble (Roehm & Tybout, 2006; Trump & Newman, 2017; Janakiraman et al., 2009).

As it relates to the spillover between two firms, prior research has indicated that accessibility can be facilitated by similarities with regards to firm size and product market overlap which helps to facilitate a transfer of reputation between firms (Kashmiri et al., 2017). First, similar sized firms that operate within the same industry are perceived by investors to have similar resource allocation patterns and strategies (Cool & Schendel, 1987; Grewel et al., 2013). Second,

firms are considered more similar to each other when firms have a greater product market overlap (Porac et al., 1989; Reger & Huff, 1993).

Therefore, in line with the accessibility-diagnosticity framework, the author expects the impact of the competition effect to be weakened when the competitor experiences some negative spillover as a result of its similarity to the targeted firm with regards to size and product market overlap. Hence, the author hypothesizes,

> ***H2:*** *The greater a competitor's degree of similarity with a targeted firm with regards to (a) firm size and (b) product market overlap, the smaller the increase in the competitor's shareholder value surrounding the announcement of a consumer boycott.*

Corporate Governance-Related Ties with Targeted Firm

According to social network theory, the social links between individuals who have governing responsibilities results in the spread of a firm's strategic behavior and financial outcomes (Haunschild, 1993; Bizjack et al., 2009). Thus, it's expected that an investor will take into account corporate governance-related ties between a targeted firm and a competitor with regards to valuation. With regards to the present study, the author considers the impact of two specific corporate governance-related links (i.e., director interlocks and institutional ownership overlap). Director interlocks is said to occur two different ways: directly or indirectly. However, the present study focuses on indirect director interlock due to legality issues. Indirect interlock occurs when two firms are linked indirectly by each firm having a director that serves on the board of a third firm (Mizruchi, 1996). A director interlock is expected to weaken the competition effect between a targeted firm and a competitor for two reason: similar strategic emphasis and director effectiveness.

First, social network research has indicated that both types of director interlock result in

interlocked firms adopting the orientations and values of one another (Galaskiewicz & Burt, 1991). Additionally, director interlock allows for the flow of information, resources, and ideas (Podolny, 2001). In other words, social network theory suggests that firms connected by director interlock share similar evaluations of strategic issues and are more likely to be similar when it comes to strategic priorities and the allocation of resources (DiMaggio & Powell, 1982; Westphal et al., 2001). Second, because some of the blame for the boycott partially falls upon a firm's top executives, the effectiveness of a competitor's director regarding their monitoring and governing role is questioned (Farrell & O'Donnell, 2002; Kang, 2008). Thus, following a boycott, an investor will use shortcuts or heuristics (Daniel et al., 2002; Johnson & Tellis, 2005) to project a director's lack of monitoring and governing abilities onto a competitor to whom the director has ties with (Doosje et al., 1995; Quattrone & Jones, 1980). Therefore, the author expects that when a consumer boycott occurs, investors are more likely to expect that a competitor with director interlock is more likely to experience its own consumer boycott than if the competitor had no director ties.

Aside from director interlock, the author also expects institutional ownership ties to play a role in the competition effect of a consumer boycott because of the institutional investor's role as a monitor. First, institutional investors have a higher level of ownership and greater access to the top executives than individual investors (Carleton et al., 1998). Corporate governance literature has demonstrated the importance (Eisenhardt, 1989) and incentives (Schnatterly et al., 2008) for why institutional investors should monitor firms. Additionally, managers in an owner-controlled firm have less discretion and interact more with equity owners, which should result in a greater alliance in interests between management and owners (Fama & Jensen, 1983). Thus, when a negative event occurs, a firm's management should carry some of blame, thereby reducing the reputation of the institutional investors monitoring skills (Massa & Zaldokas, 2012). Furthermore,

if there is an overlap of institution investors between multiple firms, then news of a negative event could signal to the market that institutional investors are ineffective at monitoring the other firms that they have a large equity stake in (Massa & Zaldokas, 2012).

Therefore, the author expects that firms with director ties and a greater amount of institutional ownership overlap to be more susceptible to a future consumer boycotts due to shared values and a lack of monitoring. Thus, in line with social network theory, the author expects the impact of the competition effect to be weakened, when the competitor is similar to the targeted firm with regards to director interlock and institutional investors. Hence, the author hypothesizes,

> ***H3:*** *The greater a competitor's degree of similarity with a targeted firm with regards to (a) directors, and (b) institutional ownership overlap, the smaller the increase in the competitor's shareholder value surrounding the announcement of a consumer boycott.*

Advertising

Aside from persuasion, advertising is used as a tool to increase the public awareness of firms and brands (Servaes & Tamayo, 2013). Additionally, firms with a higher amount of advertising will generate greater market awareness and customer recall (Dahlen, 2001). So, when it comes to a negative event or scandal such as a consumer boycott, the consumers who take part in the boycott will have to figure a new firm to purchase their products and services from going forward. So, in order to figure out who this new firm will be, the consumer uses their recall which as mentioned earlier is aided by advertising. For example, if Starbucks becomes the target of a consumer boycott and the consumer decides to take part in it, they have to figure out where they will get their coffee from, either Dunkin or a local coffee shop. As a result of Dunkin's larger amount of advertising, the customer is more aware of them and decides to make Dunkin their new go to place for coffee.

Thus, a competitor with a greater amount of advertising is likely to signal to investors that competitor will benefit from a change in customer preference. Therefore, in accordance with signaling theory, the author expects the competition effect to be greater when a firm has a greater amount of advertising. Hence, the author hypothesizes,

H4: *The greater the competitor's advertising, the greater the increase in the competitor's shareholder value surrounding the announcement of a consumer boycott.*

Marketing Influence and Marketing Capabilities

Firms that are perceived by investors to have superior crisis management abilities are likely to enjoy a greater competition effect following a consumer boycott. Unfortunately, assessing a firm's crisis management skills is not easy for investors to do (Xiong & Bharadwaj, 2013). Therefore, in accordance with signaling theory and RBV literature, the author investigates the role of two firm-specific marketing related factors that will help to reduce the asymmetry of information that comes with a consumer boycott.

Marketing Influence in the Top Management Team

First, the author expects that a competitor's marketing influence in the TMT to play an important role in an investor's assessment of the firm's crisis management skills. Firms with a greater marketing influence pay more attention to customer opinions and act as the voice for the customer (Brown et al., 2005; Kerin, 2005). Additionally, when a firm has a greater amount of marketing influence, the firm understands the importance of needing to protect both brand and customer equity (McGovern & Quelch, 2004), while considering consumer insights when developing strategic options (Kerin, 2005). Thus, a competitor with a strong marketing influence in its TMT is likely to signal to investors that a competitor will be more customer focused and will avoid decisions that result in a consumer boycott. Furthermore, if a competitor with a strong

marketing influence becomes the target of a future consumer boycott, the firm possesses the crisis management skills and experience to deal with the boycott in an appropriate manner. As a result, the competition effect will be strengthened for a competitor with a greater marketing influence.

Marketing Capability

According to RBV literature, a firm's marketing capability can be defined as a firm-specific resource because it provides a firm with a competitive advantage due to its rarity, inimitability, and sustainability (Barney, 1991; Wernerfelt, 1984; Song et al. 2007; Murray et al., 2011; Capron & Hulland 1999; Kozlenkova et al. 2014). Prior research defines marketing capability as the process by which firms use both their tangible and intangible resources to gather an understanding of the specific and complex needs of the consumer (Day, 1994; Blesa & Ripolles, 2008). In other words, marketing capability represents a firm's marketing knowledge about customer needs, along with a firm's experience of forecasting and responding to those needs (Day, 1994).

Strong marketing capabilities has been found to have an impact on crisis management capabilities. For instance, stronger marketing capabilities allows firms to better identify customer needs, reduce the amount of negative word-of-mouth, and lower the cost of crisis response (Xiong & Bharadwah, 2013). Additionally, stronger marketing capabilities also has a positive impact on customer satisfaction and loyalty (Angulo-Ruiz et al., 2014; Hooley et al., 2005; Rapp et al., 2010; Trainor et al. 2014; Hoch & Deighton, 1989). This in turn should lead to increased future business performance (Morgan & Rego, 2006).

Thus, a firm with a strong marketing influence and marketing capabilities is likely to signal to investors that because of its focus on the customer, the firm will avoid decisions that can result in it being the target of a boycott in the future. Additionally, if a competitor becomes the target of

a boycott, the firm will take the necessary steps to deal with it in an effective and cost-efficient manner. Lastly, competitors with a stronger marketing influence and marketing capabilities can better leverage the mistake made by the targeted firm's boycott. For instance, the competitor could create and run advertisements that further tarnish the targeted firm while also reassuring its customers that it will not make the same mistake as the targeted firm. Therefore, in line with signaling theory and RBV literature, the author expects the competition effect to be greater for a competitor with a greater marketing influence and marketing capabilities. Hence, the author hypothesizes,

> ***H5:*** *The greater the competitor's (a) marketing influence in the TMT and (b) marketing capability, the greater the increase in the competitor's shareholder value surrounding the announcement of a consumer boycott.*

Corporate Social Performance

Drawing from signaling theory, and RBV and corporate social responsibility (CSR) literature, the author also expects that a firm's corporate social performance (CSP) will help increase the competition effect that a competitor experiences following a consumer boycott. CSR is defined as the "social responsibility of a business that encompasses the economic, legal, ethical, and discretionary expectations that society has for organizations" (Carroll, 1979). Prior research has used RBV to argue that a "firm's commitment to CSR allows it to develop a valuable, rare, inimitable, and non-substitutable resource in the form of superior corporate reputation" (Kashmiri et al., 2017). A superior reputation offers several benefits to a firm such as long-term customer loyalty (Maignan & Ferrell, 2004; Peloza & Shang, 2011; Lacey et al., 2015), and superior financial performance (Branco & Rodrigues, 2006; McWilliams & Siegel, 2011).

Additionally, the development of a superior social performance can help a firm develop a "positive moral capital" that offers an insurance-like protection when a negative event occurs (Godfrey, 2005). These benefits that are associated with a superior social performance provides a firm with the motivation to avoid risky or negative activities that would damage it. In addition to avoiding negative events, a superior CSP will also incentivize a firm to handle a negative event or crisis in a swift and appropriate manner.

Thus, a competitor's superior CSP is likely to signal to investors that the firm will avoid decisions that can result in a consumer boycott in order to protect its superior social performance and the benefits that come with it. Additionally, if a competitor becomes the target of a boycott in the future, the firm will be shielded from the negative consequences of the boycott and that the firm will deal with the boycott in way that minimizes the damage to its social performance. Therefore, in line with signaling theory and RBV literature, the author expects the competition effect to be greater for a competitor with a superior CSP. Hence, the author hypothesizes,

> ***H6:*** *The greater the competitor's corporate social performance, the greater the increase in the competitor's shareholder value surrounding the announcement of a consumer boycott.*

Methodology

Sample

To develop the sample, the author used LexisNexis and Ethical Consumer to identify firms that are both listed on one of the two main stock exchanges in the United States (e.g., New York Stock Exchange and NASDAQ) and have been the target of a consumer boycott for a political reason. Some examples of a consumer boycott due to a political reasons include boycotting companies because their support of Planned Parenthood or their support for a political candidate.

Then using proxy statements, the author was able to put together a sample that consisted of competitors of the boycotted firms. Additionally, in accordance with an event study methodology, the author confirmed that firms within the sample have no major announcements within the 10-day window surrounding the announcement of a consumer boycott (Srinivasan & Bharadwaj, 2004). Such announcements included dividend payout, a change in CEO, or corporate restructuring (Srinivasan & Bharadwaj, 2004; Kashmiri et al., 2017). The final sample consisted of 241 publicly traded U.S. firms in the year 2017.

Event Study Methodology

The author used an event study methodology (Geyskens et al., 2002; Boyd et al., 2010; Kashmiri et al., 2017) to calculate the abnormal returns (ARs) for each of the firms in the sample surrounding the date a consumer boycott announcement. Event studies are used to investigate "stock price movements around corporate events" (Sorescu et al., 2017). Specifically, the objective of an event study is to examine the extent to which an investor earns abnormal stock returns due to an event that results in new information. In the present study, the Market Model was used to calculate the ARs:

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t}$$

$$AR_{i,t} = \varepsilon_{i,t} = R_{i,t} - E(R_{i,t})$$

In Eq. 1, $R_{i,t}$ represents the rate of return (RoR) on the stock price of firm i on day t; $R_{m,t}$ is the average RoR for a benchmark portfolio of market assets for an estimation period that proceeds the event; α_i is the intercept; and $\varepsilon_{i,t}$ is the residual of the estimation. As for Eq. 2, $AR_{i,t}$ represents the abnormal returns of firm i on day t. In other words, AR is the difference between the observed RoR (i.e., $R_{i,t}$) and the expected rate of return (e.g., $E(R_{i,t})$). In addition to the ARs, the author will also adjust for information leakage or a delay in market response to new information

by calculating the cumulative abnormal returns (CARs) for each firm i:

$$CAR_i[-t_1, t_2] = \sum_{t=-t1}^{t2} \varepsilon_{i,t}$$

With regards to CAR, t = 0 is the date of when a boycott is announced. Additionally, since the author conducted an event study across different firms, the author also averaged the CARs and calculate the cumulative average abnormal returns (CAAR) for the entire sample to see if the CAAR is significantly different from zero by using Patell's (1976) Z and the Generalized Sign tests (Cowan, 1992).

Regression Model and Control Variables

The author regressed the ARs (%) for each firm in the sample on the proposed explanatory variables. The author controlled for a firm's prior performance in order to make sure that any other positive news that can impact a firm's stock price is accounted for. Globalization and diversification were also controlled for. Firms with higher globalization experience a greater amount of sales outside of the U.S. and these customers may not care about a boycott or the impact of it on competing firm thus the firm experiences more positive abnormal returns. As for diversification, a greater amount diversification is associated with less risk, and therefore the announcement of a consumer boycott will result in more positive abnormal returns. Lastly, the authors controlled for a competing firm's prior corporate political activity because a firm with higher political activity might be more susceptible to a future consumer boycott, thus the firm will be experience less positive abnormal returns.

Data Measures and Sources

Similarity Measures: The author operationalized the similarity measures by employing the approach used by Kashmiri et al. (2017). Specifically, firm size was measured as the natural log

of the firm's employees for each firm-year. As for a competitor's product market overlap with a targeted firm, the author dummy coded the variable (1 = a competitor with the same four-digit SIC code).

Corporate Governance Measures: As for the corporate governance variables, the author followed Kashmiri et al. (2017) approach. Specifically, the author operationalized director interlock using both Risk Metrics and proxy filings. The variable was dummy coded (1 = if the firm had an indirect director interlock with the targeted firm). As for institutional ownership overlap, it was measured using Thomson Reuter's Institutional Holdings as the proportion of the competitor's shares held by institutions that also held shares of the targeted firms.

Marketing Measures: Both marketing influence and marketing capabilities were consistent with how they were measured in essay one. Specifically, the author operationalized marketing influence in the TMT by employing the approach used by Feng et al. (2015). Specifically, the five indicators for each firm year include: (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives; (2) a dummy variable indicating whether a marketing executive was mentioned among the top five most highly compensated TMT members in the firm's proxy statement; (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1; (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT; and (5) the number of responsibilities reflected in marketing TMT executives' job titles. Once these five indicators for each firm year are collected, they were combined using principal component factor analysis. The author then rescaled the saved Bartlett factor score between 0 and 100. This rescaled factor score was then used as our measure of a firm's marketing influence in the TMT in each firm-year.

As for marketing capability, the author measured it following the technique presented by Dutta et al. (1999). Specifically, marketing capability measured by modeling a firm's activities as an efficient frontier that relates its marketing investments (i.e., advertising, SG&A, and investments in customer relationships) to an optimal attainment of the firm's objectives (i.e., sales). Lastly, advertising was operationalized by converting a firm's advertising expenditures as a percentage of a firm's total assets (Kashmiri et al., 2017).

Corporate Activity Measures: Following prior research (e.g., Muller & Kraussl, 2011), the author used KLD Analytics Ratings via the KLD database to measure corporate social performance. KLD tracks a firm's social performance across seven categories and provides an annual count of each firm's strengths and concerns. Regarding the present study, the author calculated the sum for both the strengths and concerns for the year most prior the announcement of consumer boycott and calculated the net CSP (i.e., strengths minus concerns).

Control Variable Measures: Using Compustat, the author measured prior performance as the ratio of net income to total assets for each firm-year. As for globalization, it was measured as the ratio of a firm's sales outside the U.S. and diversification was measured using an entropy measure based on two and four-digit-level segment sales (Palepu, 1985). Lastly, in accordance with prior research (e.g., Coates, 2012) the author operationalized a firm's political activity by including both a firm's lobbying expenditures and contributions. These amounts were gathered from "Open Secrets" website, which summarizes data from Federal Election Commission (FEC) and the U.S. Senate.

Results

Effect of a Consumer Boycott on Competitors

As shown in Table 2.1a, the author found support for H1, with the results indicating that a

consumer boycott led to a gain in shareholder value for the competitors of the boycotted firms. The average abnormal stock return for the sample on the day of the event was positive ($AAR_{MarketModel}$ = .64). This average abnormal return was significant according to both the Patell Z-test and the Generalized Z-test (p < .001). In addition to the day of the event, the following day was also positive and significant. The results were also robust when looking at the results associated with the Market Adjusted Model (Table 2.1b).

Table 2.1a Abnormal Returns for Competitors (Market Model)

Average daily abnormal return (AAR) Market model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	-0.18	-1.568$	-0.915	47
-4	0.21	2.650**	5.398***	68
-3	-0.37	-3.054**	-2.332**	43
-2	0.05	1.075	-0.399	49
-1	-0.52	-3.764***	-0.915	47
0	0.64	6.550***	8.619***	78
1	0.05	0.974	2.306*	58
2	-0.17	-3.145***	-4.264***	37
3	-0.20	-1.900*	-3.620***	39
4	0.19	2.710**	3.723***	62
5	-0.20	-1.465$	-1.945*	44

$p < .10, *p < .05, **p < .01, ***p < .001

Table 2.1b Abnormal Returns for Competitors (Market Adjusted Model)

Average daily abnormal return (AAR) Market adjusted model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	-0.08	-0.049	1.399$	53
-4	0.17	2.483**	4.622***	63
-3	-0.29	-1.381$	-1.824*	42
-2	0.05	1.083	-0.148	48
-1	-0.68	-6.108***	-3.500***	37
0	0.87	9.877***	11.325***	85
1	-0.02	0.308	1.399$	53
2	-0.08	-1.498$	-1.179	44
3	-0.28	-3.042**	-3.371***	37
4	0.08	1.461$	2.043*	55
5	-0.29	-2.872**	-3.758***	36

$p < .10, *p < .05, **p < .01, ***p < .001

As for the CAAR, Table 2.2a shows that a number of windows are both positive and significant. Specifically, the most positive occurring during the [0, +1] window ($CAAR_{MarketModel}$ = .69, p < .001). The results were robust when looking at the Market Adjusted Model (Table 2.2b). Lastly, adding further support to H1, the Appendices shows the results from additional event study that was based on a different estimation window.

Table 2.2a Cumulative Returns for Competitors (Market Model)

Cumulative average abnormal return (CAAR)				
Market model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	0.64	6.551***	8.619***	78
[-2, 2]	0.05	0.757	0.116	51
[-1, 1]	0.17	2.172*	4.239***	64
[-1, 0]	0.12	1.971*	3.851***	63
[0, 1]	0.69	5.321***	6.558***	71
[0, 2]	0.52	2.529**	3.079**	60

$p < .10, *p < .05, **p < .01, ***p < .001

Table 2.2b Cumulative Returns for Competitors (Market Adjusted Model)

Cumulative average abnormal return (CAAR)				
Market adjusted model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	0.87	9.877***	11.325***	85
[-2, 2]	0.14	1.638$	2.817**	57
[-1, 1]	0.17	2.354**	5.524***	66
[-1, 0]	0.20	2.665**	5.653***	66
[0, 1]	0.85	7.202***	10.294***	81
[0, 2]	0.77	5.016***	6.813***	70

$p < .10, *p < .05, **p < .01, ***p < .001

Moderating Role of Similarity Factors, Corporate Governance, Marketing and CSR Factors

Table 2.3 presents the descriptive statistics and correlations for all the variables used in the author's regression model.

Table 2.3 Descriptive Statistics and Correlation Coefficients for Competitors

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Abnormal return on day 0 (%)	0.64	1.73	1													
2. Firm Size	1.83	0.50	0.02	1												
3. Product Overlap	0.10	0.31	0.05	-0.05	1											
4. Director Interlock	0.22	0.41	-0.09	0.14**	0.02	1										
5. Institutional Ownership Overlap	0.50	0.23	0.24***	0.13**	-0.09	0.07	1									
6. Advertising Intensity	4.71	4.93	0.04	0.23***	-0.10	0.10	-0.09	1								
7. Marketing Influence	27.87	25.91	-0.03	0.10	-0.07	0.02	-0.02	0.21***	1							
8. Marketing Capability	36.77	18.41	-0.02	0.65***	-0.03	0.08	0.15**	0.31***	0.02	1						
9. Corporate Social Performance	5.33	4.23	-0.02	0.06	-0.11*	0.03	0.26***	0.03	0.15**	-0.05	1					
10. Prior Performance	0.09	0.07	0.04	-0.11*	0.09	-0.05	0.02	0.25***	0.05	0.17***	0.08	1				
11. Globalization	0.42	0.26	0.01	-0.13**	-0.07	0.13**	0.10	0.15**	0	0.28***	0.25***	0.28***	1			
12. Diversification	0.62	0.60	-0.09	0.10	0.13**	0.25***	0.10	0.15**	0.11	-0.13*	0.34***	0.01	0.36***	1		
13. Lobbying	3.48	0.63	0.19***	0.43***	-0.06	0.24***	0.21***	0.28***	0.06	0.31***	0.11	-0.09	0.19***	0.29***	1	
14. Contributions	2.54	0.86	0.18***	0.46***	-0.09	0.24***	0.22***	-0.16**	0	0.34***	0.27***	-0.07	0.07	0.28***	0.63***	1

As for the results of the OLS regression analysis, with abnormal return on day 0 serving as the dependent variable, Table 2.4 summarizes the results of the author's cross-sectional regression analysis. Due to missing data the sample size was reduced from 241 to 95. Specifically, the results indicate that the coefficient for firm size and product market overlap were negative and positive, respectively (β = -.47 and 0.59) but not significant, thus no support for H2a and H2b. As for the corporate governance-related measures, the results show that director interlock was positive (β = .07) and non-significant, thus no support for H3a. On the other hand, institutional ownership overlap is negative and significant (β = -2.12, $p < .05$), thus there is support for H3b. The results also show that advertising intensity and marketing influence in the TMT were positive and negative, respectively (β = .03 and -.01) but non-significant, thus no support for H4 or H5a. But, marketing capability was both positive and significant (β = .04, $p < .10$), thus there is support for H5b. Lastly, the coefficient for corporate social performance was positive (β = .12) but non-significant, thus no support for H6.

The lack of support for those hypotheses related to firm size, product market overlap, director interlock, advertising intensity, marketing influence, and corporate social performance may be result of several things. First and foremost, the lack of support might be the result of the sample size being reduced from 241 to 95 due to missing data, which may result in low statistical power during an analysis. Specifically, the lack of support for the hypothesis related to corporate social performance might be related to the author having to use KLD data that is not up to date. For example, the author was using KLD data from 2013 to explain differences in abnormal returns that occurred in 2017.

Table 2.4 OLS Regression with ARs (%) on day 0 for Competitors

Variables	Model with estimation window [-250, -30]	
	Coefficients (SE)	P-Value (CI)
	Model 1	
H2a: Firm Size	-0.47 (.69)	0.499 [-1.85, .92]
H2b: Product Market Overlap	0.59 (.37)	0.11 [-.14, 1.33]
H3a: Director Interlock	0.07 (.59)	0.90 [-1.11, 1.26]
H3b: Institutional Ownership Overlap	-2.12 (.84)**	0.02 [-3.81, -.43]
H4: Advertising Intensity	0.03 (.04)	0.45 [-.05, .11]
H5a: Marketing Influence	-0.01 (.01)	0.31 [-.03, .01]
H5b: Marketing Capability	0.04 (.02)**	0.03 [.003, .07]
H6: Corporate Social Performance	0.12 (.11)	0.29 [-.10, .34]
Prior Performance	-0.42 (3.56)	0.91 [-7.57, 6.74]
Globalization	0.70 (1.11)	0.53 [-1.53, 2.92]
Diversification	-0.01 (.36)	0.97 [-.74, .71]
Lobbying	-0.59 (.34)*	0.09 [-1.28, .10]
Contributions	-0.59 (.31)	0.13 [-1.12, .14]
Intercept	3.79 (2.00)*	0.06 [-.23, 7.81]
R2	17.2%	
N (number of firms)	95	
Overall F-Test	F(13, 48) = 4.94***	

*p < .10, **p < .05, ***p < .01

Robustness Checks and Additional Analyses

As shown in the Appendices, the author performed a series of robustness checks and additional analyses that deal with (1) an alternate estimation window, (2) alternate measures for marketing influence in the TMT, (3) alternative measures for CSP, (4) dummy coded variables that are related to the political-based reason behind the call for a consumer boycott, and (5) missing data.

First, with regards to estimation windows, the results found in Table 2.1a and 2.1b are based on the estimation window that begins 250 days prior to the event and ends 30 days prior to

the event. Thus, in order to add further support for H1, the author runs an event study using an estimation window that begins 299 days prior to the event and ends 11 days prior to the event. Additionally, the author also used these abnormal returns from the additional event study as the dependent variable in an additional analysis (Table 2.7). Second, the results from using alternate marketing influence and CSP measures. Specifically, the alternate measures for marketing influence included Chief Marketing Officer presence (Table 2.8) and the five individual factors that were previously discussed (Table 2.9).

Third, the author also ran an analysis that included dummy coded variables to represent the political issues that resulted in a consumer boycott (Table 2.10). Such issues, included those related to anti-conservative, domestic policy, LGBT rights, foreign policy, gun rights, abortion, anti-war, and pro-democrat. Lastly, the author used two approaches to deal with any missing data including multiple imputation and replacing any missing values with zeros (Table 2.11). With regards to the analysis that used multiple imputation, the results differ in that there is no support for H3b but there is support for H4. As for replacing missing values with zero, the results remained consistent.

Discussion and Implications

Even though the results above were mostly non-significant, they did provide some interesting points that are worth discussing. First, the significant positive relationship between a consumer boycott and the shareholder wealth for the competitors of the targeted firms, suggests that investors react positively to the news of a consumer boycott for competing firms. In other words, the competitors experience a competition effect when a consumer boycott occurs.Such results extend consumer boycott and social activism literature by demonstrating that a consumer boycott not only has an impact on the targeted firms but they can also have an impact on the competitors of the targeted firm.

Second, the negative moderating effect of institutional ownership overlap suggests that the positive relationship between a consumer boycott and competitor's shareholder wealth is weakened for those competitors with a greater amount of institutional ownership overlap with the targeted firm. Such a finding adds to existing research on the role that corporate governance plays when it comes to a decrease in firm performance. Specifically, the author provides further evidence that negative events, such as a consumer boycott, can reduce the reputation of institutional investors as it relates to their monitoring capabilities. Additionally, the results from the present study also show that due to a transfer of reputation, not only is an institutional investor's investment in the controversial firm damaged but also any other firms those investors hold shares in.

Third, the significant positive moderating effect of marketing capabilities suggests that the positive relationship between a consumer boycott and competitor's shareholder wealth is strengthened for firms with a greater amount of marketing capabilities. Such a result extends existing literature on the role that marketing plays as it relates to improving firm performance. Specifically, the results demonstrate that in the event of a consumer boycott, those competitors with superior marketing capabilities have a better ability to capitalize on the targeted firm's mistake. For instance, these competitors will be able to assure their customers that they will avoid being the target of a consumer boycott while also developing advertisements to further bring down the targeted firm.

In addition to extending several areas of research, the findings also provide implications for practitioners. First, the findings provide institutional investors with an action that they can take in order to make sure that their large equity stake in a firm is safe. Specifically, due to their access to a firm and its top executives, these investors have the job of monitoring a firm's actions.

Through the monitoring of a firm's actions, institutional investors can help to ensure that the firms they are heavily invested in are not engaging in activities that could possibly damage shareholder wealth for investors. Additionally, the results from the present study demonstrate that institutional investor monitoring is also important when it comes to reputation. If the monitoring capabilities of institutional investors are seen as questionable, the transfer of a poor reputation has the ability to negatively impact all the companies these investors have large equity stakes in.

Second, consumer boycotts are becoming a frequent tool for activists to use to accomplish their goals. Therefore, the results from the present study provide a competing firm's senior management, including those marketers within the TMT, with an action that they can take in order to improve the competition effect the firm experiences when a consumer boycott occurs. Specifically, a firm's senior management can invest in having strong marketing capabilities. Due to the customer knowledge that comes with investing in strong marketing capabilities, a firm can be better equipped to avoid negative events such as a consumer boycott. Lastly, investing in strong marketing capabilities can help a firm if it ever finds itself at the center of a negative event like a consumer boycott. Those strong marketing capabilities that senior management made the decision to invest will help the firm handle the negative event in a swift and appropriate manner.

Limitations and Future Research

The present study has several limitations and offers several directions for future research. First, there may be some concern with sample selection bias due to the non-random nature in which firms were included in the sample that is used in the present study. Second, this study's sample only consists of publicly listed firms. Thus, future research could examine the impact of consumer boycott on privately held firms, both the targeted firms and its competitors, from a performance perspective by looking at how a boycott impacts the private firm's sales, customer purchase

intentions, etc. Second, the present study focuses solely on consumer boycotts due to political reasons. So, future research could examine consumer boycotts for non-political reasons such as using non-union actors in commercials. Third, future research might also look at other firm-related outcome for competing brands such as Tobin's q or customer/brand loyalty. Lastly, future research could look at using a different measure for corporate social performance. For instance, future research could use *Fortune's* "Most Admired Companies" as a proxy for CSP.

IV. ESSAY THREE: LIVE LONG AND DON'T PROSPER: THE IMPACT OF A CONSUMER BOYCOTT ON LONG-TERM FIRM VALUE

Introduction

In early 2017, Starbucks came under fire for its pledge to hire 10,000 refugees in response to President Trump's executive order that would deny entry of "refugees from several predominately Muslim countries" (Kell, 2017). Specifically, in a statement released by the CEO of Starbucks, Howard Schulz, the firm discusses how it will work to hire 10,000 refugees over a five-year span (Starbucks, 2017). Below is an excerpt from Schulz's statement regarding this matter:

> *There are more than 65 million citizens of the world recognized as refugees by the United Nations, and we are developing plans to hire 10,000 of them over five years in the 75 countries around the world where Starbucks does business. And we will start this effort here in the U.S. by making the initial focus of our hiring efforts on those individuals who have served with U.S. troops as interpreters and support personnel in the various countries where our military has asked for such support.*

Starbucks is no stranger to controversy and the firm's notion of hiring refugees is just another example. Following the release of the statement, individuals took to Twitter to express their opinions about Starbucks plans. Those in disagreement with Starbucks often included the hashtag, #BoycottStarbucks in their social media posts.

Calls for consumer boycotts have become an increasingly popular form of social activism for consumers to express their displeasure with or disapproval of a firm's activities. A consumer boycott is an "attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace" (Friedman, 1985). In other words, an individual or organization is trying to get consumers to engage in anti-consumption

behavior by forgoing the consumption of certain products or services because of issues dealing with the environment, politics, ethics, or society (Chatzidakis and Lee 2013; Hoffmann 2011; Yuksel 2013; Yuksel and Mryteza 2009). The present study focuses on consumer boycotts for political reasons. In other words, the consumer boycott is a response a firm taking a political stance such as its support of Planned Parenthood or for supporting a political candidate. Aside from the call to boycott Starbucks, other examples include boycotting The Walt Disney Company for pushing an LGBT agenda or Nike for using Colin Kaepernick as its spokesperson for its "Just Do It" campaign.

With regards to consumer boycotts, prior literature has examined them from several aspects including the causes of boycotts (Makaram & Jae, 2016), the motivation behind joining and engaging in a boycott (Balbanis, 2013), and the outcomes of consumer boycotts (Ettenson & Klein, 2005). With regards to consumer boycotts, most of the research has focused on more of a short-term perspective, while very little research has focused on consumer boycotts from a long-term perspective. Such research would provide an indication of whether these consumer boycotts are just small obstacles that firms have to get past and don't have to worry too much about or if they are something that firms need to be concerned about because of the potential long-term damage. Additionally, prior research has failed to take into account the role of marketing and a firm's prior political activities as it relates to consumer boycotts. Due to the lack of research in this area, the author will address the following questions: (1) Are consumer boycotts likely to decrease the long-term firm value of a targeted firm? (2) If so, what are the politics-related boundary conditions under which a targeted firm will experience a greater decrease in long-term firm value? (3) What are the top management-related boundary conditions under which a targeted firm will experience

a smaller decrease in long-term firm value? (4) What marketing-related resources mediate the effect of the top management characteristic on long-term firm value?

The author argues that the announcement of a consumer boycott is likely to result in the targeted firm experiencing a decrease in long-term firm value. Drawing from prior CPA research, the author argues that certain politics-related factors will strengthen the negative long-term effect of a boycott. Additionally, drawing from upper-echelon literature, the author argues that a certain top management characteristic weakens the negative long-term effect of a boycott. Lastly, based on resource-based view (RBV) and upper-echelon literature, the author argues that a certain top management characteristic will result in greater marketing-related resources which are likely to reduce the negative long-term effect of a boycott.

Figure 3.1 outlines the conceptual framework of the author's research and Figure 3.2 outlines how the conceptual model would be empirically tested. The author tests this framework using a data set that consists of 145 firms that are the target of consumer boycott. The findings reveal that a consumer boycott resulted in negative buy-and-hold abnormal returns. Additionally, the findings indicate that a firm's prior political activities and the background of the CEO do not moderate the relationship between a consumer boycott and a firm's buy-and-hold abnormal returns. Lastly, the impact of the CEO's background on this relationship between a boycott and performance is not mediated by either marketing capabilities or marketing influence in the TMT.

Figure 3.1 Conceptual Framework of the Link Between Consumer Boycott and Long-Term Firm Value for Targeted Firms

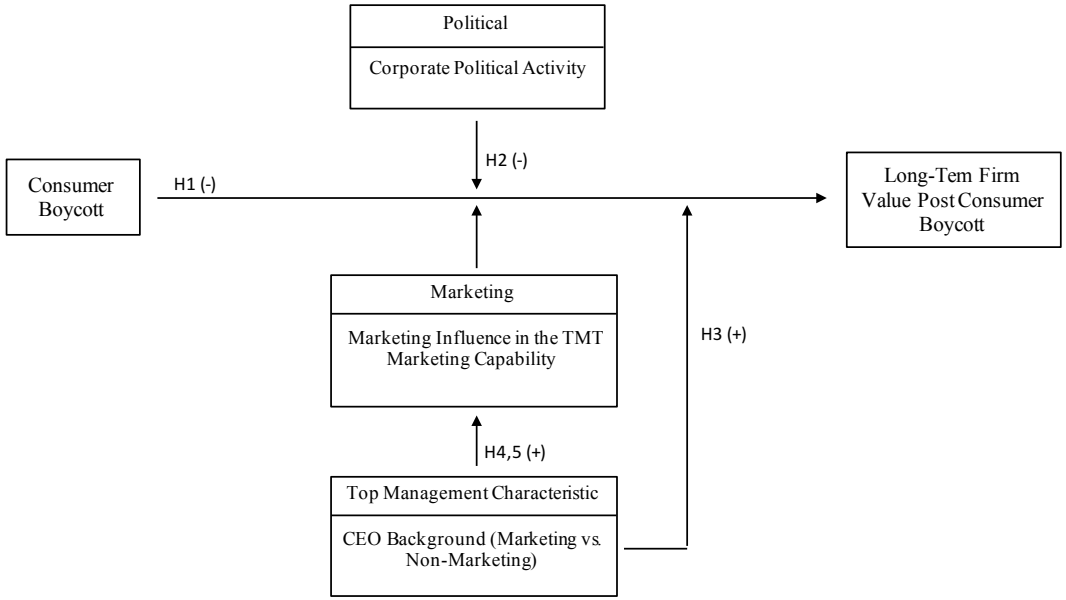
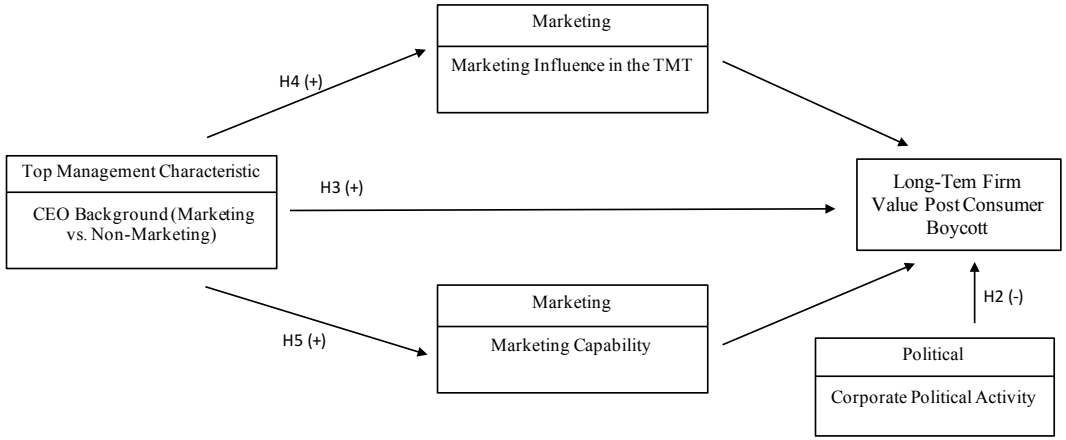


Figure 3.2 Empirical Framework of the Link Between Consumer Boycott and Long-Term Firm Value for Targeted Firms



Based on these findings, the author makes several contributions to existing literature. First, the author contributes to consumer boycott and social activism literature by empirically demonstrating the negative effect that a consumer boycott has on long-term firm value (i.e., buy-and-hold abnormal returns) for the targeted firms. Second, the author extends corporate political activity literature by demonstrating that a firm's prior political activities fail to signal that a firm will experience a decline in reputation within the political community, which in turn further diminishes long-term firm performance. Third, the findings add to marketing literature by showing that a CEO with a marketing background does not help to reduce the long-term negative consequences of a consumer boycott. Lastly, the findings further extend marketing literature by demonstrating that having a CEO with a marketing background does not mean that the firm will have more of a marketing influence in the TMT or place a greater emphasis on marketing capabilities.

Literature Review and Hypotheses

Consumer Boycotts and Firm Performance

Research investigating consumer boycotts has primarily been the focus of marketing and management researchers. The research conducted on consumer boycotts can be divided into three main areas including (1) the causes of boycotts, (2) motivations behind consumer engagement in a boycott, and (3) the outcomes of consumer boycotts.

From an outcome perspective, prior research has demonstrated mixed results with regards to the impact of a consumer boycott on firm performance (Koku, 2012; Koku et al., 1997). However, several studies have demonstrated that consumer boycotts are negatively related to firm performance. For example, it was found that targeted companies experience negative returns (Pruitt & Friedman, 1986), a decline in stock price (Pruitt et al., 1988; Davidson et al., 1995; King, 2011), and a drastic drop in annual sales (Ettenson et al., 2006).

Aside from a negative impact on firm performance, a consumer boycott has also been found to have a negative impact on several other firm-related outcomes. Specifically, prior literature has shown that consumer boycotts have a negative impact on attitudes and purchase intentions (Ettenson & Klein, 2005; Klein et al., 2002), a company's image (Klein et al., 2004), reputation (Garrett, 1987; Putnam & Muck, 1991), and a politician's willingness to associate with a firm (McDonnell & Werner, 2016). Each of these negative outcomes could in turn adversely affect a firm's financial performance.

Therefore, in addition to having a direct negative impact on a firm's financial performance, a consumer boycott can also have a negative influence on other outcomes, which can then negatively impact financial performance. As a result, the author expects that a consumer boycott will result in a negative impact on long-term firm value. Hence, the author hypothesizes,

> ***H1:*** *The announcement of a consumer boycott is likely to decrease the long-term firm value of the targeted firms.*

Corporate Political Activity

Drawing from CPA literature, the author expects a firm's political activity to strengthen the negative effect of a consumer boycott. CPA is defined as a firm's effort to "shape government policy in ways favorable to the firm" (Hillman et al. 2004). Prior research that has investigated the intersection between activism and CPA has shown that an activist's efforts serve as signals for how stakeholders perceive an organization (e.g., a firm) (McDonnell & Werner, 2016) with regards to its reputation (King, 2008; McDonnell & King, 2013). Such signals are useful to politicians (McDonnell & Werner, 2016), investors (King & Soule, 2007), analysts (Vasi & King, 2012), and the targeted organizations themselves (Ingram et al., 2010).

Specifically, from a political perspective, prior research has found that a superior reputation lowers the barriers of entry to the political arena for a firm (Wang & Qian, 2011). Gaining access to the political arena allows for the development of an alliance with legislators and regulators (Schuler et al., 2002). Just as firms are concerned with reputation, so are politicians. A politician's concern is derived from their desire to be reelected. Prior research has demonstrated that elected officials are less likely to associate with an organization that creates greater electoral risk (Smith, 2000). Thus, by going after their target's reputation (King, 2008; McDonnell & King, 2013) activists and social movements cause politicians to become concerned with incremental damage that could impact them because of their association with the organization (Mayhew, 1974; Pontikes et al., 2010). This in turn, hurts the firm's ability to gain and maintain access within the political arena through invitations to congressional meetings and procurement contracts.

Furthermore, prior research has demonstrated that firms compete with other firms and non-corporate interest groups to gain access to the political arena (Hansen, 1991; Bonardi et al., 2005). Firms can gain access through contributions (Wright, 1990; Kalla & Broockman, 2016). These contributions help organizations gain invitations to congressional committee meetings (Hansen, 1991; Dreiling & Darves, 2011; Werner, 2015). The testimony in these congressional hearings "creates a public record of an association" (McDonnell & Werner, 2016). So, if a company were to become involved in a negative event, the association "could negatively affect politicians" (McDonnell & Werner, 2016). The reputational threat of social activism can also impact the number of procurement contracts awarded to a firm (McDonnell & Werner, 2016). Therefore, when a firm becomes the target of social activism, the firm experiences a decrease in congressional appearances and procurement contracts (McDonnell & Werner, 2016) and a lower likelihood to influence policy that will benefit the firm.

Thus, following a consumer boycott, targeted firms with a greater amount of political activity will face a higher reputational threat, and potentially a decrease in the number of invitations to congressional meetings and procurement contracts. Therefore, in line with CPA literature, the author expects a consumer boycott to have more of a negative impact on long-term firm value, when a firm has a higher amount of political activity. Hence, the author hypothesizes,

> ***H2:*** *The greater a targeted firm's political activity, the greater the decrease in the long-term firm value for a targeted firm when a consumer boycott is announced.*

CEO Background

Drawing from upper echelon literature, the author expects that a firm with a marketing chief executive officer (i.e., a CEO with a marketing background) will help to shield the targeted firm from the negative consequences of a consumer boycott. Prior literature has indicated that more firms are taking on a more customer centric mindset (Kumar & Shah, 2009) and focus on the customer with regards to how they can add to to firm growth (*The NYSE Euronext CEO Report 2008*). For example, Robin Hayes, the CEO of JetBlue, stated that "Our customers must feel that we care about them…" (Reiss, 2019). Some firms, such as Southwest Airlines, even include the customer in its mission statement:

> *The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.*

A shift towards a customer centric mindset should be most easily integrated when a firm's CEO has a marketing background because this type of CEO appreciates what marketing can bring to the table. This notion falls in line with upper echelon literature, which has found that a CEO's personality and experience will influence not only their decision making, but also the firm's strategic decisions (Hambrick & Mason, 1984). In other words, certain aspects of the CEO drive

a firm's culture and employees' attention towards things that the CEO believes to be vital for the "survival and growth of the firm" (Yadav et al., 2004). Additionally, aspects of the CEO also dictate priorities and the allocation of resources (Boeker 1989; Palmer et al., 1993). Thus, a CEO with a marketing background reinforces the "importance of relationship building and social interactions" (Auh & Menguc, 2008). These relationships and social interactions help to create a culture in which both customers and employees are seen as assets instead of expenses or liabilities (Berry, 1981; Rafiq & Ahmed, 1993). Which should influence customer satisfaction, loyalty, and retention (Auh & Menguc, 2008), and thereby firm performance (Anderson et al., 2004; Fornell et al., 2006).

Thus, a targeted firm with a marketing CEO will want to deal with a boycott in a manner that protects customer satisfaction, loyalty, and retention. Therefore, in line with upper-echelon literature, the author expects a consumer boycott to have less of a negative impact on long-term firm value, when a firm's CEO has a marketing background. Hence, the author hypothesizes,

> ***H3:*** *Targeted firms with a marketing CEO will experience a smaller decrease in the long-term firm value when a consumer boycott is announced.*

Marketing Influence in the TMT and Marketing Capabilities

Drawing from upper echelon and RBV literature, the author expects that the impact of a CEO's background on firm performance following a consumer boycott will be mediated by the marketing influence in a firm's TMT and a firm's marketing capabilities.

Marketing Influence

Prior research has shown that a CEO's background helps to explain some of the variation of marketing's influence (Homburg et al., 1999; Verhoef & Leeflang, 2009). Specifically, Webster

et al. (2003) found that marketing influence within a firm is greater for firms with a marketing CEO because the CEO has a greater appreciation for the things that marketing brings to the table. In other words, a CEO with a marketing background will work to increase the amount of influence that marketing has within a firm.

As for the link between marketing influence and firm performance, prior research has found mixed results (Merlo & Auh, 2009; Moorman & Rust, 1999; Verheof & Leeflang, 2009). However, when a firm finds itself in a negative situation, a firm's marketing influence can help a firm to reduce the damage (Kashmiri et al., 2017). This is the case because marketing is responsible for being the voice of the customer (Kerin et al., 2005) and for protecting customer and brand equity (McGovern & Quelch, 2004). Additionally, a firm's level of marketing influence can help an investor assess the firm's crisis management skills (Xiong & Bharadwaj, 2013). Therefore, given that a CEO's background can explain some of the variance in a firm's marketing influence and the impact that marketing influence can have on firm performance, especially during a negative event, the author expects for marketing influence in the TMT to mediate the effect of CEO background on long-term firm value. Hence, the author hypothesizes,

> ***H4:*** *Marketing influence in the TMT will mediate the effect of CEO background on long-term firm value when a consumer boycott is announced.*

Marketing Capabilities

Marketing capability is viewed as a firm-specific resource that provides a firm with a competitive advantage due to the rarity, inimitability, and sustainability of the resource (Barney, 1991; Wernerfelt, 1984; Song et al. 2007; Murray et al. 2011; Capron and Hulland 1999; Kozlenkova et al. 2014). In other words, marketing capability is the market knowledge a firm has about customer needs, and the experience a firm has as it relates to forecasting and responding to

customer needs (Day, 1994). Along the same lines of a firm's marketing influence, the author also expects that firms whose CEO has a marketing background to place a greater emphasis on marketing capabilities. In fact, prior research has demonstrated that CEOs with functional experience in marketing has a positive influence on marketing capabilities (Rodenbach & Brettel, 2012).

As for the relationship between marketing capabilities and firm performance, prior research has found that a firm's marketing capabilities has a positive impact on firm performance (Nath et al., 2010; Morgan et al., 2012; Ngo & O'Cass, 2012; Vorhies & Morgan, 2005). Prior literature has also demonstrated that when a firm gets involved in a negative situation or scandal, investors find it difficult to determine what skills a firm has in terms of crisis management (Xiong & Bharadwaj, 2013). However, marketing capabilities can help reduce the cost associated with crisis response while limiting negative word-of-mouth and the damage to customer-related metrics such as customer loyalty and relationships (Xiong & Bharadwaj, 2013; Hoch & Deighton, 1989).

Thus, given that a CEO's background can positively impact marketing capabilities and that marketing capabilities can positively influence firm performance, the author expects for marketing capabilities to mediate the effect CEO background on long-term firm value. Hence, the author hypothesizes,

> ***H5:*** *Marketing capabilities will mediate the effect of CEO background on long-term firm value when a consumer boycott is announced.*

Methodology

Sample

To develop our sample, the author used LexisNexis and Ethical Consumer to identify firms that are both listed on one of the two main stock exchanges in the United States (e.g., New York

Stock Exchange and NASDAQ) and have also been the target of a consumer boycott. The final sample size consisted of 145 U.S. firms from 1999 to 2017.

Event study methodology

The author used an event study methodology (Geyskens et al., 2002; Boyd et al., 2010; Kashmiri et al., 2017). However, instead of abnormal returns (ARs), this study calculated buy-and-hold abnormal returns (BHAR) for the year following a consumer boycott announcement. The BHARs are calculated by using the returns of a firm's stock over at least a year long window, and then subtracting the cumulative performance of a benchmark portfolio with a similar risk profile during the same time frame (Barber & Lyon, 1997; Lyon et al., 1999). In other words, BHARs represent the actual experience of a hypothetical investor who buys and holds a stock for a pre-determined amount of time (Sorescu et al., 2017).

$$\mathrm{BHAR_{it}} = \prod_{t=1}^{t=T}(1 + \mathrm{R_{it}}) - \prod_{t=1}^{t=T}\left(1 + \mathrm{R_{p(it)}}\right)$$

Regression Model and Control Variables

The author regressed the BHARs (%) for each firm in the sample on the proposed explanatory variables. The author controlled for a firm's prior performance, financial leverage, and firm size because poorly performing firms, firms with a greater amount of debt on its books, and smaller firms may have less of a safety net to fall back on. Additionally, the author also controlled for globalization and diversification. Firms with higher globalization experience a greater amount of sales outside of the U.S. and these customers may not care about a boycott thus the firm incurs less of a punishment from shareholders. As for diversification, a greater amount diversification is associated with less risk, and therefore a boycott will result in less negative buy-and-hold abnormal returns. Additionally, the author controlled for advertising because higher levels of advertising can bring with it unwanted attention. CEO power was also controlled for

because a CEO's power can influence the amount of discretion they have over firm decisions. Lastly, corporate social performance (CSP) was controlled for because a firm that is superior when it comes to social performance will be punished less by the shareholders.

Data Measures and Sources

Corporate governance measures Using the bios in each individual firm's 10-Ks, the author dummy coded CEO background (1 = a CEO with a marketing background) (Merlo & Auh, 2009).

Marketing measures Both marketing influence and capabilities were measured in the same manner as discussed in the previous two essays. Specifically, marketing influence in the TMT is measured by employing the approach used by Feng et al. (2015). Specifically, these five indicators for each firm year include: (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives; (2) a dummy variable indicating whether a marketing executive was mentioned among the top five most highly compensated TMT members in the firm's proxy statement; (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1; (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT; and (5) the number of responsibilities reflected in marketing TMT executives' job titles. Once these five indicators for each firm year were collected, the author combined them using principal component factor analysis. The author then rescaled the saved Bartlett factor score between 0 and 100. This rescaled factor score was then used as our measure of a firm's marketing influence in the TMT in each firm-year.

Lastly, marketing capability was measured following the technique presented by Dutta et al. (1999). Specifically, marketing capability was measured by modeling a firm's activities as an efficient frontier that relates its marketing investments (i.e., advertising, SG&A, and investments

in customer relationships) to an optimal attainment of the firm's objectives (i.e., sales).

Corporate political activity measures In accordance with prior research (e.g., Coates, 2012) the author measured a firm's political activity by including the log transformed value for the sum of both a firm's lobbying expenditures and contributions during the presidential election most prior to the boycott. These amounts were gathered from the "Open Secrets" website, which summarizes data from Federal Election Commission (FEC) and the U.S. Senate.

Control variable measures. Using Compustat, the author measured prior performance as the ratio of net income to total assets for each firm-year, financial leverage as the ratio of total debt to total equity, and firm size as the natural log of the number of employees. As for globalization and diversification, globalization was measured as the ratio of a firm's sales outside the U.S. and diversification was measured using an entropy measure based on two and four-digit-level segment sales (Palepu, 1985). Advertising was measured by converting advertising expenditures as a percentage of total assets. As for CEO power, it was operationalized as the natural log of a CEO's overall compensation divided by the total compensation of the top five most highly paid executives within the firm (Kashmiri & Mahajan, 2017). Lastly, corporate social performance was measured the same way it was measured in essay one and two by using the KLD analytics ratings.

Results

Effect of Consumer Boycott on Targeted Firms

As shown in Table 3.1a, the author found support for H1, with the results indicating that in the year following a consumer boycott the targeted experienced a loss in shareholder wealth. The buy-and-hold abnormal return for the [0, +12 months] window was negative ($BHAR_{MarketModel} = -7.57$). This abnormal return was significant according to both the Patell Z-test ($p < .05$) and the Generalized Z-test ($p < .01$). Furthermore, the buy-and-hold return was also negative and

significant in the two-year span following the consumer boycott (i.e., [0, +24 months]). The [0, +12 months] window associated with the Market Adjusted Model was also significant according to the Patell Z-test ($p < .05$) and Generalized Z-test ($p < .10$) (Table 3.2a). Lastly, adding further support to H1, the Appendices shows the results that are based on a different estimation window.

Table 3.1a Buy-and-hold Abnormal Returns for Targets (Market Model)

Buy-and-hold abnormal return Market model				
Month	BHAR (%)	Patell Z	Generalized Z	% Positive
[-6, 0]	-4.14	-1.50$	-1.73*	42
[0, 0]	0.88	0.28	0.98	50
[0, 12]	-7.57	-2.23*	-2.33**	39
[0, 24]	-22.3	-2.03*	-4.95***	41

$p < .10, *p < .05, **p < .01, ***p < .001

Table 3.1b Average Monthly Abnormal Returns for Targets (Market Model)

Average monthly abnornal return (AAR) Market model				
Month	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	-0.36	0.47	1.12	54
-4	-0.19	0.47	-0.71	47
-3	1.21	-0.73	0.62	52
-2	-1.62	0.86	-2.20*	41
-1	-1.65	-1.58$	-2.04*	41
0	0.88	0.28	-0.04	50
1	1.03	1.13	1.62$	57
2	-0.23	-0.57	0.46	52
3	-1.17	-1.91*	-0.87	46
4	-0.94	-1.05	-2.37**	40
5	-2.08	-2.09*	-1.70*	43

$p < .10, *p < .05, **p < .01, ***p < .001

Table 3.2a Buy-and-hold Abnormal Returns for Targets (Market Adjusted Model)

Buy-and-hold abnormal return				
Market adjusted model				
Month	BHAR (%)	Patell Z	Generalized Z	% Positive
[-6, 0]	-0.33	-0.16	-1.69*	43
[0, 0]	0.17	0.07	-0.69	48
[0, 12]	-5.03	-1.84*	-1.52$	44
[0, 24]	1.94	0.40	-0.03	50

$p < .10, *p < .05, **p < .01, ***p < .001

Table 3.2b Average Monthly Abnormal Returns for Targets (Market Adjusted Model)

Average monthly abnornal return (AAR)				
Market adjusted model				
Month	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	1.48	2.20*	1.47$	30
-4	0.07	-0.16	-0.19	57
-3	-1.33	-0.60	-0.69	48
-2	-0.46	-0.53	-1.52$	44
-1	-0.24	-0.32	0.47	52
0	0.17	0.08	-0.69	48
1	0.05	0.46	0.47	52
2	-0.68	-1.12	-0.69	48
3	-0.83	-1.68*	-0.53	48
4	-0.33	-0.21	-0.53	48
5	-0.19	-0.47	0.31	52

$p < .10, *p < .05, **p < .01, ***p < .001

Moderating Role of Corporate Political Activity and CEO Background

Table 3.3 presents the descriptive statistics and correlations for all the variables used in the author's regression model.

Table 3.3 Descriptive Statistics and Correlation Coefficients for Targets

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Abnormal return on day 0 (%)	0.64	1.73	1													
2. Firm Size	1.83	0.50	0.02	1												
3. Product Overlap	0.10	0.31	0.05	-0.05	1											
4. Director Interlock	0.22	0.41	-0.09	0.14**	0.02	1										
5. Institutional Ownership Overlap	0.50	0.23	-0.24***	0.13**	-0.09	0.07	1									
6. Advertising Intensity	4.71	4.93	0.04	-0.23***	-0.10	0.10	-0.09	1								
7. Marketing Influence	27.87	25.91	-0.03	0.10	-0.07	0.02	-0.02	0.21***	1							
8. Marketing Capability	36.77	18.41	-0.02	0.65***	-0.03	0.08	0.15**	-0.31***	0.02	1						
9. Corporate Social Performance	5.33	4.23	-0.02	0.06	-0.11*	0.03	0.26***	0.03	0.15**	-0.05	1					
10. Prior Performance	0.09	0.07	0.04	-0.11*	0.09	-0.05	0.02	0.25***	0.05	-0.17***	0.08	1				
11. Globalization	0.42	0.26	0.01	-0.13**	-0.07	0.13**	0.10	0.15**	-0.02	-0.28***	0.25***	0.28***	1			
12. Diversification	0.62	0.60	-0.09	0.10	-0.13**	0.25***	0.10	0.15**	0.11	-0.13*	0.34***	0.01	0.36***	1		
13. Lobbying	3.48	0.63	-0.19***	0.43***	-0.06	0.24***	0.21***	-0.28***	0.06	0.31***	0.11	-0.09	0.19***	0.29***	1	
14. Contributions	2.54	0.86	-0.18***	0.46***	-0.09	0.24***	0.22***	-0.16**	-0.02	0.34***	0.27***	-0.07	0.07	0.28***	0.63***	1

With regards to a firm's political activity, the results (Table 3.4) show that CPA is negative (β = -1.85) but non-significant, thus no support for H2. As for the background of a CEO (i.e., marketing or non-marketing background), the results were negative (β = -4.43) but also non-significant, thus no support for H3. In addition to using BHAR as the dependent variable, the author ran two separate analyses with two different measures for firm performance as the dependent variables (i.e., Tobin's q and return on assets). The results (Appendices) from these separate analyses remained fairly consistent with one exception with regards to CEO background. Specifically, when Tobin's q was used as the DV, CEO background was both positive and significant (β = 0.19, $p < .10$).

The lack of support for the hypotheses related to a firm's political activity and a CEO's background may be the result of several things. First and foremost, the lack of support may be driven by the sample size being reduced from 145 to 69 due to missing data, which may lead to lower statistical power during an analysis.

Mediating Role of Marketing Influence in the TMT and Marketing Capability

The author used PROCESS Model 4 with 5,000 bootstrap samples and 95% bias-corrected confidence intervals to assess the indirect effect (IE) of CEO background on buy-and-hold abnormal returns simultaneously through both marketing influence in the TMT and marketing capability (Table 3.4) (Hayes, 2013). The results in Table 3.4 reveal that the confidence interval surrounding the IE of CEO background on long-term firm value through marketing influence in the TMT contained zero (IE = .19, [-3.14, 4.72]), suggesting that a marketing influence did not mediate the effect of CEO background. Thus, H4 is not supported. As for marketing capability, the results also revealed that the confidence interval surrounding the IE of CEO background on long-term firm value through marketing capability contained zero (IE = -.20, [-4.09, 3.58]),

suggesting that a marketing capability did not mediate the effect of CEO background. Thus, H5 is not supported.

With regards to the hypotheses related to marketing capabilities and marketing influence in the TMT, prior research has given some indication of why these results turned out the way they did. Specifically, having TMT members with similar expertise such as marketing may be seen as a challenge to other members of the TMT (Pfeffer & Pfeffer, 1981). In other words, if a firm's CEO has a background in marketing they may want the remainder of the TMT to be more balanced with respect to the other functional backgrounds. As a result of a more diverse TMT, the firm may take on more diverse strategies and place less of an emphasis on marketing-related strategies or resources. Additionally, a CEO with a marketing background may have the opinion that his or her marketing expertise is enough and doesn't see the need for more executives with marketing backgrounds who could also potentially challenge him or her on strategic decisions. Thus, a marketing CEO could actually result in a decline in both marketing influence in the TMT and marketing capabilities.

Table 3.4 Mediation Analysis with BHARs for [0, +12] window for Targets

Variables	Model with estimation window [-12, -7]		
	Coefficients (SE)	P-Value Model 1	Indirect Effect [CI]
Main Effects			
H2: Corporate Political Activity	-1.85 (5.10)	0.72	
H3: CEO Background	-4.43 (10.99)	0.69	
Mediation			
H4: Marketing Influence			0.19 [-3.14, 4.72]
H5: Marketing Capability			-0.20 [-4.09, 3.58]
Controls			
CEO Power	-0.66 (3.31)	0.84	
Diversification	-0.99 (7.64)	0.90	
Advertising	0.24 (.81)	0.77	
Corporate Social Performance	1.26 (1.18)	0.29	
Financial Leverage	-0.01 (.24)	0.95	
Firm Size	-22.11 (12.01)*	0.07	
Globalization	28.44 (20.81)	0.18	
Prior Performance	208.81 (87.92)**	0.02	
Intercept	15.35 (21.60)	0.48	
R2		19.5%	
N (number of firms)		69	
Overall F-Test		F(12, 56) = 1.13	

*p < .10, **p < .05, ***p < .01

Robustness Checks and Additional Analyses

As shown in the Appendices, the author performed a series of robustness checks and additional analyses that deal with (1) an alternate estimation window, (2) alternate measures for firm performance, and (3) missing data.

First, with regards to estimation windows, the results found in Table 3.1a and 3.1b are based on estimation window that begins 12 months prior to the event and ends 7 months prior to the event. In order to add further support for H1, the author runs an event study using an estimation

window that begins 36 months prior to the event and ends 1 month before the event (Table 3.5a/b and Table 3.6a/b). Additionally, the author also used these buy-and-hold returns as the dependent variable in an additional analysis (Table 3.7). Second, the results from using two alternate firm performance measures (i.e., Tobin's q and return on assets) can be found in Table 3.8. Lastly, the author used two approaches to deal with any missing data including multiple imputation and replacing any missing values with zeros (Table 3.9 and 3.10). Such results remained consistent with the findings found in the initial analysis.

Discussion and Implications

Even though the results above were mostly non-significant, they did provide some points worth discussing. First, the significant negative relationship between a consumer boycott and long-term firm value for targeted firms suggests that the market reacts negatively in the year following a consumer boycott. Such a finding extends consumer boycott and social activism literature by demonstrating that a consumer boycott not only has a short-term impact, but also a long-term impact for those firms that become the target of a one.

Second, based on the findings, the author adds to existing corporate political activity research by highlighting that a firm's prior political activities through lobbying expenditures and contributions fails to act as a signal for investors. Specifically, the results provide no indication that a loss in reputation occurs as it relates to a firm's involvement in the political arena that would also strengthen the negative impact of a consumer boycott in the long-term.

Third, the findings extend marketing literature by indicating a lack of support for the notion that when a negative event occurs, having a CEO with a marketing background is associated with less negative long-term firm value. Additionally, the findings from this study demonstrate that just because a firm has a CEO with a marketing background does not mean that there will be greater

emphasis placed on having a greater marketing influence in the TMT or investing more in marketing capabilities. In fact, it adds further support to the notion that a marketing CEO may believe that their expertise is enough and other members with a marketing background could challenge them. Additionally, the marketing CEO may want a more diverse TMT, which in turn could result in the firm investing in several areas of the business and not primarily focusing on marketing-related resources such as marketing capabilities.

In addition to extending several areas of research, the findings also provide implications for practitioners. First, given that a consumer boycott can have long-term effects on firm performance, the findings demonstrate the importance for a firm's senior management to handle a negative event in an appropriate manner. Doing so can help those firms that become the target of a consumer boycott to reduce or eliminate any long-term damage to the firm.

Second, with regards to investors, the findings indicate the importance of monitoring the firms that they invest in and whether the encounter a negative event. By monitoring a firm's actions including when the firm finds itself at the center of a negative event, they will be able to sell all or a portion of their shares in order to avoid a loss in their investment or at least reduce the loss in their investment.

Limitations and Future Research

Our research has several limitations and several directions for future research. First, this study's sample only consists of publicly listed firms. Thus, future research could take into account the impact of a consumer boycott on privately held firms from a performance perspective by examining how a consumer boycott impacts the private firm's sales, customer purchase intentions, etc. Third, the present study focuses solely on consumer boycotts due to political reasons. So, future research could examine the impact of consumer boycotts that occur for reasons other than

political ones such as removing chemicals from baby products. Fourth, future research might also look at other firm-related outcomes (e.g., customer satisfaction or loyalty) as a result of a consumer boycott for those firms that are targeted. Lastly, future research could examine how firms respond to a consumer boycott and how those efforts impact long-term firm performance. For instance, does ignoring the boycott versus conceding to the demands of the boycotters result in differences in firm performance in the long-term.

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APPENDICES

Table 1.5a ARs for Lobbying for Good (Market Model) – Alternate Window

Average daily abnormal return (AAR)				
Market model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	0.03	0.48	1.82*	55
-4	0.08	0.62	0.42	50
-3	0.44	4.84***	4.22***	64
-2	0.04	0.28	0.56	51
-1	0.01	-0.21	-2.40**	41
0	-0.32	-2.24*	-2.26*	41
1	-0.19	-2.20*	-1.98*	42
2	0.30	4.25***	3.94***	63
3	-0.18	-3.00**	-1.55$	44
4	-0.23	-1.72*	-0.43	48
5	0.34	4.37***	3.65***	62

$p < .10, *p < .05, **p < .01, ***p < .001

Table 1.5b ARs for Lobbying for Good (Market Adjusted Model) – Alternate Window

Average daily abnornal return (AAR)				
Market adjusted model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	0.06	1.00	1.75*	56
-4	0.11	1.18	1.47$	55
-3	0.45	4.67***	3.72***	63
-2	0.08	0.93	1.33$	54
-1	0.02	0.21	-2.47**	41
0	-0.30	-2.23*	-1.91*	43
1	-0.16	-1.39$	-3.31***	38
2	0.33	4.76***	4.43***	65
3	-0.13	-1.90*	-1.34$	45
4	-0.22	-1.46$	-0.22	49
5	0.34	4.13***	3.30***	61

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 1.6a CARs for Lobbying for Good (Market Model) – Alternate Window

Cumulative average abnormal return (CAAR)				
Market model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	-0.32	-2.25*	-2.26*	41
[-2, 2]	-0.17	-0.05	-0.29	48
[-1, 1]	-0.51	-2.69**	-3.67***	36
[-1, 0]	-0.32	-1.74*	-3.24***	38
[0, 1]	-0.52	-3.14***	-3.10***	38
[0, 2]	-0.22	-0.11	0.42	50

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 1.6b CARs for Lobbying for Good (Market Adjusted Model) – Alternate Window

Table 6b Cumulative returns for sample of politically active firms

Cumulative average abnormal return (CAAR)				
Market adjusted model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	-0.30	-2.23*	-1.91*	43
[-2, 2]	-0.02	1.02	-0.22	49
[-1, 1]	-0.44	-1.97*	-2.75**	40
[-1, 0]	-0.28	-1.43$	-3.17***	39
[0, 1]	-0.46	-2.56**	-3.60***	37
[0, 2]	-0.13	0.66	0.35	51

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 1.7 OLS Regression with ARs on Day 0 for Lobbying for Good - Alternate Window

Variables	Model with estimation window [-299 -11]	
	Coefficients (SE)	P-Value (CI)
	Model 2	
H2: CEO Compensation	1.64 (.67)**	0.02 [.30, 2.97]
H3: Marketing Influence	-0.02 (.01)*	0.07 [-.04, .001]
H4: Marketing Capability	0.02 (.02)	0.32 [-.02, .06]
H5: Corporate Social Performance	-0.04 (.05)	0.49 [-.14, .07]
H6: Institutional Ownership	2.27 (.86)**	0.01 [.56, 3.98]
Prior Performance	1.20 (2.09)	0.57 [-2.96, 5.36]
Financial Leverage	0.01 (.13)	0.93 [-.24, .26]
Firm Size	0.07 (.49)	0.89 [-.90, 1.04]
Globalization	0.62 (.86)	0.47 [-1.08, 2.32]
Diversification	0.29 (.36)	0.42 [-.43, 1.01]
Advertising	0.04 (.03)	0.21 [-.02, .10]
Corporate Headquarters	-0.07 (.71)	0.92 [-1.48, 1.33]
Intercept	-4.40 (1.44)***	0.003 [-7.27, -1.54]
R2	26.2%	
N (number of firms)	99	
Overall F-Test	F(12, 86) = 2.54***	

*p < .10, **p < .05, ***p < .01

TABLE 1.8 OLS Regression with Alternate Measures of Marketing Influence (Essay 1)

Variables	Models with alternative measures of marketing influence in the TMT			
	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 3		Model 4	
H2: CEO Compensation	1.72 (.72)**	0.02 [.29, 3.15]	1.54 (.67)**	0.02 [.21, 2.86]
H3: Marketing Influence (CMO Presence)	-0.53 (.52)	0.32 [-1.57, .51]		
H3: Marketing Influence (Marketing Executives)				
Proportion of TMT with marketing titles			-3.05 (3.16)	0.34 [-9.33, 3.23]
Marketing executvie in top 5			1.10 (.60)*	0.07 [-.10, 2.29]
Highest level marketing executive			-0.34 (.17)*	0.06 [-.68, .01]
Combined all marketing executives			0.19 (.10)*	0.06 [-.01, .38]
Number of responsibilities			-0.4 (.27)	0.15 [-.94, .14]
H4: Marketing Capability	0.01 (.02)	0.44 [-.02, .05]	0.02 (.02)	0.28 [-.02, .06]
H5: Corporate Social Performance	-0.05 (.05)	0.37 [-.15, .06]	0.02 (.06)	0.75 [-.09, .13]
H6: Institutional Ownership	2.18 (.88)**	0.02 [.44, 3.93]	1.99 (.84)**	0.02 [.32, 3.65]
Prior Performance	1.22 (2.14)	0.57 [-3.04, 5.48]	0.26 (2.11)	0.90 [-3.93, 4.45]
Financial Leverage	0.01 (.13)	0.93 [-.24, .27]	-0.01 (.13)	0.96 [-.26, .24]
Firm Size	0.14 (.50)	0.79 [-.86, 1.13]	0.03 (.52)	0.95 [-1.00, 1.06]
Globalization	0.53 (.86)	0.54 [-1.18, 2.25]	0.64 (.87)	0.47 [-1.10, 2.37]
Diversification	0.26 (.36)	0.48 [-.46, .98]	0.40 (.38)	0.30 [-.35, 1.15]
Advertising Intensity	0.03 (.03)	0.26 [-.03, .09]	0.08 (.03)**	0.02 [.01, .14]
Corporate Headquarters	-0.02 (.71)	0.98 [-1.43, 1.40]	-0.29 (.71)	0.69 [-1.71, 1.13]
Intercept	-4.36 (1.49)***	0.004 [-7.32, -1.40]	-4.23 (1.51)***	0.006 [-7.23, -1.23]
R2	23.8%		33.1%	
N (number of firms)	99		99	
Overall F-Test	F(12, 86) = 2.24**		F(16, 82) = 2.54***	

*p < .10, **p < .05, ***p < .01

TABLE 1.9 OLS Regression with Alternate Measures of CSP (Essay 1)

Variables	Models with alternative measures of corporate social performance			
	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 5		Model 6	
H2: CEO Compensation	1.71 (.69)**	0.02 [.34, 3.08]	1.70 (.69)**	0.02 [.34, 3.06]
H3: Marketing Influence	-0.02 (.01)*	0.097 [-.04, .003]	-0.02 (.01)*	0.08 [-.04, .002]
H4: Marketing Capability	0.01 (.02)	0.45 [-.02, .05]	0.02 (.02)	0.37 [-.02, .05]
H5: Corporate Social Performance				
Net CSP (sum 3 years)	-0.02 (.02)	0.34 [-.06, .02]		
Net CSP (stock 3 years)			-0.02 (.04)	0.62 [-.11, .06]
H6: Institutional Ownership	1.20 (.83)	0.15 [-.46, 2.85]	1.34 (.82)	0.104 [-.28, 2.98]
Prior Performance	1.72 (2.12)	0.42 [-2.49, 5.93]	1.16 (2.02)	0.57 [-2.85, 5.17]
Financial Leverage	-0.09 (.13)	0.51 [-.34, .17]	-0.07 (.13)	0.58 [-.33, .19]
Firm Size	0.44 (.52)	0.40 [-.59, 1.47]	0.27 (.49)	0.59 [-.72, 1.25]
Globalization	0.15 (.87)	0.86 [-1.57, 1.88]	0.13 (.85)	0.88 [-1.56, 1.82]
Diversification	0.1 (.36)	0.78 [-.62, .83]	0.04 (.36)	0.92 [-.68, .76]
Advertising Intensity	0.06 (.03)*	0.07 [-.01, .12]	0.06 (.03)*	0.06 [-.003, .12]
Corporate Headquarters	-0.05 (.72)	0.94 [-1.48, 1.38]	-0.05 (.72)	0.94 [-1.49, 1.38]
Intercept	-3.52 (1.41)***	0.01 [-6.32, -.72]	-3.63 (1.38)***	0.01 [-6.38, -.89]
R2	21.6%		20.4%	
N (number of firms)	102		104	
Overall F-Test	F(12, 89) = 2.04**		F(12, 91) = 1.95**	

*p < .10, **p < .05, ***p < .01

TABLE 1.10 OLS Regression with Dummy Coding for Supreme Court Cases

	Dummy coded Supreme Court case issues	
Variables	Coefficients (SE)	P-Value (CI)
	Model 7	
H2: CEO Compensation	1.68 (.66)**	0.013 [.36, 3.00]
H3: Marketing Influence	-0.02 (.01)*	0.08 [-.04, .002]
H4: Marketing Capability	0.01 (.02)	0.58 [-.03, .05]
H5: Corporate Social Performance	-0.03 (0.05)	0.54 [-.13, .07]
H6: Institutional Ownership	2.21 (.86)**	0.01 [.49, 3.93]
Prior Performance	1.12 (2.06)	0.59 [-2.98, 5.23]
Financial Leverage	-0.02 (.13)	0.89 [-.27, .23]
Firm Size	0.20 (.48)	0.68 [-.76, 1.16]
Globalization	0.42 (0.85)	0.62 [-1.27, 2.11]
Diversification	0.18 (0.36)	0.61 [-.53, .89]
Advertising	0.04 (0.03)	0.23 [-.02, .10]
Corporate Headquarters	0.14 (0.69)	0.84 [-1.24, 1.52]
Issue 1 - LGBT Rights	0.87 (0.53)	0.103 [-.18, 1.91]
Issue 2 - Affirmative Action	0.44 (0.74)	0.55 [-1.04, 1.92]
Issue 3 - Discrimination	1.18 (0.57)**	0.04 [.04, 2.32]
Intercept	-4.70 (1.43)***	0.001 [-7.55, -1.86]
R2	30.5%	
N (number of firms)	99	
Overall F-Test	F(15, 83) = 2.43***	

*p < .10, **p < .05, ***p < .01

TABLE 1.11 Two-Stage Heckman Analysis

Table 11 Two-Stage Heckman Analysis

Variables	Coefficients (SE)	P-Value (CI)
Abnormal Returns		
CEO Compensation	1.35 (.61)**	0.03 [.15, 2.56]
Institutional Ownership	2.33 (.79)***	0.003 [.78, 3.87]
Marketing Capability	0.02 (.01)**	0.050 [.00002, .05]
Corporate Social Performance	-0.04 (.04)	0.33 [-.13, .04]
Corporate Headquarters	-0.16 (.62)	0.79 [-1.37, 1.05]
Diversification	0.32 (.32)	0.32 [-.31, .95]
Globalization	0.83 (.76)	0.27 [-.66, 2.32]
Intercept	-4.28 (1.21)***	0.001 [-6.66, -1.90]
CPA Firms		
Prior Performance	-2.47 (1.24)**	0.047 [-4.91, -.03]
Financial Leverage	-0.03 (.02)	0.15 [-.08, .01]
Firm Size	-0.03 (.16)	0.82 [-.34, .27]
Advertising	0.12 (0.03)***	0.001 [.05, .18]
Intercept	-.15 (.26)	0.58 [-.66, .37]
Mills Lambda	-0.58 (.66)	0.38 [-1.87, .71]
Rho	-0.34	
Sigma	1.73	
N (number of firms)	219	

*p < .10, **p < .05, ***p < .01

TABLE 1.12 OLS Regression with Approaches for Dealing with Missing Data (Essay 1)

	Model with imputed data		Model with missing values replaced with 0	
Variables	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 8		Model 9	
H2: CEO Compensation	1.03 (.48)**	0.04 [.07, 1.98]	1.04 (.49)**	0.04 [.07, 2.01]
H3: Marketing Influence	-0.004 (.01)	0.54 [-.02, .01]	-0.01 (.01)	0.35 [-.02, .01]
H4: Marketing Capability	0.02 (.01)**	0.048 [.0002, .05]	0.03 (.01)**	0.02 [.004, .05]
H5: Corporate Social Performance	-0.03 (.03)	0.32 [-.10, .03]	-0.02 (.04)	0.48 [-.10, .04]
H6: Institutional Ownership	0.26 (.60)	0.67 [-.93, 1.45]	0.25 (.60)	0.68 [-.93, 1.43]
Prior Performance	-1.86 (1.64)	0.26 [-5.09, 1.37]	-1.34 (1.60)	0.41 [-4.50, 1.83]
Financial Leverage	0.01 (.03)	0.70 [-.05, .07]	0.02 (.03)	0.44 [-.04, .08]
Firm Size	0.31 (.30)	0.30 [-.28, .90]	0.21 (.28)	0.47 [-.35, .76]
Globalization	0.41 (.60)	0.50 [-.78, 1.60]	0.34 (.60)	0.57 [-.85, 1.52]
Diversification	-0.07 (.25)	0.78 [-.56, .42]	0.001 (.23)	0.995 [-.45, .46]
Advertising	0.02 (.02)	0.16 [-.01, .05]	0.04 (.03)	0.12 [-.01, .10]
Corporate Headquarters	0.32 (.52)	0.53 [-.69, 1.34]	0.28 (.51)	0.58 [-.72, 1.29]
Intercept	-3.62 (1.04)***	0.001 [-5.67, -1.58]	-3.85 (1.07)***	0.000 [-5.96, -1.75]
R2	9.0%		11.5%	
N (number of firms)	202		202	
Overall F-Test	F(12, 189) = 1.55		F(2, 189) = 1.53	

*p < .10, **p < .05, ***p < .01

Table 2.5a ARs for Competitors (Market Model) – Alternate Window

Average daily abnormal return (AAR)				
Market model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	-0.17	-1.43$	-0.22	49
-4	0.21	2.68**	6.09***	70
-3	-0.36	-3.00**	-2.80**	41
-2	0.05	1.06	-0.22	49
-1	-0.53	-4.07***	-1.77*	44
0	0.66	6.67***	8.54***	78
1	0.05	0.93	2.34**	58
2	-0.17	-3.05**	-4.22***	37
3	-0.21	-2.05*	-3.31***	39
4	0.19	2.67**	4.03***	63
5	-0.20	-1.62$	-2.03*	44

$p < .10 *p < .05, **p < .01, ***p < .001

Table 2.5b ARs for Competitors (Market Adjusted Model) Alternate Window

Average daily abnormal return (AAR)				
Market adjusted model				
Day	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	-0.08	-0.001	1.35$	53
-4	0.17	2.43**	4.58***	63
-3	-0.29	-1.51$	-1.87*	42
-2	0.05	1.13	-0.19	48
-1	-0.68	-6.18***	-3.54***	37
0	0.87	9.86***	11.28***	85
1	-0.02	0.28	1.35$	53
2	-0.08	-1.56$	-1.22	44
3	-0.28	-3.04**	-3.42***	37
4	0.08	1.42$	2.00*	55
5	-0.29	-2.85**	-3.80***	36

$p < .10 *p < .05, **p < .01, ***p < .001

TABLE 2.6a CARs for Competitors (Market Model) – Alternate Window

Cumulative average abnormal return (CAAR) Market model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	0.66	6.67***	8.54***	78
[-2, 2]	0.06	0.69	0.68	52
[-1, 1]	0.17	2.04*	4.16***	63
[-1, 0]	0.12	1.84*	3.64***	62
[0, 1]	0.70	5.37***	6.48***	71
[0, 2]	0.54	2.63**	3.00**	60

$p < .10 *p < .05, **p < .01, ***p < .001

TABLE 2.6b CARs for Competitors (Market Adjusted Model) – Alternate Window

Cumulative average abnormal return (CAAR) Market adjusted model				
Day	CAAR (%)	Patell Z	Generalized Z	% Positive
[0, 0]	0.87	9.86***	11.28***	84
[-2, 2]	0.14	1.58$	2.77**	56
[-1, 1]	0.17	2.29*	5.48***	66
[-1, 0]	0.20	2.61**	5.61***	66
[0, 1]	0.85	7.17***	10.25***	81
[0, 2]	0.77	4.95***	6.77***	70

$p < .10 *p < .05, **p < .01, ***p < .001

TABLE 2.7 OLS Regression with ARs on Day 0 for Competitors - Alternate Window

Variables	Model with estimation window [-299 -11]	
	Coefficients (SE)	P-Value (CI)
	Model 2	
H2a: Firm Size	-0.45 (.69)	0.51 [-1.83, .93]
H2b: Product Market Overlap	0.65 (.37)*	0.08 [-.09, 1.39]
H3a: Director Interlock	0.09 (.59)	.88 [-1.10, 1.27]
H3b: Institutional Ownership Overlap	-2.09 (.83)**	0.02 [-3.76, -.41]
H4: Advertising Intensity	0.03 (.04)	0.46 [-0.05, .11]
H5a: Marketing Influence	-0.01 (.01)	0.31 [-.03 .01]
H5b: Marketing Capability	0.03 (.02)**	0.03 [.003, .07]
H6: Corporate Social Performance	0.12 (.11)	0.27 [-.10, .34]
Prior Performance	-0.61 (3.59)	0.87 [-7.84, 6.62]
Globalization	0.73 (1.10)	0.51 [-1.49, 2.94]
Diversification	-0.03 (.36)	0.93 [-.76, .69]
Lobbying	-0.60 (.34)*	0.09 [-1.29, .09]
Contributions	-0.50 (.32)	0.12 [-1.14, .14]
Intercept	3.80 (2.00)*	0.06 [-.22, 7.81]
R2	17.5%	
N (number of firms)	95	
Overall F-Test	F(13, 48) = 4.86***	

*p < .10, **p < .05, ***p < .01

TABLE 2.8 OLS Regression with Alternate Measures of Marketing Influence (Essay 2)

Variables	Models with alternative measures of marketing influence in the TMT			
	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 3		Model 4	
H2a: Firm Size	-0.42 (.66)	0.53 [-1.76, .91]	0.02 (.98)	0.99 [-1.95, 1.98]
H2b: Product Market Overlap	-.57 (.35)	0.11 [-.12, 1.27]	0.24 (.34)	0.49 [-.45, .93]
H3a: Director Interlock	0.10 (.61)	0.87 [-1.12, 1.32]	0.05 (.58)	0.93 [-1.11, 1.22]
H3b: Institutional Ownership Overlap	-2.23 (.85)**	0.01 [-3.93, -.53]	-1.96 (.95)**	0.04 [-3.87, -.05]
H4: Advertising Intensity	0.02 (.03)	0.53 [-.04, .09]	0.02 (.04)	0.69 [-.10, .11]
H5a: Marketing Influence (CMO Presence)	0.68 (.71)	0.34 [-.75, 2.10]		
H5a: Marketing Influence (Marketing Executives)				
Proportion of TMT with marketing titles			-4.46 (7.57)	0.56 [-19.68, 10.77]
Marketing executvie in top 5			1.41 (1.46)	0.34 [-1.53, 4.36]
Highest level marketing executive			-0.18 (.21)	0.40 [-.60, .24]
Combined all marketing executives			-0.10 (.16)	0.54 [-.42, .23]
Number of responsibilities			0.42 (.62)	0.51 [-.84, 1.67]
H5b: Marketing Capability	0.03 (.01)**	0.02 [.01, .06]	0.02 (.02)	0.34 [-.02, .06]
H6: Corporate Social Performance	0.09 (.09)	0.32 [-.09, .27]	0.06 (.07)	0.35 [-.07, .19]
Prior Performance	0.34 (4.22)	0.94 [-8.13, 8.82]	-1.79 (3.95)	0.65 [-9.74, 6.15]
Globalization	0.98 (1.29)	0.45 [-1.62, 3.58]	0.91 (1.08)	0.41 [-1.26, 3.07]
Diversification	-0.03 (.38)	0.93 [-.80, .73]	-0.19 (.60)	0.76 [-1.39, 1.02]
Lobbying	-0.68 (.37)*	0.07 [-1.42, .06]	-0.66 (.42)	0.13 [-1.50, .19]
Contributions	-0.51 (.35)	0.15 [-1.21, .19]	-0.58 (.31)	0.11 [-1.12, .11]
Intercept	3.87 (1.91)**	0.048 [.04, 7.71]	4.33 (.161)***	0.01 [1.09, 7.56]
R2	17.1%		22.3%	
N (number of firms)	95		95	
Overall F-Test	F(13, 48) = 3.56***		F(17, 48) = 5.52***	

*p < .10, **p < .05, ***p < .01

TABLE 2.9 OLS Regression with Alternate Measures of CSP (Essay 2)

Variables	Models with alternative measures of corporate social performance			
	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 5		Model 6	
H2a: Firm Size	-0.49 (.72)**	0.50 [-1.95, .96]	-0.46 (.69)	0.51 [-1.85, .94]
H2b: Product Market Overlap	0.41 (.30)	0.17 [-.18, 1.01]	0.54 (.33)	0.11 [-.13, 1.20]
H3a: Director Interlock	0.09 (.54)	.86 [-1.00, 1.19]	0.12 (.56)	0.83 [-1.00, 1.24]
H3b: Institutional Ownership Overlap	-2.04 (.88)**	.02 [-3.80, -.29]	-2.06 (.86)**	0.02 [-3.78, -.33]
H4: Advertising Intensity	0.02 (.03)	.58 [-.04, .07]	0.02 (.03)	0.43 [-.04, .09]
H5a: Marketing Influence	-0.01 (.01)	.23 [-.04, .07]	-0.01 (.01)	0.25 [-.03, .01]
H5b: Marketing Capability	0.03 (.02)**	.04 [.002, .06]	0.03 (.02)**	0.04 [.002, .06]
H6: Corporate Social Performance				
Net CSP (sum 3 years)	0.07 (.05)	.18 [-.03, .17]		
Net CSP (stock 3 years)			0.10 (.08)	0.18 [-0.05, .26]
Prior Performance	1.71 (4.45)	.70 [-7.23, 10.65]	0.54 (3.72)	0.89 [-6.95, 8.02]
Globalization	0.08 (.88)	.93 [-1.70, 1.85]	0.30 (1.03)	0.77 [-1.77, 2.36]
Diversification	-0.17 (.41)	.68 [-.99, .65]	-0.12 (.39)	0.75 [-.91, .66]
Lobbying	-0.62 (.37)	.104 [-1.37, .13]	-0.60 (.36)*	0.099 [-1.34, .12]
Contributions	-0.63 (.34)*	.07 [-1.32, .05]	-0.59 (.32)*	0.07 [-1.25, .06]
Intercept	4.13 (1.95)**	.04 [.21, 8.06]	3.98 (1.98)**	0.050 [-.003, 7.96]
R2	21.7%		19.9%	
N (number of firms)	96		96	
Overall F-Test	F(13, 49) = 5.53***		F(13, 49) = 5.40***	

*p < .10, **p < .05, ***p < .01

TABLE 2.10 OLS Regression with Dummy Coding for Consumer Boycott Issues

Variables	Dummy coded consumer boycott issues	
	Coefficients (SE)	P-Value (CI)
	Model 7	
H2a: Firm Size	-0.57 (.70)	0.42 [-1.98, .83]
H2b: Product Market Overlap	0.65 (.62)	0.30 [-.60, 1.90]
H3a: Director Interlock	-0.02 (.53)	0.97 [-1.08, 1.04]
H3b: Institutional Ownership Overlap	-2.26 (.89)**	0.014 [-4.05, -.49]
H4: Advertising Intensity	0.03 (.05)	0.58 [-.07, .12]
H5a: Marketing Influence	-0.01 (.01)	0.36 [-.03, .01]
H5b: Marketing Capability	0.04 (.02)*	0.07 [-.004, .09]
H6: Corporate Social Performance	0.11 (.11)	0.31 [-.10, .32]
Prior Performance	-0.36 (4.71)	0.94 [-9.82, 9.10]
Globalization	0.87 (1.33)	0.52 [-1.80, 3.53]
Diversification	-0.04 (.43)	0.92 [-.91, .82]
Lobbying	-0.56 (.42)	0.19 [-1.41, .29]
Contributions	-0.46 (.32)	0.15 [-1.10, .17]
Boycott 1- Anti-Conservative	0.30 (.58)	0.61 [-.87, 1.46]
Boycott 2- Domestic Policy	-0.17 (.89)	0.85 [-1.97, 1.62]
Boycott 3 - LGBT Rights	1.01 (.50)**	0.050 [-.001, 2.02]
Boycott 4 - Foreign Policy	0.43 (.53)	0.42 [-.64, 1.50]
Boycott 5 - Gun Rights	0.21 (.75)	0.78 [-1.29, 1.70]
Boycott 6 - Abortion	-0.14 (.89)	0.88 [-1.93, 1.65]
Boycott 7 - Anti-War	-0.21 (.59)	0.72 [-1.39, .97]
Intercept	3.52 (2.43)	0.15 [-1.36, 8.41]
R2	19.2%	
N (number of firms)	95	
Overall F-Test	F(20, 48) = 4.01***	

*p < .10, **p < .05, ***p < .01

TABLE 2.11 OLS Regression with Approaches for Dealing with Missing Data (Essay 2)

Variables	Model with imputed data		Model with missing values replaced with 0	
	Coefficients (SE)	P-Value (CI)	Coefficients (SE)	P-Value (CI)
	Model 8		Model 9	
H2a: Firm Size	-0.20 (.31)	0.51 [-.81, .41]	-0.08 (.28)	0.77 [-.64, .48]
H2b: Product Market Overlap	0.26 (.25)	0.29 [-.23, .75]	0.26 (.27)	0.33 [-.27, .79]
H3a: Director Interlock	-0.19 (.19)	0.31 [-.56, .18]	-0.23 (.20)	0.24 [-.62, .16]
H3b: Institutional Ownership Overlap	-0.005 (.003)	0.15 [-.01, .001]	-1.15 (.48)**	0.02 [-2.11, -.20]
H4: Advertising Intensity	-0.01 (.003)**	0.046 [-.01. -.0001]	0.01 (.02)	0.70 [-.03, .05]
H5a: Marketing Influence	-0.004 (.005)	0.41 [-.01, .01]	-0.005 (.004)	0.23 [-.01, .003]
H5b: Marketing Capability	0.01 (.01)**	0.03 [.001, .02]	0.01 (.01)**	0.02 [.002, .02]
H6: Corporate Social Performance	0.02 (.04)	0.51 [-.05, .09]	0.05 (.03)	0.12 [-.01, .12]
Prior Performance	0.03 (2.07)	0.99 [-4.06, 4.13]	-0.21 (2.05)	0.92 [-4.27, 3.85]
Globalization	0.66 (.68)	0.33 [-.69, 2.01]	0.49 (.72)	0.499 [-.93, 1.90]
Diversification	-0.004 (.19)	0.98 [-.37, .37]	0.10 (.20)	0.62 [-.29, .49]
Lobbying	-0.31 (.13)**	0.02 [-.56, -.05]	-0.24 (.14)*	0.08 [-.52, .03]
Contributions	-0.10 (.20)	0.62 [-.49, .29]	-0.13 (.17)	0.44 [-.47, .20]
Intercept	1.52 (.78)*	0.053 [-.02, 3.05]	1.52 (.73)**	0.04 [.08, 2.97]
R2	7.9%		10.5%	
N (number of firms)	241		241	
Overall F-Test	F(13, 133) = 3.22***		F(13, 133) = 3.41***	

*p < .10, **p < .05, ***p < .01

TABLE 3.5a BHARs for Targets (Market Model) – Alternate Window

Buy-and-hold abnormal return				
Market model				
Month	BHAR (%)	Patell Z	Generalized Z	% Positive
[-6, 0]	-2.61	-1.49$	-2.60**	39
[0, 0]	0.43	-0.20	-0.61	47
[0, 12]	-4.23	-1.97*	-1.77*	42
[0, 24]	-8.26	-1.51$	-0.61	47

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 3.5b Average Monthly ARs for Targets (Market Model) – Alternate Window

Average monthly abnornal return (AAR)				
Market model				
Month	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	0.35	0.73	2.05*	58
-4	0.18	0.03	1.38$	55
-3	-0.13	-0.53	-0.11	49
-2	-1.34	-1.29$	-1.94*	41
-1	-1.17	-1.64$	-1.44$	43
0	0.43	-0.19	-0.61	47
1	0.42	0.36	-0.11	49
2	-0.10	-0.68	1.05	54
3	-0.82	-1.52$	-0.44	48
4	-0.37	-0.01	-1.44$	43
5	-1.05	-1.45$	-1.11	45

$p < .10, *p < .05, **p < .01, ***p < .001

Table 3.6a BHARs for Targets (Market Adjusted Model) – Alternate Window

Buy-and-hold abnormal return				
Market adjusted model				
Month	BHAR (%)	Patell Z	Generalized Z	% Positive
[-6, 0]	-0.33	-0.25	-1.42$	43
[0, 0]	0.17	-0.33	-0.43	48
[0, 12]	-5.03	-2.17*	-1.26	44
[0, 24]	1.94	-0.15	-.24	50

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 3.6b Average Monthly ARs for Targets (Market Adjusted Model) – Alternate Window

Average monthly abnormal return (AAR)				
Market adjusted model				
Month	Average abnormal return (%)	Patell Z	Generalized Z	% Positive
-5	1.48	1.94*	1.73*	57
-4	0.07	-.27	0.07	50
-3	-1.33	-1.12	-0.43	48
-2	-0.46	-0.31	-1.26	44
-1	-0.24	-0.37	0.74	52
0	0.17	-0.33	-0.43	48
1	0.05	0.29	0.74	52
2	-0.68	-1.22	-0.43	48
3	-0.83	-1.74*	-0.26	48
4	-0.33	0.24	-0.26	48
5	-0.19	-0.47	0.57	52

$p < .10, *p < .05, **p < .01, ***p < .001

TABLE 3.7 Mediation Analysis with BHARs for Targets – Alternate Window

Variables	Model with estimation window [-36, -1]		
	Coefficients (SE)	P-Value Model 2	Indirect Effect [CI]
Main Effects			
H2: Corporate Political Activity	-2.30 (5.44)	0.67	
H3: CEO Background	-10.20 (11.72)	0.39	
Mediation			
H4: Marketing Influence			0.05 [-3.00, 4.22]
H5: Marketing Capability			-0.14 [-3.94, 2.96]
Controls			
CEO Power	0.79 (3.53)	0.82	
Diversification	0.06 (8.15)	0.99	
Advertising	0.30 (.86)	0.73	
Corporate Social Performance	2.37 (1.26)*	0.06	
Financial Leverage	-0.05 (.25)	0.85	
Firm Size	-19.95 (12.81)	0.13	
Globalization	41.60 (22.18)*	0.07	
Prior Performance	-254.62 (93.72)***	0.009	
Intercept	19.78 (23.03)		
R2	24.4%		
N (number of firms)	69		
Overall F-Test	F(12, 56) = 1.50		

*p < .10, **p < .05, ***p < .01

TABLE 3.8 Mediation Analysis with Alternate Measures of Firm Performance

Variables	Tobin's Q			Return on Assets		
	Coefficients (SE)	P-Value	Indirect Effect (CI)	Coefficients (SE)	P-Value	Indirect Effect (CI)
	Model 3			Model 4		
Main Effects						
H2: Corporate Political Activity	0.33 (.20)	0.11		0.001 (.01)	0.87	
H3: CEO Background	0.23 (.44)	0.61		0.02 (.02)	0.34	
Mediation						
H4: Marketing Influence			-0.02 [-0.24, 0.14]			-0.001 [-0.01, 0.01]
H5: Marketing Capability			-0.01 [-0.17, 0.15]			0.001 [-0.01, 0.01]
Controls						
CEO Power	-0.04 (10.13)	0.72		0.003 (.01)	0.53	
Diversification	-0.27 (.31)	0.37		-0.01 (.01)	0.62	
Advertising	0.05 (.03)	0.14		-0.0004 (.001)	0.74	
Corporate Social Performance	-0.03 (.05)	0.48		0.002 (.002)	0.25	
Financial Leverage	-0.0001 (.01)	0.99		-0.0002 (.0004)	0.58	
Firm Size	-0.57 (.48)	0.24		0.001 (.02)	0.96	
Globalization	1.02 (.84)	0.23		0.05 (.03)	0.14	
Prior Performance						
Return on Assets	8.34 (3.73)**	0.03				
Tobin's Q				0.02 (.004)***	0.0003	
Intercept	0.52 (.87)	0.55		0.12 (.03)***	0.001	
R2		30.1%			42.5%	
N (number of firms)		69			69	
Overall F-Test		F(12, 56) = 2.25**			F(12, 56) = 3.46***	

*p < .10, **p < .05, ***p < .01

TABLE 3.9 OLS Regression with Multiple Imputation

	BHAR			Tobin's Q			Return on Assets		
Variables	Coefficients (SE)	P-Value	ndirect Effect (CI)	Coefficients (SE)	P-Value	ndirect Effect (CI)	Coefficients (SE)	P-Value	Indirect Effect (CI)
	Model 5			Model 6			Model 7		
Main Effects									
H2: Corporate Political Activity	1.58 (3.09)	0.61		0.14 (.12)	0.24		-0.001 (.01)	0.86	
H3: CEO Background	-6.87 (6.77)	0.31		0.49 (.27)*	0.07		0.01 (.01)	0.25	
Mediation									
H4: Marketing Influence			1.53 [-0.72, 5.30]			0.04 [-0.03, 0.18]			-0.001 [-0.01, 0.002]
H5: Marketing Capability			-0.23 [-2.03, 1.12]			-0.001 [-0.04, 0.04]			-0.001 [-0.003, 0.004]
Controls									
CEO Power	-0.36 (2.66)	0.89		-0.08 (.11)	0.48		-0.001 (.005)	0.88	
Diversification	-1.58 (5.70)	0.78		-0.27 (.23)	0.24		0.002 (.01)	0.88	
Advertising	-0.04 (.14)	0.79		0.02 (.01)***	0.001		-0.001 (.002)**	0.02	
Corporate Social Performance	0.64 (.57)	0.27		0.02 (.02)	0.28		0.0004 (.001)	0.70	
Financial Leverage	0.04 (.28)	0.86		-0.03 (.01)***	0.002		0.0006 (.001)	0.22	
Firm Size	1.67 (7.07)	0.81		-0.08 (.28)	0.78		0.002 (.01)	0.85	
Globalization	36.79 (12.91)***	0.01		0.59 (.51)	0.25		0.04 (.02)*	0.09	
Prior Performance	-122.85 (46.32)***	0.01							
Return on Assets				10.37 (1.87)***	0.0001				
Tobin's Q							0.02 (.003)***	0.001	
Intercept	5.47 (14.31)	0.70		0.72 (.57)	0.21		0.06 (.03)**	0.03	
R2		14.1%			32.2%			31.9%	
N (number of firms)		145			145			145	
Overall F-Test		F(12, 132) = 1.80*			F(12, 132) = 1.82***			F(12, 132) = 5.15***	

*p < .10, **p < .05, ***p < .01

Table 3.10 OLS Regression with Replacing Missing Values

	BHAR			Tobin's Q			Return on Assets		
Variables	Coefficients (SE)	P-Value	ndirect Effect (CI)	Coefficients (SE)	P-Value	ndirect Effect (CI)	Coefficients (SE)	P-Value	Indirect Effect (CI)
	Model 8			Model 9			Model 10		
Main Effects									
H2: Corporate Political Activity	1.80 (3.11)	0.56		0.19 (.13)	0.12		0.01 (.01)	0.29	
H3: CEO Background	-7.03 (6.82)	0.30		0.51 (.27)*	0.07		-0.003 (.01)	0.64	
Mediation									
H4: Marketing Influence			1.16 [-1.03, 4.69]			0.02 [-0.05, 0.14]			-0.001 [-0.01, 0.003]
H5: Marketing Capability			-0.12 [-1.82, 1.20]			-0.002 [-0.04, 0.04]			-0.0004 [-0.003, 0.003]
Controls									
CEO Power	-0.36 (2.66)	0.89		-0.10 (.11)	0.40		-0.0004 (.005)	0.93	
Diversification	-3.15 (5.08)	0.54		-0.18 (.21)	0.38		-0.001 (.01)	0.95	
Advertising	0.01 (.59)	0.99		0.05 (.02)*	0.03		-0.002 (.001)*	0.06	
Corporate Social Performance	0.63 (.58)	0.28		0.02 (.02)	0.30		0.00 (.001)	0.99	
Financial Leverage	-0.01 (.21)	0.94		-0.01 (.01)	0.53		-0.0003 (.0004)	0.46	
Firm Size	0.96 (7.17)	0.89		-0.11 (.29)	0.70		0.001 (.01)	0.96	
Globalization	29.26 (12.10)**	0.02		0.53 (.49)	0.28		0.03 (.02)	0.13	
Prior Performance	125.37 (42.87)***	0.004							
Return on Assets				7.29 (1.77)***	0.0001				
Tobin's Q							0.02 (.003)***	1E-04	
Intercept	8.58 (14.63)	0.56		0.92 (.59)	0.12		0.07 (.03)**	0.02	
R2		12.9%			28.6%			30.4%	
N (number of firms)		145			145			145	
Overall F-Test		F(12, 132) = 1.63*			F(12, 132) = 4.40***			F(12, 132) = 4.79***	

*p < .10, **p < .05, ***p < .01

Table 4.1 Marketing Capability Measure

The author measured marketing capability by using a stochastic frontier approach (Dutta et al. 1999). We used the Cobb-Douglas (C-D) formulation, and in line with Dutta et al. (1999) specified the marketing transformation function as follows:

(1) $\ln(\text{sales}_{it}) = \alpha_0 + \alpha_1 \times \ln(\text{Ad stock}_{it}) + \alpha_2 \times \ln(\text{SG\&A stock}_{it}) + \alpha_3 \times \ln(\text{Receivables Stock})_{it} + \varepsilon_{it} - \eta_{it}$

where *i* and *t* represent firm *i* and year *t* respectively; The parameter α_1 represents the % change in sales, as a result of a 1 % change in Ad stock. Similar interpretations hold for the parameters α_2 and α_3; ε_{it} represents the purely stochastic error component affecting output which is assumed to follow a normal $(0, \sigma_\varepsilon^2)$ distribution; η_{it} represents the inefficiency error component which is assumed to be an independent and identically distributed non-negative random variable which follows a $N(\mu_{it}, \sigma_\eta^2)$ half-normal distribution, μ being the mode marketing inefficiency in the sample.

The author used a Koyck-Lag structure to calculate Ad stock, SG&A stock, and Receivables Stock. For example, Ad stock for period *t* was defined as

(2) $\text{Ad stock}_t = \sum_{k=1}^{k=t} \omega^{t-k} \times Ad \quad \text{exp}ense_k$.

The author used a spillover weight ω of 0.5 and a lag of 5 years prior to the focal year t. Based on the difference between the maximum marketing output achievable, and the observed output, we obtained an estimate of the composite error, $(\varepsilon_{it} - \eta_{it})$. We used this estimate to obtain a consistent estimate of firm-specific marketing inefficiency, $\hat{\eta}_{it}$. We then normalized the marketing inefficiency values so that the normalized inefficiency values ranged from 0 (most efficient firm) to 1 (least efficient firm). We next used these normalized inefficiency values to calculate the marketing capability of each firm using the following equation:

(3) $(\text{Marketing Capability})_{it} = (1 - \hat{\eta}_{it}) \times 100\%$.

VITA

EDUCATION

M.S., West Texas A&M University, Major: Finance & Economics, 2016
B.S., West Texas A&M University, Major: Economics, 2014

RESEARCH HONORS AND AWARDS

DRS Award, Southeast Marketing Symposium, 2017 (Lexington, KY)

REFEREED PUBLICATIONS

Macy, A., Terry, N., **Morgan, A.**, & Mitchell, L. (2017). "Affordable Care Act Impact on Stock Performance of Pharmaceutical Companies", *International Advances in Economic Research*, 23 (3), 351-352.

Terry, N., Mitchell, L., **Morgan, A.**, & Owens, J. (2016). "The Determinants of Box Office Revenue for Movie Sequels", *Southwestern Economic Review*, 43, 53-71.

REFEREED CONFERENCE PROCEEDINGS AND PRESENTATIONS

Ashley Morgan (2018), "Lending a Helping Hand: Determinants of Corporate Donation Size and the Moderating Impact of CEO Donations", Proceedings of the 2018 Society for Marketing Advances Conference (West Palm Beach, October 31 to November 3)

Ashley Morgan and Saim Kashmiri (2018), "Marketing-Related Controversies and Shareholder Wealth: The Impact of Top Management Team Composition and Prior Corporate Social Performance", Proceedings of the 2018 Southeast Marketing Symposium Conference (Tuscaloosa, AL February 15-17).

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WORKS IN PROGRESS

Morgan, A., Kashmiri, S., Shaner, M. (2020), "I'll be There for You: Investors' Response to a Firm's Lobbying for Good Efforts," targeted for *Journal of the Academy of Marketing Science.*

Morgan, A., Kashmiri, S., Feng, C. (2020), "Boycotts are Coming: A Look at the Impact of Boycotts on Competitors," targeted for *Journal of the Academy of Marketing Science.*

Morgan, A., Kashmiri, S., Bentley, J. (2020), "Live Long and Don't Prosper: The Impact of a Consumer Boycott on Long-term Firm Value," targeted for *Journal of the Academy of Marketing Science.*

TEACHING EXPERIENCE

Intro to Retailing: Summer II, 2019, University of Mississippi
Principles of Marketing: Fall, 2018, University of Mississippi
Principles of Marketing: Summer II, 2018, University of Mississippi
Principles of Marketing: August Intersession, 2017, University of Mississippi

SERVICE

Reviewer – 2017 – Society for Marketing Advances Conference

PROFESSIONAL AFFILIATION

American Marketing Association
AMA Doctoral Student SIG
Society for Marketing Advances

RELEVANT EMPLOYMENT

Academic Experience

Instructor & Graduate Assistant, University of Mississippi (2016 - 2020), Oxford, Mississippi