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Good Management, Sound Finances, and Social Responsibility:
Corporate Insider Perspectives on Reputation and the Bottom Line

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Abstract

This study investigated the political economic relationship between corporate reputation and firm financial performance from a corporate insider perspective. Econometric firm and industry fixed-effects models were designed to include a firm political contribution variable to ascertain the impact of corporate reputation on multiple measures of firm financial performance across 706 firms and 85 industries. Incorporating 21 years of reputation data gathered by *Fortune* magazine from corporate executives, directors, and financial analysts, regression results revealed that reputations for management quality, financial soundness, and social responsibility were consistently positive and significant contributors to the bottom line. These findings complement the tenets of stakeholder theory in that factors contributing to firm financial performance are neither exclusively nor sufficiently limited to shareholder interests but require consideration and engagement of broader social interests.

Good Management, Sound Finances, and Social Responsibility:

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The American model of capitalism has contributed to the economic prowess of a nation, served as an exportable template for developing economies, attracted innumerable immigrants to U. S. shores in search of its promise of prosperity, and shaped culture in such a way to encourage individual pursuits as a means for enhancing societal wealth. At its epicenter lies the corporation, a virtual entity, with a myriad of theories and expectations regarding its proper role in a free society. This ongoing debate of scholars, politicians, and corporate actors alike has given rise to an equally broad array of questions: Is society best served by Adam Smith's (1776) observation regarding the division of labor and its resulting efficiencies? Should corporate managers focus solely on fulfilling their particular profit-generating aims, alongside governments, nonprofit organizations, and private citizens fulfilling their own specialized roles? In the allocation of various benefits generated by corporate activities, are, as Milton Friedman (1970) suggested, the interests of shareholders preeminent and exclusive? Or, are corporate actors, by virtue of the relative wealth and stature of their entities, compelled to act more broadly in the spirit of Alexis de Tocqueville's (1835) call for noblesse oblige?

Corporate insiders, defined herein as executives, directors, and financial analysts, are among the most bottom-line scripted of corporate actors. The risks and rewards of their livelihoods depend in large part on the profitability of firms. In his treatise on the proper role of a corporation in a free society, Danley (1994) defined two ideologies of the firm: classical and managerial. In the classical ideology, the firm is strictly a legal-economic entity. In the managerial ideology, it is a social-political reality – a nexus of interdependent interests between stockholders, employees, competitors, customers, local communities, and other stakeholders who

can directly impact the firm's ability to reach its operational and profit-rendering goals.

Proponents of each ideology have argued that their perspective is the best one for corporate insiders to follow.

Economist Milton Friedman is the quintessential spokesman for the classical ideology, which states that the sole and ultimate purpose of the firm is to increase its profits. Parsonian pluralism, dating back to the 1950s, is the basis for the institutional function argument against corporate social responsibility (Jones, 1999). From this perspective, institutions such as churches, government, and civic organizations exist to tend to societal needs; corporate managers focused on profit-taking are equipped with neither the time nor expertise to make such resource allocations, nor can they be held properly accountable (like democratically elected officials) for doing so.

According to the managerial ideology, corporate managers have a responsibility to be “good citizens” and behave in a “socially responsible” manner. These terms have become commonplace in executive speeches and activist demands, but their use has outpaced development of generally accepted definitions and theory. Has the discourse of corporate social responsibility fallen victim to “conceptual amorphousness” (Danley, 1994, p. 141) and, in turn, lessened its appeal to corporate insiders focused on the bottom line (see also, Drucker, 1999b)?

In this study, corporate insider perceptions of firms’ interaction with multiple stakeholders (including employees, customers, and communities) are captured via *Fortune* reputation scores and combined with an indicator of firm political involvement to determine to what degree reputation contributes to profitability. Although *Fortune* scores have been used extensively in related studies, their merit as a comprehensive measure of reputation (or any of its eight defined attributes) has been criticized (e.g., Mahon, 2002; Wartick, 2002). The aggregate

nature of the scores, along with their derivation from a narrow set of corporate insider respondents, has diminished their value for certain researchers and led others (e.g., Fombrun, 1996) to develop ostensibly better measurements. However, the *Fortune* scores were appealing for this research because of their corporate insider source. Of particular interest was whether insiders' perceptions of social responsibility have any bearing on financial performance. Furthermore, research design steps were taken to offset some of the challenges of working with aggregated data and are discussed in more detail in the methods section.

A unique contribution of this study compared to its predecessors is its application of an econometric model. That is, a fixed-effects research design, which significantly diminishes the left-out variable bias resulting from the ordinary least squares analysis that populates the literature, is used to study the relationship between corporate reputation and profitability from an insider point-of-view. In addition, this research incorporates a 21-year timeframe of *Fortune* corporate reputation data, utilizes all eight attributes of reputation as defined by *Fortune* (i.e., not only the social responsibility attribute), and examines a much larger panel than previous work. In regard to corporate stakeholder strategy, the findings indicate that managers should cultivate reputations for excellence in management quality, irreproachability in financial soundness, and stewardship of social responsibilities to influence the personal and institutional investment decisions made by corporate insiders.

Shareholders vs. Stakeholders

Stakeholder theory (e.g., Freeman, 1984; Grunig & Repper, 1992) portrays the firm as an organization faced with the challenge of balancing profitable goals with increasing demands from multiple audiences, including shareholders, employees, and customers, who have the ability to impact fulfillment of those goals. Generally speaking, firms whose managers seemingly value

the viewpoint of stakeholders beyond shareholders and are perceived as making broader societal contributions tend to be preferred firms with which to do business (e.g., Samli, 2001).

Stakeholder linkages to firms are neither static nor mutually exclusive. Rather, stakeholder interactions with the firm are defined by emergent consequences of a tight coupling between an organization and its operating environment (Marion & Bacon, 2000). In other words, stakeholders and corporations have the interdependent capacity to create problems and opportunities for one another. The managerial function of public relations (more often referred to as public affairs in corporate settings) is tasked with establishing and maintaining mutually beneficial relationships between an organization and its stakeholders, or publics, upon whom its success or failure depends (Cutlip, Center, & Broom, 2006).

A stakeholder model positions the corporate entity as the hub of relationships among societal groups with a stake in corporate decision- and policy-making (e.g., Drucker, 1999b; Lehne, 2001; Wijnberg, 2000). Accordingly, it is expected that corporate policies will emerge from the interaction between business associations, organized groups, and political agencies. Corporate willingness to interact with – and be influenced by – stakeholders other than shareholders is directly attributable to the degree of influence exerted by a longstanding institutional structure, accompanied by the systemic pressure (and rewards) applied by financial analysts, and a complementary management training mantra that provides a supportive mechanism for American executives to fulfill the interests of shareholders above all others (Kelly, 2001; Kennedy, 2000; Mitchell, 2001).

The corporate credo of maximizing shareholder value, or stock price, has been criticized as not only exclusionary to other critical stakeholder interests but also counterproductive to the very value it seeks to optimize:

The long-term consequence of this collective pursuit of short-term stock price maximization is to risk America's prosperity and that of the rest of the world as well by making corporate directors and managers more than ever slaves to the stock market instead of professionals in search of better products and better ways of serving their constituencies....Looked at in the long run, it is even inconsistent with the goal of maximizing stockholder profit itself. (Mitchell, 2001, p. 6)

Kennedy (2000) added that the continued viability of large, publicly held companies requires the maximization of long-term value to shareholders and other major constituencies, including customers, employees, and suppliers. He asserted that since the mid-1980s, firms have been especially attracted to shareholder value objectives because they are easy to measure and more closely align the personal interests of a manager (via stock options) with that of shareholders. In particular, Kennedy found older U. S. industrial and service companies more likely to rigorously adhere to shareholder value as a top corporate priority. More fundamentally, Kelly (2001) argued sole concentration on maximizing shareholder wealth is in direct conflict with the principles of fair competition:

In a competitive free market, it decrees that the interests of one group will be systematically favored over others. In a system devoted to unconscious regulation, it says corporations will consciously serve one group alone....Shareholder primacy is a form of entitlement. And entitlement has no place in a market economy. (p. 4)

To manage with a singular focus on enhancing shareholder profit denies the premise that the corporation is not only an economic institution but also a social and political one (Mitchell, 2001).

The multi-faceted nature of the American corporation, along with the aforementioned literature, suggests that a singular focus on *either* shareholder *or* social outcomes provides only a partial definition of what comprises a responsible entity. Rather than a dichotomous choice between objectives, a variety of stakeholders, including shareholders, have increasingly demanded the generation of shareholder and societal benefits in tandem from the private sector. Consequently, corporate contributions to a variety of philanthropic, infrastructure development, and employee welfare programs, along with relationship building with adversarial groups (e.g., non-government organizations), have resulted from both exogenous pressures to act and proactive attempts on the part of organizations to offset perceived near-term and future operational threats. Such corporate-stakeholder interactions trigger consequences – whether intended or not – in social, political, and economic spheres and thus provide an array of issues for cross-disciplined analysis. To focus on shareholder or social interests alone is to deny the holistic nature and broader influences of the corporation.

As profit generating entities, firms are challenged to address the needs of multiple audiences while keeping close watch on the bottom line. Prahalad (1997) viewed firm wealth creation as a “balancing act that attempts to meet simultaneously the demands of various corporate ‘stakeholders’ – customers, employees, suppliers, as well as investors” (p. 47). He implied that the crux of finance theory, which places shareholders at the top of a hierarchy of valued corporate audiences, is no longer appropriate:

Shareholder priority was clearly a valid view of a large enterprise when the scarce resource was capital. In the days when access to capital was essential to achieve large economies of scale in manufacturing, the ability to raise and allocate capital effectively were the defining characteristics of superior top management...But the world has

changed....While capital remains a necessary ingredient, access to specialized talent (labor) and to a specialized supplier infrastructure (including technology) have become much more important factors in corporations' ability to compete in increasingly sophisticated and global consumer markets. (p. 51)

Drucker (2001) asserted that 21st century corporate managers will need to envision, and balance, their organizations as comprised of three dimensions: 1) an economic organization, 2) a human organization, and 3) "an increasingly important" social organization (p. 17). He explained that each of the three corporate models developed in the past 50 years stressed one of these dimensions while subordinating the other two. In particular, the German model emphasized the social dimension, the Japanese model focused on the human dimension, and the American model – one of shareholder sovereignty – stressed the economic dimension. Drucker warned that none of the models is adequate on its own:

The German model achieved both economic success and social stability, but at the price of high unemployment and dangerous labour (sp.)-market rigidity. The Japanese model was strikingly successful for 20 years, but faltered at the first serious challenge; indeed it has become a major obstacle to recovery from Japan's present recession. Shareholder sovereignty is also bound to flounder. It is a fair-weather model that works well only in times of prosperity. Obviously the enterprise can fulfill its human and social functions only if it prospers as a business. But now that knowledge workers are becoming the key employees, a company also needs to be a desirable employer to be successful. (pp. 17-18)

In addition to economic and human entities, corporations are also political bodies. In an economy where money and information are increasingly transnational, corporations are faced with performing in what Drucker (1999a) referred to as "three overlapping spheres" (p. 64):

regional, national, and local economies, which are, above all, political in their nature. Matters of public policy at each of these levels have the potential to both encumber and facilitate corporate profit-oriented goals. As a result, corporations are impacted by and often active participants in the political realm, with an orientation toward business results:

When political philosophy conceives of the happening of politics in the world it is in terms of *rational* action in some universalised (sp.) sense; when corporate capitalism is involved in the happening of politics it is primarily in terms of *effective* or *efficient* action to serve certain limited and accountable ends – ultimately the maximisation (sp.) of capital.

(Gupta, 2002, p. 4)

Mueller (1999) considered virtue inherent to capitalism. He argued that honest, fair, civil, and compassionate business behavior is typically, though not uniformly, rewarded. That is, companies perceived as “nice guys” usually have a competitive advantage over their competitors. He added, “Virtuous business practices may be financially beneficial in the long term, but in part because of capitalism’s traditional [negative] image, this reality may not be obvious to the very capitalists who stand to benefit from them” (p. 243). Mueller commented on the dilemma of pinpointing the bottom-line benefits of virtue:

What seems to be required is the establishment of an important business innovation: since the profitability of virtuous business behavior is apparently often not obvious, a business innovator must *discover the economic value of virtue* and then act upon this important discovery. Other businesses, noticing the success of the innovator, follow suit. (p. 243, emphasis added)

The Link Between Social and Financial Performance

The search for a link between corporate reputation and profitability is neither new nor limited to the academic realm. As was my own experience, public affairs (and other) managers in multinational corporations are continuously challenged to provide a business case for responding to stakeholder concerns. To date, inconclusive and ambiguous findings resulting from the scholarly search for bottom-line rationale for corporate social responsibility have fallen short in helping managers to meet this expectation. Although the notion of having to provide a business case for “doing the right thing” may be inherently offensive to some social responsibility advocates, it remains an expectation of corporate decision-makers when funds for so-called “social” programs could otherwise be distributed to shareholders and/or invested in alternative business ventures.

The quest for the link between doing good and doing well has been limited in scope given most studies - particularly those concentrating solely on a firm’s social responsibilities - fail to incorporate social, political, and economic indicators in the analysis. As a result, these studies do not resonate with executives who must be concerned with responsible behavior in each of these realms.

Subsequent to Friedman’s (1970) assertion that the social responsibility of business is to increase its profits, interdisciplinary scholars and business managers alike have sought to better understand the connection, if any, between a firm’s response to socially derived cues and the bottom line. Since 1972, over 100 studies examining the link between corporate social responsibility and firm financial performance have been published (Margolis & Walsh, 2001). Across this body of work, the relationship between corporate social responsibility (CSR) and firm financial performance (FP) has been found to be negative, positive, and neutral. Although

marked by measurement and specification errors, diminished conclusion validity, and other methodological weaknesses, these previous studies are the trail-blazers into this area of inquiry and provide a meaningful foundation upon which this research is based. Margolis and Walsh's meta-analysis of the literature revealed an area of inquiry lacking in predominance of any one particular model or approach, and key variable definitions vary widely across studies.

Methodologies range from content analysis of self-reported data to correlational analysis to multiple regression models, with often inconclusive or conflicting results. The most consistent element across these studies is scholarly iteration of deficiencies in past work and the call for a more consistent approach to a worthwhile field of study. In a more recent review of 30 years of CSR literature, de Bakker, Groenewegen, and de Hond (2005) similarly note several discontinuities in the evolution of research in the field.

The work of nine previous research teams served as the starting point for this analysis, as each sought a quantifiable link between CSR and FP (Cochran & Wood, 1984; Conine & Madden, 1986; Herremans, Akathaporn, & McInnes, 1993; McGuire, Sundgren, & Schneeweis, 1988; McWilliams & Siegel, 2000; Preston & O'Bannon, 1997; Preston & Sapienza, 1990; Waddock & Graves, 1997; Wokutch & Spencer, 1987). These studies were chosen because of their frequent citations in literature, their use of *Fortune's* annual survey of corporate reputation as a data source – the most frequently used firm sample and measure of CSR in the literature (Margolis & Walsh, 2001) – and/or the methodological contributions they offer to this research setting. Ranging in time from 1984 to 2000, these studies illustrate well the challenges, shortcomings, and mixed findings of research designed to ascertain the relationship between CSR and FP utilizing a classical, deductive approach.

Method

Design

Firms provided by *Fortune's* annual ranking of corporate reputations, from its inception in 1983 through 2003, were the primary units of analysis. In addition, *Fortune's* industry categorizations, which are aligned with U. S. Office of Management and Budget classifications, were used to examine industry-level effects over time.

For 23 years, *Fortune* has collected corporate reputation data from thousands of executives, outside directors, and financial analysts, selected by virtue of their being corporate insiders most familiar with the firms surveyed. Firms included in the annual poll are selected by way of their ranking among the top ten firms in their industry based on sales revenues. This study examined the impact of corporate reputation on financial performance for firms that have been included in *Fortune's* survey at least twice during a two-decade business environment rife with corporate takeovers, mergers, spin-offs, bankruptcies, and accounting scandals in numerous industries.

An unbalanced, multi-wave panel, fixed-effects design (using the within regression estimator) was used for firm- and industry-level models, which is an appropriate methodology for the estimation of cross-sectional time-series regression models (Stata Reference Manual, Release 7, 2001). The fixed-effects approach is particularly appealing to this research, as its equations facilitate capture of expected but unobserved effects uniquely attributable to firms and, separately, industries, thereby reducing the risk of underspecification in the respective models. Previous studies of the relationship between CSR and FP incorporated control variables to proxy firm research and development (R&D) investments and advertising intensity (e.g., McWilliams & Siegel, 2000), among other factors, that can potentially impact a firm's operations in a given

year. The overriding benefit of the fixed-effects modeling utilized herein is that its estimates account for unit-specific (i.e., firm or industry) residuals that differ *between* units but are assumed to be fixed and estimable *within* units, including factors both known and unknown. Therefore, via use of the fixed-effects design, effects of a firm's R&D and advertising expenses, macroeconomic health, world events, and any other firm-specific effect is parsimoniously captured in a residual calculation without requiring the researcher to identify and create control variables for every possible effect on a firm's financial performance.

The use of multiple measures of firm financial performance as dependent variables was replicated from previous studies to examine variability of effect across multivariate regression models and offset bias generated by any one measure. Firm financial performance data were obtained from annual CompuStat files compiled by The Wharton School of Business at the University of Pennsylvania (see wrds.wharton.upenn.edu).

Company-specific aggregate scores representing an equally weighted mean of individual attribute scores on a scale of 0 (*poor*) to 10 (*excellent*) have been reported in *Fortune* magazine's *America's Most Admired Companies* issue since 1983. The aggregate scores are calculated based solely on corporate insiders' (industry executives, directors, and financial analysts) rankings of how a firm stands in each of what *Fortune* refers to as the eight key attributes of reputation: quality of management, quality of products/services, innovation, long-term investment value, financial soundness, employee talent, social responsibility, and use of corporate assets. These frequently cited scores (i.e., the average of eight individual scores) serve as a proxy for various aspects of corporate reputation and as the main independent variable. Of particular appeal is their capturing of observed corporate performance in the engagement of multiple stakeholders, namely shareholders, customers, employees, and communities. To

compensate for the aggregate nature of the *Fortune* scores, dummy variables were used to offset the impact of extreme individual attribute scores on the dependent variable.

As a proxy for firm engagement in the political realm, political action committee (PAC) contributions were included as an additional control measure. PAC contributions reports have been made publicly available by the U. S. government since the early 1970s; membership-level access to the Political Money Line Web site (see www.politicalmoneyline.com) provided reported PAC data for this study.

Data Development

Aggregate *Fortune* reputation scores were gathered from consecutive annual issues of the publication beginning with the magazine's first year of reputation score reporting in 1983 through its 2003 issue. *Fortune's* research staff surveys corporate insider respondents and tabulates corporate reputation scores in the fall, prior to publication of their findings in the spring of the following year. That is, reputation scores published in early 1983 actually reflect corporate insider opinions gathered about companies in late 1982, and the same data collection/publication pattern applies for every year in the survey thereafter. Therefore, CompuStat financial data from 1982 to 2002 were matched with reputation scores published from 1983 to 2003 (but actually gathered from 1982 to 2002), respectively, to accurately align reputation data with financial performance measures obtained by the firm in the same calendar year.

Over the 21-year period examined in this study, a total of 1,094 firms appeared in the *Fortune* survey. In order to capture variance in the data over time while preserving as much of the data as possible, selection criteria required firms to have a minimum of two annual reputation scores allotted between 1983 and 2003, and these were not necessarily during consecutive years.

As a result of this criterion, 145 firms were eliminated because they only appeared once (i.e., had only one reputation score) in the *Fortune* survey over the 21 years of interest. In addition, 241 firms were removed from the database because either CompuStat financial data were not available for the company or, in a small number of cases, a firm had multiple listings in CompuStat that were too ambiguous to discern the appropriate one to use. Two firms had entries under two different industries (i.e., for different operating segments of the company); in this case, whichever entry had more available reputation score and financial data was retained, and the other was removed. Following application of these selection criteria, 706 unique firms remained in the database for analysis.

Identification numbers were assigned to delineate 706 firms and 85 *Fortune*-based industry categories. The *Fortune* score was a combined average of individual scores on eight attributes of corporate reputation, including quality of products and services, management, employee talent, innovation, long-term investment value, financial soundness, use of corporate assets, and corporate social responsibility. Although individual attribute scores were not available for this analysis, 14 dummy variables were created to distinguish those firms ranked in the top or bottom three of all firms in each of seven attribute categories, a list of which *Fortune* provides in its annual findings report. Firms in the top or bottom three of all firms in the eighth attribute, corporate social responsibility, were not distinguished with a dummy variable, thereby allowing the aggregate reputation score to carry the contributing effect of an extreme corporate social responsibility score while the effects of an extreme score in the remaining seven attributes were indicated via a dummy variable.

Political Action Committee (PAC) contributions, which firms are required to report on a biennial basis, were included in the model. PAC contributions for each two-year timeframe were evenly split between the years to convey average annual giving.

Using CompuStat formulae, eight dependent variables were created to indicate firm financial performance in a variety of ways, namely: earnings per share; stockholder equity (net worth); rate of return on property, plant, and equipment (total net); quick ratio/acid test (proportion of cash, short-term investments, and receivables relative to total liabilities); Tobin's Q (ratio of market to book value); market value of common stock; dividend payout ratio (dividends paid as a proportion of income); and income before extraordinary items.

Hypotheses

To facilitate statistical analysis, the following hypotheses were tested, *ceteris paribus*:

H₁: A fixed-effects approach is appropriate for the study of the relationship between corporate reputation and firm financial performance; that is, firm- and industry-level effects are respectively fixed within firms and industries and significantly differ between firms and industries.

H₂: Top-ranking scores in products and services, management, employee talent, innovation, long-term investment value, financial soundness, and use of corporate assets will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

H₃: Bottom-ranking scores in products and services, management, employee talent, innovation, long-term investment value, financial soundness, and use of corporate assets will have a negative and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

H₄: Firm reputation score, as a proxy for corporate social responsibility, will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

H₅: Firm PAC contributions will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

Results

STATA (Version 7) was used for regression analysis of the fixed-effects models, using firm, then industry, as the group variable. Each of the dependent variables (earnings per share; stockholder equity; rate of return on property, plant, and equipment; quick ratio/acid test; Tobin's Q; market value of common stock; dividend payout ratio; and income before extraordinary items) was regressed on corporate reputation score, 14 dummy variables for extreme attribute scores (*top 3 industry ranking, bottom 3 industry ranking*), and PAC contribution.

Unstandardized beta coefficients (*B*) are reported in the tables; an alpha level of .05 was used for all statistical tests.

Seven of the eight regressions using a *firm* fixed-effect resulted in a significant overall F test and are presented in Table 1. The dividend payout ratio model failed to produce a significant overall F test and is omitted from the presentation.

 Insert Table 1 about here

Five of the eight regressions that proved significant using an *industry* fixed-effect are presented in Table 2, with rate of return on property, plant, and equipment; Tobin's Q; and dividend payout ratio omitted because each failed to produce a significant overall F test.

 Insert Table 2 about here

Of the seven models with a significant overall F test using firm as the group variable for fixed-effects analysis, corporate reputation score - a proxy for corporate social responsibility - made a significant contribution to six measures of firm financial performance, including: earnings per share; stockholder equity; rate of return on property, plant, and equipment; quick ratio/acid test; market value of common stock; and income before extraordinary items. Corporate reputation score was not a significant predictor of Tobin's Q when firm was used as the group variable. Each of the models with a significant overall F test shown in Table 1 also had a significant F test indicating firm effects were different, thereby providing support for the use of a fixed-effects approach in the study.

The earnings per share model indicated that each point increase in corporate reputation score would lead to a \$2.83 increase in a firm's earnings per share. A firm being recognized as having top management, however, with a coefficient of \$68.55, had a notably larger impact on earnings per share, along with a reputation for top financial soundness at \$36.76 and top use of corporate assets at \$49.26. The within-firm value of R^2 was only 0.03 whereas the overall R^2 value for the model was slightly higher at 0.06.

Of particular interest were the significant, negative coefficients for top employee talent (-\$35.41), bottom employee talent (-\$42.68), and top long-term investment value (-\$81.90). At first glance, negative coefficients on top employee talent and top long-term investment value seemed counterintuitive, as one would expect top performance in these attributes of reputation to increase earnings per share. However, it is important to keep in mind the perspective of the survey respondents in analyzing these results.

Recall that *Fortune* reputation scores are exclusively obtained from executives, directors, and financial analysts most familiar with an industry (though executives and directors do not

rank the firms with which they are directly affiliated). These are corporate insiders - not the general public - and their primary concern is with the bottom-line performance of an organization. Unlike a more consumer-, employee-, or politically oriented audience, this group, because of their primary interest in profitability, does not frown upon layoffs, offshoring of jobs, or expense cuts, as these measures decrease the expenses and increase the net earnings of the firm. Consequently, such organizational activities are viewed as positive from their purview. This result aligns well with my past professional interaction with the investment community.

In this light, then, the negative coefficients are more meaningful in that a firm known for having the best employee talent would be expected to pay higher salaries, thereby diverting funds from potential earnings to payroll. Having the worst employee talent would be counterproductive to the organization and have an expected drain on earnings per share as well, as indicated by the significant coefficient on this attribute. Firms with a reputation for providing long-term investment value also suffer a hit on earnings per share in this contemporaneous model, most likely because a longer-term orientation produces returns to earnings for the firm and its investors not in the same year but within a longer span of time.

The stockholder equity model indicated a one-point increase in corporate reputation score would lead to a \$456.82 million increase in stockholder equity. A reputation for top financial soundness contributed significantly more with \$1,607.57 million, with each thousand-dollar PAC contribution adding relatively less at \$11.7 million. As in the earnings per share model, a reputation for top employee talent had a negative impact on the dependent variable (-\$3,031.09 million), but unlike the earnings per share model, top use of corporate assets had a negative effect (-\$1,390.02 million) on stockholder equity.

The rate of return on property, plant, and equipment model had corporate reputation score as its only significant predictor, with a contribution of 17.91 percent for every one-point increase in reputation score. For the quick ratio/acid test model, corporate reputation score contributed .05 percent, with PAC contribution having a relatively small negative effect of .0002 percent. In the Tobin's Q model, corporate reputation score was not a significant predictor; however, firms bottom ranked for employee talent (-14.76 percent) and long-term investment (-11.58 percent) had negative effects on Tobin's Q while those ranked at the bottom for financial soundness (9.32 percent) and use of corporate assets (7.48 percent) had positive effects. Given low R^2 values for models estimating rate of return on property, plant, and equipment (within, 0.01; overall, 0.007); quick ratio/acid test (within, 0.02; overall, 0.01); and Tobin's Q (within, 0.01; overall, 0.0007), less confidence was placed in the predictive value of these models.

The highest R^2 values among models using firm as the group variable were found in the market value of common stock (within, 0.19; overall, 0.21) and income before extraordinary items (within, 0.12; overall, 0.21) models. When predicting market value of common stock, corporate reputation score made a significant contribution of \$2,690.62 million, PAC contribution added \$153.76 million, and top management made the largest contribution of \$26,005.79 million in the model. As before, a firm well known for its employee talent had a negative impact on the dependent variable (-\$22,353.08 million). For the first time in these results, a diminution of the predicted variable was observed for a firm being known as a top innovator (-\$7,528.95). Innovation can be surmised in the eyes of the insider respondents as a perceived drain on short-term earnings, as returns to the firm for investments in this area are realized at a later date.

A similar result was found in the income before extraordinary items model. Corporate reputation score (\$343.36 million) and top management (\$979.13 million) made a positive contribution to income, while top employee talent (-\$743.41 million), top innovation (-\$525.12 million), and top long-term investment value (-\$498.18 million) had a negative impact. In this model, every thousand-dollar PAC contribution was estimated to gain \$4.95 million in the firm's income before extraordinary items.

In comparison, of the five models with a significant overall F test using industry as the group variable for fixed-effects analysis, corporate reputation score made a significant contribution to all five measures of firm financial performance, including: earnings per share; stockholder equity; quick ratio/acid test; market value of common stock; and income before extraordinary items. As indicated in Table 2, each of the models with a significant overall F test also had a significant F test supporting that, in addition to firm effects, industry effects were also different. In many cases, coefficients were more pronounced and in the same direction in the industry fixed-effects models as in the firm fixed-effects models.

In the earnings per share model using an industry fixed-effect, corporate reputation score was shown to contribute \$4.39, with top management contributing \$31.27. Furthermore, top financial soundness (\$19.89) and top (\$233.05) and, to a lesser extent, bottom (\$42.33) use of corporate assets also had a positive impact. Top employee talent (-\$98.49), bottom employee talent (-\$42.61), top innovation (-\$34.09), top long-term investment value (-\$58.45), and bottom financial soundness (-\$40.02) had negative effects on earnings per share. In addition, earnings per share across an industry was diminished by \$40.03 when firms within the industry are recognized for having top products and services, indicating this attribute is yet another perceived drain on near-term net earnings among corporate insider respondents.

In the stockholder equity model, corporate reputation score (\$1,122.46 million), top management (\$1,751.64 million), top financial soundness (\$9,035.79 million), and PAC contribution (\$10.62 million) were significant contributors. A reputation for top employee talent (-\$2,352.52) among corporate insiders, as in the firm fixed-effect model, led to a significant reduction in stockholder equity.

Quick ratio/acid test model results are quite similar under firm and industry fixed-effects. That is, corporate reputation score is shown to have a positive effect of .04 percent, with PAC contribution having a negative effect of .0002 percent. R^2 values (within, 0.01; overall, 0.02) are the smallest among the industry fixed-effects models, as was the case under the firm fixed-effect analysis. Therefore, less confidence is placed in the predictive value of this model as well.

Similar to the firm fixed-effects models, the largest R^2 values in the industry fixed-effects models were found in the market value of common stock (within, 0.25; overall, 0.29) and the income before extraordinary items (within, 0.19; overall, 0.23) models. In the market value of common stock model, corporate reputation score (\$5,927.15 million), top management (\$24,806.50 million), top financial soundness (\$43,574.30 million), and PAC contribution (\$113.93 million) were significant contributors. Top long-term investment value had a positive effect in this model (\$15,197.69 million) whereas it was shown to have a significant negative effect in two firm fixed-effects models (i.e., earnings per share and income before extraordinary items). The coefficient sign for top innovation (-\$10,799.34), however, was consistent with a previously seen firm-level negative effect.

In the estimation of income before extraordinary items, corporate reputation score (\$364.76 million), top management (\$1,290.39 million), top financial soundness (\$1,829.88 million) and PAC contribution (\$3.97 million) had positive effects, whereas top innovation (-

\$474.74) and top use of corporate assets (-\$511.92) had negative effects on the dependent variable.

Analysis of the overall effect of each of the eight attributes of corporate reputation revealed a firm's reputation for top quality products and services was not a consistent predictor of firm financial performance, as the attribute made a significant contribution only to earnings per share in the industry fixed-effects model. Furthermore, the effect was negative presumably because of respondents' perceived drain on same-year earnings. No effect of a firm reputed for offering poor quality products and services was significant in any of the models.

Similarly, a reputation for top employee talent had a negative impact on the financial performance measures of earnings per share and stockholder equity in firm and industry fixed-effects models and on market value of common stock and income before extraordinary items in firm fixed-effects models. In each case, the full range of respective values within the ninety-five percent confidence intervals was negative, supporting the conclusion that a reputation for hiring the best employee talent – at least among corporate insiders – does not enhance, and may even detract from, the financial performance of a firm, at least in a contemporaneous analysis.

Although firms may not benefit, per se, in this analysis from a reputation of hiring outstanding employees, the data revealed that they do suffer from a financial perspective if they hire poor talent. That is, a reputation for hiring poor employee talent was shown to have a negative impact on earnings per share in firm and industry fixed-effects models and the Tobin's Q firm fixed-effects model.

A reputation for top long-term investment value among corporate insiders varied in its effect on firm financial performance. It was shown to have a significant, negative effect on earnings per share in firm and industry fixed-effects models and in the income before

extraordinary items firm fixed-effects model. However, in the industry fixed-effects model, its effect was positive on market value of common stock. The effect of having a reputation for being a poor long-term investment was significant, and negative, only in the Tobin's Q firm fixed-effects model.

The findings indicated that a firm recognized by corporate insiders as being financially sound will experience a positive impact on financial performance measures, including earnings per share and stockholder equity in firm and industry fixed-effects models and market value of common stock and income before extraordinary items in the industry fixed-effects models. Being regarded as poor in financial soundness resulted in a significant cut to earnings per share in the industry fixed-effects model but, oddly, had a positive effect on Tobin's Q in the firm fixed-effects model. Perhaps the unexpected positive effect results from investors looking to buy low while a firm is believed to be in dire financial straits, hence increasing its market value relative to its presumably declining book value. However, in light of the low R^2 values previously reported, reputation variables did not appear to be good predictors of Tobin's Q.

Earnings per share increased in firm and industry fixed-effects models for firms viewed as making top use of corporate assets. However, being associated with the same attribute is shown to have a negative impact on stockholder equity in the firm fixed-effects model and on income before extraordinary items in the industry fixed-effects model. These negative coefficients could be related to the contemporaneous nature of these models.

That is, efficient use of current assets can alleviate, in part, the need for the firm to acquire additional assets and, hence, increase earnings per share by avoiding new asset drains on earnings. By not acquiring additional assets, however, firms forego an increase in net worth (stockholder equity) and have fewer assets from which they can generate income (before

extraordinary items). This mixed result can explain why bottom use of corporate assets also made a positive, though relatively smaller than top use of corporate assets, contribution to earnings per share in the industry fixed-effects model. Further, bottom use of corporate assets made a positive contribution to Tobin's Q in the firm fixed-effects model.

From the perspective of corporate insiders, reputation for top innovation had a consistent negative impact on same-year financial performance measures, including market value of common stock and income before extraordinary items in firm and industry fixed-effects models and earnings per share in the industry fixed-effects model. This negative effect held true in the full range of values in each 95 percent confidence interval. To insiders, it appears investments in innovation do not provide contemporaneous benefits but rather represent a drain on short-term earnings and a means of longer-term financial return with inherent risk. No significant effect of a firm being regarded as a poor innovator was revealed in any of the models.

A reputation for top management, however, had a frequent, consistently positive, and relatively large impact in a number of models, including earnings per share, market value of common stock, and income before extraordinary items in firm and industry fixed-effects models and in stockholder equity in the industry fixed-effects model. This positive effect was present in the full range of values in each 95 percent confidence interval. Despite significant, positive findings in regard to reputation for top management, no significant effect of poor management was found in any of the models.

The effect of an extreme score in the eighth attribute of corporate reputation, corporate social responsibility, was captured in the coefficient for corporate reputation score. As the effects of the seven attributes previously discussed were isolated via a dummy variable, the effects of corporate social responsibility remained, by design, in the coefficient for the aggregate

corporate reputation score. With the exception of only one model (i.e., Tobin's Q firm fixed-effects model), corporate reputation score - a proxy for corporate social responsibility - was shown to have a significant and positive impact on earnings per share; stockholder equity; rate of return on property, plant, and equipment; quick ratio/acid test; market value of common stock; and income before extraordinary items in both firm and industry fixed-effects models. In each case, the full range of values in the 95 percent confidence intervals was positive as well, providing convincing and reliable support for the argument that a reputation for corporate social responsibility, at least among corporate insiders, makes some level of a positive contribution to a firm's financial performance.

Finally, PAC contributions (in thousand-dollar increments) were shown to have a positive impact on the financial performance measures of stockholder equity, market value of common stock, and income before extraordinary items in the firm and industry fixed-effects models and a negative, though infinitesimally small, effect only on the quick ratio/acid test firm and industry fixed-effects models. It follows that the size of the firm's PAC contribution determines how the impact of political giving compares with the relative impact of reputation attributes. Nevertheless, its overall effect on firm financial performance is shown to be positive in models with higher R^2 values.

In light of these findings at the firm- and industry-level, each hypothesis is revisited:

H₁: A fixed-effects approach is appropriate for the study of the relationship between corporate reputation and firm financial performance; that is, firm- and industry-level effects are respectively fixed within firms and industries and significantly differ between firms and industries.

Hypothesis 1 was supported. Each of the models with a significant overall F test also had a significant F test indicating effects between firms and industries were different, thereby providing support for the use of a fixed-effects, as opposed to a pooled, approach in the study.

H₂: Top-ranking scores in products and services, management, employee talent, innovation, long-term investment value, financial soundness, and use of corporate assets will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

Hypothesis 2 was supported across firm- and industry-level fixed-effects models but only for top-ranking scores in financial soundness (on earnings per share and stockholder equity), use of corporate assets (on earnings per share), and management (on earnings per share, market value of common stock, and income before extraordinary items). The remaining effects of top-ranking attribute scores on measures of firm financial performance were either insignificant, negative, or varied between firm- and industry-level fixed-effects models.

H₃: Bottom-ranking scores in products and services, management, employee talent, innovation, long-term investment value, financial soundness, and use of corporate assets will have a negative and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

Hypothesis 3 was supported across firm- and industry-level fixed-effects models but only for bottom-ranking scores in employee talent (on earnings per share). The remaining effects of bottom-ranking attribute scores on measures of firm financial performance were either insignificant, positive, or varied between firm- and industry-level fixed-effects models.

H₄: Firm reputation score, as a proxy for corporate social responsibility, will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

Hypothesis 4 was supported across firm- and industry-level fixed-effects models, with the exception of only one model (i.e., Tobin's Q firm-level fixed-effects model). The effect of corporate social responsibility was significant and positive on all remaining measures of firm financial performance.

H₅: Firm PAC contributions will have a positive and significant effect on each measure of firm financial performance in firm- and industry-level fixed-effects models.

Hypothesis 5 was supported across firm- and industry-level fixed-effects models but only for stockholder equity, market value of common stock, and income before extraordinary items. The remaining effects of firm PAC contributions on measures of firm financial performance were either insignificant or, in the prediction of the quick ratio/acid test, infinitesimally small and negative.

Discussion

Corporate insiders, as defined for this study, are those executives, directors, and financial analysts interviewed annually by *Fortune* regarding their perceptions of how firms with industry-leading sales revenues are performing on eight defined attributes of corporate reputation. Through their affiliation with the same industry, insider respondents are considered most knowledgeable about firms' performance in these eight areas. Given the nature of their professions, their interests align well with that of shareholders; that is, these insiders are keenly interested in the bottom-line performance of and the returns generated by the firms included in the annual *Fortune* survey. They, too, are a stakeholder with which corporate public affairs

practitioners (most commonly in the investor relations function) must inevitably communicate on a regular basis via shareholder and analyst meetings, annual reports, routine inquiries, and a variety of mandated reports regarding the financial health of the firm.

This study's findings indicate that firms perceived by corporate insiders as being financially sound, efficient consumers of corporate assets, and led by high quality management are more likely to experience increases in earnings per share and/or stockholder equity, market value of common stock, and income before extraordinary items; this effect holds true when firms are aggregated into industry categories as well. Among the largest and consistently positive of the coefficients in any given significant model are those related to top quality management and financial soundness. Whereas the directional effect of corporate asset use can vary depending on the financial performance measure, management quality and financial soundness, when significant, are time and again sizable and positive in their contribution to firm financial performance. The prominence of the predictive value of management quality and financial soundness are instructive but, from an insider's perspective, not entirely unexpected.

Similar to management quality and financial soundness, firm PAC contributions, too, make significant enhancements to stockholder equity, market value of common stock, and income before extraordinary items. The extent of their benefit to these measures of firm financial performance, however, is dependent on the size of the firm's contribution. All else being equal in the models, at the average annual PAC contribution of roughly \$22,000, the increase to firm financial performance measures rendered by political giving would most often be significantly less than the increase attributable to management quality, financial soundness, or corporate social responsibility. That said, annual PAC contributions of \$100,000 or more could

quite readily place the size of this predictor's effect on par with other key, positive indicators of firm financial performance.

Perhaps most surprising from this shareholder-minded group of survey respondents, however, is that the coefficient representing a company's reputation for social responsibility, though relatively smaller than that for management quality or financial soundness, is shown to be a more frequent, and always positive, significant predictor of firm financial performance measures across both firms and industries. In particular, this finding underscores the premise that factors contributing to firm financial performance are neither exclusively nor sufficiently limited to traditional shareholder interests but require consideration and engagement of broader social interests as indicated by stakeholder theory.

Overall, these findings belie the conventional economic notion that firms should focus exclusively on the interests of shareholders, and they simultaneously reveal that cultivation of a reputation for social responsibility among corporate insiders results in a significant, positive contribution to multiple measures of firm financial performance. Indeed, more traditional measures of firm viability appear to play a relatively larger role in profitability, but social responsibility plays a more frequent and consistently positive role in the financial performance measures considered in this analysis.

Based on this analysis, a firm that chooses to ignore the value enhancement generated by a reputation among corporate insiders for social responsibility is literally foregoing increases in firm financial performance and operating counter to shareholder interests. The wealth-creating mantra provided for firms by these insiders – those most often associated with a strict shareholder focus mentality – is not to heed shareholder *or* social interests, but shareholder *and* social interests: These interests are not only overlapping in their significant contribution to the

bottom line but also value-enhancing to a number of stakeholders with which the firm is compelled to interact.

These results speak, too, to the political economy of corporate reputation and its relationship to firm financial performance. Proponents of the argument that social interests are sufficient to and preeminent in firm sustainability are incomplete in their conclusions. Rather, this analysis, based on the *Fortune* definition of reputation, suggests that corporate reputation is multi-faceted in nature, its components include elements beyond only the social realm, and a variety of those components acting in unison makes a significant contribution to several measures of firm financial performance, which, in turn, benefits shareholder and societal interests alike.

In regard to relationship building with financial stakeholders, this study confirms what socially conscientious managers have intuitively known and provides a business-case rationale for cultivating a reputation for social responsibility among the most bottom-line focused of stakeholders. Discovering financial benefits are related to the promotion of a company's management quality and financial soundness among corporate insiders is not surprising. Confirming financial benefits are related to the promotion of a company's fulfillment of its social responsibilities among insiders is enlightening – particularly for line managers who may be under the false impression that such data are unappealing to or inappropriate for financially oriented audiences.

Critical Analysis

Although this study makes a contribution to the literature in its provision of a political economic perspective of the components of corporate reputation and firm financial performance, it is not without its limitations. Lack of randomization of firms included in the analysis prevents

control of all possible extraneous variables and diminishes the external validity of these findings. That said, the study of 706 firms over a 21-year timeframe is unique to the literature, and though findings can only be applied to the particular firms included in this study, it is still a substantial group about which to comment.

Use of only secondary sources for data collection increases the potential for human error and differences in firm accounting principles to bias the database and, in turn, the fixed-effects regression results. Given the difficulty of accessing firm-level data that is not considered proprietary, reliance on secondary data is, for the most part, unavoidable in this area of inquiry. Nevertheless, a lack of experimental opportunities requires use of *ex post facto* research designs and consequent use of econometric techniques open to spurious results.

Beyond research design limitations, the findings are limited in that they represent only a corporate insider point-of-view regarding reputation and firm financial performance. Although insiders are an important stakeholder for firms, their perspectives are not representative of all stakeholders in a firm's operating environment. Hence, suggestions are made in the next section to obtain a more comprehensive view of the relationship between corporate reputation and firm financial performance.

Suggestions for Future Research

This study is a first step in using fixed-effects modeling to examine how corporate reputation contributes to firm profitability. One direction of this relationship was investigated in this work; that is, only the impact of corporate reputation on firm financial performance was analyzed, and it was done so contemporaneously. Several predecessor studies examined a circular relationship between these key variables (e.g., Cochran & Wood, 1984). Such an approach was not employed in this research, as switching the dependent and independent

variables in a regression equation is not statistically sound; in particular, doing so violates basic assumptions that presume the relationship between dependent and independent variables is not, in fact, simultaneous. Therefore, it is suggested that a more suitable means to study the possibility of reciprocity is to utilize a two-stage ordinary least squares regression model, which would require identification of a variable that impacts either corporate reputation or firm financial performance to the exclusion of influencing the other. The incorporation of time lags could be intriguing as well.

Following Wokutch and Spencer's (1987) methodology, adding a variable to represent annual corporate philanthropic giving would be a worthwhile research endeavor. In particular, this additional control would further refine the findings and facilitate interesting comparison with the effects of political giving on profitability.

As mentioned, there is a need to include the perspective of stakeholders outside of shareholders or corporate insiders, such as consumers, watchdog groups, or the media – all of which exert their own influence on the ability of the firm to reach its profit-generating goals. By doing so, firms will be even better informed as to how best to allocate resources dedicated to the establishment and stewardship of stakeholder relationships.

Finally, given an array of ambiguous and often conflicting definitions of what comprises corporate social responsibility, along with recommendations posed by numerous studies, it is suggested here, too, that both scholars and practitioners move toward a more substantive and consistent delineation of this important concept. Only with an ability to specify just what behaviors are perceived by stakeholders as being socially responsible can scholars and advocates expect bottom-line scripted corporate executives to heed interests beyond those superficially belonging to shareholders alone.

Table 1

Summary of Significant Variables in Simultaneous/Contemporaneous Regression Models
with Significant Overall F Test and Firm Fixed Effect

DV: EARNINGS PER SHARE	<i>B</i>	95% confidence interval
Corporate reputation score*	2.83	.68, 4.99
Top management**	68.55	49.72, 87.38
Top employee talent**	-35.41	-52.59, -18.23
Bottom employee talent*	-42.68	-75.77, -9.59
Top long-term investment value**	-81.90	-100.57, -63.24
Top financial soundness**	36.76	20.18, 53.33
Top use of corporate assets**	49.26	30.14, 68.38

Number of observations: 6,007; Number of firms: 684; R-sq: within=0.03, overall=0.06

* $p < .05$

** $p < .01$

DV: STOCKHOLDER EQUITY	<i>B</i>	95% confidence interval
Corporate reputation score**	456.82	323.08, 590.55
Top employee talent**	-3,031.09	-4,102.29, -1,959.89
Top financial soundness**	1,607.57	587.99, 2,627.35
Top use of corporate assets*	-1,390.02	-2,591.94, -188.09
PAC contribution**	11.70	10.48, 12.93

Number of observations: 6,141; Number of firms: 706; R-sq: within=0.08, overall=0.13

* $p < .05$

** $p < .01$

DV: RATE OF RETURN ON PROPERTY, PLANT & EQUIPMENT	<i>B</i>	95% confidence interval
Corporate reputation score**	17.91	12.14, 23.67

Number of observations: 3,746; Number of firms: 555; R-sq: within=0.01, overall=0.007

* $p < .05$

** $p < .01$

DV: QUICK RATIO/ACID TEST	<i>B</i>	95% confidence interval
Corporate reputation score**	.05	.04, .07
PAC contribution**	-.0002	-.0003, -.0001

Number of observations: 5,319; Number of firms: 613; R-sq: within=0.02, overall=0.01

* $p < .05$

** $p < .01$

Table 1 (Continued)

Summary of Significant Variables in Simultaneous/Contemporaneous Regression Models
with Significant Overall F Test and Firm Fixed Effect

DV: TOBIN'S Q	B	95% confidence interval
Bottom employee talent**	-14.76	-22.66, -6.87
Bottom long-term investment**	-11.58	-18.81, -4.34
Bottom financial soundness*	9.32	1.76, 16.88
Bottom use of corporate assets*	7.48	.411, 14.54

Number of observations: 5,900; Number of firms: 679; R-sq: within=0.01, overall=0.0007

* $p < .05$

** $p < .01$

DV: MARKET VALUE OF COMMON STOCK	B	95% confidence interval
Corporate reputation score**	2,690.62	1,770.21, 3,611.03
Top management **	26,005.79	18,073.68, 33,937.90
Top employee talent**	-22,353.08	-29,586.19, -15,119.97
Top innovation*	-7,528.95	-14,224.35, -833.54
PAC contribution**	153.76	144.67, 162.84

Number of observations: 5,905; Number of firms: 679; R-sq: within=0.19, overall=0.21

* $p < .05$

** $p < .01$

DV: INCOME BEFORE EXTRAORDINARY ITEMS	B	95% confidence interval
Corporate reputation score**	343.36	296.17, 390.55
Top management**	979.13	563.16, 1,395.10
Top employee talent**	-743.41	-1,122.94, -363.87
Top innovation**	-525.12	-872.76, -177.47
Top long-term investment value*	-498.18	-910.18, -86.19
PAC contribution**	4.95	4.51, 5.38

Number of observations: 6,170; Number of firms: 706; R-sq: within=0.12, overall=0.21

* $p < .05$

** $p < .01$

Table 2

Summary of Significant Variables in Simultaneous/Contemporaneous Regression Models with Significant Overall F Test and Industry Fixed Effect

DV: EARNINGS PER SHARE	<i>B</i>	95% confidence interval
Corporate reputation score**	4.39	2.47, 6.32
Top products & services**	-40.03	-59.79, -20.27
Top management*	31.27	7.47, 55.08
Top employee talent**	-98.49	-119.57, -77.42
Bottom employee talent*	-42.61	-80.62, -4.59
Top innovation**	-34.09	-52.31, -15.88
Top long-term investment value**	-58.45	-81.95, -34.96
Top financial soundness*	19.89	-.01, 39.81
Bottom financial soundness*	-40.02	-77.15, -2.89
Top use of corporate assets**	233.05	209.79, 256.31
Bottom use of corporate assets*	42.33	7.35, 77.32

Number of observations: 6,007; Number of industries: 85; R-sq: within=0.10, overall=0.12

* $p < .05$

** $p < .01$

DV: STOCKHOLDER EQUITY	<i>B</i>	95% confidence interval
Corporate reputation score**	1,122.46	985.24, 1,259.68
Top management*	1,751.64	19.62, 3,483.66
Top employee talent**	-2,352.52	-3,877.49, -827.54
Top financial soundness**	9,035.79	7,608.72, 10,462.85
PAC contribution**	10.62	9.40, 11.84

Number of observations: 6,141; Number of industries: 85; R-sq: within=0.14, overall=0.17

* $p < .05$

** $p < .01$

DV: QUICK RATIO/ACID TEST	<i>B</i>	95% confidence interval
Corporate reputation score**	.04	.03, .06
PAC contribution**	-.0002	-.0003, -.0001

Number of observations: 5,319; Number of industries: 75; R-sq: within=0.01, overall=0.02

* $p < .05$

** $p < .01$

Table 2 (Continued)

Summary of Significant Variables in Simultaneous/Contemporaneous Regression Models
with Significant Overall F Test and Industry Fixed Effect

DV: MARKET VALUE OF COMMON STOCK	<i>B</i>	95% confidence interval
Corporate reputation score**	5,927.15	5,164.93, 6,689.37
Top management **	24,806.50	15,471.39, 34,141.61
Top innovation**	-10,799.34	-18,009.58, -3,589.11
Top long-term investment value**	15,197.69	5,803.58, 24,591.80
Top financial soundness**	43,574.30	35,655.02, 51,493.57
PAC contribution**	113.93	106.87, 120.98

Number of observations: 5,905; Number of industries: 85; R-sq: within=0.25, overall=0.29

* $p < .05$

** $p < .01$

DV: INCOME BEFORE EXTRAORDINARY ITEMS	<i>B</i>	95% confidence interval
Corporate reputation score**	364.76	327.35, 402.17
Top management**	1,290.39	818.89, 1,761.90
Top innovation*	-474.74	-835.45, -114.03
Top financial soundness**	1,829.88	1,440.47, 2,219.28
Top use of corporate assets*	-511.92	-972.28, -51.56
PAC contribution**	3.97	3.64, 4.30

Number of observations: 6,170; Number of industries: 85; R-sq: within=0.19, overall=0.23

* $p < .05$

** $p < .01$

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