

STAKEHOLDER MANAGEMENT REPUTATION AND ITS EFFECTS ON CEO
DISMISSAL AND CEO COMPENSATION

BY

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DISSERTATION

Submitted in partial fulfillment of the requirements
for the degree of Doctor of Philosophy in Business Administration
in the Graduate College of the
University of Illinois at Urbana-Champaign, 2019

Urbana, Illinois

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ABSTRACT

This dissertation examines the influence of an organization's reputation for stakeholder management on outcomes relevant to corporate executives. I theorize that organizations develop two distinct reputations for stakeholder management. The first (for ease of exposition) is a reputation for "doing good." "Do good" stakeholder management reputation is exemplified by organizational actions that are perceived to generate positive spillovers. The second is a reputation for "avoiding harm." "Avoid harm" stakeholder management reputation is exemplified by organizational actions that are perceived to reduce negative spillovers. I propose that stakeholder management reputation offers a lens through which board members may make sense of a corporate executive's competencies. This sensemaking process triggers cognitive evaluation processes that influence the type of attributions made about the ability of corporate leaders. These attributions in turn inform the decisions that are made on their behalf. The first study examines the effect of the reputation for stakeholder management on CEO dismissal. I propose that a reputation for "avoid harm" stakeholder management is more beneficial to alleviate the negative effects of poor financial performance on CEO dismissal. The second study examines the effect of the organization's reputation for stakeholder management on CEO compensation. Here I propose that a reputation for "do good" stakeholder management holds a more positive association with CEO compensation relative to the reputation for "avoid harm" stakeholder management. I also examine the moderating role of firm performance, board independence and information uncertainty. I test these ideas on a sample of S&P-500 firms and the empirical analysis provides partial support for these ideas.

But I shall let the little that I have learnt to go forth into the day in order that someone better than I may guess the truth, and in *their* work may prove and rebuke my error. At this I shall rejoice that I was yet a means whereby this truth has come to light.

Albrecht Dürer

Kindness and love above all

Pankajam Vijayasankaran

To Michelle

Without whom I would not have started a PhD and without whom I would not have completed
this dissertation.

ACKNOWLEDGEMENTS

It would have been impossible to finish this dissertation without the support of several individuals. While a written acknowledgment would never be enough to explain the gratitude that I have for them, I will nevertheless do so to proudly proclaim that they carried me to the finish line and have still not dropped me.

Mike Bednar allowed me to remain his advisee and continued to have faith in me even during times when I had severe doubts about finishing this dissertation. Mike's advice and counsel ensured that I stayed on course. There have been several occasions when I walked into Mike's office with something new instead of thinking more deeply about what I already knew. Mike gently but surely always made sure that I kept the focus on finishing the dissertation. This dissertation has also expanded our friendship to a degree that I am going to deeply miss our weekly meetings and conversations especially those that had nothing to do with management. While Mike's scholarship is aspirational for me, even more aspirational is his character. Mike has shown me that nice guys can finish first.

Geoff Love gave me the gift of his time. My second year paper was a disaster and its presentation was an even greater disaster. Geoff took me to the YMCA for lunch and told me that he was open to working with me despite this. I took up the offer and it's been a privilege to be in his company since that day in October of 2015. His mentorship has been invaluable to me and I dearly hope that he continues to think of me as his student.

Matt Kraatz's advice on crafting an effective story has been invaluable. After every seminar or meeting that we had to discuss my research, Matt would hand me a single page handwritten note. These notes have been of enormous help in making sure the dissertation is a cogent argument.

I have been very fortunate to have Joe Mahoney on my committee. Joe's advice on several aspects of my research have made me a better scholar. More importantly, his kindness and encouragement is something that I will always cherish.

I have also benefitted from the advice and counsel of Jeff Loewenstein. Since day one, Jeff has always been welcoming and willing to help me with my questions related to research, teaching and the academic career. I also thank the Late Huseyin Leblebici who was and will always remain an inspiration to me.

I thank Diana Gonzalez for all her effort in ensuring that my experience with the PhD program was great. So many aspects of the program have been made more meaningful and less confusing because of Diana. She has also become a friend and a trusted confidant.

I thank Jyotsna Bhatnagar, Vasanthi Srinivasan, Bala Balasubramanian and Padmini Srinivasan for their support and encouragement during the days when I was unsure if I could gain admission into a PhD program.

I thank several family members whose support mattered so much. I thank Yvette and Dusty Granger for all their help even before we arrived in US and our time since then. I thank Elizabeth Simon for her love, prayers and support. I thank Kaushik Sridhar for his constant encouragement and curiosity. I thank Kannan and Jayshree Iyer, my Uncle and Aunt who treated me like their son and who transferred to me their love for books.

I thank Aparna, my dear sister for her encouragement, love and support. I remember that hot day in Cochin when I was trying to finish an 800-meter race when she ran beside me exhorting me to finish. She has continued to cheer for me in much the same way and I cannot thank her enough for how much her support means to me.

I thank Kamalam, my grandmother for her tenderness and unconditional love. Whenever times were difficult, hearing her voice telling me not to worry has made an enormous difference in my life. I now look forward to spending more time with her.

I thank Ela, my beloved daughter who brings me so much joy. She has been an inspiration in so many ways and I am so lucky to have her in my life. I thank Ari, my beautiful son who came into our lives just when things were getting dull. Ela and Ari have made me a better human being.

I thank Pankajam and Vijayasankaran, my dear parents who sacrificed so much for so many years and continue to do so. They never took vacations, used the same car for years, didn't go out to eat, didn't buy new clothes, didn't go to the movies so that their son and daughter could walk into a bookstore and buy whatever book they pleased. Now that I have finished this dissertation, I hope I can begin to repay their love.

My deepest gratitude is reserved for my dearest wife Michelle Simon who gave up so much to join me. I would not be the man I am today without her sacrifice. Despite having most of her freedom taken away from her with an F2 visa, she endured and made sure that we came out of this stronger. Despite my having reneged on a promise that I would finish in five years, she never said a word to discourage me and calmly continued to help me. Now that I have finished my PhD I hope to use this time wisely to help her regain what she lost.

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INTRODUCTION

A significant body of work on top management teams is concerned with understanding and explaining outcomes relevant to corporate executives. These outcomes include executive pay, executive selection and succession, executive decision-making and resource allocation amongst others (Finkelstein, Hambrick, & Cannella, 2008). Although several phenomena have been found to be important predictors of the above outcomes, there is a relative lack of attention to the role of stakeholder management. This neglect is surprising on two levels. First, stakeholder management is considered a core aspect of a firm's strategy, so I would expect that how a firm interacts with stakeholders could have meaningful consequences for corporate executives (Freeman, 1984; Hillman & Keim, 2001). Second, corporate executives are perceived to hold significant decision-making authority in their organization's management of stakeholders (Ormiston & Wong, 2013; Petrenko, Aime, Ridge, & Hill, 2016). Given these insights, the question naturally arises as to whether stakeholder management influences outcomes relevant to corporate executives.

While stakeholder management's influence is the broad focus of this dissertation, the specific question this dissertation aims to address is, "What are the consequences of an organization's *reputation for* stakeholder management on corporate executives?" Two considerations suggest the narrower specification of the broader research question may be more fruitful. First, the temporal distance between deployment of stakeholder management strategies and the realization of outcomes associated with these strategies suggests that estimating the effectiveness of stakeholder management is a difficult task (as attested by a large body of work (Chatterji, Durand, Levine, & Touboul, 2016)). Second, perceptions surrounding stakeholder management activities are likely to trigger sensemaking processes amongst decision makers that

can be consequential to managers (Basu & Palazzo, 2008; Bhattacharya & Sen, 2003). The theoretical framework used in this dissertation conceptualizes stakeholder management reputation as a perceptual measure.

Stakeholder management reputation is an integral part of corporate reputation (Fombrun, 2005). Research suggests that senior executives play a key role in shaping stakeholder management reputation, both strategically as well as tactically (Agle, Mitchell, & Sonnenfeld, 1999; Schmit, Fegley, Esen, Schramm, & Tomassetti, 2012; Weaver, Treviño, & Cochran, 1999). It is not surprising then that milestones related to stakeholder management are incorporated into incentive plans for executives (Hillman & Keim, 2001). Understandably when organizations violate stakeholder management expectations and suffer reputational damage, it is senior executives who are held responsible (Connelly, Crook, Combs, Ketchen, & Aguinis, 2015). However, CEOs of organizations that hold strong reputations for effective stakeholder management stand to benefit (Berrone & Gomez-Mejia, 2009). These findings are supported by substantial anecdotal evidence. Consider the dismissal of CEOs at organizations such as JetBlue and Target (O'Connor, 2014; Tinsley, Dillon, & Madsen, 2011) whose organizations suffered reputational damage for poor stakeholder management, or the CEOs of PepsiCo and Apple receiving positive media coverage for their stakeholder management initiatives despite their shareholders' negative perceptions regarding their organization's financial or operational performance (Abboud, 2018, November 29; Colvin, 2013). Despite this empirical and anecdotal evidence there isn't much academic research that has examined when and why an organization's reputation for stakeholder management would matter for executives. Moreover even less scholarship has embraced the complexity of stakeholder management as consisting of two separate sets of responsibilities – one aimed towards “doing good” and the other towards “avoiding harm”

(Brown & Treviño, 2006; Waldman & Galvin, 2008). This complexity is important because perceptions of stakeholder management and attributional processes that ensue may change based on goals that evaluators seek to achieve (Gioia & Chittipeddi, 1991). For example, attributional processes surrounding CEO dismissal may not be the same as those adopted by boards prior to compensation decisions. Extant research adopts a monolithic characterization of stakeholder management reputation and theorizes that stakeholder management reputation amplifies the effects of other key variables, such as firm financial performance on both dismissal and compensation (Coombs & Gilley, 2005; Hubbard, Christensen, & Graffin, 2017). I propose that a more nuanced characterization of stakeholder management reputation may provide new insights into how stakeholder management reputation is consequential to organizational leaders.

Theoretically, the broader construct of reputation bears allegiance to two perspectives. An economics based perspective would suggest that reputation is closely linked to performance expectations. Understandably the focus is on financial and other tangible outcomes. This economics based perspective emphasizes historical performance (Washington & Zajac, 2005) and finds strong support in several studies of corporate reputation (Brown & Perry, 1994; Jensen & Roy, 2008). Organizations that fail to deliver on objective performance outcomes suffer reputational penalties alongside their leaders. The social institutional perspective is distinguished by its focus on the audiences evaluating the organization on socially constructed criteria that are legitimized by audiences. These criteria may or may not bear a significant relationship to financial performance outcomes and may frequently be symbolic and more holistic in nature (Deephouse, 2000). Reputation thereby depends not on objective performance outcomes but on criteria that have the appearance of credibility (Oliver, 1991). Substantial research lends support to this perspective as well (Love & Kraatz, 2009; Staw & Epstein, 2000). I propose that in regards to

stakeholder management reputation, a middle ground combining both the economic and the social institutional perspectives are relevant. In other words, while substantive outcomes are significant, symbolic actions in regards to stakeholders also matter because they lead to attributions of ability for both the organization and its leaders even when their actual relationship to performance outcomes may remain unclear. At least three reasons suggest why such an approach may be feasible. First, unlike financial performance outcomes, accurate assessment of stakeholder management outcomes may require a longer time frame. Given the temporal lag, perceptions about strategic actions may attain high relevance in addition to actual outcomes themselves. Secondly, a perceptual assessment may also be relevant because of the high levels of uncertainty surrounding stakeholder management actions. This uncertainty arises because of the decoupling between stakeholder management actions and their relationship to objective performance outcomes such as firm financial performance. Given this uncertainty, even well informed audiences are likely to increase the magnitude of *social construction*, which in turn may inform how audiences judge its leaders. Third, a conceptualization that borrows from both the economic and the social institutional view of reputation would best allow accurate theorizing about how audiences construct images of their leaders which then inform their decisions on dismissal and compensation.

This dissertation suggests that an organization develops two relatively distinct reputations concerning stakeholder management. Specifically, I conceptualize stakeholder management reputation as an overall judgment about an organization's capability to engage with stakeholders, create positive spillovers and reduce negative spillovers. These judgments may in turn affect the type of attributions that board members may make about organizational leaders. The first is a reputation for "do good" stakeholder management and is an outcome of activities aimed at generating positive spillovers for stakeholders. This may be done directly through the production

of goods and services, or indirectly through the organization's participation in societal needs leading to perceptions that the organization has the ability to enhance stakeholder welfare. The second, a reputation for "avoid harm" stakeholder management, is an outcome of activities aimed at reducing negative spillovers for stakeholders. Organizations may achieve such as reputation by ensuring compliance with extant local, national and global regulations leading to perceptions that the organization has the ability to prevent harm to stakeholders. Given that the reputation for "avoid harm" stakeholder management invites less attention except when the organization is under duress, it has understandably received less attention from scholars (Lin-Hi & Müller, 2013). Moreover extant work has largely treated these two reputations monolithically (e.g., (Deckop, Merriman, & Gupta, 2006; Hillman & Keim, 2001), which may be one reason for some of the seemingly contradictory findings about the effects of stakeholder management. While recent work has begun recognizing that there may be value in examining the effects of a reputation for "do good" stakeholder management and "avoid harm" stakeholder management separately (Crilly, Ni, & Jiang, 2016; Minor & Morgan, 2011), the consequences of these distinct stakeholder reputations for CEOs need to be better understood.

The first study examines the consequences of stakeholder management reputation on CEO dismissal. CEO dismissal is a non-routine decision by the board that typically occurs when poor financial performance is attributed to the CEO (Fredrickson, Hambrick, & Baumrin, 1988; Haleblan & Rajagopalan, 2006). Therefore, in general, CEOs that escape causal attributions, either because they are seen as high ability CEOs or because they are seen as not being responsible for poor financial performance should be less likely to be dismissed. An organization's reputation for stakeholder management may provide a mechanism by which evaluator attributions of its leaders may be affected. The study proposes that while both "do good" stakeholder management

reputation and "avoid harm" stakeholder management reputation may both provide a buffer against dismissal; the insurance-like effects of "avoid harm" stakeholder management reputation may be more powerful. A reputation for "avoid harm" stakeholder management underscores the importance of CEO vigilance and effective risk management. Since boards are likely to attach greater significance to vigilance and risk management when financial performance is poor, a reputation for avoiding harm may decrease the likelihood of negative attributions of CEO ability. In other words, CEOs should be less likely to be dismissed in the face of poor performance when the organization has a reputation for avoiding harm than when the organization has a reputation for doing good. The current study employs several analytical models to test this theory on a sample of S&P-500 firms for the period 2006-2014. The findings suggest that at low levels of firm financial performance, the marginal effects of reputation for "avoid harm" stakeholder management on the relationship between firm performance and dismissal are stronger than similar effects of reputation for "do good" stakeholder management. The findings also suggest that organizations with high levels of reputation for "avoid harm" stakeholder management and low levels of reputation for "do good" stakeholder management are the least likely to dismiss their CEO's in the face of poor financial performance. Overall, the study's findings suggest that in the case of CEO dismissals, which are relatively rare events, avoiding negative internal attributions arising due to poor firm performance may depend partly on the firm's reputation for "avoiding harm" rather than its reputation to "do good." While existing theory provides evidence to suggest that stakeholder management in general provides insurance against poor firm performance (Hubbard et al., 2017), the current study finds that these effects may be largely driven by a reputation for "avoid harm" stakeholder management rather than a reputation for "do good" stakeholder management.

The second study examines the relationship between stakeholder management reputation and CEO compensation. Unlike dismissal, which is a non-routine decision for the board, compensation decisions occur more frequently and CEOs typically receive additional compensation by proactively meeting goals and focusing on strategic actions that garner positive attention (Zajac & Westphal, 1995). Existing theory in this realm remains ambivalent to the distinction between a reputation for doing good and a reputation for avoiding harm (e.g. Coombs & Gilley, 2005). In contrast, the current study theorizes that strategic actions aimed at improving stakeholder welfare are associated with "do good" stakeholder management reputation. This reputation in turn may lead to positive attributions of CEO efficacy. On the other hand, strategic actions associated with reducing harm to stakeholders while enhancing an organization's reputation for "avoiding harm" may also be associated with attributions of risk aversion on behalf of its CEO. The study's findings that a reputation for "do good" stakeholder management is positively associated with CEO compensation while a reputation for "avoid harm" stakeholder management holds a negative association with CEO compensation appears to corroborate the theory. The findings provide further support for the distinct effects of reputation for "do good" and reputation for "avoid harm" stakeholder management. The study also explains and finds partial support for the role of financial performance, board independence, and information uncertainty as moderators of the relationship between stakeholder management and CEO compensation. The findings suggest that boards may focus on the presence of positive spillovers (i.e., reputation for "do good" stakeholder management) rather than the absence of negative spillovers (i.e., reputation for "avoid harm" stakeholder management) when determining CEO compensation packages.

Table 1 provides a summary of the building blocks of the theory developed in this dissertation including the definition for "do good" stakeholder management reputation and "avoid

harm" stakeholder management reputation with examples for the two. It also provides the synopsis of the underpinning mechanisms including the signals emanating from the two reputations and the attribution processes leading from the signals to the eventual outcomes for the CEO. For example, the table suggests that "do good" stakeholder management reputation signals underpinning ability of the CEO in relation to firm performance and that this assessment is used to make attributions for poor firm performance (i.e., whether the CEO was responsible). The table also highlights the supporting theories that help arrive at similar predictions without necessarily adopting a cognitive or behavioral perspective.

This dissertation theorizes that the reputation for both "do good" and "avoid harm" stakeholder management can trigger sensemaking processes that lead to distinct causal attributions regarding the CEO's role. In doing so, the dissertation makes the following contributions. First, the dissertation contributes to the literature on CEO dismissal. The literature on CEO dismissal has typically focused on objective indicators of firm performance and paid less attention to the attributional processes that may be at play (Haleblian & Rajagopalan, 2006). By taking a more cognitive perspective, this study suggests that CEO attributions of ability may be influenced by an organization's reputation for stakeholder management and that these attributions in turn determine the CEO's survival. The dissertation also contributes to the literature on CEO compensation. CEO compensation has also largely focused on past performance as a strong determinant of CEO compensation. This study theorizes that an organization's reputation for stakeholder management also affects attributions of initiative and risk taking which in turn affect CEO compensation. Additionally, the dissertation also contributes to the stakeholder management literature. This dissertation contributes to our understanding of how perceptions of a firm's actions with non-shareholder actors can influence the welfare of CEOs, over and above the influence of financial

performance. One of the key takeaways from these two studies is the idea that the same reputation can have different effects depending on the nature of the decision being made, suggesting the benefits of adopting a non- monolithic characterization of stakeholder management reputation. Overall, the findings of the dissertation suggest that while “doing good” seems to pay off for CEOs in the form of increased compensation, “avoiding harm” is actually more beneficial in the face of poor performance to avoid being dismissed.

Table 1

	Reputation for "Do good" stakeholder management	Reputation for "Avoid harm" stakeholder management
Definition	Strategic actions intended to create positive spillovers leading to positive perceptions of the organization's ability to enhance stakeholder welfare	Strategic actions intended to minimize negative spillovers leading to perceptions of the organization's ability to minimize harm to stakeholders
Underlying strategy	Proactive engagement with stakeholders	Vigilant engagement with stakeholders
Examples	<ul style="list-style-type: none"> • A beverage company introduces an organic version of its soda with an improved nutritional profile targeted at diabetes prone consumers who form a minuscule percentage of the overall consumer segment • A power company works closely with supply chain partners to reduce carbon footprint in greenfield locations in developing countries • A textile company introduces a new policy allowing parents to bring their children to work/work from home 2 days a week • A manufacturing company announces that it will increase board diversity and launch a new award highlighting contributions of women in manufacturing settings • An aluminum sheet manufacturer introduces a new recycling program despite falling costs of raw aluminum 	<ul style="list-style-type: none"> • A beverage company updates nutrient value for its products based on newer scientific evidence to comply with FDA dietary guidelines • A power company updates its risk management program with application to accidental chemical release every 5 years to comply with the Clean Air Act's risk management plan rule • A garments manufacturer ensures that its factory sources in Bangladesh do not employ children below the age of 15 to comply with the United Nations Conventions on the Rights of the Child • A media organization begins to disclose pay data to comply with the new regulations published by the US Equal Employment Opportunity Commission • A chemical manufacturer undertakes an extensive examination of hazardous waste disposal facilities to ensure that it does not make it to the Toxic 100 list
CEO Dismissal (Retain CEOs who meet minimum standards/manage risks & dismiss CEOs who inappropriately manage risks)		
Signal	Reputation for "do good" stakeholder management	Reputation for "avoid harm" stakeholder management
Interpretation w.r.t. dismissal	Demonstrates CEO proactiveness	Demonstrates CEO competence to manage risks
Attribution	Dispositional attribution/high CEO efficacy	Dispositional attribution/high CEO efficacy
Expected Outcome	Decreased likelihood of dismissal	Decreased likelihood of dismissal
Interpretation w/ poor financial performance	CEO focus on secondary objectives	CEO focus on relevant objectives
Attribution	Causal attribution/poor firm performance due to the CEO	Causal attribution/poor firm performance due to circumstances beyond CEOs control
Expected Outcome	Increased likelihood of dismissal due to poor firm performance relative to avoid harm stakeholder reputation	Decreased likelihood of dismissal due to poor firm performance relative to do good stakeholder reputation
Supporting theories	Expectation violation theory	Value congruence theory
CEO Compensation (Reward excellence and initiative and punish risk aversion)		
Signal	Reputation for "do good" stakeholder management	Reputation for "avoid harm" stakeholder management
Interpretation w.r.t. compensation	Demonstrates CEO initiative	Demonstrates CEO risk aversion
Attribution	Dispositional attribution/high CEO efficacy	Dispositional attribution/low CEO efficacy
Expected Outcome	Reward the CEO	Restrict rewards
Interpretation w/ high financial performance	Stakeholder management becomes less relevant	Stakeholder management becomes less relevant
Attribution	Causal attribution/high firm performance due to the CEO	Causal attribution/high firm performance due to the CEO
Expected Outcome	Effect of do good stakeholder reputation decreases	Effect of avoid harm stakeholder reputation decreases
Supporting theories	Resource based theories/Social capital	Agency theory

STUDY 1: HOW STAKEHOLDER MANAGEMENT REPUTATION INFLUENCES CEO DISMISSAL

CEO selection and succession continues to generate substantial interest amongst scholars. Within this broad academic area, researchers in multiple disciplines, including finance, accounting and management (e.g., (Farrell & Whidbee, 2003; Jenter & Kanaan, 2015; Puffer & Weintrop, 1991), have focused on understanding when and why CEO's get dismissed. To address this fundamental question, scholars have examined the effects of several variables such as external certifications of firm performance (Wiersema & Zhang, 2011), power dynamics amongst top management teams (Shen & Cannella, 2002) and board demographics and social status (Flickinger, Wrage, Tuschke, & Bresser, 2015). While these studies have undoubtedly added to our understanding of several antecedents to dismissal, there is much room to explore the role of sensemaking processes that may influence CEO dismissal. Theories of board attention and cognition suggest that board members try to make sense of the CEO's performance based on several measures of organizational effectiveness (Fredrickson et al., 1988; Haleblian & Rajagopalan, 2006). This sensemaking process in turn gives rise to attributions for firm outcomes that ultimately determine whether the CEO will be retained or dismissed.

To the extent that sensemaking and attributional processes inform the likelihood of dismissal, it becomes important to think about the factors that influence sensemaking processes. An obvious place to begin is financial performance. Several studies have shown that poor financial performance, both in absolute terms and relative to industry peers, is an important predictor of CEO dismissals (Boeker, 1992; Denis, Denis, & Sarin, 1997; Huson, Parrino, & Starks, 2001; Jenter & Kanaan, 2015). However, the explanatory power of financial performance as a predictor of CEO dismissal has been called into question (Finkelstein et al., 2008, p. 169). This raises the possibility that attributional processes surrounding dismissal may also be dependent on other

measures of organizational effectiveness. One such measure may be related to the organization's management of its stakeholders.

Scholars increasingly recognize the importance of stakeholder management within the domain of strategic management (Bundy, Shropshire, & Buchholtz, 2013; Mitchell, Agle, & Wood, 1997; Tantalo & Priem, 2016). A key perspective of stakeholder theory is that top managers are central actors in the organization's relationships with its stakeholders, with a responsibility to identify, shape, and manage stakeholder relationships (Freeman, 1984). This theoretical perspective is strongly supported by several anecdotal examples demonstrating the attention bestowed on CEOs whose organization's develop a reputation for successfully managing their stakeholder relationships. For example, leaders such as Indra Nooyi of PepsiCo and Paul Polman of Unilever were consistently seen as the face of sustainable leadership despite generating intense shareholder debates regarding the strategic direction of their respective organizations (Abboud, 2018, November 29; Colvin, 2012). The tendency to attribute an organization's reputation for stakeholder management to its leaders is consistent with the need for evaluators to rely on sensemaking processes and attribute organizational successes and failures to its leaders (Meindl, Ehrlich, & Dukerich, 1985). This study theorizes that an organization's reputation for stakeholder management will inform attributions made on behalf of the CEO and that these attributions in turn will influence the likelihood of CEO dismissal. (Freeman, 1984).

The study first proposes that organizations develop two relatively distinct reputations for stakeholder management. The first is a reputation for "doing good." "Do good" stakeholder management reputation develops from strategic actions intended to create positive spillovers, such that these actions either directly enhance stakeholder welfare or are perceived to do so. This may be achieved either directly through the production of products and services, or indirectly through

the organization's participation in societal needs through mechanisms such as philanthropy and volunteerism. Much of the literature to date has focused on "do good" stakeholder management reputation. However, as organizations engage with their stakeholders, they must also consider the need to "avoid harm." "Avoid harm" stakeholder management is concerned with reducing negative spillovers and enacting strategies that emphasize vigilance. By engaging in such actions over time, organizations develop a reputation for "avoid harm" stakeholder management.

Drawing on theories about sensemaking and attribution, the study develops theory about how the reputations for "do good" stakeholder management and "avoid harm" stakeholder management inform the likelihood of CEO dismissal. I begin by theorizing that both reputations for "do good" stakeholder management and "avoid harm" stakeholder management reduce the likelihood of CEO dismissal. However, the attribution processes may change when evaluators also draw on information about firm performance. Given this change in the attribution processes, I theorize that a reputation for "avoid harm" stakeholder management will be especially powerful in weakening the effect of firm performance on CEO dismissals. Finally the study also theorizes that a configuration emphasizing high reputation for "avoid harm" stakeholder management and relatively low reputation for "do good" stakeholder management has the strongest effect on weakening the relationship between firm performance and dismissal. The study empirically tests the impact of these two reputations for stakeholder management on the likelihood of CEO dismissal using a large sample of S&P-500 firms over a 9-year period and finds partial support for the predictions.

The study makes the following contributions. First, the study enhances understanding of the role of stakeholder management reputation for CEOs. Specifically, this study provides additional theoretical nuance to existing work. Prior work has shown that boards' preference for

weighting social performance as an antecedent to CEO dismissal is contingent upon firm financial performance (Hubbard et al., 2017). By demonstrating that the reputations for "do good" stakeholder management and "avoid harm" stakeholder management may have different effects, this study extends extant findings. Second, the study also responds to a call to adopt a cognitive framework in explaining CEO dismissals (Haleblian & Rajagopalan, 2006) . The study theorizes that stakeholder management reputations inform sensemaking and attributions of CEO efficacy and thus informs the dismissal decision. Third, the study's findings have implications for the literatures on organization theory and strategic management (Venkatraman & Ramanujam, 1986). The studies provide support for a more expansive view of organizational effectiveness that goes beyond the domain of financial and operational performance. Specifically, the results of the two studies appear to provide support to political and economic perspectives of organizational effectiveness wherein the CEO's success is determined by value judgments about the organization's relationship with a broad set of stakeholders (Nord, 1983).

THEORY AND HYPOTHESES

The study develops a theoretical perspective to explain how an organization's reputation for stakeholder management can impact CEO dismissal decisions. There are three key features to this theory. The first is that CEO dismissal decisions are outcomes of board level cognitive processes (Fredrickson et al., 1988; Haleblian & Rajagopalan, 2006). While it seems reasonable that board members would base CEO succession decisions on financial performance, several studies suggest that financial performance explains a fairly limited amount of variance in these actions. In fact, CEO dismissal occurs for a variety of reasons and some studies suggest that CEOs may be dismissed even when organizations are not performing poorly (Ertugrul & Krishnan, 2011). This lack of consistency in the variance predicted by financial performance in succession

suggests that board members may be undertaking a sensemaking process vis-à-vis firm performance. It also suggests that board members may look to other organizational level outcomes as signals that are pertinent in their sensemaking processes.

The second feature of this study's theory is that an organization's reputation for stakeholder management appears to be particularly salient as one such outcome relevant to the sensemaking process. Stakeholder management reputation (i.e., the degree to which the strategic actions of the organization in relation to its stakeholders either create positive spillovers or reduce negative spillovers or are perceived to do so) is a central feature of corporate reputation (Fombrun, 2005) which in turn is likely to be a key concern for the board. Research also suggests that board members appear to hold strong stakeholder orientations and are keenly aware of the organization's ability, or perceived ability, to manage these relationships successfully (Wang & Dewhirst, 1992). To the extent that CEO's are perceived to play an important role in shaping stakeholder reputations I propose that stakeholder reputation is likely to activate board level sensemaking processes.

The third feature of the theory is the explication of the attributional processes (Kelley, 1973) that link reputation for stakeholder management to CEO dismissal. Stakeholder reputation is likely to enter into board members decisions via two conduits (Haleblian & Rajagopalan, 2006). First, I posit that stakeholder management reputation affects dispositional attributions and specifically attributions of CEO efficacy. These efficacy assessments in turn influence the likelihood of dismissals. The second and probably more prevalent conduit is through causal attributions of firm performance. That is, the extent to which board members make sense of firm performance and attribute poor performance to the CEO is likely to depend on stakeholder management reputation. These attributions will in turn, inform dismissal decisions. This argument

is buttressed by research on attribution theory which suggests that sensemaking and attributional processes are context dependent (Jones & Davis, 1965).

From attributions to CEO dismissals

A consistent finding across several empirical studies is that poor firm performance often precipitates CEO dismissal (Boeker, 1992; Brookman & Thistle, 2009; Denis et al., 1997; Jenter & Kanaan, 2015). Yet despite the importance of financial performance in this stream of research, the variance explained by firm performance is less than what intuition would suggest (Furtado & Karan, 1990). One study even demonstrated that nearly half of the CEOs of more than 2000 listed companies in US Stock Exchanges were dismissed despite positive shareholder returns (Ertugrul & Krishnan, 2011). These studies highlight the fact that CEO dismissal decisions are complex and are influenced by a variety of factors in addition to financial performance.

One proposal put forth by scholars is to explain dismissals as part of a sensemaking process by the board (Fredrickson et al., 1988; Haleblan & Rajagopalan, 2006). This process is shaped by the fundamental belief that there are strong linkages between organizational level outcomes and the CEO's ability (Jones & Davis, 1965) such that poor performance suggests low levels of ability. These attribution processes are a natural consequence of the difficulty that boards often face in observing CEO behavior and ability (Eisenhardt, 1989). Consistent with the general model of sensemaking (Gioia & Chittipeddi, 1991; Tversky & Kahneman, 1974), board members are prone to rely on information that is easily accessible and then make efficacy assessments (dispositional attributions) of the CEO which ultimately affects the decision to dismiss or retain the CEO. While firm performance itself plays an important role in this sensemaking and attribution processes, the lack of consistently strong effects in the firm performance – dismissal link suggests that board members may also rely on other organizational level outcomes to make attributions of CEO ability.

Reputation for stakeholder management

I propose that one such outcome that board members may rely on is the organization's reputation for stakeholder management. However, before elaborating the theoretical mechanisms and developing the hypotheses, a brief explanation of what this study means by stakeholder management reputation is in order. I conceptualize stakeholder management reputation as consisting of two distinctive reputations. The first, a reputation for "doing good" is driven by strategic actions that go above and beyond compliance. Given their ability to generate positive spillovers as well as generate positive perceptions of stakeholder engagement, such strategic actions may be seen as constituting proactive engagement with stakeholders (Crilly et al., 2016). As such, a reputation for "do good" stakeholder management is preceded by the deployment of strategies perceived to extend beyond legal requirements. Additionally, "do good" stakeholder management reputation may also manifest in the organization taking a lead in addressing stakeholder issues, or by deliberately pursuing awards and certifications (Crilly et al., 2016; Shropshire & Hillman, 2007; Stahl & De Luque, 2014). For example, organizations may proactively invest in renewable power generation, manage climate change related risks, establish and enhance community relations with indigenous communities and work to counter human rights violations in supply chains involving distant third party suppliers. All of these actions are likely to be seen as proactive attempts to manage stakeholders in positive ways and would typically result in a firm attaining a higher "do good" stakeholder management reputation. The second type of stakeholder reputation is a reputation for "avoiding harm." "Avoid harm" stakeholder management reputation is driven by strategic actions focused on reducing negative spillovers. As such, a reputation for "avoid harm" stakeholder management is preceded by the deployment of strategies aimed at ensuring compliance with the law. "Avoid harm" stakeholder management manifests in

organizations avoiding negative publicity through a focus on vigilance. For example, organizations develop "avoid harm" stakeholder management reputations by avoiding involvement in legal issues related to climate change, monitoring complicity in state sponsored violence, or preventing labor abuse in the supply chain. Note that organizations that have high "do good" stakeholder management reputation may have low levels of "avoid harm" stakeholder management reputation. In other words, the theory developed here does not require the two reputations to be at two ends of a continuum.

For a signal to be incorporated into sensemaking and attribution processes it must be accessible, perceived to be valid and must hold relevance to the evaluator (Heider, 1958; Tversky & Kahneman, 1973). Reputations for "do good" stakeholder management and "avoid harm" stakeholder management appear to meet these criteria. With relation to accessibility, stakeholder management reputations are accessible through media, consumer forums and information intermediaries such as ratings agencies. To the extent that these reputations are easily accessible, they are likely to serve as a key driver of investment and other organizational decisions. For example, there has been a substantial increase in socially responsible investing (Chava, 2014; Sparkes & Cowton, 2004). Additionally, influential mediators such as the media and security analysts also consider stakeholder reputation as a key dimension of organizational leadership (Ioannou & Serafeim, 2015; McGinn, 2017). Given that leaders receive disproportionate attention for reputations of their organizations (Meindl et al., 1985), it is reasonable to suggest that stakeholder reputations are perceived as pertinent to attributions of CEO efficacy and firm performance. In relation to signal relevance for the evaluator, scholarship suggests that boards exhibit high levels of attention towards stakeholder management (Wang & Dewhirst, 1992). This is not surprising given that directors may be able to enhance their own reputations via the

organization's reputation for stakeholder management (Hillman & Dalziel, 2003). Research on attribution theory suggests that the evaluator's attention to signals pertinent to attributional processes depend on their own subjective needs (Blau, 1964; Heider, 1958). To the extent that stakeholder reputation can itself add positive utility to the board members, it follows that it may be relevant to attributions of CEO efficacy and firm performance. Taken together, these insights suggest the desirability of a theoretical framework in which board sensemaking processes are understood to partially be informed by stakeholder management reputations.

From stakeholder reputations to attributions

As mentioned previously, stakeholder management reputation could influence CEO dismissal through two conduits. The first mechanism is through dispositional attribution and the second is through causal attribution. While there may be several types of dispositional attributions, this study's theory specifically references attributions of CEO efficacy. Research suggests that stakeholder reputations generate positive spillovers. For example stakeholder reputations positively affect corporate reputation (Fombrun, 2005), improve organizational legitimacy (Bitektine, 2011), help firms avoid legal sanctions (Parker, 2002), increase competitiveness (Barney, 1991), help retain customer loyalty (Bhattacharya & Sen, 2003) and lead to positive media coverage (Malik, 2015). To the extent that the aforementioned positive spillovers are seen as outcomes of deliberate decision-making and to the extent that the CEO is considered partly responsible for these decisions, boards are likely to perceive that the CEO has been successful in developing strong stakeholder relationships in addition to vigilantly monitoring organizational outcomes.

The second conduit through which stakeholder management reputation affects CEO dismissal is through causal explanations concerning (poor) firm performance. While factors other

than objective financial performance have been shown to play a major role in CEO dismissal decisions, a consistent finding has been that features related to firm performance, including relative firm performance (Jenter & Kanaan, 2015), historical performance against earnings expectations (Puffer & Weintrop, 1991), and analysts certifications of firm performance (Wiersema & Zhang, 2011) are significant predictors of CEO dismissal (Finkelstein et al., 2008). Based on this insight, I propose that causal attributions of firm performance will be salient criteria for dismissal decisions. Consistent with scholarship on attribution theory (Hilton, Smith, & Kin, 1995; Miller, Smith, & Uleman, 1981), evaluators attempt to determine the extent to which the actor is responsible for the outcome. Within the context of this study, board members are ascertaining the extent to which the CEO can be made responsible for poor firm performance (Khurana, 2004). I maintain that such causal attributions of firm performance will be influenced by stakeholder management reputation. I develop these ideas further in the hypotheses section.

Main effects

The study defined "do good" stakeholder management reputation as the collective judgment regarding strategic actions taken by the organization to create positive spillovers relating to stakeholders. Given that desired end states are aspirational and therefore fraught with uncertainty, CEOs may face challenges in convincing the board and the shareholders that resources should be allocated towards "do good" stakeholder management. Additionally, attaining a reputation for "do good" stakeholder management may require substantial internal reorganization, articulating a stakeholder centric vision for the organization and developing and strengthening relationships with multiple stakeholders. For instance, in positioning PepsiCo as a leader in social responsibility, the CEO Indra Nooyi undertook an intense organizational restructuring effort

creating several new research laboratories, hiring nutritional scientists and playing a public role in addressing the obesity related public health crisis (Reingold, 2015; Seabrook, 2011).

Despite these potential challenges, the rewards for a reputation to “do good” could be substantial for organizations. Scholarship suggests that an organization’s reputation for "do good" stakeholder management can provide competitive advantage (Barney, 1991; McWilliams & Siegel, 2001). There are several ways by which this may be achieved. For instance "do good" stakeholder management reputation can bring external rewards such as certifications and favorable media coverage (Cahan, Chen, Chen, & Nguyen, 2015; Fombrun, 2005). "Do good" stakeholder management reputation may also increase customer commitment towards the organization (Sen, Bhattacharya, & Korschun, 2006). Additionally, several studies suggest that a reputation for "do good" stakeholder management may also help attract better qualified employees (Albinger & Freeman, 2000; Turban & Greening, 1997), improve job satisfaction (Valentine & Fleischman, 2008) and increase employee commitment (Brammer, Millington, & Rayton, 2007). Scholars have also suggested that acquiring a reputation for proactively engaging with stakeholders as opposed to responding to legal mandates may help foster innovation (Nidumolu, Prahalad, & Rangaswami, 2009). Stakeholder reputations gained by engaging in proactive strategies have also been shown to increase organizational access to political resources (Zhao, 2012). To the extent that the above spillovers related to third-party certifications, customer retention, employee commitment, innovation and access to political power are perceived to be value enhancing "do good" stakeholder management reputation, should lead to more positive attributions of CEO efficacy.

A reputation for "avoid harm" stakeholder management develops through a focus on reducing negative spillovers. Given that publicly owned organizations are subject to high levels of scrutiny by primary and secondary stakeholders, a reputation for “avoiding harm” is critical to

several organizational outcomes. For example, establishing a reputation for "avoid harm" stakeholder management may help avoid negative publicity and unwelcome media attention either directly or through negative shareholder reactions (Brammer & Pavelin, 2005). This is particularly relevant because evaluators see negative media coverage as more salient than positive coverage (Bednar, 2012). Additionally, a reputation for "avoid harm" stakeholder management also has implications for an organization's relationships with its consumers. Empirical research suggests that a weak reputation for "avoid harm" stakeholder management can magnify the likelihood of generating negative moral emotions amongst consumers and increase consumer willingness to bestow punishments on the organization (Grappi, Romani, & Bagozzi, 2013; Sweetin, Knowles, Summey, & McQueen, 2013).

There are also advantages related to access to finance. Multiple empirical studies suggest that a reputation for "avoid harm" stakeholder management can decrease the cost of capital (Chava, 2014; Goss & Roberts, 2011). Although a reputation for "avoiding harm" may be less visible than a reputation for "do good" stakeholder management because this is manifested in the low levels of stakeholder related concerns, boards are likely to consider vigilance as an important feature of CEO efficacy. A major reason for this is that a reputation for "avoid harm" stakeholder management is closely linked to organizational legitimacy (Bitektine, 2011). Reducing negative spillovers also has important implications for the organization's ability to engage employees. In particular, lax standards in compliance has been found to be a strong predictor of employee burnout leading to low levels of job engagement (Nahrgang, Morgeson, & Hofmann, 2011). In line with the above arguments, a reputation for "avoid harm" stakeholder management is likely to foster organizational effectiveness and lead to positive attributions of CEO efficacy. The above arguments motivate the following hypotheses.

***Hypothesis 1a:** Reputation for "do good" stakeholder management decreases the likelihood of CEO dismissal.*

***Hypothesis 1b:** Reputation for "avoid harm" stakeholder management decreases the likelihood of CEO dismissal.*

Stakeholder reputation as insurance against poor firm performance

Besides attributions of CEO efficacy, stakeholder management reputation may also influence attributions of causality relating to firm performance. While several studies have demonstrated that some form of firm performance can predict CEO dismissals, absolute firm performance alone explains minimal variance in the likelihood of dismissal. For instance, in one study the dismissal rates of the top 10% of the sample was 12.8% as against 8.6% for the bottom 10% of firms ranked on stock performance (Warner, Watts, & Wruck, 1988). The comparatively minimal change in dismissal rates in the face of a wider change in firm performance suggests that rather than simply relying on firm performance per se, evaluators may base their dismissal decisions on whether they perceive the CEO to have been responsible for poor firm performance (Haleblian & Rajagopalan, 2006).

One factor that may affect the causality attribution is the attribution of CEO efficacy. CEO's perceived to be more effective may be less likely to be blamed for poor financial performance. This idea is also explained by research on attribution theory. Evaluators look for consistent information in making attributions of causality (Kelley, 1972). The higher the consistency of the signals, the more likely is the attribution to internal (CEO) causes over external causes (factors beyond the CEO's control). Accordingly, I expect that if attributions of CEO efficacy are positive, then the board is less likely to make internal attributions of firm performance. While attributions of CEO efficacy may arise from several sources, a major source of this assessment could be the reputation for stakeholder management. This is not surprising given that

stakeholder management is considered a core CEO responsibility. Overall the above arguments imply that high reputations for stakeholder management, could act as a buffer against the effect of firm performance on the likelihood of CEO dismissal. Thus, I expect the following hypotheses.

***Hypothesis 2a:** Reputation for "do good" stakeholder management weakens the negative effect of firm performance on the likelihood of CEO dismissal.*

***Hypothesis 2b:** Reputation for "avoid harm" stakeholder management weakens the negative effect of firm performance on the likelihood of CEO dismissal.*

“Do good” or “avoid harm” reputation?

I now build the argument for which of the two reputations has a stronger moderating effect on the relationship between firm performance and CEO dismissal. Specifically, I propose that "avoid harm" stakeholder management reputation will have a stronger influence than "do good" stakeholder management reputation due to the following reasons. First, there are inconsistent findings regarding the positive relationship between “do good” stakeholder management reputation and firm financial performance (Donaldson & Preston, 1995). In fact, some evidence suggests “doing good” may even have a negative association with firm financial performance (Zhao & Murrell, 2016). However, the effect of “avoid harm” stakeholder management reputation is relatively straightforward to interpret with success represented by the absence of legal violations or controversies leading to a reputation for compliance. So in comparison to "do good" stakeholder management reputation, the financial implications of avoid harm reputation are relatively clear.

Second, in comparison to “avoid harm” stakeholder management reputation, understanding the CEO’s motivation behind "do good" stakeholder management reputation is likely to present a greater challenge for the board. While a reputation for "do good" stakeholder management may generally have positive consequences for the organization, it also presents an opportunity for the CEO to extract private benefits. Scholarship suggests that CEOs may be able to collude with some

stakeholders to extract private benefits (Surroca & Tribó, 2008). Such collusions also provide opportunities for CEOs to entrench themselves which in turn may have negative implications for financial performance (Cespa & Cestone, 2007). However, "avoid harm" stakeholder management reputation is unlikely to generate doubtful perceptions of CEO efficacy. Thus, the signal of CEO efficacy that arises from "avoid harm" stakeholder management reputation may be of higher clarity and consequently attain greater salience in determining the extent to which the CEO is seen as having caused poor firm performance.

Third, in comparison to "avoid harm" stakeholder management reputation, "do good" stakeholder management reputation is fraught with the possibility of being misinterpreted or even being opposed by stakeholders and the internal organization. Since stakeholders may have separate and distinct expectations (Campbell, 2007), satisfying one stakeholder increases the probability that other stakeholders who have been accorded less salience are dissatisfied (De Bakker & Den Hond, 2008). Furthermore "do good" stakeholder management reputation may not be perceived as reflecting the organization's values or intentions, increasing the probability that its strategic antecedents are perceived as inauthentic (Rowley, 1997; Yoon, Gürhan-Canli, & Bozok, 2006a). So "do good" stakeholder management reputation may result in real or perceived disparities in resource allocation amongst stakeholders. However, "avoid harm" stakeholder management reputation may be less subject to the above interpretations because the avoidance of harm is likely to be seen as a basic expectation. Therefore, when arriving at attributions of CEO efficacy when firm performance is low, boards may find more information that is pertinent with a reputation for "avoid harm" stakeholder management in comparison with a reputation for "do good" stakeholder management.

It is important at this stage to highlight the nature of the audience perceiving stakeholder management strategies and evaluating the CEO. Although some scholarship suggests that avoid harm stakeholder management reputation may be perceived by some stakeholders as merely compliance driven and therefore less effective than a "do good" stakeholder management reputation (Bhattacharya & Sen, 2003; Yoon, Gürhan-Canli, & Schwarz, 2006b), board members are likely to value compliance more than most other stakeholders and therefore be more appreciative of vigilant approaches to stakeholder management in comparison to other evaluators. Given the differences between "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation in establishing precise links to financial performance, the difficulty in assessing strategic intent and the likelihood of being misinterpreted, the following hypothesis is set forth.

***Hypothesis 3:** Relative to a reputation for "do good" stakeholder management, a reputation for "avoid harm" stakeholder management weakens the relationship between firm performance and CEO dismissal more strongly.*

A configurational perspective

Thus far, the study has explained the theoretical mechanisms linking stakeholder management reputation and CEO dismissal. A core assumption in the theory developed so far is that boards consider these reputations independently and there is a clear inflexion point when too much of "do good" stakeholder management becomes unfeasible and when too less of "avoid harm" stakeholder management becomes problematic to CEO survival. While this assumption has been made to aid theory development (Lam, 2010), a more realistic approach would suggest that organizations have stocks of both types of stakeholder management reputations. Further, boards are likely to consider these reputations generally (high/low levels) rather than specifically. Several considerations suggest that conceptualizing stakeholder management reputation as a configuration

of “do good” stakeholder management and “avoid harm” stakeholder management reputation is feasible.

First, a configurational approach adopts a more realistic assumption regarding organizational reputation for stakeholder management. It embraces the perspective that organizations simultaneously hold distinct "do good" and "avoid harm" stakeholder management reputations. For example, with regards to health snacks within its product portfolio, PepsiCo has a "do good" stakeholder management reputation (PepsiCo, 2014; Reingold, 2015) and with regards to beverages its "avoid harm" stakeholder management reputation is questionable (Simon, 2011). In this vein, the configurational approach also makes a more realistic assumption regarding board level cognition. To the extent that board members rely on a limited number of heuristic principles (Tversky & Kahneman, 1974), their perceptions of stakeholder management reputation are likely to be on simple (high /low levels) rather than on more complex scales. Second, by conceptualizing stakeholder management reputation as a configuration, the explanatory variable¹ accounts for the full range of management strategies that CEOs may undertake in managing stakeholders. For example, a CEO may focus on addressing existing concerns or controversies related to worker compensation while choosing to invest in programs to improve hiring practices that encourage diversity thus partially reducing negative spillovers and increasing positive spillovers. A third (empirical) consideration is that a configuration approach advances the view that “do good” and “avoid harm” reputations do not exist on a continuum and that these reputations are not substitutable (Kölbel, Busch, & Jancso, 2017). In so doing, a generalized measure of reputation high/low levels of both "do good" stakeholder management and "avoid harm" stakeholder

¹ Stakeholder reputation consisting of high/low levels of both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation.

management reputation partially addresses the empirical limitations of using a single continuous measure of stakeholder management reputation (Minor & Morgan, 2011; Van der Laan, Van Ees, & Van Witteloostuijn, 2008).

One could imagine four different types of configurations that represent the organization's configurational representation of stakeholder management reputation (Figure 1). The first configuration is low levels of both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation. This configuration signals that the CEO has failed to not only create positive spillovers but has violated basic stakeholder expectations of vigilance and compliance. A second configuration is high levels of "do good" stakeholder management reputation and low levels of "avoid harm" stakeholder management reputation. This configuration too appears to be undesirable because it signals that the CEO (a) failed to address minimal stakeholder needs (stakeholder responsibility relative to irresponsibility) and (b) devoted attention towards secondary responsibilities whose impact on financial performance has been called to question. A third configuration is represented by high level of "do good" stakeholder management and high level of "avoid harm" stakeholder management. Under this configuration, the theory developed so far would suggest that while boards would make positive efficacy attributions; causal attributions of poor firm performance may implicate the CEO given the high level of "do good" stakeholder management reputation. This is because of the difficulty of assessing the value of "do good" stakeholder management reputation to firm performance, the likelihood of CEO entrenchment and the plausibility of misinterpretation. The fourth and final configuration is low level of "do good" stakeholder management reputation and high levels of "avoid harm" stakeholder management reputation. Under this configuration while efficacy attributions may lag those in the previous configuration, causal attributions would be less negative than the previous

configuration. Given the low level of "do good" stakeholder management reputation, the board is less likely to interpret that CEO attention has been diverted from firm performance towards secondary responsibilities such as enhancing "do good" stakeholder management reputation. Based on the above insights, the following hypotheses emerge.

***Hypothesis 4a:** CEOs whose firms have a reputation for low levels of “do good” and high levels of “avoid harm” stakeholder management will be least likely to be dismissed.*

***Hypothesis 4b:** CEOs whose firms have a reputation for low levels of “do good” and high levels of “avoid harm” stakeholder management will be least likely to be dismissed due to poor firm performance.*

DATA AND METHODS

Sample and Data Collection

To create the sample, I included all companies that formed part of the S&P-500 as of the 1st of January 2006 and tracked them from 2006-2014 to reduce selection bias. Firm performance data were constructed using financial information drawn from Compustat. CEO related information was obtained from ExecuComp. Data for governance variables including board size and board independence were obtained from BoardEx. I constructed CEO dismissal information using several electronic sources such as company press releases, 10-K filings and newspaper articles. After accounting for missing information, the final sample consisted of 2,661 firm-year observations.

Dependent Variable

CEO dismissal

A challenge faced by researchers in identifying CEO dismissals is that firms often report these events as voluntary departures or do not report them at all (Khurana, 2004). Consistent with previous work (Jenter & Kanaan, 2015; Wiersema & Zhang, 2011), I took great care to ensure that CEO dismissals were correctly identified. First, I identified all succession events prior to

December 31st 2014. Then, using information from news sources, I identified voluntary departures (such as retirement, consistent with identification methods used in past research (Wiersema & Zhang, 2011) and those due to death, health related concerns or due to a spinoff or bankruptcy. For the remaining departures, which remained unclassified, I further analyzed news reports and collected information from SEC filings and severance agreements. I identified a dismissal event if it met any of the following criteria: (1) there was unequivocal information that the CEO was dismissed from the company's press release as well as multiple news reports; (2) the resignation was unexpected and news reports identified performance issues and the company released an earnings statement prior to the departure or immediately after departure recognizing its failure to meet earnings expectations; or (3) for all other cases where criteria 1 or 2 were not satisfied, I collected information on the CEO's board status (if the CEO was ousted from the board), whether the CEO was succeeded by an interim CEO signifying no succession plan, whether the CEO was not retained as an advisor or consultant, whether the CEO's actual departure date was prior to the announced departure date (from the SEC 8K filing) and whether the CEO did not take up a high profile assignment following departure from the firm. For criteria 3 to be satisfied, each of the above sub-criteria had to be coded as a "Yes." I also took care not to code as dismissals those cases where there was evidence of dismissal due to personal misconduct as such reasons may obfuscate the relevance of firm performance as salient to board members' causal attribution. I adopted this conservative approach to ensure that some form of firm financial performance remained the overwhelming reason for the CEO to be dismissed. Following the above approach, I identified 81 CEO dismissals; and the final sample consisted of 58 dismissals. I coded the dependent variable as '1' if the CEO was dismissed in a given year. For firms where there was

either a voluntary departure or a routine succession event or the CEO remained in the role, the dependent variable was coded as '0'.

Explanatory Variables

Firm performance

It is generally accepted that one of the key responsibilities of the board is to represent the interests of shareholders (Shen & Cannella, 2002; Zhang, 2006). So boards are likely to be sensitive to measures such as *total shareholder return* (TSR) that partially capture the extent to which shareholders gain from their investments in the firm. I operationalize TSR as the ratio of the annual change in stock price plus dividends divided by the opening price of the stock adjusted for industry effects. Use of TSR to operationalize firm performance is consistent with recent scholarship on CEO dismissal (Flickinger et al., 2015).

Stakeholder management reputation

For assessing stakeholder management reputation the study relies on the KLD database. The KLD database has been in existence since 1991 and is an annual dataset of positive and negative indicators applicable to several facets of stakeholder management. The data set is available for a large universe of publicly listed organizations in the US and several other countries. A large team of trained analysts examines publicly available information and assigns scores to positive and negative indicators from many different categories to specific firms. The analysts are trained to assess if stakeholder strategies increase positive spillovers (KLD strengths) or fail to reduce negative spillovers (KLD concerns). Given the perceptual nature of the assessment, an aggregate measure of the strengths and a separate aggregated measure for concerns provide a reasonable proxy for the two stakeholder management reputations. The use of KLD scores is fairly

well established in stakeholder management scholarship (Kölbel et al., 2017; Petrenko et al., 2016). Broadly, the KLD descriptors can be classified into environment, community, employee relations, diversity, and product and governance indicators. Each of these broad indicators has multiple components for both positive and negative spillovers that are scored separately. For example, in the area of employee health and safety, a score of '1' is assigned when the organization is perceived as proactively approaching health and safety challenges. Similarly, a score of '1' is assigned to the concerns dimension when there is evidence for controversies related to health and safety, giving the organization a lack of reputation for vigilance.

I use the aggregate KLD strengths and concerns to operationalize reputation for “do good” stakeholder management and reputation for “avoid harm” stakeholder management respectively. There are several reasons why such an approach may also in general be suitable. In the first place, the assessment criteria that KLD uses to score the positive and negative spillovers are not the same. In other words, the *absence of strength* cannot be assessed as the *presence of a concern* or vice versa (Agle et al., 1999; Hillman & Keim, 2001). For example, a company’s investments in carbon efficient technologies may not compensate for poor adherence to existing environmental guidelines. Secondly and perhaps more importantly, KLD scores are closer approximations of perceptions of strategic actions rather than actual evidence for outcomes (Hart & Sharfman, 2015; Mattingly & Berman, 2006). Therefore, in assessing the KLD strengths and weaknesses separately, the current study retains consistency with the conceptualization of “do good” stakeholder management reputation and “avoid harm” stakeholder management reputation approaches as reflecting the collective opinions of trained analysts.

I reverse code the concerns score for ease of understanding, and to suggest that the company successfully developed a reputation for *avoiding concerns and controversies*. I combine

the component scores for strengths and concerns separately to arrive at an overall score for reputation for “do good” and “avoid harm” stakeholder management respectively giving each of the strength and concerns components equal weight. In doing so, this study’s method is consistent with previous work (Mattingly & Berman, 2006). However, a challenge in assessing the KLD scores is that differences in scores may be strongly predicted by industry differences (Cai, Jo, & Pan, 2012; Mattingly, 2017). To partially account for these differences, the final scores for “do good” stakeholder management and “avoid harm” stakeholder management reputation are standardized using 2-digit SIC codes.

Control Variables

I included a number of control variables in this study’s analysis. Evaluators may also be sensitive to other measures of firm performance so I controlled for *return on assets* (ROA). Specifically, I used ROA adjusted for industry differences. I also controlled for the industry-adjusted market to book ratio. I control for *board size* because it may influence decision-making capability and consequently the likelihood of CEO dismissal (DeFond, Hann, & Hu, 2005). I control for board independence as insiders and outsiders may have differing perceptions regarding what constitutes CEO efficacy (Yermack, 1996). I operationalize *board independence* as the ratio of independent directors to board size. I also control for *CEO age*, *CEO tenure* and *CEO duality* because these features exhibit strong linkages to the likelihood of CEO dismissals (Weisbach, 1988). I operationalize CEO age by calculating the number of years between the focal year and their date of birth. I operationalize tenure as the number of years spent in the company as CEO. I operationalize CEO duality, as ‘1’ if the CEO is also Chairman and ‘0’ otherwise. Several research studies suggest that decisions to dismiss may, in part, be determined by the CEO’s shareholding in the firm. Consistent with recent scholarship (Finkelstein et al., 2008; Jenter &

Kanaan, 2015), I operationalize *CEO ownership* as high or low ownership based on ownership greater than or equal to 5% and less than 5% respectively. I also control for firm size by taking the natural logarithm of sales in million USD.

Analysis

In this study, I examine the relationship between stakeholder management reputation and CEO dismissal. However, one concern in the empirical approach is the potential endogeneity between stakeholder management and other factors such as firm financial performance and organizational size that may influence the likelihood of CEO dismissal. Specifically, stakeholder management reputation may itself be an artifact of features such as organizational size and firm performance. This can occur for several reasons. First, performance and size may inform resource allocation decisions towards stakeholder management. For instance, larger organizations and those exhibiting higher levels of financial performance may be able to make more durable investments towards creating positive spillovers or mitigating negative spillovers. Second, research suggests that social evaluations such as reputation are strongly influenced by accounting and market based measures either directly or indirectly through their ability to gather greater levels of media attention (Fombrun & Shanley, 1990). For these reasons it is important to identify whether “do good” stakeholder management and “avoid harm” stakeholder management reputation has an independent effect over and above that of firm financial performance and organization size on the likelihood of CEO dismissal. To address this issue, I create a proxy for both "do good" and "avoid harm" stakeholder management reputation that bears minimal correlation with firm financial performance and firm size. Specifically, I regress “do good” stakeholder management and “avoid harm” stakeholder management on accounting and market-based measures of financial

performance and organization size by estimating the following model for each measure of “do good” stakeholder management and “avoid harm” stakeholder management reputation.

$$\begin{aligned} \text{Reputation for Stakeholder Management} = & \text{Industry-adjusted total shareholder return} \\ & (\text{TSR}) + \text{Industry-adjusted Return on Assets (ROA)} + \text{Industry-adjusted market-to-book} \\ & + \text{Firm size (log of sales)} + \text{time (year dummies)} \end{aligned}$$

Table 2 reports the results of this regression. Both "do good" stakeholder management and "avoid harm" stakeholder management reputation are positively related to ROA. Furthermore, "do good" stakeholder management reputation is positively related to firm size while "avoid harm" stakeholder management reputation is negatively related to firm size corroborating that stakeholder management reputation may be an artifact of some measures of firm performance and organizational size. Residuals obtained from these regressions may be considered as the component of "do good" stakeholder management and "avoid harm" stakeholder management reputation that is uncorrelated with accounting and market-based measures of firm performance and firm size. I use the residuals from these models as proxies for "do good" stakeholder management and "avoid harm" stakeholder management reputation. By using this approach, potential endogeneity between stakeholder management reputation and firm level factors such as performance and size is minimized.

Since the dependent variable is dichotomous where CEO dismissal is coded as 1 and 0 if there was no dismissal event, logistic regression models are appropriate. However, a potential concern is the unobserved heterogeneity between multiple observations for each firm. This problem may be overcome by using either fixed or random effects models so that there are additional CEO specific error terms. Therefore, I tested the efficacy of both random and fixed effects models. I used a Hausman test to determine if the errors are correlated with the regressors.

I find that the coefficient is statistically insignificant, suggesting that the preferred model is a random effects model. Additionally, I observe that using a fixed effects model would bias the estimates severely because there are a number of firms that do not contain a dismissal event. Employing a fixed effects model would lead to a large number of observations being dropped by STATA. I also report results from robustness checks done using random effects probit models and GEE models.

Table 3 presents the descriptive statistics and correlations. The individual VIF scores were obtained using the COLLIN function in STATA. The variables of interest do not have high VIFs (<1.33) as do the control variables, suggesting that multicollinearity may not have adverse consequences.

RESULTS

Table 4 reports the results of the regression models. As expected, firm performance in all the models is negatively related to dismissal. The first set of hypotheses (Models 1-3) predicted that stakeholder management reputation would decrease the likelihood of CEO dismissal. I found no support for the first part of this prediction (Hypothesis 1a) as the coefficient for "do good" stakeholder management reputation is positive and insignificant ($b=0.001$, $p=n.s$). Hypothesis 1b predicted that "avoid harm" stakeholder management reputation would be negatively related to CEO dismissal. The magnitude of the coefficient was in the expected direction but not significant ($b=-0.001$, $p=n.s$). This suggests no support for Hypothesis 1b. The next set of hypotheses relates to the effects of stakeholder management reputation on the relationship between firm performance and likelihood of CEO dismissal. Hypothesis 2a predicted that "do good" stakeholder management reputation would weaken the relationship between firm performance and CEO dismissal. I found no support for this prediction as the interaction term *Industry-adjusted total shareholder return**

"Do good" stakeholder management is negative and insignificant. Thus, Hypothesis 2a is not supported. Next, I test the effect of "avoid harm" stakeholder management reputation on the relationship between firm performance and dismissal (Models 4-6). I find that the interaction term (*Industry-adjusted total shareholder return *Avoid harm stakeholder management*) is significant and in the expected direction for all the three models ($b=0.014, p<0.01$; $b=0.007, p<0.01$; $b=0.015, p<0.01$). The positive sign indicates that as reputation for "avoiding harm" improves, the relationship between firm performance and the likelihood of dismissal is weakened, suggesting that the causal attributions of firm performance become weaker.

To additionally corroborate the strength of the moderating effects of "avoid harm" stakeholder management reputation (Hypothesis 2b), I compute the marginal effects of the interaction term on the relationship between the explanatory variable and the dependent variable. Testing the marginal effect is consistent with suggestions on improving interpretations of logit models (Graves & Waddock, 1994; Margolis & Walsh, 2003; Waddock & Graves, 1997). Specifically, I compute the marginal effects of firm performance on the probability of CEO dismissal at different values of "avoid harm" stakeholder management reputation. I report the marginal effects for firm performance in Table 5. I find that the relationship between firm performance (Industry-adjusted TSR) and dismissal is less negative at higher values of "avoid harm" stakeholder management reputation showing a generally positive moderating effect of avoid harm stakeholder management reputation. These results indicate that holding all values constant at the sample mean except for "avoid harm" stakeholder management, higher values of "avoid harm" stakeholder management reduce the influence of firm performance on the probability of CEO dismissal corroborating Hypothesis 2b.

To test Hypothesis 3 (Models 7-9), I include both interaction terms and find that the coefficient for the interaction term, Industry-adjusted total shareholder return * "Avoid harm" stakeholder management reputation to be positive and significant ($b=0.015$, $p<0.01$; $b=0.008$, $p<0.01$; $b=0.015$, $p<0.01$). The coefficient for the interaction term, Industry-adjusted total shareholder return* "Do good" stakeholder management reputation is negative and statistically insignificant. Further, the magnitude of the coefficient of the interaction term for "avoid harm" stakeholder management is higher than that for the interaction term for "do good" stakeholder management corroborating Hypothesis 3. Finally, the magnitude of the coefficient for the interaction term (Industry-adjusted total shareholder return*Avoid harm stakeholder management reputation) is also higher in the full model suggesting that boards may find "avoid harm" stakeholder management reputation to be more salient than do good stakeholder management reputation in arriving at their causal attributions.

To test Hypothesis 4a and 4b, I created dummy variables for 4 configurations (High "do good" stakeholder management reputation & Low "avoid harm" stakeholder management reputation; High "do good" stakeholder management reputation & High "avoid harm" stakeholder management reputation, Low "do good" stakeholder management reputation & High "avoid harm" stakeholder management reputation and Low "do good" stakeholder management reputation & Low "avoid harm" stakeholder management reputation). I tested the direct effects of these configurations expecting to find that CEOs whose firms exhibit high levels of both "do good" stakeholder management and "avoid harm" stakeholder management reputation would be least likely to be dismissed. The coefficient for the configurational dummy variable is positive but not statistically significant ($b=0.398$, $p=n.s$). Thus Hypothesis 4a is not supported. To test the moderating effect of stakeholder management reputation configurations, I interact the dummy

variables with firm performance (Table 6). I find that the coefficient for the interaction term is positive and statistically significant for the interaction term- Low "do good" stakeholder management reputation & High "avoid harm" stakeholder management reputation ($b=1.031$, $p<0.05$, $b=0.493$, $p<0.01$, $b=1.048$, $p<0.05$). I also conducted additional analysis by computing the marginal effects of firm performance (Table 7) at the four different configurations and find, as expected, that the impact of firm performance on probability of CEO dismissal is lowest when firms display high levels of "avoid harm" stakeholder management reputation and low levels of "do good" stakeholder management reputation thus corroborating Hypothesis 4b.

In summary, the empirical results suggest the value in examining separately the reputations for both "do good" stakeholder management and "avoid harm" stakeholder management reputation. The empirical results are consistent with the study's theory that different attributional processes may be at work. Specifically, the results suggest that boards may attach greater salience to arrive at causal attributions of firm performance from "avoid harm" stakeholder management reputation over "do good" stakeholder management reputation. The empirical tests of the configurations also suggest that CEOs whose organizations have strong "avoid harm" stakeholder management reputation and relatively lower levels of "do good" stakeholder management reputation are least likely to get dismissed.

DISCUSSION

This study examined the consequences of an organization's reputation for stakeholder management on the likelihood of CEO dismissal. I hypothesized that "do good" stakeholder management and "avoid harm" stakeholder management reputation would influence CEO dismissal through two conduits. First, stakeholder management reputation would reduce the likelihood of dismissal by positively influencing CEO efficacy attributions. Second, stakeholder

management reputation would also reduce the likelihood of CEO dismissal by reducing the likelihood of internal causal attributions from firm performance. While I did not find any support for the direct effects of stakeholder management reputation as well as the moderating effect of "do good" stakeholder management reputation, the empirical results suggest that "avoid harm" stakeholder management reputation weakens the effect of firm performance on CEO dismissal. Furthermore, the results also suggest that CEOs of firms exhibiting low levels of "do good" stakeholder management reputation and high levels of "avoid harm" stakeholder management reputation are significantly less likely to be dismissed at low levels of firm performance.

The current study contributes to the call to understand better the contextual factors surrounding CEO dismissals (Haleblian & Rajagopalan, 2006). CEOs are increasingly expected to go beyond legal and regulatory compliance and so face considerable scrutiny in their management of stakeholders. But what are the costs of doing so for their own survival? This study suggests that despite these expectations, "do good" stakeholder management reputation may in fact be detrimental to the CEO's survival. The results of the study suggest that it is "avoid harm" stakeholder management reputation that may be more relevant to CEO survival especially when board members are attempting to make sense about organizational performance. Anecdotal evidence provides some support for this study's findings regarding the negative effects of "do good" stakeholder management reputation and the positive effects of "avoid harm" stakeholder management reputation. For example, after complaints from shareholders and activist investors PepsiCo's "*Performance with Purpose*" initiatives were scaled down (Colvin, 2012). Attention shifted towards ensuring regulatory compliance in light of increasingly stringent regulations by the FDA (PepsiCo, 2014). Seen in light of poor firm performance it is easy to see why negative

causal attributions may easily follow "do good" stakeholder management reputation and how they may be weakened by relatively high levels of "avoid harm" stakeholder management reputation.

Another contribution of the study is that by highlighting the differences between "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation, this study provides additional theoretical nuance to extant work. Traditionally, the dominant focus has been on "do good" stakeholder management reputation i.e., going beyond "avoiding harm." Furthermore, a large body of impressive work has conceptualized stakeholder management reputation as a continuous variable (which is the net of positive and negative spillovers). Any point on this continuum is the difference between reputation for doing good and the reputation for doing harm. The theory developed in this study is based on the premise that "do good" stakeholder management and "avoid harm" stakeholder management reputations are theoretically distinct not only because of the differences in the end goal (create positive spillovers and reduce negative spillover respectively) but because of the differences in the strategic means through which "do good" stakeholder management and "avoid harm" stakeholder management reputations may be achieved. Given the substantive results for avoid harm stakeholder management reputation, the findings of the study suggest that scholars may be able to develop new theoretical insights by examining "do good" stakeholder management and "avoid harm" stakeholder management reputation separately.

Another implication of this study is that a theory of the consequences of stakeholder management reputation should be salient to the nature of the audience. Although scholars have explored this question of whether it is better to "*do good or avoid harm*" (Crilly et al., 2016; Yoon et al., 2006b) and argued that avoiding harm may be seen as less authentic from the perspective of secondary stakeholders, the empirical results of this study suggest that for one group of primary

stakeholders (i.e., boards), "avoid harm" stakeholder management reputation may be salient in making causal attributions of firm performance. While this may be a natural consequence of board members' ability to differentiate between "do good" and "avoid harm" stakeholder management reputation, it nevertheless suggests that these differences are being accounted for in causal attributions that may lead to dismissal decisions.

This study's research also has some limitations. First, in the use of the KLD scores as evidence for a reputation for "do good" stakeholder management and "avoid harm" stakeholder management, the measure is a reputational assessment of only one set of actors (trained analysts) employed by the rating firm MSCI. Additionally, while I adopt a perspective that CEOs indeed shape stakeholder reputation and therefore these reputations are used to make assessments of efficacy and causal attributions, the question remains open as to how much the CEO influences stakeholder management reputation. Finally, endogeneity concerns are still likely to persist. For example, the decision to either create positive spillovers or reduce negative spillovers related to stakeholder management may be driven by institutional factors beyond the CEO/s control. To conclude, this study explained the mechanisms by which stakeholder management reputation may affect CEO dismissal in a more nuanced way by distinguishing between "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation. The results suggest that scholars may do well to distinguish between the two reputations. Future scholarship may build on this work and consider alternate ways in which the limitations of this study may be addressed.

FIGURE AND TABLES

Figure 1

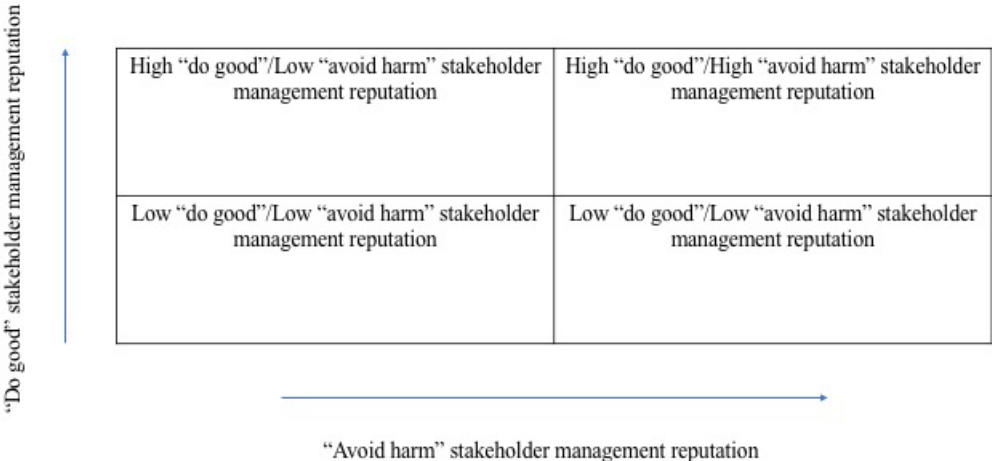


Table 2

Regressions generating residuals for stakeholder management		
Variables	Do good stakeholder management	Avoid harm stakeholder management
Industry-adjusted total shareholder return	-1.402 (1.039)	-1.145 (1.146)
Industry-adjusted ROA	48.818*** (16.469)	50.201*** (18.161)
Industry-adjusted market-to-book	0.049 (0.066)	0.010 (0.073)
Firm Size (Log of Sales)	23.369*** (0.976)	-27.942*** (1.076)
Constant	-111.809*** (9.485)	153.080*** (10.459)
R-squared	0.163	0.180
Year fixed-effects	YES	YES

N=3102
Standard errors in parentheses
*** *p*<0.01, ** *p*<0.05, * *p*<0.1

Table 3

		Descriptive Statistics and Correlations														
Variable		Mean	s.d	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Industry-adjusted ROA	0.000	0.071	-												
2	Industry-adjusted market-to-book	0.796	17.549	0.053	-											
3	High CEO share ownership	0.320	0.466	-0.002	-0.011	-										
4	Board size	11.068	2.185	0.023	0.002	0.048	-									
5	Formal board independence	0.874	0.065	-0.11	-0.011	-0.071	0.224	-								
6	CEO duality	0.629	0.483	0.035	0.017	-0.026	0.147	0.230	-							
7	Executive's age	56.441	5.964	0.042	0.005	-0.078	0.119	-0.020	0.257	-						
8	Tenure as CEO	6.653	5.603	0.061	0.012	-0.032	-0.096	-0.214	0.191	0.407	-					
9	Firm Size (Log of Sales)	9.198	1.196	0.075	0.013	0.028	0.376	0.182	0.221	0.149	-0.013	-				
10	CEO dismissal	0.019	0.135	-0.105	-0.001	0.002	-0.016	0.040	-0.047	-0.042	-0.051	0.006	-			
11	Industry-adjusted total shareholder return	0.057	1.118	0.012	-0.005	0.002	-0.013	-0.011	-0.002	0.007	-0.030	-0.012	0.021	-		
12	Do good stakeholder management	0.000	64.395	0.000	0.000	-0.019	0.094	0.077	0.002	-0.007	-0.080	0.000	0.023	0.000	-	
13	Avoid harm stakeholder management	0.000	71.01	0.000	0.000	-0.034	0.044	-0.022	0.002	0.039	0.052	0.000	0.005	0.000	-0.142	-

N=2661

Table 4
Results of regression predicting CEO dismissals

VARIABLES	Model 1 Random Effects Logit-Do good	Model 2 Random Effects Probit-Do good	Model 3 GEE-Do good	Model 4 Random Effects Logit- Avoid harm	Model 5 Random Effects Probit- Avoid harm	Model 6 GEE- Avoid harm	Model 7 Random Effects Logit-Full Model	Model 8 Random Effects Probit-Full Model	Model 9 GEE-Full Model
Industry-adjusted ROA	-2.909* (1.496)	-1.391* (0.723)	-2.961** (1.479)	-3.025** (1.493)	-1.397* (0.734)	-3.103** (1.470)	-3.058** (1.487)	-1.418* (0.730)	-3.147** (1.460)
Industry-adjusted market-to-book	-0.022** (0.010)	-0.011** (0.005)	-0.022** (0.010)	-0.021** (0.010)	-0.011** (0.005)	-0.021** (0.010)	-0.021** (0.010)	-0.011** (0.005)	-0.021** (0.010)
Board size	0.105 (0.069)	0.046 (0.030)	0.103 (0.068)	0.116* (0.069)	0.050 (0.030)	0.113* (0.068)	0.116* (0.068)	0.050 (0.031)	0.111 (0.068)
Formal board independence	1.397 (2.641)	0.565 (1.148)	1.448 (2.626)	1.585 (2.634)	0.609 (1.149)	1.674 (2.606)	1.526 (2.632)	0.581 (1.147)	1.629 (2.600)
High CEO share ownership	0.717 (0.583)	0.328 (0.248)	0.721 (0.583)	0.797 (0.596)	0.342 (0.254)	0.805 (0.597)	0.819 (0.601)	0.348 (0.255)	0.828 (0.602)
CEO duality	-0.381 (0.310)	-0.148 (0.134)	-0.385 (0.307)	-0.372 (0.311)	-0.147 (0.135)	-0.377 (0.306)	-0.326 (0.313)	-0.127 (0.137)	-0.329 (0.308)
Executive's age	-0.058** (0.028)	-0.026** (0.012)	-0.058** (0.027)	-0.058** (0.028)	-0.026** (0.012)	-0.057** (0.027)	-0.056** (0.028)	-0.025** (0.012)	-0.055** (0.027)
Tenure as CEO	-0.135*** (0.049)	-0.059*** (0.021)	-0.139*** (0.050)	-0.135*** (0.050)	-0.059*** (0.021)	-0.144*** (0.050)	-0.136*** (0.050)	-0.059*** (0.021)	-0.146*** (0.050)
Firm Size (Log of Sales)	0.124 (0.127)	0.049 (0.055)	0.124 (0.126)	0.118 (0.127)	0.051 (0.055)	0.119 (0.124)	0.102 (0.128)	0.043 (0.056)	0.102 (0.124)
Industry-adjusted total shareholder return	-0.091 (0.265)	-0.016 (0.094)	-0.097 (0.265)	-0.304** (0.126)	-0.159** (0.067)	-0.302** (0.125)	-0.100 (0.199)	-0.063 (0.099)	-0.090 (0.197)
Do good stakeholder management	0.001 (0.002)	0.001 (0.001)	0.001 (0.002)	0.001 (0.002)	0.001 (0.001)	0.001 (0.002)	0.001 (0.002)	0.001 (0.001)	0.001 (0.002)
Industry-adjusted total shareholder return * Do good stakeholder management	-0.002 (0.003)	-0.001 (0.001)	-0.002 (0.003)	-0.000 (0.002)	-0.000 (0.001)	-0.000 (0.002)	-0.002 (0.002)	-0.001 (0.001)	-0.002 (0.002)
Avoid harm stakeholder management	-0.001 (0.002)	-0.001 (0.001)	-0.001 (0.002)	0.014*** (0.005)	0.007*** (0.003)	0.015*** (0.005)	0.015*** (0.005)	0.008*** (0.003)	0.015*** (0.005)
Industry-adjusted total shareholder return * Avoid harm stakeholder management	-3.798 (2.677)	-1.942* (1.156)	-3.821 (2.661)	-4.138 (2.702)	-2.046* (1.166)	-4.187 (2.669)	-4.064 (2.704)	-1.983* (1.168)	-4.108 (2.666)
Constant	399 YES	399 YES	399 YES	399 YES	399 YES	399 YES	399 YES	399 YES	399 YES
# of unique firms / CEOs	0.093	0.096	-	0.106	0.111	-	0.110	0.115	-
Year fixed-effects	-239.3	-238.5	-	-236	-234.6	-	-234.9	-233.5	-
Pseudo R-squared	38.35	37.37	39.51	44.83	43.92	47.01	47.76	46.03	50.12
Log Likelihood	2661	2661	2661	2661	2661	2661	2661	2661	2661
Wald chi-square									
Observations									

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

All explanatory variables are lagged by 1 year

Table 5

Moderating effect of avoid harm stakeholder management reputation on the marginal effect of firm performance

Level of avoid harm	Marginal effect of firm performance	Z-statistic
Low	-0.02	-2.64
Mean	-0.005	-2.17
High	0.13	2.36

n=2661 firm years

*** p<0.01, ** p<0.05, * p<0.1

The low (high) values of avoid harm stakeholder management reputation are 1 standard deviation below (above) the mean

Table 6
Results of regression predicting CEO dismissals

Variables	Model 1 Random Effects Logit	Model 2 Random Effects Probit	Model 3 GEE
Industry-adjusted ROA	-2.944* (1.546)	-1.364* (0.745)	-3.032** (1.518)
Industry-adjusted market-to-book	-0.022** (0.010)	-0.011** (0.005)	-0.022** (0.010)
Board size	0.119* (0.070)	0.051* (0.031)	0.114* (0.069)
Formal board independence	1.339 (2.636)	0.564 (1.154)	1.416 (2.614)
High CEO share ownership	0.728 (0.594)	0.320 (0.254)	0.736 (0.595)
CEO duality	-0.363 (0.313)	-0.147 (0.137)	-0.366 (0.309)
Executive's age	-0.057** (0.028)	-0.025** (0.012)	-0.056** (0.027)
Tenure as CEO	-0.138*** (0.050)	-0.059*** (0.021)	-0.146*** (0.050)
Firm Size (Log of Sales)	0.108 (0.128)	0.045 (0.056)	0.109 (0.126)
Industry-adjusted total shareholder return	-0.365 (0.351)	-0.177 (0.177)	-0.379 (0.344)
High do good/Low avoid harm	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
High do good/High avoid harm	-0.274 (0.415)	-0.129 (0.176)	-0.266 (0.411)
Low do good/High avoid harm	-0.072 (0.379)	-0.053 (0.162)	-0.063 (0.374)
Low do good/Low avoid harm	-0.275 (0.453)	-0.150 (0.195)	-0.286 (0.452)
Industry-adjusted total shareholder return * High do good/Low avoid harm	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Industry-adjusted total shareholder return * High do good/High avoid harm	0.398 (0.369)	0.192 (0.185)	0.422 (0.356)
Industry-adjusted total shareholder return * Low do good/High avoid harm	1.031** (0.493)	0.493* (0.262)	1.048** (0.488)
Industry-adjusted total shareholder return * Low do good/High avoid harm	-2.746** (1.313)	-1.270** (0.628)	-2.706** (1.319)
Constant	-3.717 (2.665)	-1.915* (1.158)	-3.753 (2.639)
# of unique firms/CEOs	399	399	399
Year fixed-effects	YES	YES	YES
Pseudo R-squared	0.112	0.096	-
Log Likelihood	-234.446	-238.527	-
Wald chi-square	46.89	44.24	48.61
N	2661	2661	2661

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7

Moderating effect of stakeholder configuration on the marginal effect of Industry-adjusted TSR on the likelihood of CEO dismissal

Configuration	Level of do good and avoid harm	Marginal effect of Industry-adjusted TSR	Z-statistic
1	High do good/Low avoid harm	-0.008	-1.02
2	High do good/High avoid harm	0.001	0.31
3	Low do good/High avoid harm	0.013	1.88
4	Low do good/Low avoid harm	-0.063	-2.12

n=2661 firm years

*** p<0.01, ** p<0.05, * p<0.1

High (low) values of do good and avoid harm stakeholder management is one standard deviation above (below) mean

STUDY 2: STAKEHOLDER MANAGEMENT REPUTATION AND CEO COMPENSATION - MAIN EFFECTS AND INTERACTIONS WITH FIRM PERFORMANCE, BOARD INDEPENDENCE AND UNCERTAINTY

This study examines the relationship between an organization's reputation for stakeholder management and CEO compensation. A monolithic perspective on stakeholder management dominates extant research. In contrast, this study theorizes that organizations develop distinct reputations for "doing good" and "avoiding harm." The current study finds that a reputation for "do good" stakeholder management is positively associated with CEO compensation while a reputation for "avoid harm" stakeholder management is negatively associated with CEO compensation for a sample of S&P-500 companies over a 9-year period. The study also explains and finds partial support for the role of financial performance, board independence, and information uncertainty as moderators of the relationship between stakeholder management reputation and CEO compensation. This study contributes to both the compensation and stakeholder management literatures by providing a more nuanced view of the relationship between stakeholder management and executive compensation.

CEO compensation has long generated considerable interest amongst scholars. When boards make compensation decisions, ideally, high ability managers should be rewarded with higher pay. In reality, CEO ability is an inherently difficult construct to assess. It is not surprising then that substantial scholarship on executive compensation has been influenced by classical economic theories and has generally found that objective indicators such as organizational size or firm performance strongly determine CEO compensation. However, these measures still provide noisy indicators at best of CEO ability (Eisenhardt, 1989). This is substantiated by research providing either inconsistent findings or lower effect sizes on the sensitivity of CEO compensation to firm performance and organizational size respectively (e.g., (Bebchuk & Fried, 2006); Lambert, Larcker, and Weigelt (1991)). Understandably, management scholarship has moved towards

examining the influence of other variables that evaluators may rely on to assess CEO ability (Harris & Helfat, 1997; Henderson & Fredrickson, 1996).

In this effort to look at factors that may influence CEO compensation via assessments of CEO ability, one area that warrants further attention is how the firm's engagement with a broader array of stakeholders affects compensation decisions. There has been growing interest from scholars to understand how firms undertake and deploy stakeholder management strategies as they seek to assess and respond to the needs of multiple stakeholders to the firm (Bundy, Shropshire, & Buchholtz, 2013; Henisz, Dorobantu, & Nartey, 2014; Tantalo & Priem, 2016). Yet, little work has explicitly connected stakeholder management with compensation outcomes for CEOs. Research that has explored this link has found that stakeholder management is generally not rewarded in the form of increased remuneration for executives (Coombs & Gilley, 2005).

In the current study, I investigate this relationship in a nuanced way by adopting a somewhat different conceptualization of stakeholder management. Specifically, I conceptualize stakeholder management as a reputational indicator comprised of both the reputation for "doing good" and the reputation for "avoiding harm." An organization is "doing good" when its strategic actions intended to create positive spillovers lead to outcomes that enhance stakeholder welfare or are perceived to do so. An organization is "avoiding harm" when its strategic actions intended to reduce negative spillovers lead to outcomes that reduce harm to stakeholders or are perceived to do so. Over time, these perceptions aggregate into reputations for "doing good" and "avoiding harm" respectively (Crilly et al., 2016; Minor & Morgan, 2011).

CEO's play a central role in setting the strategic direction for their organization's relationships with stakeholders (Aguinis & Glavas, 2019). Moreover, it is well established that evaluators frequently attribute well-publicized organizational outcomes to leaders (Meindl &

Ehrlich, 1987) including outcomes such as stakeholder management reputation. Based on these insights, I propose that stakeholder management reputation will inform attributions relevant to CEO ability, which will in turn inform CEO compensation. Specifically, I propose and find evidence to support the idea that a reputation for "do good" stakeholder management will exhibit a stronger positive relationship to CEO compensation than a reputation for "avoid harm" stakeholder management. Consistent with scholarship that has demonstrated their relevance to CEO compensation (Harris & Helfat, 1997; Johnson, Schnatterly, & Hill, 2013; Tosi, Werner, Katz, & Gomez-Mejia, 2000), I also examine the influence of firm performance, board independence and uncertainty. Specifically I explain how firm performance and board independence may weaken the relationship between both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation and CEO compensation. I suggest that uncertainty may weaken the difference between the two reputations in affecting CEO compensation. By fleshing out the theoretical differences between "do good" and "avoid harm" stakeholder management reputation and finding empirical support for their distinct effects on CEO compensation, this study provides additional theoretical nuance and extends previous work (Berrone & Gomez-Mejia, 2009; Coombs & Gilley, 2005).

This study has theoretical implications for the literature on CEO compensation and stakeholder management. Concerning the literature on CEO compensation, this study highlights the need to look beyond objective indicators of performance such as financial performance and organization size and consider the implications of strategic relationships with non-shareholder actors as an important determinant of CEO compensation. In regard to the stakeholder management literature, the study suggests the merits of independently assessing a firm's reputation for "do good" and "avoid harm" stakeholder management. In doing so, this study builds on

previous work (Berrone & Gomez-Mejia, 2009; Coombs & Gilley, 2005) while retaining key differences. While previous work in this line of research has conceptualized stakeholder management monolithically (Coombs & Gilley, 2005; Deckop et al., 2006), recent research suggests that audience sensemaking processes differ when interpreting these two reputations (Sen & Bhattacharya, 2001). I apply this theoretical insight in this study to explain how attributions of CEO ability may vary depending on the type of stakeholder management reputation. Thus, this study adopts a cognitive rather than a purely resource based perspective in explaining the influence of stakeholder management reputation on CEO compensation. Overall, the findings of this study suggest that the relationship between stakeholder management and CEO compensation is somewhat more complex than previously suggested. This complexity is partially driven by how audiences perceive the two types of stakeholder management reputation when making assessments of CEO ability. Further, the study also suggests that the extent to which CEO ability attributions are driven by stakeholder management reputations may also depend on several contextual factors.

THEORY AND HYPOTHESES

Given evaluators' limited access to information, assessing CEO ability is a challenging task. Consistent with theories of sensemaking and attribution (Nisbett & Ross, 1980; Tversky & Kahneman, 1973), evaluators frequently attempt to generate attributional explanations using signals that are both relevant and highly accessible. While firm performance and organizational size are obvious factors that evaluators turn to, research also suggests that evaluators turn to other signals such as level of diversification and the CEO's status as an outsider or insider (Harris & Helfat, 1997; Henderson & Fredrickson, 1996) in assessing ability.

Stakeholder management reputation appears to be another factor that meets these criteria of relevance and accessibility for at least two reasons. First, scholarship suggests that CEOs play

a central role in setting the strategic direction for an organization's engagement with its stakeholders (Aguinis & Glavas, 2019; Schmit et al., 2012). Indeed some research even suggests that CEOs may have more of a direct influence than previously understood (Davidson, Dey, & Smith, 2019; Ormiston & Wong, 2013; Petrenko et al., 2016; Waldman, Siegel, & Javidan, 2006). Furthermore, even while the extent of the CEOs involvement in setting and directing stakeholder management strategy may vary based on factors such as industry and CEO personality, research suggests that evaluators frequently ascribe organizational level reputations to CEOs (Meindl et al., 1985). Based on its perceived reliability, stakeholder management reputation is likely to be considered a pertinent signal in assessing dispositional qualities relevant to CEO compensation decisions.

Second, stakeholder management reputations are highly accessible to evaluators. While organizations themselves have become more proactive in reporting stakeholder management activities, a large number of third party agencies have emerged that publish ratings/rankings of an organization's stakeholder management reputation (Ioannou & Serafeim, 2015; Rindova, Martins, Srinivas, & Chandler, 2018). Research suggests that these reputational indicators serve as pertinent sources of information for evaluators in assessing organizations.(Chatterji, Levine, & Toffel, 2009). Given their high level of accessibility, stakeholder reputations are likely to be seen as a pertinent source of information that evaluators may use to assess CEO ability.

Before explicating the mechanisms connecting stakeholder management reputation to CEO compensation, a brief explanation of "do good" and "avoid harm" stakeholder management reputation is in order. Organizations develop "do good" stakeholder management reputation when strategic actions with stakeholders are perceived to lead to or increase positive spillovers (Crilly et al., 2016). This may be achieved directly by proactively devising solutions that enhance

stakeholder relationships. As such, direct solutions require substantial investments in organizational resources and capabilities even while linkages to shareholder value maximization are often uncertain at the time these investments are made (Harrison, Bosse, & Phillips, 2010). Organizations may also adopt an indirect path to achieving "do good" stakeholder management reputations through accreditations and external certifications (Shropshire & Hillman, 2007; Stahl & De Luque, 2014). Organizations gain "avoid harm" stakeholder management reputations when strategic actions with stakeholders are perceived to reduce or eliminate negative spillovers (Crilly et al., 2016). This may be achieved by abstaining from controversial business practices, addressing reputational losses and reducing risks and liabilities (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012). As such "avoid harm" stakeholder management reputation is exemplified by ensuring compliance with the law so that visible manifestations of managerial or organizational irresponsibility are minimized (Minor & Morgan, 2011).

Stakeholder management reputations and CEO attributions

I have thus far focused on why stakeholder management reputation may be considered a pertinent factor in assessments of CEO ability. This section describes in more detail the features that evaluators may be seeking in assessing attributions of ability relevant to compensation decisions. Shareholders generally reward initiative taking and prefer it to risk aversion with regards to CEO compensation (Sanders & Hambrick, 2007). I propose that "do good" stakeholder management reputation signals initiative taking. For example, consider PepsiCo's initiative from 2007 that was widely known as "Performance with a Purpose" (PepsiCo, 2017). The strategic initiative was championed by PepsiCo's CEO with the purpose of attaining a leadership position in organizational sustainability. PepsiCo increased capital investments in new R&D laboratories and expanded innovation capabilities, particularly through hiring of senior managers (Chatterji,

2013, August; Seabrook, 2011). Audiences are likely to perceive these strategic actions as discretionary, voluntary and aimed at generating positive spillovers (Morrison & Phelps, 1999). In general "do good" stakeholder management reputation should lead to attributions of CEO ability to initiate change. "Avoid harm" stakeholder management reputation is preceded by strategic actions aimed at reducing negative spillovers. An "avoid harm" stakeholder management reputation is important for safeguarding the firm from negative publicity (Donaldson & Preston, 1995). However it is plausible that it may also be perceived as a signal of the CEO's risk aversion. Managers are generally viewed as risk averse (Jensen & Meckling, 1976) and one of the core ideas of agency theory is that risk aversion will entail lower levels of compensation (Fama, 1980). Given that CEOs time and effort are bounded (Holmstrom & Milgrom, 1991), and that risk aversion has been found to have a negative bearing on wealth creation (DeFusco, Johnson, & Zorn, 1990), "avoid harm" stakeholder management reputation may be perceived as a suboptimal or overly conservative resource allocation in regards to shareholder value maximization. To the extent that risk preferences are displayed through stakeholder management reputation and to the extent that "avoid harm" stakeholder management reputation necessitates partial adherence to status quo, high levels of "avoid harm" stakeholder management reputation may be perceived as managerial inability to cope with organizational change (Judge, Thoresen, Pucik, & Welbourne, 1999). Given these insights I propose that in general, while both "do good" stakeholder management and "avoid harm" stakeholder management reputation should lead to positive ascriptions of CEO ability, excessive levels of "avoid harm" stakeholder management reputation may be attributed to CEO risk aversion.

Stakeholder management and CEO compensation

To the extent that "do good" stakeholder management reputation is associated with creating positive spillovers, the strategic behaviors associated with "do good" stakeholder management reputation as exemplified by organizations such as PepsiCo and Unilever (Abboud, 2018, November 29; Colvin, 2012) demand a reconfiguring of skills and resources for the organization. Such reconfigurations may in turn lead to competitive advantages (Barney, 1991). Several other strategic choices associated with "do good" stakeholder management reputation also have been shown to lead to positive spillovers (e.g., increased stock returns through selling to marginalized communities (Mishra & Modi, 2016)) and productivity increases from gain sharing plans (Bullock & Tubbs, 1990)). These organizational level spillovers are also known to improve employee commitment and retention. A number of empirical studies provide evidence in support of this argument: organizations are able to attract higher quality employees and decrease turnover (Albinger & Freeman, 2000) when they have a reputation for "do good" stakeholder management.

"Do good" stakeholder management reputation also has important implications for media coverage and corporate reputation (Fombrun, 2005). Scholarship suggests that "do good" stakeholder management reputation leads to more favorable media coverage (Cahan et al., 2015) as well as increased favorability amongst important information intermediaries such as security analysts (Ioannou & Serafeim, 2015). In line with these arguments, "do good" stakeholder management reputation has strong linkages to several positive spillovers. To the extent that evaluators not only perceive CEOs as highly influential but also make strong attributions of organizational level outcomes to CEOs (Meindl & Ehrlich, 1987), "do good" stakeholder management reputation should lead to positive attributions of initiative taking. These arguments

are also closely supported by research, demonstrating that CEOs are a major feature of strong organizational-stakeholder relationships (Intintoli, Serfling, & Shaikh, 2017).

Strategic actions associated with "avoid harm" stakeholder management reputation suggest a compliance focus with the objective of reducing risks related to stakeholders. Reputation for "avoid harm" stakeholder management is less likely to be associated with extra role behaviors that are characterized by a change orientation and voluntary actions (Morrison & Phelps, 1999). While "avoid harm" stakeholder management reputation may potentially lead to positive spillovers in terms of reduced cost of capital (Kölbel et al., 2017), the relationship between risk reduction and shareholder value, a core criteria for CEO compensation, has been called into question (DeFusco et al., 1990; Tufano, 1996). Albeit in some situations, "avoid harm" stakeholder management reputation may be valuable to make efficacy assessments. For example, when firm performance is poor, risk management may take precedence over shareholder value maximization and the board may see "avoid harm" stakeholder management as pertinent towards decisions to retain or dismiss a CEO. However, in regards to CEO compensation, shareholders prefer to reward CEOs when organizational strategies positively influence shareholder value (Kerr & Bettis, 1987), it may be expected that "avoid harm" stakeholder management reputation may be seen as less pertinent to making ability attributions relevant to CEO compensation. Finally, from a risk-return tradeoff perspective, "avoid harm" stakeholder management reputation may be seen as taking valuable time and effort away from sustaining or creating "do good" stakeholder management reputation that is perceived to have greater impact on financial performance (Holmstrom & Milgrom, 1991). Attributions of risk aversion may be more pronounced when CEOs of peer firms in the same industry display lower levels of reputation for "avoid harm" stakeholder management. Note that the theory advanced here does not require organizations to have one dominant reputation. Previous

work has found evidence to support an overall negative relationship between stakeholder management and CEO compensation (Coombs & Gilley, 2005). This is perhaps a consequence of combining both "do good" stakeholder management and "avoid harm" stakeholder management reputations to arrive at an overall measure. I expect that while both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation may lead to positive attributions of ability, "do good" stakeholder management reputation will be seen as more pertinent to attributions of CEO ability.

For the above reasons, I hypothesize:

***Hypothesis 1:** "Do good" stakeholder management reputation has a more positive effect on CEO compensation than "avoid harm" stakeholder management reputation.*

Moderating role of firm performance

Several studies have demonstrated a statistically significant relationship between firm performance and CEO compensation (Core, Holthausen, & Larcker, 1999; Finkelstein & Hambrick, 1988; Mehran, 1995). Naturally this raises the question of how firm performance affects the relationship between stakeholder management reputation and CEO compensation.

Under a shareholder logic, firm financial performance retains dominant priority for important stakeholders such as boards and institutional investors (Fama & Jensen, 1983). To reduce agency conflicts, a major portion of the CEO's compensation is linked to firm performance (Finkelstein & Hambrick, 1989; Tuggle, Sirmon, Reutzel, & Bierman, 2010). Given the dominance of the shareholder value logic especially in the context of the United States (Ocasio & Radoynovska, 2016), board reputation may even depend on the degree to which CEO's are compensated for increasing the level of firm performance (Zajac & Westphal, 1996). Additionally, given the relatively objective nature of market measures of firm performance (Baysinger &

Hoskisson, 1990), it may even be easier to justify their use in compensation decisions. Further, there is evidence to suggest that adherence to shareholder welfare may result in boards compensating for firm performance without sufficiently establishing causal linkages between CEO ability and firm performance (Bertrand & Mullainathan, 2001). This is consistent with research suggesting that in general, evaluators exhibit strong tendencies to over-attribute firm performance to CEOs especially when firm performance is high (Meindl & Ehrlich, 1987). As firm performance increases, such causal attributions may even get stronger. In other words, I suggest that as firm performance improves, it may crowd out other sources of information pertinent to positive CEO ability attributions.

It is also perhaps noteworthy that the lack of a consistent relationship between stakeholder management and financial performance (Zhao & Murrell, 2016) may also lead evaluators to attach less salience to second order expectations (i.e. stakeholder management) and instead focus on first order expectations (i.e. financial performance) in making attributions of CEO ability. Therefore, when firm financial performance improves, evaluators should feel the need to compensate the CEO for financial performance and reduce sensitivity of pay to CEO ability attributions from stakeholder management reputation.

I set forth the following hypothesis:

***Hypothesis 2:** The impact of stakeholder management reputation on CEO compensation is weakened as firm performance improves.*

Moderating role of board independence

I next consider the role of board independence as a contextual feature that may influence decisions related to CEO compensation. Governance structures are an important determinant of compensation arrangements and central amongst these is board independence (Canyon & Peck,

1998). It may be expected that independent board members do not have access to information in a way that insider board members have access to. As a result, they are more likely to rely on relatively more objective indicators of firm performance (Baysinger & Hoskisson, 1990). This reliance may in turn increase the sensitivity of firm performance to CEO compensation (Zahra & Pearce, 1989).

Moreover, independent directors are expected to hold higher levels of fiduciary responsibility towards shareholders than insider directors (Blair & Stout, 2001). Given this responsibility, it may be expected that independent directors will perceive market based measures of performance as more important than other indicators of CEO ability. Consequently, subjective measures of effectiveness such as stakeholder management reputation may be seen as less relevant to an independent board (Baysinger & Hoskisson, 1990).

There are other considerations. CEOs may deliberately allocate resources towards increasing "do good" stakeholder management reputation to serve personal needs and enhance their own social and reputational capital at the expense of their organizations (Petrenko et al., 2016). Scholarship also suggests that a reputation for "do good" stakeholder management may serve as a mechanism by which CEOs strengthen their relationships with important stakeholders and thereby entrench themselves (Surroca & Tribó, 2008). With reference to "avoid harm" stakeholder management reputation, compliance driven strategies (i.e. "avoid harm" stakeholder management reputation) may be viewed with suspicion by evaluators (Yoon et al., 2006b). A further point worth noting is that outsider boards are paradoxically known to favor measures to curtail risk aversion (Baysinger & Hoskisson, 1990). Consistent with this argument, independent boards may find avoid harm stakeholder management reputation to be less relevant in making positive attributions of CEO ability. I combine these insights with research suggesting that out-

group members are less likely to arrive at positive attributions compared to in-group members (Hewstone, 1990). Given their status as out-group members with limited information relative to insider directors, independent directors should be less likely to arrive at positive attributions of CEO ability from stakeholder management reputation. Accordingly I expect that as board independence increases, the positive impact of stakeholder management reputation on CEO compensation should be weaker.

***Hypothesis 3:** The impact of stakeholder management reputation (both do good and avoid harm) on CEO compensation is weakened as board independence increases.*

Role of uncertainty

A final contextual variable this study considers is firm level uncertainty. The construct of uncertainty is defined here as the difficulty of understanding and interpreting organizational strategies and their linkages to firm performance. As uncertainty increases, evaluators' may face heightened search costs related to CEO ability. Under conditions of uncertainty, the CEO's contribution towards both "do good" stakeholder management and "avoid harm" stakeholder management reputation may be more difficult to assess. Consequently, there is an increased likelihood of discrepancy between actual ability and perceived ability (Lynn, Podolny, & Tao, 2009). To the extent that stakeholder management reputation may be considered as relatively a less objective source of information especially when uncertainty is high, evaluators may increase their reliance on sources of information that are easier to interpret.

This is because uncertainty may increase the likelihood of the CEO shirking responsibility towards stakeholders or convincing the board that they have expertise in managing stakeholders even when they do not (Eisenhardt, 1989). Uncertainty may also influence the likelihood that CEO personal preferences rather than organizational needs may determine both the direction and

magnitude of stakeholder management reputation (Jensen, 2010). Further, uncertainty may also increase information processing demands for the board (Daft, Lengel, & Treviño, 1987) thereby making it more likely for the board to rely on outcome based indicators (Eisenhardt, 1989). For instance, consider the case of a CEO of an organization that has taken a leadership role in water conservation efforts. She has increased investments in human capital and R&D capabilities leading evaluators to ascribe a high level of "do good" stakeholder management reputation to the organization. However, high levels of uncertainty may mean that evaluators are unaware of the extent to which the CEO has taken a lead role in this endeavor or the extent to which the resulting increase in reputation for "do good" may be linked to increased financial returns. Similarly, evaluators may be less likely to understand the limited benefits of "avoid harm" stakeholder management reputation (e.g. to reduce cost of capital (Chava, 2014)) and more likely to make attributions of risk aversion as uncertainty increases. These arguments are consistent with research suggesting that as uncertainty increases, evaluators are less likely to rely on additional sources of information (i.e., stakeholder management reputation) to make attributional references (Edwards, 1998).

***Hypothesis 4:** The positive impact of both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation is weakened as uncertainty increases.*

DATA AND METHODS

Sample and Data Collection

I included all companies in the S&P-500 on the 1st of January 2006 and tracked them from 2006-2014. Firm performance data were constructed using financial information drawn from Compustat. CEO related information was obtained from ExecuComp. Data for governance

variables including board size and board independence were obtained from BoardEx. After accounting for missing information, the final sample consisted of 2824 firm-year observations.

Dependent Variable

CEO compensation

Total CEO compensation, consisting of salary, bonus, and long-term compensation is the primary dependent variable. As the distribution of the total compensation was skewed, I applied a logarithmic transformation which is consistent with prior research (Chava, 2014).

Independent variable

“Do good” and “avoid harm” stakeholder management reputation

The study uses the KLD database to construct proxies for stakeholder management reputation. KLD data are assembled from a wide variety of sources such as SEC filings, AGM meetings, news reports and government and NGO databases. KLD data cover the following stakeholders: employees, consumers, shareholders, communities and environment. For each of the stakeholders, KLD assesses several indicators. These indicators may either be strength indicators or concern indicators. An organization is assigned a score of 1 if it meets the assessment criteria and a score of 0 if it does not meet the assessment criteria for each indicator. There are more than 65 strength and concern indicators.

This study uses the strength and concern scores as proxies for "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation respectively. The assessment of an indicator is a subjective decision made by trained analysts using publicly available sources. As such, KLD scores are closer approximations of perceptions of strategic actions rather than actual outcomes themselves (Hart & Sharfman, 2015; Mattingly & Berman, 2006). Using KLD strengths and concerns as proxies for "do good" stakeholder management

reputation and "avoid harm" stakeholder management reputation helps retain consistency between the theoretical variables and their operationalization. Additionally this practice of assessing the strengths and concerns separately helps retain empirical distinction as well. While several studies combine the strengths and concerns, the *absence of a strength* cannot be assessed as the *presence of a concern* or vice versa (Hart & Sharfman, 2015; Mattingly & Berman, 2006). For example, a company's reputation for investments in carbon efficient technologies may not compensate for its poor reputation in adherence to existing environmental guidelines.

I reverse code the concerns score for ease of understanding, and to suggest that the company has developed a reputation for *avoiding concerns and controversies*. Consistent with previous work (Hillman & Keim, 2001; Sharfman, 1996), I combine the component scores for strengths to arrive at an overall score for "do good" and combine the concerns component scores to achieve the overall "avoid harm" measure. The final scores for "do good" and "avoid harm" stakeholder management are standardized using 2 digits SIC codes.

Moderator Variables

Firm Performance

To the extent that a major responsibility of the board is to represent the interests of shareholders (McNulty & Pettigrew, 1999), boards may be highly sensitive to measures such as *total shareholder return* (TSR) that partially capture the extent to which shareholders gain from their investments in the firm. I operationalize TSR as the ratio of the annual change in stock price plus dividends divided by the opening price of the stock adjusted for industry effects (Flickinger et al., 2015; Tosi et al., 2000). The mean value of firm performance is 0.041.

Board Independence

I measure *board independence* as the ratio of number of independent unaffiliated directors to the total number of directors. The mean board independence is 0.876.

Uncertainty

I operationalize *firm level uncertainty* using accuracy of analyst forecasts. As important information intermediaries, analysts are expected to accurately predict the firm's future earnings (Beunza & Garud, 2007). The accuracy of these predictions is likely to improve when the organization and its managers disseminate pertinent information leading to lower levels of uncertainty. Accuracy improves as uncertainty decreases (Hope, 2003). I arrived at this measure by calculating the absolute value of the difference between actual earnings and the earnings estimate and dividing it by the earnings estimate. Consistent with O'Brien and Bhushan (1990), Clement (1999), and Mikhail, Walther, and Willis (1999), I use the last estimate provided by the analyst for each quarter because it is likely to incorporate the most complete information available to the analyst prior to making the final estimate for the quarter. Since our interest is in the degree to which the actual earnings per share match the estimate, I used the estimate rather than the actual earnings as the denominator. I constructed a single measure of accuracy for every firm year by averaging the accuracy values across all analysts. I then normalized the measure by dividing it with by the stock price at the end of the calendar year prior to the announcement of the rankings consistent with the measure adopted in past research (Butler & Lang, 1991). Since a lower value indicates greater accuracy I reversed the sign of the item and expect a positive coefficient for accuracy as per the hypothesis. The mean value for uncertainty is 0.016.

Control variables

The study incorporates several control variables in the analysis. Boards may be sensitive to accounting measures of firm performance in addition to market measures (Fich & Shivdasani,

2006) so *return on assets* (ROA) is employed as a control variable. This measure was arrived at by dividing the net income by the value of the total assets and adjusted for industry differences. *Board size* is also controlled for because (a) it may influence decision-making capability of the board (Yermack, 1996) and (b) because larger boards may be more easily captured by the CEO (Lipton & Lorsch, 1992). Consequently, board size may influence board monitoring, which may influence the level of CEO compensation and the sensitivity of CEO compensation to accounting and market performance. I also control for *CEO age* because age may inform the type of compensation that CEOs may prefer. For example, CEOs who are older and closer to retirement may prefer increments to salary and total compensation that exhibits reduced sensitivity to market and accounting performance while younger CEOs may be more accepting of riskier compensation arrangements (Finkelstein & Hambrick, 1988). I control for *CEO tenure* because tenure may influence the CEO's ability to exert influence on the board and shareholders. CEOs who have served in their roles for longer are likely to have amassed higher levels of social and reputational capital, which may strongly influence magnitude, and sensitivity of compensation (Hill & Phan, 1991). I control for *CEO duality*. CEO duality may inform compensation because combining the role of the CEO and Chairperson means that information processing demands may increase (Boyd, 1995) which may be positively related to compensation. Additionally, CEO duality may also be associated with CEO power and the ability of the CEO to exert greater personal preferences in the compensation structure (Westphal & Zajac, 1995). I operationalize CEO duality as '1' if the CEO is also Chairperson and '0' otherwise. I also control for *CEO ownership*. Research suggests that magnitude of compensation may be determined by the CEO's shareholding in the firm (Finkelstein & Hambrick, 1989). Additionally, the CEOs own shareholding may affect the distribution of their attention towards "do good" and "avoid harm" stakeholder management and consequently inform

stakeholder management reputation. Following Jenter and Kanaan (2015), I operationalize CEO ownership as high or low ownership based on ownership greater than or equal to 5% and less than 5% respectively. The final control variable is firm size. A number of studies suggest that firm size explains a large variance in CEO compensation (Finkelstein & Hambrick, 1989; Tosi et al., 2000). I operationalize firm size by taking the *log of sales*.

Analysis

Stakeholder management reputation may be dependent on firm financial performance and organization size (McWilliams & Siegel, 2001). A major concern then with using a stakeholder management reputation measure as an independent variable is the potential endogeneity between stakeholder management reputation and other factors that may also influence CEO compensation. So it is important to identify whether or not a reputation for stakeholder management that is independent of firm financial performance and size has an effect on CEO compensation. To address this potential concern, I regress “do good” and “avoid harm” stakeholder management reputation on financial performance and size and use the residuals in the second stage regressions predicting CEO compensation. The model estimates the value of reputation for “do good” and “avoid harm” stakeholder management based on multiple measures of firm financial performance (return on assets, total shareholder return and adjusted market to book ratio), firm size (operationalized by taking the logarithm of sales) and year dummies. I use the residuals from these models as proxies for the measures of “do good” and “avoid harm” stakeholder management reputation. This approach minimizes potential endogeneity between the stakeholder management and financial performance. Table 8 reports the statistical tables and correlations. The values for "do good" stakeholder management and "avoid harm" stakeholder management reputation are those of the regression residuals from which the performance and organizational size components

have been removed. The VIF score was 1.19, which partially alleviates concerns regarding multicollinearity.

RESULTS

I report analysis based on the generalized least squares cross sectional time series regressions. GLS models are appropriate for this study's analysis because they allow control of the unequal variability in the dependent variable (Certo & Semadeni, 2006). Additionally, GLS models also allow controlling for autocorrelation (Windal & Weiss, 1980). GLS models are especially appropriate for analyzing dependent variables such as CEO compensation. For example, given that this study's measure of compensation is total CEO compensation, there may be large variations in compensation based on the organization's size and financial performance. Similarly, CEO compensation may also be informed by variables that may be accounted for in the error terms, which may exhibit a trend over time i.e., they may be autocorrelated. GLS models are particularly suited to such settings subject to heteroskedasticity and autocorrelation.

Table 9 displays the results of these regressions. Hypothesis 1 (Model 1) predicted that relative to "avoid harm" stakeholder management reputation, "do good" stakeholder management reputation would be more positively related to CEO compensation. I find that the coefficient of "do good" stakeholder management reputation is positive and significant ($\beta = 0.001$, $p < 0.001$). The coefficient of avoid harm stakeholder management reputation is negative and significant ($\beta = -0.001$, $p < 0.01$) suggesting that "do good" stakeholder management reputation may have a stronger positive effect on CEO compensation relative to "avoid harm" stakeholder management reputation.

To test the moderating effect of firm performance, I created the interaction terms *Firm performance * "Do good" stakeholder management reputation* and *Firm performance * "Avoid harm" stakeholder management reputation* (Models 2&3). I find the moderating effects for the

first interaction term to be negative and significant suggesting that firm performance weakens the effect of “do good” stakeholder management reputation on CEO compensation ($\beta = -0.000$, $p < 0.01$). Hypothesis 2 also predicted that firm performance weakens the effect of the reputation for avoid harm stakeholder management on CEO compensation. The coefficient for the interaction term *Firm performance * "Avoid harm" stakeholder management reputation* is negative but not significant ($\beta = -0.000$, ns). This suggests that firm performance has no effect on the informational value of "avoid harm" stakeholder management reputation on CEO compensation. These results suggest partial support for hypothesis 2.

Hypothesis 3 (Models 4 & 5), predicted that board independence weakens the effect of stakeholder management reputation on CEO compensation. I created the interaction terms *Board independence * "Do good" stakeholder management reputation* and *Board independence * "Avoid harm" stakeholder management reputation*. I find that the coefficient for *Board independence * "Do good" stakeholder management reputation* is negative but not significant ($\beta = -0.000$, ns) suggesting that board independence has no effect on the pertinence of "do good" stakeholder management reputation. However, I find that the interaction term *Board independence * "Avoid harm" stakeholder management reputation* is negative and significant ($\beta = -0.004$, $p < 0.001$) suggesting that the effect of "avoid harm" stakeholder management reputation becomes less salient as board independence increases. These empirical results suggest partial support for hypothesis 3.

To test the moderating effect of uncertainty, I created the interaction term *Uncertainty * "Do good" stakeholder management reputation* and *Uncertainty * "Avoid harm" stakeholder management reputation* (Models 6 & 7). I predicted that uncertainty would reduce the salience of both "do good" stakeholder management reputation and "avoid harm" stakeholder management

reputation on CEO compensation. That is uncertainty would reduce the likelihood that CEO's would be compensated for stakeholder management reputation. I find that the interaction term *Uncertainty * "Do good" stakeholder management reputation* is negative and significant ($\beta = -0.001, p < 0.1$). I also find the interaction term *Uncertainty * "Avoid harm" stakeholder management* is negative and significant ($\beta = -0.001, p < 0.05$). These results suggest that as uncertainty increases, stakeholder management reputation is less likely to be pertinent towards positive attributions of CEO ability. These results corroborate hypothesis 4.

Addressing concerns of reverse causality

Of particular concern in compensation studies is the problem of reverse causality. Specifically, it is possible that that the CEO's allocation of effort towards stakeholder management reputation may depend on their compensation. So basic Granger causality tests were conducted (Xueming, Heli, Raithel, & Qinqin, 2015). The null hypotheses are that compensation does not predict both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation. The Wald statistics suggest (compensation ---> "do good" stakeholder management reputation ($p > 0.05$) and compensation ---> "avoid harm" stakeholder management reputation ($p > 0.05$)) that the hypotheses are not rejected, alleviating concerns about reverse causality.

DISCUSSION

The focus of this study was to explain how "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation influence CEO compensation. The empirical results provide support for this study's baseline hypothesis that "do good" stakeholder management reputation bears a stronger positive relationship with CEO compensation relative to "avoid harm" stakeholder management reputation. Interestingly, the empirical results also suggest

that "avoid harm" stakeholder management reputation may in fact be detrimental to CEO compensation. The study also explored the role of contextual factors that may influence the relationship between stakeholder management reputation and CEO compensation. These include firm performance, board independence and firm level uncertainty. The study found partial support for the role of firm performance and board independence. Specifically, "do good" stakeholder management reputation becomes less pertinent towards CEO compensation as firm performance improves and "avoid harm" stakeholder management reputation becomes less pertinent towards CEO compensation as board independence increases. With regards to uncertainty, the empirical results suggest that as uncertainty increases, both "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation become less salient towards CEO compensation.

The study has implications for the literature on CEO compensation. Specifically, the study theorizes that "do good" stakeholder management reputation may be perceived as increasing the CEO/firm's overall level of effectiveness through gains in social and reputational capital. Avoid harm stakeholder management is likely to be seen as less pertinent for two reasons. One, because it bears weaker associations with taking initiative and two, because it may be perceived as a signal of risk aversion especially when the focal organization's "avoid harm" stakeholder management reputation is higher than those of peer organizations. The empirical analysis appears to support the idea that "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation have divergent effects on CEO compensation. The finding that firm performance makes "do good" stakeholder management reputation less pertinent suggests that the shareholder logic may still hold dominance over the stakeholder view in matters related to CEO compensation. The expectation that board independence will negatively affect the relationship

between stakeholder management reputation and CEO compensation is partially supported. As board independence increases, the relevance of "avoid harm" stakeholder management towards CEO compensation appears to decrease. This is consistent with theory suggesting that outsider directors are less susceptible to incentivize risk aversion. Uncertainty increases information processing demands from evaluators (Daft & Macintosh, 1981). Positive linkages between stakeholder management reputation, organizational effectiveness and financial performance may become more difficult to establish. This difficulty may lead evaluators to rely less on subjective measures of performance such as stakeholder management reputation to make attributions of CEO ability (Eisenhardt, 1989). Consequently, pertinence of stakeholder management reputation on CEO compensation may decrease as uncertainty increases. The role of uncertainty also suggests that a key challenge managers may face in their strategic responsibilities towards stakeholders is clarifying the strategic actions they undertake with application to stakeholders.

An important distinction between this study and previous work is in the conceptualization of stakeholder management reputation. Prior work has theorized that stakeholder management should exhibit a positive relationship with CEO compensation and that firm performance should strengthen this relationship (Coombs & Gilley, 2005). However (Coombs & Gilley, 2005) find a negative relationship between stakeholder management and CEO compensation and a negative moderating effect of firm performance. I propose that these inconsistencies may be a consequence of a reductionist treatment of stakeholder management reputation that does not distinguish between "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation. While some scholars have argued in support of a non-monolithic perspective (see Deckop et al., 2006) and have adopted empirical strategies consistent with this theory, recent work has highlighted important distinctions between the two types of stakeholder management

reputation (Chava, 2014; Crilly et al., 2016; Minor & Morgan, 2011). This study aligns with the more recent perspective and reaffirms the need to distinguish between “doing good” and “avoiding harm.” In so doing, this study contributes additional theoretical nuance to extant work.

By emphasizing the conceptualization of stakeholder management reputation as consisting of both "do good" stakeholder management and "avoid harm" stakeholder management reputations, this study also addresses a concern that some scholars have expressed. Traditionally stakeholder theory has paid less attention to compliance (Mitchell, Agle, & Wood, 1997) and instead focused on creating value for stakeholders. However, given that failure to keep in check the unintended consequences of stakeholder engagement may be consequential to CEOs, "avoid harm" stakeholder management reputation is also likely to be a key concern. In fact some CEOs such as Hugh Grant of Monsanto have developed a reputation for vigilance and compliance over a more proactive approach (Monsanto, 2014). So although conceptualizing stakeholder management as consisting of both "do good" stakeholder management and "avoid harm" stakeholder management is relatively new (Crilly et al., 2016; Minor & Morgan, 2011), the differential effects of the two approaches on CEO compensation further bolster the case for separately examining the effects of both "do good" stakeholder management and "avoid harm" stakeholder management reputation.

The study also makes a contribution to upper echelons of research. CEOs are under significant pressure to address the needs of multiple stakeholders while creating their own welfare. Scholarship suggests that attributional processes regarding the centrality of CEOs towards their firms have become more significant (Quigley & Hambrick, 2015), which is reflected in increasing compensation as well as the increased likelihood of being dismissed for mis-management of stakeholders. Given that CEOs may only have limited time to allocate between stakeholder value

maximization and addressing stakeholder risk, the choice between allocating effort to increase "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation is likely to be difficult. In other words, there is likely to be a trade-off between improving "do good" stakeholder management reputation and "avoid harm" stakeholder management reputation because while the former may be positively related to CEO compensation, the latter may be more important to reduce the likelihood of dismissal.

The study has several limitations. First, an organization's reputation for "do good" stakeholder management and "avoid harm" stakeholder management may be dependent on financial performance and organizational size. This study took some steps to alleviate concerns related to endogeneity of stakeholder management reputation by regressing the measures for stakeholder management on three measures of financial performance and organization size. Recent research has also demonstrated that CEO's allocation of resources towards stakeholder management may also be dependent on their personal preferences (Petrenko et al., 2016). However, I posit that while personal preferences may determine which stakeholders receive attention, the overall magnitude of financial investments allocated towards improving stakeholder management reputation may be less susceptible to personal preferences. In other words, the magnitude of investments may be more strongly explained by variances in financial performance and size-alleviating self-selection related concerns to some extent. Additionally the study also employs several control variables that may help address other endogeneity concerns.

A second limitation resides in the usage of KLD data. Although the data have been widely adopted in several studies (Hillman & Keim, 2001; Ioannou & Serafeim, 2015; Waddock & Graves, 1997), there may be some concerns regarding the scoring methodology. Trained analysts assign scores for the strength and concern indicators based on assessment criteria that are not fully

objective. In other words, to some degree these measures are socially constructed and greatly depend on the evaluator's subjective assessment of the organization's ability (Hart & Sharfman, 2015). However, given that this measure is a perceptual measure, it closely resembles the "*being known for something*" dimension of organizational reputation (Lange, Lee, & Dai, 2011) . That is, the KLD measures may be better conceptualized as a reputational measure rather than as an outcome measure. To that extent the usage of KLD measures as a reputational indicator rather than as an indicator of organizational outcomes, alleviates concerns related to the validity of the measure.

I see this study as providing impetus to the following research streams. In the area of CEO compensation, this study reinvigorates the idea that an organization's stakeholder management reputation may influence CEO compensation. The study does this by providing a behavioral perspective on how evaluators may use different interpretation schemas in attributing CEO ability from stakeholder management reputation. Evaluator's sensemaking processes may depend on the type of stakeholder management reputation. Future research may build on this study and test the generalizability of these findings. For instance, organizations may be impacted by scandals and organizational disasters. Will evaluators make similar attributions of CEO ability from stakeholder management reputation following these events? Future research may also examine the role of CEO in allocating organizational resources towards improving stakeholder management reputation. For example, do CEOs make large stakeholder related investments early in their careers to enhance "do good" stakeholder management reputation, or only when their organizations have already established "avoid harm" stakeholder management reputations? Finally, future research may also examine the role played by the external constituents such as the media and activist investors. For example, PepsiCo increased advertising spending by \$500 million on its biggest brands when faced

with backlash from investors who saw little value in PepsiCo's investments towards innovations related to healthy foods (Colvin, 2013). How do these decisions influence attributions of CEO ability from stakeholder management reputation? Finally, it would also be interesting to look at other CEO and board related contextual features such as duality, managerial discretion and board reputation that may affect the stakeholder management reputation – CEO compensation relationship. Overall, the study showed that "do good" stakeholder management reputation brings higher positive benefits to CEOs relative to "avoid harm" stakeholder management reputation. Partial support for the role of firm performance and board independence once again reaffirmed the need to distinguish between "do good" stakeholder management and "avoid harm" stakeholder management reputation. An important managerial implication of this study is that uncertainty can weaken the spillover effects of stakeholder management reputation on CEO compensation. In conclusion, future researchers would do well to consider the nuances of stakeholder management reputation, consider the influence of other relevant moderators and expand attention beyond the CEO.

FIGURES AND TABLES

Table 8

Descriptive statistics and correlations *

S.no	Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1	Industry-adjusted ROA	0	0.073	-											
2	High CEO share ownership	0.286	0.452	-0.004	-										
3	Board size	11.087	2.173	0.023	0.048	-									
4	Board independence	0.876	0.064	-0.111	-0.058	0.233	-								
5	CEO duality	0.631	0.483	0.051	-0.016	0.15	0.231	-							
6	Executive's age	56.537	5.917	0.054	-0.08	0.114	-0.018	0.252	-						
7	Tenure as CEO	6.632	5.58	0.074	-0.032	-0.087	-0.211	0.193	0.407	-					
8	Firm Size (Log of Sales)	9.217	1.195	0.075	0.026	0.371	0.184	0.219	0.143	-0.015	-				
9	log of total compensation	9.118	0.848	0.074	-0.057	0.224	0.106	0.221	0.135	0.056	0.386	-			
10	Industry-adjusted TSR	0.041	0.936	0.026	-0.013	-0.002	0.004	0.014	-0.001	-0.022	-0.004	-0.049	-		
11	Do good stakeholder management	0	63.756	0	-0.02	0.091	0.071	0.013	-0.004	-0.069	0	0.101	0	-	
12	Avoid harm stakeholder management	0	75.333	0	-0.028	0.043	-0.029	0.005	0.046	0.049	0	0.006	0	-0.149	-

* N=2824

Table 9

Influence of stakeholder management on CEO compensation

VARIABLES	Model-1	Model-2	Model-3	Model-4	Model-5	Model-6	Model-7
Firm performance (Industry-adjusted total shareholder return)	0.023*** (0.009)	0.023*** (0.009)	0.022** (0.009)	0.040*** (0.012)	0.025*** (0.009)	0.031*** (0.010)	0.026*** (0.009)
Industry-adjusted ROA	0.073 (0.100)	0.066 (0.100)	0.168* (0.099)	0.069 (0.100)	0.076 (0.100)	0.062 (0.099)	0.078 (0.099)
Board size	0.009** (0.004)	0.009** (0.004)	0.010*** (0.004)	0.009** (0.004)	0.009** (0.004)	0.009** (0.004)	0.009** (0.004)
Board independence	0.385*** (0.131)	0.377*** (0.134)	0.295** (0.127)	0.379*** (0.131)	0.386*** (0.131)	0.380*** (0.132)	0.380*** (0.131)
High CEO share ownership	0.035 (0.023)	0.036 (0.023)	0.034 (0.023)	0.034 (0.023)	0.035 (0.023)	0.037 (0.023)	0.037 (0.023)
CEO duality	0.116*** (0.017)	0.116*** (0.018)	0.126*** (0.017)	0.115*** (0.017)	0.116*** (0.017)	0.115*** (0.017)	0.116*** (0.017)
Executive's age	-0.004** (0.002)	-0.004** (0.002)	-0.004*** (0.002)	-0.004*** (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)
Tenure as CEO	0.003* (0.002)	0.003* (0.002)	0.004** (0.002)	0.003* (0.002)	0.003* (0.002)	0.003* (0.002)	0.003* (0.002)
Firm Size (Log of Sales)	0.257*** (0.009)	0.257*** (0.009)	0.254*** (0.008)	0.257*** (0.009)	0.257*** (0.009)	0.256*** (0.009)	0.257*** (0.009)
Accuracy in meeting EPS estimates						0.090** (0.045)	0.068* (0.035)
Number of EPS estimates in the focal year							
Do good stakeholder management	0.001*** (0.000)	0.001 (0.002)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)
Avoid harm stakeholder management	-0.000** (0.000)	-0.000** (0.000)	0.004*** (0.001)	-0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)	-0.000* (0.000)
Board independence*do good		-0.000 (0.002)					
Board independence*avoid harm			-0.004*** (0.001)				
Firm performance*do good				-0.000** (0.000)			
Firm performance*avoid harm					-0.000 (0.000)		
Accuracy*do good						0.001* (0.000)	
Accuracy* avoid harm							0.001** (0.001)
Constant	6.444*** (0.148)	6.452*** (0.151)	6.523*** (0.143)	6.453*** (0.148)	6.441*** (0.148)	6.464*** (0.149)	6.454*** (0.148)
Number of Unique Firms	372	372	372	372	372	372	372
Year fixed-effects	YES	YES	YES	YES	YES	YES	YES
N	2824	2824	2824	2824	2824	2824	2824

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Explanatory variables are lagged by one year

Figure 2

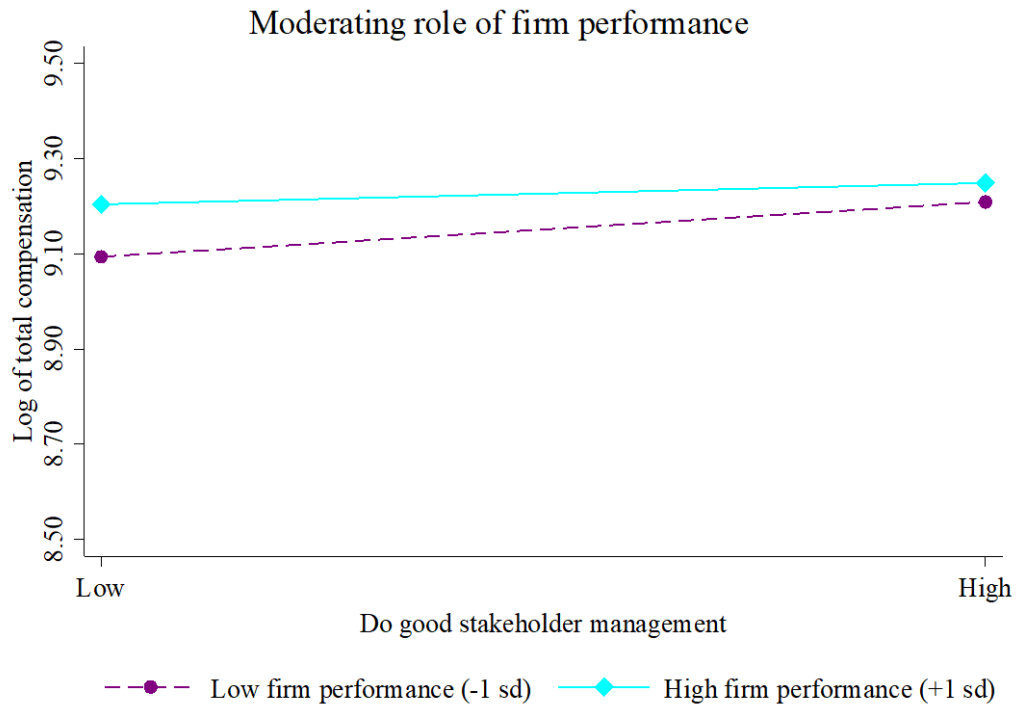


Figure 3

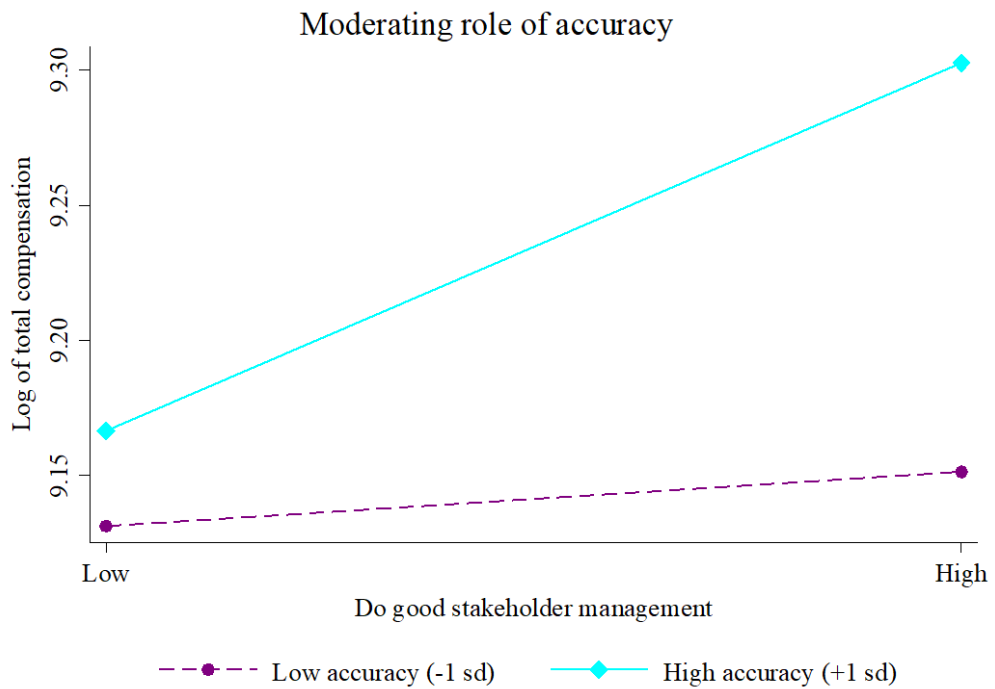
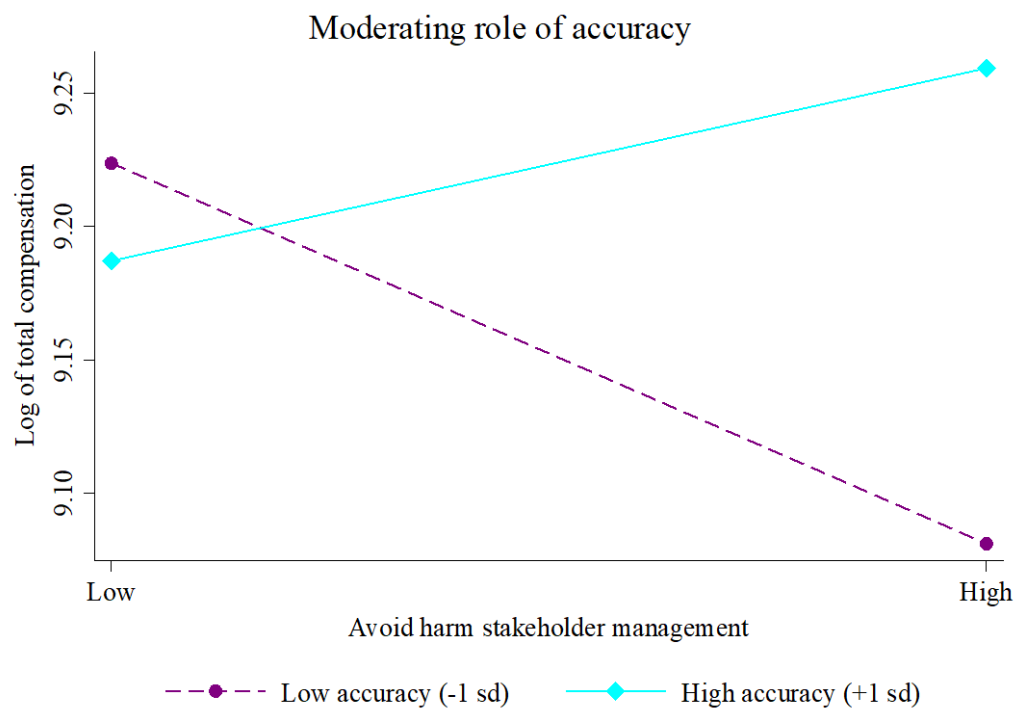


Figure 4



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