Facing turbulences with organizational slacks in a corporate scandal: Firm value and risks

Dimitri Simonin
UTS Business School
Jan Hohberger
ESADE Business School

Cite as:
Simonin Dimitri, Hohberger Jan (2020), Facing turbulences with organizational slacks in a corporate scandal: Firm value and risks. *Proceedings of the European Marketing Academy*, 11th, (85208)

Paper presented at the 11th Regional EMAC Regional Conference, Zagreb (online), September 16-19,2020

Facing turbulences with organizational slacks in a corporate scandal: Firm value and risks

Abstract:

Corporate scandals bring uncertainty to the firm, decreasing returns and increasing volatility. Our study aims to determine the buffering role of organizational slacks when a corporate scandal hits a firm, and their effect moderated by market turbulence. To measure it, we perform an event study analysis on a sample of 1,940 corporate scandals. Results show that organizational slacks decrease the negative impact of the corporate scandal on the firm and mitigate the negative effect when customer preferences actively change. We contribute to the marketing-finance interface literature and bring novel insights to managers on how to utilize organizational slacks efficiently.

Keywords: Slacks, scandal, turbulence

1. Introduction of Paper

Since the nineties, corporate scandals[1], such as CEO misconducts, accounting frauds, and product recalls have been on the rise. Today, the number of scandals has never been higher. While in 2007, the media reported only 12 notable corporate scandals, this figure increased to 46 in 2016 (RepRisk, 2019). This trend has been attributed to soaring market pressures and competitive intensity, which have led firms to resort to acts of misbehavior (Cleeren, Van Heerde, and Dekimpe, 2013). Scandals do not only cause financial damage to firms in the short-term, but they can also lead to long-term consequences such as bankruptcy (e.g., Takata Corporation).

Organizational slacks[2] are readily available resources that firms can use to face unforeseen events. Cyert and March (1963) describe organizational slacks as the difference between the total resources detained by the firm and its total mandatory expenses. In other words, the level of slacks increases when the market is on a growth trajectory and decreases when the market has a downward trend. These events can threaten their sustainable competitive advantage or become a new investment opportunity to increase their profits. Research to date has acknowledged the value of organizational slacks (e.g., Alessandri, Cerrato, and Depperu, 2014; Rajagopalan, 1997). Their impact on firm value and firm performance are widely analyzed in various contexts (Chattopadhyay, Glick, and Huber, 2001; Hill, Hitt, and Hoskisson, 1992; Wu & Tu, 2007).

Despite the increasing number of corporate scandals, no study has investigated organizational slacks as a potential resource for firms to draw on during and after a corporate scandal. Neither organizational slack nor corporate scandal research brings an understanding of the mechanisms through which organizational slacks can act as a cushion in a situation of scandal. This study aims to fill this gap and contributes to the existing literature by exploring whether detaining organizational slacks are beneficial for firms facing a scandal. In particular, it examines the effect of slacks on the performance of firms after a scandal, and how environmental turbulence affects this relationship. We hypothesize that slacks help a firm to minimize the impact of the scandal in terms of the firm value and firm risk. We explore the characteristics of slacks to understand the magnitude and the direction of the effect of a corporate scandal on the firm value and firm risk, and the moderators of this effect by focusing on market turbulence. To explain the effect of slacks on firm performance and risk, we rely on (1) the resource-based view (RBV) to understand the mechanisms of slacks as financial resources, (2) the agency theory to clarify how slacks might be used by managers, and (3) the signaling theory to posit how corporate scandals and detaining slacks affect investor's reactions.

2. Literature review

2.1. Organizational slacks

Firms must continuously decide between being fully efficient now or keeping part of their financial resources for potential opportunities/threats in the future. Organizational slacks are one of these resources. Cyert and March (1963) define organizational slacks as the difference between the total resources detained by the firm and its total mandatory expenses. Firms keep them in case of unexpected events and, hence, are considered as vital for firms (Daniel, Lohrke, Fornaciari, and Turner, 2004). They can be a financial cushion to cover unexpected losses and cash-flow shortages (e.g., Alessandri, et al., 2014; Rajagopalan, 1997), i.e., serve as a buffer to face threats and be ready for investment opportunities (Bourgeois III, 1981).

[1] We use " scandal" and "corporate scandal" interchangeably.
[2] We use "slack" and "organizational slack" interchangeably.

2.2. Corporate scandals

Since the end of the nineties, corporate scandals have been more frequent (Kalavar & Mysore, 2017). Some of the main reasons for this increase are changes in the complexity of the global market, production processes, and customer expectations (e.g., Cleeren, Dekimpe, and Helsen, 2008; Cleeren, et al., 2013; Dawar & Pillutla, 2000). Corporate scandals have a significant and long-lasting impact on various facets of a firm's performance and sometimes even lead to bankruptcy (Boone & Ivanov, 2012). They influence stock market performance, market shares, sales, and reputation of the firm (e.g., Dyck, Morse, and Zingales, 2010; Kang, Germann, and Grewal, 2016; Pennings, Wansink, and Meulenberg, 2002), as well as managerial decisions such as capital raising, risk anticipation, and capital structure policies, ex-post, and ex-ante scandal (Bonini & Boraschi, 2012). One of the most studied areas in corporate scandal research is product-harm crises (e.g., Cleeren, Dekimpe, and van Heerde, 2017). The other mainstream of corporate scandal is corporate fraud, such as Enron (2001), Tyco (2002), and Mossack Fonseca (Panama papers in 2016).

3. Hypothesis development

3.1. Effect of organizational slacks on shareholder components

Various types of surplus in resources exist in a firm when the economic situation is favorable. When the resources are above what the firm needs to cover its current operations, the firm will gather organizational slacks (Cyert & March, 1963; Greve, 2007; Levinthal & March, 1981). They absorb the effects of external changes. They also change the way the firm will respond to external threats. Therefore, slacks are particularly useful in an unfavorable environment as they have a protective effect (Chattopadhyay, et al., 2001). As slacks are immediately disposable resources, the reaction against the negative effect of a scandal will appear quickly (Zuo, Fisher, and Yang, 2019). Based on the signaling theory, we hypothesize that investors will receive the signal that the firm can deal with the scandal. Thus,

H1: "Organizational slacks reduce the negative impact of a corporate scandal on the firm's financial value."

Moreover, detaining organizational slacks is a way of preparing for an investment opportunity (Bourgeois III, 1981). Organizational slacks help managers make decisions not only in the short term. These resources can also be allocated to focus on new paths in long-term activities (Nohria & Gulati, 1996). In this sense, the firm will be able to develop sustainable valuable, rare, inimitable, and not substitutable (VRIN) resources, increasing future cash-flow expectations and business stability, and decreasing firm volatility. The firm will be able to use these resources as a buffer until recovering from the scandal and signals that it is ready to overcome difficulties. Based on both RBV and signaling theory, we hypothesize that investors will not consider future performance as volatile if the firm can secure a sustainable competitive advantage with VRIN resources. Thus,

H2: "Organizational slacks reduce the negative impact of a corporate scandal on the firm's idiosyncratic risk."

3.2. The moderating role of environmental turbulence on shareholder components

Market turbulence refers to the instability of consumer preferences and expectations (Kohli & Jaworski, 1990). Market turbulence (i.e., instability of consumer preferences) is a source of uncertainty that can disrupt the firm operations (Jaworski & Kohli, 1993). We suggest that market turbulence has a moderating effect on the effectiveness of detaining slacks when facing a scandal.

On the one hand, in a market where customer needs are always changing, firm resources and competences to satisfy customers need to be continuously and promptly adapted (Danneels &

Sethi, 2011). It means the firm needs to optimize its resource allocations to hold its competitive advantage as much as possible to retain its customers (Barney, 1991). However, from an agency dilemma perspective, slacks push managers to invest the surplus of resources anywhere relevant to managers' interests, even below the cost of capital. Slacks also slow down decisions of breaking unattractive investments. These investments are usually based on short-term profits (Jensen, 1986; Wu & Tu, 2007).

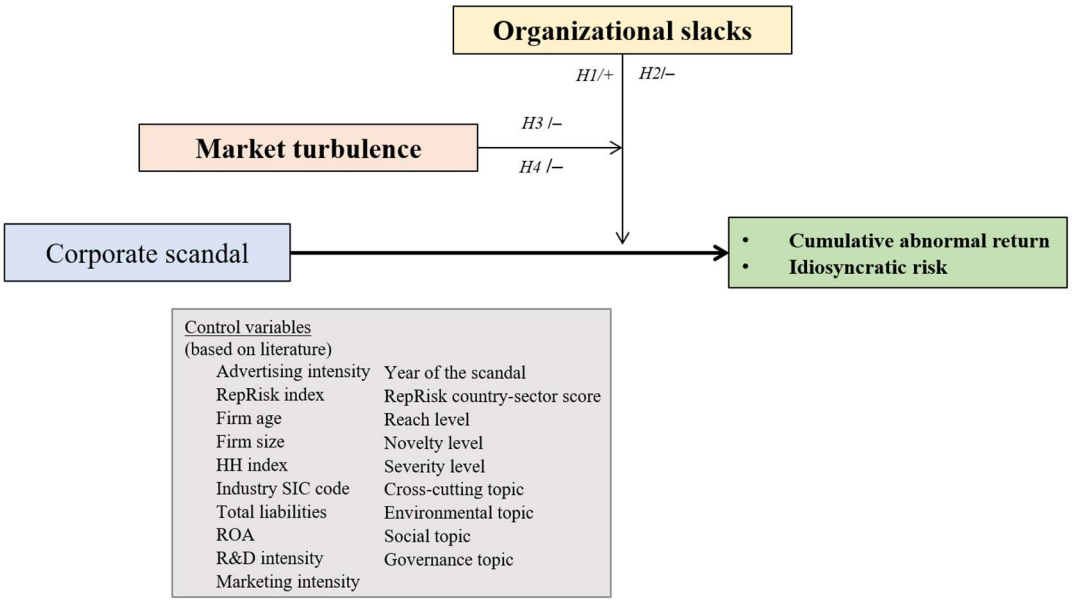
Detaining slacks will send a disturbing signal to investors. First, managers will not be able to make right and fast decisions in allocating resources; second, the firm will not have the capacities to make modifications in its organization to face a corporate scandal and change customer preferences. With such a signal and considering the agency theory, investors expect issues in limiting losses due to the scandal and in generating future revenues. It will negatively affect short-term measurements of the firm value. Thus,

H3: "In a turbulent market environment, organizational slacks increase the impact of a corporate scandal on the financial value of a firm."

On the other hand, firms have opportunities to enter new market segments and fulfill new customer needs in a highly turbulent market environment (Danneels & Sethi, 2011). One of the common allocations of slacks is innovations (Voss, Sirdeshmukh, and Voss, 2008). More specifically, Voss, et al. (2008) find that slacks have a positive effect on exploration. Exploration activities can bring profound modifications to a firm in the long term. Investors will see exploration as positive by improving its long-term sustainable competitive advantage. The firm signals to investors that it will be possible to manage the volatility of cash flows from the scandal by operating deep internal changes in the long-term. Thus,

H4: "In a turbulent market environment, organizational slacks decrease the impact of a corporate scandal on the idiosyncratic risk of a firm facing a scandal."

Figure 1 schematizes the four suggested hypotheses:



4. Data sources

To build a unique database containing information of all the US-listed firms facing a scandal from 2007 to 2019, we proceeded data from five sources: RepRisk, Kantar Media, Kenneth French's website, Compustat, and Center for Research in Security Prices (CRSP). RepRisk (RR) scans media, stakeholders, and other information sources in 15 different languages daily.

This database gives a list of all issues that appeared in various press releases on more than 95,000 listed and not listed firms from 2007 to 2019. It provides an analysis of each firm risk and industry reputation. Second, we use Kantar Media, which lists advertising expenditures of various firms in the US media. Third, to compute a long-term event study, we collect data on Kenneth French's website. Finally, Compustat and CRSP are widely used in empirical research requiring financial data on firms. We end with a sample of 362 US-listed firms regarding 1,940 scandals.

5. Methodology

In our analysis, which requires determining the impact of an event on a firm (i.e., a corporate scandal), we have chosen the event study methodology (Sorescu, Warren, and Ertekin, 2017). To understand how the market and stakeholders react to this event, we analyze the fluctuations in the market share value of a focal firm in a short-term and long-term perspective. We determine the impact of organizational slacks on a firm during a sandal in two steps: We estimate the explanatory market models and measure short and long-term shareholder components, which are stock returns and idiosyncratic risk, respectively. Then, we determine the impact of organizational slacks on these shareholder components in different situations and build a regression model based on our observations.

5.1. Measuring cumulative abnormal returns and firm risk: Step 1

The short-term analysis is used to determine the impact of an event based on a few milliseconds (especially in finance research) to a few days. In this study, we use a daily window (e.g., Chen, Ganesan, and Liu, 2009). Event study methodology assumes that the stock price contains future cash flows of a firm that the market expects. The change in the firm stock price determines the impact of a specific event on this firm, as the stock price is an essential driver of financial information (e.g., Chen, et al., 2009; Swaminathan & Moorman, 2009).

Then, we compute normal and abnormal returns (ARs) by choosing a period of estimation and an event window, to see the differences between these two measurements. We choose an estimation period of 252 days (representing an average of 1 year of trading days) prior to the scandal and ending ten days prior to the scandal (Swaminathan & Moorman, 2009). The result of this difference is considered as the "effect of the event" (Sorescu, et al., 2017). Considering possible leakage of information before the event (Swaminathan & Moorman, 2009) and possible delay in including the new information from media in the stock price (Raassens, Wuyts, and Geyskens, 2012; Sood & Tellis, 2009), we choose an event window of [-3;+3] (Johnston, 2007; Kalaignanam, Kushwaha, and Eilert, 2013). As we define the event window longer than one day, we measure the short-term shareholder component, the cumulative abnormal returns (CARs), which are the sum of daily ARs in a time window, i.e., the aggregate effect of the event (Brown & Warner, 1985).

Finally, we choose a market model to estimate the expected market returns. As the asset price model has more significant efficiency of estimating event effect than constant mean return model (Srinivasan & Bharadwaj, 2004), we use the market model which considers the risk-free rate of the return and a risk factor (Brown & Warner, 1985).

The long-term event study works with a similar idea of information detained in the market price as the short-term methodology. This part of our study aims to define the causal link between slacks and shareholder components, and, to avoid cross-correlation issues, we follow Mizik and Jacobson's (2009) recommendations by using stock returns and risks as the long-term effect measure. Following Mani and Luo's (2015) methodology to measure idiosyncratic

risk, we estimate the five-factor Fama-French model for each firm with a daily rolling window regression of a one-year moving window (an average of 252 open business days).

5.2. Regression modeling: Step 2

The second step to compute the final results consists of determining the impact of slacks and market turbulence on each firm in a situation of a scandal. To do so, we use linear regression on CARs and the idiosyncratic risk measured as dependent variables, separately. We build the following equation (1) to explain the main effect:

$$Y_{it} = \beta_0 + \beta_1 SLK_{it} + \beta_2 TURBM_{it} + \beta_3 SLK_{it} \times TURBM_{it} + \beta_4 X_{it} + \varepsilon_{it} \quad (1)$$

where Y_{it} represents either the CARs of the firm i for the event t or the idiosyncratic risk of the firm i for the event t (computed by the first stage regressions); SLK_{it} is the organization slack of the firm i for the event t; $TURBM_{it}$ is the market turbulence of the firm i for the event t; X_{it} is a vector of other control variables; and ε_{it} is an error term. Equations for short-term and long-term shareholder components (ARs and idiosyncratic risk, respectively) are similarly specified.

6. Results

6.1. Effect of organizational slacks on shareholders' components

On a short-term measure, the results show that organizational slacks have a positive and significant effect on CARs' [-3; +3] time window ($\beta = 0.0011; p < 0.05$). We conclude that the utility of slacks can be used as a buffer in case of a scandal. Managers will be able to decrease the impact of the scandal on the firm by implementing slacks where resources are needed. Even if detaining slacks means extra/more costs for the firm, it might be appropriate to increase the level of slacks when there is an upward trend on the market. It will help to protect the firm from the threat caused by a scandal, as slacks are very efficient in an unfavorable environment (Chattopadhyay, et al., 2001). H1 is supported.

In support of H2, organizational slacks have a negative and significant effect ($\beta = -0.00005;\ p < 0.1$) on the idiosyncratic risk of the firm. This finding confirms that slacks reduce the firm's idiosyncratic risk as perceived by investors. Detaining slacks help the firm when facing a scandal by reassuring investors on the volatility of future cash flows. As a safeguard, investing in slacks can be positive for the firm not only to face a scandal and its resulting direct costs, but also to decrease the cost of financing, keeping in mind that a higher risk increases the cost of debts.

6.2. The moderating role of market turbulence on the shareholders' components

To test H3 and H4, we include an interaction between the market turbulence variable and the organizational slack variable. First, the moderating role of turbulence appears to have an effect on the short-term measurement since results are significant ($p < 0.1$). Our findings show that slacks have a negative effect on CARs' [-3; +3] window ($\beta = -0.0005;\ p < 0.1$) if the market is turbulent. The results support H3. It means that if the firm evolves in a turbulent market, managers should not invest in slacks, as they will increase the negative effect of a scandal on the firm's value. Investors might believe that managers will not be able to adapt to the firm's organization (1) to manage the negative impact of a scandal and (2) to continue generating revenues in the short term. Detaining slacks will probably increase negative ARs caused by the scandal.

Second, when the market is highly turbulent, we find that slacks have a negative and significant effect ($\beta = -0.00006;\ p < 0.05$) on the idiosyncratic risk. In this particular case, detaining slacks decreases the firm's idiosyncratic risk. It shows that investors believe slacks are a type of resource to detain when facing a corporate scandal to decrease the volatility of

future cash flows. When facing a scandal, detaining slacks might reassure investors that the firm will be ready to invest in long-term activities, and be able to fulfill customer preferences, even in a highly turbulent market. H4 is supported.

Table 1 compares the model without interaction (1 and 2) with the model with interaction (3 and 4) for each dependent variable. We use t-test to compare the relevance of the coefficients for H1-H4.

Table 1. Model regression comparison

	(1) CARs [-3;+3]	(2) Idiosyncratic risk	(3) CARs [-3;+3]	(4) Idiosyncratic risk
Organizational slacks (w)	0.00116781**	-0.00004952*	0.00138159**	-0.00003735*
	(0.00054384)	(0.00002770)	(0.00054717)	(0.00002218)
Market turbulence (w)	-0.00510879*	0.00018566*	-0.00053738	0.00081072**
	(0.00305101)	(0.00011066)	(0.00407647)	(0.00032707)
RR index	-0.00186757	0.00005163	-0.00170079	0.00007510*
	(0.00114019)	(0.00003546)	(0.00114127)	(0.00003827)
Firm size	0.00229386	-0.00009061	0.00183416	-0.00018001***
	(0.00267257)	(0.00006225)	(0.00270278)	(0.00006068)
Firm age	0.00000058	0.00000001	0.00000049	-0.00000000
	(0.00000039)	(0.00000002)	(0.00000040)	(0.00000002)
HH index	0.02879242	0.00068175	0.03177951	0.00102266
	(0.04515285)	(0.00064835)	(0.04435815)	(0.00073411)
Total liabilities	0.02314628*	0.00000804	0.02292113*	-0.00005774
	(0.01186215)	(0.00032750)	(0.01189657)	(0.00031309)
Advertising intensity	-0.14316510*	0.00197102	-0.14377046*	0.00195191
	(0.07671878)	(0.00236474)	(0.07693204)	(0.00230702)
ROA (w)	0.05017894	-0.00295074***	0.05327901	-0.00235155***
	(0.03857499)	(0.00093309)	(0.03881618)	(0.00077710)
R&D intensity	0.20351186	0.00073435	0.20756420	0.00122511
	(0.13526615)	(0.00239549)	(0.13547255)	(0.00214781)
Marketing intensity	-0.00373106	0.00050647*	-0.00681913	0.00005280
	(0.02125653)	(0.00029853)	(0.02130980)	(0.00034696)
RR country-sector score	0.00032984	-0.00000729	0.00028570	-0.00001239
	(0.00030241)	(0.00001093)	(0.00030566)	(0.00001106)
Slacks x Market turbulence	-	-	-0.00049132*	-0.00005639**
	-	-	(0.00028844)	(0.00002461)
Constant	-0.06412383*	0.00144676	-0.06073954*	0.00216190**
	(0.03305495)	(0.00103698)	(0.03322748)	(0.00091757)
Reach level	YES	YES	YES	YES
Novelty	YES	YES	YES	YES
Severity level	YES	YES	YES	YES
Environmental	YES	YES	YES	YES
Social	YES	YES	YES	YES
Governance	YES	YES	YES	YES
Cross-cutting	YES	YES	YES	YES
Year F.E.	YES	YES	YES	YES
Industry F.E.	YES	YES	YES	YES
Number of observations	1,945	1,724	1,945	1,724
R-squared	0.03438064	0.18195054	0.03500333	0.21011566

Standard errors are in parenthesis
**** p<0.01, ** p<0.05, * p<0.1*
"(w)" stands for "winsorized"

7. Conclusion

In prior resource allocation literature, the importance of detaining slacks has been established in various types of favorable and unfavorable environmental contexts (Daniel, et al., 2004; Hill, et al., 1992; Wu & Tu, 2007). Positive and negative sides of slacks on the firm's value have been well described as well (Alessandri, et al., 2014; Bourgeois III, 1981; Phan & Hill, 1995). However, none of the studies has developed an analysis in the context of corporate scandals. To establish the importance of resource allocations during a corporate scandal, we studied the effects of organizational slacks on the firm value and firm risk. Recognizing that

environmental conditions in which the firm operates are crucial and could mitigate the effect of slacks, we have examined the moderating role of the turbulent market environment. The process of our analysis relies on the event study methodology. Fluctuations in the firm value were computed by applying a short-term event study analysis. For the volatility of the firm, we used a long-term event study to measure the firm's risk after the scandal. Consistent with our theorizing, on the one hand, organizational slacks are helping the firm facing the negative effects of a corporate scandal, when the environment is stable. On the other hand, slacks do not have the same buffer application in a highly turbulent market environment. In this context, slacks have a negative effect on the firm value but help in the volatility of the firm by reducing its idiosyncratic risk.

8. Contributions

Extent literature recognizes the importance of slacks and the role of a buffer when firms need available resources to face threats or to invest in unexpected opportunities, but literature does not offer specific analysis when the threat is a corporate scandal. We take a step toward analyzing not only the utility of slacks in such situation and the positive effects this type of resources can have on the firm, but also if the buffer effect stands in a context where customer preferences change frequently (i.e., market turbulence).

In the corporate scandal literature, product-harm and product recall scandals represent a large part of the event studies. Previous studies in marketing have been considering one type of scandal or another (i.e., product harm and fraud) to explain a problematic. In this study, all types of corporate scandals are considered, including product-harm and product recall crises. This choice allows the generalizability of corporate scandal consequences and its mechanisms. Moreover, previous research has mainly focused on one industry, one firm or one product, describing how a corporate scandal has a negative effect on the firm and its stakeholders (Backhaus & Fischer, 2016; Chen & Miller, 2007; Cleeren, et al., 2008). Also, scholars keep studying "popular" industries such as automotive and medical/pharmaceutical drug industries (Cleeren, et al., 2017). As large-scale cross-sectional studies are rare, our research aims to provide an extended analysis of corporate issues by considering all industries, including marginal industries such as toy, food, and clothing industries.

From a managerial perspective, not being prepared for the worst is still an issue for most firms. In most cases, managers do not look at the firm as a whole by omitting considering some of the internal disposable resources. They also need to consider competitors, clients, employees, financial markets, governments, regulation, press and newspapers, cultures, and locations in the process of managing a firm. When dealing with a situation of corporate scandals, they have to deal with all these internal and external elements to communicate appropriately with the stakeholders. Our study provides novel insights for managers in helping with decision-making, investment decisions, and crisis management applications, by better understanding in which situations specific resources need to be implemented.

Finally, the volatility perceived by investors in the case of a corporate scandal poses a problem both for the present and the future of the firm. The firm's risk, more particularly idiosyncratic risk, is an essential topic in academic research, as it has important managerial implications. This study suggests dealing with the idiosyncratic risk by allocating slacks in long-term innovation activities. Srinivasan and Hanssens (2009, p.299) point out that the idiosyncratic risk "induces higher costs of capital financing, thus damaging firm valuation in the long run." It implies a big challenge for the managers to control the firm risk to expect sustainable growth, even after a corporate scandal.

References

Alessandri, T., Cerrato, D., & Depperu, D. (2014). Organizational slack, experience, and acquisition behavior across varying economic environments. *Management Decision,* 52, 967-982.

Backhaus, M., & Fischer, M. (2016). Brand damage from product harm and corporate social irresponsibility: How deep and how long? *Marketing Science Institute (MSI), Working Paper Series 2016* (No. 16-133).

Barney, J. (1991). Competitive advantage. *Journal of Management,* 17, 99-120.

Bonini, S., & Boraschi, D. (2012). Corporate scandals and capital structure. In R. Cressy, D. Cumming, & C. Mallin (eds) *Entrepreneurship, Governance and Ethics* (pp. 241-269): Springer, Dordrecht.

Boone, A. L., & Ivanov, V. I. (2012). Bankruptcy spillover effects on strategic alliance partners. *Journal of Financial Economics,* 103, 551-569.

Bourgeois III, L. J. (1981). On the measurement of organizational slack. *Academy of Management Review,* 6, 29-39.

Brown, S. J., & Warner, J. B. (1985). Using daily stock returns: The case of event studies. *Journal of Financial Economics,* 14, 3-31.

Chattopadhyay, P., Glick, W. H., & Huber, G. P. (2001). Organizational actions in response to threats and opportunities. *Academy of Management Journal,* 44, 937-955.

Chen, W. R., & Miller, K. D. (2007). Situational and institutional determinants of firms' R&D search intensity. *Strategic Management Journal,* 28, 369-381.

Chen, Y., Ganesan, S., & Liu, Y. (2009). Does a firm's product-recall strategy affect its financial value? An examination of strategic alternatives during product-harm crises. *Journal of Marketing,* 73, 214-226.

Cleeren, K., Dekimpe, M. G., & Helsen, K. (2008). Weathering product-harm crises. *Journal of the Academy of Marketing Science,* 36, 262-270.

Cleeren, K., Dekimpe, M. G., & Van Heerde, H. J. (2017). Marketing research on product-harm crises: A review, managerial implications, and an agenda for future research. *Journal of the Academy of Marketing Science,* 45, 593-615.

Cleeren, K., Van Heerde, H. J., & Dekimpe, M. G. (2013). Rising from the ashes: How brands and categories can overcome product-harm crises. *Journal of Marketing,* 77, 58-77.

Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*: Englewood Cliffs.

Daniel, F., Lohrke, F. T., Fornaciari, C. J., & Turner Jr, R. A. (2004). Slack resources and firm performance: A meta-analysis. *Journal of Business Research,* 57, 565-574.

Danneels, E., & Sethi, R. (2011). New product exploration under environmental turbulence. *Organization Science,* 22, 1026-1039.

Dawar, N., & Pillutla, M. M. (2000). Impact of product-harm crises on brand equity: The moderating role of consumer expectations. *Journal of Marketing Research,* 37, 215-226.

Dyck, A., Morse, A., & Zingales, L. (2010). Who blows the whistle on corporate fraud? *The Journal of Finance,* 65, 2213-2253.

Greve, H. R. (2007). Exploration and exploitation in product innovation. *Industrial and Corporate Change,* 16, 945-975.

Hill, C. W., Hitt, M. A., & Hoskisson, R. E. (1992). Cooperative versus competitive structures in related and unrelated diversified firms. *Organization Science,* 3, 501-521.

Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing,* 57, 53-70.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American Economic Review,* 76, 323-329.

Johnston, M. A. (2007). A review of the application of event studies in marketing. *Academy of Marketing Science Review,* 2007, 1.
Kalaignanam, K., Kushwaha, T., & Eilert, M. (2013). The impact of product recalls on future product reliability and future accidents: Evidence from the automobile industry. *Journal of Marketing,* 77, 41-57.
Kalavar, S., & Mysore, M. (2017). Are you prepared for a corporate crisis? In M. a. Company (Ed.), (Vol. 2019): McKinsey and Company
Kang, C., Germann, F., & Grewal, R. (2016). Washing away your sins? Corporate social responsibility, corporate social irresponsibility, and firm performance. *Journal of Marketing,* 80, 59-79.
Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing,* 54, 1-18.
Levinthal, D., & March, J. G. (1981). A model of adaptive organizational search. *Journal of Economic Behavior and Organization,* 2, 307-333.
Mani, S., & Luo, X. (2015). Product alliances, alliance networks, and shareholder value: Evidence from the biopharmaceutical industry. *International Journal of Research in Marketing,* 32, 9-22.
Mizik, N., & Jacobson, R. (2009). Financial markets research in marketing. *Journal of Marketing Research,* 46, 320-324.
Nohria, N., & Gulati, R. (1996). Is slack good or bad for innovation? *Academy of Management Journal,* 39, 1245-1264.
Pennings, J. M., Wansink, B., & Meulenberg, M. T. (2002). A note on modeling consumer reactions to a crisis: The case of the mad cow disease. *International Journal of Research in Marketing,* 19, 91-100.
Phan, P. H., & Hill, C. W. (1995). Organizational restructuring and economic performance in leveraged buyouts: An ex post study. *Academy of Management Journal,* 38, 704-739.
Raassens, N., Wuyts, S., & Geyskens, I. (2012). The market valuation of outsourcing new product development. *Journal of Marketing Research,* 49, 682-695.
Rajagopalan, N. (1997). Strategic orientations, incentive plan adoptions, and firm performance: Evidence from electric utility firms. *Strategic Management Journal,* 18, 761-785.
RepRisk. (2019). RepRisk database. *http://www.reprisk.com/*
Sood, A., & Tellis, G. J. (2009). Do innovations really pay off? Total stock market returns to innovation. *Marketing Science,* 28, 442-456.
Sorescu, A., Warren, N. L., & Ertekin, L. (2017). Event study methodology in the marketing literature: an overview. *Journal of the Academy of Marketing Science,* 45, 186-207.
Srinivasan, R., & Bharadwaj, S. (2004). Event studies in marketing strategy research. *Assessing Marketing Strategy Performance,* 2004, 9-28.
Srinivasan, S., & Hanssens, D. M. (2009). Marketing and firm value: Metrics, methods, findings, and future directions. *Journal of Marketing Research,* 46, 293-312.
Swaminathan, V., & Moorman, C. (2009). Marketing alliances, firm networks, and firm value creation. *Journal of Marketing,* 73, 52-69.
Voss, G. B., Sirdeshmukh, D., & Voss, Z. G. (2008). The effects of slack resources and environmental threat on product exploration and exploitation. *Academy of Management Journal,* 51, 147-164.
Wu, J., & Tu, R. (2007). CEO stock option pay and R&D spending: A behavioral agency explanation. *Journal of Business Research,* 60, 482-492.
Zuo, L., Fisher, G. J., & Yang, Z. (2019). Organizational learning and technological innovation: The distinct dimensions of novelty and meaningfulness that impact firm performance. *Journal of the Academy of Marketing Science*, 1-18.