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This study explores the question of legitimacy-management cost, “how much does an organization spend in order to manage external legitimacy?” in the context of corporate giving. We view corporate giving as a cost to seek external legitimacy and propose that in response to evaluations of external audiences, organizations strategically manage such cost under the tension between legitimacy and efficiency concerns. We examine this argument by developing an institutional theory of corporate giving and testing hypotheses with corporate giving behaviors of publicly listed Korean companies from 2003 to 2011. Consistent with our argument about the role of external audiences in shaping legitimacy-management cost, we show that strategic decisions of how much a firm spends on corporate giving were related to the extent that the firm received positive or negative media attention. Furthermore, we find that the relationship between media evaluations and corporate giving varies with a firm’s performance, which suggests that its internal efficiency condition can be an important contingency factor in determining its legitimacy-management cost. We discuss implications for the study of legitimacy management processes and the role of external audiences in such processes.
Between Legitimacy and Efficiency: 
An Institutional Theory of Corporate Giving

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Both authors have contributed equally. We are grateful to Associate Editor Heli Wang and three anonymous reviewers for their valuable and constructive suggestions throughout the review process. We also thank Ezra Zuckerman, Huseyin Leblebici, Lorraine Eden, Sun Hyun Park, Ohjin Kwon, Yonghwan Lee, Robert Nason, Joel Bothello, Alexandre Bietehtine, Jisun Yu, and Alex Lefter for their helpful comments on earlier versions of the paper. We would like to express our gratitude to seminar participants at Ohio State University and Hong Kong University of Science and Technology. Furthermore, we are very thankful to Woonkyung Jung for his support in collecting and organizing media data for this study.
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Abstract
This study explores the question of legitimacy-management cost, “how much does an organization spend in order to manage external legitimacy?” in the context of corporate giving. We view corporate giving as a cost to seek external legitimacy and propose that in response to evaluations of external audiences, organizations strategically manage such cost under the tension between legitimacy and efficiency concerns. We examine this argument by developing an institutional theory of corporate giving and testing hypotheses with corporate giving behaviors of publicly listed Korean companies from 2003 to 2011. Consistent with our argument about the role of external audiences in shaping legitimacy-management cost, we show that strategic decisions of how much a firm spends on corporate giving were related to the extent that the firm received positive or negative media attention. Furthermore, we find that the relationship between media evaluations and corporate giving varies with a firm’s performance, which suggests that its internal efficiency condition can be an important contingency factor in determining its legitimacy-management cost. We discuss implications for the study of legitimacy management processes and the role of external audiences in such processes.

Keywords:
Legitimacy-management Cost; Efficiency; Audiences; Corporate Giving; Media

“Nothing is free” – author unknown.

For decades, scholars of institutional theory have examined why and how organizational structures, norms, and values in an organizational field become established as “authoritative guidelines for social behaviors” (Scott, 2005: 461). From this theoretical orientation, there has been much research on the ecological cycles of how various organizational forms and practices are created, diffused, changed, or ended as a function of institutional pressures and individual organizational characteristics. Analyses of such processes are based on the legitimacy-benefit argument that “organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities” (Meyer & Rowan, 1977: 352). Empirical research on various organizational forms and practices...
provides strong support for this legitimacy-benefit argument in terms of cognitive, normative, and coercive mechanisms (see Mizruchi & Fein 1999 for an overview).

On the flip side of the legitimacy-benefit argument, Zuckerman (1999) elaborated on the illegitimacy-penalty argument by focusing on processes of how organizations are evaluated in relation to legitimate categories. He argued that an organization is penalized when it fails to be recognized as a member of a legitimate category because deviance from expected categories does not conform to taken-for-granted interpretive frameworks among audiences. Such illegitimacy penalties can lead to financial loss and thus force organizations to conform to existing institutionalized structures, norms, and values (see Hannan 2010 for a review).

Taken together, these arguments suggest that existing institutionalized structures, routines, and norms are reproduced and stabilized to derive legitimacy benefits and avoid illegitimacy penalties. Building on these views of legitimacy, this study argues that understanding institutional processes requires one additional important factor – legitimacy-management cost, i.e., how much an organization spends in order to manage external legitimacy. Yet, prior studies on legitimacy benefits and illegitimacy penalties have been silent on the ‘legitimacy-management cost’ required to conform to institutionalized rules or norms, paying more attention to the outcome of conforming (or not conforming) rather than processes leading to the outcome. In reality, legitimacy comes at a cost. While legitimacy benefits accrue after an organization pays legitimacy-management cost to conform to institutional norms, illegitimacy penalties occur when it fails to conform to those norms because of the legitimacy-management cost it may have to bear.

Although prior works have contributed substantially to understanding the role of organizational agency in managing external legitimacy (DiMaggio, 1988, 1991; Oliver, 1991; see Battilana, Leca, & Boxenbaum, 2009 for an overall review), there has been little conceptual
and empirical work on how much it costs to seek legitimacy and why some organizations spend more than others for being legitimized. Rather, the issue of legitimacy-management cost is largely taken for granted as something an organization could bear to gain legitimacy but has not played a significant role in explaining strategic responses that organizations employ in response to institutional pressures.

Conforming to institutional norms, however, requires the use of resources and internal changes in structures and routines, even if it is fairly decoupled from an organization's technical arrangements. Such resources and changes are often quite costly. For example, the cost of conforming to institutional norms by adopting new accounting methods (Mezias, 1990), acquisition strategy (Haunschild, 1993), Total Quality Management (Abrahamson & Fairchild, 1999; Staw & Epstein, 2000), diversification strategy (Davis, Diekman, & Tinsley, 1994), or family-friendly employment practices (Goodstein, 1995; Ingram & Simons, 1995) is often substantial. These costs could be even greater than legitimacy benefits or illegitimacy penalties in certain circumstances. Thus, to better understand not only whether an organization conforms or fails to conform to institutional norms but also the degree of its conformity to those pressures, we argue that legitimacy-management cost should be taken into account along with legitimacy benefits and illegitimacy penalties.

This paper examines how organizations determine legitimacy-management costs. We propose that in response to evaluations of external audiences, organizations strategically manage such cost under the tension between social legitimacy and economic efficiency. Organizations are proactive in gaining and maintaining legitimacy in the eyes of external audiences (Oliver, 1991). In seeking endorsements and discussing important agendas that might affect their legitimacy, organizations do not simply wait to be passively evaluated by audiences (Ashforth &
Gibbs, 1990; Bansal & Clelland, 2004; Elsbach, 1994; Elsbach & Sutton, 1992; Lamin & Zaheer, 2012; Oliver 1991). Such processes often require organizations to actively observe, interpret, and construct their own legitimacy through various tactics and strategically allocate their limited resources to one area over another. Thus, while it is evident that roles of external audiences matter and organizations surely respond to different evaluations of the audiences, what is less evident is how an organization strategically responds to positive or negative evaluations by external audiences in terms of legitimacy-management cost.

We study this question by developing an institutional theory of corporate giving under the consideration of both economic efficiency and social legitimacy and testing hypotheses with corporate giving behaviors of Korean companies listed in the KOSPI (Korea Composite Stock Price Index) from 2003 to 2011. Corporate giving as an institutionalized practice provides a social context where external audiences play an important role in affecting how much an organization spends to manage its legitimacy.

**CORPORATE GIVING FOR NORMATIVE LEGITIMACY**

Although there has been debate about how legitimacy is defined and measured (see Deephouse & Suchman 2008 for various perspectives), few would disagree that legitimacy lies at the interface between an organization and its institutional environment because no single organization itself can be a source of legitimacy. Emphasizing the critical role of external audiences in legitimation dynamics, Suchman (1995: 574) defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Drawing on this definition, we focus on the normative form of legitimacy because organizational legitimacy in the context of corporate giving stems from moral obligations and conformity with societal values.
Thus, a key feature of organizational legitimacy in this study is based on how an organization is evaluated by external audiences.

In line with prior research, we view corporate giving as an institutionalized practice that a firm employs to seek normative legitimacy of what an organization ought to be (Campbell, 2007; Deephouse & Suchman, 2008; Galaskiewicz, 1997; Galaskiewicz & Burt, 1991; Luo, Zhang, & Marquis, 2016; Marquis, Glynn, & Davis, 2007; Wang & Qian, 2011). In particular, the high uncertainty surrounding the economic returns of corporate philanthropy implies that social and political factors in institutional environments would play a significant role in deciding whether, and at what level, a firm gives money. As Galaskiewicz (1997: 445) noted, “the uncertainty surrounding these [giving] decisions frees them [managers] from strict efficiency norms and makes them susceptible to outside influences, including the larger business culture, public policies, and community institutions.”

Corporate giving activities are usually not closely related to a firm’s core activities and are typically determined at the discretion of its senior executives (Adams & Hardwick, 1998; Galaskiewicz, 1997; Marquis & Lee, 2013). Because such discretionary funds may also vary from year to year depending on internal and external conditions, it is often difficult to measure the direct impact of giving on a firm’s bottom line (Galaskiewicz, 1997; Lev, Petrovits, & Radhakrishnan, 2010; Waddock & Graves, 1997). In fact, despite substantial attention to the effects of corporate giving on financial performance, past studies have produced mixed and contradictory results (Hillman & Keim, 2001; Margolis & Walsh, 2003; McWilliams & Siegel, 2000; Orlitzky, Schmidt, & Rynes, 2003; Rowley & Berman, 2000; Walsh, Weber, & Margolis, 2003; Wang, Choi, & Li, 2008; Wang & Qian, 2011).

These observations suggest that corporate giving decisions are made under the ongoing
uncertainty of institutional environments rather than guided by economic considerations of their net benefits. We argue that how much a firm spends on corporate giving reflects “a question of satisficing to an acceptable level,” which is a core element of legitimation (Deephouse & Suchman, 2008: 60). According to Deephouse and Carter (2005: 329), “legitimacy emphasizes the social acceptance resulting from adherence to social norms and expectations whereas reputation emphasizes comparisons among organizations.” While the best way to get legitimacy is to conform to external norms, values, and rules, the best way to build a good reputation is to differentiate a firm’s position at the expense of competitors. In other words, non-rival isomorphism leads to legitimacy, but competitive differentiation leads to reputation (Deephouse & Carter, 2005; Deephouse & Suchman, 2008).

Much of the existing literature, however, views corporate giving as a way to enhance a firm’s reputation by building a publicly favorable corporate image among critical stakeholders such as customers (Muller & Kräussl, 2011; Williams & Barrett, 2000). Some (typically big) companies, of course, may compete with one another in efforts to build their reputation through corporate giving. A vast majority of companies, however, typically find it hard to get public attention in the area of corporate giving. This implies that reputation-seeking through achieving a better relative standing amongst their counterparts may not be the primary motive of their giving. Instead, it can be more critical for them to gain legitimacy through an acceptable level of corporate giving, rather than to achieve a good reputation based on differentiation in corporate giving.

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1 According to interviews conducted by Galaskiewicz (1997) with philanthropic leaders in his study of corporate giving, 61 percent of the leaders said that corporate giving creates a healthy environment and may lead to long-term profits and 68 percent said that they have a moral obligation to share wealth and help the poor. Surprisingly, he found that no one “said that companies should give to further their business interests directly” (p. 466). What this implies for the relation between corporate giving and financial performance is that most organizations have non-financial motivations for corporate giving.

2 For example, The Chronicle of Philanthropy announces the list of America’s 10 most generous companies annually. According to its survey in 2012, the list includes Wells Fargo & Company, Wal-Mart, Chevron Corporation, Goldman Sachs Group, Exxon Mobile Corporation, JP Morgan Chase & Company, Bank of America, GE, Target Corporation, and Google.
giving from their competitors.

**Framework of Corporate Giving as Legitimacy-Management Cost**

Given that corporate giving aims to secure external legitimacy by spending resources on “doing good,” it offers an excellent context to observe and analyze the issues of how much it costs an organization to conform to institutional norms for legitimacy and how an organization manages such cost in response to interactive dynamics with external audiences. There is neither a clear efficiency-based guideline about what constitutes an appropriate amount of corporate giving nor a clear consensus among various stakeholders on how much corporate giving should be made to be accepted as a legitimate member in society (Galaskiewicz, 1997; Marquis et al., 2007). Due to this inherent uncertainty, organizational decisions on corporate giving are likely to be affected by what audiences expect an organization to be like and how audiences evaluate what they see.

In neo-institutional organizational research, concepts of legitimacy and efficiency play a pivotal role in explaining organizational behaviors (Meyer & Rowan, 1977; Meyer & Scott, 1983; Oliver, 1991). For example, Oliver (1991) identifies legitimacy (or social fitness) and efficiency (or economic fitness) benefits as two main causes to determine the strategic reactions of organizations to institutional pressures. Building on this literature, Figure 1 presents our conceptual framework of corporate giving as a legitimacy-management cost, which is placed in the context of tension between legitimacy and efficiency pressures. A firm and its external audiences have different incentives regarding how much should be spent on corporate giving. On the one hand, a firm has strong incentives to conserve its resources for core activities (e.g., R&D, marketing, manufacturing) and not to spend too much of its financial resources on corporate giving (Galaskiewicz, 1997; Wang et al., 2008).
On the other hand, most external audiences want for-profit organizations to offer as much philanthropic giving as possible; they intend to raise the cost of social acceptance – the cost that an organization is expected to pay to be a legitimate member in society. Thus, a firm may also want to avoid making corporate giving below the minimum level of social acceptance because giving too little could harm its legitimacy by signaling to outsiders that it does not care enough about local communities and social welfare. Tensions between economic efficiency and social legitimacy are often inevitable in corporate giving. Accordingly, as shown in Figure 1a, a strategic decision of corporate giving is made at the level where an organization is deemed legitimate as a socially accepted member while the cost of resources is reasonable to protect the base of its economic efficiency.

Taking Figure 1a as a baseline model, a firm’s legitimacy-management cost can move up or down depending on changes in efficiency or legitimacy pressures. First, a firm is likely to increase its legitimacy-management cost when it is pressured to raise the threshold of social acceptance, all else being equal. Prior studies indicate that firms may raise their social standards and take costly accommodative actions when their legitimacy is challenged by external audiences (Ashforth & Gibbs, 1990; Elsbach, 1994; Oliver 1991; Luo et al., 2016). For example, Lamin and Zaheer (2012) showed that, in response to accusations of using international sweatshop labor, some firms implemented costly corrective actions by adopting new monitoring procedures or changing their labor policies. This shift toward a higher standard for social acceptance can lead to the transition from Figure 1a to Figure 1b.

Second, a firm is likely to reduce its legitimacy-management cost when it faces more efficiency pressures, all else being equal. For example, economic efficiency pressures could be
substantially higher when a firm experiences poor performance or meets unexpected obstacles such as radical changes in macroeconomic environments. As Greve (2003) found, low performance can cause top managers to increase R&D expenditures and launch costly innovations. Under such condition, the firm is likely to reduce the size of corporate giving, which can lead to the transition from Figure 1a to Figure 1c. **Finally, as shown in Figure 1d, if the same level of increase in both legitimacy and efficiency pressures are imposed, these two opposing effects on legitimacy-management cost would balance one another, leading a firm to return to its original position of the baseline model.**

**Based on this conceptual framework, we propose that the processes of ‘how much of corporate giving is made’ can demonstrate how a firm strategically manages its legitimacy cost while taking into account the tension between economic efficiency and social legitimacy.** Specifically, we develop hypotheses on how corporate giving as a legitimacy-management cost is related to the interplay between a firm’s internal efficiency conditions and external audiences’ evaluations in its institutional environment.

**HYPOTHESES**

For decades, research has paid much attention to the role of mass media as a key external audience in legitimating organizations. Some scholars view media exposure and framing of an organization as an indicator of its legitimacy (e.g., Bansal & Clelland, 2004; Deephouse, 1996; Lamertz & Baum, 1998; Pollock & Rindova, 2003). These studies typically used media coverage reports of organizations as a measure to indicate their public legitimacy. For example, Deephouse and Carter (2005) employed media as a source of normative legitimacy by measuring the relative number of endorsing and questioning articles on a bank’s action, structure, mission, or performance in a given year. Others focus on how the media acts as a propagator of
organizational legitimacy and examine its impact on the extent to which external audiences perceive organizational actions or leadership as desirable and appropriate (Bednar, 2012; Chen & Meindl, 1991; Deephouse, 2000; Elsbach & Sutton, 1992; King & Soule, 2007; Pollock & Rindova, 2003; Wade, Porac, Pollock, & Graffin, 2006; Wiesenfeld, Wurthmann, & Hambrick, 2008).

As Pollock and Rindova (2003: 632) noted, “in performing its functions of informing, highlighting, and framing, the media presents market participants with information that affects impression formation and the legitimation of firms.” They demonstrated this legitimation role of the media as a powerful institutional intermediary in the context of an IPO (Initial Public Offering) market, showing how the information the media had disseminated regarding an IPO firm shaped investors’ impressions and behaviors. Bansal and Clelland (2004) showed that a firm’s environmental legitimacy, measured as the aggregated degree of favorable and unfavorable news articles in the Wall Street Journal on the firm’s environmental performance, reduces unsystematic risk in its stock price. Kölbel, Busch, and Jancso (2017) argued that negative media coverage of corporate social irresponsibility generates financial risk by increasing the potential for stakeholder sanctions due to a violation of normative legitimacy.

Based on this literature, we chose to focus on the media as a key external audience in corporate giving. Given that whether and how much a firm spends on corporate giving is not directly observable by external audiences (Brammer, Pavelin, & Porter, 2009; Godfrey, 2005), the media plays a critical intermediary role in the context of corporate giving. As Campbell (2007) pointed out in his conceptual analysis on institutional determinants of corporate social responsibility, audience perceptions of how much a firm cares about and gives back to its communities can largely depend on how the media reports its giving behaviors.
Positive Media Coverage of Corporate Giving

Drawing on the literature of media legitimation, we suggest that the extent of positive media attention given to a firm’s giving efforts can shape and elevate expectations of external audiences surrounding the focal firm, which may prompt it into a more active use of corporate giving as a tool to maintain and defend its external legitimacy. In other words, increasing positive media coverage can act as a stimulus that reinforces a firm’s current behavior; it can impose pressures on decision makers by focusing their attention on certain issues (cf. Ocasio, 1997). If a firm’s corporate giving receives a higher level of positive media coverage and draws more public attention to its efforts for local communities and social welfare, its external constituents are likely to have a higher expectation of its subsequent giving behaviors.

Conversely, one might expect that firms receiving favorable media coverage to their giving efforts are likely to be satisfied with their achievements and maintain the status quo because further increase in corporate giving can invoke economic efficiency concerns and be limited by such concerns. The need for prioritizing the use of limited resources to meet demands of their core business activities is constantly present inside firms. Such economic efficiency pressures may disfavor further increase in corporate spending on social issues.

But our view of corporate giving as a cost to seek legitimacy suggests that this is less likely to be the case. While the above status-quo argument is based on the assumption that expectations of external audiences regarding a focal firm are rather static, we expect that such expectations can rise in response to a greater level of positive media attention. Scott (1995: p. 45) noted that “legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws.” To defend its legitimacy, a firm needs to continuously show that it is in such condition, and
otherwise its legitimacy could be questioned, challenged, or attacked. As scholars on organizational legitimacy emphasize (Deehouse & Suchman, 2008; Meyer & Rowan, 1977; Scott, 1995; Suchman, 1995), legitimacy is fundamentally to avoid being questioned by its key stakeholders. We thus expect that greater media attention for a firm’s charitable giving can set a higher standard for social acceptance and demand the firm to be more involved in their charitable activities. This is likely to raise legitimacy pressures from external audiences and lead to the transition of legitimacy-management cost from Figure 1a to Figure 1b: to the extent that a firm receives positive media coverage of its giving behaviors, it will increase corporate giving, other efficiency-related factors (e.g., performance, R&D and advertisement investments) being equal. Therefore, we hypothesize that:

**Hypothesis 1a:** The greater the positive media coverage a firm receives about its corporate giving, the more corporate giving it is likely to offer.

Studies on Corporate Social Responsibility (CSR) antecedents have examined the availability of financial resources as a key determinant of a firm’s CSR expenditures and activities (e.g., Atkinson & Galaskiewicz, 1988; Orlitzky et al., 2003; Surroca, Tribó, & Waddock, 2010; Waddock & Graves, 1997). These studies have reported the high sensitivity of CSR activities to the availability of slack resources or the level of firm performance. According to this slack resources perspective, when a firm does better financially, it can afford to pursue greater social involvement. In the case of corporate giving, there is also some evidence that the availability of financial resources is positively associated with the level of discretionary donations (e.g., Adams & Hardwick, 1998; Brammer & Millington, 2004). Leaders of highly profitable firms may be more willing to engage in corporate giving, whereas those of low-performing firms may have limited ability and willingness to do so. What these studies imply for our legitimacy-management framework in Figure 1 is that a firm’s strategic response to positive
and negative evaluations by legitimacy-granting audiences can be contingent on its internal efficiency conditions. Depending on a firm’s internal efficiency conditions, a firm can raise or lower the ceiling for how much it spends to manage external legitimacy.

Extending this implication to the interactive dynamics between firms and their external audiences, we expect that the level of corporate giving as a legitimacy-management cost is influenced by the interplay between the evaluations of external audiences and the internal efficiency of a firm. As we predicted in Hypothesis 1a above, a firm would give more when the media sets a higher expectation for its social involvement. However, the impact of such positive audience evaluations on corporate giving may be even greater for high-performing firms than for low-performing firms. This suggests, on the one hand, that high-performers further reinforce the transition of legitimacy-management cost from Figure 1a to Figure 1b. On the other hand, unlike high performers whose slack resources permit them to bear the cost of higher legitimacy pressures, low performers are much less able to bear such cost. For low-performing firms, both increase in legitimacy pressures triggered by positive media exposure and efficiency pressures due to their poor performance would bring their legitimacy-management cost to a position close to Figure 1d. In other words, unlike high-performing firms, low-performing ones may not move far from their original position of the baseline model, due to their internal efficiency constraints.

Following this reasoning, we hypothesize that:

*Hypothesis 1b. The effect of positive media coverage on a firm’s corporate giving is greater for high-performing firms, compared to low-performing firms.*

**Negative Media Coverage of Conflicted Relations with Audiences**

Corporate leaders actively interact with external constituents to gain and maintain positive evaluations of their firms and avoid conflicted relations with key audiences. Recent studies by Westphal and his colleagues show the processes by which corporate leaders engage in
interpersonal influence behaviors such as favor rendering, reciprocity, and retaliation toward various constituents (Westphal & Bednar, 2008; Westphal & Clement, 2008; Westphal & Deephouse, 2011; Westphal, Park, McDonald, & Hayward, 2012). Whereas positive relationships with external audiences can help corporate leaders gain external endorsement for their policies and actions, negative ones can provoke serious concerns regarding their leadership and pressure them to conform to demands by external constituents.

Potential legitimacy threats as a consequence of conflicts with external audiences may cause top managers to focus on ensuring that their firm is not viewed as socially illegitimate. Faced with such legitimacy challenges, they may aim to reduce negative perceptions by offsetting their behaviors with more prosocial ones. Recent studies present some evidence of this offsetting mechanism, showing that a firm is likely to engage in more pro-social behaviors when its audiences have concerns regarding its irresponsible actions, whether such actions are entry into controversial foreign markets (Brammer et al., 2009), past history of social irresponsibility (Muller & Kräussl, 2011), criminal activity (Williams & Barrett, 2000), or irresponsible actions targeted at activist boycotts (McDonnell & King, 2013). In a sample of large UK multinational firms, Brammer, Pavelin, and Porter (2009) found evidence that multinational firms were likely to give more when they operated in countries that lack political rights and civil liberties. According to their argument, this is because firms present in such countries “seek to use greater levels of charitable giving to offset the concerns of stakeholders regarding the possibly negative connotations of their operation in controversial countries” (p. 591). Muller and Kräussl (2011) provided similar evidence that firms with a prior history of wrongdoing were likely to more actively engage in corporate philanthropic response to the Hurricane Katrina disaster.

What is missing in this offsetting argument, however, is equivalent attention to the other
critical factor, that is, economic efficiency pressures. When firms have highly conflicted relations with external audiences, they can face both legitimacy and efficiency pressures. On the one hand, conflicts between a firm and its external constituents can impose legitimacy threats and hence increase legitimacy pressures. Such conflicts can, on the other hand, present severe efficiency challenges to the firm at the same time. Conflicts with external constituents are inevitably costly to a firm because they often incur significant administrative and legal costs, shifting top managers’ attention away from managing their businesses and towards settling disputes (David, Bloom, & Hillman, 2007). Furthermore, potential financial and operational disruptions brought about by such conflicts can pose immediate efficiency challenges, and as a result, cause these firms to focus on addressing those efficiency challenges while finding ways to reduce expenditures that are not directly related to their core business activities. It is therefore possible that priority and attention is given to efficiency considerations in their core business rather than to the immediate restoration of lost legitimacy.

In our context, we focus on whether levels of corporate giving are influenced by the threat of constituents’ lawsuits against family owners who are at the core of organizational identity. The reason for this choice is two-fold. First, although there are many other types of negative issues with regard to the relationships between a firm and its external audiences, lawsuits are probably the most negative events that the firm could experience (Eesley, Decelles, & Lenox, 2016). It is particularly when legal attacks by external audiences receive much attention in the press that they can impose significant costs and uncertainty on firms (King & Soule, 2007; Kölbel et al., 2017). Second, family ownership and control are the defining foundation of ‘who controls a corporation’ in Korea (Chang, 2003; Claessens, Djankov, & Lang, 2000; Kim, Kim, & Lee, 2008; La Porta, Lopez-de-Silanes, & Shleifer, 1999). Not only is the
national economy largely dependent on family firms, but lack of transparency and accountability
in their family governance has also been a central concern in Korean society (Chang, 2003; Kim
et al., 2008; The Economist, 2012). The consequences of such dominance and corporate
governance concerns lead the whole society to pay close attention to family owners. As a result,
family owners often become the main target of legal attacks by a variety of external audiences
including minority shareholders, customers, competitors, unions, social movement organizations,
and the general public.

How, then, is corporate giving affected by increased media attention to legal conflicts
between family owners and external constituents? The offsetting argument predicts that potential
legitimacy loss as a consequence of such legal conflicts may provide a motive for family owners
to engage in more charitable donations. As their conflicts with external constituents worsen in
the eyes of audiences, family owners may become increasingly concerned about the risk of
potential legitimacy damage and try to find ways of shifting audience attention away from
negative events. Under these circumstances, they may consider an increase in corporate giving as
a way of offsetting negative perceptions against them and their firms, because this may help
partially restore lost legitimacy or minimize further legitimacy loss. If this offsetting perspective
is applied, its consequence would be the transition of legitimacy-management cost from Figure
1a to Figure 1b because of the increase in legitimacy pressures.

From a perspective of external audiences, however, one may also argue that the offsetting
approach through the increase in a firm’s corporate giving may be at risk of being interpreted as
publicly admitting its malpractices in the course of its current legal disputes. Moreover, external
audiences may be leery of the real motive behind such additional charitable expenditures,
questioning whether they are driven by the firm’s interest in buying off their guilt and shifting
the audience’s attention away from embarrassing events. If this perspective is applied, its consequence would be to keep a low profile rather than expose themselves, and maintain the status quo with no further increase or decrease in corporate giving.

In contrast to the above two perspectives that focus on benefits versus uncertainty of further donations, we expect that efficiency concerns surrounding legal attacks by external audiences against family owners may challenge the premise underlying the offsetting mechanism and induce firms to engage in less corporate giving. Such legal lawsuits not only incur considerable litigation costs and other additional expenses but also often require lengthy and complex settlement processes. They may further impose serious operational burdens, impeding the effectiveness of organizational leadership and the implementation of ongoing strategic decisions. Given that corporate giving is typically determined at the discretion of top management (Galaskiewicz, 1997; Marquis & Lee, 2013), such new and unexpected costs may prompt those conflict-affected firms to give less, at least for a short period of time. Unlike what the above two arguments predict, only a very few companies would have enough resources to deal with such financial and operational burdens, and simultaneously maintain or even increase their donations without reducing the portion of resources allocated to their core activities. Taken together, the significant financial and operational burdens caused by lawsuits can deter top management leaders from engaging in routine charitable contribution activities. All else being equal, this suggests the transition of legitimacy-management cost from Figure 1a to Figure 1c due to a significant increase in efficiency pressures. We hence propose,

Hypothesis 2a. The greater the negative media coverage a firm receives about the lawsuits against its family owners, the less corporate giving it is likely to offer.

We predict that the level of corporate giving as a legitimacy-management cost is determined by the interplay between the negative evaluations of external audiences and the
internal efficiency of a firm. The slack resources perspective (Surroca et al., 2010; Waddock & Graves, 1997) views the internal efficiency of a firm as an important boundary condition to explain why some organizations spend more than others for being legitimized even when they receive similar evaluations by external audiences. According to this perspective, just as firms may not all, depending on their internal efficiency conditions, respond equally to legitimacy pressures from positive media coverage (as predicted in Hypothesis 1b), they may not all equally lower the ceiling for how much they spend to manage external legitimacy when negative evaluations from external audiences pose considerable efficiency challenges. In other words, a firm would give less because of efficiency concerns caused by negative media coverage of lawsuits against their key leaders such as family owners, but the decrease in corporate giving under such circumstances would be significantly smaller in high-performing firms than in low-performing firms. Few low-performing firms, on the one hand, would be able to bear the expense of implementing what the offsetting argument suggests due to their internal efficiency concerns, which places them even further into Figure 1c. On the other hand, high-performing firms would more likely have financial resources necessary to offset such negative perceptions through more prosocial responses, which brings them to a situation close to Figure 1a (the baseline model).

Following this reasoning, we hypothesize that:

Hypothesis 2b. The effect of negative media coverage on a firm’s corporate giving is smaller for high-performing firms, compared to low-performing firms.

DATA AND METHODS

Data

We examined corporate giving as a legitimacy-management cost in the context of all publicly listed non-financial firms on the Korea Stock Exchange (KSE) from 2003 to 2011. We set 2003 as the start year of our study because Korean firms began to give serious consideration
to their CSR activities in the mid-2000s. In fact, the first annual sustainability report among our sample firms was released in 2003 by Hyundai Motor and Samsung SDI. The number of firms publishing their annual sustainability reports gradually increased to 49 in 2011. This implies that managing different expectations of various stakeholders through CSR activities emerged as an important management agenda during our study period. We excluded financial companies from our sample because of major differences in corporate governance and government regulations between the finance industry and other sectors of the economy. Our final sample contains 5,778 firm-year observations for 747 publicly listed companies. Our dataset is unbalanced in that there were some sample firms newly listed on or delisted from the KSE during the study period.\(^3\)

Corporate giving data, corporate governance information, and financial data for our sample firms were compiled and cross-checked from three major databases of listed firms on the KSE: KIS (Korea Information Service) Database, TS2000 Database maintained by the Korea Listed Companies Association, and DART (Repository of Korea’s corporate filings). We also conducted media content analyses, using the KINDS (Korean Integrated News Database System) operated by Korea Press Foundation. While the KINDS database provides articles from most daily newspapers in Korea, past articles from the first (Chosun) and second (Joongang) largest daily newspapers by circulation were available only on their own websites. Thus, we added the search results related to these two newspapers to those of KINDS, resulting in a content analysis of 12 general-content newspapers and 8 business-oriented newspapers.\(^4\) Additionally, to understand what motivates corporate giving and investigate the robustness of our study findings,

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\(^3\) The relative proportions of those newly listed or delisted firms in the sample population are overall very small, ranging from 0 to 3.6 percent of sample firms in a given year.

several face-to-face and telephone interviews were conducted with top executives in our sample firms, leaders and staff in corporate charitable foundations, journalists in major newspapers, and CPAs (Certified Public Accountants).

Our empirical context has a few noteworthy features in comparison to prior studies on corporate giving. First, while some studies focused on how firms respond charitably to either natural disasters (Muller & Kräussl, 2011; Patten, 2008; Tilcsik & Marquis, 2013; Zhang & Luo, 2013; Zhang, Rezaee, & Zhu, 2010) or social events such as the Olympics (Tilcsik & Marquis, 2013), we approach corporate giving as an ongoing legitimacy-management process; firms routinely use corporate giving as a practice to manage their legitimacy according to positive and negative evaluations of external audiences, rather than as an ad-hoc response to a one-time external event. Thus, our attention is directed toward understanding why firms strategically increase or decrease corporate giving across years.

Second, previous studies on corporate giving tend to pay more attention to large companies (e.g., Fortune 500 or 1000 companies) that are very likely to give money (e.g., Brammer et al., 2009; Lev et al., 2010; Tilcsik & Marquis, 2013). This sampling approach often excludes the small firms that give less or no money. For example, in their study on the association between corporate giving and sales growth, Lev, Petrovits, and Radhakrishnan (2010) focused on the US public firms who reported giving, acknowledging that this “could introduce a sample selection bias, since firms choosing to disclose direct giving might be those that most effectively use charitable contributions to enhance performance” (p. 187). Although corporate giving by large firms accounts for a significant proportion of the total amount of corporate giving in a local community or a country, an empirical examination of the antecedents or consequences of giving requires a more representative sampling including both firms that do and do not donate.
By longitudinally examining corporate giving patterns of all non-financial firms listed on the KSE, we attempt to mitigate such potential sample selection bias.

As shown in Figure 2, the annual percentage of the firms in our sample who reported ‘no giving in a given year’ ranged from 11 percent to 22 percent, with a particular increase after the 2008 financial crisis. To identify main differences between donors and non-donors, we conducted difference of means tests for several important firm characteristics. We found that non-donors were mostly small low-performing firms, consistent with our expectation: 1) the ROA mean value of donors is 3.08% and that of non-donors is -8.49% (t = 18.33, p-value = 0.00, two-tailed) and 2) the size (ln(assets)) mean value of donors is 26.55 and that of non-donors is 25.37 (t = 21.82, p-value = 0.00, two-tailed). This provides evidence that a firm’s internal efficiency can be an important factor in deciding how much corporate giving is made. We also noted that firms became non-donors only for some years during the study period. In other words, some firms in our sample changed their decisions from donors to non-donors or vice versa, which is an important component for testing our arguments. Thus, the presence of those non-donors in our sample is critical for analysis in order to avoid potential selection bias.

[Figure 2 about here]

Finally, the low rate of non-participation in Figure 2 confirms that corporate giving is an institutionalized practice that firms in our empirical context are expected to conform to. In our sample, Samsung Electronics was the biggest donor (ranked as the top one in seven out of nine years during our study period and as the top two and three, respectively in the remaining two years). For example, it made about $174 million and $198 million of corporate giving in 2005 and 2010 respectively. A wide range of key stakeholders including the media, however, often criticized it by pointing out that its absolute amount of corporate giving misrepresents its growth
in sales or profits, because its relative ratio of corporate giving to sales was lower than its other counterparts (e.g., Hankuk Newspaper, 2010; Hankyurye Newspaper, 2009; Maeil Business, 2009). The fact that Samsung Electronics is the biggest donor does not exempt it from avoiding legitimacy issues of ‘what an organization ought to be.’

Variables

*Dependent variable.* Corporate giving data were compiled from each firm’s annual income statements. Every publicly listed firm must include the amount of its corporate giving on its income statements. According to the Corporate Tax Act of South Korea, the scope of corporate giving on a corporation’s income statement is defined as the total value of assets made as donations to a person “with no compensation and no direct connection with the business of the relevant corporation” (Article 35 of Enforcement Decree of the Corporate Tax Act). This ‘corporate giving’ item in an income statement accounts only for monetary donations including both direct cash contributions and the value of product donations, but does not include non-monetary charitable activities such as employees’ volunteered time or executives’ non-profit board service. These monetary donations are typically made to non-profit organizations such as social welfare organizations, academic research institutions, scholarship institutions, hospitals, art foundations, and religious organizations. As our sample consists of publicly listed firms, records of their corporate giving were externally audited and confirmed by independent CPAs. This suggests that corporate giving data in our study introduce fewer measurement errors than self-reported data sources such as the Taft Corporate Giving Directory (Lev et al., 2010) where different firms may have used different definitions of corporate giving.

We measured our dependent variable, *corporate giving*, as the ratio of corporate giving to sales in a given year, because corporate giving adjusted for firm size is a good indicator of social
conformity to what a firm “ought to be.” Given that larger firms generally make higher amounts of charitable contributions (Adams & Hardwick, 1998; Brammer & Millington, 2004; Galaskiewicz, 1997; Tilcsik & Marquis, 2013), such scaling by organizational size is appropriate to reflect a question of ‘satisficing’ to a socially acceptable level that Deephouse and Suchman (2008) suggested as a core feature of legitimation. For example, from a social legitimacy perspective, if a firm achieved substantial sales growth leading to higher expectations from external audiences but kept its corporate giving at the same level, we would view this instance as a decrease in corporate giving. Likewise, if a firm experienced a substantial fall in sales that led to lower expectations from external audiences but kept its corporate giving at the same level, we would view this as a higher level of corporate giving. This approach is well-suited for our study because our arguments, as shown in Figure 1, focus on understanding legitimacy-management cost under simultaneous consideration of internal organizational efficiency and social legitimacy. A similar view is often expressed in newspaper articles demanding a higher level of corporate giving as follows: “During 1994-2004, all listed companies doubled their sales, but their relative ratio of corporate giving to sales decreased from 0.51% in 1994 to 0.19% in 2001” (Chosun Newspaper, 2005).

For those firm-year observations that gave money to charities, the overall mean of corporate giving is ₩2,232,362,000 (about 2 million USD) and their average corporate giving ratio is about 0.16%. Given that the denominator is total sales in a given year, this suggests that corporate donations are materially significant and can take away resources from a variety of core activities. For example, the average ratios of R&D and advertisement expenses to total sales are 1.43% (about 17.9 million USD) and 0.97% (about 12.1 million USD) in our data, respectively.

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5 The range of the annual average giving ratio to sales over the 9-year study period was between 0.14% (year 2011) and 0.19% (year 2009) for those firms that gave money to charities. This indicates that there was no dramatic change in corporate giving behaviors at the field level between years during our study period.
Although the average corporate giving is smaller compared to those investments in R&D and advertisement, it is about 11 percent of a firm’s total R&D expenses and 17 percent of a firm’s total advertising expenses.

**Independent variables.**

**Positive media coverage of a firm’s giving.** To test whether positive media coverage of a firm’s giving behaviors influences its corporate giving (Hypothesis 1a), we counted the number of articles reporting corporate giving of a given firm in a positive way by searching 20 major daily newspapers in Korea during the study period. Previous research studying the role of media as an important institutional intermediary suggests that attention should be paid not only to the volume of information produced by media but also to the tenor of that information in order to measure the desirability of a firm’s action (Abrahamson & Fairchild, 1999; Bansal & Clelland, 2004; Dorobantu, Henisz, & Narasimhan, 2017; Henisz, Dorobantu, & Narasimhan, 2014; Pollock & Rindova, 2003; Sullivan, Haunschild, & Page, 2007). Thus, we constructed this variable through multiple steps. We first identified all articles in 20 daily newspapers that contain both a firm’s name and any of the following keywords—‘donation,’ ‘social contributions,’ and ‘social responsibility.’ Then we had two trained research assistants independently read through each of the identified articles and code whether they report a given firm’s philanthropic efforts in a favorable light.\(^6\) We calculated the kappa coefficient to assess inter-rater reliability between the two coders. The kappa was 0.81 with 99 percent agreement. This suggests a relatively high level of inter-rater agreement, given that Kappa values greater than 0.75 are generally considered to represent excellent agreement beyond chance (Fleiss, 1981). One of the authors assessed each of

\(^6\) From this process, we also collected the number of articles criticizing a given firm for a lack of corporate philanthropy or denouncing its unwillingness to donate. As a robustness check, we included this negative media coverage of a firm’s giving as a control variable. We found the results virtually identical to those reported here. Given that more than 98% of the sample observations are zero in this variable, we decide not to include it in our main model.
the rare cases in which there was disagreement between the two coders, and determined its relevance. Due to right-skewness, we constructed this variable as the natural logarithm of the number of positive media coverage.

**Negative media coverage of lawsuits against a firm’s family owners.** To test the impact of media attention to legal conflicts between family owners and external constituents on corporate giving (Hypothesis 2a), we conducted extensive searches in 20 daily newspapers during the study period and identified relevant articles. Family ownership and control is a prevalent governance practice among publicly listed firms in Korea (Chang, 2003; Claessens et al., 2000; Kim et al., 2008; La Porta et al., 1999). Family firms dominate the economy, but the opaqueness of their corporate control and the exploitations of company assets for the benefit of family members have been critical concerns among various stakeholders such as the government, media, investors, social movement organizations, and the general public (Chang, 2003; Kim et al., 2008; The Economist, 2012). As a result, family owners are at the center of public attention and often become a target of legal actions brought by different stakeholders who are against their control and power structures. Typical types of such legal conflicts are inheritance tax evasion, deceptive accounting, intentional securities fraud, exploitation of minority shareholders, and illegal internal transactions between member firms within a business group. As these conflicts tend to be very negative and thus draw considerable attention from the public, greater media attention can cause more operational and financial disruptions in the firms involved.

To measure the degree of media attention on such legal conflicts, we first identified a list of family owners based on the shareholders list of each company in the KIS database. Under the Securities Exchange Act in Korea, a public company was required to disclose family ties between its owner and his or her family members who hold its shares, whether connected by
blood or marriage. Then, we searched for all articles in 20 daily newspapers containing both the names of the identified family owners and the keyword, ‘lawsuit.’ Two trained research assistants independently verified all the information by reading through each of the identified articles. The kappa coefficient between the two coders was 0.88 with 97 percent agreement, indicating a high level of inter-rater agreement. After assessing each of the rare cases with disagreement, we measured this variable by counting the number of the articles reporting legal actions that different external constituents brought against the family owners of a given firm. This variable was also constructed as the natural logarithm. To test Hypotheses 1b and 2b, we constructed two interaction terms by multiplying each of the above independent variables with firm profitability measured as \( \text{ROA} \) (return on assets).

**Control variables.**

**Firm characteristics.** We controlled for a set of firm-level characteristics that prior studies suggested as predictors of corporate giving. All models included a lagged dependent variable (i.e., the ratio of corporate giving to sales at \( t-1 \)) to control for a firm’s previous giving efforts, unobserved heterogeneity, and other potentially important but omitted predictors of corporate giving (Greene, 2000). As a larger and more established firm is expected to give more (Adams & Hardwick, 1998; Brammer & Millington, 2004; Galaskiewicz, 1997; Tilesik & Marquis, 2013), we controlled for firm size, measured by the natural logarithm of its total assets, and firm age, represented by a variable that increased by increments of 1 for each year since its founding. A firm’s debt-to-equity ratio was included because a large amount of debt burden can reduce the amount of giving (Brammer et al., 2009; Muller & Kräussl, 2011). We also controlled for a firm’s investment in intangible assets such as advertisement and R&D, because those who invest more in intangible assets may be more willing to engage in corporate citizenship behaviors.
(Fry, Keim, & Meiners, 1982; Wang et al., 2008; Zhang, Zhu, Yue, & Zhu, 2010). *Advertisement intensity* and *R&D intensity* were measured by the ratios of R&D and advertisement expenses to total sales.

To control for the potential influence of other types of media coverage for the sample firms, we constructed two positive and two negative media coverage variables through a combination of web scraping (George, Osinga, Lavie, & Scott, 2016) and careful manual verifications. Web scraping, which was conducted together with three expert programmers, allows us for the automated extraction of all articles (over 6.4 million articles) that contains a focal firm’s name in 20 major daily newspapers during the study period. Based on the content analysis of these articles, we measured *positive media coverage of a firm’s financial performance* (logged) by counting the number of articles reporting financial performance of a given firm in a positive way. Every identified article for this variable should meet all of the following four specific conditions: it contains 1) a firm’s name, 2) any of the five performance indicators (‘sales,’ ‘profit,’ ‘earnings,’ ‘stock prices,’ and ‘performance’), 3) any from the list of sixteen common keywords with positive sentiment (e.g., ‘increase,’ ‘improve,’ ‘grow,’ ‘rise,’ ‘gain,’ ‘make progress,’ or ‘get better’), and 4) none of the list of twelve common keywords with negative sentiment (e.g., ‘decrease,’ ‘decline,’ ‘drop,’ ‘fall,’ ‘diminish,’ ‘damage,’ or ‘loss’).\(^7\)

We also measured *negative media coverage of a firm’s financial performance* (logged) with the same first two conditions, but the slight change in the latter two conditions: 3) none from the list of sixteen common keywords with positive sentiment and 4) any of the list of twelve common keywords with negative sentiment.

In a similar way, we collected one positive and one negative media coverage variables for

\(^7\) These keywords with positive and negative sentiment were identified by the authors through the content analysis of several hundreds of sample articles.
a given firm’s products and services. *Positive media coverage of a firm’s products* (logged) was measured by counting the number of articles containing the following three keywords: 1) a firm’s name, 2) ‘product’ or ‘service’, and 3) ‘launch’ or ‘success.’ *Negative media coverage of a firm’s products* (logged) was measured by counting the number of articles containing the following three keywords: 1) a firm’s name, 2) ‘product’ or ‘service’, and 3) ‘recall.’ Finally, as the names of some firms in our sample coincide with common words, manual verifications by trained research assistants were undertaken for the articles of those firms identified in these four media variables.

As some firms may focus on a wide range of other environmental and social CSR practices beyond corporate philanthropy, we included a *sustainability report* variable as a control. This variable was coded as 1 if a firm released its annual sustainability report in a given year, and otherwise as 0. As a firm’s ownership structure may affect incentives and resources for corporate giving (Galaskiewicz, 1997; Marquis & Lee, 2013), we controlled for two ownership-related variables, *family ownership* and *business group affiliation*. Taking into account the pyramidal ownership structure (Claessens et al., 2000; La Porta et al., 1999), we measured family ownership as the percentage of shares owned by individual family members and other firms controlled by family members. As member firms of major business groups may face strong pressures for corporate giving due to greater public visibility, we controlled for *business group affiliation*. Following the way the government identifies major business groups in Korea, this variable was measured as 1 if a firm was a member of top 30 business groups in a given year and otherwise as 0.

We also constructed two variables, *newly listed firms* and *delisted firms*, to control for potential influence of organizational births and deaths on corporate giving. The former variable
was coded as 1 if a firm was newly listed on the KSE during the study period and otherwise as 0. Similarly, the latter variable was coded as 1 if a firm was delisted from the KSE during the study period and otherwise as 0. Additionally, if a firm received monetary penalties from the government as a consequence of its illegal acts, the size of such government sanctions may affect its corporate giving. Thus, by using the KFTC (Korea Fair Trade Commission) Enforcement Database, we constructed the variable, government penalties, as the natural logarithm of a firm’s total monetary penalties imposed as a result of the KFTC’s enforcement activities in a given year. During the study period, the KFTC imposed financial sanctions on over 200 firms in our sample due to violations of fair competition and consumer protection laws. Finally, the firm performance variable (ROA) used for the interactions was also controlled.

**Industry and period effects.** Different industries may have different sets of norms on how much a firm should give. Mimetic pressures from industry competitors may also vary across industries. For example, earlier studies implied that corporate giving is likely to be greater in industries where firms sell their products or services to individual customers rather than to other corporations or governments (Galaskiewicz, 1997; Lev et al., 2010; Tilcsik & Marquis, 2013). To control for potential industry-specific effects on corporate giving, we included the variable industry average giving ratio in our models. According to the Korean Standard Industrial Classification (KSIC) codes, we first classified our sample firms into 16 different industries, and then calculated the average ratio of corporate giving to sales at the industry level. In addition, industry and year dummy variables were included in each model to capture other potential industry- and time-specific effects on corporate giving.

**Analysis**

To analyze our dependent variable, the ratio of corporate giving to sales in a year, we
employed the generalized estimating equations (GEE) method developed by Liang and Zeger (1986) with an exchangeable correlation structure (cf. Bednar, 2012; Dobrev, Kim, & Hannan, 2001; Sine, Mitsuhashi, & Kirsch, 2006). A GEE uses the quasi-likelihood estimation based on generalized linear models. There are some advantages of using the GEE approach for analyzing longitudinal data (for an in-depth discussion of the advantages of GEEs, see Ballinger, 2004). First, a major strength of the GEE approach is that it produces more efficient and unbiased regression parameters in analyzing dependent variables that are not normally distributed, unlike OLS regressions assuming normality. Second, GEEs are known to be largely consistent particularly when data consist of repeated measures (multiple time periods in our case) on subjects (firms in our case) because it accounts for a possible unknown correlation between observations within a subject cluster (Liang & Zeger, 1986). Failure to incorporate such non-independence of observations within firms can lead to incorrect estimation of regression parameters (Ballinger, 2004). Finally, a GEE also allows for estimating parameters for both time-variant and time-invariant variables unlike standard fixed-effects models which estimate only within-organization variations. We employed the GEE estimation because some of the variables such as business group affiliation or family ownership, which are key factors in Korean firms’ decision processes (Chang, 2003; Kim et al., 2008; The Economist, 2012), had little variation over time within a firm. To control for heteroskedasticity, we used Huber-White standard error estimates, known as the robust standard error.

The descriptive statistics and correlations for the variables are reported in Tables 1 and 2. In Table 2, high correlations were found among media variables and firm size, which is an anticipated result because the media is likely to pay more attention to large firms. To investigate any potential multicollinearity problems, we used the variance inflation factor (VIF) test for the
reported models. Across the models, individual VIF measures for all the variables were lower than the conservative threshold of 5 with a maximum value of 2.96, indicating that multicollinearity does not appear to be a problem (Cohen, Cohen, West, & Aiken, 2013). Furthermore, following a standard diagnostic procedure for multicollinearity (Greene, 2000; Verbeek, 2008), we checked the sensitivity of our results by excluding from the models all those variables with higher correlations than 0.5. The results remained substantially the same with those reported here.⁸

[Tables 1 and 2 about here]

RESULTS

Table 3 presents the results of the GEE method predicting the ratio of corporate giving to sales. Model 1 represents the baseline model including only control variables. In Models 2 through 5, we added each of the independent variables one at a time, and Model 5 represents the full model. The results of Table 3 provide strong support for Hypothesis 1a, which predicts that the extent of positive media coverage of corporate giving is likely to induce a firm to give more. In both Model 2 and the full model (Model 5), the extent to which a firm receives positive media coverage about its giving behaviors was positively and significantly associated with its corporate giving ratio. In Model 2, when the number of these positive articles increased from the minimum (0) to 50 and to the maximum (189), the ratio of corporate giving to sales increased, respectively, by 0.13% (0.032*ln(50) = 0.13) and 0.17% (0.032*ln(189) = 0.17). On average, these percentages correspond to about $1.6 million USD and $2.1 million USD, respectively. These results indicate that, all else being equal, positive media feedback leads to an increase in corporate giving. This is, if Model 1 is taken as the baseline model of Figure 1a, the case where a firm increases its legitimacy-management cost, shifting its position from Figure 1a towards

⁸ Results are available upon request.
Hypothesis 2a posits that, all else being equal, negative media coverage of lawsuits between a firm’s family owners and external audiences is likely to have a negative relationship with corporate giving. In Model 3, we included the variable measuring negative media coverage of the lawsuits that external audiences brought against a firm’s family owners. The coefficients of this variable were negative and statistically significant separately in Model 3 and in the full model (Model 5), supporting Hypothesis 2a. In Model 3, when the number of these negative articles increased from the minimum (0) to 25 and to the maximum (57), the ratio of corporate giving to sales decreased, respectively, by 0.10% (0.030*ln(25) = 0.10) and 0.12% (0.030*ln(57) = 0.12). On average, these percentages correspond to about $1.3 million USD and $1.5 million USD, respectively. This is the case where a firm decreases its legitimacy-management cost, shifting its position from Figure 1a to Figure 1c.

In Models 4 and 5, we included the interactions between these two independent variables and firm performance in order to test our argument that a firm’s giving response to positive and negative evaluations by external audiences depends on its internal efficiency conditions. Hypothesis 1b predicts that the positive effect of positive media coverage on a firm’s corporate giving is greater for high-performing firms compared to low-performing firms. In Models 4 and 5, the coefficient for the interaction between positive media coverage and firm performance is positive and statistically significant, separately and in the full model. We plotted the interaction graph in Figure 3, based on the results of Model 5 in Table 3: considering the actual variable range of positive media coverage in our data, we calculated its marginal impacts on the ratio of corporate giving for high-performing firms (identified as the top quartile of ROA) and low-
performing firms (identified as the bottom quartile of ROA). As shown in Figure 3, while both
are likely to give more as the positive media coverage of their corporate giving increases, the
effects of such positive media evaluations are greater for high performers than for low
performers. These results suggest that high performing firms increase the ratio of their corporate
giving even further than what Hypothesis 1a predicted, offering full support for Hypothesis 1b.

[Figure 3 about here]

To test whether the negative effect of negative media coverage of the lawsuits against a
firm’s family owners is smaller for high-performing firms compared to low-performing firms
(Hypothesis 2b), we included the interaction between negative media coverage and firm
performance in Model 5. Surprisingly, our results are opposite to what Hypothesis 2b predicted.
To interpret these unexpected results, we plotted the interaction graph in Figure 4, using the
same approach as described above for Figure 3. As shown in Figure 4, while both are likely to
give less as the degree of media attention to legal conflicts between family owners and external
audiences increases, the decline in corporate giving is greater (i.e., the negative slope is steeper)
for high performers than for low performers. At odds with the prediction of Hypothesis 2b, this
implies that when their conflicts with external constituents get increasingly worse, high
performers are more likely than low performers to rely heavily on an economic efficiency logic
and less likely to engage in socially desirable behaviors. Taken together, the results obtained in
Figures 3 and 4 provide evidence that, depending on their internal efficiency conditions, some
firms spend more than others to manage external legitimacy even if they receive similar
evaluations by external audiences. Furthermore, these results raise the possibility that high-
performing companies are not more generous than low-performing ones when external audiences
impose severe efficiency pressures.
We also conducted additional analyses to identify potential relationships between two media independent variables. We first tested the interaction effects between them and confirmed that the coefficient of the interaction term is not significant (p-value = 0.91). This indicates that the effect of positive media coverage for Hypothesis 1a is not dependent on the level of negative media coverage for Hypothesis 2a. Furthermore, in order to see which one between these two variables is more dominant, we tested $H_0$: the absolute value of the coefficient of the positive media coverage = that of the negative media coverage in Model 3 of Table 3. We found that $H_0$ is not rejected ($\chi^2 = 0.04$, df = 1, p-value = 0.83, two-tailed test), which suggests that one is not strongly dominant over the other. Taken together, these results indicate that, when the same numbers of both variables exist at the same time, their opposing effects on corporate giving would lead to the situation illustrated in Figure 1d.

With regard to control variables, firms with a high ratio of corporate giving in the previous year, high-performing firms, and firms with higher investment in advertising tended to give more. In particular, consistent with previous studies (Adams & Hardwick, 1998; Brammer & Millington, 2004; Waddock & Graves, 1997), our results show that firm performance is a determinant of corporate donations. This suggests that low-performing firms subject to more efficiency pressures are less likely to allocate their limited resources to charitable activities. Also, the results presented in Table 3 show that positive media coverage of a firm’s financial performance leads to greater corporate giving. This raises the possibility that such firm is under stronger pressure to give more due to the external expectation of increased slack resources. By contrast, negative media coverage of a firm’s product recall is shown to lead to less corporate giving, which is probably because it is under economic efficiency pressure to support its product
recall efforts. Additionally, the firms that released their annual sustainability report tended to make less charitable expenditures.

**Robustness Check**

While Hypothesis 1a predicts that positive media reports would lead to an increase in corporate giving, there is the possibility of reverse causality that a more active use of corporate giving would cause more positive media coverage of a firm’s giving behaviors.\(^9\) To assess whether our findings may be affected by reverse causality, we conducted additional analyses as a robustness check. First, to check the sensitivity of our findings, we measured our two independent media variables by counting the number of the articles only from an earlier part of a given year. Corporate donations tend to be concentrated during the last quarter of a year, particularly around the holiday season.\(^10\) Thus, we tested how positive and negative media coverage only during the earlier time windows of the year at \(t\) affects our dependent variable which tends to occur more commonly during the second half of the year at \(t\). Table 4 shows the results of three additional time windows of the two media variables: January-April in Model 1, January-May in Model 2, and January-June in Model 3.\(^11\) These models are exactly the same as Model 3 of Table 3 except for the time window of the two media independent variables. The results remained substantially the same with those in Table 3, supporting strong relationships for Hypotheses 1a and 2a. These earlier time windows provide a more conservative test for our arguments.

[Table 4 about here]

\(^9\) We do not see a strong possibility of such reverse order with H2a because it is implausible to imagine that less (or more) donations would lead to the increase (or decrease) in negative media coverage to legal conflicts between family owners and external constituents.

\(^10\) About 44 percent of annual corporate donations were made during the last quarter of a year, according to the data obtained from a sample similar to the one in our study (Kang & Jun, 2011).

\(^11\) We also measured these two variables with another period length, which is the first three quarters of a given year. Our results remained substantially the same.
Second, we also conducted two-stage regression analyses to control for reverse causality. We chose the sum of both positive and negative media attention on a firm’s financial performance and products as an instrument because it is likely to explain the first-stage dependent variable (i.e., the number of articles on a firm’s giving) and be uncorrelated with the error term of the second stage outcome variable (i.e., the ratio of corporate giving to sales). We found consistent results as reported in Table 3. Finally, we regressed positive media coverage of a firm’s giving on the ratio of its corporate giving to sales, using the same set of specifications as reported in Table 3. We did not observe a statistically significant relationship for either the lagged or unlagged giving ratio variable.

In addition, as Hypothesis 2a is concerned about media attention of lawsuits against family owners, we assessed the potential bias that might be induced by the inclusion of non-family firms in our sample through multiple ways. First, as shown in Tables 3 and 4, we included the family ownership variable as a control to account for its potential impact. The median value of family ownership in our sample firms was 39.7 percent. When the 5% cut-off level is used to delineate family and non-family firms (e.g., Villalonga & Amit, 2006), about 94 percent of our sample observations are family-controlled firms, which confirms the dominance of family governance on the Korean Stock Market. Second, in addition to the family ownership variable, we included a dummy variable to indicate whether family ownership is larger than 0%, 5% or 10%, and found that our results are robust to the inclusion of this control.

**DISCUSSION AND CONCLUSION**

This study examined the question of how much an organization spends to manage external legitimacy in the context of corporate giving where high pressures for normative

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12 We examined the validity of the instrumental variable with the weak instrument testing procedure discussed in Stock and Yogo (2005). The test suggests that the instrument is not weak. These supplementary results are available upon request from the authors.
legitimacy exist. Firms face high uncertainty in corporate giving because of difficulties in assessing its economic benefits and little consensus on what constitutes an appropriate amount; yet they face pressures to conform to expectations of external audiences. We viewed corporate giving as a cost to seek external legitimacy and argued that in response to evaluations from external audiences, firms strategically manage such costs while considering the tension between social legitimacy and economic efficiency. The results support our framework on how corporate giving decisions are made with legitimacy and efficiency concerns as two interconnected factors that are often neglected with an emphasis on one over the other. We have three main findings associated with our hypotheses.

First, our results show the reinforcing effect of positive media coverage on corporate giving. As positive media attention to a firm’s giving efforts increases, such positive media feedback is likely to elevate expectations from external audiences surrounding the firm and thus lead to the firm’s more active involvement in corporate giving. This suggests that positive feedback and approval from key external audiences such as mass media would increase the pressure for a firm to spend more to maintain and defend its external legitimacy. Rather than a one-time event, a firm needs to continuously show that they conform to external expectations.

Second, our findings suggest that when firms face serious conflicts with their external audiences, they are likely to focus on dealing with immediate efficiency challenges in their core business and engage less in philanthropic activities. Whereas prior research suggests that firms can engage in more pro-social behaviors to compensate for potential legitimacy loss when they face challenges and concerns regarding their irresponsible actions (Brammer et al., 2009; McDonnell & King, 2013; Muller & Kräussl, 2011; Williams & Barrett, 2000), our results raise the possibility that this may not always be the case. The most likely reason is that relatively few
firms have sufficient resources to simultaneously overcome efficiency challenges and legitimacy pressures when conflicts with external constituents pose substantial financial and operational burdens for their core businesses. Consequently, firms and their leaders can give more priority and attention to immediate efficiency challenges and allocate more resources to deal with such challenges, rather than minimize potential legitimacy loss through more spending in social goods.

Third, our results show that the impact of positive or negative media evaluations on corporate giving behaviors depends on a firm’s internal performance condition. According to our findings, while high-performing firms react more positively to the positive media coverage of their corporate giving and give more than low-performing ones give, they react more negatively to the negative media coverage of legal disputes between their family owners and external audiences and give less than low-performing ones give. Little is known about why some firms spend more than others for being legitimized. This study suggests that their internal performance condition can be an important contingency factor in determining their legitimacy-management cost. Our findings imply that highly profitable firms are more willing than their counterparts to engage in corporate giving only when they receive positive audience reactions. In contrast to this slack resources perspective, when they experience negative audience reactions, high performers are likely to engage in less corporate giving. Julian and Ofori-Dankwa (2013) found similar evidence for a negative relationship between financial resource availability and CSR expenditures for firms in Ghana; contrary to the logic of slack resources, firms engage in less CSR as they do better financially in Ghana where there is great difficulty in accessing the investment funding. This may be because high performers tend to foster a competitive, performance-oriented business culture with an emphasis on efficiency, which can be more prominent under unfavorable business conditions.
Taken together, these results contribute to a deeper understanding of institutional processes by exploring an important, but previously ignored factor – legitimacy-management cost. While scholars in institutional theory emphasized the importance of legitimacy benefits from conformity and illegitimacy penalties from non-conformity (Meyer & Rowan, 1977; Oliver, 1991; Zuckerman, 1999), it is not clear how much it costs to seek such legitimacy and why some organizations spend more than others for being legitimized. Part of the reason for such neglect is that legitimacy-management costs have not been a major theoretical issue. While prior research focused on the diffusion processes of various organizational forms and practices (Mizruchi & Fein, 1999) and the role of organizational agency in these diffusion processes (Oliver, 1991), scant attention has been paid to the cost of adopting such forms and practices. Rather, the issue of legitimacy-management cost has been treated as a constant rather than a variable or has been viewed in a way that its variation is deemed to be sufficiently small to be negligible. In reality, however, gaining legitimacy is not free. In other words, managing external legitimacy can be a costly process and this legitimacy-management cost can vary across organizations to a significant degree. Building on Oliver (1991)’s typology, many empirical studies have examined the issue of why organizational responses to institutional pressures vary from passive conformity to active resistance (e.g., Goodstein, 1995; Ingram & Simons, 1995; Lamin & Zaheer, 2012; Marquis & Qian, 2014). Our study suggests that legitimacy-management cost can be an important factor to explain such variations in organizational responses to institutional pressures.

Furthermore, this study contributes to the literature on the role of audiences in understanding legitimacy management processes. It is often assumed that once an organization becomes a member of a legitimized category, its legitimacy level remains unchanged. However, the extent to which an organization is deemed legitimate as a socially accepted member can
change as a function of evaluations of external audiences. This study shows that organizations keep adjusting legitimacy-management costs in response to positive or negative evaluations of the media. In particular, much of research on corporate giving is based on the assumption that a firm’s good behaviors are visible in the eyes of various stakeholders. However, despite the fact that the media plays a critical role in shaping this visibility to external audiences, little empirical work has been done on the role of media in corporate philanthropy.

Moreover, although there are some prior studies in broad CSR contexts that examined the role of media as a key external audience (e.g., Bansal & Clelland, 2004; Dorobantu et al., 2017; Henisz et al., 2014), they largely focused on negative media attention of socially irresponsible behaviors (Kölbel et al., 2017; Luo et al., 2016) such as activist protests (King & Soule, 2007), consumer boycotts (McDonnell & King, 2013), international sweatshops (Lamin & Zaheer, 2012), or unethical acts (Sullivan et al., 2007). Relatively little attention has been paid to organizational responses to positive media attention to doing good. Our findings suggest not only that both positive and negative publicity provide evidence to explain why some firms spend more than others for legitimacy management but also that they exhibit substantially different dynamics between economic efficiency and social legitimacy.

Several limitations of this study call for future research to further validate our framework. First, it should be noted that strategic actions to institutional conformity pressures are not always associated with high cost. One insight from institutional theory is that organizations can enhance external legitimacy by symbolically adopting but not implementing an institutionalized practice (Meyer & Rowan, 1977; Oliver, 1991). Empirical evidence of this symbolic decoupling suggests that not all conformity comes at a high cost (Fiss & Zajac, 2006; Marquis & Qian, 2014; Westphal & Zajac, 1998). Future research could extend our approach and findings to examine
how legitimacy-management cost plays a role in determining not only the adoption of an institutionalized practice but also the scope and degree of its implementation. For instance, when legitimacy-management cost is expected to be very high, an organization could be more likely to adopt a practice symbolically or implement only selected scopes of the practice for legitimacy purposes, rather than at a full scale.

Second, while our empirical context has clear advantages over prior studies on corporate giving that generally focused on large firms (e.g., US Fortune 500 or 1000) or natural disasters (e.g., Hurricane Katrina or Sichuan earthquake), the findings of this study should be interpreted with caution, given the specific nature of the context studied. Future studies are needed in different contexts such as other countries or unlisted private firms to confirm the generalizability of our findings. For example, given that family firms are prevalent among publicly listed firms throughout the world, particularly in emerging markets (Claessens et al., 2000; Faccio & Lang, 2002; La Porta et al., 1999), future research can validate our findings in other country markets where family owners are at the core of organizational identity for a majority of firms.

Third, our data lack portfolio information on where and how annual charitable expenditures are allotted. Previous literature studied corporate giving with both holistic and partial approaches. The holistic approach examines aggregated charitable expenditures each firm spent in a given year, but fails to consider the different types of charitable activities that firms engaged in. The partial approach, on the other hand, focuses on a particular type of charitable activities targeting a specific stakeholder or local community, but does not consider a portfolio of corporate contributions. For example, a firm can make its donation toward a new charitable

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13 To identify which approach has been used in prior research on corporate giving, we searched for donation-related empirical studies in the following four journals: Academy of Management Journal (1958-2015), Administrative Science Quarterly (1956-2015), Organization Science (1990-2015), and Strategic Management Journal (1980-2015).
organization either by increasing its annual charitable expenditures or by restructuring its own portfolio of corporate contributions without any increase in the entire amount of corporate giving. Both approaches share a common limitation: they do not address portfolio dynamics of corporate giving in managing legitimacy. Our paper has this limitation as well.

Finally, it would be particularly valuable if future studies could bring together and integrate all three key factors – legitimacy-management cost for conformity, illegitimacy penalties through non-conformity, and legitimacy benefits through conformity, which have often been studied separately. Although collecting data that includes all three factors might be a very daunting task, unpacking the dynamics of these factors would provide a better understanding of how organizations manage potential tensions between their legitimacy and efficiency. Such analysis could contribute to answering the question of how much legitimacy management helps an organization perform better than others or survive for a longer period of time.

Gaining external legitimacy as an indication of ‘social acceptance’ is a critical process for an organization’s survival and performance (Meyer & Rowan, 1977; Oliver, 1991). Failing to do so implies a mismatch between what an organization actually is and what it ought to be and leads to serious social and economic consequences due to illegitimacy penalties (Zuckerman, 1999). While both legitimacy-benefit and illegitimacy-penalty arguments have been well-documented, the issues of how much it costs to seek such legitimacy and how such cost is determined have been understudied. Managing legitimacy at a reasonable cost involves decision-making processes under high uncertainty of its economic outcomes and high vulnerability to different evaluations of external audiences. This paper suggests the need for research on such complex process surrounding legitimacy-management cost.

We found that 122 hypotheses are tested with a specific type of corporate donations (partial approach), while 48 hypotheses are tested with aggregated annual charitable expenditures (holistic approach).
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Hankuk Newspaper. 2010. Large companies donate too little despite huge profits. March 29.

Hankyurye Newspaper. 2009. Less donations from large firms this year. December 12


Maeil Business. 2009. Large corporations gave too little back to the society this year. December 11.


Figure 1. Strategic Allocation of Corporate Giving in the Tension between Efficiency and Legitimacy
Figure 2. Numbers of Donors and Non-donors, 2003 – 2011

Sample: All non-financial firms listed in a given year on the Korea Stock Exchange
Figure 3. Interaction of Positive Media Coverage and Firm Performance in Predicting Corporate Giving Ratio

- **Low performing firms (Bottom quartile ROA=0.56)**
- **High performing firms (Top quartile ROA=7.25)**
Figure 4. Interaction of Negative Media Coverage and Firm Performance in Predicting Corporate Giving Ratio
Table 1. Descriptive Statistics

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Note: N = 5,778; All correlations above |0.03| are significant at 0.05 or lower for two-tailed test.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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<tr>
<td>Industry average giving ratio</td>
<td>-0.034</td>
<td>-0.036</td>
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<td>-0.046</td>
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<td>(0.101)</td>
<td>(0.101)</td>
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</tr>
<tr>
<td>Lagged ratio of corporate giving to sales</td>
<td>0.321***</td>
<td>0.322***</td>
<td>0.322***</td>
<td>0.324***</td>
<td>0.324***</td>
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<td>(0.047)</td>
<td>(0.047)</td>
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</tr>
<tr>
<td>Firm size</td>
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<td>Debt-to-equity ratio</td>
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<td>-0.001+</td>
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<tr>
<td>R&amp;D intensity</td>
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<td>Positive media coverage of a firm’s financial performance</td>
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<td>0.011*</td>
<td>0.011*</td>
<td>0.010*</td>
<td>0.010*</td>
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<td>(0.005)</td>
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<td>0.009</td>
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<tr>
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<td>(0.008)</td>
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<td>-0.018*</td>
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<td>(0.009)</td>
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<td>Sustainability report</td>
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<td>-0.0004</td>
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</tr>
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<td>Business group affiliation</td>
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<td>-0.032</td>
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<tr>
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<td>(0.022)</td>
<td>(0.022)</td>
<td>(0.022)</td>
</tr>
<tr>
<td>Newly listed firms</td>
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<td>0.009</td>
<td>0.010</td>
<td>0.012</td>
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<tr>
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<td>(0.030)</td>
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</tr>
<tr>
<td>Delisted firms</td>
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<td>-0.022</td>
<td>-0.022</td>
<td>-0.023</td>
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<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.025)</td>
</tr>
<tr>
<td>Ln (Government penalties)</td>
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<td>-0.0004</td>
<td>-0.001</td>
<td>-0.001</td>
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<tr>
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<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001**</td>
<td>0.001**</td>
</tr>
<tr>
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<td>(0.0004)</td>
<td>(0.0004)</td>
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<td>(0.0004)</td>
<td>(0.0004)</td>
</tr>
</tbody>
</table>

**Independent Variables**

| Positive media coverage of a firm’s corporate giving | 0.032*** | 0.033*** | 0.016* | 0.015* |
|                                                    | (0.009)  | (0.010)  | (0.008) | (0.008) |
| Negative media coverage of lawsuits against family owners | -0.030* | -0.038* | -0.025* |
| ROA x positive media coverage                      | 0.003**  | 0.003**  |
|                                                    | (0.001)  | (0.001)  |
| ROA x negative media coverage                      | -0.002*  |
|                                                    | (0.001)  |
| Constant                                          | 0.322    | 0.416    | 0.407   | 0.375    | 0.374    |
|                                                    | (0.326)  | (0.322)  | (0.322) | (0.313)  | (0.312)  |

Note: N = 5,778; 15 industries and 8 year dummies are included in all models; ** p < .10, * p < .05, ** p < .01, *** p < .001; Robust standard errors are in parentheses.
Table 4. Robustness Check: The Impact of Positive and Negative Media Coverage during the Earlier Time Windows of the Year on the Ratio of Corporate Giving to Sales

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
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</thead>
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<tr>
<td>Industry average giving ratio</td>
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<td>-0.036</td>
<td>-0.036</td>
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<tr>
<td></td>
<td>(0.101)</td>
<td>(0.101)</td>
<td>(0.101)</td>
</tr>
<tr>
<td>Lagged ratio of corporate giving to sales</td>
<td>0.323***</td>
<td>0.323***</td>
<td>0.323***</td>
</tr>
<tr>
<td></td>
<td>(0.048)</td>
<td>(0.048)</td>
<td>(0.048)</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.007</td>
<td>0.007</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Firm age</td>
<td>-0.0003</td>
<td>-0.0003</td>
<td>-0.0002</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Debt-to-equity ratio</td>
<td>-0.001*</td>
<td>-0.001*</td>
<td>-0.001*</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Advertisement intensity</td>
<td>1.703***</td>
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<tr>
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<td>(0.402)</td>
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<td>(0.399)</td>
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<tr>
<td>R&amp;D intensity</td>
<td>0.014</td>
<td>0.014</td>
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<td>(0.040)</td>
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<tr>
<td>Positive media coverage of a firm’s financial</td>
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<td>0.012*</td>
<td>0.012*</td>
</tr>
<tr>
<td>performance</td>
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<td>(0.005)</td>
<td>(0.005)</td>
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<td>Negative media coverage of a firm’s financial</td>
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<td>0.009</td>
<td>0.009</td>
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<tr>
<td>performance</td>
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<td>(0.008)</td>
<td>(0.008)</td>
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<tr>
<td>Positive media coverage of a firm’s products</td>
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<td>-0.005</td>
<td>-0.006</td>
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<tr>
<td></td>
<td>(0.008)</td>
<td>(0.008)</td>
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</tr>
<tr>
<td>Negative media coverage of a firm’s products</td>
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<td>-0.017*</td>
<td>-0.017*</td>
</tr>
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<td>(0.009)</td>
<td>(0.009)</td>
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<tr>
<td>Sustainability report</td>
<td>-0.051*</td>
<td>-0.062*</td>
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<td>(0.026)</td>
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<tr>
<td>Family ownership</td>
<td>-0.001</td>
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<tr>
<td></td>
<td>(0.0004)</td>
<td>(0.0004)</td>
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</tr>
<tr>
<td>Business group affiliation</td>
<td>-0.031</td>
<td>-0.032</td>
<td>-0.033</td>
</tr>
<tr>
<td></td>
<td>(0.022)</td>
<td>(0.022)</td>
<td>(0.023)</td>
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<tr>
<td>Newly listed firms</td>
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<td>0.010</td>
<td>0.0106</td>
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<td>(0.030)</td>
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<td>Delisted firms</td>
<td>-0.023</td>
<td>-0.023</td>
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<tr>
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<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.025)</td>
</tr>
<tr>
<td>Ln (Government penalties)</td>
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<td>-0.0005</td>
<td>-0.0005</td>
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<tr>
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<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001***</td>
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<tr>
<td></td>
<td>(0.0004)</td>
<td>(0.0004)</td>
<td>(0.0004)</td>
</tr>
</tbody>
</table>

**Independent Variables**

| Positive media coverage of a firm’s corporate     | 0.025*           | 0.033**          | 0.040**          |
| giving                                           | (0.015)          | (0.013)          | (0.012)          |
| Negative media coverage of lawsuits against      | -0.031*          | -0.035*          | -0.036*          |
| family owners                                    | -0.031*          | -0.035*          | -0.036*          |
| Constant                                         | 0.353            | 0.367            | 0.382            |
|                                                  | (0.324)          | (0.323)          | (0.323)          |

<table>
<thead>
<tr>
<th>Time window of the independent variables</th>
<th>January-April</th>
<th>January-May</th>
<th>January-June</th>
</tr>
</thead>
</table>

Note: N = 5,778; 15 industries and 8 year dummies are included in all models; * p < .10, ** p < .05, *** p < .01, **** p < .001; Robust standard errors are in parentheses.
Authors’ Biographical Sketches

Young-Chul Jeong (young-chul.jeong@concordia.ca) is an associate professor in the Management Department at the John Molson School of Business, Concordia University. He received his Ph.D. from the University of Illinois at Urbana-Champaign. His research interests focus on institutional processes of organizational strategies, practices, and individual careers.

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