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# Gaining Access by Doing Good: The Effect of Sociopolitical Reputation on Firm Participation in Public Policy Making

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This paper examines the role of firms' sociopolitical reputations, as proxied by their perceived engagement in socially responsible practices, in public policy makers' decisions to grant access in the policy-making process. I argue that policy makers' dependencies, motivations, and decision-making processes lead them to evaluate firms by using sociopolitical reputation as a differentiating heuristic. I hypothesize that firms that construct stronger sociopolitical reputations will be granted greater access and that firms' existing political activity and policy makers' partisanship will moderate this relationship. I test these hypotheses using an 11-year panel on congressional testimony, reputation, and political and financial characteristics for the S&P 500 and find support for all three. These findings support the existence of a sociopolitical dimension to firms' reputations that affects how public policy makers evaluate firms, demonstrating that corporate social responsibility pays political benefits.

*Keywords*: reputation; resource dependency; nonmarket strategy; corporate social responsibility
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## 1. Introduction

Firms exist in multiple, distinct institutional environments that make different demands on them as organizations (Kostova and Zaheer 1999) and require them to speak to different audiences (Oliver 1991). Although firms often can choose which audiences they speak to, interactions with the state are not entirely optional, as the state not only creates the marketplace in which firms compete (Polanyi 1957) but also regulates continuing practices, shapes future opportunities, and affects economic performance. As such, the ability to shape public policy is key to firms' fortunes, and firms are engaged in politics at historically high rates and dedicate significant resources to this engagement (Soule 2009, Werner 2012).

Firms can only influence public policy making if they first have access to public policy makers, however. Although political scientists, economists, and management scholars have extensively studied corporate interactions with public policy makers, organizational theorists have typically viewed relationships between firms and the state and its representatives as a question of sociopolitical legitimacy (see, e.g., Bitektine 2011).[1] That is, when considering public policy makers as evaluators of firms, the evaluation process typically stops once the firm is sorted into one of two dichotomous categories: illegitimate or legitimate. If in the former category, the firm's very ability to continue operations may be questioned (Scott 1995); if in the latter category, the firm benefits from various specific forms of legitimacy (pragmatic, moral, regulative) that allow it to operate as it desires though still subject to sanction if it falls out of line with regulations or norms (e.g., Aldrich and Fiol 1994, Rindova et al. 2006).

By contrast, other disciplines have asked how legitimate firms gain competitive advantage in what they theorize to be a market for public policy (see, e.g., Bonardi et al. 2005, Hansen 1991). This approach models policy makers as evaluators of firms and argues that, provided they are first deemed legitimate, firms differentiate among themselves and gain advantages through the use of traditional political instruments such as campaign contributions and lobbying expenditures. Thus, the evaluation of firms by policy makers follows a two-step process.[2]

Implicit in this second, differentiating step of organizational evaluation by policy makers is a social

[1] Additionally, empirical work in these fields has focused primarily on the overlapping membership of and ties between business and government elites (see, e.g., Burris 2005; Dreiling 2000; Dreiling and Darves 2011; Mills 1956; Mizruchi 1992, 2013).

[2] This two-step process echoes the argument of Deephouse and Carter (2005) that legitimacy relates to the social acceptance of organization, whereas reputation facilitates comparisons across organizations.

judgment in which politicians attempt to distinguish among those firms that they have already categorized as legitimate. This paper seeks to explicate this second-stage judgment and contribute theoretically by making the role of firms' reputations in it more explicit. Building on the Dollinger et al. (1997) argument that reputation is a multidimensional construct, Rao's (1994) observation that reputation is socially constructed, and Bitektine's (2011) insight that social judgments of organizations vary based on whom the evaluator is, I develop a sociopolitical dimension of reputation that applies when public policy makers attempt to discriminate within the category of legitimate firms. In contrast to the typical view of reputation as a construct related to economic performance (Deephouse and Carter 2005, Deephouse and Suchman 2008, Rindova et al. 2006, Washington and Zajac 2005), I argue that firms' noneconomic, social, and political characteristics and practices allow them to construct sociopolitical reputations, which then serve as differentiating heuristics for resource-dependent and cognitively limited policy makers.

Given that public policy makers suffer from information asymmetries and information overload vis-à-vis those they govern, and given that elected public policy makers are reelection focused, we can infer that a firm's sociopolitical reputation will inform how policy makers view it as a potential participant and partner in the policy-making process. Policy makers will weigh sociopolitical reputation more than economic reputation since it more directly captures perceptions of firm performance that are likely to affect policy makers' constituents (e.g., environmental and community activities). It is for this reason, and its subsequent effects on policy makers' reelection prospects, that I concentrate on the role of sociopolitical reputation specifically.

Empirically, this paper investigates whether there is a link between a firm's sociopolitical reputation and the amount of access public policy makers grant the firm. To investigate this connection, I measure access by examining appearances before congressional committees by firms in Standard & Poor's (S&P) 500 over an 11-year period (1999–2009), and as a proxy for sociopolitical reputation, I measure a firm's perceived commitments to social or other-regarding corporate social responsibility (CSR). As I detail later, I specifically employ perceptions of social CSR—that is, forms of CSR that provide benefits to stakeholders external to the firm or address broader social problems, as opposed to technical acts that remain profitable steps for firms to take (see Aguilera et al. 2007, Mackey et al. 2007, or Waddock 2004 on this distinction)—as my proxy for sociopolitical reputation because they capture perceptions of firm behavior that affect broad swaths of society external to the firm.

In addition to asking this central question, I also empirically examine how the characteristics of the evaluator (Congress), as well as firms' traditional political strategies and the degree to which those strategies draw positive congressional attention to the firm, moderate the effect of sociopolitical reputation. Ultimately, I find that policy makers grant firms with better sociopolitical reputations greater access, that firms' sociopolitical reputations have a greater effect on access when Democratic politicians have greater power, and that firms' lobbying efforts bolster the effect of sociopolitical reputation.

This paper makes three contributions. First, I add to the growing literature on the importance of considering evaluators' perspectives when investigating how social judgments regarding the legitimacy, reputation, and status of organizations are reached (Bitektine 2011). Principally, this paper highlights organizational characteristics policy makers appear to take into account when judging organizations by articulating how sociopolitical reputation serves as a heuristic for these boundedly rational and resource-dependent actors. Second, I add to the literatures on legitimacy and corporate reputation by inferring from my empirical results that sociopolitical concerns inform reputational judgments and not just legitimacy judgments when the evaluator is a public policy maker. This provides evidence for interpretations of reputation that view it as capturing more than economic performance (for recent research on the growing importance of noneconomic performance-based metrics for firms' overall reputations, see Bermiss et al. 2014). Third, I contribute to the empirical literatures on both corporate political activity and CSR. My results suggest that a strong sociopolitical reputation is an intangible nonmarket asset that differentiates firms from their competitors in the political marketplace, demonstrating a positive nonfinancial benefit of CSR that may explain commitments to it, despite the ambiguous evidence regarding its financial impact (e.g., Orlitzky et al. 2003). Further, in contrast to the literature on the political roots of CSR (see, e.g., Marquis and Qian 2014 or Chin et al. 2013), I document a political consequence of CSR, partially answering the calls of Werner (2012) and Walker and Rea (2014) to examine whether such effects exist, as well as providing suggestive evidence for King and Walker's (2014) argument that firms can use nonmarket strategy to shape their field environment.

## 2. Policy Makers as Evaluators: Motivations, Access, and the Role of Sociopolitical Reputation

### 2.1. Policy Makers' Motivations

Elected policy makers, although often concerned with goals such as making good public policy or increasing

their personal influence within their organization, are best thought of as "single-minded reelection seekers" (Mayhew 1974, p. 17). The empirical literatures in political science on roll call voting and campaign finance support this conclusion, demonstrating that even though reelection rates for members of Congress routinely top 95%, their fundraising activities and legislative records suggest that they perceive a substantial probability of defeat at the next election. Understanding that policy makers' proximate goal is retaining power is the key first component in explaining how they evaluate organizations.

A second and equally important aspect of understanding how policy makers evaluate organizations is that public policy makers and the organizations they inhabit suffer from both informational asymmetry and overload and, as such, are both dependent on outside actors for the resources necessary to make public policy (Pfeffer and Salancik 1978) and cognitively limited in their decision-making processes (Baumgartner and Jones 2005). Thus, when engaging in policy making, lawmakers perform assisted and limited searches for quality information from external organizations on the importance of problems, the likely substantive impact of policy proposals, and the impact of these proposals on their reelection prospects (Krehbiel 1992). In recent decades, this search process has become increasingly difficult for policy makers, as traditional subgovernments or "iron triangles," in which key interests were readily identifiable in individual policy domains, have broken apart. Instead, policy makers increasingly confront atomistic issue networks composed of competing organizations that feature "hollow cores" in which no actor or set of actors is readily identifiable as central in a given policy domain (Heinz et al. 1993). This shift in the interest group environment, of which firms are a part, along with increasing volatility in partisan control of Congress, has made discriminating among various sources of information more difficult and also more important for policy makers. As a result of this structural breakdown in the interest group system and its accompanying explosion in information, the need for policy makers to rely on heuristics—e.g., campaign contributions, constituency connections, and organizational reputations—to discriminate among legitimate interest groups has grown significantly.

These key traits of policy makers as organizational evaluators—their emphasis on securing reelection, their dependence on outside organizations for information, and their cognitive limits when processing this information—suggest that policy makers are likely to grant access only to those organizations whose reputations signal that they are likely to enhance, or at least not negatively affect, policy makers' efforts at retaining power or that they can provide policy makers with novel information to make public policy that, in turn, enhances reelection prospects. Before developing these mechanisms further, I review existing explanations offered for why policy makers grant access.

### 2.2. Background on Access

The existing literature offers three nonmutually exclusive arguments regarding access to policy makers that are consistent with a resource dependency perspective.[3] First, many scholars focus on the role of campaign contributions and the signals about common goals that they send play in the decision to supply access. Studies that suggest a link include that by Wright (1990), which finds that members of Congress grant greater access to a firm when its political action committee (PAC) contributes to their campaigns, and the study by Hojnacki and Kimball (2001), which finds that those firms that are more engaged in electoral politics, broadly conceived, have greater access. By providing funds that members need to run their reelection campaigns, interest groups are effectively buying access.

A second argument posits that members preferentially supply access to those with ties to their constituencies. Members need and seek out information on the impact of potential policies on their constituencies, particularly if the policy will affect their electoral prospects or alter the local distribution or intensity of public opinion (Lord 2003), and experimental evidence indicates that members dedicate more resources, including access, to addressing constituents' concerns (Chin et al. 2000).

Finally, there are two information-centered approaches to understanding interest groups' access. In the first approach, researchers view the informational resources that interest groups have to offer members in the competition for access as being private goods (see, e.g., Austen-Smith and Wright 1994, Hansen 1991), and as a result, those actors that have a reputation for possessing better-quality private information hold a competitive advantage. The second approach to understanding information's role in access views

[3] The discussion in this section focuses on firms' instrumental efforts to gain access to public policy makers. However, business as a whole is often viewed as a privileged player in politics because of its structural power in the American political economy (Lindblom 1977, Lindblom 1982; Smith 2000). As a result of its ability to shift investment and subsequently affect the electoral fortunes of policy makers, business often has greater access to politicians than other categories of interest groups, including public interest groups, and members of the mass public. Although structural power helps business vis-à-vis competition with other categories of interests, it has less explanatory power in situations in which firms compete among themselves for access, as in this study. Nevertheless, controls for firm size (e.g., assets, number of employees) capture differing levels of structural power across firms.

interest groups and lobbyists not as providing private information but rather as subsidizing the participation of lawmakers and other policy makers by bearing the costs of summarizing public information (Hall and Deardorff 2006). In both cases, those groups that provide the best-quality information in terms of its policy substance and electoral relevance are expected to gain greater access.

### 2.3. Sociopolitical Reputation and the Market for Access

Implicitly underlying all three existing understandings of access is the role of organizations' reputations in policy makers' evaluations. All of these perspectives agree that elected officials are particularly concerned with their associations with businesses, including firms perceived to be legitimate and reputable, as a result of business' controversial position in American politics. As Smith (2000) documents in a study of public opinion toward business, the public's favorability rating of business has been trending downward since the early 1970s. Data from the American National Elections Studies (2012) reveal that perceptions of big business have eroded further post-financial crisis: its mean feeling thermometer score was 44.9 (out of 100), and this score ranked below those for all other economic groups tested, including labor unions, welfare recipients, and wealthy individuals.

Despite the potential drawbacks of being associated with business, members of Congress still provide access to firms because of business' structural power, as well as the policy makers' own dependency on individual firms to provide relevant, needed resources (e.g., quality information, campaign contributions, credibility). That is, given the cognitive constraints on individual members and the constraints on Congress as an organization, when members seek to build a case for a preferred policy, they depend on the expertise of outside organizations. Yet these same members will act consistently with a desire to win reelection. Thus, members of Congress will evaluate firms as potential witnesses in a two-step process, asking first whether they are perceived to be a legitimate actor and second whether, within the class of legitimate firms, they are reputable. The first of these steps is relatively straightforward, and the segregation of legitimate and illegitimate firms typically occurs long before Congress considers whether to grant a firm access. In cases in which organizations are deemed illegitimate, policy makers only interact with a deviant organization in order to coerce it to stop engaging in socially unacceptable ways or to send a signal regarding the illegitimacy of such actions to other organizations. Thus, in many ways, policy makers as evaluators of illegitimate firms behave in a manner that is consistent with the reactions of market participants when an organization experiences legitimacy loss (Deephouse and Carter 2005, Jonsson et al. 2009).

The second step in policy makers' evaluation process has similarities to existing organizational research on guilt by mere association (Pontikes et al. 2010), stigma (Pozner 2008), and negative reputation (Bitektine 2011); however, it is a distinct judgment process, as policy makers have different incentives and needs than other market participants. First, unlike guilt by mere association or stigma, the sociopolitical reputational judgments of policy makers are prospective and are not the result of stigmatization ex post. That is, policy makers prospectively weigh the probability that they will become stigmatized based on a firm's future actions when deciding how reputable the firm is in the present, but their estimate of that probability and thus their decision to grant access is informed by a judgment of the firm's efforts to construct its sociopolitical reputation to date (see, e.g., Weigelt and Camerer 1988 or Podolny 2005 for similar judgment processes regarding firms' economic performances). Second, the concept of negative reputation and the evaluation problems that stem from a preexisting negative reputation are understood with regard to a firm's performance vis-à-vis its market exchange partners. Adopting representatives of the state as our evaluator of firms in the market for access, however, necessitates that we narrow our conceptualization of reputation, especially if we seek to trace its importance over time, to one that is more purely sociopolitical.

There are three potential mechanisms that explain why policy makers will place a significant weight on sociopolitical reputation as a heuristic when determining access. First, a strong sociopolitical reputation differentiates a firm from its competitors and increases the likelihood that, all else being equal, a policy maker will grant that firm access. That is, if a policy maker, in order to build the case for her preferred policy, needs to associate with an actor within the controversial political category of business, establishing such a connection to a more reputable firm reduces the potential of future associative risk for policy makers. Policy makers thus can reduce the risk that their reelection prospects will be harmed in the future by seeking out and granting access to organizations that have established reputations for behaving in a socially responsible manner and that can highlight efforts they have made on this front. Having engaged proactively in socially responsible actions, as opposed to avoiding engagement in negative practices, may be particularly important for a firm building its sociopolitical reputation among policy makers as a result of policy makers' dependencies and the overall controversial position of business—i.e., because public policy makers are often dependent on firms, which may

not be able to avoid the taint of general negative attitudes among the mass public, policy makers may discriminate among firms based on their positive actions rather than their negative ones.

Second, a reputation for engaging in behavior that is socially responsible and potentially beyond compliance with the law may suggest that a firm has novel (i.e., new and unique) information to share with policy makers. Such novel information would further separate socially responsible firms from other legitimate firms in a positive manner and potentially affect a member's reelection prospects if it informs or justifies policies he or she wishes to pursue.

Third, both of these above mechanisms may jointly be in play, as they are not mutually exclusive. Policy makers may favor firms with better sociopolitical reputations because they believe both that such firms will not put the politicians' reputations at risk going forward and that such firms also have relevant, novel information on the policy issue under consideration.

With regard to the first mechanism, there are multiple reasons for firms to believe that constructing a strong sociopolitical reputation will help separate themselves from their competitors in the nonmarket environment. First, socially responsible behavior differentiates firms in the market (Mackey et al. 2007). Among other effects, socially responsible behavior helps firms build brand equity and increase their public visibility (Brammer and Millington 2005), and these effects occur in both national and local markets (Udayasankar 2008). Further, the effects of corporate citizenship programs on firm image are so great that they effectively create an intangible asset for practicing firms, as such behavior produces "a reinforcing cycle through which global companies create legitimacy, reputation, and competitive advantage" (Gardberg and Fombrun 2006, p. 330).

Second, within the nonmarket context, firms previously have constructed their sociopolitical reputations strategically so as to manage relations with stakeholders other than the state and its representatives; however, these attempts have largely been reactive and confined to protecting firms from activists' criticism of their practices. Firms that are perceived as being socially responsible appear to benefit from a "halo" effect that shields them from the criticism of activists, as well as market participants (Roberts and Dowling 2002, Sine et al. 2003).[4] For example, Bansal and Clelland (2004) find that firms that make explicit commitments to the natural environment decrease the unsystematic market risk of future deficient environmental behavior, Vasi and King (2012) document that perceived increases in environmental risk can negatively effect firms' credit ratings, and Baron and Diermeier (2007) argue theoretically that such public commitments and reputation management more broadly can aid those firms that choose to engage and react to criticisms from organized activists. Similarly, Godfrey (2005) and Godfrey et al. (2009) view engagement in social CSR, especially through philanthropy, as a form of stakeholder/risk management that helps to protect firm value when firms experience legal or regulatory controversies.

Third, and perhaps most importantly, efforts to construct a sociopolitical reputation have other constitutive effects for firms in the nonmarket arena that enhance their images in a manner that is likely to be of particular importance to public policy makers. Perceptions of social responsibility and engagement in prosocial activities enhance firms' images among actors in the nonprofit world and allow for the development of strong associations between firms and these organizations (Bansal and Roth 2000, Hoffman 1999). Further, and particularly important given the role of constituents in members' decision-making processes, perceptions of social responsibility strengthen ties between firms and their employees and local communities, in effect building social capital for the firm (Marquis et al. 2007). As a result of this greater social integration, firms build trust and legitimacy (Rao 1994), enhancing their images, reputational capital, and organizational networks (Fombrun 1996).

With regard to the second mechanism, when efforts to construct a strong sociopolitical reputation lead firms to adopt practices that are beyond compliance with existing law, they may produce novel information to share with public policy makers, which helps reduce the risk that is inherent in adopting new policies (Kersh 2007). That is, firms that self-regulate their behavior effectively become policy laboratories in which the efficacy and implementation challenges of policy alternatives can be explored, producing information to share with public policy makers (Werner 2012). This information, of course, is exclusive to those firms who engage in such practices, and, when granted access, they can supply it to members of Congress on its own as private information or synthesized with existing public data, thus subsidizing the policy-making costs incurred by members.

There are numerous instances of information from firms' private practices filtering into the policy-making process in the United States and abroad. In the early 1970s, American Express (AMEX) adopted the first voluntary privacy policies in the financial services industry, including direct marketing opt-out mechanisms for consumers. As the firm reported in

[4] The claim of a halo effect has not gone uncontested. Several studies suggest that rather than protecting a firm from additional attacks, conceding to activists' demands only makes a firm a more attractive target in the future (see, e.g., Bartley 2007, King and McDonnell 2015).

a late 1990s report to the U.S. Department of Commerce, its own experiences informed policy making vis-à-vis privacy in the financial services in the United States, European Union (EU), and Canada throughout the 1980s and 1990s. AMEX's internal policies were the model for regulations adopted by various U.S. states and the Canadian Standards Association, and they also heavily informed the EU's 1995 Data Protection Directive.[5] Similar informational effects can be seen in the self-regulation of alcohol advertising initiated by the Distilled Spirits Council. Although the council regulates its industry on its own, the Federal Trade Commission (FTC) not only receives information from the group on the efficacy of its program, the FTC, with Congress' implicit blessing, has de facto adopted the industry's code as public policy and "helps ensure that companies abide by codes, assists members on compliance issues, ensures rule enforcement, and suggests improvements" (Sharma et al. 2010, p. 244)—rather dramatically illustrating how information produced by socially responsible behavior can feed back into and shape public policy.[6]

The reputational benefits that socially responsible initiatives create suggest that firms can construct sociopolitical reputations that help to mitigate the risks that reelection-focused policy makers face in granting them access and that send signals from these firms to members of Congress that they have novel information to share. Unlike technical or strategic CSR, which is designed to enhance firms' performance directly by being profitable, perceptions of social CSR differentiate firms on dimensions such as public perception and trustworthiness that are likely to matter a great deal to image-conscious and reelection-focused public policy makers. Further, the particular connections that socially responsible behavior creates strongly suggest that these risk reduction and informational benefits are due to firms' sociopolitical reputations and are not attributable to their more general reputations or information environments. Ultimately, a positive sociopolitical reputation appears to have the ability to differentiate a firm and to enhance its image in ways that increase the likelihood it will be granted access in the policy-making process. These claims produce the following hypothesis.

Hypothesis 1 (H1). *The stronger a firm's sociopolitical reputation, the greater its access to public policy makers.*

### 2.4. Institutional Moderators

Although firms' own efforts play the largest role in constructing their sociopolitical reputations and thus, determining their level of access, Congress' organizational attributes, which are not constant across time and are exogenous to the firm, will moderate the effect of firms' sociopolitical reputations. In particular, the differing institutional logics underlying the two major political parties' ideologies and the ways in which they shape their elected officials' attitudes toward business (Jacobs 1988), as well as the weights these officials put on socially responsible behavior, suggest that partisan control will affect the relationship between sociopolitical reputation and access.[7] Since Democrats are more skeptical of business and place a stronger emphasis on social responsibility, I expect that the effect of sociopolitical reputation on access will be elevated when Democrats have greater power within Congress as an organization (i.e., when they are the majority party in one or both chambers).

Although the ideological differences between the parties alone could potentially explain this relationship, if the political benefits of sociopolitical reputations stem from the signal they send that a firm is typically committed to responsible practices, then this signal will matter more for those members of Congress who are more at risk for potentially being tainted by allying with business. There is microlevel evidence that suggests that the potential for guilt by association is greater for Democratic politicians. Roberts et al. (2014), in a survey experiment exploring how voter intentions change based on the source of candidates' campaign funds, find that although the probability of voting for a Republican candidate is insensitive to the source of her funds (i.e., whom she is associated with via campaign contributions), the probability of voting for a Democrat drops significantly when she receives contributions from controversial corporate actors such as tobacco companies. Given these findings, along with the tenable assumption that granting an actor access likely associates a

[5] More information on AMEX's privacy policies, as well as several additional case studies across various industries that highlight how individual firms' policies informed privacy policy making around the globe, is available in the National Telecommunications and Information Administration's (1997) report "Privacy and self-regulation in the information age."

[6] Similar industry-wide self-regulation efforts that produce information that is distributed to stakeholders such as legislators and regulators include the Forest Stewardship Council's voluntary certification program and the American Chemistry Council's Responsible Care Program. In the United States, both of these programs require their members to issue public audits detailing their requirements and their degree of compliance, as determined by independent third-party monitors. Various authors have argued that these industries have forestalled formal government regulation via these informational efforts (see, e.g., Cashore 2002).

[7] A clear and expected partisan division exists with regard to attitudes on CSR. In a 2007 survey conducted by Fleishman-Hillard Inc. on behalf of the National Consumers League, 96% of Democrats agreed with the statement that Congress should ensure that companies address social issues, compared with just 65% of Republicans. See http://www.marketingcharts.com/?attachment_id=400 (accessed October 1, 2013).

politician with that actor to an even greater degree than a contribution since politicians have all of the agency in the former action, I expect Democrats to put a stronger emphasis on a firm's perceived social CSR practices when deciding whether or not to grant access. This argument leads to the following hypothesis.

Hypothesis 2 (H2). *The relationship between a firm's sociopolitical reputation and access to public policy makers is moderated by partisanship. Specifically, the relationship between sociopolitical reputation and access will heighten during periods of Democratic control.*

The effect of firms' sociopolitical reputations will also likely be moderated by firms' existing nonmarket strategies and how successful these strategies are in drawing positive attention from Congress, as an organization, to the firm (see Ocasio 1997 for attention-based theories of organizations). A substantial portion of large firms in the United States actively engage in electoral politics, and more, of all sizes, engage in lobbying (Hadani and Schuler 2013). These preexisting connections will act as institutional moderators that affect the choices firms make vis-à-vis integrating their sociopolitical reputations with their current nonmarket strategy (Oliver 1988). That is, although firms with stronger sociopolitical reputations will have greater access to policy makers, this relationship will be stronger if firms are already drawing positive attention from Congress through existing political instruments that then allow them to highlight or broadcast the activities that generate their positive sociopolitical reputations.[8]

This argument implies that constructing a strong sociopolitical reputation and utilizing traditional political instruments are complimentary and not substitute nonmarket tactics (Oliver and Holzinger 2008). A strong sociopolitical reputation is unlikely to displace traditional political instruments, given how dependent elected officials are on campaign contributions and information from external organizations, but these traditional instruments will only purchase so much for a firm, given the risks politicians face in associating with business in particular. As a result, I expect sociopolitical reputation, campaign contributions, and lobbying to complement one another and have amplifying effects on access. The following two-part hypothesis regarding the relationship between sociopolitical reputation and traditional forms of corporate political activity captures this.

[8] The empirical specifications below control for firms' prior levels of access, which helps isolate the effect of their nonmarket tactics on policy makers' attention from effects due to inertia generated by their prior appearances.

Hypothesis 3 (H3). *The relationship between a firm's sociopolitical reputation and access to public policy makers is positively moderated by its traditional political activity. Specifically, the relationship between sociopolitical reputation and access will*

(a) *heighten as a firm increases its PAC contributions and*

(b) *heighten as a firm increases its lobbying expenditures.*

## 3. Methodology

### 3.1. Sample and Overview of Research Design

The sample in the main analysis consists of the membership of S&P 500 firms between 1999 and 2009. Although the S&P 500 is a relatively small set of firms, it is constructed to represent a cross section of the American economy, and its membership is particularly active in and sensitive to both social responsibility initiatives and political activity. The sample begins in 1999 as reliable data on firm-level lobbying only became available in 1998, following the passage of a law mandating disclosure of such expenditures in 1995. It ends in 2009, as the data set I use to measure my proxy for sociopolitical reputation—Kinder, Lydenberg, Domini & Co. (KLD) STATS (Statistical Tool for Analysis of Trends)—altered its measurement and reporting practices significantly in 2010. I used the membership of the S&P 500 since every component of this index was included in the KLD data set each year during this 11-year period.[9] Nevertheless, this period captures varying macroeconomic and political environments for U.S. firms, providing a relatively representative set of time from which to draw inferences regarding firms' social and political behavior.

The specific variables included in the analyses are detailed in the next three subsections. For now, I note that I employed a lagged research design in which I measured the dependent variable at time $t$ and the independent variables, with three exceptions, at time $t-1$. As a result, for a firm to appear in the data set, it must remain in the S&P 500 for a minimum of

[9] All of the reported results are insensitive to the choice of using firm-year, as opposed to firm-Congress (i.e., a two-year period), as the unit of analysis. Using the former is advantageous, because it increases the sample size, and I control for potential election year effects through the use a binary indicator in all specifications. I did not employ a firm-year-committee unit of analysis, for although it would increase the sample size further and increase variation in covariates that measure characteristics of members of Congress/Congress as an organization, almost all of the observations added would have a dependent variable of 0, and more importantly, it would be difficult to disaggregate most of the independent variables in a manner that would cleanly map onto individual congressional committees. The latter of these issues would introduce significant measurement error.

two consecutive years. Although this lagged design eliminates some observations, it ensures that the measure of sociopolitical reputation employed precedes the measure of access, and though I argue that endogeneity is unlikely, as a robustness check, I report the results of an instrumental variable analysis, which are consistent with the findings presented.

### 3.2. Dependent Variable: Access to Congress

To measure access, I use the count of nonhostile appearances in front of congressional committees for each firm-year using hand-coded data from ProQuest's Congressional Hearings data set.[10] Counting appearances before congressional committees is a common technique across disciplines for measuring access to policy makers, and invitations to testify are a limited good that organizations compete over (Dreiling and Darves 2011, Hansen 1991).[11] Interviews with lobbyists confirm that firms spend a lot of time testifying or trying to (Baumgartner et al. 2009), and such a dedication of resources makes sense, for, as Hall and Wayman (1990) note, committees are Congress' main device for procuring information and writing legislation. Unsurprisingly, key actors involved in legislating, such as members and staff, view hearings as an important part of credibility building in the policy-making process (DeGregorio 1992).[12] The implications of who Congress supplies access are broad: hearing testimony reflects the influence of those offering it (Wright 1996) and serves as an important conduit in information transfer between private actors and public policy makers (Burstein and Hirsch 2007). Interestingly, however, access to committees has not been studied in a management or organizational theory setting; instead, the focus in these fields has been on how political activity affects firm performance, leaving the mechanisms behind the effect on performance due to politics (i.e., increased access) assumed.

### 3.3. Key Independent Variable: Sociopolitical Reputation as Proxied by Net Social CSR

To measure the results of firms' efforts to construct their sociopolitical reputations, and as a basis for inferring policy makers' perceptions, I employ a yearly proxy constructed using the KLD STATS data set. KLD STATS has been widely used in empirical studies of CSR and is considered the best available CSR data in terms of the number of issues and firms covered (see, e.g., Chin et al. 2013, Coombs and Gilley 2005). KLD's analysts compile ratings for firms across seven issue areas—community, corporate governance, diversity, employee relations, environment, human rights, and product—based on various sources, including firm and media reports, and notes whether firms have a "strength" or "concern" in specific subcategories.

Even though KLD STATS is a standard data source, critics have raised concerns regarding its transparency, subjectivity, and precision (Chiu and Sharfman 2011). Some have even argued that the use of individual subcategory ratings from KLD STATS is inappropriate when precise measures of firm social engagement are available (Chatterji et al. 2009). The latter of these concerns is lessened by my concentration on aggregate firm practice, and the former set of concerns is somewhat softened by studies that show the KLD data to be empirically reliable and valid (Szwajkowski and Figlewicz 1999) and superior to other measures of comprehensive CSR (Wong et al. 2011). Perhaps the most significant objection to KLD STATS—that it combines objective steps firms have (or have not) taken to improve (or not improve)

[10] I defined a setting as hostile if the witness knew ahead of time from the title of the hearing that her firm would be the subject of criticism. A prominent example of such a hostile setting would be the appearances of BP executives in the summer of 2010 as a result of the Gulf of Mexico oil spill. The House Committee on Commerce and Energy held a hearing entitled "The role of BP in the Deepwater Horizon explosion and oil spill" at which BP's chief executive officer (CEO) Tony Hayward testified in an attempt to defend his firm. Since such appearances represent an undesired form of access, I excluded them from the analysis. The number of such appearances is quite small (fewer than 20 total across 4,720 firm-year observations) and tied to highly salient, controversial, and idiosyncratic events such as business scandals (e.g., Enron, WorldCom) or large-scale disasters. Given how few hostile hearings I identified, my results are insensitive to netting these appearances out of the current dependent variable, which captures the count of desired, positive appearances. Given the circumstances under which they occur, such appearances are also suggestive of policy makers reconsidering their first-order question of whether or not the firm remains a legitimate actor and thus may, conceptually, be very different from the desired appearances I do model. Access is likely "granted" in these cases for members to punish a deviant organization and to signal to other organizations to avoid engaging in similar behavior. Additionally, I screened out firm appearances in which the firm-connected witness testified as a representative of a trade association, as I am interested in how individual firms' sociopolitical reputations allow them to differentiate themselves from all other firms, including those in their industry. Including these appearances does not change the statistical results I present but does decrease the magnitude of the effect of sociopolitical reputation on access.

[11] Were access to congressional hearings competitive because the number of slots in any given year was zero-sum, the assumption of independent and identically distributed errors might be violated; however, since Congress can theoretically hear from as many witnesses as allowed by physical time in a year, this violation is unlikely.

[12] Mayhew (1974) argues that, despite their widespread use as a measure of access, hearings amount to little more than opportunities for members of Congress to engage in position taking, and with specific regard to business' political activity, Berry (1997) argues that firms prefer less public venues versus hearings to communicate with policy makers. However, even if one were to grant that hearings have limitations as a direct measure of access, as Hansen (1991) argues, they perform well as a latent measure.

their social performance with subjective assessments reached by KLD's analysts that are often primed or constructed by stakeholder activity (Griffin and Mahon 1997)—helps justify it as a reasonable proxy for firms' sociopolitical reputation, at least by policy makers and their staff. Using KLD to construct a narrow proxy for sociopolitical reputation is further justified by the focus of other reputation measures (e.g., rankings based on *Fortune*'s most admired companies) on more holistically assessing firms' reputations, the historical domination of such measures by firms' economic performances (Bermiss et al. 2014), and the poor fit between intraindustry peers' evaluations of a firm and the firm's reputation among the general public (Brown and Perry 1994).

To measure sociopolitical reputation, and to separate broader, society-focused CSR from technical, profitable CSR, I split the KLD categories along two dimensions, institutional and technical, uncovered by Mattingly and Berman (2006) in a factor analysis of KLD STATS. Mattingly and Berman's factor analysis reduced the KLD STATS data set to four components: institutional strengths, institutional concerns, technical strengths, and technical concerns. The institutional indicators capture the environmental, community, and diversity categories within KLD STATS; the technical indicators capture the employee, product, and governance categories.[13] This split in the data set mirrors other categorizations of CSR that reflect whether a firm's actions are institutional/other-regarding (social) or are strategic/self-regarding (technical). Most importantly, this split is appropriate for measuring sociopolitical reputation as it is perceived in policy makers' eyes, for the social side of CSR practices capture those firm practices most likely to impact the constituents of members of Congress.

To create indicators for analysis, I calculate the difference between the sum of the institutional strengths and the sum of the institutional concerns for each firm-year (*Sociopolitical Reputation*), as well as the difference between identical summations of each firm's technical strengths and concerns by year (*Technical Reputation*). Netting these variables is in line with the prior approach of scholars employing KLD STATS data (Chin et al. 2013, Wong et al. 2011) and is consistent with the net effect of sociopolitical reputation this indicator is intended to capture.[14] Given the argument captured by H1, the *Sociopolitical Reputation* measure is the key independent variable of interest, and the *Technical Reputation* measure is a control for strategic CSR-related effects.

### 3.4. Moderating Variables

To test H2 and H3, the *Sociopolitical Reputation* variable must be interacted with additional independent variables. The first variable captures the degree of Democratic control of Congress and ranges from 0 (minority party in both chambers) to 1 (majority party in both chambers). During the sample period, the Democrats controlled the U.S. Senate between 2001 and 2002 (0.5 control) and both the U.S. Senate and House from 2007 through 2009.[15] The interaction between this variable and *Sociopolitical Reputation* tests H2.

The two parts of Hypothesis 3 require that each firm's annual sociopolitical reputation be interacted with its annual campaign contributions (part (a)) and its annual lobbying expenditures (part (b)). To capture the former and test H3(a), I coded the contributions made by each firm's associated PAC to congressional candidates using hand-matched data from the Federal Election Commission (FEC). I log-transformed this variable (+1) because of a substantial right skew in its untransformed distribution.[16] To capture lobbying efforts and test H3(b), I included a logged measure of each firm's annual federal lobbying expenditures (+1), using hand-matched data from the Center for Responsive Politics. Although I am primarily interested in these variables for their interactive effects with *Sociopolitical Reputation*, including them on their own controls for the competing understandings of access related to campaign finance and information, as well as the generic difference in and effect of partisan attitudes toward business.

[13] Mattingly and Berman (2006) do not analyze KLD's human rights category, so I exclude it from the analysis. If I include its strengths and concerns among the institutional/social factors, my results do not change statistically or substantively. In addition, I do not include the controversial issues screens from KLD STATS since they are not comparable conceptually to the subcategories in the rest of the data set.

[14] Because there remains disagreement over whether researchers should employ netted KLD scores (it is not clear that strengths offset concerns, and the two dimensions are correlated), in the extensions section below, I replicate my main analysis using unnetted social strengths and concerns and technical strengths and concerns indicators.

[15] I code organizational control, as opposed to the share of seats held by Democrats, for even though both parties can invite witnesses, the majority party always has the prerogative to stack a roster of witnesses and also awards itself a disproportionate share of organizational resources at the beginning of each Congress. The statistical conclusions of this analysis are insensitive to this measurement choice, however.

[16] Although, as H2 implies, the majority party invites more witnesses to testify, since members of both parties can invite (and thus, grant access), I sum contributions to both parties. The reported results do not change statistically if I include separate variables for each party or only contributions to the majority party, but the magnitude of campaign contributions' effect decreases. These results are unsurprising, as corporate PACs tend to be conservative actors, directing most of their contributions to incumbents, rather than a preferred party (Wright 1996).

### 3.5. Other Control Variables

I control for a variety of potential confounding factors. To capture the constituency effects argument as well as effects due to structural power, and specifically the role of the committee leadership in determining access (Grier and Munger 1986), I count the annual number of committee chairs and ranking minority members across both chambers that held a U.S. Senate seat or House district in each firm's headquarters state. I match members to firms using data on firms' headquarters available in S&P's Compustat database, which is the data source for all financial variables. A second control for potential constituency effects is employee count (logged). As Bombardini and Trebbi (2011) argue, firms with more employees are able to use this geographic coverage of districts to influence policy makers.

Firms with preexisting relationships with the government are also more likely to have greater access, as elite theory and empirical work on elite networks suggest. I measure these preexisting relationships in two ways. First, using data from BoardEx, I counted the number of former members of Congress that served on the firm's board in a given year. Although the evidence on the value of political connections is mixed, there is some mild evidence that these connections increase firm value (Hillman 2005). Second, using data from the annual Federal Procurement Report, I include a binary indicator for whether the firm was among the top 100 federal contractors. Although contracting is more often thought of as an output of politics (see, e.g., Wilson 1990), it is important to control for when considering access, as contracting is subject to committee oversight.

To control for effects that stem from the perceived importance of the firm in society, I sum and log the annual number of firm mentions (+1) in headlines or first paragraphs of stories in both the *Wall Street Journal* and the *New York Times* (see, e.g., Cook et al. 2006). Similarly, to capture a firm's general reputation or status, I include King's (2008) scaled measure of each firm's reputation based on its score in *Fortune* magazine's annual survey of most admired corporations. Since this variable is based on surveys from the prior year, I did not lag it.

To capture each firm's information environment and to control for the potential that a firm's information is valuable to lawmakers (i.e., the degree to which it has a positive informational asymmetry versus Congress), I include a measure of each firms' research and development (R&D) intensity (Borisov et al. 2014) by dividing its R&D expenditures by its total sales. I also control for firm characteristics that are correlated with the decision to be active politically, as they may affect access as well. Firm size, measured as logged assets, is a central determinant of political activity (Grier et al. 1994) and also provides a sense of how important a firm is economically (again, capturing to some degree its structural power). Firm performance, although negatively correlated with political participation (Cooper et al. 2010), ought to be positively correlated with access, as politicians are likely to align themselves with successful firms. I measure performance in two ways: I include return on assets (ROA) to give a sense of a firm's overall financial performance, and to capture how a firm is performing relative to its industry peers, I include market share (calculated based on sales at the three-digit Standard Industrial Classification (SIC) level).

To control for changes in congressional behavior that might affect access, I include a binary indicator that identifies whether or not each year featured regularly scheduled congressional elections. Policy making, including committee hearings, slows during election years so that members can spend more time campaigning for reelection.[17] Finally, I include year and industry (at the two-digit SIC level) fixed effects to capture macroeconomic/political effects that affect all firms in a given year and non-time-varying baseline effects that affect all firms in a given sector, respectively. The industry fixed effects are important, as industry membership affects firms' overall levels of participation in politics since it captures persistent and time-invariant attributes such as regulation (Schuler et al. 2002), and the year fixed effects also capture across time trends in the meaning and measurement of CSR in KLD's data set. Table 1 reports the descriptive statistics and correlation matrix for all variables.

### 3.6. Estimation Methods

I estimate the main models using a generalized estimating equations (GEE) approach, specifying a negative binomial distribution and link function since the dependent variable is a count and an autoregressive (AR[1]) within-group correlation structure. GEE models can accommodate nonindependence, and thus, they are an appropriate estimator for data sets with repeat observations (Liang and Zeger 1986).[18] To capture year-to-year persistence in firms' access to Congress, however, I include the lagged value of the

[17] For example, Ornstein et al. (2013) report that during the sample period, the House and Senate held 35% and 60% fewer floor votes during nonelection years, respectively.

[18] In an unreported robustness check, I reestimate my specifications (minus the lagged dependent variable) using a conditional fixed-effects negative binomial model, with fixed effects for firms and years, as well as industry "fixed effects" implemented by demeaning the independent variables at the two-digit SIC level. These fixed-effects models produce findings consistent with those reported for the GEE models.

**Table 1 Correlations and Descriptive Statistics**

| Variable | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. *Appearances* | 0.50 | 1.16 | | | | | | | | | | | | | | | | |
| 2. *Sociopolitical Reputation* | 0.70 | 2.40 | 0.12* | | | | | | | | | | | | | | | |
| 3. *Technical Reputation* | −0.55 | 1.78 | −0.05* | −0.01 | | | | | | | | | | | | | | |
| 4. *Committee Leaders* | 3.40 | 3.29 | 0.04* | 0.12* | 0.09* | | | | | | | | | | | | | |
| 5. *Employees*[a] | 1.37 | 0.50 | 0.28* | 0.18* | −0.19* | −0.11* | | | | | | | | | | | | |
| 6. *PAC Contributions*[a] | 2.84 | 2.35 | 0.22* | −0.02 | −0.13* | −0.10* | 0.31* | | | | | | | | | | | |
| 7. *Lobbying Expenditures*[a] | 4.09 | 2.75 | 0.24* | 0.02 | −0.07* | −0.02 | 0.26* | 0.48* | | | | | | | | | | |
| 8. *Political Connections* | 0.20 | 0.65 | 0.06* | 0.02 | −0.02 | −0.01 | 0.09* | 0.06* | 0.11* | | | | | | | | | |
| 9. *Top 100 Contractor* | 0.06 | 0.24 | 0.21* | −0.04* | −0.03* | −0.01 | 0.25* | 0.16* | 0.18* | 0.08* | | | | | | | | |
| 10. *Media Prominence*[a] | 0.94 | 0.60 | 0.35* | 0.27* | −0.05* | 0.08* | 0.46* | 0.28* | 0.33* | 0.13* | 0.16* | | | | | | | |
| 11. *Overall Reputation* | 1.28 | 1.19 | 0.17* | 0.14* | 0.01 | −0.01 | 0.45* | 0.21* | 0.20* | 0.06* | 0.10* | 0.35* | | | | | | |
| 12. *R&D Intensity* | 1.08 | 1.26 | 0.11* | −0.01 | 0.22* | 0.18* | 0.09* | 0.01 | 0.11* | −0.01 | 0.20* | 0.17* | 0.09* | | | | | |
| 13. *Assets*[a] | 4.09 | 0.61 | 0.36* | 0.18* | −0.17* | −0.04* | 0.44* | 0.45* | 0.38* | 0.08* | 0.09* | 0.42* | 0.29* | −0.15* | | | | |
| 14. *Market Share* | 0.13 | 0.18 | 0.09* | −0.07* | −0.10* | −0.11* | 0.38* | 0.15* | 0.07* | 0.01 | 0.14* | 0.15* | 0.22* | 0.02 | 0.08* | | | |
| 15. *ROA* | 0.05 | 0.12 | 0.00 | 0.05* | 0.09* | −0.04* | 0.02 | −0.02 | −0.01 | 0.02 | −0.01 | 0.02 | 0.10* | 0.01 | −0.15* | 0.07* | | |
| 16. *Democratic Control* | 0.34 | 0.42 | 0.03* | −0.05* | −0.04* | 0.10* | −0.02 | 0.03 | 0.02 | 0.02 | 0.01 | −0.14* | −0.11* | 0.02 | 0.09* | 0.01 | −0.24* | |
| 17. *Election Year* | 0.46 | 0.50 | −0.05* | 0.01 | 0.01 | −0.03* | 0.01 | 0.03 | −0.01 | 0.00 | −0.01 | 0.01 | −0.01 | 0.01 | 0.01 | −0.01 | −0.03 | 0.01 |

*Note.* Statistics were calculated using the 4,720 observations in Specifications 1 and 3–5 in Table 2.
[a]Variable is log-transformed in all analyses and tables.
*Indicates correlations significant at $p < 0.05$.

dependent variable. Across all of the GEE specifications, I calculate robust standard errors and cluster the standard errors at the firm level.

## 4. Results

### 4.1. Sociopolitical Reputation and Access

Table 2 presents the results of the GEE analyses (Specifications 1, 3, 4, and 5). In Specification 1, the coefficient for *Sociopolitical Reputation* is positively signed and statistically significant, providing initial evidence in favor of H1. Increases in a firm's sociopolitical reputation increase its access to policy makers. Although the substantive effect for the variable is not, in itself, large (a one-standard-deviation shift in a firm's sociopolitical reputation results in an average increase of only 0.10 appearances), it is substantively significant when benchmarked to the effect of traditional political instruments: a one-standard-deviation increase in PAC contributions leads to 0.18 additional appearances, and a one-standard-deviation increase in lobbying expenditures produces 0.17 additional appearances. Further, the mean number of appearances for a firm is only 0.50, so the increase generated by a positive one-standard-deviation shift in sociopolitical reputation represents a 20% increase. Finally, the effect of sociopolitical reputation is substantial when recognizing that the firm's overall reputation is controlled for in the model.

Of the control variables in the first specification, those that are significant are signed as expected. A firm's number of employees; amount of PAC contributions, lobbying, and press coverage; and its R&D intensity all are positively correlated with its access to public policy makers, suggesting that prominent and politically active firms and those firms with information to share are attractive allies to elected officials. These findings are consistent with the prior literature, though the positive associations between press coverage and R&D intensity are novel. Significantly, a firm's overall reputation, which reflects its status in its field, is not associated with access. This null effect appears as a result of the presence of sociopolitical reputation in the specification. Without sociopolitical reputation in the specification, the *Fortune*-based measure of general reputation is positive and statistically significant on its own (at $p < 0.05$). However, when this measure is interacted with Democratic control, PAC contributions, and lobbying expenditures, only the first interaction's coefficient is significant, and it is negatively signed. These results, combined with the null findings for general reputation in the main analysis, suggest that the sociopolitical aspects of firm reputation matter most in determining access and that since the *Fortune* measure is primarily reflective of economic performance, it may also be the case that the Democrats do not place the same weight on economic performance as Republicans (see also §4.3 on this point).

Firm economic performance is correlated with access, with larger (greater assets) and more successful (higher ROA, larger market share) firms being granted greater access. Future access also is associated strongly with prior access, which suggests that once firms gain access, they are likely to maintain it. Finally, Congress' organizational characteristics produced mixed results. Partisan control on its own is not correlated with access; however, the number of appearances, on average, is lower in election years, which reflects the priorities of legislators running for reelection.

**Table 2 GEE/GMM Analyses of Effects of Firms' CSR on Political Access**

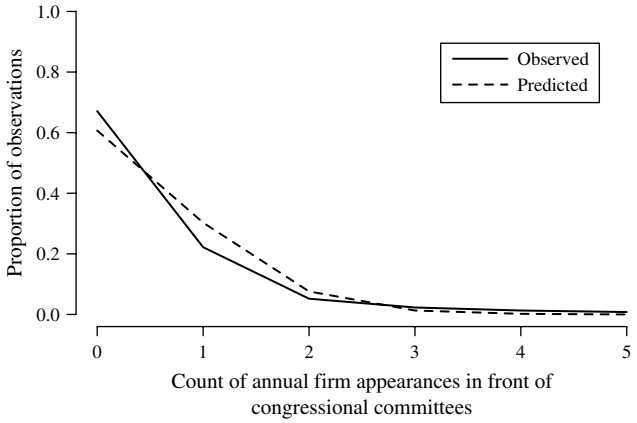
| | Specification | | | | |
|---|---|---|---|---|---|
| Variable | 1 | 2[a] | 3 | 4 | 5 |
| *Sociopolitical Reputation*$_{t-1}$ | 0.024*** | 0.054*** | 0.039*** | 0.061*** | 0.068*** |
| | (0.007) | (0.020) | (0.006) | (0.027) | (0.027) |
| *Technical Reputation*$_{t-1}$ | −0.002 | −0.010 | −0.007 | −0.003 | −0.004 |
| | (0.008) | (0.016) | (0.008) | (0.008) | (0.009) |
| *Sociopolitical Reputation*$_{t-1}$ × *Democratic Control*$_t$ | | | 0.026*** | | 0.031*** |
| | | | (0.009) | | (0.010) |
| *Sociopolitical Reputation*$_{t-1}$ × *PAC Contributions*$_{t-1}$ | | | | 0.001 | 0.001 |
| | | | | (0.004) | (0.003) |
| *Sociopolitical Reputation*$_{t-1}$ × *Lobbying Expenditures*$_{t-1}$ | | | | 0.014*** | 0.023*** |
| | | | | (0.003) | (0.006) |
| *Committee Leaders*$_t$ | −0.007 | −0.007 | −0.006 | −0.010 | −0.004 |
| | (0.005) | (0.007) | (0.005) | (0.006) | (0.006) |
| *Employees*$_{t-1}$ | 0.136** | 0.108* | 0.136*** | 0.208* | 0.222** |
| | (0.067) | (0.063) | (0.051) | (0.067) | (0.077) |
| *PAC Contributions*$_{t-1}$ | 0.048*** | 0.043*** | 0.047*** | 0.057*** | 0.032** |
| | (0.013) | (0.014) | (0.014) | (0.016) | (0.013) |
| *Lobbying Expenditures*$_{t-1}$ | 0.038*** | 0.061*** | 0.054*** | 0.093*** | 0.072*** |
| | (0.015) | (0.008) | (0.023) | (0.020) | (0.018) |
| *Political Connections*$_{t-1}$ | 0.027 | 0.042 | 0.034 | 0.006 | 0.005 |
| | (0.217) | (0.041) | (0.025) | (0.033) | (0.029) |
| *Top 100 Contractor*$_{t-1}$ | 0.025 | 0.254 | 0.046 | 0.072 | 0.050 |
| | (0.040) | (0.249) | (0.035) | (0.057) | (0.056) |
| *Media Prominence*$_{t-1}$ | 0.167*** | 0.086 | 0.112** | 0.141* | 0.125* |
| | (0.041) | (0.088) | (0.046) | (0.080) | (0.072) |
| *Overall Reputation*$_t$ | 0.007 | 0.024 | 0.022 | 0.018 | 0.029 |
| | (0.019) | (0.018) | (0.014) | (0.019) | (0.021) |
| *R&D Intensity*$_{t-1}$ | 0.085*** | 0.095** | 0.080*** | 0.071*** | 0.065*** |
| | (0.005) | (0.048) | (0.021) | (0.032) | (0.025) |
| *Assets*$_{t-1}$ | 0.132** | 0.282*** | 0.218*** | 0.274*** | 0.173* |
| | (0.063) | (0.098) | (0.038) | (0.075) | (0.089) |
| *Market Share*$_{t-1}$ | 0.747*** | 0.367** | 0.801*** | 0.648*** | 0.651*** |
| | (0.096) | (0.185) | (0.090) | (0.146) | (0.130) |
| *ROA*$_{t-1}$ | 0.068*** | 0.048* | 0.047** | 0.042** | 0.046** |
| | (0.022) | (0.025) | (0.019) | (0.021) | (0.021) |
| *Democratic Control*$_t$ | 0.026 | 0.032 | 0.028 | 0.015 | 0.067 |
| | (0.052) | (0.071) | (0.025) | (0.041) | (0.072) |
| *Election Year*$_t$ | −0.328*** | −0.185* | −0.322*** | −0.324*** | −0.328** |
| | (0.064) | (0.110) | (0.028) | (0.075) | (0.073) |
| *Appearances*$_{t-1}$ | 0.111*** | 0.036*** | 0.097*** | 0.095*** | 0.078*** |
| | (0.011) | (0.005) | (0.008) | (0.012) | (0.012) |
| *Constant* | −3.083*** | −1.157*** | −3.284*** | −3.269*** | −3.256*** |
| | (0.445) | (0.384) | (0.173) | (0.460) | (0.495) |
| Firm fixed effects? | N | N | N | N | N |
| Year fixed effects? | Y | Y | Y | Y | Y |
| Industry fixed effects? | Y | Y | Y | Y | Y |
| *n* (observations) | 4,720 | 2,935 | 4,720 | 4,720 | 4,720 |
| *n* (firms) | 687 | 512 | 687 | 687 | 687 |
| Wald $\chi^2$ | 368.47*** | 614.03*** | 363.39*** | 341.83*** | 319.09*** |

*Note.* Robust, clustered (firm-level) standard errors are in parentheses; all GEE specifications (1 and 3–5) specify an AR[1] error structure.

[a]Specification 2 reports the second-stage results of generalized method of moments instrumental variable estimator of a Poisson regression with bootstrapped, clustered (firm-level) standard errors.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

**Figure 1 Assessing Model Fit: Predicted vs. Observed Appearances Before Congressional Committees**




*Note.* Predicted counts are based on Specification 1 in Table 2.

When assessing the fit of a count model, goodness-of-fit statistics such as $r^2$ are not available. Instead, researchers focus on how well the distribution of predicted counts matches the distribution of observed counts. Figure 1 plots both of these distributions and suggests that the fit of Table 2's first specification is strong, and this pattern holds in unreported figures for the other specifications in Table 2. The model slightly underpredicts the proportion of observations with zero appearances and, correspondingly, slightly overpredicts the proportions for one and two appearances; however, these discrepancies are not large.[19]

### 4.2. Attempting to Account for Potential Endogeneity

Before considering the interactive effects of sociopolitical reputation with Congress' organizational characteristics and firms' existing political activities, it is important to consider the possibility that the relationship between access and sociopolitical reputation is endogenous. To do so, I first need to assess whether there is correlation between the sociopolitical reputation and the error term of the regression presented in Table 2's first specification. The Pearson product moment correlation between sociopolitical reputation and the residuals of the regression is 0.06, with a $p$-value of 0.19. Although this test produces little evidence of endogeneity, I can corroborate the effect of the key independent variable through an instrumental variable analysis.

The key properties of an instrumental variable are that (i) it should correlate strongly with/predict the endogenous independent variable, and (ii) it should not be correlated with the error term in the regression model (Morgan and Winship 2007). Thus, an instrument needs to predict a firm's sociopolitical reputation (i.e., its net social CSR score) but not directly affect access. Such an instrument may exist in the form of the political ideology of a new CEO. As Chin et al. (2013) document, the more liberal a firm's new CEO's political ideology is, as measured by the partisan makeup of her campaign contributions prior to becoming CEO, the stronger the firm's commitment to CSR is going forward, and as Briscoe et al. (2014) show, firms with more liberal CEOs (again measured using lagged campaign contribution data) are more open to social movement challenges that seek to alter firms' sociopolitical practices. However, it is unlikely that policy makers will deny a firm, as an organization, access simply because of the past behavior of a new CEO. The criteria of firms hiring new CEOs, the highly ideological nature of CEOs' giving in contrast to their corporate PACs' giving, and the consistency of new CEOs' campaign contributions help strengthen this assumption. First, firms do not appear to hire CEOs based on their past contribution patterns: for example, as Chin et al. (2013) show, firms that are embroiled in sociopolitical scandals do not select new CEOs with a history of contributing to Democrats in an attempt to deflect criticism. Second, CEOs (along with other executives and directors) are far less pragmatic and access oriented than their corporate PACs in their giving: they are more ideological, are more likely to give to nonincumbents, and are less likely to give to incumbents with greater organizational power than their firms' affiliated PACs (Bonica 2014). Third, there is little evidence that the ideologically focused nature of CEOs' campaign contributions changes upon assuming their new positions, suggesting they do not see a need, beyond contributing greater sums of money, to alter their personal political behavior for their new organizations' benefit (Fremeth et al. 2013). Despite these arguments in favor of using new CEO ideology as an instrument, since the model is exactly identified (i.e., there is only one instrument for the endogenous regressor), there is no formal test for the exogeneity of the instrument, and we can only rely on the logic of the above arguments to establish exogeneity. As a result, all of the results in this section should be interpreted with this limitation in mind.

To conduct this analysis, I use data from Fremeth et al. (2013), who gathered and processed FEC records on CEOs at S&P 500 firms. For identification purposes, I restrict the sample in this analysis to those firms that hired a new CEO during this time period, and I measure CEO liberalism by calculating the proportion of the new CEO's contributions that went to Democratic candidates in three cycles prior to

[19] The large proportion of observations with zero appearances in these data might suggest that a zero-inflated count model would be more appropriate than a standard count model. However, zero-inflated models are only appropriate when the observations with zeros were not at risk of the "event" occurring (see Cameron and Trivedi 2013).

her becoming CEO.[20] These restrictions decreased the number of firms in the data set from 687 to 512 and the number of firm year observations from 4,720 to 2,935. Since the dependent variable is a count, I conduct the analysis using the generalized method of moments (GMM) approach developed by Mullahy (1997). Similar to two-stage least-squares regression, in the first stage of the GMM approach, the instrument predicts the key independent variable; however, in the second stage, a Poisson model, rather than an ordinary least squares model, is fit to the count data. I calculate bootstrapped standard errors clustered at the firm level in the Poisson model. The full results of the model's first stage are available in Table A.1 of the appendix.[21]

Specification 2 of Table 2 reports the results for the second-stage Poisson regression. The results discussed above for Specification 1 largely hold, and H1 remains strongly supported. The estimate of *Sociopolitical Reputation*'s effect increases in magnitude in the instrumental approach, suggesting that the GEE approach might be producing a conservative underestimate of the positive effect of sociopolitical reputation on access. The only control variable that produces a different result between Specifications 1 and 2 is media prominence, which is no longer significant. Overall, the stability of the findings across Specifications 1 and 2 suggest that endogeneity does not threaten the results of this analysis and that the association between sociopolitical reputation and access is statistically significant and positive.

### 4.3. The Amplifying Effects of Partisanship and Existing Nonmarket Strategies

The remaining specifications (3–5) in Table 2 test the interactive effects predicted by H2 and H3. The results in these specifications provide strong support for H2, as Democratic control heightens the effect of sociopolitical reputation on access, and mixed support for H3. The results for the test of H2 reveal an important split in partisan perceptions of CSR, as Democratic politicians clearly weigh CSR more heavily than Republicans when determining access. In fact, were we to reverse the coding for partisan control to Republican, the interaction between CSR and partisan control would be insignificant; however, if we also interacted Republican control with firm ROA, a financial performance measure, the resulting coefficient is significant and positive. Combined, these results suggest that Republican policy makers discount firms' social reputations and place a greater emphasis on economic performance.

With regard to H3, although there is a positive and significant interactive effect between sociopolitical reputation and firms' lobbying expenditures (part (b)), the interaction between firms' sociopolitical reputation and their PAC contributions (part (a)) is insignificant. There are three likely reasons for this null finding. First, unlike lobbying expenditures, PAC contributions are capped, which limits the degree to which any one firm can strategically utilize them to shape their nonmarket environment: while on their own, contributions are positively associated with access, campaign finance regulations constrain a firm's ability to be particularly creative in their contribution patterns. Second, since lobbying is best understood as the communication of information between interest groups and policy makers, it provides a conduit through which a firm draws policy makers' attention to its sociopolitical reputation. In contrast to the substantive nature of these exchanges, PAC contributions often consist of little more than a PAC treasurer cutting a check. Finally, as Ansolabehere et al. (2003) suggest, if PAC contributions were a particularly efficacious way of garnering the attention of public policy makers, then we would see corporate PACs raise and contribute far more money than they do.

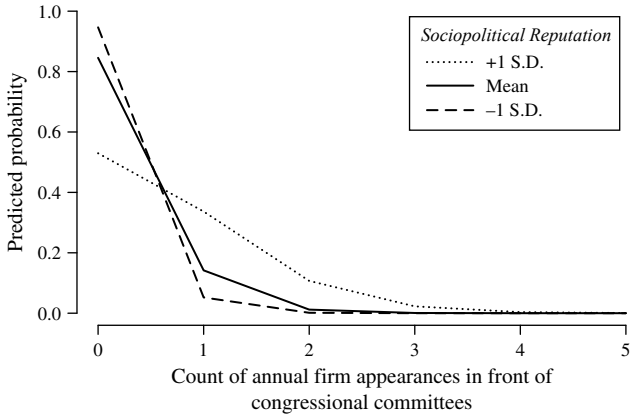
To illustrate the full—that is, both direct and interactive—effect of sociopolitical reputation on access to public policy makers, I calculate how the predicted probabilities of access vary across values of sociopolitical reputation, holding all other variables except the interactions, constant at their means. I calculate these probabilities for the mean of sociopolitical reputation (0.70) and plus or minus one standard deviation (2.40) around it. Figure 2 plots these predicted probabilities and illustrates how substantively significant the access-related effects of sociopolitical reputation are. As the figure reveals, firms that have a sociopolitical reputation one standard deviation above the mean are far more likely to appear at least once ($p \sim 0.43$) and have a predicted probability of appearing at least twice that is above 0.10. By contrast, firms at or below the mean level of sociopolitical reputation have a predicted probability of zero appearances that exceeds 0.85.

Beyond the interactive results, the results for the individual variables in Specifications 3–5 are consistent with the results in Specification 1. The level at which some variables are significant varies, and the substantive effects of several variables are larger in Specification 5. However, there are no major differences.

[20] The results presented in this section hold if the sample is further limited to those firms that hired new CEOs who did not work for the firm previously (i.e., were external hires). Imposing this condition may strengthen the "only through" exclusion restriction of the instrumental variable analysis (and thus, the instrument's exogeneity vis-à-vis appearances), but it further decreases the sample size.

[21] The CEO contribution instrument performs well in that it is relevant (with a first-stage model partial $F$-statistic of 13.46).

**Figure 2 Predicted Probabilities Varying Sociopolitical Reputation, Including Interactive Effects**




*Notes.* Predicted probabilities are based on Specification 5 in Table 2 and include the direct and interactive effects of *Sociopolitical Reputation*. All other variables were held constant at their means.

## 5. Extensions

The results of the main analyses can be extended in multiple ways that further illuminate the relationship between sociopolitical reputation and access. The extensions in this section explore whether the increases in access associated with firms' sociopolitical reputations occur among the most economically significant committees, whether social CSR strengths or concerns drive firms' sociopolitical reputations, and finally, whether the mechanism underlying the association in the main analysis is related to informational transmission, risk reduction, or both.

### 5.1. Demonstrating Economic Value: Access to Strategically Important Committees

Although increased overall access is beneficial for firms, increasing access to committees that are strategically important to a firm, i.e., those committees with jurisdiction over the industry's practices and markets, is a key goal of nonmarket strategy. Thus, I analyzed whether or not sociopolitical reputation pays specific dividends for firms by rerunning the GEE analyses with a more narrowly defined dependent variable. Specifically, I reran Specifications 1 and 5 from Table 2 and limited the count of appearances included in the dependent variable to appearances before those committees denoted as strategically important in the mapping between committees and four-digit SIC industries developed by Ovtchinnikov and Pantaleoni (2012).[22]

The results of this analysis appear in Table 3 and are consistent with those in Table 2. There remains strong support for H1, H2, and H3(b), and the magnitudes of the estimated effects are similar. There are fewer significant control variables in both specifications; however, those that are significant are signed as expected. The key implication of this extension is that the access-related benefits that are created by sociopolitical reputation can have substantial political and economic consequences for firms.

### 5.2. Unnetting KLD-Generated Variables

There remains disagreement over whether researchers should employ netted KLD scores rather than employing strengths and concerns as separate variables. For example, it is not clear that strengths offset concerns, and the two dimensions are correlated. In this extension, I replicate the findings in Specifications 1, 2, and 5 from my main analysis in Table 2, using the unnetted sociopolitical strengths and concerns and technical strengths and concerns variables.

The results of this robustness check are reported in Table 4. The new sociopolitical strengths indicator is positive and statistically significant, and its substantive magnitude is also consistent with that generated by the netted variable in Table 2. The remaining three KLD-related variables are insignificant (although signed as expected), suggesting that the sociopolitical strengths indicator drives the result for the netted variable and that the substantive impact of sociopolitical concerns on access is indistinguishable from zero.

This result differs from prior studies using unnetted KLD variables, which show that concerns and not strengths drive many CSR-related effects (see, e.g., Bermiss et al. 2014, King 2008, McDonnell and King 2013). One potential reason for the difference in this setting is that policy makers, already knowing that firms are unpopular actors politically and that their popularity has been declining steadily since the 1970s (see Smith 2000), are likely looking for the subset of legitimate firms that can be promoted as, on balance, socially responsible and that have adopted specific practices that can be highlighted in defense of granting them access. That is, outside of actions that are truly delegitimizing, public policy makers appear to discount sociopolitical concerns more than other market participants or stakeholders challenging firms' more controversial practices. A second and related reason for this noneffect may be that policy makers

[22] A full mapping between strategically important committees and industries is available in Ovtchinnikov and Pantaleoni's (2012) Appendix B. In the Senate, the strategically important committees are Agriculture, Nutrition, and Forestry; Armed Services; Banking, Housing, and Urban Affairs; Commerce, Science, and Transportation; Energy and Natural Resources; and Environment and Public Works. In the House, these committees are Agriculture, Armed Services, Financial Services, Energy and Commerce, Resources/Natural Resources, Transportation and Infrastructure, and Merchant Marine and Fisheries. The House disbanded the last of these committees before the beginning of the sample period, however.

**Table 3 GEE Analysis of Effects of Firms' CSR on Political Access to Strategically Important Committees**

| | Specification | |
|---|---|---|
| Variable | 1 | 2 |
| *Sociopolitical Reputation*$_{t-1}$ | 0.057** | 0.074*** |
| | (0.024) | (0.038) |
| *Technical Reputation*$_{t-1}$ | −0.033 | −0.021 |
| | (0.027) | (0.039) |
| *Sociopolitical Reputation*$_{t-1}$ × *Democratic Control*$_t$ | | 0.049** |
| | | (0.027) |
| *Sociopolitical Reputation*$_{t-1}$ × *PAC Contributions*$_{t-1}$ | | 0.002 |
| | | (0.013) |
| *Sociopolitical Reputation*$_{t-1}$ × *Lobbying Expenditures*$_{t-1}$ | | 0.025** |
| | | (0.011) |
| *Committee Leaders*$_t$ | −0.001 | −0.002 |
| | (0.014) | (0.014) |
| *Employees*$_{t-1}$ | 0.547** | 0.798** |
| | (0.219) | (0.247) |
| *PAC Contributions*$_{t-1}$ | 0.019 | 0.033 |
| | (0.052) | (0.038) |
| *Lobbying Expenditures*$_{t-1}$ | 0.095* | 0.150*** |
| | (0.051) | (0.035) |
| *Political Connections*$_{t-1}$ | 0.002 | 0.006 |
| | (0.064) | (0.005) |
| *Top 100 Contractor*$_{t-1}$ | −0.224 | −0.089 |
| | (0.179) | (0.225) |
| *Media Prominence*$_{t-1}$ | 0.523*** | 0.387* |
| | (0.128) | (0.211) |
| *Overall Reputation*$_t$ | −0.040 | −0.032 |
| | (0.042) | (0.043) |
| *R&D Intensity*$_{t-1}$ | −0.045 | −0.029 |
| | (0.049) | (0.051) |
| *Assets*$_{t-1}$ | 0.122 | 0.067 |
| | (0.181) | (0.199) |
| *Market Share*$_{t-1}$ | −0.006 | −0.005 |
| | (0.006) | (0.006) |
| *ROA*$_{t-1}$ | −0.007 | 0.044 |
| | (0.005) | (0.145) |
| *Democratic Control*$_t$ | 0.181 | 0.119 |
| | (0.170) | (0.101) |
| *Election Year*$_t$ | −0.277* | −0.185*** |
| | (0.167) | (0.068) |
| *Appearances*$_{t-1}$ | 0.563*** | 0.620*** |
| | (0.044) | (0.047) |
| *Constant* | −5.950** | −6.129*** |
| | (0.5924) | (0.559) |
| Firm fixed effects? | N | N |
| Year fixed effects? | Y | Y |
| Industry fixed effects? | Y | Y |
| *n* (observations) | 4,720 | 4,720 |
| *n* (firms) | 687 | 687 |
| Wald $\chi^2$ | 109.05*** | 101.29*** |

*Note.* Robust, clustered (firm-level) standard errors are in parentheses.
*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

**Table 4 GEE/GMM Analyses of Effects of Firms' Sociopolitical Reputations on Political Access After Unnetting KLD-Related Variables**

| | Specification | | |
|---|---|---|---|
| Variable | 1 | 2[a] | 3 |
| *Sociopolitical Strengths*$_{t-1}$ | 0.020** | 0.066*** | 0.081*** |
| | (0.009) | (0.024) | (0.029) |
| *Sociopolitical Concerns*$_{t-1}$ | −0.005 | −0.011 | −0.002 |
| | (0.003) | (0.025) | (0.047) |
| *Technical CSR Strengths*$_{t-1}$ | 0.023 | 0.024 | 0.017 |
| | (0.031) | (0.027) | (0.13) |
| *Technical CSR Concerns*$_{t-1}$ | −0.043 | −0.045 | −0.028 |
| | (0.036) | (0.033) | (0.023) |
| *Sociopolitical Strengths*$_{t-1}$ × *Democratic Control*$_t$ | | | 0.034*** |
| | | | (0.011) |
| *Sociopolitical Strengths*$_{t-1}$ × *PAC Contributions*$_{t-1}$ | | | 0.006 |
| | | | (0.004) |
| *Sociopolitical Strengths*$_{t-1}$ × *Lobbying Expenditures*$_{t-1}$ | | | 0.013*** |
| | | | (0.003) |
| *Committee Leaders*$_t$ | −0.008 | −0.007 | −0.002 |
| | (0.005) | (0.008) | (0.005) |
| *Employees*$_{t-1}$ | 0.192*** | 0.105* | 0.231*** |
| | (0.073) | (0.061) | (0.087) |
| *PAC Contributions*$_{t-1}$ | 0.049*** | 0.031*** | 0.031*** |
| | (0.013) | (0.012) | (0.012) |
| *Lobbying Expenditures*$_{t-1}$ | 0.060*** | 0.067*** | 0.091*** |
| | (0.020) | (0.008) | (0.019) |
| *Political Connections*$_{t-1}$ | 0.026 | 0.041 | 0.030 |
| | (0.029) | (0.039) | (0.034) |
| *Top 100 Contractor*$_{t-1}$ | 0.064 | 0.246* | 0.089* |
| | (0.049) | (0.147) | (0.048) |
| *Democratic Control*$_t$ | 0.110 | 0.023 | 0.025 |
| | (0.112) | (0.072) | (0.072) |
| *Appearances*$_{t-1}$ | 0.110*** | 0.341*** | 0.093*** |
| | (0.015) | (0.047) | (0.012) |
| *Constant* | −2.640*** | −1.055*** | −2.873*** |
| | (0.497) | (0.370) | (0.490) |
| Nonpolitical controls? | Y | Y | Y |
| Firm fixed effects? | N | N | N |
| Year fixed effects? | Y | Y | Y |
| Industry fixed effects? | Y | Y | Y |
| *n* (observations) | 4,720 | 2,935 | 4,720 |
| *n* (firms) | 687 | 512 | 687 |
| Wald $\chi^2$ | 321.82*** | 616.67*** | 283.69*** |

*Note.* Robust, clustered (firm-level) standard errors are in parentheses; all GEE specifications (1 and 3) specify an AR[1] error structure.
[a]Specification 2 reports the second-stage results of generalized method of moments instrumental variable estimator of a Poisson regression with bootstrapped, clustered (firm-level) standard errors.
*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

are simply so dependent on resources from firms that they cannot shut out firms with greater concerns to the degree that they would like to.

A final reason behind this effect may not be substantive but rather related to measurement: because many of the concerns in KLD's environmental category are structurally connected to particular industries (i.e., manufacturing firms are far more prone to having environmental concerns than are financial firms) that, as a result, have particularly challenging

stakeholder environments (Griffin and Mahon 1997), model specifications that include industry fixed effects may absorb these differences. When environmental strengths and concerns are excluded from the sociopolitical strengths and concerns measures in Specification 1 in Table 4, the coefficients for sociopolitical strengths and concerns remain oppositely signed but now both achieve statistical significance (at $p < 0.05$). Additionally, if the unnetted sociopolitical measures are left unchanged but the industry controls are dropped, then the coefficients for sociopolitical concerns are significant and negative in all three specifications. These results suggest that structural differences with regard to environmental concerns across industries are largely responsible for the greater importance of sociopolitical strengths in determining which firms gain access to public policy makers.[23]

### 5.3. Exploring Potential Mechanisms: Qualitative Analysis of Hearing Testimony

Although the above analysis demonstrates that there is a positive association between a firm's access to Congress and its sociopolitical reputation, it cannot untangle which mechanism—risk reduction or novel information—is driving this result. Although definitively identifying the mechanism(s) is beyond the scope of the evidence presented in this paper, one way in which we can attempt to tease out if one of the proposed mechanisms dominates or both are in play is to examine how firms present themselves when they are granted access and testify publicly. To provide some suggestive evidence on this point, I analyze the content of testimony provided by S&P 500 witnesses. Examining hearing rooms reveals whether lawmakers and firms cooperate to portray corporate witnesses as credible solely due to their firms' sociopolitical reputations or whether there is policy-relevant information exchanged that stems from firms' socially responsible/CSR practices.

Mirroring the quantitative analyses, I examine testimony given between 1999 and 2009. Given the total number of corporate appearances over this time period, however, I limit the qualitative analysis to the House and Senate commerce committees. This restriction is a sound choice and produces a tough case to examine, for, as King (1994) notes, the commerce committees are the most jurisdictionally expansive authorization committees, and they are also considered strategically important for a substantial number of industries (see Ovtchinnikov and Pantaleoni 2012). After reading each piece of testimony, I hand-coded whether or not the appearance featured any discussion of the firm's CSR practices, and, if the appearance did, I coded whether this discussion simply entailed an attempt to burnish the firm's image or whether there was a more extensive relaying of information that could inform public policy making on the specific topic of the hearing.[24]

Over this 11-year period, employees of S&P 500 firms testified 582 times in front of these committees under nonhostile circumstances. Although this total may seem low, the S&P 500 compose only a small part of business, and businesses represent just one part of the full universe of witnesses. Panel A of Table 5 summarizes the content analysis. Of these 582 witnesses, 188 (32.3%) discussed CSR. That is, almost one-third of S&P 500 representatives that testified used some portion of the very limited time granted to them to discuss their CSR practices. The across-time trend in witnesses mentioning CSR reveals that firms are increasingly discussing CSR: in 1999, firms mentioned CSR to the committees in just 19% of appearances, but in 2009, they mentioned it over 46.5% of the time—a 245% increase. Most important in terms of determining whether or not information or risk reduction is driving the quantitative findings, in 40% of these CSR-related appearances over this time period, firms' representatives discussed CSR in a manner that would aid policy makers in writing legislation. In the other 60% of cases, these discussions amounted to little more than promotion of the firm for being socially responsible.

These percentages suggest that both of the potential mechanisms behind the social performance-access association are at work but that risk reduction plays a larger role than information transmission. To further illuminate how each mechanism may matter and how they may work in concert, panel B of Table 5 slices the testimony data from panel A more finely by separating firms into "high" and "low" sociopolitical performance categories among S&P 500 firms

[23] Although each of the KLD subcategories could be included separately in the model specifications, I choose only to examine the specific impact of the environmental subcategory because of previous research suggesting that its presence or absence can affect estimates of the effect of CSR on firm financial performance. Further, because the dependent variable is the count of firm appearances across all congressional committees, I choose to parallel this aggregation in my measure of sociopolitical reputation. See also Footnote 9, which discusses the impracticability of a firm-year-committee unit of analysis.

[24] To provide one example of testimony that I coded as conveying information to policy makers, in a January 2003 hearing on climate change, a witness for Alcoa discussed the technologies behind its policies aimed at reducing $SO_2$, $NO_x$, and greenhouse gases and followed this discussion with how its efforts might inform public policy. By contrast, I coded a July 2004 appearance by Time Warner Cable as only briefly discussing CSR, because although the firm's witness discussed its actions to increase awareness of parental control technologies to protect young children from indecent or violent content, the hearing was on competition within the cable industry.

**Table 5 Content Analysis of S&P 500 Testimony Before the House and Senate Commerce Committees**

Panel A: Summary testimony patterns

| Year | No. of witnesses | Witnesses mentioning CSR | Witnesses providing extensive CSR-related policy information |
|---|---|---|---|
| 1999 | 58 | 7 | 4 |
| 2000 | 59 | 8 | 1 |
| 2001 | 73 | 11 | 6 |
| 2002 | 37 | 8 | 4 |
| 2003 | 67 | 23 | 11 |
| 2004 | 27 | 9 | 6 |
| 2005 | 28 | 11 | 4 |
| 2006 | 60 | 38 | 14 |
| 2007 | 63 | 32 | 14 |
| 2008 | 37 | 14 | 4 |
| 2009 | 73 | 27 | 7 |

Panel B: Testimony patterns across high and low CSR-performing firms

| Performance benchmark | Performer type | No CSR content | Brief CSR-related content | Extensive CSR-related policy information |
|---|---|---|---|---|
| All S&P 500 firms | L | 194 | 54 | 21 |
| | H | 200 | 59 | 54 |
| Within industry, if among S&P 500 high performers | L | 35 | 8 | 4 |
| | H | 165 | 51 | 50 |

*Notes.* Hearing data were collected from ProQuest's Congressional Committees database or the Government Printing Office's Federal Depository Library Program website (http://www.fdlp.gov; last accessed August 15, 2014) and hand-coded by the author. H, high; L, low.

and, within the subset of high performers in the S&P 500, between high and low categories within their SIC two-digit industries. (In contrast to panel A, the data in panel B are pooled across years, but year-by-year patterns are consistent with the aggregate trends.) These categories are based on whether the firm's sociopolitical reputation is above (high) or below (low) the median performer in the relevant comparison group. In the first two rows of panel B, the key differences between low and high performers are that the former group's CSR-related testimony is less frequent and largely superficial, with low-performing firms discussing CSR largely doing so in a context unrelated to the topic of the hearing (72% of CSR-related appearances). The few firms using CSR in this manner are likely trying solely to burnish their image and by extension limit the risk the committee members face in associating with them. By contrast, almost half (48%) of high-performing firms' CSR-related testimony is intended to convey policy-relevant information to the members of the committee and their staffs. This same pattern holds (and is even slightly stronger) when examining those firms that are high performers within both the S&P 500 and their industry, with just over half of such firms discussing CSR in their testimony providing information.

Although this analysis only examines one committee through a basic content analysis of testimony, it does reveal that corporate witnesses are increasingly emphasizing their firms' CSR practices in public forums. Further, and with regard to the mechanisms that may explain the relationship between social performance and access, it suggests that both the mechanism related to risk reduction and the mechanism related to information transmission are likely operative. Firms that are weaker social performers appear to primarily rely on what little CSR they engage in solely as a reputational tool to gain access to policy makers, but firms that are high social performers appear to increase their access to policy makers through a combination of risk reduction and information transmission. Overall, these qualitative results suggest that the relationship between sociopolitical reputation and access to public policy makers is driven by different mechanisms depending on the comparative degree of commitment to socially responsible behavior by the firm: those firms who are high performers rely not just on their reputations' ability to reduce risk to gain access but also on their ability to share information produced by their socially responsible practices, whereas poor performers utilize their CSR efforts superficially.

## 6. Discussion and Conclusions

### 6.1. Theoretical Implications Regarding Corporate Reputation and Power

Although existing studies on corporate reputation view it as a multidimensional construct, reputation is still largely viewed as reflecting a firm's economic performance. Only recently has scholarship explored the sociopolitical antecedents of reputation (Bermiss et al. 2014), but this work has not considered how the sociopolitical dimension of reputation will be given substantially greater weight when public policy makers evaluate firms. The above analysis demonstrates that far from evaluating firms only through the dichotomy of legitimate or illegitimate, policy makers differentiate among firms based on their sociopolitical reputations.

This result squares with existing organizational research that argues that when organizations seek not to be left alone but rather seek intervention from an audience (e.g., the state), and especially when that intervention that would produce costs for another entity, the demands in terms of credibility on that organization will be quite high (DiMaggio 1988). In this case, when firms seek access to influence public policy, they must overcome the suspicions and resulting risk aversion that policy makers have regarding

associating with firms. Constructing a strong sociopolitical reputation allows firms to differentiate themselves by signaling (i) that the firm is perceived as more socially responsible than its competitors and thus less likely to taint a policy maker's reputation through guilt by association in the future and (ii) that the firm may have novel information that stems from their CSR-related practices to share with policy makers.

Whether or not sociopolitical reputations fully meet the demands representatives of the state make in terms of influencing policy remains an open question. But if they do, then firms that use their sociopolitical reputations in the policy-making process may help enact public policies that, although beneficial to a particular firm, decrease social welfare. That is, the role of sociopolitical reputation in political access speaks to broader debates over the proper scope and nature of relationships between public and private organizations (e.g., Mahoney et al. 2009) and uncovers at the micro level how private actions such as CSR have implications for welfare through the granting of access to private organizations. By giving policy makers additional reasons—e.g., new information from CSR initiatives—to provide them privileged access, firms may be shutting out other interest groups and thus enhancing corporate power. This possibility echoes the claims of those critics of CSR who object to it as an undemocratic substitute for public policy, since citizens do not get a vote on firms' decisions (Seidman 2007, Weber et al. 2009). Although voters can always respond to the effects of CSR on public policy by electing new representatives, many pluralists would likely still object to corporate power and influence being enhanced further and especially by a seemingly innocuous instrument such as CSR.

### 6.2. Empirical Implications for Corporate Political Activity and Corporate Social Responsibility

Constructing a strong sociopolitical reputation also appears to enhance the instrumental political power of a firm both directly and indirectly. The direct effect is the increase in access attributable to increases in reputation, and the indirect effect is the interactive increase in access achieved when a strong reputation complements a firm's lobbying efforts. This twofold effect reveals that managers need to view the construction of their sociopolitical reputations as a component of nonmarket strategy. Further, given the ability of socially responsible behavior to differentiate the firm in the market, this constructive process should be viewed as a mechanism through which firms can integrate their market and nonmarket strategies (Baron 1999). Importantly, for firms and managers, the benefits of interactions with policy makers created by possessing a strong sociopolitical reputation are more difficult for rival organizations to replicate or mimic than traditional political instruments such as campaign contributions or political connections.

This result raises the question of why American politics, broadly construed, does not look different if firms have incentives to be more socially responsible—or rather, why it is that some firms that are politically controversial still gain access to policy makers. Undoubtedly, some of this access is due to business' structural power as well as to politicians' various dependencies on outside actors for campaign financing, information, staff, etc. Another possibility is that corporate actors who are controversial seek to influence policy through less visible means. For example, such firms may favor to meet only behind-the-scenes with policy makers, or when such firms feel constrained as political actors, they may rely on their affiliates, such as their executives or trade associations, to step in and act on their behalf (e.g., Richter and Werner 2014).

Additionally, the results of this paper also reveal interesting splits among partisan elites regarding the role of sociopolitical reputation and an interesting asymmetry regarding how policy makers weigh the strengths and concerns that underlie a sociopolitical reputation. The differentiating effects of sociopolitical reputation are stronger when Democrats have greater organizational power within Congress, which reveals that they have greater worries about being perceived as guilty in the future because of mere association with a firm in the past. This suggests that highlighting commitments to socially responsible behavior as a part of an integrated strategy will pay greater benefits for firms during periods of Democratic control. Further, and in contrast to much existing research on CSR that suggests that concerns rather than strengths drive the effect of CSR on various outcome variables (see, e.g., King 2008, McDonnell and King 2013), the relationship between sociopolitical reputation and access is driven by benefits created by the proactive steps firms take, rather than the negative externalities created by deviant behavior. As discussed in the previous section, this finding highlights another aspect of organizational evaluation that differs when public policy makers, as opposed to market participants, are the evaluators of firms.

### 6.3. Conclusions

Much of the existing research on corporate reputation views it as the product of economic performance. This paper demonstrates that when resource-dependent and cognitively limited public policy makers evaluate organizations, there is a sociopolitical dimension to reputation that serves as a heuristic and shapes the social judgments that policy makers reach. These sociopolitically informed judgments are consequential

because they provide a significant nonfinancial benefit for firms in the form of political access and, in turn, influence over public policies that govern markets and affect firm performance. This effect for sociopolitical reputation is heightened when Democrats have greater organizational power in Congress and when a firm lobbies at a higher rate; all of these findings are robust to a variety of additional analyses, including an instrumental variable analysis and firm-level fixed-effects modeling. These quantitative results, together with content analysis of hearing testimony, suggest that constructing a strong sociopolitical reputation significantly increases the amount of access policy makers grant a firm, because such a reputation likely lessens politicians' fears that association with the firm will taint them in the future and, in some cases, may also signal that firms have novel information to share with policy makers.

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## Appendix

**Table A.1 First-Stage Regression for Instrumental Variables of Sociopolitical Reputation in Table 2**

| Variable | |
|---|---|
| *CEO Prior Democratic Giving*$_t$ [a] | 0.846*** (0.230) |
| *Technical Reputation*$_{t-1}$ | 0.041 (0.039) |
| *Committee Leaders*$_t$ | 0.049** (0.019) |
| *Employees*$_{t-1}$ | 0.492* (0.267) |
| *PAC Contributions*$_{t-1}$ | −0.094*** (0.036) |
| *Lobbying Expenditures*$_{t-1}$ | 0.039 (0.025) |
| *Political Connections*$_{t-1}$ | −0.061 (0.101) |
| *Top 100 Contractor*$_{t-1}$ | −0.216 (0.271) |
| *Media Prominence*$_{t-1}$ | 0.484*** (0.037) |
| *Overall Reputation*$_t$ | 0.036 (0.056) |
| *R&D Intensity*$_{t-1}$ | 0.055 (0.122) |
| *Assets*$_{t-1}$ | 0.423 (0.279) |
| *Market Share*$_{t-1}$ | −0.019*** (0.005) |
| *ROA*$_{t-1}$ | 0.014 (0.074) |
| *Democratic Control*$_t$ | −0.318*** (0.090) |
| *Election Year*$_t$ | 0.154** (0.076) |
| *Appearances*$_{t-1}$ | 0.100* (0.060) |
| *Constant* | −5.399*** (1.023) |
| *n* (observations) | 2,935 |
| *n* (firms) | 512 |
| *F*-statistic | 69.98*** |
| $r^2$ | 0.52 |

*Note.* Robust, clustered (firm-level) standard errors are in parentheses.

[a]Partial *F*-statistic for exogenous instrument alone is 13.46 ($p < 0.0005$).

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

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