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WHEN A THOUSAND WORDS ARE (NOT) ENOUGH:

an empirical study of the relationship between firm performance and attention to shareholders

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Abstract

The aim of this study is to concurrently test the explanatory power of the attention-based view (ABV) of the firm and of the resource dependence theory (RDT). We propose a conceptual model of attention to shareholders based on assumptions of both ABV and RDT, and test the hypotheses using a unique dataset comprised of content analyzed data on shareholder attention for 313 firms from 24 different countries. Our research findings highlight the complementary nature of the RDT and ABV and add to the literature about attention providing empirical evidence and theoretical explanation for the scarcely explored relationship between firm performance and organizational attention.

Keywords: resource dependence, organizational attention, shareholders, firm performance.

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Introduction

Since its initial publication (Pfeffer and Salancik 1978), resource dependence theory (RDT) has been widely used by scholars interested in understanding the linkage between organizations and their environment. RDT presents a unified theory of power at the organizational level, combining relevant constructs such as dependency, autonomy and constraints (Boyd 1990, Casciaro and Piskorski 2005 and Hillman, Withers and Collins 2009). The core of RDT lies in the idea that organizations are not self-sufficient and, as a result, they must manage their interdependences to gain access and control over required resources and information (Pfeffer and Salancik 1978). Accordingly, by managing external control, organizations reduce the level of environmental uncertainty, thereby increasing their chances of survival (Boyd 1990).

Over the past three decades, RDT has been applied to explain various phenomena such as mergers and acquisitions (Pfeffer 1972, Pfeffer and Salancik 1978 and Finkelstein 1997), joint ventures (Pfeffer and Nowak 1976), board composition (Pfeffer and Salancik 1979) and stakeholder management (Mitchell, Agle and Wood 1997 and Frooman 1999). Despite having different research objectives, these empirical studies support the idea that organizational structures and outcomes are primarily determined by the interdependence of the focal organization on third parties. RDT further suggests that organizational structures have their roots in the environment (Scott 1998) because how organizations learn, attend and select aspects of its environment is mostly explained by their exposure to informational and environmental inputs (Pfeffer and Salancik 1978).

In spite of its extensive use in organizational research, RDT has some deficiencies and may be ill equipped to explain certain organizational outcomes. Perhaps the most criticized aspect of RDT is its environmental determinism with regard to organizational behavior. As interdependences impose numerous constraints, an organization is left with no other option than to respond to these constraints in order to survive (Galaskiewicz et al. 1985, Finkelstein 1997 and Pfeffer 1997). This criticism is based upon at least two key problems. First, early research on resource dependence, focused mostly on dyadic interdependences, whereas, in fact, the environment exerts multiple simultaneous and reciprocal pressures over organizations (Casciaro and Piskorski 2005). Additionally, RDT focuses predominantly on the task environment, whereas institutions are also source of pressure over organizations (Oliver 1991). Therefore, RDT proposes a problematically simplistic linkage between external environment and organizations that neglects the embeddedness of organizational moves as well as the reality of organizations as institutions (Pfeffer 1997). Second, this linkage presents a high degree of determinism facing organizations, leaving almost no room for strategic choice and agency (Pfeffer 1982). From a resource dependence perspective, managerial action is only possible at a symbolic level and, consequently, will have little effect on organizational outcomes (Pfeffer 1981). Additionally, resource dependence does not provide an explanation for how organizations cope with the multiplicity of interdependences they face (Finkelstein 1990). A resource dependence approach focuses its explanation of the linkage between environments and organizations on the presence of structures and information systems as enablers of environment enactment without dealing with internal linkages, an exploration of which is required for a full understanding of organizational moves.

In spite of its existence in a relatively early stage of development (Sonpar and Golden-Biddle 2008), the attention-based view of the firm (Ocasio 1995 and 1997) provides a more comprehensive model of the linkage between environment and organization. It considers both external and internal aspects of the environment. According to the ABV, organizational outcomes are a resultant of three interrelated aspects: the focus of attention of decision-makers, the very specific context in which decision-makers find themselves, and the structural distribution of attention of the organization (Ocasio 1997). Therefore, when accounting for multiple processes at environmental, organizational and individual levels, the ABV provides an embedded and less deterministic view of the influence of the environment on focal organizations.

The AVB explicitly incorporates the managerial role as part of the explanation for organizational outcomes. An ABV perspective of organizational moves suggests that what decision makers do depends on their focus of attention. RDT suggests that what decision makers do depends on the interdependences affecting the focal organization. In both perspectives, attention structures are central determinants of organizational behavior because they provide cues to decision-makers on how to respond to environmental stimuli (Pfeffer and

Salancik 1978 and Ocasio 1997). However, an attention-based view of the firm offers a linkage and provides an explanation for how organizational structures are related to managerial cognition (Barnett 2008); a missing link in the resource dependence theory. Similar to RDT, the ABV has been used to understand a wide variety of organizational phenomena such as mergers and acquisitions (Yu, Engleman and Van de Ven 2005), innovation outcomes (Yadav, Prabhu and Chandy 2007), top management team composition (Cho and Hambrick 2006), and international orientation (Levy 2005, Bouquet and Birkinshaw 2008).

In this study we argue that the ABV and RDT are congruent and can be combined to explain organizational phenomena. By proposing a model of attention to shareholders based on assumptions of both ABV and RDT, our study provides four contributions. First, we provide a concurrent test of explanations for attention to shareholders based on a resource dependence perspective and attention-based view using content analyzed data from letters to shareholders. This source of data has been widely used in research about organizational attention (D'Aveni and McMillan 1990, Abrahamson and Hambrick 1997, Levy 2005, Cho and Hambrick 2006 and Yadav et al 2007) but not necessarily in research testing assumptions of RDT. We also contribute to the literature on impression management providing an alternative explanation for the content of public accounts of organizations. Although annual reports can be seen as a privileged communication channel to manage external impressions about organizations (Staw, McKechnie and Puffer 1983, Bettman and Weitz 1983, Salancik and Meindl 1984, Abrahamson and Park 1994), they also are relevant governance channels which reflect important concrete and contextual aspects of the organization's attentional process (Abrahamson and Amir 1996 and Ocasio and Joseph 2005 and 2006). Third, we contribute to the development of the ABV providing an explanation for some of the mechanisms "of how the firm as a cultural and social system is shaped by the environment of action" (Ocasio 1997, p.193), which are not explicitly addressed on the model of situated attention and firm behavior. Finally, we also add to the literature of attention by providing empirical evidence of and a theoretical explanation of the almost unexplored relationship between financial performance and organizational attention (Kacperczyk 2009).

Our work highlights the complementary nature of the resource dependence theory and the attention-based view of the firm. RDT complements ABV by making more explicit the effects of the environment on attention structures and, ultimately, on organizational behavior. At the same time, the ABV provides RDT with a more comprehensive view of the relationship between environment and organizational outcomes, including both the external and the internal constrains on organization. In so doing, the ABV supplies RDT with a less deterministic perspective that accounts for the influence of social structures, individual and social cognitions. To achieve our objectives, we created a unique dataset comprised of content analyzed data of shareholder attention for 313 firms from 24 different countries.

Explaining the attention-based view of the firm

As suggested by the behavioral theory of the firm (Simon 1947, Cyert and March 1963, March and Olsen 1976), attention is a scarce yet crucial resource. Additionally, attention is a limited resource and its scarcity is mostly conspicuous for top management and high level issues (March and Olsen 1976). Thus, allocation and distribution of attention is often suggested as a departing point for understanding firm behavior. Ocasio (1997) proposes the attention-based view of the firm (ABV), which presents a process model of situated attention and firm behavior. Building upon Simon's work (1947), the ABV central argument "is that to explain firm behavior is to explain how firms distribute and regulate the attention of their decision-makers." (Ocasio 1997, p. 188). Mostly, the ABV aims to explain firms' outcomes by analyzing how time and effort are structurally distributed within organizations. According to Ocasio (1997, p. 189) "the cognition and action of individuals are not predictable from the knowledge of individual characteristics but are derived from the specific organizational context and situations that individual decision-makers find themselves." Although the ABV assumes that it is the individual who ultimately pays attention, it proposes that decision-makers' focus of attention (principle of focus of attention) is situated and dependent on the context (principle of situated attention) and the organizational structure (principle of structural distribution of attention). As a consequence, in this model of organizational attention too little (if any) of the organizational attention patterns are explained by individuals' preferences.

ABV: a cross-level approach

Recent developments in management studies about attention have been trying to combine organizational and individual characteristics to explain organizational outcomes (Corner, Kinicki and Keats 1994) as a focus on either level has been appointed as a research limitation (Yu, Engleman and Van de Ven 2005). Nevertheless, significant part of research on the effects of attention on organizational outcomes departs exactly from a cognitive perspective (e.g. Durand 2003, Levy 2005 and Cho and Hambrick 2006). In their study about the influence of board in firms' strategy, Golden and Zajac (2001, p. 1103) present results showing that board attention to strategic issues is "strongly positively associated with strategic change". Despite the relevance of their research, it is a single industry study, which can bring limitations to the findings in terms of generalizability. Cho and Hambrick (2006) also test the influence of attention in strategic change in another single-industry research. Different from Golden and Zajac (2001), their results indicate variance in attention allocation within industry, signaling that managerial cognitions might not be homogenous and ingrained as often suggested.

The variance of managerial attention and its effect on firm's strategy was also tested in a multi-industry setting (Kabanoff and Brown 2008). This study makes an additional contribution to the literature on attention showing the validity of using the content of annual reports as a proxy for managerial attention. This was not the first study using content of annual reports to measure attention (D'Aveni and MacMillan 1990, Levy 2005, Yadav, Prabhu and Chandy 2007).

In their study about attentional patterns influence on post-merger integration process, Yu *et al.* (2005) show that both cognitions and structure influences organizational attention. Their results indicates further that mental models can be persistent and reinforced by organizational structure, which can blind organizations to signals of opportunities from their context. These studies indicate that structures and cognitions interact to form the process of attention (Ocasio 1997). From this standpoint, Dutton *et al*. 2006 suggest that organizational structures combined with individuals' cognitions allows for the emergence of the processes that coordinate key resources such as attention. This last research also shows that individuals' attention to certain phenomena can be the most important trigger for certain organizational process and that even firms which are structured for the process may fail in the absence of those individuals' attention triggers.

ABV: an structural perspective

Simon (1947) suggests that firm behavior combines cognitive and structural processes and that decision-making is the result of individual's limited attentional capacity and the structural influence of organizations. Even departing from this work, the ABV is more concerned with "the effects of the social structure on the channeling and distribution of decision-makers' attention" and also concerned in rediscovering the relevance of attention structures in explaining firm behavior (Ocasio 1997, p. 188). Organizational attention structures govern the distribution and allocation of time and effort of decision-makers. Those structures are composed by four factors; namely, rules of the game, players, structural positions and resources, that interact to explain how firms regulate attention to their environment. Thus, as proposed by March and Olsen (1976) and further explored by Ocasio (1997, p. 195), attention structures are the primary determinant of the model of situated attention and all that is described using the ABV framework is chiefly defined by them.

In accordance with the ABV, decision-makers are specific social actors that actively participate at procedural and communication channels whereas players are individuals from inside and outside the organization who affect the regulation of organizational attention. While decision-makers have discretionary roles due to their structural positions, players exert control over decision-makers due to their power (Ocasio 1997). Thus, whilst decision-makers have their attention regulated by its structural position and rules of game, players can influence organizational attention through beliefs, skills and values they bring to the firm (March and Olsen 1976). Therefore, the model of situated attention proposes that attention structures ultimately provide decision-makers with interests and identities that are of significance and interest to the organization. It also suggests that decision-makers attention is situated in the firm's procedural and communication channels and that the enactment of the environment is shaped by the issues and answers available and by the interactions among participants of the specific channel.

Attention: a resource dependence view

Resource dependence theory departs from the principle that organizations are unable to produce and generate all necessary resources for their operations and survival (Emerson 1962, Thompson 1967, White 1974, Pfeffer and Salancik 1978 and Salancik 1979). As a consequence, firms enter in exchange relationships to obtain the necessary resources. On the one hand, those transactions with resource providers guarantee firms operations. On the other hand however, they increase external dependencies. Extending the works of Emerson (1962) at individual level and Thompson (1974) at organizational level, resource dependence scholars emphasize the effects of critical dependences on organizational structures and outcomes from the external environment. According to this literature, organizations are embedded in environments that are stocks of resources (White 1974). Dependency is a basic concept available to researchers trying to explain organizational outcomes. It is the inability of firms to generate their factors for production that forces them to engage in transactions with other organizations creating external dependencies which ultimately explain phenomena like joint ventures, mergers, board of director composition, board interlocks and executive succession (Pfeffer and Salancik 1978).

An important aspect of resource dependence theory is its emphasizes on the contingent aspect of external dependences since the value of a resource is not inherited, but given by the exchange relationship. According to RDT, the value of the resource is a direct function of its utility to the firms' operations (White 1974), and the extent to which that resource is necessary for the firm to operate and survive (Aldrich and Pfeffer 1976).

Some scholars criticize resource dependence explanations for frequently ignoring the role of institutions in shaping organizational dependencies and decision making as if critical dependences were fixed and unopened to manipulation and social construction (Salancik and Brindle 1997). However, Thompson's (1967) suggestion that regulations offer additional constraints to organizations is echoed by White (1974) who proposes that environmental constrains can be derived from the market of resources but also from laws and regulations.

The symbolic role of management

In spite of the constraints imposed on decision-making by the environment, Pfeffer (1981) identifies social construction as the ultimate role of managerial action. The boundaries created by critical dependences to the organization limit managerial discretion (Pfeffer and Salancik 1978). Nevertheless, resource dependence scholars suggest that managers are able to manipulate the external environments and have an influence on them (Pfeffer 1981). Arguments for the symbolic role of managerial action is in line with ABV which suggests that organizational outcomes as social constructions are structured by organizational attention and enactments of the environment (Ocasio 1995). Accordingly, much of what we recognize as organizational behavior reflects the interpretations made by decision makers and other organizational actors (March and Olsen 1976).

The symbolic role of managerial action adds a political perspective to organizational attention by suggesting that the purpose of managerial attention is to articulate social values and divergent interests (greening and Gray 1994). Consequently, variation in organizational attention is limited not only by critical resource dependences but also by the need to articulate and manipulate the environment. According to Pfeffer (1981, p. 5), analysis of management must be separated in two levels. On the level of substantive actions, organizational decision-making is by large explained by external dependences. Conversely, on the symbolic level political language and symbolism are central to legitimate and rationalize decision-making. As a result, he argues that "substantive organizational actions such as resource allocations are predicted from conditions of power and dependence." The same relationship does not hold for symbolic action, which must be assessed by different variables such as values and beliefs, instead. Aldrich and Pfeffer (1976) suggest that symbolic managerial action, attention and perception are less important in severely constrained markets because external pressures will increase the correspondence between symbolic and substantive organizational resources. However, it is exactly in these contexts that managerial symbolic action is more important (Pfeffer 1981). This may indicate that stringent institutional environments favor substantive outcomes and, consequently, increase the explanatory power of symbolic action on organizational outcomes.

Hypotheses: the determinants of attention to shareholders

Our research objective is to explain organizational attention, which is widely cited as a critical resource. Thus, we develop a theoretical model to explain attention to shareholders. In order to achieve our aim, we propose a set of hypotheses that concurrently test the explanatory power of RDT and the ABV.

From a purely economic view, antecedents of organizational attention to firms' capital providers are based on resource dependence propositions. Accordingly, organizations are more likely to pay attention to capital providers that control critical resources to organizations' operations and survival. The degree of attention to a resource provider varies between organizations that are more or less dependent on it. Although resource dependence seems to offer a straightforward explanation for organizational attention, we have concerns about the substantive and/or symbolic character of attention as an organizational resource. Resource dependence theory proposes that dependencies on the external environment predict organizational structure and outcomes (Pfeffer and Salancik 1978). However, Pfeffer (1981) states that the correspondence between critical dependences and organizational action holds true for substantive outcomes and only a small effect of external control might be expected for symbolic outcomes.

In our study, we follow a number of empirical research that measure attention using content analysis of letters to shareholders (D'Aveni and McMillan 1990, Abrahamson and Hambrick 1997, Levy 2005, Cho and Hambrick 2006, Yadav, Prabhu and Chandy 2007 and Keegan and Kabanoff 2008). We believe this communication channel is a privileged locus to test the environmental and organizational effects on organizational attention. Firstly, these documents are important means for getting stakeholder support, which can contribute to organizational outcomes (Rindova, Becerra and Contardo 2004). This aspect of letters to shareholders is also emphasized by Pfeffer (1981) when describing the role of management, and also by Staw, McKechnie and Puffer (1983) who suggest the use of the letters to shareholder as means to protect and expand firms' domain. Secondly, the use of annual reports and letters to shareholders enables comparison across firms from different contextual environments. Thirdly, its symbolic nature annual reports are directed to general external and internal audience, providing different types of information, from financial results to HR policies.

Absolute attention to shareholders Larger firms attract more public attention and consequently might affect the absolute amount of attention. Pressures for effectiveness increase with organizational size and from a purely resource dependence perspective complexity comes along with size also bringing additional critical dependencies. Conversely, larger organizations might also be more powerful increasing their insulation capacity. An institutional perspective states "the institutionalized expectations of other firms, consumers, and the state exert greater influence on them" (Goodstein 1994, p. 356) and, hence, pressures are felt heavily in large organizations (Ingram and Simons 1995 and Julian et al 2008). Additionally, legitimacy issues become more salient for larger organizations (Pfeffer and Salancik 1978). As a result, we expect that

H1: Firm size has a positive relationship with absolute attention to shareholders.

On one hand, RDT suggests the use of organizational slack as a strategy for coping with interdependence because it provides organizations with leeway to deal with a larger set of environmental elements. "Organizational slack, frequently apparent in the form of extra profits or resources, is useful not only to make the owners and managers happy but to facilitate managing the environment of competing demands" (Pfeffer and Salancik 1978, p. 274). On the other hand, according to the literature on attention, organizational slack possibilities an expansion of the attention capacity because slack represents extra resources available to the organization that can be used, among other possibilities, to increase organizational attention to external and internal constituents (March and Olsen 1976). Initially, from both RDT and ABV points of view, organizational slack provides organizations with resources that can be used to better manage its external environment. However, from a attention perspective organizations can use slack to buffer external environmental constraints but they can also use those resources in internal aspects of the organization (Cyert and March 1963). The idea behind the attention view is that organizational slack is a cushion that enables organization to amplify its focus of attention and also to change it (Chen and Miller 2007); not necessarily by attending more to external demands.

H2: Organizational slack has a positive relationship with absolute attention to shareholders.

Relative attention to shareholders According to the ABV (Ocasio 1997), organizational attention depends on various aspects of organization structures. Procedural and communication channels, together with attention structures, direct organizational attention by setting rules and guidelines. Consequently, specific channels for communication will display attention according to their very specific rules and routines. As previously described letters to shareholders are yearly documents dedicated to stakeholders in general, and shareholders in particular, which provide qualitative accounts for the organizations' past events and future prospects. In turn, we expect that dedicated attention to shareholders will also be positively affected by firm size.

H3: Firm size has a positive relationship with relative attention to shareholders.

However, different from the organizational slack – absolute attention relationship, we expect that organizational slack will be negatively related to relative attention to shareholders. Considering our focus on letters to shareholders, we expect the cushion provided by those extra resources will be directed to attend to other stakeholders.

H4: Organizational slack has a negative relationship with relative attention to shareholders.

Resource dependence theory suggests that management of dependences is affected by visibility of the outcomes of organizations. More importantly, external parties will exert control as soon as they realize the focal organizational is not meeting their demands. From a resource dependence perspective, measures of performance can work as proxies for two distinct concepts, namely effectiveness and efficiency. According to Pfeffer and Salancik (1978 p. 11), the difference between these concepts "is at the heart of the external versus internal perspective on organizations." Whilst effectiveness is the ability of an organization to create acceptable actions and outcomes and, as such, an external standard, efficiency, an internal standard, is the ability of an organization to make good use of resources in relation to the output. Since we are interested in understanding firms' attention to shareholders, a specific constituency (Connolly, Conlon and Deutsch 1980) we use financial market performance as a proxy for the firm's effectiveness towards its shareholders. Accounting measures of financial performance such as return on equity or return on assets are ratios of utilization of resources to output, thus proxy firm's efficiency.

Using different proxies for attention, Kacperczyk (2009) found a positive association between attention to primary stakeholders and firm profitability measured by ROE. In our specific case, we propose different effects of firm performance on attention to shareholders depending on its measures. Whereas accounting measures for firm performance are good proxies for efficient use of internal resources, market measures are better proxies for effectiveness in meeting shareholders demands. Thus, based on the RDT we hypothesize that market financial performance has a positive effect on shareholder attention whereas an accounting financial performance has no effect.

According to the literature on self-serving attributes and impression management, firms facing low performance will use less explicitly language (Staw, McKechnie and Puffer 1983) when accounting for their poor performance. They might use the letters to shareholders to convince shareholders and other stakeholders that, despite their performance, the firm is still operating in an environment under control and operationally sound and stable (Salancik and Meindl 1984).

H5: Firm accounting performance has no effect on relative attention to shareholders.
H6: Firm market performance has a negative relationship with relative attention to shareholders.

Country level effects In good part of the literature on corporate governance, researchers make a broad distinction between two governance systems. Outsider systems, or the Anglo-American shareholder model, characterized by dispersed ownership of firms where markets for corporate control work as a crucial mechanism tackling agency problems between managers and shareholders. Differently, insider systems or stakeholder model as prevalent in Continental European countries, are characterized by concentrated ownership where large shareholders play an important role in monitoring management (Aguilera and Jackson 2003 and Heugens and Otten 2007). Thus, the relationship between firms and their shareholders is expected to differ between these and other governance systems since not all systems fit on these two types (Heugens and Otten 2007 and Aguilera, Filatotchev, Gospel and Jackson 2008). Firm ownership, capital structures, and capital markets play definitive role on organizational outcomes; nevertheless, explaining firm behavior must also account the interaction of these factors with internal aspects of the firm (Heugens and Otten 2007) and also on the diversity of identities among shareholders and other stakeholders (Aguilera and Jackson 2003; Matten and Moon 2008).

Previous empirical work showed that CEO's and decision-makers' priorities change according to the environment in which they are operating (Robinson and Shimizu 2006 and Cho and Hambrick 2006). Accordingly, we argue here that organizational attention and outcomes are not context-free and, thus, "different organizational environments mediate hypothesized relationships between sets of practices and organizational outcomes, such as effectiveness, efficiency, or performance" (Aguilera et al. 2008, p. 478). Historically entrenched institutions at the country level affect both the way firms are governed (Aguilera and Jackson 2003) as well as the interdependencies among shareholders and other stakeholders (Matten and Moon 2008).

An important implication of the contextual effects of the environment on organizations, which is of particular interest in the context of this book, is related to the various ways in which firms operating in different countries relate to their stakeholders (Maignon and Ralston 2002). "Comparative research in CSR between Europe and the United States has identified remarkable differences between companies on each side of the Atlantic" (Matten and Moon, 2008 p. 404). In European countries, the role of stakeholders is more prominent than in the U.S., where the notion of shareholder supremacy prevails. The role of capital markets as source of finance (Aguilera and Jackson 2003) and the influence of shareholders on decision-making and managerial discretion (Crossland and Hambrick 2007) provide explanations for the question of why corporations in the U.S. are explicit about their CSR policies and practices (Maignan and Ralston 2002) whereas in Europe they tend to be more implicit (Matten and Moon 2008).

Both North-American and European firms will use explicit language to explain poor performance to their shareholders. However, given shareholder supremacy in the American context and the focus on stakeholders in the European context, we expect variation between these contexts. Therefore, we hypothesize that the relationship between firm performance and shareholder attention will be comparatively higher for American companies.

H7: The relationship between market performance and relative attention to shareholders is stronger for American companies than for European companies.

Data and methods

Letters to shareholders as data source Letters to shareholders data have been largely used in research about organizational attention (D'Aveni and McMillan 1990, Abrahamson and Hambrick 1997, Levy 2005, Cho and Hambrick 2006 and Yadav et al 2007). They provide a privileged public available source of comparable company level data (Bettman and Weitz 1983) serving as "particularly good indicators of the major topics that organizational managers attend to" and reveling "how much attention is paid to various aspects of the environment, relative to others" (D'Aveni and MacMillan 1990, p. 640).

Although annual reports, in general, and letters to shareholders, specifically can be seen as a privileged communication channels to manage external impressions about organizations (Staw, McKechnie and Puffer 1983, Bettman and Weitz 1983, Salancik and Meindl 1984, Abrahamson and Park 1994) those channels are also relevant governance channels which reflect important concrete and contextual aspects of the organization's attentional process (Abrahamson and Amir 1996 and Ocasio and Joseph 2005 and 2006). Thus, we chose using letters to shareholders to collect data about organizational attention not only because they provide comparable measures of attention, which are public available but and, more importantly, because of their central role on the model of situated attention. When taken together, these characteristics place shareholder's letters as a suitable data source for our research objectives.

Sample Our sample is derived from the sample used by the Reputation Institute. The Reputation Institute is responsible for the RepTrak dataset, an index of corporate reputation scores, created on the basis of the result of a survey conducted in different countries during the first two of months of every calendar year (Reputation Institute 2007). The sampling process adopted by the Reputation Institute departs from the list of the world's 300 largest companies (in terms of revenue). When a country has fewer than 10 of these companies, then the next largest firms within that country are added to the sample until there are at least 10 firms for each country (Reputation Institute 2006). Their original sample is as large as 1000 companies, however only 600 companies are actually rated. Companies included in the RepTrak survey are only rated in their home countries and must have sufficient general public visibility to be included. Additionally, companies surveyed by the Reputation Institute are commercial companies, and, as such, are neither purely business to business nor investment trust funds.

In our research we departed from the list of 600 companies from 24 different countries rated by the RepTrak survey in 2006. From this list, we excluded privately held firms and focused on 410 publicly listed companies for which the financial data was publicly available. We also excluded a number of companies from the list of 410 publicly listed companies either because they were holding companies (13) or because we could not analyze their letters to shareholders (84). Of these cases, some companies did not publish letters to shareholders in their annual reports, others did not even have an annual report available (only their financial statements), some companies' letters to shareholders were only published in the native language of the home country and finally some letters could not be digitally converted to be used in the qualitative analysis software (NVivo 2.0). Our final sample is, therefore, comprised of the letters to shareholders published in 2004 from 313 companies.

Coding procedure The use of content analysis of letters to shareholders to study and measure attention is well suited to elaborating adolescent theories, such as ABV (Sonpar and Golden-Biddle 2008). The basic idea behind this approach is to classify text into reliable content categories, which will turn into valid variables for further research use (Weber 1990). In our research we used phrases or sentences as our unit of analysis based on the assumption that "groups of words reveal underlying themes" (Duriau, Reger and Pfarrer 2007, p. 6).

The coding process had several stages. In a first phase, one of the authors read 10 letters to shareholders of companies from three different home-countries (US, The Netherlands and Brazil) to check whether there were qualitative differences on the content regarding shareholder attention and other stakeholders attention. We understand shareholder attention as the time and effort allocated by the firm to meet the interests of its shareholders. Strategic actions such as mergers and acquisitions, issues concerning buyouts, dividends and initial public offerings, activism and financial information disclosure are some of the issues we classify as firm attention to their shareholders. On the other hand, local communities support, charity, corporate environmental programs, customer satisfaction, procurement, organizational health and safety we classify as firm attention to stakeholders. We precede a relatively loose reading and classification of sentences for this sample of letters. This relatively free reading also had the objective to list the most salient themes (our coding categories) addressed to the various firms constituencies.

In a second stage, the topics that appeared on the letters to shareholders were discussed with two scholars with expertise in the fields of corporate governance and stakeholder management. By comparing these topics with the literature, this discussion aimed to develop an inventory of unambiguous topics that could be found on letters to shareholders that would indicate shareholder and/or stakeholder attention. After a series of discussions among the authors and after sending the list of grouped categories to an expert panel of 10 scholars from the field of management studies, we entered on a third phase when we run a pilot coding using NVivo software assigning 8 letters to shareholders to a master student. The same letters were simultaneously coded by the author and possible inconsistencies and ambiguities were discussed before having the remaining letters coded by one of the authors. The final version of the coding scheme is comprised by a list of 22 categories grouped according to its focus of attention[2]. Based on the dichotomy between shareholder and stakeholder, we created two proxies, one for shareholder attention and another for stakeholder attention.

[2] Coding categories available upon request.

Dependent variable Attention was measured using the results of the content analyzed letters. The proxies for shareholder and stakeholder attention were operationalized following measures of relative attention used in previous researches such as D'Aveni and MacMillan (1990) (degree of attention) and Levy (2005) (proportionate attention). In addition to these two, we also created a proxy for *absolute attention to shareholders* which is the logarithm value of the total number of characters displayed by the letters to shareholders. Hence, our proxy for *relative shareholder attention* is the ratio of characters coded under themes (or categories) of shareholders interests by the total amount of characters displayed on the letter and similarly *relative stakeholder attention* is the number of characters coded under stakeholder categories divided by absolute attention.

Independent variables There are several measures that could be used for *size*, including total assets, total sales and number of employees. We opted to use the total assets because total sales and the number of employees could also be seen as proxies for customers and employees dependence, respectively. Among measures for organizational *slack* (Bourgeois 1981), we used the current ratio (ratio of current assets by current liabilities), which is a measure of unabsorbed slack, or uncommitted liquid resources. The current ratio is a measure of organizational slack that indicates the firm's ability to meet immediate obligations or debts (Singh 1986). Thus, being a measure of available resources, current ratio captures the arguments developed in our hypothesis about the relationship between organizational slack and attention. We used return on equity (ROE) and Tobin's Q for our measures for accounting and market *financial performance*, respectively. Whereas ROE captures how well the firm is using its resources, Tobin's Q measures investors' expectations of firm's profitability. We calculated Tobin's Q as the ratio of the firm's market value by its replacement costs using the formula suggested by Lindenberg and Ross (1981). All these data were drawn from the Worldscope database.

Board independence as control ABV distinguishes players and decision-makers. Accordingly, decision-makers are social actors that participate in the procedural and communication channels and, players are social (or, group of) actors that can influence the attentional process through their power (Ocasio 1997). Taking the board of directors as a concrete group of actors that have some control or influence over CEO (Zald 1969 and Bainbridge 2002); we added variables of board independence to control for the influence of directors (players) over the CEO (decision-maker). We used a dichotomous measure to indicate when the CEO has a dual role also being the chair of the board of directors (*CEO duality*) and also the *ratio of inside directors*, or the number of members of the board who are also part of the management team divided by the total number of directors on the board (Dalton, Daily, Ellstrand and Johnson 1998, for a review). These two variables proxy higher discretion of the CEO, as a decision-maker on the governance channel, i.e., letter to shareholders.

Analysis and model development For our hypotheses testing we developed three sets of models for different dependent variables: absolute shareholder attention, relative shareholder attention and relative stakeholder attention. As discussed earlier, our measures of attention were collected via content analysis of text letters to shareholders. Hence, despite the different dependent variables, our sets of models present the same independent variables that were raised to test the antecedents of attention to shareholders who are the main target audience of the content analyzed documents. The underlying reasoning here is that our measure for absolute attention is less sensitive to financial performance because the publication of the letters to shareholders is likely, independent of the current financial performance; meaning that some amount of attention will be dedicated to shareholders anyway. However, how much of this attention is fully dedicated and focused to shareholders is hypothesized to be affected by the financial performance. Additionally, we test whether the antecedents of relative shareholder attention also have an effect on stakeholder attention. In these set of models we are interested in whether (positive) financial performance would first give decision-makers more flexibility on their focused attention to shareholders and second whether this shareholder “attention slack” (Barnett 2008) would be dedicated to other corporate constituencies (Kacperczyk 2009).

Our three dependent variables have means significantly different from 0 (refer to Table 1), very few cases have values 0 and frequency distributions tends to normality allowing us to adopt ordinary least squares (OLS) regression analysis which is a simple and straightforward statistical technique. The OLS has the additional advantage of providing intuitive means for testing moderating effects as ones hypothesized for the country effects on shareholder attention (Cohen, Cohen, West and Aiken 2003). The inclusion of interaction terms might contribute to multicollinearity which might artificially increase the size of the regression coefficients (Aiken and West 1991). For that reason, we used mean-centered continuous measures for the variable included in the interaction terms (i.e., market financial performance). According to the results of the multicollinearity diagnostic tests we carried out, our models do not reveal multicollinearity problems (none of the computed variance inflation factors (VIF) were higher than five). Due to the increased variance of our sample comprised by companies from various countries and also to the number of cases with missing values in any of the independent variables, we did a *post hoc* power analysis (Cohen 1992) of our results to test the effect size of our statistical model. All our relevant models presented more than 80% power (specifically, full model for shareholder attention has 92.49% power and full model for stakeholder attention has 80.92% power).

Results

Table 1 provides descriptives and bivariate correlation coefficients of all variables. The results of our absolute attention model, presented on Table 2, confirm the positive effect of size on attention, as stated in our first hypothesizes. Our prediction of a positive effect of organizational slack on organization attention (Hypothesis 2) however, was disconfirmed.

Coefficients for size are positive and significant whereas coefficients for slack are not significant and approximately equal to zero. It is interesting to observe that one of our measures of board (in)dependence, i.e. ratio of insider directors, has a negative and significant coefficient, meaning that absolute attention is negatively influenced by executive dominated boards.

Insert Table 1 about here

Insert Table 2 about here

The results presented on Table 3 provide support for four out of five of our hypotheses regarding relative shareholder attention. Although we found a positive and significant effect of size on absolute attention, the coefficients for size on relative shareholder attention are not significant. On the other hand, the coefficients for slack are significant and negative in all relevant models for relative attention to shareholders, confirming our predictions of Hypothesis 4. Together, these results show that size and slack do not have the same effects on organizational attention and shareholder attention as predicted. Both hypotheses about the effects of financial performance were confirmed. Coefficients for accounting measures of financial performance are not significant and have no effect on shareholder attention. Conversely, coefficients for the effects of market financial performance are significant and negative related to shareholder attention.

Insert Table 3 about here

Finally, our country level Hypothesis was also confirmed by the coefficients of the interaction terms between European companies (or companies of the rest of the world) and market financial performance. For a better grasp of the interaction effects between country groups and financial market performance, we calculated the slope coefficients for the European companies and also for companies of the rest of the world and plotted the relationships between the country groups dummies at level of bad and good financial performance (i.e., one standard deviation bellow and above the mean) (Aiken and West 1991). As depicted by Figure 1, we can see that shareholder attention of US companies is considerable more sensitive to variations in the financial market performance, than companies from other countries.

Insert Figure 1 about here

Additional analysis

Does good financial performance have a positive effect on stakeholder attention?

Although addressed to shareholders, letters to shareholders are also of interest to other constituencies of the firm. In some cases the opening of the letter explicitly addresses stakeholders and very often all letters include some paragraphs discussing employee interests and demands. Therefore, we also tested whether or not financial performance and other antecedents of shareholder attention also affect stakeholder attention. When experiencing positive financial performance and in the presence of organizational slack, CEO's relative attention to shareholders was negatively affected. Does strong financial performance offer CEO's more flexibility to address stakeholders' interests, thereby increasing relative stakeholder attention? Results shown in table 4 indicate that stakeholder attention is neither affected by the firm's market financial performance nor by organizational slack, their coefficients being not significant. However, the coefficient of size is positive and significant, indicating that larger firms pay more attention to their stakeholders.

Insert Table 4 about here

Do letters to shareholders actually reflect impression management efforts rather than organizational attention?

Despite being a suitable data source for the current study, there are concerns regarding a possible use of these of letters to shareholders for impression management purposes. Impression management literature suggests that corporate communications reflect intended strategies to persuade and convince external public about the appropriateness of organizational actions (Marcus and Goodman 1991, Elsbach and Sutton 1992, Arndt and Bigelow 2000 and Bansal and Clelland 2004). It further suggests that attempts to manage impressions are particularly prominent in performance justifications (Staw, McKechnie and Puffer 1983, Bettman and Weitz 1983, Salancik and Meindl 1984, Abrahamson and Park 1994). Impression management scholars would argue that letters to shareholders are carefully crafted documents intended to manipulate external audiences' perceptions rather than a governance and procedural channel reflecting organizational attention, as is suggested by the ABV literature.

To test whether or not texts derived from letters to shareholders that are dedicated either to shareholders or stakeholders simply reflect impression management efforts rather than organizational attention, we estimate the effects of our basic model, including board independence measures, company level variables (size, slack and financial performance) and our measures of relative attention against the reputation scores measured by the RepTrak data. Results of the regression analysis of corporate reputation reduce the likelihood that impression management as an alternative explanation is the correct explanation and corroborate our argument in favor of organizational attention. According to the results presented in Table 5, neither shareholder nor stakeholder attention has a significant effect on corporate reputation.

Insert Table 5 about here

Discussion

Considering that content analysis of letters to shareholder have been often used in studies about organizational attention and also impression management, there were concerns regarding the validity of using letters to shareholders as one of the procedural and communication channels as modeled by Ocasio (1997). This was especially acute in our research design because we focused our hypothesis on attention to external constituencies, specifically to shareholders, to do the concurrent test between RDT and ABV. Therefore, in our sampling procedure and data analysis we considered impression management as an alternative explanation for our results. Although annual reports and letters to shareholders can be seen as a privileged communication channel to manage external impressions about organizations, our results indicate that those corporate communications are also relevant governance channels which reflect important concrete and contextual aspects of the organization's attentional process as predicted by the ABV.

An interesting observation drawn from our results relates to the effect of organizational size in our various measures of attention: absolute, shareholder and stakeholder attention. Larger firms pay more absolute attention, in general, however, they not necessarily dedicate more attention to shareholders. Our research shows that organizational size affects absolute attention and stakeholders attention, a result that is in line with predictions of RDT which suggests that organizational size is a proxy for visibility and that larger organizations are vulnerable to a larger set of external interdependences. Thus, as a result of the increased number of resource dependences, larger organizations expand their attention in order to manage their external environment. In addition to the effects of size on organizational attention, our results related to organizational slack and performance are also insightful. The negative effects of organizational slack and market firm performance on shareholder attention indicates that these two firm level characteristics gives some leeway to CEO's to dedicate less attention to shareholders. However, an optimistic financial condition experienced by the company and the latitude it provides to the CEO does not necessarily mean more attention to other stakeholders. Different from the results reported by Kacperczyk (2009), we do not find that a relief from sources of shareholder pressures and demands will increase corporate attention to non-shareholder stakeholder. Although our results are not incompatible with the idea that more managerial discretion has an effect on shareholder attention, they do not substantiate the subsequent suggestion that the increase on managerial discretion due to less shareholder pressure will be devoted to other stakeholders.

Our further analysis including the effects of financial market performance on shareholder attention in different countries might offer a better explanation not only for the results found by Kacperczyk (2009) but also for other studies about attention that content analyzed letters to shareholders of companies from a single country, i.e. US (D'Aveni and MacMillan 1990, Abrahamson and Hambrick 1997, Levy 2005, Cho and Hambrick 2006 and Yadav et al 2007). The prevalence of a logic of shareholder primacy (Bainbridge 2002) in the US not only explains the sensitiveness of shareholder attention to variances in financial market performance but also the consequently re-focusing of attention, towards other stakeholders but also to other issues of interest of the CEO. In European countries and also in the rest of the world, where shareholders do not enjoy such a privileged position among other constituents, the logic might be more proximate to managerialism where "managers are thus autonomous actors free to pursue whatever interests they choose." (Bainbridge 2002, p. 3). In the very specific case of letters to shareholders, one among many governance channels (Ocasio 1997), good market performance might give more freedom to CEO's to attend other stakeholders, but also to reinforce the company's identity (The Walt Disney Company 2004) or to express their own ideas and view of the world (Berkshire Hathaway Inc 2004). Furthermore, these arguments also support our explanation against an impression management explanation.

Limitations and future research directions Our sample is comprised by firm level data from companies of 24 different countries bringing additional variance to be explained by theoretical and empirical tests. As we argued, there are many components on the organizational environment, including at country level, which might help the understanding of firm level phenomena (Crossland and Hambrick 2007). On the flip side of adding country level variance one find difficulties in identifying what are the very specific contextual factors that explain more of the phenomena under investigation. As suggested by Aguilera and Jackson (2003) and Matten and Moon (2008), there is a wide set of elements pertaining organizations' environment at country level that affects how organizations respond to their stakeholders. Not only is there variety, but also are there different combinations among those contextual elements and interactions between environmental and organizational characteristics, which contribute to the explanation of organizational practices, corporate strategies, and firm behavior. When we proposed testing country effects on the explanation of organizational attention, we were aware of the increasing variance and complexity added on the current research problem. Consequently, more than explaining variance we were looking for statistical power and significant effects that would capture our arguments for influence of the environment on very specific and localized aspects of organizational and attention structures.

Theoretical contributions One of the most criticized aspects of RDT is the environmental determinism on organizational outcomes. Accordingly, external interdependencies impose numerous constraints to the focal organization leaving it with no other option than responding to it, if to survive (Galaskiewicz et al 1985, Finkelstein 1997 and Pfeffer 1997). RDT is also criticized for neglecting the embeddedness character of organizational moves and also the reality of the organizations as institutions. Additionally, RDT perspectives reduce and confine managerial action to the symbolic level (Pfeffer 1981). Despite recognizing the multiplicity of internal and external environmental stimuli affecting organizations and also the numbered constraints on behavior such as physical realities, social influences, personal preferences and cognitive capacities (Pfeffer and Salancik 1978), a resource dependence approach focus its explanation of the linkage between environments and organizations on the presence of structures and information systems as enablers of environment enactment, not exploring internal linkages which also account for a full understand of organizational moves.

Departing from the central tenet of the ABV that "to explain firm behavior is to explain how firms distribute and regulate attention of their decision-makers" (Ocasio 1997, p. 188), we suggest the attentional perspective (Ocasio 1995 and 1997) of firm behavior as a more comprehensive model of the linkage between environment and organization considering both external and internal aspects of the environment. According to the ABV, organizational outcomes are a resultant of three interrelated aspects: the focus of attention of decision-makers, the very specific context where decision-makers find themselves and the structural distribution of attention of the organization (Ocasio 1997). Because ABV considers multiple processes at environmental, organizational and individual levels affecting firm behavior, it not only offers a less deterministic view of the influence of the environment on focal organizations and but it also incorporates the managerial role as providing additional explanation for organizational outcomes.

Our theoretical study highlights the complementary nature of the resource dependence theory and the attention-based view of the firm. ABV provides RDT with a more comprehensive view of the relationship between environment and organizational outcomes, including both the external and the internal constrains on organization. RDT, in turn, complements ABV making more explicit the effects of the environment on attention structures and, ultimately, on organizational behavior. Therefore, we contribute to the development of the ABV providing an explanation for some of the mechanisms "of how the firm as a cultural and social system is shaped by the environment of action" (Ocasio 1997, p.193), which are not explicitly addressed on the model of situated attention and firm behavior.

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APPENDIX – TABLES AND FIGURES

Table 1
Means, Standard Deviations and Correlations

	N	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11
1. Absolute attention	313	3.89	0.26											
2. Shareholder attention	313	28.78	17.61	-0.01										
3. Stakeholder attention	313	16.00	12.89	.20**	-.44**									
4. CEO duplicity[a]	309	0.33	0.47	0.11	0.02	0.01								
5. Ratio inside directors	291	0.18	0.20	-0.05	0.09	-0.03	0.04							
6. Size	313	4.48	0.72	0.10	-0.03	0.09	0.10	0.02						
7. Slack	243	0.09	0.20	0.08	-.14*	0.11	-0.04	-.18**	-.19**					
8. Accounting performance	299	1.16	0.35	-0.03	0.01	0.07	0.02	-.12*	-0.01	0.07				
9. Market performance	238	1.15	0.73	0.07	-0.09	0.05	.15*	-0.06	-0.11	0.11	.33**			
10. Reputation score	313	64.35	9.19	0.01	-0.05	0.01	0.03	0.04	-.22**	.17**	-0.04	.13*		
11. European companies[a]	126	0.40	0.49	-.16**	.14*	-.13*	-.29**	-.21**	-0.08	-0.02	0.03	0.01	0.00	
12. ROW companies[a, b]	111	0.35	0.48	0.01	-0.03	0.09	-.21**	.35**	-.16**	-0.05	-0.09	-.23**	-0.01	-.61**

** p < .01

* p < .05

a Dummy variable.

b ROW stands for "Rest of the World".

Table 2

Results of OLS Regression Analysis of Absolute Attention[a]

	Model 1		Model 2		Model 3		Model 4						Model 5					
Variables	*Board independence*		*Size and Slack*		*Financial performance*		*Country effects*						*Interaction effects*					
CEO duplicity	0.04	(0.04)	0.00	(0.04)	-0.02	(0.04)	-0.06	(0.04)	0.00	(0.04)	-0.07	(0.04)	-0.07	(0.05)	-0.07	(0.05)	-0.07	(0.05)
Ratio insider directors	-0.10	(0.09)	-0.09	(0.09)	-0.10	(0.09)	-0.14$^+$	(0.09)	-0.14$^+$	(0.10)	-0.14$^+$	(0.10)	-0.14$^+$	(0.10)	-0.14$^+$	(0.10)	-0.14$^+$	(0.10)
Size			0.14$^+$	(0.03)	0.15**	(0.04)	0.14$^+$	(0.03)	0.17**	(0.04)	0.13$^+$	(0.04)	0.13$^+$	(0.04)	0.13$^+$	(0.04)	0.13$^+$	(0.04)
Slack			0.03	(0.10)	0.02	(0.10)	0.01	(0.10)	0.02	(0.10)	0.01	(0.10)	0.00	(0.10)	0.01	(0.10)	0.00	(0.10)
Accounting performance					-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)
Market performance					0.08	(0.03)	0.09	(0.03)	0.17	(0.03)	0.09	(0.03)	0.02	(0.04)	0.10	(0.03)	0.03	(0.04)
EU companies							-0.17**	(0.04)			-0.19$^+$	(0.06)	-0.20$^+$	(0.06)	-0.19$^+$	(0.06)	-0.20$^+$	(0.06)
ROW companies									0.13	(0.04)	-0.02	(0.06)	-0.04	(0.06)	-0.03	(0.06)	-0.04	(0.06)
EU x mkt perf.													0.09	(0.05)			0.08	(0.05)
ROW x mkt perf.															-0.04	(0.07)	-0.02	(0.08)
Constant	3.91	(0.03)	3.64	(0.15)	3.68	(0.16)	3.77	(0.16)	3.63	(0.16)	3.78	(0.19)	3.79	(0.20)	3.79	(0.19)	3.79	(0.19)
R^2	0.010		0.028		0.036		0.061		0.047		0.061		0.065		0.062		0.065	
F	1.026		1.431		1.230		1.850		1.411		1.614		1.523		1.459		1.368	

a Standard errors are in parenthesis. N=207

$^+$ p < .10

** p < .05

* p < .01

Table 3

Results of OLS Regression Analysis of Shareholder Attention[a]

Variables	Model 1 *Board independence*		Model 2 *Size and Slack*		Model 3 *Financial performance*		Model 4 *Country effects*						Model 5 *Interaction effects*					
CEO duplicity	-0.04	(2.54)	-0.02	(2.65)	0.01	(2.72)	0.06	(2.75)	-0.02	(2.73)	0.06	(3.09)	0.06	(3.09)	0.06	(3.09)	0.06	(3.07)
Ratio insider director	0.07	(5.98)	0.05	(6.05)	0.05	(6.11)	0.11	(6.21)	0.12	(6.63)	0.11	(6.60)	0.10	(6.64)	0.12	(6.62)	0.11	(6.61)
Size			-0.06	(2.39)	-0.08	(2.43)	-0.06	(2.39)	-0.11	(2.45)	-0.06	(2.54)	-0.07	(2.54)	-0.05	(2.56)	-0.05	(2.55)
Slack			-0.13^{+}	(6.71)	-0.12^{+}	(6.72)	-0.11	(6.60)	-0.12^{+}	(6.66)	-0.11	(6.64)	-0.13^{+}	(6.76)	-0.10	(6.72)	-0.12^{+}	(6.75)
Accounting performance					0.09	(3.54)	0.09	(3.47)	0.10	(3.51)	0.10	(3.48)	0.10	(3.48)	0.09	(3.50)	0.08	(3.49)
Market performance					-0.14^{+}	(1.81)	-0.14^{+}	(1.78)	-0.17**	(1.83)	-0.15^{+}	(1.84)	-0.23**	(2.46)	-0.18**	(1.93)	-0.32*	(2.76)
EU companies							0.22*	(2.60)			0.21**	(3.79)	0.19^{+}	(3.83)	0.21**	(3.79)	0.178	(3.83)
ROW companies									-0.18**	(2.89)	-0.01	(4.18)	-0.04	(4.24)	0.01	(4.23)	-0.02	(4.25)
EU x mkt perf.													0.11	(3.42)			0.18^{+}	(3.66)
ROW x mkt perf.															0.09	(4.96)	0.14^{+}	(5.31)
Constant	28.75	(1.82)	37.70	(10.19)	35.33	(11.10)	27.84	(11.18)	40.82	(11.27)	28.53	(12.83)	29.68	(12.86)	27.65	(12.85)	28.89	(12.81)
R^2	0.006		0.024		0.041		0.082		0.064		0.082		0.089		0.088		0.101	
F	0.592		1.239		1.437		2.540		1.955		2.213		2.127		2.106		2.208	

a Standard errors are in parenthesis. N=207

$^{+}$ p < .10

** p < .05

* p < .01

Table 4

Results of OLS Regression Analysis of Stakeholder Attention[a]

	Model 1		Model 2		Model 3		Model 4						Model 5					
Variables	*Board independence*		*Size and Slack*		*Financial performance*		*Country effects*						*Interaction effects*					
CEO duplicity	0.00	(1.87)	-0.05	(1.94)	-0.07	(2.00)	-0.12	(2.04)	-0.03	(2.00)	-0.06	(2.28)	-0.06	(2.28)	-0.06	(2.28)	-0.06	(2.28)
Ratio insider directors	-0.04	(4.40)	-0.02	(4.40)	-0.02	(4.50)	-0.07	(4.60)	-0.11	(4.85)	-0.10	(4.87)	-0.11	(4.90)	-0.11	(4.89)	-0.11	(4.91)
Size			0.16**	(1.75)	0.17**	(1.79)	0.16**	(1.77)	0.21*	(1.79)	0.19**	(1.88)	0.19**	(1.88)	0.19**	(1.89)	0.19**	(1.89)
Slack			0.08	(4.92)	0.07	(4.65)	0.06	(4.89)	0.07	(4.87)	0.07	(4.89)	0.06	(4.99)	0.06	(4.96)	0.05	(5.02)
Accounting performance					-0.02	(2.60)	-0.02	(2.57)	-0.03	(2.56)	-0.03	(2.57)	-0.03	(2.57)	-0.02	(2.59)	-0.02	(2.59)
Market performance					0.09	(1.33)	0.09	(1.32)	0.13**	(1.34)	0.12	(1.35)	0.06	(1.81)	0.15^{+}	(1.43)	0.10	(2.05)
EU companies							-0.19**	(1.93)			-0.08	(2.80)	-0.09	(2.83)	-0.08	(2.80)	-0.09	(2.84)
ROW companies									0.22**	(2.12)	0.16	(3.08)	0.15	(3.13)	0.14	(3.12)	0.14	(3.15)
EU x mkt perf.													0.08	(2.53)			0.05	(2.72)
ROW x mkt perf.															-0.08	(3.66)	-0.06	(3.94)
Constant	16.58	(1.34)	0.45	(7.46)	-0.18	(8.17)	4.49	(8.28)	-5.24	(8.24)	-1.95	(9.46)	-1.36	(9.50)	-1.39	(9.48)	-1.12	(9.52)
R^2	0.001		0.027		0.033		0.063		0.063		0.072		0.075		0.076		0.077	
F	0.126		1.393		1.144		1.900		2.121		1.914		1.774		1.797		1.638	

a Standard errors are in parenthesis. N=207

$^{+}$ $p < .10$

** $p < .05$

* $p < .01$

Table 5
Results of OLS Regression Analysis of Corporate Reputation[a]

Variables	Model 1 *Board independence*		Model 2 *Size and Slack*		Model 3 *Financial performance*		Model 4 *Relative attention*					
CEO duplicity	-0.07	(1.28)	-0.03	(1.30)	-0.07	(1.33)	-0.07	(1.33)	-0.07	(1.33)	-0.07	(1.33)
Ratio insider directors	0.08	(3.02)	0.12⁺	(2.97)	0.11	(2.99)	0.11	(3.00)	0.11	(2.99)	0.11	(2.99)
Size			-0.11	(1.18)	-0.1	(1.19)	-0.09	(1.19)	-0.07	(1.20)	-0.08	(1.20)
Slack			0.23*	(3.29)	0.22*	(3.28)	0.22*	(3.31)	0.22*	(3.29)	0.22*	(3.31)
Accounting perf.					-0.09	(1.73)	-0.09	(1.74)	-0.09	(1.73)	-0.09	(1.74)
Market perf.					0.16**	(0.88)	0.16**	(0.89)	0.17**	(0.89)	0.16**	(0.89)
Shareholder attention							-0.03	(0.04)			-0.06	(0.04)
Stakeholder attention									-0.06	(0.05)	-0.08	(0.05)
Constant	65.84	(0.92)	72.24	(5.00)	73.30	(5.42)	73.79	(5.57)	73.21	(5.43)	74.38	(5.59)
R^2	0.01		0.08		0.10		0.10		0.11		0.11	
F	1.086		4.360		3.831		3.293		3.382		3.039	

a Standard errors are in parenthesis. N=223

⁺ p < .10
** p < .05
* p < .01

Figure 1
Moderating effect of Country groups at Shareholder Attention