REPUTATION AS A BENEFIT AND A BURDEN? HOW STAKEHOLDERS’ ORGANIZATIONAL IDENTIFICATION AFFECTS THE ROLE OF REPUTATION FOLLOWING A NEGATIVE EVENT

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Reputation as a Benefit \textit{and} a Burden?
How Stakeholders' Organizational Identification Affects the Role of Reputation Following a Negative Event

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REPUTATION AS A BENEFIT AND A BURDEN? HOW STAKEHOLDERS’ ORGANIZATIONAL IDENTIFICATION AFFECTS THE ROLE OF REPUTATION FOLLOWING A NEGATIVE EVENT

Abstract

Research about the effects of an organization’s general reputation following a negative event remains equivocal: Some studies have found that a high reputation is a benefit because of the stock of social capital and goodwill it generates; others have found it to be a burden because of the greater stakeholder attention and violation of expectations associated with a negative event. We theorize that stakeholders’ level of organizational identification helps explain which mechanisms are more dominant. We test our hypotheses on a sample of legislative references associated with NCAA major infractions from 1999-2009. Our results indicate that a high reputation is a burden for an organization when considering low-identification stakeholder support: As the number of legislative references increases, a high-reputation university will receive fewer donations from non-alumni donors than universities without this asset. In contrast, a high reputation is a benefit when considering high-identification stakeholder support: As the number of legislative references increases, a high-reputation university will receive more donations from alumni donors than universities without this asset. However, an exploratory investigation reveals that alumni donations to high-reputation universities decline as the number of legislative references increases, suggesting that the benefit of a high reputation has a limit.
An organization’s general reputation has been conceptualized as the public recognition and social approval of an organization (Fombrun & Shanley, 1990; Lange, Lee, & Dai, 2011; Pfarrer, Pollock, & Rindova, 2010; Rindova, Williamson, Petkova, & Sever, 2005). At a high level, organizational reputation serves as an intangible asset that allows stakeholders to differentiate an organization that has a high reputation from organizations without this asset (Pfarrer et al., 2010; Rao, 1994). In this way, a high reputation can provide an organization with specific advantages, such as better access to resources, the ability to employ high-quality workers, and greater chances of financial success (Deephouse, 2000; Pfarrer et al., 2010; Rindova et al., 2005). Given these advantages, much organizational research over the past three decades has focused on how an organization can build and maintain a high reputation (e.g., Fombrun & Shanley, 1990; Fombrun & van Riel, 2004; Petkova, Rindova, & Gupta, 2008; Rindova, Williamson, & Petkova, 2010).

In addition, recent research has shown that a high reputation can benefit an organization following a negative event, such as corporate downsizing, legal sanctions, and negative earnings surprises (Love & Kraatz, 2009; Pfarrer, DeCelles, Smith, & Taylor, 2008; Pfarrer et al., 2010; Schnietz & Epstein, 2005; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). A high-reputation organization can accrue a stock of social capital with its stakeholders over time (Fombrun & Shanley, 1990), prompting stakeholders to give the organization the benefit of the doubt as the volume of wrongdoing (i.e., the adverse financial, physical, or emotional consequences) associated with a negative event increases (Fombrun, 1996; Love & Kraatz, 2009; Pfarrer et al., 2010; Schnietz & Epstein, 2005). This stock of social capital is similar to the concept of a “reservoir of goodwill,” which suggests that a high-reputation organization can accrue goodwill with its stakeholders that creates a form of insurance following a negative event (Das & Teng,
2001; Godfrey, Merrill, & Hansen 2009; Jones, Jones, & Little, 2000: 21). Taken together,
organizational scholars have emphasized the stock of social capital and reservoir of goodwill as
mechanisms that trigger the benefits associated with a high reputation following a negative
event.

Despite a research focus on the benefits associated with a high reputation, some
management scholars have argued that a high reputation may be a burden under particular
circumstances, including severe automobile recalls (Rhee & Haunschild, 2006) and low financial
performance (Wade, Porac, Pollock, & Graffin, 2006). These studies have highlighted two main
mechanisms that trigger the burden associated with a high reputation. First, past research has
theorized that a negative event in a high-reputation organization is more salient, and thus
generates greater stakeholder attention, than a negative event with a similar volume of
wrongdoing in organizations without this asset (Rhee & Haunschild, 2006). Second, a high
reputation can elevate stakeholders’ expectations about an organization’s future behavior
(Mishina, Block, Dykes, & Pollock, 2010; Petkova, Wadhwa, Yao, & Jain, 2014). Thus, a
negative event in a high-reputation organization will be associated with a greater violation of
expectations than an event with a similar volume of wrongdoing in other organizations. Taken
together, these mechanisms may generate more adverse stakeholder reactions to a negative event
in a high-reputation organization than in organizations without this intangible asset (Rhee &
Haunschild, 2006; Schnietz & Epstein, 2005; Wade et al., 2006).

In summary, past research about the role of a high reputation following a negative event
has been equivocal. The theoretical and empirical question, therefore, remains: Why have some
studies found a high reputation to be a benefit while other studies have found it to be a burden?
Building on research from social psychology and organization theory, we argue that a reason for the inconsistencies of prior reputation studies is their lack of attention to stakeholders’ level of organizational identification—the cognitive and emotional connection, or perceived oneness, that stakeholders feel with an organization (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994; Pratt, 1998). Specifically, we theorize that for low-identification stakeholders, the greater attention and violation of expectations associated with a negative event in a high-reputation organization are more dominant mechanisms than the stock of social capital and goodwill the organization has built with these stakeholders. Thus, a high reputation will be a burden for an organization, and it will experience less subsequent support from low-identification stakeholders than organizations without a high reputation. In contrast, we theorize that for high-identification stakeholders, a high-reputation organization’s greater stock of social capital and reservoir of goodwill are more dominant mechanisms than stakeholder attention and violation of expectations associated with a negative event. Thus, a high reputation will be a benefit for an organization, and it will experience more subsequent support from high-identification stakeholders than organizations without a high reputation.

We test our hypotheses on an eleven-year sample of legislative references associated with National Collegiate Athletic Association (NCAA) major infractions at U.S. universities. Each major infraction resulted in “significant recruiting, competitive, or other advantages” (www.ncaa.org) for a university and is associated with a varying volume of wrongdoing (i.e., a different number of legislative references or rule violations). We purposefully focus on negative events with unclear attributions of responsibility because such events allow for variance in interpretations of the event, perceptions about the organization, and subsequent reactions by low- and high-identification stakeholders (non-alumni and undergraduate alumni).
Consistent with our hypotheses, our results indicate that a high reputation is a burden when considering low-identification stakeholder support: As the number of legislative references increases, a high-reputation university will receive less subsequent support from non-alumni donors than non-high-reputation universities. In contrast, a high reputation is a benefit when considering high-identification stakeholder support: As the number of legislative references increases, a high-reputation university will receive more subsequent support from alumni donors than non-high-reputation universities. However, in an exploratory analysis, we find that whereas alumni initially increase support toward a high-reputation university, they begin to withdraw support as the number of legislative references increases, suggesting that the benefit of a high reputation has a limit.

Our theory and findings contribute to research that has examined the role of organizational reputation following a negative event (e.g., Love & Kraatz, 2009; Pfarrer et al., 2010; Rhee & Haunschild, 2006) in the three ways. First, we theorize and find that a high reputation can be both a benefit and a burden when taking stakeholders’ organizational identification into account. Second, we complement recent research that has examined the differences among stakeholder groups’ perceptions of an organization (e.g., Lamin & Zaheer, 2012; Pollock, Rindova, & Maggitti, 2008) by focusing on the perceptual differences within a group of specific stakeholders: university donors. We theorize which mechanisms associated with a negative event in a high-reputation organization are more dominant for low- and high-identification stakeholders. Third, we theorize that high-identification stakeholders may perceive a negative event in an organization as being connected to their personal identities, thus limiting the benefit of a high reputation. Taken together, these contributions help inform management practice about low- and high-identification stakeholders’ different reactions to a negative event.
and how awareness of these differences may assist in more effective stakeholder and reputation management.

REPUTATION AS A BENEFIT AND A BURDEN?

Following prior organizational studies, we define general reputation as the public recognition and perceived social approval of an organization that, at high levels, can serve as a key intangible resource (Barnett, Jermier, & Lafferty, 2006; Deephouse, 2000; Fombrun & Shanley, 1990; Rindova et al., 2005). An organization with a high reputation can charge premium prices (Rindova et al., 2005; Shapiro, 1982, 1983), gain better access to needed resources (Fombrun, 1996), achieve better financial performance (Deephouse & Carter, 2005), and increase its chances of survival (Rao, 1994). In this way, organizational scholars view a high reputation as an intangible asset that helps an organization accrue superior, tangible benefits (Deephouse, 2000; Rao, 1994; Rindova et al., 2005).

Recent organizational research has also investigated the role of a high reputation following negative events that have adverse financial, physical, or emotional consequences for an organization and its stakeholders (Pfarrer et al., 2008; Zavyalova et al., 2012). However, the effect of an organization’s reputation on stakeholders’ perceptions of and reactions to a negative event has been equivocal. Some studies have theorized and found that a high reputation is associated with less stakeholder disapproval and withdrawal. Stakeholders tend to be more lenient toward an organization that is known for “good behavior” (Love & Kraatz, 2009: 321). In these instances, reputation serves as a stock of social capital that benefits an organization following a negative event (Fombrun & Shanley, 1990; Fombrun, 1996). Social capital develops

1 Whereas some organizational scholars have theorized about reputation as general social approval of the organization, others have highlighted its multidimensional nature (cf. Lange et al., 2011; Rindova & Martins, 2012). In this study, we focus on the former conceptualization, and we use the terms “reputation” and “high reputation” for brevity.
between an organization and its stakeholders over time, and it can prompt stakeholders to give
the benefit of the doubt to the organization (Adler & Kwon, 2002; Das & Teng, 2001; Dore,
1983; Godfrey et al., 2009). In this way, a stock of social capital is similar to the concept of a
“reservoir of goodwill,” (Jones et al., 2000: 21) which is associated with less harsh judgments
from stakeholders, and that has been theorized and empirically found to serve as a buffer to a
high-reputation organization following a negative event (Godfrey et al., 2009; Jones et al., 2000;
Schnietz & Epstein, 2005).

For instance, high-reputation organizations experienced significantly fewer declines in
their short-term stock performance following negative earnings surprises compared to
organizations without this asset (Pfarrer et al., 2010). Similarly, high-reputation organizations
did not experience a fall in cumulative abnormal returns following Seattle’s World Trade
Organization crisis in 1999, while other organizations suffered financially (Schnietz & Epstein,
2005). In the same vein, in a study of America’s Most Admired Companies, high-reputation
firms experienced less of a loss of social approval than other firms following downsizing (Love
& Kraatz, 2009). Overall, these studies indicate that the social capital and goodwill that a high-
reputation organization accrues with its stakeholders can attenuate the adverse effects of a
negative event on stakeholders’ perceptions of and their support toward an organization.

In contrast, other studies have theorized and found evidence that a high reputation may
amplify the adverse effects of a negative event. There are two primary mechanisms associated
with these findings. First, negative events in high-reputation organizations are more salient than
in organizations without this asset. That is, they stand out more than similar negative events in
other organizations (Fiske & Taylor, 2008). As a result, they attract more negative attention from
stakeholders (Rhee & Haunschild, 2006). Second, negative events in high-reputation
organizations are associated with a greater violation of expectations than comparable events in other organizations (Rhee & Haunschild, 2006). Stakeholders’ expectations are violated when an organization’s actions deviate from their past experiences (Floyd, Ramirez, & Burgoon, 1999; Robinson & Rousseau, 1994; Snyder & Stukas, 1999). Because a high reputation develops from an organization’s ability to meet stakeholders’ expectations of appropriate behavior over time (Rindova et al., 2005; Shapiro, 1983), a negative event in a high-reputation organization may deviate more from stakeholder expectations than a similar event in other organizations (Burgoon & LePoire, 1993; Rhee & Haunschild, 2006). As a result, comparable negative events may be associated with more negative consequences for a high-reputation organization than for organizations without this asset.

For example, Rhee and Haunschild (2006) found that highly reputable automakers suffered greater losses of market share than other organizations following severe automotive recalls, and Brooks and colleagues found that stakeholders evaluated high-reputation organizations more negatively than organizations without this asset (Brooks, Highhouse, Russell, & Mohr, 2003). At the individual level of analysis, Wade and coauthors found empirical evidence that highly reputable CEOs received lower compensation compared to other CEOs as the company’s performance worsened (Wade et al., 2006). Overall, these studies suggest that a high reputation can amplify the adverse effects of a negative event on stakeholders’ perceptions of and support toward an organization.

In summary, past research suggests that a high reputation can be a benefit or a burden. In the next section, we argue that taking into account the level of organizational identification helps clarify the inconsistencies of past theory and findings.

**HYPOTHESES**
As organizational and mass communication research has argued, a negative event involving a high-reputation organization is particularly salient (Fiske & Taylor, 2008; Zavyalova et al., 2012). That is, it attracts more attention among stakeholders than an event with a similar volume of wrongdoing involving an organization without this asset (Breen, 1997; Katz, 1987; Lee, 2008; McCarthy, McPhail, & Smith, 1996; Peterson, 1979; Rhee & Haunschild, 2006; Shoemaker, Danielian, & Brendlinger, 1991). Additionally, an increase in the volume of wrongdoing is also associated with greater attention from organizational stakeholders. Therefore, as the volume of wrongdoing increases, organizational stakeholders will attend more to a negative event in a high-reputation organization than in organizations without this asset. In turn, the greater attention toward the event affects how stakeholders interpret and react to it (Rhee & Haunschild, 2006).

Further, stakeholders’ expectations about appropriate conduct are also higher for a high-reputation organization than for organizations without this asset (Mishina, Block, & Mannor, 2012; Petkova et al., 2014; Rhee & Haunschild, 2006). Thus, an increase in the volume of wrongdoing associated with a negative event in a high-reputation organization can lead to a greater violation of expectations among organizational stakeholders than a similar event in non-high-reputation organizations. Looking more closely at these arguments, however, we suggest that the greater attention and violation of expectations generated by a negative event in a high-reputation organization may not result in the withdrawal of support from all stakeholders.

Organizational Identification

We propose that the level of organizational identification affects the role of organizational reputation following a negative event. Organizational identification is a form of social identification that creates a cognitive and emotional link between stakeholders and an

Stakeholders with a low level of organizational identification do not feel a close connection between their values and those of the organization. They have few cognitive and emotional links to the organization, and they do not define themselves as being one with the organization. For example, consumers who buy products only because of their functionality, rather than their emotional appeal or value congruence, have a low level of organizational identification.²

In contrast, high-identification stakeholders borrow organizational characteristics to define themselves in social interactions, which can increase their self-esteem, reduce others’ uncertainty about who they are (Bartel, 2001; Hogg & Terry, 2000), and signal the congruence between their personal values and those of the organization (Whetten & Mackey, 2002). In this way, a high level of organizational identification serves as a self-categorization mechanism for stakeholders during social interactions (Rao, Monin, & Durand, 2003). For example, consumers who highly identify with Apple may view themselves as possessing characteristics they associate with the company, such as being cool, young, and modern.

The feeling of oneness with an organization not only affects stakeholders’ perceptions about and behaviors toward the organization, but also their reactions to new information about the organization. Several empirical studies have found that how individuals make sense of new

² Having a low level of organizational identification is different from experiencing organizational disidentification, or defining oneself as not being associated with the organization due to disapproval of organizational values and behaviors (Bhattacharya & Elsbach, 2002; Devers, Dewett, Mishina, & Belsito, 2009; Elsbach & Bhattacharya, 2001). Whereas a low level of identification may be associated with a weak cognitive or emotional connection between an individual and an organization, disidentification is associated with actively distancing oneself from an organization (Dukerich, Kramer, & Parks, 1998; Reger et al., 1998).
information about an entity depends on their previously held attitudes toward it (Ahluwalia, Burnkrant, & Unnava, 2000; Berger, Sorensen, & Rasmussen, 2010; Edwards & Smith, 1996). For instance, consumers who have had prior positive experiences with a company brand are more likely to make justifications for new negative information about the brand than those consumers who have not had a history of positive experiences (Ahluwalia et al., 2000).

Similarly, stakeholders with different levels of identification toward an organization make sense of new information about organizational actions and events in different ways (Heil & Robertson, 1991; Klein & Ahluwalia, 2005; Lange et al., 2011; Maurer, Bansal, & Crossan, 2011; Pfarrer et al., 2008). For example, Hastorf and Cantril’s classic study of an American collegiate football game showed that students favored their alma mater versus the opponent when tracking penalties (Hastorf & Cantril, 1954).

Below, we extend these arguments and findings to theorize that low- and high-identification stakeholders perceive a negative event differently. In turn, these different perceptions affect their subsequent support for a high-reputation organization relative to organizations without this asset.

**Low-Identification Stakeholders: High Reputation as a Burden**

We theorize that a high reputation is a burden for an organization when considering support from low-identification stakeholders. As we discussed above, a negative event in a high-reputation organization is associated with greater attention and violation of expectations than a similar event in organizations without a high reputation. Additionally, the identities of low-identification stakeholders are not tightly connected to a high-reputation organization. Thus, the stock of social capital and goodwill that a high-reputation organization develops with low-identification stakeholders is low, making their cognitive and emotional costs of withdrawal also
low. Because of this weak connection, low-identification stakeholders may alter their perceptions about a high-reputation organization based on the new, negative information they have received. As a result, for low-identification stakeholders, the greater attention and violation of expectations associated with a negative event are more dominant mechanisms than a stock of social capital and reservoir of goodwill.

For example, low-identification stakeholders may attribute the cause of a negative event to the high-reputation organization itself, rather than to external factors (Parker & Axtell, 2001). They may also perceive the information about a specific negative event as representative of the high-reputation organization’s general behavior (Skowronski & Carlston, 1987), which can violate the expectations that low-identification stakeholders previously placed on the high-reputation organization (Mishina et al., 2012). Ultimately, as the volume of wrongdoing associated with a negative event increases, a high reputation becomes a burden when considering low-identification stakeholder support.

Hypothesis 1. As the volume of wrongdoing associated with a negative event increases, a high-reputation organization will experience less subsequent support from low-identification stakeholders than organizations without a high reputation.

High-Identification Stakeholders: High Reputation as a Benefit

We theorize that a high reputation is a benefit for an organization when considering support from high-identification stakeholders. Although a negative event in a high-reputation organization is associated with greater attention and violation of expectations than a similar event in other organizations, we theorize that for high-identification stakeholders, the stock of social capital and reservoir of goodwill are more dominant mechanisms. The close connection between high-identification stakeholders and a high-reputation organization serves as a source of increased self-esteem and opportunity for self-enhancement, which are heightened through the
conferring of an organization’s positive qualities on stakeholders (Bhattacharya, Rao, & Glynn, 1995; Fuller et al., 2006; Kjaergaard, Morsing, & Ravasi, 2011; Mael & Ashforth, 1992; Smidts, Pruyn, & van Riel, 2001). A high reputation therefore increases the value that high-identification stakeholders derive from being associated with the organization, and it strengthens their cognitive and emotional connection to it (Cialdini et al., 1976; Dutton et al., 1994). As a result, a high-reputation organization accrues a larger stock of social capital and goodwill with high-identification stakeholders than an organization without a high reputation. These larger stocks may affect how understanding high-identification stakeholders are of the organization following a negative event (Adler & Kwon, 2002). That is, high-identification stakeholders may be more likely to give the benefit of the doubt to a high-reputation organization than to organizations without this asset.

Moreover, high-identification stakeholders perceive organizational actions and events as being tied to their personal identities. They may “bask in the reflected glory” of positive events (Cialdini et al., 1976: 366) and they may feel that their personal identities are threatened following negative events (Harrison, Ashforth, & Corley, 2009). The cognitive and emotional connection between high-identification stakeholders and a high-reputation organization may make it more difficult for high-identification stakeholders to detach their identities from a tainted high-reputation organization. As a result, high-identification stakeholders will tend to attribute the cause of a negative event to situational factors, rather than assign blame to the organization (Hofmann & Stetzer, 1998; Parker & Axtell, 2001), or they may rationalize it as being not so bad (Ashforth et al., 2008; Elsbach & Kramer, 1996; Koooor-Misra, 2009; Nag, Corley, & Gioia, 2007; Turner, 1975). These stakeholders will continue to support a high-reputation organization as the volume of wrongdoing associated with a negative event increases.
For example, when Dan Kane of *The News & Observer* (Raleigh, NC) reported on the University of North Carolina’s “pattern of lax oversight and risibly easy or nonexistent classes disproportionately benefiting athletes…” many fans and alumni were “outraged at…his wrongheaded efforts” and believed that Kane was “looking for Watergate-style sports-related conspiracies that simply do not exist” (Lyall, 2014). Here, the stock of social capital and reservoir of goodwill that developed between a high-reputation organization and its high-identification stakeholders were more dominant than the effects of greater attention and violation of stakeholders’ expectations. The close cognitive and emotional connection between a high-reputation organization and the identities of its high-identification stakeholders likely led to their positive reinterpretations of a negative event and their attempts to restore consistency between their self-perceptions and how others viewed the organization (Ashforth et al., 2008; Gutierrez, Howard-Grenville, & Scully, 2010). This resulted in a high reputation serving as a benefit for the organization.

*Hypothesis 2. As the volume of wrongdoing associated with a negative event increases, a high-reputation organization will experience more subsequent support from high-identification stakeholders than organizations without a high reputation.*

**METHODS**

**Sample**

We tested our hypotheses on a comprehensive sample of NCAA major infractions in four-year, degree-granting U.S. colleges and universities (hereafter “universities”) from 1999–2009. Our context and sample have three major advantages: First, examining U.S. universities allows us to investigate the effects of a negative event on stakeholders with low and high levels of organizational identification (non-alumni and undergraduate alumni). Second, this context allows us to use longitudinal organizational-level data of negative events that likely draw
organizational stakeholders’ attention (NCAA major infractions). Third, information about universities’ reputations is easily accessible to both low- and high-identification stakeholders. Together, these advantages allow us to investigate how organizational identification affects the role of reputation following a negative event.

We constructed our initial sample using data from the National Center for Education Statistics (http://nces.ed.gov/ipeds/datacenter/), which compiles comprehensive information on all U.S. universities. We restricted the sample to universities that were members of the NCAA, the regulatory body of U.S. college athletics, which “create[s] the framework of rules for fair and safe [athletic] competition” (http://www.ncaa.org/about/who-we-are). We then merged this dataset with self-reported data on donations to U.S. universities from the Council for Aid to Education (CAE), which we describe in more detail below. To examine support to the same university by stakeholders with low and high levels of organizational identification, we used a nested data structure: Each university is observed twice in a given year, once for non-alumni donations and once for undergraduate alumni donations.

It is important to note that not all NCAA-member universities 1) completed an annual CAE survey every year, 2) responded to all the questions in the survey in a given year, and 3) reported donations by both non-alumni and undergraduate alumni in a given year. Because of the non-uniform response rates, the number of observations for donations by low- and high-identification stakeholders varies. Specifically, there are 4,262 university-year observations on donations by low-identification stakeholders (non-alumni) and 3,106 university-year observations on donations by high-identification stakeholders (alumni). Thus, our final sample

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3 We conducted t-tests to assess the differences between the two samples. Our results, available from the first author upon request, indicated no significant differences for most of the predictor and control variables.
consists of 7,368 university-stakeholder group-year observations, with 1,118 university-stakeholder groups and 658 universities.

Dependent Variable

**Stakeholder support.** We measured support from low- and high-identification stakeholders as the natural logarithm of inflation-adjusted donations (based on 1999 dollars) by non-alumni as well as undergraduate alumni to a given university in the year subsequent to an NCAA major infraction \((t+1)\). We measured support from low-identification stakeholders as the donation amount given by individuals who do not have direct ties to the university (i.e., they did not attend the university, they are not members of the faculty or staff, and they are not parents of attending students). Studies suggest that individuals without a strong connection to an organization may donate because they believe in the organization’s mission or simply because they were asked to do so (Braiterman & Hessekiel, 2011; Perigoe, 2011). For example, local philanthropists, businesspeople, and other patrons may give to a local university. However, because these individuals neither attended nor have a degree from the university, their identification with the university may not be as strong as the one between the university and its undergraduate alumni. We measured support from high-identification stakeholders as the donation amount given to a university by its undergraduate alumni. Undergraduate alumni spend several years at the university and receive a degree. Thus, their identities are likely more highly connected to the identity of the university than those of non-alumni (Mael & Ashforth, 1992).

We obtained information on university donations from the CAE. The CAE is a national nonprofit organization and “is the nation’s sole source of empirical data on private giving to education, through the annual Voluntary Support of Education survey and its Data Miner interactive database” (www.cae.org). The CAE annually surveys all U.S. universities and
colleges and “consistently captur[es] about 85 percent of the total voluntary support to colleges and universities in the United States” (www.cae.org).

**Independent Variables**

*Volume of wrongdoing associated with a negative event.* We measured the volume of wrongdoing associated with a negative event as the sum of legislative references associated with a major NCAA infraction by a focal university in a given year. A major infraction is defined as a violation of NCAA rules that results in “significant recruiting, competitive, or other advantages” for a university’s athletic program (www.ncaa.org). A major infraction is associated with a number of legislative references, each of which refers to a specific NCAA rule that a university violated (e.g., recruiting violations, impermissible compensation, and impermissible financial aid awards to athletes). Thus, the volume of wrongdoing varies based on the sum of legislative references cited in the description of each major infraction. We provide examples of infractions and legislative references in Appendix A.

In our selection of the independent variable, we were guided by several factors. First, the circumstances surrounding NCAA major infractions are often unclear and become subject to sensemaking by organizational stakeholders. Second, the infractions are examples of actions inconsistent with the goals and ethical guidelines by which member universities should abide. Hence, they are likely to be perceived as negative events. Third, because each infraction is associated with a different number of legislative references, we could empirically measure the volume of wrongdoing associated with each negative event. Finally, information about NCAA major infractions is public and thus is likely to affect donation decisions by alumni and non-alumni.
We obtained information on NCAA major infractions and the corresponding number of legislative references from the Legislative Services Database, maintained by the NCAA (https://web1.ncaa.org/LSDBi/exec/miSearch). Universities in our sample predicting non-alumni donations were cited for 704 legislative references, and universities in the sample predicting undergraduate alumni donations were cited for 518 legislative references.

High reputation. We measured high reputation as a binary variable equal to one if the university was ranked among the top-50 universities by *U.S. News and World Report (USNWR)* in a given year and zero otherwise. We distinguished high-reputation organizations from non-high-reputation organizations for two reasons. First, reputation functions as an intangible asset at high levels (Dierickx & Cool, 1989; Pfarrer et al., 2010; Rao, 1994). Observers, such as donors, are more likely to distinguish top-ranked, high-reputation universities from all others, while being less discriminating about finer grained distinctions (Burson, Larrick, & Lynch, 2009; Janicik & Larrick, 2005). Second, comparing stakeholder reactions to a negative event in a high-reputation university vs. universities without this asset allowed us to include the population of NCAA-member universities in our analyses, instead of only the ranked ones.

Industry rankings have been used widely in past organizational research to measure an organization’s general reputation (Basdeo, Smith, Grimm, Rindova, & Derfus, 2006; Fombrun & Shanley, 1990; Mishina et al., 2010; Pfarrer et al., 2010; Rhee & Haunschild, 2006; Rindova et al., 2005). In the context of our study, the *USNWR* rankings are among the most prominent and comprehensive rankings of U.S. universities (Rindova & Fombrun, 1999; Rindova et al., 2005), and they are closely monitored by school administrators (Martins, 2005), alumni (Dichev, 1999), and non-alumni (Sauder & Lancaster, 2006).
To find additional support for our measure of the top-50 universities in the *USNWR* rankings, we first looked at print copies of the *USNWR* annual rankings. In every year of our sample, the top-50 universities were listed on the first page of the report followed by all other universities on subsequent pages. Additionally, at the time of the study, visitors to the *USNWR* university rankings webpage were allowed to view no more than 50 universities per page. Because recent evidence indicates that most online users do not click through to the second page of search results (Jensen, 2011) and because of the rankings display in print copies of *USNWR*, we used the top-50 cut-off to distinguish high-reputation universities from all other universities in our sample.

**High identification.** To assess a high level of organizational identification, we included a binary variable equal to one if a university-year observation corresponded to undergraduate alumni donations and zero if the university-year observation corresponded to non-alumni donations. This assessment is consistent with findings of prior research that, on average, alumni identification with a university is higher than that of non-alumni (Mael & Ashforth, 1992).

**Control Variables**

We included several control variables to account for the differences among the major infractions in our sample. To account for the *media coverage* of universities’ NCAA major infractions, we conducted a search in the Lexis-Nexis database of national and local U.S. newspapers’ coverage of each infraction. The first author and two research assistants read all 1,733 articles that resulted from this search, retained those related to the major infractions in our sample, and deleted any duplicates. The final number of articles about infractions in our sample is 1,203. The final media coverage variable was measured as the number of articles published about a specific infraction that occurred at a focal university in a given year.
To account for the various NCAA penalties a university may have incurred, we controlled for whether the university sustained a *reduction in financial aid* that it could offer athletes to attend the university, whether the university received a *recruiting penalty*, and the number of years of a *postseason penalty* a university’s athletic teams experienced. A university’s impression management efforts in response to being cited for an NCAA major infraction may affect stakeholders’ interpretations of the event (Coombs, 2012; Elsbach, 2003; Elsbach & Kramer, 1996; Pfarrer et al., 2008; Zavyalova et al., 2012). We therefore included a dummy variable equal to one if the university filed an *appeal* with the NCAA and zero otherwise. We obtained this information from the NCAA Legislative Services Database mentioned above. To account for the possibility that changes in donations were due to a university’s solicitation efforts, we controlled for the number of *solicited stakeholders* (non-alumni and undergraduate alumni) by a given school in a given year. We also controlled for the number of *donors* in each category.

It is possible that large universities are involved in negative events with a higher volume of wrongdoing and receive more donations from alumni. To account for *university size*, we controlled for the number of full-time students enrolled in a university in a given year. To control for the annual success of universities’ more prominent athletic programs—football and basketball (Rovell, 2014)—we included two dummy variables for schools that were ranked in the NCAA’s *top-25 football* or *top-25 basketball* polls at the end of the season in a given year. We collected the historical data on NCAA rankings from ESPN (www.espn.go.com). To control for *athletic department quality*, we created an ordinal variable ranging from 1 to 10 based on each university’s percentile rank in the Directors’ Cup in a given year. The Directors’ Cup provides consolidated rankings of universities’ athletic programs. A university with an overall ranking
greater than or equal to the 90th percentile received a value of 10, the 80th to 89th percentile received a 9, the 70th to 79th percentile received an 8, and so on. We collected the longitudinal data on these rankings from the National Association of Collegiate Directors of Athletics (www.nacda.org).

During the period of our study, no university had more than one major infraction in a given year and only three universities were engaged in more than one major infraction. To control for a university’s prior wrongdoing, we included a binary variable equal to one if a university was engaged in an NCAA major infraction in previous years and zero otherwise. To account for variation in stakeholder support during the year of wrongdoing, we included a binary variable equal to one if a university was engaged in an NCAA major infraction in a given year and zero otherwise.4

Analyses

We tested our hypotheses using multilevel linear regressions. Multilevel modeling is an appropriate way to model nested longitudinal data when there are more than two levels of nested data (Schonfeld & Rindskopf, 2007). Our data structure consists of three levels: university, stakeholder group, and year. We used maximum likelihood estimation with standard errors clustered by university and included two random intercepts, both for a university and stakeholder group. To account for the temporal changes in the sample, we included year fixed effects (Green, 2003). We conducted all our analyses in Stata 14.

RESULTS

Table 1 reports the summary statistics and correlations among the variables. High correlations between some variables may present multicollinearity concerns. To address this

4 As a robustness check, we omitted both variables from our analyses. Our results remained unchanged.
issue, we computed Variance Inflation Factors (VIF). The mean VIF was 1.89 and no individual VIF was greater than 3.50, both of which are below the threshold of 10 (Greene, 2003). Additionally, the condition number in our sample (coldiag command in Stata 14) was 4.61, below the recommended threshold of 30 (Belsley, Kuh & Welsch, 1980; Cohen, Cohen, West & Aiken, 2003). Thus, multicollinearity does not seem to present a concern.

To test our hypotheses about how stakeholders’ organizational identification affects the role of reputation following a negative event, we included a three-way interaction of volume of wrongdoing, high reputation (USNWR top-50 ranking), and high identification (undergraduate alumni- vs. non-alumni). The results of multilevel regressions are reported in Table 2. Model 1 in Table 2 includes baseline control variables, Model 2 includes main effects of the predictor variables and their related control variables, and Model 3 includes interactions among the predictor variables.

To test Hypothesis 1, which predicted that as the volume of wrongdoing associated with a negative event increases, a high-reputation organization will experience less subsequent support from low-identification stakeholders than organizations without a high reputation, we assessed the coefficient for the interaction between volume of wrongdoing and high reputation. This coefficient is negative and significant ($\beta = -0.030, p < .01$). This indicates that, on average, each additional legislative reference decreases non-alumni donations to a top-50 university by three percent more than to other universities. Specifically, a typical top-50 university that engages in a major NCAA infraction with one legislative reference experiences a $162,503 (–4.1\%)$ decrease.
in non-alumni donations, whereas other universities experience, on average, a $12,996 (−1.1%) decrease in non-alumni donations.

To better interpret this result, we graphed the moderating relationship in Figure 1 (Aiken & West, 1991). As Figure 1 shows, whereas the simple slope of the volume of wrongdoing on low-identification stakeholder support for non-high-reputation universities is negative and marginally significant (−0.01, \( p < .10 \)), it is negative and significant for high-reputation universities (−0.16, \( p < .01 \)). Thus, the adverse effect of the volume of wrongdoing associated with a negative event on support from low-identification stakeholders is more pronounced in high-reputation organizations than in organizations without a high reputation. This indicates that a high reputation is a burden when considering support from low-identification stakeholders. Thus, we find support for Hypothesis 1.

Hypothesis 2 predicted that as the volume of wrongdoing associated with a negative event increases, a high-reputation organization will experience more subsequent support from high-identification stakeholders than organizations without a high reputation. To test this hypothesis in a multilevel regression, we assessed the combination of two coefficients: the previously examined two-way interaction of high-reputation and volume of wrongdoing (\( \beta = −0.030, \ p < .01 \)) and the coefficient for the three-way interaction among the volume of wrongdoing, high reputation, and high identification (\( \beta = 0.083, \ p < .01 \)). The test of the combination of these coefficients (0.083 − 0.030) is positive and significant (\( \beta = 0.053, \ p < .05 \)).
This indicates that each additional legislative reference increases undergraduate alumni donations to a typical top-50 university by 5.3 percent more than to other universities. Specifically, a typical top-50 university that engages in a major NCAA infraction with one legislative reference experiences, on average, $201,324 (4.5 percent) increase in undergraduate alumni donations, whereas other universities experience, on average, a $10,898 (−0.8 percent) decrease in undergraduate alumni donations.

To better understand the nature of the interaction, we graphed it in Figure 2. As Figure 2 shows, the simple slope of the volume of wrongdoing on high-identification stakeholder support for non-high-reputation universities is negative and marginally significant (−0.01, \( p < .10 \)), yet it is positive and marginally significant for high-reputation universities (0.21, \( p < .10 \)). Thus, a top-50 university, relative to universities not in the top 50, experiences greater financial support from undergraduate alumni as the number of legislative references associated with an NCAA major infraction increases. Furthermore, Figure 2 illustrates that a high reputation not only lessens the damage inflicted on an organization by wrongdoing, but it also serves as a benefit that may increase support from high-identification stakeholders. Thus, Hypothesis 2 is supported.

Supplemental Analyses

The decreasing benefit of a high reputation. The results associated with our test of Hypothesis 2 indicated that a high reputation is a benefit for an organization such that high-identification stakeholders increase their support for a high-reputation organization following a negative event. However, theory suggests that there may be a threshold beyond which even high-identification stakeholders struggle to justify a negative event and begin to lose faith in a high-reputation organization (Bhattacharya & Sen, 2003; Einwiller, Fedoraikhin, Johnson, & Kamins, 2006). Highly negative information about a high-reputation organization may threaten high-
identification stakeholders’ positive sense of personal identity. Thus, it is possible that as the volume of wrongdoing associated with a negative event in a high-reputation organization reaches a certain level, the stock of social capital and goodwill that a high-reputation organization has cultivated with high-identification stakeholders may become depleted, and the burdening effects of the greater attention and violations of expectations associated with the negative event may become more dominant. To maintain the integrity of their own identities, high-identification stakeholders may distance themselves from the high-reputation organization (Greve, Palmer, & Pozner, 2010).

To examine this relationship further, we conducted exploratory analyses on the potential limit of the benefit associated with a high reputation. We tested for the presence of a curvilinear effect on a subsample of high-identification stakeholders in high reputation universities and used a fixed-effects OLS regression. Three criteria help evaluate a curvilinear effect: a significant squared term of volume of wrongdoing, an inflection point within the range of the data, and significant slopes on both sides of the inflection point (Haans, Pieters & He, 2015). The results of the fixed-effects analysis with robust standard errors are provided in Table 3. The analyses presented in Model 6 show that the squared term of the volume of wrongdoing associated with a negative event is negative and significant ($\beta = -0.096, p < .01$).

To better interpret this finding, we plotted it in Figure 3. As illustrated in Figure 3, the inflection point approaches three legislative references, which is within the range of the data. Simple slope analyses indicate a positive slope one violation below the inflection point (4.32, $p < .01$) and a negative slope one violation above the inflection point (−4.00, $p < .01$). Furthermore, the test of the presence of an inverse u-shaped relationship (utest command in Stata 14) is
significant ($p < .01$; [Lind & Mehlum, 2010]). Taken together, these results support the notion that there may be limits to the benefit of a high reputation.

The role of media coverage. In our context, greater media coverage about an NCAA infraction may be a way through which non-alumni and alumni learn about the negative event. To check for this possibility, we first considered the correlation between the volume of wrongdoing and media coverage. As can be seen from Table 1, the correlation is positive and significant, indicating that infractions with a higher volume of wrongdoing received more media coverage.

To explore this further, we used a fixed-effects estimation to regress the volume of wrongdoing and a set of controls on the amount of media coverage in a sample of universities that reported donations by both non-alumni and undergraduate alumni. The direct effect of the volume of wrongdoing on the amount of media coverage was positive and marginally significant ($\beta = 0.24, p < .10$), suggesting that infractions with a larger number of legislative references receive more coverage in local and national U.S. newspapers.

Given this result and to gain further insight into the media’s role in influencing low- and high-identification stakeholders’ reactions to a negative event, we used a Sobel test of mediation (Koopman, Howe & Hollenbeck, 2015; Sobel, 1982), multilevel mediation (using the ml_mediation command in Stata 14 with bootstrapped standard errors), and RMediation (Tofghi & MacKinnon, 2011). Results of these analyses did not show a significant mediating effect of media coverage. Of course, there may be numerous ways by which alumni and non-alumni learn
about infractions (e.g. word of mouth, university website, social media, radio, and television) and testing their effects may be a fruitful area of future research.

**Robustness Checks**

*Alternative estimation methods.* We checked the robustness of our results using alternative estimation methods. First, to account for unobserved time invariant characteristics of each university, we included university fixed-effects in the multilevel model reported in Table 2. Our hypotheses remained supported. Second, we re-ran our analyses using a fixed-effects OLS regression with robust standard errors. This required us to split the sample into two separate, but overlapping, samples: universities that reported non-alumni donations (638 universities with 4,262 university-year observations) and universities that reported undergraduate alumni donations (480 universities with 3,106 observations). Our hypotheses remained supported. Third, we considered that in the multilevel regression the coefficients for the control variables may be identical for both low- and high-identification stakeholder groups (Raudenbush & Bryk, 2001). In order to see if this constraint biased our main results, we interacted all control variables with the high identification variable, allowing for the fixed coefficient to vary between the groups. Our results remain unchanged.

*Endogeneity of a negative event.* There are two main sources of potential endogeneity in our study: 1) universities’ involvement in infractions may not be random, and 2) the NCAA may target specific universities (cf. Graffin et al., 2013). First, there may be unobserved characteristics of universities (e.g., culture or leadership) that suggest that misconduct may or may not be tolerated. To account for this potential source of endogeneity, we used a university’s religious affiliation to instrument for the university’s propensity to engage in an infraction. Theoretically, a religious affiliation should be associated with a lower probability of involvement
in an NCAA major infraction, but it should not be associated with the amount of annual donations.

Second, it is also possible that the NCAA disproportionately targets some universities. We addressed this potential endogeneity issue with qualitative and quantitative analyses. NCAA guidelines state that “the enforcement process strives to be fair to the involved institution, its employees and student-athletes throughout the investigation, charging, hearing and penalty-assessment stages” (www.ncaa.org). This description provides qualitative evidence that the NCAA does not target specific schools, including high-reputation universities.

In order to provide quantitative support for this evidence, we conducted a two-stage instrumental variable estimation. In our search for an appropriate instrument, we looked for a variable that was associated with the NCAA’s likelihood of targeting specific schools, yet was not associated with donation levels. We selected the presence of a university representative on the NCAA Committee on Infractions (COI) in a given year. To collect information on COI membership, we searched the NCAA’s website as well as multiple news databases. However, we discovered that historical information about COI membership is not readily available to the public. We therefore contacted the NCAA directly. A representative provided us with the COI membership data from 1999 to 2009. We then used the university’s religious affiliation and COI membership as instruments in the first stage of a two-stage instrumental variable regression and tested for presence of endogeneity (xtivreg2 with endogtest option in Stata 14). The results of the tests of endogeneity, when predicting donations, did not reject the null hypothesis that a university’s involvement in an NCAA major infraction was exogenous (p > .10).

Additionally, insofar as NCAA infractions are a function of the observable characteristics of universities, we used a propensity score matching technique (nnmatch in Stata 14) to generate
one-to-one matched samples to test our hypotheses. The technique has two characteristics that are important for our purposes: 1) it permits us to specify the variables for an exact rather than a closest match, thus allowing for stricter matching criteria; and 2) the matches are conducted with replacement, which allows a university that is not involved in a major infraction to be considered as a potential match for more than one university that is involved in a major infraction.

For each university involved in a major infraction, we used exact matches based on the geographic region in which the university was located, the year when the major infraction took place, and the university’s NCAA division (i.e., I, II, or III). For matches that met these criteria, we found the closest match based on the USNWR rank, the number of enrolled students, and the number of solicited alumni or non-alumni. The estimations using matched samples provide further support for Hypotheses 1 and 2 (with both results significant at \( p < .05 \)). In sum, we cannot rule out all alternative explanations or definitively claim causality in our estimations (Bascle, 2008; Hamilton & Nickerson, 2003). However, we are confident that the presented robustness checks lend credence to the results we have reported above.

**Alternative operationalizations of high reputation.** To check the robustness of our results to alternative operationalizations of high reputation, we recoded high-reputation organizations as those ranked in the top 55 as well as those in the top 45 of the USNWR rankings. In the analysis of top-45 universities, our results remained unchanged. In the analysis of top-55 universities, Hypothesis 2 remained supported, but Hypothesis 1 lost statistical significance (\( p = .15 \)). Changing the coding of high reputation to lower thresholds (e.g., top-75 or top-100 universities) resulted in fewer differences between the two groups. This is consistent with received theory and findings (e.g., Rao, 1994; Pfarrer et al., 2010) as well as qualitative evidence for how USNWR reports its rankings, suggesting that reputational rankings among U.S.
universities reflect our categorical breakpoints and that stakeholders perceive the most prominent

differences between the top-50 universities and all others.

To use a finer-grained measure of reputation, we followed prior social evaluations
research that has used categorical measures (cf. McDonnell & King, 2013; Pfarrer et al., 2010)
and created five dummy variables: top-50 universities, universities ranked between 51 and 75,
universities ranked between 76 and 100, universities ranked between 101 and 126, and all other
universities. We then tested our hypotheses with the categorical measure of reputation. The
results remained significant and in the hypothesized directions for top-50 universities, but not for
universities in other categories. These findings provide further evidence that in the context of our
study, the most pronounced reputational differences are between the top-50 universities and all
other universities.

Finally, to explore whether our results were robust to a measure of high reputation that
reflected a university’s athletic reputation, we created two other measures of reputation in
addition to our original top-50 USNWR measure. First, we defined a high-reputation university as
one that was ranked in the top 50 of USNWR rankings, or top 25 in football, or top 25 in
basketball. Second, we measured a high-reputation university as one that was in the top 25 in
football or top 25 in basketball. However, neither measure supports our hypotheses. Given our
theoretical focus on universities’ general reputation—and how it affects reactions by low- and
high-identification stakeholders, these non-findings may not be surprising. We suspect that the
level of identification that non-alumni and alumni feel toward their universities’ sports teams
may be different from that toward the university in general. Moreover, an NCAA infraction may
not be a suitable measure of wrongdoing when theorizing about and testing the benefit and
burden of a high athletic reputation. Stakeholders who identify with this specific reputational
dimension of the university may not interpret an infraction as a negative event.

**Alternative operationalization of the volume of wrongdoing.** To test the robustness of
our results to alternative operationalizations of our primary independent variable, we used the
amount of media coverage about a major NCAA infraction as a measure of the volume of
wrongdoing. We used the same data that we collected for our control variable, *media coverage*,
above. We ran the same analysis with media coverage as the primary predictor variable,
controlling for the number of legislative references. Both hypotheses remained supported.

**Alternative sample.** As we mentioned above in describing our primary sample, 638
universities provided information about non-alumni donations and 480 universities provided
information about undergraduate alumni donations during the period of our study. Despite the
few substantive differences between the two samples, we reran our main analyses on a sample
restricted to those universities that reported information on both non-alumni and alumni
donations (446 universities with 2,616 university-year observations). Whereas this sample
significantly decreases the number of observations (from 7,368 to 5,232), the results of a
multilevel regression reported in Table 2, Model 3 remain consistent with Hypotheses 1 and 2,
providing further support for the benefit and burden of a high reputation.

In summary, we conducted several robustness checks to assess the veracity of our theory
and findings: We used alternative estimation methods; tested for potential endogeneity in our
sample; included alternative operationalizations of a university’s general reputation and volume
of wrongdoing associated with a negative event; and conducted our analyses on alternative
samples. In each case, we continued to find support for Hypothesis 1 and 2.
DISCUSSION

Contributions to Theory

This paper makes three major theoretical contributions. Our first theoretical contribution is to research that has examined the role of organizational reputation following a negative event (e.g., Love & Kraatz, 2009; Pfarrer et al., 2010; Rhee & Haunschild, 2006). Specifically, by introducing the concept of organizational identification, we theorized and found that the negative relationship between the volume of wrongdoing associated with a negative event and support by low-identification stakeholders is amplified for a high-reputation organization. This supports the notion that high reputation is a burden. In contrast, we theorized and found that a high-reputation organization receives more support from high-identification stakeholders than other organizations as the volume of wrongdoing increases. This supports the notion that a high reputation is a benefit. Taken together, our theory and findings extend past research that has been equivocal in its treatment of a high reputation as a benefit or a burden.

Our second contribution is in delineating which mechanisms associated with a negative event in a high-reputation organization are more dominant for low- and high-identification stakeholders: the greater attention and violation of expectations or the stock of social capital and reservoir of goodwill. We also theorize that high-identification stakeholders may perceive a negative event in an organization as being connected to their personal identities. Thus, by introducing organizational identification to help explain which set of mechanisms is more dominant for different stakeholders following a negative event, we theorized and found empirical support that reputation may serve as both a benefit and a burden.

Finally, we explored the non-linear effects of the benefit of a high reputation. As prior research has argued, highly negative events can erase a history of accrued goodwill (Marwick & Fill, 1997). When the volume of wrongdoing associated with a negative event reaches a certain
point, high-identification stakeholders may be unable to justify it, and they may feel betrayed
(Devers et al., 2009; Harrison et al., 2009). In our context, the support from high-identification
stakeholders begins to decrease when the volume of wrongdoing approaches three legislative
references. This number represents the 10th percentile of legislative references among
universities engaged in NCAA infractions, and indicates that the reservoir of goodwill may
deplete rather quickly.

**Practical Implications**

Our findings also have interesting implications for managers. First, stakeholders with
different levels of organizational identification interpret and react differently to a negative event.
Thus, managers may want to develop a repertoire of response strategies that accounts for how
stakeholders identify with the organization. For example, to protect itself from reputational
penalties from low-identification stakeholders, a high-reputation organization may want to
minimize the perceived volume of wrongdoing by sharing how it plans to address the problem
(Zavyalova et al., 2012). In contrast, the message delivered to high-identification stakeholders,
who may be willing to give the benefit of the doubt to the organization, may be different: It may
be beneficial to remind these stakeholders of their close connection to the organization and ask
them for their support during a difficult time.

Second, our finding that a high-reputation organization will experience an increase in
support from high-identification stakeholders when the volume of wrongdoing increases is in
line with organizational research on the dangers of overidentification (Ashforth et al., 2008).
This research has suggested that high-identification stakeholders may blindly trust the
organization and its management and may not challenge questionable organizational behaviors
(Dukerich, Kramer, & Parks, 1998). However, such fierce loyalty may lead to greater feelings of
betrayal following more egregious wrongdoing, and it may eventually turn these dedicated stakeholders against an organization as the volume of wrongdoing reaches high levels. Thus, for an organization that operates in an industry whose negative events are typically associated with a high volume of wrongdoing, it may not be beneficial to invest too much capital in nurturing high levels of identification with its stakeholders.

Third, our findings indicate that regardless of the level of organizational identification, engaging in a higher volume of wrongdoing is typically detrimental for an organization (cf. Pfarrer et al., 2008). However, our results suggest an intriguing possibility that a low volume of wrongdoing might actually be beneficial for organizations with many high-identification stakeholders and few low-identification stakeholders (cf. Bundy & Pfarrer, 2015). Overall, the findings of this study suggest that managers should consider the potential costs and benefits of building a high reputation, engaging in wrongdoing, and building high identification with various stakeholder groups, as well as developing more nuanced reputation repair strategies.

Directions for Future Research

This study generates several opportunities for future research. First, while focusing on one industry allowed us to explicate organization-specific outcomes associated with a negative event, stakeholders’ levels of organizational identification may be particularly strong in our context. That is, industries prone to generating emotional connections between organizations and their stakeholders may be settings where our arguments and findings are most applicable. For example, automotive companies that have established fan groups (e.g., Tesla), high-tech companies with products that appeal to their customers (e.g., Apple), or companies whose executives openly express their religious beliefs or political affiliations (e.g., Chick-fil-A) may offer contexts to which our findings would generalize. In contrast, it is likely that in different
contexts and industries the levels of organizational identification may vary, and stakeholders’ perceptions of negative events may also be different. These nuances may lead to different dynamics than those we have explained here.

Second, while we theorize about how organizational reputation affects low- and high-identification stakeholders’ reactions to a negative event, we did not measure organizational identification directly. Rather, we used two proxy variables—donations by non-alumni and donations by undergraduate alumni—to measure the levels of support by low- and high-identification stakeholders. We used these measures based on an assumption that alumni generally have a higher level of organizational identification than non-alumni. Using these proxies to assess the level of organizational identification allowed us to empirically examine the dynamics involving this construct on a comprehensive sample of organizations during an eleven-year period. Nonetheless, we encourage future research to seek more direct measures of organizational identification and to test the robustness of our findings with different operationalizations of this construct.

Third, our theory and findings have the potential to contribute to research on organizational stigma (Devers et al., 2009; Vergne, 2012). Our emphasis on stakeholders’ relationships with the organization and the perceptual and behavioral consequences associated with different levels of organizational identification suggest that the same negative event could be perceived as stigmatizing by some stakeholders, yet may be interpreted by others as a minor transgression—or even a call to “circle the wagons.” Thus, stigma attributed to an organization may be in the eye of the beholder.

Finally, we hope to encourage future research to examine various avenues in which a high reputation may be a benefit and a burden for an organization. One opportunity may be to
focus on the various types of negative events. It is likely that when a negative event represents a capability violation (Mishina et al., 2012) or is associated with financial damages (e.g. restatement of earnings), a high reputation may serve as a benefit; whereas when a negative event represents a character violation or results in loss of human dignity or life (e.g. fatal industrial accidents or child molestation scandals), a high reputation may be a burden.

Another opportunity may be in examining the role of reputation in specific dimensions (e.g., employment practices, product quality, or corporate social responsibility). It is possible that having a high reputation in the dimension damaged by a negative event may be associated with greater stakeholder attention and a greater violation of expectations, and thus may result in reputation being a burden for most stakeholders, regardless of their level of identification. In contrast, a high reputation in the dimension not damaged by a negative event may serve as an opportunity to emphasize an organization’s prior achievements and thus may be a benefit to many different stakeholder groups. We thus encourage future studies to investigate other contingencies that may explain when and why a high reputation may serve as a benefit and a burden.
REFERENCES


Rovell, D. 2014. *NFL most popular for 30th year in a row.*


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<td>0.05</td>
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n = 7,368. Correlations greater than 0.03 are significant at p < .05.

† p < .10, ∗ p < .05, ** p < .01
### TABLE 2
Results of Multilevel Regression Predicting Stakeholder Support

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<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
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<td>Volume of wrongdoing x High reputation x High identification</td>
<td>0.083**</td>
<td>0.083**</td>
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<td>(0.028)</td>
<td>(0.028)</td>
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<tr>
<td>Volume of wrongdoing x High reputation</td>
<td>-0.030**</td>
<td>-0.030**</td>
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<td>(0.010)</td>
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<tr>
<td>Volume of wrongdoing x High identification</td>
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<tr>
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<tr>
<td>High reputation x High identification</td>
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<tr>
<td>Volume of wrongdoing</td>
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<td>University size, 000s</td>
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<td>Top-25 football</td>
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<td>Athletic department quality</td>
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Robust standard errors in parentheses.

† p < .10,  * p < .05, ** p < .01; two-tailed tests
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<td>R² within</td>
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Robust standard errors in parentheses.

† p < .10, * p < .05, ** p < .01; two-tailed tests
FIGURE 1
Moderating Effect of High Reputation on the Relationship between Volume of Wrongdoing and Low-Identification Stakeholder Support

Note: Figure 1 is based on Model 3 in Table 2. For ease of interpretation, Figure 1 reflects the logged dependent variable back-transformed into dollars. The simple slopes are calculated at volume of wrongdoing equal to one.
† p < .10, * p < .05, ** p < .01; two-tailed tests

FIGURE 2
Moderating Effect of High Reputation on the Relationship between Volume of Wrongdoing and High-Identification Stakeholder Support

Note: Figure 2 is based on Model 3 in Table 2. For ease of interpretation, Figure 2 reflects the logged dependent variable back-transformed into dollars. The simple slopes are calculated at volume of wrongdoing equal to one.
† p < .10, * p < .05, ** p < .01; two-tailed tests
FIGURE 3

Increasing Volume of Wrongdoing and High-Identification Stakeholder Support in High-Reputation Organizations

Inflection point: 2.25 legislative references
Simple slope at 1.25 legislative references: 4.32**
Simple slope at 3.25 legislative references: –4.00**

Note: For ease of interpretation, Figure 3 reflects the logged dependent variable back-transformed into millions of dollars. Shaded region represents 95% confidence intervals.
† p < .10, * p < .05, ** p < .01; two-tailed tests
**APPENDIX A**

**Descriptions of NCAA Major Infractions and Corresponding Legislative References**

<table>
<thead>
<tr>
<th>University</th>
<th>Year of Major Infraction</th>
<th>Major Infraction Summary</th>
<th>Number of Legislative References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bucknell University</td>
<td>1999</td>
<td>Impermissible recruiting: improper financial aid in the form of an overpaid internship; cost-free room and board for prospective student-athletes employed at summer camp. Extra benefits: grossly excessive compensation for work performed and compensation for work not performed. Lack of monitoring. Lack of institutional control. Unethical conduct.</td>
<td>9</td>
</tr>
<tr>
<td>University of Miami (Florida)</td>
<td>2003</td>
<td>Impermissible recruiting activity: tryouts; impermissible activities associated with sports club; impermissible financial aid; violation of honesty standards; impermissible recruiting contacts with athletics representatives and a failure to monitor.</td>
<td>23</td>
</tr>
<tr>
<td>Villanova University</td>
<td>2004</td>
<td>Violations of NCAA legislations regarding recruiting and extra benefits.</td>
<td>19</td>
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<tr>
<td>University of Alabama</td>
<td>2009</td>
<td>Impermissible benefits obtained by student-athletes through misuse of the institution's textbook distribution program.</td>
<td>3</td>
</tr>
</tbody>
</table>
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