Mass Media Effects on Non-Governmental Organizations[*]

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Abstract

Globalization has raised concerns that multinational companies develop commercial activities at the expense of the environment or human rights, especially in developing countries. This paper studies the communications strategies and the effectiveness of non-governmental organizations (NGOs) in their monitoring of multinational firms' practices. We make use of large media shocks, generated by big sports events, that decrease media coverage of firms' practices in event host countries, and increase coverage of firms that sponsor these events. We find NGOs to respond consistently to this change in media coverage. Specifically, NGOs are more likely to disseminate information about firms sponsoring sports events, and are less likely to bring attention to firms operating in the countries hosting the events. We also find that NGOs take advantage of big sports events to increase their impact on sponsoring firms, since bad reports from NGOs about sponsors trigger a stronger negative reaction in the stock market.

Keywords: Media, Information, Non Governmental Organizations, Multinational Firms
JEL Codes: D83, L31, L82, M14

1 Introduction

The 2013 Bangladesh factory collapse[1] was one tragic example of the controversial aspects of globalization. The concern is that multinational companies develop commercial activities at the expense of the environment or vulnerable workforces and local communities. This worry is particularly prevalent in developing countries, where environmental and labor standards often are weak and poorly enforced, and government is susceptible to be captured by powerful multinational firms. Furthermore, monitoring these companies is particularly challenging since their practices are not fully observable to the stakeholders, namely consumers, investors and public regulators.

In response, non-governmental organizations (NGOs) have applied mounting pressure on these firms over the last few decades. These NGOs, called advocacy NGOs, are non-profit organizations whose main activity is the dissemination of information.[2] Through information campaigns, NGOs aim to push for more responsible practices in the business sector by fostering changes in consumption decisions or by advocating for binding regulations. One can think of NGOs as mission-oriented (Besley & Ghatak, 2005) unlike firms who pursue commercial objectives. NGOs' channel of influence is information, since they cannot directly reward the firms that adopt good practices or punish the laggards. Consequently NGOs' effectiveness depends on the dissemination of information and, crucially, on its amplification by mass media (Aldashev *et al.*, 2015). With this respect, any shock on media coverage can potentially impact the success of information dissemination.

This paper studies the communications strategies of NGOs and their effectiveness in the monitoring of multinational firms' practices. More precisely, we make use of large shocks on media coverage, generated by big sports events (Olympic Games and FIFA World Cups), to document various aspects of this strategy. The media shocks are found to affect NGOs' strategy, with a decrease in the reports NGOs publish on their websites about firms operating within the host and participant countries, and an increase in reports on sponsors' practices. Furthermore, we find NGO reports covering the bad practices of sponsoring firms to trigger stronger negative stock market reactions during the sports event.

We capture NGOs' communications strategy through reports written by NGOs following long-run investigations, and published on their websites. These are provided by *Covalence EthicalQuote*, which records the publication of reports by NGOs on the practices of 555 of the largest multinational firms (in market capitalization terms) between 2002 and 2010. The NGO reports cover the practices of firms in 130 countries, with nearly half of the reporting occurring in developing countries. We extract information on the date, the firm targeted by the report, the

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[1]On April 2013, the Rana Plaza, a building located in an industrial suburb of Dhaka (Bangladesh) collapsed, causing the death of 1,129 people. The Rana Plaza was hosting several plants making clothing for European and American brands.

[2]Note that in this paper the term *NGOs* refers to *advocacy NGOs* for the sake of conciseness.

country where the event took place, and the tone of the report (i.e. whether it denounces a bad practice or highlights a good practice). These aspects allow us to investigate NGOs' targeting and timing decisions.[3]

Media shocks generated by Olympic Games and FIFA World Cups have interesting features for our analysis because they are exogenous to the NGO activity and announced many years in advance, so NGOs have time to adapt their strategy to the media agenda. Big sports events also are known to affect media coverage the most (Eisensee & Strömberg, 2007). We first document the distortion in the media coverage attributable to the occurrence of Olympic Games and FIFA World Cups. During these events, stories related to firms in the host and participant countries are found to be less covered, while media coverage of event sponsors surges.[4]

Second, we investigate whether NGOs react to this change in the media coverage and show that NGOs do respond consistently to it. Specifically, in their reports NGOs are more likely to write about firms that sponsor big sporting events, by around 23%, and are less likely to write about firms' activities within the event host countries, by about 36%. Interestingly, we find that the level of worldwide NGO activity is not significantly affected by the occurrence of Olympic Games or World Cups. During the sports events, NGOs reallocate their resources towards covering sponsoring firms, notably at the expense of a weaker scrutiny within the host and participant countries. Since media coverage in general is viewed as biased toward bad news (Soroka, 2006), we also study whether the media shocks affect the tone of NGO reports, discriminating between reports that cover good versus bad practices. We find that the fall in the number of reports on firms located in the host and participant countries is driven by a decrease in the good reports only. We run the same exercise in the case of the sponsor firms and show that both good and bad reports increase during the sports events.

Third, we explore whether NGOs take advantage of big sports events to increase their impact on the sponsoring firms. In other words, we address the question of NGOs' effectiveness. Ideally, we would like to measure potential changes in the environmental or social practices of firms, to assess whether these correlate with NGOs' reporting strategies, but such data are not available. An interesting exercise we can do, however, is to estimate the NGO reporting effect on firms' market valuation. If NGOs target sponsors during sports events to maximize their impact on those firms, we should observe a larger effect of the NGO reports on a firm's stock price when the firm is sponsoring a big event. Then, we correlate the daily occurrence of NGO reports with firms' daily abnormal returns. We do not find the average effect of NGO reports on

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[3]For instance, the *Covalence EthicalQuote* database records that Greenpeace published a report on April 2008, arguing that *"Unilever buys its palm oil from suppliers who destroy Indonesia's rainforests for their palm plantations, leading to further climate change and killing orangutans and other endangered species in the process [...]"*. Note that this report has been covered by a newspaper article in the *New York Times* published in July 7, 2008: http://www.nytimes.com/2008/07/07/business/media/07dove.html

[4]Rose & Spiegel (2011) and Bayar & Schaur (2013) show that Olympic Games and FIFA soccer World Cups generate a boom in the visibility of host and participant countries. The stylized facts we present in this paper emphasize that host and participant countries are more cited in the print media during the sports events, but news associated with firm practices in these countries is crowded out.

a firm's abnormal return to be significant. However, when NGOs publish a report on the sponsor firms during the sports events, the bad report is found to affect firms' stock prices negatively by 2%. To control for potential omitted variable bias, we run various robustness checks that emphasize that the NGOs' effect on the sponsoring firms is not driven by firm characteristics or firm-specific time trends.

Our findings suggest that NGOs act strategically to adjust their reporting strategy to the media agenda and take advantage of big sports events to increase their impact on sponsoring firms. The NGO population, however, is very heterogeneous and some NGOs in our sample are rather small and potentially less strategic. We build a simple measure of NGO size to proxy for NGOs' ability to set up the consistent reporting strategies, based on the total number of reports an NGO produces over the period. Only the largest NGOs are found to change their reporting strategy during big sports events, and to generate negative effects on firms' stock prices when publishing bad reports on the sponsors.

Related literature. This paper builds on the literature in development economics that views NGOs as watchdogs of globalization, who exert pressure on multinational firms to adopt responsible practices in the developing countries (Aldashev *et al.*, 2015). In some industries, at least, NGO activism is found to affect outcomes positively, notably by improving workers' conditions in manufacturing plants (Harrison & Scorse, 2010; Fontagne & Limardi, 2013) or fostering environmentally-friendly practices in the diamond industry (Bieri, 2010; Yaziji & Doh, 2009).[5] An important contribution of the paper is to show that NGOs' activity and effectiveness are significantly driven by the media's agenda. This is a critical point for developing countries, since human rights, working conditions and environmental practices are affected.

We also add to the empirical literature on the effect of media attention and big events on the behavior of firms (DellaVigna & Pollet, 2009) and political actors (Eisensee & Strömberg, 2007; Qian & Yanagizawa, 2009; Durante & Zhuravskaya, 2015) by showing how NGOs also respond to these events. We emphasize that big events, by dramatically altering the media coverage, shape the strategies of organizations aiming to feed the media. A related literature analyzes theoretically how strategies employed by environmental groups affect the formation of belief (Yu, 2005), notably in a context where information provided by these groups is covered by the media (Shapiro, 2014).

More broadly, this paper relates to the literature that emphasizes media impact on a wide range of social, political and economic outcomes. This large literature points out that the mass media play a fundamental role in shaping the public debate (Larcinese *et al.*, 2011; Puglisi & Snyder, 2011) as well as the beliefs and behaviors of agents. Indeed, news is known to influence social capital (Olken, 2009), creation of beliefs (Gentzkow & Shapiro, 2004), cognitive abilities (Gentzkow & Shapiro, 2008), political behaviors (Gentzkow, 2006; DellaVigna & Kaplan,

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[5]NGOs' strategies toward firms are well-documented since Baron (2001). See notably: Baron (2005); Baron & Diermeier (2007); Lyon & Maxwell (2011); Kitzmueller & Shimshack (2012).

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2007; Gerber *et al.*, 2009; Gentzkow *et al.*, 2011; Snyder & Strömberg, 2010; DellaVigna *et al.*, 2014), government relief from a natural disaster (Eisensee & Strömberg, 2007), divorce (Chong & La Ferrara, 2009), fertility (La Ferrara *et al.*, 2012), internal migration (Farré & Fasani, 2013) or even education (Keefer & Khemani, 2014). See DellaVigna & La Ferrara (2015) for a survey of the literature.

The paper is structured as follows. Section 2 presents the framework of our analysis and the hypotheses we test empirically. In section 3, we present the dataset and our empirical methodology. Section 4 shows and discusses the estimated effect of the media shocks on the number of NGO reports in the host and participant countries. Then, section 5 presents the media coverage effect on NGO reports about sponsoring firms. Section 6 documents NGOs' effectiveness. In section 7, we discuss alternative interpretations of our results and conclude.

2   Background and Testable Hypotheses

NGOs' objective function and NGOs' effectiveness: The role of media coverage. NGOs operate in a framework where stakeholders (consumers, investors and public regulators) care about the practices adopted by firms. Since firm practices are not observed directly by the stakeholders, bad practices can exist on the market absent any further information. NGOs aim to drive bad practices out of the market. To that end, NGOs investigate firm practices and must transmit the relevant information to the stakeholders. An NGO's strategy of information dissemination is critical for its effectiveness, since NGOs can only bring about change if stakeholders receive the information. Merely publishing reports on their own websites does not ensure that NGOs will reach their audiences. A report's coverage by mass media, however, is an efficient channel for NGOs' communication to their audience, so maximizing that coverage is a way to increase their effectiveness.

What is covered by the media? The media industry cost structure implies that a few highly newsworthy stories usually crowd the news space (Strömberg, 2004) and that competition among issues is very intense (see notably George & Waldfogel (2006)). Big sports events, like Olympic Games and FIFA World Cups, are known to create shocks on media coverage (Eisensee & Strömberg, 2007), notably of news related to three important actors for our analysis: (i) the countries that host the events and (ii) participate in the competition, and (iii) the firms that sponsor the events. We use a content analysis of newspaper articles in *Factiva*[6] to analyze trends in the articles on these three actors over the 2002-2010 period.[7]

We observe a surge of about 43% in the number of newspaper articles mentioning the names of host countries during the month of the event, compared with media coverage of these six

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[6]The *Factiva* database provides more than 35,000 articles from newspapers of 200 countries in 26 languages. *Factiva* is available for subscribers at http://www.dowjones.com/factiva.

[7]All results presented here are restricted to articles written in English. We run keyword searches for the name of host and participant countries.

months earlier (Figure 1). However, the average number of articles dealing with host countries *and* sustainable development or the environment decreases by around 28% during the event, compared with its level six months earlier (Figure 1).[8] A similar pattern is observed in the media coverage of the countries taking part in the FIFA World Cups. We replicate this content analysis at the firm-level, to assess changes in the media coverage of sponsoring firms during sports events. The number of newspaper articles covering the firms in our sample drops sharply during the month of the event. However, Figure 2 shows that the sponsoring firms are far less affected by the crowding out by the sports events in the media coverage, than are the other firms in our sample (-12% versus -30% on average for the 4 months around the event). In relative terms, media coverage of sponsors is then found to increase during the months around the sports events.

Hypothesis 1: NGOs respond to the media coverage shocks strategically: NGOs are expected to publish fewer reports on the practices of firms located in the host and the participant countries, while increasing reports on the sponsoring firms.

Hypothesis 2: NGOs' communication strategy for maximizing media coverage of their reports affects NGOs' effectiveness: NGOs should generate a larger impact when they target the firms that are more newsworthy for the traditional media (e.g. the sponsoring firms).

The next section describes the data and details the empirical methodology used to estimate these two hypotheses.

3   Data and Empirical Specification

We turn now to our empirical analysis. In this paper, we document how the media shocks generated by big sports events affect the number of NGO reports, both at the country and the firm level. Therefore, we aggregate the NGO report dataset at: (i) the country-quarter level (Section 4) and (ii) the firm-quarter level (Section 5). Then, we also analyze NGOs' impact on firms' stock price, and aggregate the dataset at the firm-day level (Section 6).

3.1   Data Description

NGO reports data. We use the *Covalence EthicalQuote* database which collects reports on firm practices that are written and published by NGOs on their own websites. Each report is classified as *good* or *bad*, a good report referring to a good practice, such as the adoption of a green production process, while a bad report covers a bad practice, such as child labor. The database covers 555 multinational firms between 2002 and 2010. The sample selection of the

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[8]We run searches for the keywords "sustainab" (alternatively "environment") and the name of the host countries (e.g "China and (sustainab or environment)"). This pattern is also observed when we use other keywords related to the practices of firms, such as "child labor".

multinational firms is based on the size of the firms in terms of market capitalization in sectoral Dow Jones indexes. Then, *Covalence EthicalQuote* tracks the NGO activity covering the practices of these firms on the web. Over the period, 5,596 NGO reports, published by 1,045 NGOs and occurring in 130 countries, are recorded. We construct two measures of NGO activity: (i) the logarithm of the number of NGO reports published in a given quarter on a given country and (ii) the logarithm of the number of NGO reports published in a given quarter on a given firm. These are our main dependent variables in Sections 4 and 5 of the paper, which are devoted to the media effect on NGOs' activity.

Media shocks. We match the NGO report dataset with information on the occurrence of Olympic Games and FIFA World Cups. Over the 2002 - 2010 period, we cover 8 events in 9 countries: two Summer Olympic Games (Greece 2004 and China 2008), three Winter Olympic Games (USA 2002, Italy 2006 and Canada 2010) and three soccer World Cups (Korea and Japan 2002, Germany 2006 and South Africa 2010). Table 1 sums up the list of host countries between 2002 and 2010. For each country-quarter cell (it), we compute $MediaShock_{it}$, a dummy variable which equals one if country i is hosting a sports event during quarter t. We complement the analysis with information on the participant countries of the FIFA World Cups (Table 2). We then construct an alternative measure of $MediaShock_{it}$ which equals one if country i is participating in a sports event during quarter t. These two measures are our main explanatory variables in Section 4. In addition, we collect information on the sponsors of the sports events, and find that, for each of the events, between 8 and 13 of the firms in our sample are sponsors (Table 3). For each firm-quarter cell (jt), we compute $MediaShock_{jt}$, a dummy variable which equals one if firm j is sponsoring an event during quarter t. This variable is our main explanatory variable in Section 5.

Firm-level data. We also extract firm-level characteristics from the *Orbis* database, notably the sector and size of the firm (proxied by annual sales, operating revenue and total assets). Finally, we use the *Thomson Reuters Datastream* which contains information on the daily stock price of the firms and the daily stock market valuation, to calculate $\overline{r_{jd}}$, the daily abnormal return of firm j in day d. These daily abnormal returns are the main dependent variable in Section 6 of the paper, which analyses NGOs' effectiveness.

3.2 Descriptive Statistics

Table 4 presents the geographical distribution of NGO reports. 56% of these reports cover firm practices observed in the OECD countries, with the US ranking first (22% of the reports). This pattern is explained partly by the fact that the firms in the sample are headquartered in OECD countries, especially in the US. India and China are the two other largely represented countries in terms of NGO reports, with 11% of the reports covering firm practices in these two countries.

On average, NGOs denounce the bad practices more than they reward the good ones. The share of good reports is higher in the OECD (40.25%) than in the rest of the world (23.21%). The Netherlands ranks first in terms of the share of good reports, while Niger, Saudi Arabia and Cuba attract only bad reports.

Table 5 contains the descriptive statistics of the number of NGO reports by country-quarter pair. 38.55% of our country-quarter cells have only one report, while in 10.84% of the cells, more than ten NGO reports are recorded. The distribution of the good reports is even more skewed, with more than 50% of the cells being filled with one good report, and 5.52% of the cells with more than ten good reports. Table 6 presents similar descriptive statistics at the firm-quarter level. We observe a very skewed distribution of the number of reports also at this level of aggregation.

3.3 Estimation Framework

Our estimation strategy is divided into three steps. First, we analyze how media shocks generated by big sports events affect NGOs' reporting strategy in the host and participant countries. Second, we study how these shocks influence the NGO reports with respect to sponsors. Third, we investigate NGOs' effectiveness, viewed through the effect of NGO reports on firms' market valuation.

Communication Strategy of NGOs: Country-Quarter Analysis

The first part of our empirical strategy aims at estimating whether media coverage during a big event affects the reporting strategies of NGOs in host and participant countries. We estimate the following reduced form:

$$ln(Reports_{it}) = \gamma_0 + \gamma_1 MediaShock_{it} + \mathbf{FE}_i + Trend_{it} + \epsilon_{it}, \tag{1}$$

where the dependent variable, $ln(Reports_{it})$, measures the log of the total number of NGO reports for country i in quarter t. The $MediaShock_{it}$ dummy variable is alternatively defined as $Host_{it}$ and $Performance_{it}$.[9] $Host_{it} = 1$ ($Host_{it} = 0$) indicates that country i hosts (does not

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[9]We could have picked a continuous variable of media coverage instead of a dummy variable for host and participating countries. There are three main reasons why we build our identification strategy on a dummy variable. First, otherwise we would have required exhaustive information on the number of newspaper articles related to the events and to host and participant countries. This means that we would have had to create an exhaustive list of country-specific keywords (in different languages) in order to cover all sports, players or teams. Building this list would be highly arbitrary and questionable. Second, we claim that NGOs' communication strategy is driven mainly by the anticipation of big events. By construction (and definition), the country-specific continuous variable is affected by the (unanticipated) performance of its teams and players. As a consequence, it does not allow distinctions between the effect of anticipated (host and participation) and unanticipated (performance) media coverage shocks. Third, we would suspect a continuous variable to be endogenous (reverse causality issue). Indeed,

host) a sports event in quarter t, and $Performance_{it} = 1$ ($Performance_{it} = 0$) that country i competes (does not compete) or qualifies (does not qualify) for the $1/8$, $1/4$, $1/2$ elimination round or the final of a World Cup in quarter t. The vector $\mathbf{FE}_i$ corresponds to a set of country fixed effects which filter out all time-invariant country-specific characteristics and control for unobserved heterogeneity across countries. In addition, a set of potential country-specific time-varying co-determinants of media shock and NGO reports could influence our estimations (e.g. the process of economic development, education, institutional quality or democratization). We include a country-specific time trend to absorb this heterogeneity arising from trends in the evolution of country characteristics ($Trend_{it}$).[10] Alternatively we include quarter-year fixed effects to control for common shocks. All specifications present robust standard errors that are clustered at the country level.

Communication Strategy of NGOs: Firm-Quarter Analysis

The second set of estimations captures the effect of the media coverage shock on the NGO report activity on firms that sponsor a sports event. We now aggregate our initial database at the firm-quarter level and estimate the following equation:

$$ln(Reports_{jt}) = \beta_0 + \beta_1 MediaShock_{jt} + \mathbf{FE}_j + Trend_{jt} + \eta_{jt} \tag{2}$$

where $ln(Reports_{jt})$ is the log of the total number of NGO reports in quarter t on firm j in any country of our sample of 130 countries. $MediaShock_{jt}$ captures the media shock generated by the fact that firm j is sponsoring a sports event. $MediaShock_{jt} = 1$ ($MediaShock_{jt} = 0$) indicates that firm j is (is not) the sponsor of a sports event in quarter t. We add regressors that are firm/sector-specific or time specific ($\mathbf{FE}_j$ and $Trend_{jt}$). We include sector fixed effects to control for time-invariant sector-specific characteristics. This absorbs sector specificities, such as the propensity of NGOs to target activities linked to the extraction of natural resources more than those linked to the information and communication sector. Alternatively, we include firm fixed effects to control for time-invariant firm-specific characteristics. We also use time-specific variables such as sector-specific time trends (or firm-specific time trends). We capture potential sector/firm characteristics which may evolve over time and influence NGOs' strategy (such as progressive adoption of green technologies, growth of the sector/firm economic activity or newsworthiness in the media). Alternatively we include quarter-year fixed effects to control for common shocks. All specifications present robust standard errors that are clustered at the firm level.

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the construction of this measure would capture the media coverage of NGO reports.

[10]Our results are robust to alternative levels of fixed effects such as quarter-year or country season-specific fixed effects.

NGOs' Effectiveness in the Monitoring of Multinational Firms' Practices

The third part of our empirical analysis is devoted to the effectiveness of NGOs' strategy. We estimate the effect of NGO reports on the daily abnormal returns of the firms in our sample. We discriminate between the good and bad reports since these are expected to generate opposite effects. Following MacKinlay (1997), we first compute firms' daily abnormal returns, by running this estimation for each firm of the sample separately:

$$r_d = \alpha + \beta R_d + \epsilon_d$$

where r_d is the stock return of a given firm in day d and R_d is the market return in day d. For each firm, we then use $\hat{\alpha}$ and $\hat{\beta}$ to calculate daily abnormal returns ($\overline{r_d}$):

$$\overline{r_d} = r_d - \left[\hat{\alpha} + \hat{\beta} R_d\right]$$

We explore the within-firm variation, estimating the correlation between the daily occurrence of good and bad reports on a firm and its daily abnormal returns:

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\begin{aligned}
\overline{r_{jd}} =\ & \gamma_0 + \gamma_1 GoodReport_{jd} + \gamma_2 BadReport_{jd} + \gamma_3 Sponsor_{jd} \qquad (3)\\
& + \gamma_4 Sponsor_{jd} \times GoodReport_{jd} + \gamma_5 Sponsor_{jd} \times BadReport_{jd} + \mathbf{FE}_j + \mu_{jd}
\end{aligned}
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where $GoodReport_{jd}$ ($BadReport_{jd}$) is a dummy variable which is equal to 1 if we observe at least one good (bad) report between d and $d-2$. $Sponsor_{jd}$ is a dummy variable which equals 1 if firm j is a sponsor of a sports event over the day d and $\mathbf{FE}_j$ is a firm fixed-effect. All specifications present robust standard errors that are clustered at the firm level.[11]

4 Media Shocks and NGO Reports: Country-level Analysis

In section 2, we document a change in the media coverage during sports events that leads to a decrease in the number of newspaper articles related to firm practices in the host and participant countries. We estimate whether the anticipated low media coverage of firm practices in these countries affects the communication strategies of NGOs (equation 1).

4.1 Stylized Facts

First, we present graphically the effect of hosting or participating in a sports event on the number of NGO reports. We compute the average number of reports by country-quarter pair, distinguishing the countries that hosted an event at least once between 2002 and 2010 from the

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[11]Our results are consistent also with the cumulated abnormal returns strategy (available upon request).

others. The first graphic of Figure 3 (first row, on the left) shows that the average number of NGO reports on host countries during the quarter of their hosting is about 3.8, while it is on average 11.7 at other times. This supports the hypothesis that NGOs act strategically by targeting host countries less when they are hosting a sports event than when they are not. Then, the right side of the graph presents the same stylized fact but for countries that never hosted an event during the period. The difference in the average number of NGO reports between sports event quarters and other times is not significant. This suggests that NGOs do not change their reporting strategy toward these countries when a sports event occurs and is held elsewhere.[12]

4.2 Main Results

NGO reports in the host and participant countries. Results are displayed in Table 7. Countries that host a big sports event experience a significant decrease in the number of NGO reports, by around 36% (column 1).[13] The effect of a country's participation in a big sports event on its number of NGO reports can be tested only for countries that participate in World Cups, because almost all countries participate in the Olympic Games. We also observe a lower number of NGO reports on firm practices in countries participating in the World Cup (column 2). This decrease is smaller (12%) than the one observed for host countries (the difference between the two coefficients is significantly different from 0). This result shows that large shocks on media coverage, generated by big sports events, have a sizeable effect on the communication strategies of NGOs toward the host and participant countries.

National team performance. While host countries and participants are known before the beginning of the event, at least some uncertainty remains as to which national teams will qualify for the finals. We now focus on the unanticipated shocks generated by national teams' performances during FIFA World Cups, i.e. the effect of playing a $1/8$, $1/4$, $1/2$ elimination round or a final (columns 3 to 7 of Table 7). Our intuition is that news about firm practices in these countries may be crowded out by news covering good performance of the national team. We find that the better the performance of a team in the finals, the greater the negative effect on NGO reports related to firms located in its home country. The elimination in $1/8$ round of a World Cup reduces the number of NGO reports by 21% (column 3). Similarly, when countries qualify

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[12]We replicate this exercise with alternative groups of countries: countries whose national team competes/does not compete in a World Cup, or qualifies/does not qualify for the $1/8$, $1/4$, $1/2$ elimination round and find the same pattern. Figure 3 also highlights the fact that the average number of reports does not differ significantly among participating countries during the quarter of the sports event and in other quarters. But nor does it differ for other countries. The same observation holds in the case of the $1/8$ elimination round. However, among the countries whose national team qualifies for the $1/4$ and $1/2$ finals, the average number of NGO reports is significantly lower during the quarters when they are playing than in the other quarters. In the case of the other countries, the difference is not significant. Arguably, this supports the assumption that countries whose national team performs well during a FIFA World Cup are also targeted by NGOs less when national teams are playing than at other times.

[13]Our model has a log dependent variable and a dummy as explanatory variable, so we cannot have the usual semi-elasticity interpretation. We have to adjust the coefficient to have the effect of moving our dummy variable from 0 to 1 (Robert & Palmquist, 1980).

for the $1/4$, the $1/2$ elimination rounds, or the final, the coefficients are increasing in terms of magnitude and are significantly different from column to column. These results confirm that the media coverage of sports events has a negative impact on NGOs' communication strategy toward the firms located in countries whose national team performs well.[14] Interestingly, the effect is found to be larger in countries with a strong sports culture and more precisely with a strong football/soccer culture (see subsection 2.6 in the online appendix for more details).[15]

Timing strategy. Results are qualitatively the same if we aggregate the original dataset at the country-year level instead of the country-quarter level (Table ST3): the number of NGO reports again decreases at the year level in the host or the participant countries. This means that, the year of the sports event, there is no significant reallocation of NGO efforts on the quarters before or after the game takes place. Furthermore, we include six periods of lags and six periods of leads in our country-quarter main specification and find that our results hold (Figure 4). We also find that the two quarters before the event are also negatively and significantly impacted by the media coverage shock of the sports event. However, we do not find an increase in the number of reports (quarters after the event) that would have suggested a time reallocation of NGO efforts.

4.3 Asymmetric Effect on the Publication of Good/Bad Reports

The previous section studies the change in one aspect of NGOs' reporting strategies: the total number of reports. We now analyze whether the tone and nature of NGO reports are influenced by media shocks.

Good versus bad reports. We estimate equation (1), using alternatively the logarithm of the number of (i) good reports and (ii) bad reports as dependent variables. Table 8 displays the results. NGO reports on good and bad practices are affected in different ways. NGO reports on good practices are negatively and significantly affected by the media coverage shock (column 1), while bad reports are not (column 2). Similarly, only the good reports see a decrease with the participation of a country's national team in World Cups (columns 3 and 4). From columns 5 to 14, we report the results using the media shocks generated by the national team's performance during the World Cup. The number of good reports also decreases with coverage of the national team's performance, while bad reports are unaffected (except in columns 8 and 10). Overall, we find that the negative effect generated by the media shock on NGO reports related to host and participant countries, and to national team performances, is driven by a decrease in the good reports only. Columns 3 and 4 report the results for countries that participate in the World Cup.

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[14]We also consider competing in other sports events with Rugby World Cups (column 1, Table ST11 in the Online Appendix). The effect is negative as expected, even if rugby cannot be considered a worldwide sport, and this event does not have as wide a following as FIFA World Cups or Olympic Games.

[15]We study whether the effect is bigger in countries with strong sports cultures. Indeed, during a World Cup, the media coverage of soccer should be wider when there is high public interest in soccer news. We choose five proxies of country-specific public interest for soccer. We show that the sports culture effect interacts consistently with the media shock effect.

Interpretation of the results. These results help disentangle the impact of the media coverage shocks on NGOs' communication strategy on the one hand, from the practices of firms on the other. Indeed, if firms correctly anticipate the decrease in media coverage of bad practices in host countries, they might either continue these practices, or even adopt worse ones. In such an extreme case, the implication is that NGOs will have a greater probability of finding a bad practice and a smaller probability of discovering a good practice. We show that the number of reports on good practices falls in anticipation of a media shock. We might overestimate the negative effect of the media shock on good reports by NGOs in cases where good practices are less adopted by firms in host countries. Conversely, it would mean that we underestimate the effect of the media shocks on the number of bad reports.

4.4 Heterogeneous Effect among Large and Small NGOs

The baseline specification does not consider the potential heterogeneity among NGOs in the sample. We measure NGOs' size by the total number of reports an NGO produces over the period.[16] Table 9 replicates column 1 of Table 7, but defines the dependent variable as the logarithm of the number of reports published by a particular class of NGOs (instead of by all NGOs). More precisely, we define four classes of NGOs based on a size distribution, which are the first (0 to 25th), second (25th to 50th), third (50th to 75th) and fourth (75th to 100th) quartiles. NGOs classified in the three first quartiles are found not to alter their reporting strategies during sports events (columns 1 to 3), while the largest NGOs drive the drop in the number of reports on firms in host countries (column 4). This complementary result suggests that only the largest NGOs adapt their strategy to the shocks on media coverage.

4.5 Robustness Checks

In this section, we show that the baseline estimates of Table 7 are robust to a large battery of sensitivity tests. For the sake of exposition most tables are relegated to the online appendix.

Country-specific control: We start by testing the robustness of our results to the inclusion of country-specific control variables (Table ST1). Note that these variables may be influenced by the anticipation of the event, and then they might bias all the estimated coefficients (Angrist & Pischke, 2009). We include the log of the GDP per capita, which is by definition correlated with economic activity and may influence NGO reports positively (size effect). But it is also positively correlated with the level of environmental and social regulations enforced in a country, and in turn may be correlated to firm practices. Similarly, we include the log of the population, which captures the effect of the country size, and a measure of trade openness. We finally add

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[16]An alternative way of capturing an NGO's size is to measure its presence in the traditional media. We run keyword searches in the newspapers available in *Factiva*, with the name of any NGO. We then measure the total number of newspaper articles that cite the NGO over the 2002-2010 period. Results are quantitatively the same with this alternative measure of NGO size.

a measure of democracy (Polity 2) and a global index of institutional quality (ICRG). While we find that most of these variables have no significant effect, institutional quality does have an impact. Indeed, we observe that better institutions affect the number of NGO reports on firm practices positively and significantly. However, the quality of institutions related to media freedom is not found to affect NGO reports, with the exception of Civil Liberties.

Falsification exercises: Since hosting a sports event is a very rare occurrence (only 9 country-quarter pairs), our results may be explained by some chance or pattern in the data. We perform four falsification exercises.[17] Table ST2 sums up the results of this subsection. It indicates that in each case, more than 80% of the coefficients obtained with false $MediaShock$ dummies are not significantly different from zero (with a level of significance at 10%). Similarly, the share of negative and significant coefficients obtained in each exercise is between 11.50% and 5.20%.

Other robustness checks: We run a variety of additional robustness checks: i) a weighted regression where the weight denotes the inverse of the probability that the observation is included because of the sampling design (upon request); ii) Tobit methodology defined with a left censure at zero instead of an OLS (upon request); iii) exclusion of the most influential observations (country-quarter pairs in our case) (Table ST4); iv) inclusion of season fixed effects, season country-specific fixed effects, quarter-year fixed effects or common time trends (Table ST5). For all robustness checks, our results are unchanged. We run also similar robustness checks for the participating countries and national team performance during a World Cup and show that the results are robust (see Tables ST6 to ST9 and Figures SF5 to SF7).

Three alternative media shocks: First, we see that the media coverage of the host countries is likely to change also in two other periods: the bidding period and the moment where the hosting country is announced. However, the change in media coverage is substantially lower than during the sports event. In both cases, the effect on NGO reports is not found to be significant (Table ST10). These results support the hypothesis that NGOs' strategy is driven by very large media coverage shocks only. Second, the literature uncovers a correlation between the policy life cycle and the life cycle of NGO activities (Lyon, 2009). The authors point out that NGOs have an incentive to spread information before elections in order to increase their impact on society. We also test whether a political election in a country can have the same effect as a sports event (column 2, Table ST11). We fail to detect any effect of political competition on NGOs' communications strategy. Third, for the sake of comparison with other (unexpected) shocks proposed by the literature, we focus on the effect of natural disasters on NGOs' strategy. The effects are not significant (columns 3 to 5, Table ST11).

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[17]We draw 1,000 times the $MediaShock$ variable from a uniform distribution. We then create a dummy variable equal to one when the pair has been chosen, and zero otherwise. We use this new dummy instead of the original $MediaShock$ variable. We re-estimate 1,000 times equation 1 with this new $MediaShock$ variable instead. The four falsification exercises we built are presented in Section 1.2 of the Online Appendix. Figures SF1 to SF4 in the Online Appendix show the distribution of the coefficient related to $MediaShock$ for the 1,000 regressions.

5 Media Shocks and NGO Reports: Firm-level Analysis

The previous results underline that hosting and participating in a sports event reduces the number of NGO reports concerning firms located in the countries involved, during the quarter of the event. In other words, our results show that stories that are expected to be less covered by the media are also less reported by NGOs. Since the sponsoring firms are more covered by the media during the events, we expect to observe an increase in the number of reports about the sponsors.

5.1 Stylized Facts

We first present graphically NGOs' reporting strategy toward firms that are sponsors versus other firms, and during sports events versus normal times. We measure the average number of NGO reports at the firm-quarter level for the sub-sample of firms that sponsored a sports event at least once on the one hand, and other firms on the other hand. The results are presented in Figure 3 (third row, on the right) and suggest that sponsor firms are significantly more targeted when they are sponsoring a sports event (0.62 report on average) than when they are not (0.3). The average number of reports on the subsample of non-sponsor firms does not differ significantly during sports events versus other quarters.

5.2 Main Results

NGO reports on the sponsors. Table 10 presents the estimates of equation (2), i.e. the estimation of the effect of the media shock on NGO reports covering sponsoring firms. We first control for cross-sectoral differences in NGO reports with the inclusion of sector fixed effects[18] and control for linear changes of the sector characteristics over time, by adding sector-specific time trends. The number of NGO reports on sponsors increases by 23% during the sports event, compared to reports about firms that are not sponsors (column 1). Arguably, NGOs anticipate the change in the media coverage of sponsors during the event and publish more reports on these firms.

Then, we adopt a more demanding strategy with the inclusion of firm fixed effects, to exploit within-firm changes in NGOs' reporting strategy generated by sponsorship. Notably, we control for the fact that sponsors might have characteristics that differ from other firms (e.g. in terms of media coverage, adoption of green technology, corporate governance). We also control for linear changes in the firm characteristics over time with the inclusion of firm-specific time trends. Qualitatively this specification gives similar results, but the estimated effect is smaller, since the number of NGO reports increases by around 10% for the sponsoring firms compared to firms that are not sponsors (column 2).

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[18]The average number of NGO reports between 2002 and 2010 by firms in the *Mining and Quarrying* industry is about 20, while it is around 3 in the *Information and Communication* or *Financial and Insurance* sectors.

Timing strategy. Similarly to the pattern observed at the country-level, we observe no clear reallocation of the NGO effort over time at the firm-level. We include six lags and six leads of the sponsorship dummy variable in our main specification, and see no significant decrease in NGO reports on the sponsor the months before and after the events (Figure 5).

5.3   Heterogeneous Effect of Good versus Bad News

We now focus on the differentiated effects that media shocks related to sponsorship may have on good and bad reports. In columns (3) and (4) of Table 10, we control for sector fixed effects and sector-specific time trends. The effect of media shocks generated by firms' sponsorship is positive and significant on both the number of good (10%) and bad (15%) NGO reports. The difference between these two effects is not significantly different from 0. Moreover, the positive effect on bad reports does not hold when we include firm fixed effects instead of sector fixed effects, this specification being highly demanding. We also observe that the effect on good reports is robust, a finding that can be explained by sponsor firms having adopted good practices. Indeed, it is rational for sponsor firms to invest in safeguarding their images during such events.

5.4   Heterogeneous Effect among Large and Small NGOs

As in section 4, we use the four quartiles of the size distribution of NGOs to observe whether NGOs of different sizes target sponsors more or less during a sports event. We now define the dependent variable as the logarithm of the number of reports published by NGOs classified in one of the four quartiles, instead of the number of reports published by all NGOs. Table 11 shows that the change in reporting activity of NGOs toward sponsors in the smaller two quartiles is not significant (columns 1 and 2). Sponsor firms are found to be significantly more covered by the larger two quartiles of NGOs (columns 3 and 4), supporting the view that only the largest NGOs are able to time their own reporting to maximize their media coverage, or find it beneficial to do so.

5.5   Robustness Checks

Battery of alternative fixed effects: Table ST13 displays the results. First we control for worldwide shocks that could have an impact on NGOs' reporting strategy, by including quarter-year fixed effects (column 1). One could argue that the sponsor effect on NGO reports is only a pure composition effect due to the fact that some sectors are more targeted by NGOs during sports events, and that sponsor firms belong to these sectors. We add interaction terms between sector fixed effects and the dummy $SportsEvent$, which equals 1 if a sports event occurs at quarter t (and 0 otherwise). The media shock generated on sponsor firms during the sports event is unaffected (column 2), which jeopardizes the pure composition effect argument.

We run a similar exercise in the within-firm specification. The estimate is unchanged by the inclusion of quarter-year fixed effects (column 3). In addition, one concern comes from the potential heterogeneity across firms in their newsworthiness. This can be explained by the fact that some of the firms in our sample produce final goods and are well-known to the public (e.g. *McDonald's* or *Nike*) while other firms mostly perform business to business activities (e.g. *SAP* or *Genuine Parts*). Since sponsors are mostly firms belonging to the first group, and are the most famous ones, our results may be driven by a disproportionate growth of attention during the events on these firms. To overcome this pure composition argument, we compute for each firm the unconditional probability of NGO report that we interact with the $SportsEvent$ dummy (column 4).[19] Our results are robust to the inclusion of these interaction terms.

Other robustness checks: Finally, we test whether time-varying firm characteristics affect our estimates, including the logarithm of a firm's annual sales, operating revenue and total assets (Table ST14). We also drop the most influential observations (Table ST15). In both cases, our results are not sensitive.

6 Do NGOs impact firms?

6.1 Main Results

Arguably, NGOs' reporting strategies are significantly influenced by large shocks on media coverage. How does this relate to NGOs' effectiveness? Do positive media coverage shocks enhance the impact of NGOs on firms during these events? We would like to assess the effect of NGO reports on the practices of firms, but such data are not available. One possible avenue is to study the impact of NGO reports on stock prices. Table 12 presents the results of equation 3's estimation, i.e. the effect of NGOs' good and bad reports on firms' stock prices.

We find that NGO reports (good or bad) have no significant impact on the daily abnormal return of the firms. Nor are sponsor firms significantly affected by the occurrence of the sports event (column 1). However, when we include the interaction term between the sponsorship activity of the firm and the two dummies $GoodReport_{jd}$ and $BadReport_{jd}$, we find more interesting results: stock prices of firms that are sponsors are negatively and significantly affected by bad NGO reports (column 2). When NGOs publish at least one report on the sponsor firms during the sports events, the bad report is found to reduce these firms' stock prices by 2%. Note that good reports do not affect stock prices significantly, even when we distinguish between sponsor firms and others. We argue that the significant and negative effect of bad reports by

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[19]We estimate the following equation for each firms: $ln(Reports_{jt}) = \alpha_0 + \alpha_1 FEj + \mu_{jt}$ and we measure the unconditional probability of NGO report of firm j as the average of the estimated number of reports over the period ($ln(\widehat{Reports_{jt}})$).

NGOs on the stock prices of firms that are targeted when they are sponsors reflects NGO effectiveness during the sports events. Obviously, we cannot infer from this exercise that sponsor firms will change their practices in response to this effect. But, at the least, we observe that NGOs are able to generate an effect on the stock market, an interesting finding related to the monitoring of multinational firms' practices.

6.2 Robustness

First, we rule out the hypothesis that shocks affect simultaneously firms with common characteristics. We add a large set of interaction terms between firm characteristics and the dates of the sports events: i) for each firm, we compute the unconditional probability of NGO report over the whole period that we cross with dates of sports events; ii) we interact observable firm characteristics (the average level of sales, of total assets and of operational revenues over the period) with dates of sports events (column 3). Second, we rule out the possibility that our results may be driven by sector characteristics of the sponsor firms. We interact sector dummies with dates of sports events (column 4). Our results are robust to the inclusion of these interaction terms.

Though demanding, the within-firm estimations are not able to rule out the hypothesis that sponsoring firms are just larger, and that is the reason why the stock market reaction to negative reports produced by NGOs about these firms is stronger. We address this issue in columns 5 and 6. We add a large set of interaction terms between firm size (approximated by firm characteristics such as the average level of sales, of total assets and of operational revenues and the unconditional firm's probability of NGO report) and the dummy variables of NGO bad (good) report (column 5). As a complementary step, we add a set of interactions between sector fixed effects and the dummy variable bad (good) report (column 6). In these exercises, the estimated interaction terms are unaffected in both magnitude and significance.

We control also for firm-specific time trends to rule out the hypothesis that our results are driven by a slow-moving omitted variable that simultaneously influences abnormal return and the decision to sponsor (column 7). Our results are still valid. We also run a falsification exercise where we randomly assign sponsor characteristics to a firm, keeping constant the distribution of reports. In less than 10% of the cases (over the 1,000 random draw), the interaction term is negative and significant at 10% (results available upon request). These findings leave us confident about the accuracy of our results.

6.3 Heterogeneous Effect among Large and Small NGOs

Let us build on our previous investigation on the heterogeneity among NGOs. In sections 4 and 5 we find that only the largest NGOs (measured by their total number of reports over the 2002-2010 period) are able to time their reporting about sponsor firms during sports events. Here, we explore whether NGOs' size affects their ability to impact the stock market valuation of firms. Results presented in Table 13 support this hypothesis, indicating that bad reports on sponsor

firms negatively affect a firm's stock price only when the NGO is sufficiently large. More surprisingly, we also find that good reports on sponsors published by large NGOs influence a firm's stock price significantly and positively.

All in all, this means that the largest NGOs drive the media shock effect on NGOs' activity and effectiveness. One can interpret this result as evidence that only the largest NGOs are professional and well-organized enough to implement such strategies. It may also be that only the largest NGOs, the ones that get covered by the media, adapt their activity to the media agenda, while the other NGOs rely on other channels to advocate for their cause (for example, through social networks or by going door-to-door).

7   Discussion and Conclusion

In this paper, we make use of large shocks on media coverage, generated by Olympic Games and FIFA World Cups, to document various aspects of NGOs' strategy. First, we present the media coverage distortion during big sports events. We find stories related to firms in the host and participant countries to be less covered, while media coverage of sponsoring firms increases dramatically. Second, we show that NGOs respond consistently to this change in media coverage, and that the magnitude of this effect is quantitatively large. During these big events, NGOs become more likely to write about firms that sponsor the events, by around 23%, and become less likely to write about firms' activities in countries where the events are located, by around 36%. Third, we show that NGOs' response to media coverage shocks affect NGOs' effectiveness. When NGOs publish a report on sponsor firms during the sports events, bad reports are found to affect firms' stock prices negatively by 2%. All in all, our findings suggest that NGOs act strategically to adjust their reporting to the media's agenda, and take advantage of big sports events to influence the sponsoring firms more.

Two alternative interpretations may also explain our findings. First, when public attention is focused on the Olympics or World Cups, it may be that the attention of NGO staff also is attracted to these, bringing their focus to sponsoring firms. This interpretation suggests that, in this case, NGOs would be *involuntarily* changing their reporting strategy. This hypothesis is likely to be more realistic for the smaller and potentially less professional NGOs, than for the key players - the ones found to drive our results here. In any case, this potential mechanism does not jeopardize the argument that the media agenda shapes the behavior of agents. Moreover, one should note that NGO reporting is a long-run focused effort. It is unlikely that their staff would investigate firms during the sports events and publish their reports in a few days.

Second, it might be that not only NGOs, but firms also adapt their strategy to the media coverage. Indeed, sponsor firms are likely to anticipate that the media coverage they attract intensifies the scrutiny of NGOs. We observe that NGOs disclose more good and bad reports on sponsor firms during sports events. It may well be that the increase in good reports about a firm is caused by the adoption of better practices by this firm. An increase in bad reports

could be explained by the fact that, for instance, sponsor firms choose to invest in sponsoring activities instead of adopting better environmental and social practices. But, it could also be that firms engaging in bad practices decide to become sponsors in an effort to shore up their reputations. The mechanisms playing on the good and bad reports contradict each other, but we cannot fully tackle the argument that our results are driven by a mix of these, notably because data on firm practices are not available. Again, since NGO reports are generally produced on a long-term basis, it is unlikely that they reflect short-turn corporate strategies, driven by sports events. Furthermore, the inclusion of firm-specific time trends in our preferred specifications does control for long run changes in firms' strategy.

Estimating NGOs' effect on the valuation of firms is a first attempt to measure NGOs' ability to influence firms. Our result is promising, and we believe that reliable measures of observed environmental and social practices of firms would enhance the outcome analysis further. Moreover, even as NGOs have attracted increasing attention in the economics literature over the past decade, the organizational structure of NGOs remains a black box. Interesting research questions include the analysis of CEOs' career and incentives in the NGO sector, and the impact of NGOs' funding on their own ability to monitor the practices of multinational firms.

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8 Tables and Figures

Figure 1: Media Coverage of the Host Countries
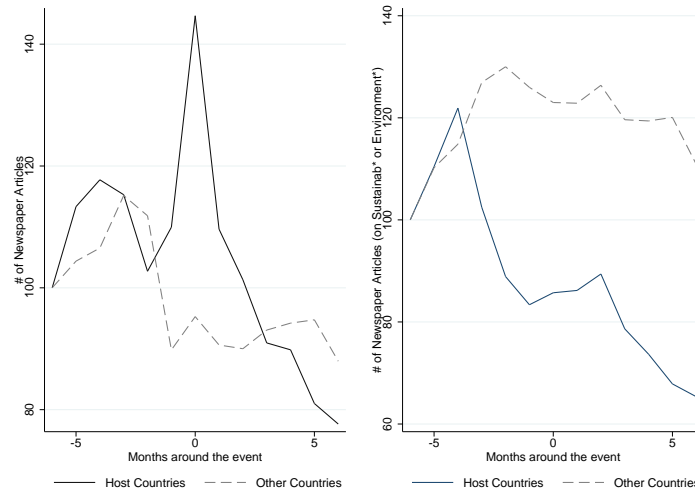
Note: The left-hand side figure reports the monthly average number of newspaper articles associated with each of the 130 countries in our sample six months before and after a sports event. Countries are classified as *Host countries* when they host Olympic Games or a FIFA World Cup or *Other countries* when they do not, every year between 2002 and 2010. We then cover 8 events and 9 host countries. The right-hand side figure presents the monthly average number of newspaper articles associated with each of the 140 countries and "Sustainab*" and "Environment*" in our sample six months before and after a sports event. The average number of country-specific newspaper articles are scaled so that the average number of articles six months before an event is equal to 100.

Figure 2: Media Coverage of the Sponsors
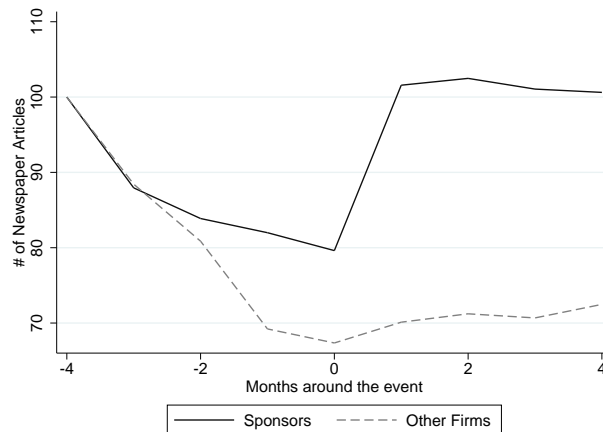
Note: This Figure reports the monthly average number of newspaper articles associated with each of the 555 firms of our sample four months before and after a sports event. Firms are classified as *Sponsors* when they sponsor Olympic Games or a FIFA World Cup or as *Other firms* when they do not, every year between 2002 and 2010. We then cover 8 events. The average number of country-specific newspaper articles is scaled so that the average number of articles four months before an event is equal to 100.

Table 1: Host Countries of World Cups and Olympic Games, 2002-2010

World Cup	Summer Olympic Games	Winter Olympic Games
2002: Korea and Japan 2006: Germany 2010: South Africa	2004: Greece 2008: China	2002: USA 2006: Italy 2010: Canada

Note: This table reports the list of sports event over the 2002-2010 period.

Table 2: Participant countries to World Cups, 2002-2010

World Cup 2002	World Cup 2002	World Cup 2006	World Cup 2006	World Cup 2010	World Cup 2010
Argentina	Nigeria	Argentina	Paraguay	Algeria	Korea, Republic of
Belgium	Paraguay	Brazil	Poland	Argentina	Mexico
Brazil	Poland	Costa Rica	Portugal	Australia	Nigeria
Cameroon	Portugal	Cote d'Ivoire	Senegal	Brazil	Netherlands
China	Russia	Czech Republic	Spain	Cameroon	New Zealand
Costa Rica	Senegal	Denmark	Sweden	Chili	Portugal
Croatia	South Africa	Ecuador	Switzerland	Cote d'Ivoire	Paraguay
Denmark	Spain	France	Togo	Costa Rica	South Africa
Ecuador	Sweden	Germany	Trinidad and Tobago	Denmark	Spain
France	Tunisia	Ghana	Tunisia	France	Switzerland
Germany	Turkey	Iran	Ukraine	Germany	United Kingdom
Ireland	United Arab Emirates	Italy	United Arab Emirates	Ghana	United States
Italy	United Kingdom	Japan	United Kingdom	Greece	Uruguay
Japan	United States	Korea, Republic of	United States	Honduras	
Korea, Republic of	Uruguay	Mexico	Uruguay	Italy	
Mexico		Netherlands		Japan	

Note: This Table reports the participant countries to the World Cups that we have in our sample.

Table 3: Sponsors of World Cups and Olympic Games, 2002-2010

World Cup 2002	Winter OG 2002	Summer OG 2004	World Cup 2006	Winter OG 2006	Summer OG 2008	World Cup 2010	Winter OG 2010
Adidas	Adidas*	Adidas	Adidas	Adidas*	Adidas	Adidas	Adidas*
Coca-Cola	Coca-Cola	Coca-Cola	Coca-Cola	Coca-Cola	BHP Billiton	Coca-Cola	Coca-Cola
Hyundai	McDonalds	McDonalds	Continental	Fiat	China Mobile	Continental	General Electric
MasterCard	Nike*	Nike*	Deutsche Telekom	General Electric	Coca-Cola	Hyundai	General Motors
McDonalds	Panasonic	Panasonic	Hyundai	Manulife	General Electric	Kia	Nike*
Nike*	Samsung	Samsung	MasterCard	McDonalds	Johnson and Johnson	McDonalds	Panasonic
Toshiba	Schlumberger	Visa	McDonalds	Nike*	Manulife	MTN Group	Ricoah
Yahoo	Visa	Xerox	Nike*	Panasonic	McDonalds	Nike*	Royal Bank of Canada
	Xerox		Toshiba	Samsung	Nike*	Sony	Samsung
			Yahoo	San Paolo	Panasonic	Visa	Teck Resources
				Telecom Italia	Samsung		Visa
				Visa	Uni-president		
					Visa		

Note: The list of firms presented here shows only the sponsor firms that are in the *CovalenceEthicalQuote* database.

Table 4: Geographical Distribution of NGO Reports

Country	# of NGO Reports	World Share of NGO Reports	Share of Negative NGO Reports
World	5597	1	0.69
OECD	3119	0.56	0.77
ROW	2478	0.44	0.60
USA	1248	0.22	0.61
India	331	0.06	0.80
China	309	0.05	0.74
Indonesia	195	0.03	0.90
South Africa	188	0.03	0.76
Nigeria	188	0.03	0.91
United Kingdom	184	0.03	0.50
Brazil	173	0.03	0.55
Canada	170	0.03	0.57
Mexico	168	0.03	0.74

Note: This table reports descriptive statistics over the 2002-2010 period for the World, the OECD, the Rest of the World (ROW) and the 10 countries with the largest level of NGO reports. Column 1 gives the total number of NGO reports, column 2 gives the share of each country on the total number of NGO reports and column 3 indicates the share of bad NGO reports. Data are based on authors' calculations from the $CovalenceEthicalQuote$ database.

Table 5: Descriptive Statistics of NGO Reports by country-quarter pair

	Mean	Std. Dev.	Min	Max	Observations
# of NGO Reports	4.36	7.1	1	80	1284
# of Bad NGO Reports	3.02	5.1	0	63	1284
# of Good NGO Reports	1.34	3.01	0	27	1284
Distribution (# of NGO Reports)	1	2	3-9	10+	
Total Reports	38.55%	18.22%	32.39%	10.84%	1284
Bad Reports	41.07%	19.25%	27.44%	12.24%	886
Good Reports	52.35%	21.39%	20.74%	5.52%	398

Note: This table reports descriptive statistics and the distribution for the number of total, bad and good NGO reports by country-quarter pair. Data are based on authors' calculations from the $CovalenceEthicalQuote$ database.

Table 6: Descriptive Statistics of NGO Reports by firm-quarter pair

|	Mean	Std. Dev.	Min	Max	Observations
# of NGO Reports	0.20	0.77	0	17	20412
# of Bad NGO Reports	0.15	0.66	0	16	20412
# of Good NGO Reports	0.06	0.27	0	5	20412
Distribution (# of NGO Reports)	0	1	2-9	10+	
Total Reports	88.39%	7.65%	3.88%	0.08%	20412
Bad Reports	91.5%	5.68%	14.15%	0.03%	15309
Good Reports	95.23%	4.13%	0.63%	0%	5103

Note: This table reports descriptive statistics and the distribution for the number of total, bad and good NGO reports by firm-quarter pair. Data are based on authors' calculations from the $Covalence EthicalQuote$ database.

Figure 3: Firm-specific Number of NGO reports
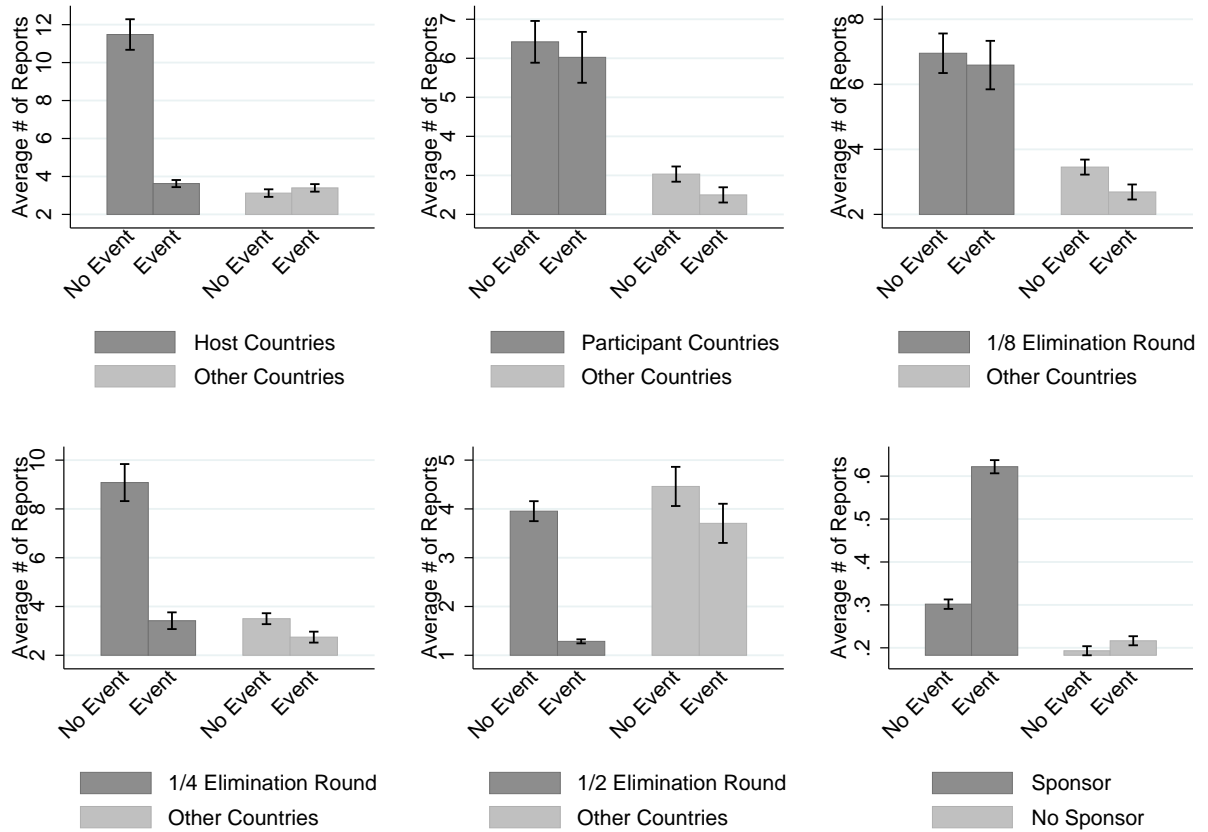

Note: This Figure reports the average number of reports by quarter for two categories of countries: host countries (or participant countries, countries in $1/8\ Final$, countries in $1/4\ Final$, countries in $1/2\ Final$ and sponsor firms) and other countries. For each category, we present the average number of NGO reports during the event and quarters without sports events.

Table 7: NGO Reports and Media Shock: Host, World Cup Participation and Performance

Dependent Variable:	$ln(Reports)$						
Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Explanatory Variables ($MediaShock$)	$Host$	$Participation$	$1/8\,Final$	$1/4\,Final$	$1/2\,Final$	$Final$	$Victory$
$MediaShock$	-0.444**	-0.127*	-0.239**	-0.501***	-0.722***	-0.748***	-0.754*
	(0.185)	(0.0761)	(0.115)	(0.0905)	(0.169)	(0.286)	(0.435)
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-Specific Time Trends	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,284	1,284	1,284	1,284	1,284	1,284	1,284
R-squared	0.196	0.194	0.195	0.199	0.200	0.197	0.195

Note: Robust standard errors clustered at country level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is country-quarter level. OLS regressions for all specifications with country fixed effects and country-specific time trends. Constant is not shown. The dependent variable ($ln(Reports)$) is the log of the total number of NGO reports by country-quarter. The explanatory variable $MediaShock$ is alternatively the following variables: $Host$ is a dummy equal to 1 if the country i hosts a sports event at quarter t (column 1); $Participation$ is coded 1 for countries that participated in World Cup and 0 otherwise (column 2); $1/8\,Final$ is coded 1 for countries that participated in a eight-final of World Cup (column 3); $1/4\,Final$ is coded 1 for countries that participated in a quarter-final of World Cup (column 4); $1/2\,Final$ is coded 1 for countries that participated in a semi-final of World Cup (column 5); $Final_t$ is coded 1 for countries that participated in a final of World Cup (column 6); $Victory$ is coded 1 for countries that won the final of World Cup (column 7).

Figure 4: NGO Reports and Hosting a Sports Event - Lags and Leads
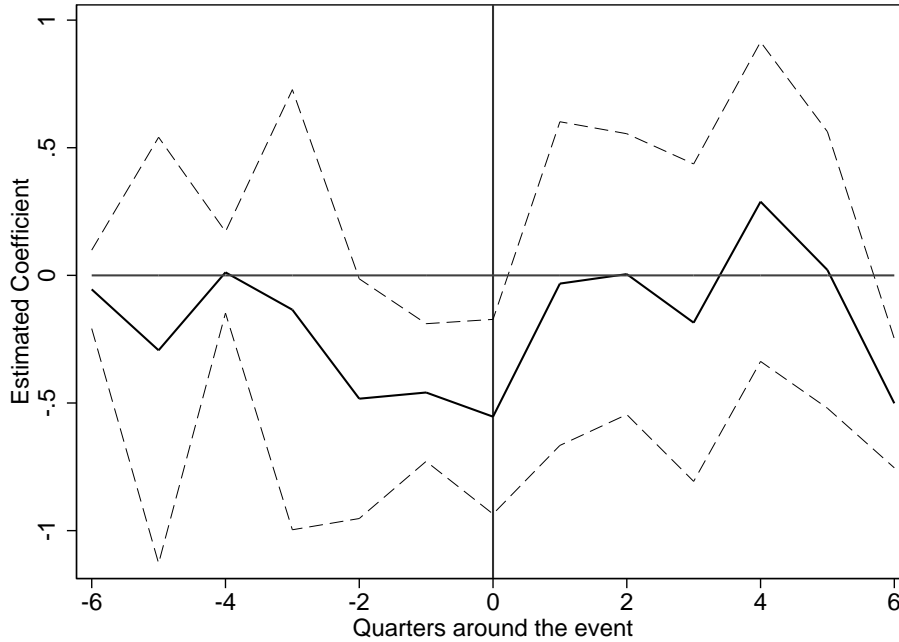
Note: We estimate equation 1 with the Host as $MediaShock$ variable and six lags and six leads of $MediaShock$ around the event. This Figure reports the estimated coefficients of six lags and six leads around the event and the significance level at 5%

Table 8: Good and Bad Reports: Host, World Cup Participation and Performance

Dependent Variable:	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$
Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Explanatory Variables ($MediaShock$)	$Host$		$Participation$		$1/8\ Final$		$1/4\ Final$	
$MediaShock$	-0.468***	-0.127	-0.174**	0.00969	-0.181**	-0.0703	-0.350***	-0.313***
	(0.0537)	(0.224)	(0.0682)	(0.0844)	(0.0853)	(0.109)	(0.0915)	(0.110)
Observations	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284
R-squared	0.107	0.214	0.106	0.214	0.105	0.214	0.107	0.216

Dependent Variable:	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$	$ln(Good$ $Reports)$	$ln(Bad$ $Reports)$
Specifications	(9)	(10)	(11)	(12)	(13)	(14)
Explanatory Variables ($MediaShock$)	$1/2\ Final$		$Final$		$Victory$	
$MediaShock$	-0.662***	-0.327*	-0.757***	-0.358	-0.814***	-0.354
	(0.118)	(0.178)	(0.183)	(0.275)	(0.269)	(0.418)
Observations	1,284	1,284	1,284	1,284	1,284	1,284
R-squared	0.110	0.215	0.108	0.214	0.107	0.214

Note: Robust standard errors clustered at country level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is country-quarter level. OLS regressions for all specifications with country fixed effects and country-specific time trends. Constant is not shown. The explanatory variable $MediaShock$ is alternatively the following variables: $Host$ is a dummy equal to 1 if the country i hosts a sports event at quarter t; $Participation$ is coded 1 for countries that participated in World Cup and 0 otherwise; $1/8\ Final$ is coded 1 for countries that participated in a eight-final of World Cup; $1/4\ Final$ is coded 1 for countries that participated in a quarter-final of World Cup; $1/2\ Final$ is coded 1 for countries that participated in a semi-final of World Cup; $Final_t$ is coded 1 for countries that participated in a final of World Cup; $Victory$ is coded 1 for countries that won the final of World Cup.

Table 9: NGO Reports and Heterogeneous Effect: Host

| Dependent Variable	$ln(Reports)$			
NGOs included	≤ 25th centile	25th - 50th centile	50th - 75th centile	> 75th centile
Specifications	(1)	(2)	(3)	(4)
$MediaShock$ ($Host$)	-0.0672	0.136	0.139	-0.545*
	(0.154)	(0.174)	(0.136)	(0.287)
Observations	1,284	1,284	1,284	1,284
R-squared	0.137	0.118	0.180	0.201

Note: Robust standard errors clustered at country level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is country-quarter level. OLS regressions for all specifications with country fixed effects and country-specific time trends. Constant is not shown. $MediaShock$ ($Host$) is a dummy equal to 1 if the country i hosts a sports event at quarter t. The dependent variable ($ln(Reports)$) is the log of the total number of NGO reports of the NGOs included in the sample, by country-quarter. In column 1, $ln(Reports)$ is the log of the number of reports from NGOs which have a smaller media size than the 25th centile in the distribution of the whole sample of NGOs. In column 2 (column 3), $ln(Reports)$ is the log of the number of reports from NGOs which have a media size included between the 25th and the 50th (50th and the 75th) centile in the distribution of the whole sample of NGOs. In column 4, $ln(Reports)$ is the log of the number of reports from NGOs which have a larger media size than the 75th centile in the distribution of the whole sample of NGOs.

Table 10: NGO reports and Media Shock: Sponsorship Activities of Firms

Dependent Variable:	ln(Reports)		ln(Good Reports)	ln(Bad Reports)	ln(Good Reports)	ln(Bad Reports)
Specifications	(1)	(2)	(3)	(4)	(5)	(6)
$MediaShock$ ($Sponsor$)	0.213**	0.0979**	0.107***	0.140*	0.0559**	0.0688
	(0.0827)	(0.0456)	(0.0329)	(0.0733)	(0.0260)	(0.0497)
Sector Fixed Effects	Yes	-	Yes	Yes	-	-
Firm Fixed Effects	-	Yes	-	-	Yes	Yes
Sector-Specific Time Trends	Yes	-	Yes	Yes	-	-
Firm-Specific Time Trends	-	Yes	-	-	Yes	Yes
Observations	19,908	19,908	19,908	19,908	19,908	19,908
R-squared	0.043	0.451	0.013	0.045	0.197	0.444

Note: Robust standard errors clustered at firm level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is firm-quarter level. OLS regressions. Constant is not shown. In columns 1 and 2, the dependent variable ($ln(Reports)$) is the log of the total number of NGO reports at quarter t on firm j. In columns 3 and 4, the dependent variable is the log of good NGO reports at quarter t and in columns 5 and 6, the dependent variable is the log of bad NGO reports at quarter t. $MediaShock$ ($Sponsor$) is a dummy equal to 1 if the firm is a sponsor of a sports event at quarter t.

Figure 5: NGO Reports and Sponsors - Lags and Leads
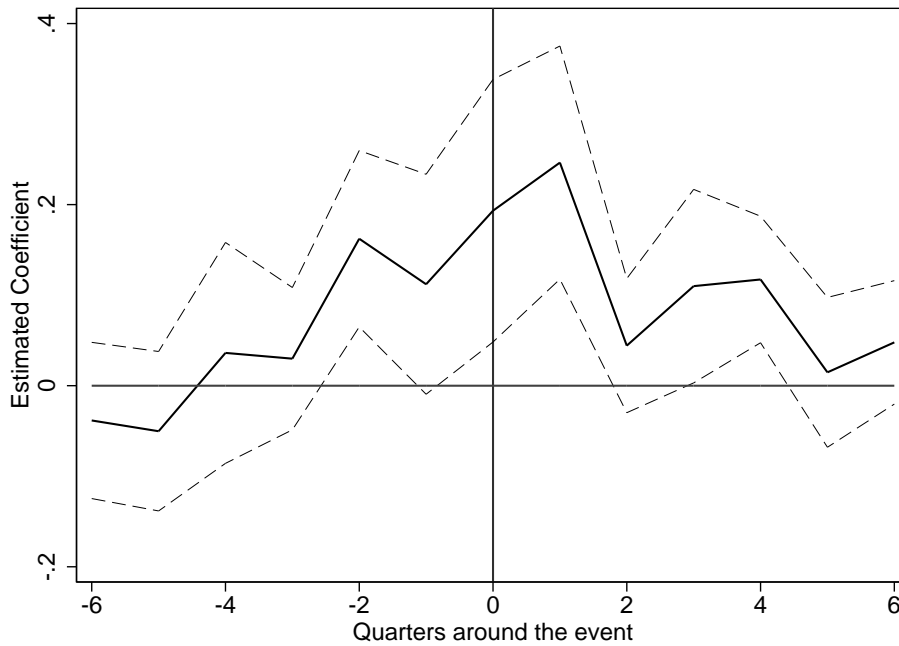
Note: We estimate equation 2 with the sponsor as $MediaShock$ variable and six lags and six leads of $MediaShock$ around the event. This Figure reports the estimated coefficients of six lags and six leads around the event and the significance level at 5%.

Table 11: NGO Reports and Heterogeneous Effect: Sponsorship Activities of Firms

Dependent Variable	$ln(Reports)$			
NGOs included	≤ 25th centile	25th - 50th centile	50th - 75th centile	> 75th centile
Specifications	(1)	(2)	(3)	(4)
$MediaShock\ (Sponsor)$	0.0145	0.0174	0.0599***	0.149**
	(0.0142)	(0.0128)	(0.0231)	(0.0624)
Observations	19,908	19,908	19,908	19,908
R-squared	0.007	0.005	0.008	0.042

Note: Robust standard errors clustered at firm level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is firm-quarter level. OLS regressions for all specifications with sector fixed effects and sector-specific time trends. Constant is not shown. $MediaShock\ (Sponsor)$ is a dummy equal to 1 if the firm is a sponsor of a sports event at quarter t. The dependent variable ($ln(Reports)$) is the log of the total number of NGO reports of the NGOs included in the sample, by country-quarter. In column 1, $ln(Reports)$ is the log of the number of reports from NGOs which have a smaller media size than the 25th centile in the distribution of the whole sample of NGOs. In column 2 (column 3), $ln(Reports)$ is the log of the number of reports from NGOs which have a media size included between the 25th and the 50th (50th and the 75th) centile in the distribution of the whole sample of NGOs. In column 4, $ln(Reports)$ is the log of the number of reports from NGOs which have a larger media size than the 75th centile in the distribution of the whole sample of NGOs.

Table 12: Effectiveness of NGOs strategy: Firms' Stock Prices

Dependent Variable	Daily Ab. Return						
Controls			Firm Charact. × Event	Sector FE × Event	Firm Charact. × Report	Sector FE × Report	Firm-specific Time Trends
Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bad Report	-0.194	-0.178	-0.121	-0.175	-0.994	-0.482	-0.156
	(0.184)	(0.184)	(0.187)	(0.184)	(3.347)	(0.713)	(0.187)
Good Report	-0.325	-0.327	-0.454	-0.321	-2.401	1.047	-0.288
	(0.275)	(0.278)	(0.288)	(0.278)	(5.420)	(0.801)	(0.279)
$MediaShock\ (Sponsor)$	-0.0606	0.0316	-0.108	-0.0487	-0.0297	0.0319	-0.0406
	(0.458)	(0.442)	(0.477)	(0.444)	(0.461)	(0.442)	(0.470)
$MediaShock\ (Sponsor) \times$ Bad Report		-3.386*	-3.371**	-3.391*	-3.210*	-3.592**	-3.324*
		(1.734)	(1.714)	(1.749)	(1.733)	(1.776)	(1.782)
$MediaShock\ (Sponsor) \times$ Good Report		0.456	0.431	0.420	0.264	0.252	0.575
		(2.538)	(2.564)	(2.450)	(2.697)	(2.770)	(2.520)
Observations	1,186,549	1,186,549	961,138	1,186,549	961,138	1,186,549	1,186,549
R-squared	0.000	0.000	0.000	0.000	0.000	0.000	0.001

Note: Robust standard errors clustered at firm level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is firm day level. OLS regressions with firm fixed effects. Constant is not shown. The daily abnormal return is computed thanks to $r_d = \alpha + \beta R_d + \epsilon_d$ where r_d is the stock return of a given firm in day d and R_d is the market return in day d. For each firm, we then use $\hat{\alpha}$ and $\hat{\beta}$ to calculate daily abnormal returns $\overline{r_d} = r_d - \left[\hat{\alpha} + \hat{\beta}R_d\right]$. $MediaShock$ $(Sponsor)$ is a dummy equal to 1 if the firm is a sponsor of a sports event at quarter t. In column 3, we add *Firm Charact. × Event* that cross firm characteristics (the unconditional firm's probability of NGO report over the whole period, the logarithm of a firm's annual sales, the operating revenue and the total assets) with a variable coded 1 for days of sports events and 0 otherwise. In column 4, we add *Sector FE × Event* that cross sector fixed effects with a variable coded 1 for days of sports events and 0 otherwise. In column 5, we add *Firm Charact. × Bad Report* (*Firm Charact. × Good Report*) that cross firm characteristics and the dummy *Bad Report* (*Bad Report*, respectively). In column 6, we add *Sector FE × Bad Report* and *Sector FE × Good Report*. In column 7, we add firm-specific time trends.

Table 13: NGO reports and Firms' Stock Prices: Heterogeneous Effect

Dependent Variable	Daily Ab. Return		
Big NGOs defined as	Size > 25th centile	Size > 50th centile	Size > 75th centile
Specifications	(1)	(2)	(3)
Bad Report (Big NGOs)	0.0336	0.0184	0.0509
	(0.236)	(0.271)	(0.272)
Bad Report (Small NGOs)	-0.267	-0.131	-0.171
	(0.394)	(0.328)	(0.326)
Good Report (Big NGOs)	-0.277	-0.309	-0.319
	(0.345)	(0.372)	(0.374)
Good Report (Small NGOs)	0.551	0.113	0.122
	(0.694)	(0.510)	(0.510)
$MediaShock\,(Sponsor)$	0.00342	0.00788	0.00792
	(0.445)	(0.448)	(0.448)
$MediaShock\,(Sponsor) \times$ Bad Report (Big NGOs)	-3.572*	-5.818***	-5.850***
	(2.045)	(1.880)	(1.877)
$MediaShock\,(Sponsor) \times$ Bad Report (Small NGOs)	-5.058	-1.737	-1.697
	(6.672)	(3.197)	(3.198)
$MediaShock\,(Sponsor) \times$ Good Report (Big NGOs)	-0.250	8.066***	8.076***
	(2.587)	(0.580)	(0.582)
$MediaShock\,(Sponsor) \times$ Good Report (Small NGOs)	3.538***	-2.134	-2.144
	(0.833)	(2.899)	(2.898)
Observations	1,186,549	1,186,549	1,186,549
R-squared	0.000	0.000	0.000

Note: Robust standard errors clustered at firm level in parentheses with ***, ** and * respectively denoting significance at the 1%, 5% and 10% levels. The unit of observation is firm day level. OLS regressions with firm fixed effects. Constant is not shown. The daily abnormal return is computed thanks to $r_d = \alpha + \beta R_d + \epsilon_d$ where r_d is the stock return of a given firm in day d and R_d is the market return in day d. For each firm, we then use $\hat{\alpha}$ and $\hat{\beta}$ to calculate daily abnormal returns $\overline{r_d} = r_d - \left[\hat{\alpha} + \hat{\beta} R_d\right]$. *Bad Report (Big NGOs)* is a dummy variable which equals 1 if at least one of the *Big NGOs* covers the practices of the firm. *Bad Report (Small NGOs)* is a dummy variable which equals 1 if at least one of the non-*Big NGOs* covers the practices of the firm. *MediaShock (Sponsor)* is a dummy equal to 1 if the firm is a sponsor of a sports event at quarter t. In column 1, an NGO is defined as *Big* if its size is larger than the 25th centile in the distribution of the whole sample of NGOs. In column 2, an NGO is defined as *Big* if its size is larger than the 50th centile in the distribution of the whole sample of NGOs. In column 3, an NGO is defined as *Big* if its size is larger than the 75th centile in the distribution of the whole sample of NGOs.