THE EFFECT OF A CORPORATE NAME CHANGE RELATED TO A CHANGE IN CORPORATE IMAGE UPON A FIRM'S STOCK PRICE

A Dissertation

by

MARK P. DEFANTI

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

August 2006

Major Subject: Marketing

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Approved by:

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ABSTRACT

The Effect of a Corporate Name Change Related to a Change in Corporate Image upon a Firm's Stock Price.

(August 2006)

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Chairman of Advisory Committee: Dr. Paul S. Busch

This dissertation utilizes the event study methodology from the modern theory of finance to examine corporate name changes (CNCs). Data sources include press releases and articles announcing CNCs compiled by Lexis Nexis, annual reports collected from the SEC File microfiche database compiled by Q-Data and the EDGAR database compiled online by Mergent, and the Center for Research on Stock Prices and COMPUSTAT compiled by Wharton Research Data Services.

These data sources are used to answer three primary research questions. First, what is the effect of a CNC related to a change in corporate image, as opposed to a change in corporate entity (e.g., acquisition), on a firm's stock price? Second, what is the effect of a major change versus a minor change to the corporate name during a CNC related to a change in corporate image? Third, what is the effect of a non-brand name altering CNC versus a brand name altering CNC on a firm's stock price?

This dissertation makes its primary contribution to the study of CNCs by finding that CNCs related to a change in corporate image will have a positive impact on stock

price whereas CNCs related to a change in corporate entity will not. Moreover, it finds that major changes to the corporate name during CNCs related to a change in corporate image will have a positive impact on a firm's stock price whereas minor changes to the corporate name during CNCs related to a change in corporate image will not. Finally, it is the first study to examine the effect of CNCs on firms' brand names and finds that non-brand name altering CNCs related to a change in corporate image will have a positive impact on a firm's stock price whereas brand name altering CNCs related to a change in corporate image will not.

ACKNOWLEDGEMENTS

This dissertation is dedicated to Denise, a wonderful wife, mother, and teacher, who has exhibited tremendous patience and provided me with continuous encouragement over the past twelve years. She has also eagerly and lovingly accepted the primary role of raising our beautiful one year-old twin daughters, Helena and Sofia. I would also like to thank my parents, Michael and Anne, for their love and generous support. Finally, I am grateful to Sofia and Helena for reminding me every day about the joy of life.

I am deeply indebted to my dissertation committee chairman, Paul Busch, for generously offering me his knowledge, time, guidance, and encouragement. Paul has been an excellent contributor of ideas, editor, coach, mentor, and friend and I will always be grateful to him. I am also indebted to Alina Sorescu for far exceeding the responsibility of a committee member and meeting with Paul and me on numerous occasions to discuss theoretical and methodological issues. Finally, I wish to express my heartfelt thanks to the other members of my committee, Len Berry and Dick Woodman, for sharing with me their time, expertise, and helpful suggestions.

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INTRODUCTION

Importance of the Problem

Numerous large U.S. firms have changed their corporate names since 1966. Some well publicized examples include Standard Oil of New Jersey (Esso) to Exxon, International Harvester to Navistar International, Consolidated Foods to Sara Lee, Dayton-Hudson to Target, UAL to Allegis to UAL, Allegheny Airlines to US Air to US Airways, U.S. Steel to USX, Connecticut General and INA to CIGNA, United Aircraft to United Technologies, Philip Morris to Altria, Time Warner and AOL to AOL Time Warner to Time Warner, KPMG Consulting to BearingPoint, and Andersen Consulting to Accenture.

A corporate name change (CNC) can be very costly. Legal fees, printing of new stationery and packaging, signage, and advertising can amount to hundreds of millions of dollars. For example, the change by United Airlines' parent company from UAL to Allegis was reported to have cost $7.3 million, excluding the cost of promoting the new name (Ellis 1987). The change from International Harvester to Navistar is estimated to have cost $13 to 16 million (Bennett 1986). The change to Unisys after the merger of Burroughs and Sperry in 1986 was estimated to have cost up to $15 million in advertising, printing, signs, and other costs (USA Today 1987). In addition, the change from Esso to Exxon cost a staggering sum of approximately $200 million (McQuade 1984). More recent examples include Andersen Consulting to Accenture at an estimated cost of $13 million (Stuart and Muzellac 2004) with a supporting advertising budget of

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This dissertation follows the style of *Journal of Marketing.*

$170 million (Callahan 2002), and KPMG Consulting to BearingPoint at an estimated cost of $20 to 35 million (Callahan 2002; Stuart and Muzellac 2004).

Given the magnitude of the investment required, it is not surprising that CNCs receive a lot of attention. CNCs have been both praised and criticized by the business press and academic researchers. Observing that Consolidated Foods experienced a substantial increase in its stock price during the year after the firm changed its name to Sara Lee, Charmasson (1988) suggested that Consolidated Foods resolved its company identity crisis by adopting one of its most successful brand names. Other researchers have found CNCs to have an immediate and statistically significant, positive impact on firms' stock prices when they added .com to their corporate names before mid-2000 (Cooper, Dimitrov, and Rau 2001; Cooper, Khorana, Osobov, Patel, and Rau 2004; Lee 2001) or deleted .com from their corporate names after mid-2000 (Cooper, Khorana, Osobov, Patel, and Rau 2004). On the other hand, Howe (1982) found no statistically significant stock price reaction associated with CNCs and concluded that managers need not worry about keeping a firm's name up to date because there is no net benefit to changing a corporation's name.

Primary Research Questions

This dissertation examines the antecedents and financial consequences of CNCs by publicly traded firms from 1987 to 2002. Data sources for this dissertation include announcements of CNCs made through company press releases and the business press compiled by Lexis Nexis, the firms' annual reports collected from the SEC File microfiche database compiled by Q-Data and the EDGAR database compiled online by

Mergent, as well as the Center for Research on Stock Prices (CRSP) and COMPUSTAT compiled by Wharton Research Data Services (WRDS).

These data sources are used to answer three primary research questions. This dissertation examines prior research on the effect of a corporate name change (CNC) related to a change in corporate image upon a firm's stock price. In doing so, it aims to answer three primary research questions. First, what is the effect of a CNC related to a change in corporate image, as opposed to a change in corporate entity (e.g., acquisition), on a firm's stock price? Second, what is the effect of a major change versus a minor change to the corporate name during a CNC related to a change in corporate image? Third, what is the effect of a non-brand name altering CNC versus a brand name altering CNC on a firm's stock price?

Contributions of This Research

Drawing from the theoretical concepts of information processing (Petty and Cacioppo 1981, 1986; Petty, Cacioppo, and Schumann 1983), brand heritage (Aaker 2004), brand awareness (Aaker 1991), perceived risk (Capon and Burke 1980; Cardozo and Cagley 1971; de Chernatony 1989; Dunn, Murphy, and Skelly 1986; Fowler 1982; Granzin 1981; Guseman 1981; Hawes and Barnhouse 1987; Mitchell 1999; Mitchell and Greatorex 1989; Mitchell and McGoldrick 1996; Moore and Lehmann 1980; Perry and Perry 1976; Roselius 1971; Taylor and Rao 1982; Toh and Heeren 1982; Tootelian, Gaedeke, and Schlacter 1988; Wu, Holmes, and Alexander 1984), and signaling theory (Spence 1973). It is argued that by failing to distinguish between CNCs related to a change in corporate image and a change in corporate entity and non-brand name altering

and brand name altering CNCs, several researchers may have overgeneralized when they concluded that a CNC does not affect a firm's stock price or that the distinction between a major change and a minor change to the corporate name does not matter.

This dissertation classifies a change to the corporate name as major when the new corporate name is not immediately recognizable as related to the previous corporate name because the new corporate name includes words or letters that are drastically different from those used by the previous corporate name (e.g., Andersen Consulting to Accenture) and as minor when the new corporate name is immediately recognizable as related to the previous corporate name because the new corporate name includes words or letters that are highly similar to those used by the previous corporate name (e.g., US Air to US Airways). Next, it classifies a CNC as related to a change in corporate image when it results from an increase or decrease in the corporate name's affiliation with an industry, brand, business unit, event, attribute, or geographic region. It then classifies a CNC as related to a change in corporate entity when it results from a merger, acquisition, divestiture, reorganization, or change in ownership. Finally, it classifies a CNC as brand name altering when it results in a change in one or more of the brand names in the firm's portfolio (e.g., Software Technologies Corporation to SeeBeyond).

Following the lead of other researchers of CNCs (e.g., Bosch and Hirschey 1989; Ferris 1988; Horsky and Swyngedouw 1987; Lee 2001; Madura and Tucker 1990; Morris and Reyes 1991), this dissertation adopts the event study methodology from the modern theory of finance to analyze the effect of 183 CNC announcements on the behavior of stock prices. In doing so, this dissertation makes its primary contribution to

the study of CNCs by showing that: 1) a CNC related to a change in corporate image has a positive impact on stock price whereas a CNC related to a change in corporate entity does not; 2) a major change to the corporate name during a CNC related to a change in corporate image has a positive impact on a firm's stock price whereas a minor change to the corporate name during a CNC related to a change in corporate image does not; and 3) a non-brand name altering CNC related to a change in corporate image has a positive impact on a firm's stock price whereas a brand name altering CNC related to a change in corporate image does not. By investigating these questions, this dissertation both expands and refines the previous research on CNCs.

LITERATURE REVIEW

There have been several studies of the financial impact of various marketing phenomena in the marketing, management, finance, and economics literatures. The motivation for this research was, in great part, to bridge the gap between marketing and finance and provide managers with normative implications of their marketing decisions. This section begins with a review of the conceptual contributions of previous event studies of marketing phenomena. Next, the conceptual and empirical contributions of the subset of the 13 event studies dealing with CNCs are reviewed. Then, the conceptual limitations of these CNC event studies as well as the general limitations associated with the event study methodology are assessed. Finally, this section concludes with a review of another substantial literature stream of conceptual articles that identifies the key characteristics of corporate names (i.e., distinctiveness, flexibility, memorability, relevance, and likeability). Since this dissertation's conceptual model is focused primarily on CNCs related to a change in corporate image, previous research examining several concepts related to corporate image, including identity, intended image, construed image, and reputation, as well as the antecedents of CNCs is reviewed in the next section.

Previous Event Studies of Marketing Phenomena

Several event studies of marketing phenomena other than CNCs have been conducted in the marketing, management, and economics literatures. As indicated in Table 1, they have examined the effect on firms' stock prices of independent variables related to: 1) branding such as brand extensions (Lane and Jacobson 1995);

2) independent variables related to advertising such as advertising expenditure announcements (Chauvin and Hirschey 1993), firing advertising agencies (Kulkarni, Vora, and Brown 1993; Hozier and Schatzberg 2000), advertising to investors (Bobinski and Ramirez 1994), celebrity endorsement contract announcements (Agrawal and Kamakura 1995), advertising slogan change announcements (Mathur and Mathur 1995), announcements of initiating new advertising agency-client relations (Mathur and Mathur 1996), the announcement of Michael Jordan's return to the NBA (Mathur, Mathur, and Rangan 1995), Internet advertising of services announcements (Mathur, Mathur, and Gleason 1997), Super Bowl advertisements (Kim and Morris 2003), supply chain management announcements (Filbeck, Gorman, Grenlee, and Speh 2005), and Clio creative advertising award announcements (Tippins and Kunkel 2006); 3) independent variables related to sponsorships including Olympic Games sponsorship announcements (Miyazaki and Morgan 2001); sponsoring the winning driver of the Indianapolis 500 (Cornwell, Pruitt, and Van Ness 2001), corporate stadium sponsorship announcements (Clark, Cornwell, and Pruitt 2002), NASCAR sponsorship announcements (Pruitt, Cornwell, and Clark 2004), and major league sports' official product sponsorship announcements (Cornwell, Pruitt, and Clark 2005);

4) independent variables related to distribution channel management such as internet channel addition announcements (Geyskens, Geilens, and Dekimpe 2002); and 5) independent variables related to innovation and product announcements (Eddy and Saunders 1980), product recall announcements (Hoffer, Pruitt, and Reilly 1988; Jarrell and Peltzman 1985), new product innovation announcements (Chaney, Devinney, and Winer 1991), new product introduction delay announcements (Hendricks and Singhal 1997), new "green" product announcements (Mathur and Mathur 2000), new product pre-announcements (Mishra and Bhabra 2001), and radical innovation announcements by pharmaceuticals (Sorescu, Chandy, and Prabhu 2003).

These 27 studies' major findings, theoretical contributions, theoretical limitations, methodological contributions, and methodological limitations are summarized in Table 1. The very first study found was Eddy and Saunders (1980), which was an early effort to integrate decision making in the finance and functional marketing areas with an event study of the effect of new product announcements on monthly stock prices. Thereafter, beginning with Jarrell and Peltzman (1985), the event studies shifted to the use of daily stock returns as the independent variable.

In addition to the improvement in measurement, the subject of analysis by event studies has also evolved. Interestingly, the studies listed from 1980 to 1991 (Chaney, Devinney, and Winer 1991; Eddy and Saunders 1980; Hoffer, Pruitt, and Reilly 1988; Jarrell and Peltzman 1985) all examine phenomena related to the "product" aspect of the marketing mix. These studies range from product recalls to new product innovations.

After 1991, however, the scope of event studies expanded to include the vast array of other advertising and marketing issues listed above.

In addition to the progression of scope shown in these event studies, the conceptual contributions and limitations of the analysis have likewise progressed. Many of these studies have shown a statistically significant effect on stock prices, which range from the -5.25% average stock price return of a delay in new product introduction (Hendricks and Singhal 1997) to the 3.71% average stock price return for advertising agencies that were hired by a firm after that firm had announced the termination of its previous agency (Kulkarni, Vora, and Brown 2003).

In many cases, the methodological contributions and methodological limitations of the studies summarized in Table 1 can be generalized to all event studies. As a result, they are discussed in further detail in the forthcoming discussion pertaining to the methodological limitations pertaining to CNC event studies.

TABLE 1

EVENT STUDIES OF MARKETING PHENOMENA

	Independent variable(s); Dependent variable and findings	**Conceptual contributions and limitations**	**Empirical contributions and methodological limitations**
Eddy and Saunders (1980) *Decision Sciences* 66 announcements 1961-69	New product announcements • Stock price • Statistically insignificant stock price effects measured by cumulative abnormal returns (CARs) before and after the announcement date	*Contributions*. Early attempt to integrate decision making in the marketing and finance functional areas	*Limitations.* Use of weekly stock returns may have caused finding of statistically insignificant effects
Jarrell and Peltzman (1985) *Journal of Political Economy* 32 announcements by 26 drug firms 1974-82 116 announcements by 3 auto firms; 1967-81	Product recall announcements • Stock price • Statistically significant negative adjusted CARs for all windows for drugs • Statistically significant, negative adjusted CARs of -1.83% for autos in (-5, +5)	*Contributions.* Product recall announcements by drug and automobile manufacturers penalized shareholders far more than the direct costs of the recall campaigns. Competitors are also adversely affected when a rival product is recalled	*Limitations.* Hoffer, Pruitt, and Reilly (1988) found that results were affected by departures from traditional event study methodology. Sample included events with overlapping event windows (e.g., the effect on Chrysler's stock price of a Ford recall announcement occurring during the same event window as a recall announcement by Chrysler)
Hoffer, Pruitt, and Reilly (1988) *Journal of Political Economy* 66 recall announcements 1975-81	Product recall announcements • Stock price • Statistically insignificant effects for automobile manufacturers		*Contributions.* Reclassified Jarrell and Peltzman's (1985) data set and revised their methodology by removing from the sample any events with overlapping event windows in order to agree more closely with traditional event study methodology

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Chaney, Devinney, and Winer (1991) *Journal of Business* 1,101 announcements by 231 firms 1975-84	New product innovation announcements • Stock price • Average daily CARs for (-1, +1) of 0.25% with 5 of the 10 years showing a statistically significant effect (-3, +3) is 0.12% (-5, +1) is 0.11% (-5, +5) is 0.06%	*Contributions.* Found that the impact of a new product introduction varied negatively with the firm's systematic risk and the number of the new product announcements. Also found that the market reacted positively to multiple product announcements as opposed to single product announcements and truly new products as opposed to copycat products.	*Contributions.* Identified four limitations of the event study methodology: 1) Stock prices have noise; 2) Event dates may not be easily identifiable; 3) Events may cluster; 4) Many events do not have a statistically significant impact on the firm. *Limitations.* Firms in sample may differ from the average firm in their field in terms of size, advertising expenditures, and capital expenditures to assets ratio, leverage ratio, and P/E ratio.
Chauvin and Hirschey (1993) *Financial Management* 1500 firms 1988-90	Advertising and R&D expenditures • Stock Price	*Contributions.* Found that advertising and R&D expenditures positively impact stock prices and can be viewed as an investment in intangible assets.	*Contributions.* Tested the model for independent and interactive effects of the percentage of closely held shares (i.e., the share of stock held by insiders and large outside interests) to rule out a lack of congruence between managerial and stockholder interests.

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Bobinski and Ramirez (1994) *Journal of Advertising* 99 ads	Advertisements to Investors • Stock Price • Statistically insignificant effects of -0.214% on day 0 (day of advertisement) and -0.134% on day 1 • Statistically significant, positive increase in trading volume for 49 small capitalization firms for (-1, 0) • Statistically significant, positive increase in trading volume for all 99 firms for (3,20)	*Contributions.* Found increases (mainly for small capitalization firms) in trading volume at the initial appearance of an ad, but not during subsequent appearances.	*Contributions.* Reviewed effect on trading volume as well as stock price *Limitations.* Incorrectly characterized the examination of the relationship between advertising to investors and stock market reaction as having a short-term perspective. Stock price is a forward-looking measure that indicates a long-term perspective
Agrawal and Kamakura (1995) *Journal of Marketing* 110 announcements of 87 celebrities by 35 firms 1980-92	Celebrity endorsement contract announcements • Stock Price • Statistically significant, positive overall effect (0.54%) for (-1, 0)	*Contributions.* Extended the previous literature, which focused on the celebrity endorsements' effect on consumers' brand attitudes and purchase intentions, by examining the economic value of the announcements of celebrity endorsement contracts	*Contributions.* Performed tests for industry effects, skewness in CAR distribution (with Corrado's (1989) alternative nonparametric rank test), and percentage of positive and negative CARs *Limitations.* Defined the event day as the first day an announcement of a contract or a forthcoming celebrity endorsement contract appeared in the print media rather than the press release date

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Lane and Jacobson (1995) *Journal of Marketing* 89 announcements by 59 brands owned by 34 firms 1989-90	Brand extensions • Stock price • Non-monotonically related to brand attitude and brand familiarity • Statistically significant, positive mean CAR of 0.3216% • Correlation between familiarity and excess return of .23663. • Correlation between esteem and excess return of .23546	*Contributions.* Empirically tested investors' reactions to brand extensions	*Contributions.* Departed from typical event studies by identifying the relative impact of multiple brand extension alternatives and the conditions under which brand extensions affect stock prices
Mathur and Mathur (1995) *Journal of Advertising Research* 87 firms 1987-92	Advertising slogan change announcements • Stock price • Statistically insignificant CAR of 0.12% for (-1, 0) • Statistically significant positive CAR of 1.03% for (-1, +10) • Average increase in the market value of a firm of $96 million • $6 million in profits to the firm (given average price to earnings ratio of 16)	*Contributions.* Statistically significant, positive results during (+2, +10) suggested that judicious use of advertising slogan changes is beneficial	*Contributions.* Overcame the four limitations of event studies delineated by Chaney, Devinney, and Winer (1991) *Limitations.* Attributing the statistically significant, positive CAR of 0.91% for (+2, +10) to some delayed investor reaction to the news of a change in advertising slogan contradicts the assumptions of the efficient markets hypothesis

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Mathur and Mathur (1996) *Journal of Advertising* 173 announcements 1989-94	Announcements of new advertising agency-client relations • Stock price • Statistically significant CAR of -0.50% of firms' announcements of new advertising accounts during (-1, 0)	*Contributions.* As expected, announcements of larger new accounts fare better than announcements of smaller new accounts. Firms with relatively weak financial performance for the three years prior to the announcement do not fare well *Limitations.* Used size and age to represent the relative prestige of an advertising agency	*Limitations.* The statistically significant results for (+1, +5) found for announcements of new accounts associated with a new activity by a firm cannot be attributed solely to the announcement of a new account. Attributing new accounts with agency linked to the firms' statistically significant, positive CAR 1.83% for (+6, +10) to investors' positive reassessment (of the potential benefits with consolidating a new account with an existing account) subsequent to the initial reaction may be problematic may be problematic because it contradicts the assumptions of the efficient markets hypothesis.
Hendricks and Singhal (1997) *Management Science* 101 firms 1984-91	New product introduction delay announcements • Statistically significant, negative CARs of -5.25% for (-1, 0)	*Contributions.* Interestingly, showed that firms faced a less negative reaction when they provided estimates of the length of the delay	*Contributions.* Found that the greater the firm's diversification, the less negative the effect of the delay announcement. Also tested the statistical significance of industry competitiveness
Mathur, Mathur, and Rangan (1997) *Journal of Advertising Research* 5 firms March 1995	Announcement of Michael Jordan's return to the NBA • Stock price • Statistically significant, positive returns on (0, +1) of 1.63% (t=1.82)	*Contributions.* Demonstrated the potential value of celebrity endorsements *Limitations.* Generalizability is questionable because likely benefits of celebrity endorsers are overstated by an exceptional celebrity	*Limitations.* Although rumors began to circulate about Jordan's return on 5/9/95, used 5/10/95 as day 0 and did find statistical significance for (-1, 0)

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Mathur, Mathur, and Gleason (1997) *Journal of Services Marketing* 80 announcements (19 advertising services on the internet; 61 providing services on the internet) 1993-96	Announcements of advertising and providing services on the Internet • Stock price • Statistically significant, positive CARs of 0.85% for (-1, 0) for providing services over the Internet • Statistically insignificant CARs of 0.45% for Internet advertising of services	*Contributions.* Investors have more confidence in firms with superior financial performance, regardless whether they are providing services over the internet or providing or advertising services on the internet	*Contributions.* Did not include announcements in weekly trade publications due to the ambiguity of the announcement date as well as the clustering of event announcements created by using the publication date *Limitations.* Sample size of 19 for advertising services on the internet prevented further subsample analysis
Hozier and Schatzberg (2000) *Journal of Business Research* 26 terminations (16 actual and 10 potential) 1986-94	Advertising Agency Terminations • Stock price • Statistically significant, negative CAR on day -2. • Statistically insignificant CARs of -0.1% for (-1, 0)	*Contributions.* Found a significant decay in firm sales growth both before and after the announcements. Also found deterioration in operating income in the post-event period and a statistically significant decline in liquidity before the event	*Contributions.* Examined the effect on sales, operating income, and liquidity as well as stock price *Limitations.* Sample size of 26 prevented further sub-sample analysis
Mathur and Mathur (2000) *Journal of Business Research* 73 firms 1989-95	New "green" product announcements • Stock price • Statistically insignificant CARs for announcements related to green products, recycling efforts, and appointments of environmental policy managers. • Statistically significant negative CARs of -0.84% for (+1, +5) and -3.14% for (-10, +10) for announcements for green promotional efforts	*Contributions.* The first study to examine the wealth effects of green marketing activities	*Contributions.* Examined the stock price effect of financial and operational characteristics (i.e., earnings growth, size, advertising-to-sales ratios)

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Cornwell, Pruitt, and Van Ness (2001) *Journal of Advertising Research*	Indianapolis 500 winning and losing drivers • Stock price • Statistically insignificant CARs for winning and losing drivers overall.	*Contributions.* Showed that sponsorship programs can provide value for sponsors. Firms directly affiliated with the consumer automotive industry fared better than firms that were not	*Limitations.* Uncontrollable, race-related variables, such as winning car's pre-race qualification speed and whether the winning driver was a first-time winner of the race, were statistically significant
Mishra and Bhabra (2001) *Journal of Product & Brand Management* 114 pre-announcements 1986-95	New product preannouncements • Stock price • Statistically significant, positive CARs of 0.77% for (-1, 0) (z=2.12)	*Contributions.* Shows that "relatively irreversible" product pre-announcements (i.e., those containing evidence) are valued more positively by the stock market than "reversible" announcements that lack such evidence, which are ignored by the stock market	

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Miyazaki and Morgan (2001) *Journal of Advertising Research* 27 firms	Olympic Sponsorships • Stock price • Statistically significant, positive returns of 1.24% for (-4, 0) and 0.89% for (-3, 0)	*Contributions.* Refuted the critics of Olympic sponsorship by showing that it provides value to the sponsors	*Contributions.* Recognized that the information leakage may occur through non-print media during (-5, -2) *Limitations.* The small sample size of 27 limited the statistical tests' power, may have resulted in the understatement of the actual result, and prevented the separate analysis of first-time sponsors versus returning sponsors. Did not analyze multiple games, which would require accounting for currency fluctuations, changing sponsorship fees, and the varying event interest due to the choice of host country, among other factors
Clark, Cornwell, and Pruitt (2002) *Journal of Advertising Research* 49 announcements by 49 firms 1985-2000	Corporate stadium sponsorship announcements • Stock price • Statistically significant, positive CAR of 1.65% for (-1, +1). • Firm size (negative), contract length (positive), home team winning percentage (positive), and a local company dummy variable (positive) are also statistically significant.	*Contributions.* Countered the criticism of stadium naming sponsorships in the business press. Found statistically significant, positive correlation with sponsorship success for team's winning percentage, contract length, firm type (i.e., high technology), and headquarters location (i.e., locally based)	*Contributions.* Examined impact of team's winning percentage, contract length, firm type (i.e., high technology), and headquarters location (i.e., locally based) *Limitations.* Found that sponsorships are liable to an uncontrollable factor: the team's winning percentage.

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Geyskens, Geilens, and Dekimpe (2002) *Journal of Marketing* 93 announcements by 22 firms 1995-2002	Internet channel addition announcements • Stock Price • Statistically significant, positive CAR of 0.71% for (0, +1). 16.38 million euros for an average firm with a market value of 2.307 billion euros.	*Contributions.* Powerful firms with a few direct channels were found to experience greater gains in their stock price than less powerful firms with a broader direct channel offering. Even after controlling for time of entry, found that early followers enjoy a competitive advantage over both innovators and later followers. Also found that supporting Internet channel additions with publicity increases the perception of higher performance potential	*Contributions.* Identified firm, introduction strategy, and marketplace characteristics that influence the direction and magnitude of the stock market reaction *Limitations.* Assumed that stockholders are not the only stakeholders that matter. May have construct validity problems because of the approximate mapping of secondary data onto concepts (e.g., channel power, quality of a firm's relationships with its entrenched distributors)
Kim and Morris (2003) *Journal of Targeting, Measurement & Analysis for Marketing* 35 firms with 70 ads 1998-2000	Super Bowl advertisements • Stock price • Statistically significant, positive CARs of 0.6% for (t=0)	*Contributions.* Most companies in the sample showed statistically significant, negative abnormal returns during the testing period. More than two-thirds of the dot.com advertisers noticed a large drop in traffic a week after the Super Bowl	*Contributions.* Examined the impact on web site traffic as well as stock price

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Kulkarni, Vora, and Brown (2003) *Journal of Advertising* 49 announcements 1981-99	Firing advertising agencies • Stock Price • For firms that fired their ad agencies, on day -2, the abnormal return is -0.38%. • For (-3, -1), the CAR is –0.87% • For day 0, there is no statistically significant abnormal return • For the ad agencies that were fired, the CAR is -0.84% for day 0 • For the ad agencies that were hired, the CAR is 3.71% for day 0	*Contributions.* Found that firms that fire their ad agencies lost market share in the two quarters immediately preceding the firing. Were the first to find that a fall in the stock price of client firms is significantly related to the fall in market share preceding the firing	*Contributions.* Included the first announcement of the firing of an advertising agency but excluded announcements that were preceded by news suggesting the possibility of the event or the announcement that the account had been put up for review
Sorescu, Chandy, and Prabhu (2003) *Journal of Marketing* 255 radical innovation announcements by 66 firms 1991-2000	Innovation and New Product Development • Stock price • Announcements by dominant firms are valued at $456 million, whose difference from the value of $37 million for non-dominant firms is statistically significant.	*Contributions.* Determined which firms introduce the greatest number of radical innovations, the magnitude of the financial rewards to radical innovations, and how these rewards vary across dominant and nondominant firms.	*Contributions.* First researchers to use objective measure of radical innovation (i.e., criteria provided by the FDA) as opposed to the subjective measure of coders *Limitations.* Using FDA approval date as the event date does not capture the effect of previous announcements such as previous successful product trials at various stages. Dominant pharmaceutical firms' advantage may not be generalizable.

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Pruitt, Cornwell, and Clark (2004) *Journal of Advertising Research* 24 firms 1995-2001	NASCAR sponsorship announcements • Stock price • Statistically significant, positive CAR of 1.29% for all firms during (-1, 0). • Statistically significant, positive CAR of 2.37% for (-1, 0) for automotive firms during (-1, 0).	*Contributions.* The positive correlation concerning corporate sponsorships and the negative correlation regarding corporate cash flow was an interesting finding. It suggested that investors may be concerned about the financial justifiability of highly profitable firms' sponsorships. *Limitations.* The issue of if sponsorships are advisable for firms whose offerings are not easily identified with the parent corporation was not examined.	*Contributions.* Examined the impact of independent variables including total corporate assets, total cash flow per share, the sponsored car's prior year Winston Cup points, association with consumer automotive industry, corporate versus subsidiary or product line. *Limitations.* Did not address the statistically insignificant, negative post-event drift over (+1, +5) that appears to wipe out the statistically significant, positive effect found on during (-1, 0)
Cornwell, Pruitt, and Clark (2005) *Journal of the Academy of Marketing Science* 53 announcements by 43 firms	Major league sports' official product sponsorship announcements • Stock Price • Statistically insignificant CAR of 0.58% for (-1, +1). • Statistically significant positive CAR of 1.11% for (-2, +2) • Statistically insignificant CAR of 0.55% for (-5, +5).	*Contributions.* NBA, NHL, and PGA sponsorships and those with smaller market shares were associated with the largest gains in share prices. High-technology companies' sponsorships were associated with stronger stock price reactions. Congruence with the sponsored sport was positively related to firms' stock prices	*Contributions.* Cornwell, Pruitt, and Clark (2005) also examined corporate cash flow.

TABLE 1 CONTINUED

	Independent variable(s); Dependent variable and findings	Conceptual contributions and limitations	Empirical contributions and methodological limitations
Filbeck, Gorman, Greenlee, and Speh (2005) *Journal of Business Logistics* 107 ads 1995-2000	Supply chain management advertisements • Stock price • Statistically significant positive CARs of 0.93% for (-1, +1)	*Contributions.* The greater the certainty of the distribution date, the greater the statistically significant, positive stock price reaction to the announcement	*Contributions.* Eliminated events with important concurrent announcements that occurred within two days of the announcement date
Tippins and Kunkel (2006) *Journal of Marketing Communications* 126 firms 1997-2001	Clio advertising award announcements • Stock price • Statistically insignificant CARs of -0.5694% for (-3, +3) • Statistically significant positive CARs of 2.014% for food industry	*Contributions.* Surprisingly, many of the results seemingly indicated a negative effect associated with winning a Clio Award, which differs from other awards in the value provided to winning firms. There may be an industry effect within the food and kindred products segment (i.e. CAR of 2.01%), as opposed to retailers, hard goods manufacturers, and soft goods manufacturers, which showed CARS of −2.68%, -1.85% and −1.97%, respectively. Suggested that this may reflect a market bias against perceived overspending on advertising	*Contributions.* Showed the difficulties associated with linking financial benefits to specific marketing-based activities (e.g. advertising)

Previous Event Studies of CNCs

There have been 13 previous event studies of CNCs that have appeared in the marketing, finance, and management literatures and have produced varying results ranging from finding no statistically significant share-price reaction associated with a CNC (Howe 1982) to finding statistically significant, positive abnormal stock returns as high as 53% during the 5 business days (-2, +2) surrounding the announcements of firms adding .com to their corporate names (Cooper, Dimitrov, and Rau 2001; Lee 2001) and up to 12.6% during the 5 business days surrounding the announcement of firms deleting .com from their corporate names after February 2000 (Cooper, Khorana, Osobov, Patel, and Rau 2004).

The sixteen previous studies relevant to CNCs commenced with Boddewyn's (1966) conceptual study. Of these sixteen studies, eight came from the academic discipline of finance, three from marketing, three from management, one from business history (Boddewyn 1966), and one from economics (Harawa 1992). The studies examined various subsamples of CNCs including the degree of change to the corporate name (i.e., major versus minor), the type of firm (i.e., industrial versus consumer), type of good (i.e., durable versus nondurable), size of firm, riskiness of firm survival, and firm performance, among others. The sample sizes used by the sixteen studies ranged from 12 savings and loan institutions (Madura and Tucker 1990) to 250 Internet firms (Cooper, Khorana, Osobov, Patel, and Rau 2004) and the number of years examined by these sixteen studies ranged from two years (Cooper, Dimitrov, and Rau 2001) to 15 years (Harawa 1992).

Measurement of the financial consequences of CNCs began with Howe's (1982) use of weekly stock price returns over the four weeks preceding and the four weeks following the CNC announcement. Then, Horsky and Swyngedouw (1987) introduced daily stock price returns to this literature stream. These were followed by all subsequent CNC event researchers with the exception of Koku (1997), who examined the annual price/earnings ratios for the five years preceding and five years following the event. On one hand, for the studies utilizing daily stock price returns, the smallest event window examined was the event day itself (e.g., Karpoff and Rankine). On the other hand, the largest event window was seventeen business days, which were comprised of the fourteen business days preceding the event day, and the two business days following the event day. Returns in the study ranged from a daily return of one day, such as the one observed by Karpoff and Rankine (1994), to the weekly returns of eight weeks as observed by Howe (1992).

Among the twelve studies using stock price as the dependent variable, seven had findings that were statistically significant and positive, five had findings that were statistically insignificant, and one (Karbhari, Sori, and Mohamad 2004) had a finding that was statistically significant and negative. In the thirteenth event study, Koku (1997) used the firm's annual price to earnings ratio as the dependent variable which approached statistical significance with a p-value of .0564.

This section next discusses signaling theory since a majority of these event studies rely upon it to explain the stock price effects of CNCs. Then, the thirteen previous event studies are reviewed in chronological order and their individual

contributions to the study of CNCs are addressed. Finally, their limitations are summarized as part of a critical analysis of the studies as a whole.

Signaling theory. Signaling theory has been characterized as "a unique communication theory whose application is necessitated by information asymmetry between a firm and its stakeholders" (Koku 1997: 396). Signaling theory is distinct from other communication theories in that it incorporates signals (i.e., symbols or variables) that cannot be easily mimicked by competitors who may not have anything important about their firm to signal. Moreover these signals are understood by both the sender (e.g. the firm) as well as the target audience (e.g., consumers and investors). Introduced to the economics literature by Spence (1973), signaling theory has been used by several researchers in economics to explain information asymmetry (e.g., Bhattacharya 1979; Leland and Pyle 1977; Myers 1977; Ross 1979; Spence 1973). For instance, Spence (1973) contended that it is possible for agents, such as managers, to signal their true quality through the quality of their higher education. Expanded by Leland and Pyle (1977), Myers (1977), and Bhattacharya (1979), signaling theory contends that economic information that is uniquely known by management will be conveyed to the shareholders through various signals.

Several event studies in marketing (Agrawal and Kamakura 1995; Bobinski and Ramirez 1994; Lane and Jacobson 1995; Mathur and Mathur 1995; Mathur and Mathur 1996; Mishra and Bhabra 2001; Miyazaki and Morgan 2001) utilized a market signaling perspective to explain the effects of their independent variables on firms' stock prices.

Bobinski and Ramirez (1994) acknowledged that the financial information disclosed in advertisements to investors may be neither new nor relevant to the market as a whole, but may still signal information to some marketplace participants. In fact, Ross (1977) contended that all communication related to investor relations has some signaling content. On one hand, an advertisement may be perceived as a positive signal by some investors if it indicates that the company is aggressively doing business and enhancing its reputation (Bobinski and Ramirez 1994; Garbett 1981). On the other hand, an advertisement may be perceived as a negative signal by institutional investors, large scale investors, fund money managers, or active investors who view it as an unnecessary expenditure that will have little effect on the market's perception of the firm (Bobinski and Ramirez 1994; Garbett 1988).

Agrawal and Kamakura (1995) acknowledged that a celebrity endorsement contract might signal information to investors that does not directly pertain to the celebrity's effectiveness as an endorser of its products (Klein and Leffler 1981; Nelson 1974). For example, the announcement may signal the confidence a firm has in the superiority of its products or of its commitment to particular brands.

Lane and Jacobson (1995) utilized a marketing signaling perspective while examining the effect of a brand extension on a firm's stock price. Asserting that firms interact with the market through mutual signaling and monitoring, Lane and Jacobson (1995) assumed that the various reports and announcements made by firms represent actual information about the firms' status. Although somewhat obvious, that observation is nonetheless very important. If that is indeed the way a firm communicates with its

stakeholders, then, according to Lane and Jacobson (1995), changes in stock price serve as a means through which stakeholders can communicate back to the firm since they denote the level of performance expected by shareholders seeking to earn their desired rate of return. In other words, it allows the firm to gauge how much their firm is worth to their stakeholders. This modifies the more common perspective of market signaling, in which it is the firms that do the signaling. In this perspective, investors send signals of their own back to the firm, which provides "an immediate way to score the game" (Jacobson and Lane 1995: 63).

Mathur and Mathur (1995) described the effects of changes in advertising slogans as market signals from management regarding their intent to improve the firm's future earnings. Hence, Mathur and Mathur (1995) asserted that these slogan changes are a way for management to make a firm's initiative public without formally communicating the change in direction by means of a press release. They also claimed that slogan changes can also signal increases in future earnings. In addition, Mathur and Mathur (1996) argued that managers may communicate new information such as the announcement of new advertising agency-client relations to investors in order to signal important changes in the firm's strategy.

Mishra and Bhabra (2001) examined how the market filters actual signals from "bluffs." One method a bluff might take is the form of a preannouncement of a new product that is never launched. On the other hand, an example of an actual signal is Microsoft's preannouncement of a new product well before it will be released in order to dissuade consumers from buying existing products from their competitors. As a result,

Mishra and Bhabra (2001) concluded that signals sent by firms are not always useful or credible and the market is likely to ignore a firm's announcement if it deems it not to be a solid and deliberate signal. In addition, Miyazaki and Morgan's (2001) study of corporate sponsorships of the Olympic Games asserted that Olympic events, sites, and even Olympians themselves are shown to serve as signals to the market constituents of a firm.

Use of a market signaling perspective is particularly common among CNC event studies. In fact, eleven of the thirteen CNC event studies (Bosch and Hirschey 1989; Cooper, Dimitrov, and Rau 2001; Cooper, Khorana, Osobov, Patel, and Rau 2004; Ferris 1988; Harawa 1992; Horsky and Swyngedouw 1987; Karbhari, Sori, and Mohamad 2004; Koku 1997; Lee 2001; Madura and Tucker 1990; Morris and Reyes 1991) utilized a market signaling perspective to explain the stock price effect of CNCs.

The signaling literature indicates that a signal must meet two tests to be credible. First, in order to be credible, the signal must have a high cost for the sender (Spence 1973). Second, the signal must be more costly to firms that simply change their name for 'cosmetic' purposes without any announcement of strategies to improve quality than for firms that change their name due to a focus on new business strategy or efforts to mitigate financial distress (Karbhari, Sori, and Mohamad 2004; Koku 1997).

Horsky and Swyngedouw's (1987) widely cited article was the first to address CNCs in marketing and introduced the event study methodology to the marketing literature. By testing two competing sets of seven hypotheses, Horsky and Swyngedouw (1987) compared the signaling perspective competing to the perspective that CNCs are

"utility producing" because they alter the demand for a firm's products or services. Their first hypothesis argued that, on one hand, if a CNC is utility-producing, then the greater the change to the firm's corporate name during a CNC, the greater the CNC's positive impact on its stock price. On the other hand, Horsky and Swyngedouw (1987) argued that the CNC is merely a signal, and it should make no difference whether the change to the corporate name was major or minor. In fact, a major change to the corporate name may necessitate larger advertising outlays to get established, and thus may in fact be associated with smaller returns. As a result, Horsky and Swyngedouw (1987) argued that the statistically insignificant differences that they found between major and minor changes to the corporate name supported their signaling perspective.

Second, Horsky and Swyngedouw (1987) stated that if CNCs are utility-producing, then the impact of a CNC will be larger for a consumer firm than an industrial firm. This is because the new name should have a significant effect on consumers' perceptions of the firms' products and image, which is supposed to have a more significant impact on demand for consumer goods than for industrial goods.

Third, Horsky and Swyngedouw (1987) asserted that if CNCs are utility-producing, then the impact of a CNC will be larger for a firm producing durable goods than a firm producing nondurable goods. This is because durable goods manufacturers often use the company name as the brand name for all of their product lines. Thus, if the new name causes a real shift in demand, then it is likely to have a greater effect on durable goods. However, if the CNC is only a signal, then no clear difference should

exist between a CNC by a durable goods manufacturer and a CNC by a manufacturer of purchased goods.

Fourth, Horsky and Swyngedouw (1987) contended that a financial institution undergoing a utility-producing CNC would have a greater chance of having higher discounted earnings in the future than nonfinancial institutions. This is because most financial institutions, such as investment houses, accumulate money with promises to return it. Therefore, the corporate name conveys a signal of fidelity and trust. Consequently, if the CNC shifts the demand curve, the importance of the corporate name will have a greater impact on a financial institution. However, if the CNC is only being used as a signal, this conclusion may prove to be contradictory. If the CNC is being displayed as a signal, investors may perceive this is as some sort of augmented risk, and take their money elsewhere.

Fifth, Horsky and Swyngedouw (1987) argued that if the CNC is utility-producing, firms of smaller size will benefit less from a CNC than larger, more established firms. This is due to the fact that a portion of name change costs are fixed costs, such as market research, and thus it would be relatively less costly for a larger firm to undergo a CNC than a smaller firm. Another potential benefit to the larger firm is the publicity that is generated from a CNC. If, however, the CNC is serving as a signal that there will be further attempts, such as organizational changes, to increase the value of the firm; then this can cause the market to believe that these other changes will be better carried out by smaller firms rather than larger because smaller firms have a greater simplicity of transition than larger ones.

Horsky and Swyngedouw's (1987) sixth hypothesis posited that a firm which is a riskier investment, as evidenced by greater fluctuation in its stock price, will experience a greater impact of return from a CNC if it can reduce the perception of the firm's riskiness. For a risky firm, a new name is likely to be followed by a larger shift in demand because of uncertain sales revenues as compared to a stable firm. In this instance, a new name, whether a signal that future changes are near or simply as a demand shifting result, produces the larger shift for a riskier firm.

Seventh, a CNC will have a far greater impact on a firm whose performance has been poor prior to the name change. Firms with inferior performance compared to the market or competition for a certain period of time prior to the CNC can improve their performance and recapture some of their lost market share if the new name has real value. Hence, if a poorly performing firm changes its name, it signals some operational or strategic changes that can only improve the firm's current situation.

Ferris (1988) stated that CNCs will be conveyed by a firm's management as a signal in response to the problem of asymmetric information. According to Ferris (1988), CNCs serve to signal a variety of information to potential shareholders in the capital market and the firm's existing shareholders. CNCs may also serve to alert the market about a change in geographic distribution of a firm's product, in organizational structure, or in a restructuring of the firm's assets.

Bosch and Hirschey (1989) also asserted that a CNC is used as a signal, arguing that a CNC is most often used in creating a new corporate image. Bosch and Hirschey (1989) also stated that CNCs reflect changes in the firm's product lines, prevent

confusion with other companies, reflect a restructuring of the firm, convey that the firm has diversified, or bring greater focus to certain aspects of the firm's business.

Koku (1997) also adopted a market signaling perspective and concluded that service companies can improve their price-earning ratios when they utilize a CNC to signal to customers, competitors, and investors its intentions to become more competitive or to signal a new way of doing business. For instance, Koku (1997) argued that the information asymmetry in a CNC allows a firm to surprise its competitors with new products or services. Furthermore, Koku (1997) stated that firms often use different financial and marketing variables to communicate their superior quality of their products or soundness of their financial position.

Lee (2001) adopted a market signaling perspective and distinguished between cosmetic (i.e., image only) and versus strategic CNCs that were coupled other changes within the company. Lee (2001) discussed how a CNC can resolve a discrepancy between organizational image and identity, if one exists, and the reactions of investors can be gauged to see how they judge the actions taken by management. Lee (2001) also explained how the signaling perspective enlightens the strength of signals from firms that also announce strategies which are consistent with the CNC and that these signals should be reflected in the magnitude of change in the stock price and trading volume.

Karbhari, Sori, and Mohamad (2004) examined CNCs by firms protected under the Malaysian Companies Act of 1965 that received approval from the regulatory authorities to undertake a restructuring scheme to revive their financial condition. They asserted that information asymmetry can make it very difficult for investors to

distinguish “high-quality” firms that change their names to signal that they are truly taking steps to improve their outlook from “low-quality” firms that simply change their name for “cosmetic” purposes without any announcement of strategies to improve the firm’s condition.

Other researchers, however, have argued against the signaling perspective. For instance, Howe (1982) examined whether a CNC served as an effective managerial signal of other changes in the firm’s characteristics. Upon finding a statistically insignificant stock price effect associated with CNCs, Howe (1982) concluded that a CNC was not an effective signal of other changes in the firm and that managers need not worry about keeping the firm’s name “up to date.” In addition, Karpoff and Rankine (1994) concluded that there is little evidence to support the hypothesis that a CNC conveys information about the performance of a firm and its business lines. Karpoff and Rankine (1994) also found no evidence that consumers view a firm as operating in a different line of business after a CNC has taken place.

In summary, the preponderance of evidence from the sixteen previous studies of CNCs summarized in Table 2 and Table 3 indicates that a CNC does indeed signal other changes taking place within the firm. What remains to be determined, however, is whether, as Horsky and Swyngedouw (1987) posited, the effect of a CNC is restricted to the effect of these other organizational changes or whether the CNC itself can also affect the demand for a firm's products and services. For example, Horsky and Swyngedouw's (1987) conclusion that a CNC is merely a signal relies upon their finding that it makes no difference whether the change to the corporate name was major or minor. However, as Horsky and Swyngedouw (1987) themselves conceded, if a CNC is utility-producing, then the greater the change to the firm's corporate name during a CNC, the greater the CNC's positive impact on its stock price. As the hypotheses and results illustrate, this dissertation maintains that, in contrast to the conclusion of Horsky and Swyngedouw (1987) a CNC can indeed impact the demand for a firm's goods and services.

TABLE 2

SUMMARY OF RELEVANT LITERATURE ON CORPORATE NAME CHANGES

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Boddewyn (1966) *Business History Review* Conceptual	• Change in corporate entity (mergers, change in ownership) • Shorter names in advertising copy • Diversification • Industry affiliation (technological change) • Geographic affiliation • International expansion • Brand affiliation • New image (symbolize growth, energy, or aggressiveness) • Confusion with other names		
Howe (1982) *Financial Review* Event Study (-4, +4 weeks) 121 firms 1962-80	• New corporate entity (1981 – acquisitions, 33%, mergers, 16%, spinoffs 11%, reorganizations 5%) • Diversification (activities and products) • New image (shed stodgy image)	• New image (shed stodgy image)	Stock price • 0.07%
Horsky and Swyngedouw (1987) *Marketing Science* Event Study (-1, 0) 58 firms 1981-85	• Change in corporate entity (better describe new combined business) • Change in corporate image (acquire new image and corporate identity)	• Degree of change (radical versus cosmetic) • Type of firm (industrial goods vs. consumer goods) • Type of good (durable vs. non-durable) • Industry affiliation (financial institutions) • Size of firm • Riskiness of firm survival • Firm performance	Stock Price • Statistically significant positive overall effect (0.61%, t=2.15, p<.02) • no greater effect for radical change (-0.26%, t=1.11) • greater effect for industrial (1.24%, t=3.02 versus 0.45%, t=1.65) • no greater effect for durable (-0.04%, t=0.18) • financial service hurts name change (-1.33%, t=2.95) • no greater effect for larger firm (0.02%, t=0.77) • greater effect for riskier firm (0.45%, t=2.04) • greater effect for poorly performing firm (-0.39%, t=1.46)

TABLE 2 CONTINUED

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Ferris (1988) 1983-1985 *Journal of Applied Business Research* Event Study (-2, +2)	• New corporate entity (new investment policy and schedule, change in organization structure, divestiture • Diversification (intent to re-structure assets)	•Association or co-announcement with changes in economic or managerial activities • Character length (shorten or lengthen) • Change to coined name • Change to high tech sounding name (onics, ex, ix) • Geographical expansion • New market penetration	Stock Price and EPS • Statistically insignificant stock price effects for all types • Statistically significant, positive EPS effects for changes to high tech name (8.912%)
Bosch and Hirschey (1989) *Financial Management* Event Study (-10, 0) (-4, +5) (0, +1) (+1, +10) (-10, +10) 79 firms 1979-86	• Change in corporate entity (mergers, acquisitions, divestitures, restructuring) • Change in corporate image • Brand affiliation • Reflect changes in product lines • Confusion with other companies • Diversification • Adopt acronym	• Degree of change (major vs. minor) Minor better than major • Existence of previous corporate restructuring	Stock Price • Modest and transitory • Minor CNCs have a statistically significant, positive effect on a daily basis (1.25%, t=2.88, p<.01 on day -5; 0.75%, t=1.74, p<.1 on day 0); positive (2.15%) over the pre-announcement period (-10, 0), but have a statistically insignificant effect on a cumulative basis; statistically significant, negative effect (-2.71%, t=-1.98, p<.05) on a cumulative basis over the post announcement period (+1, +10) • Major CNCs have statistically insignificant effects on either a daily or a cumulative basis

TABLE 2 CONTINUED

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Madura and Tucker (1990) *Review of Business and Economic Research* Event Study (-6, +5) 12 firms 1987-89	• Diversification of mortgage lenders • Decrease affiliation with industry (savings and loan) • Decrease affiliation with geographic region • Confusion with competitors	• Decrease affiliation with industry (savings and loan)	Stock Price • No statistically significant impact overall • Largest reaction for the portfolio occurs 3 days before the announcement (2.189%, t=1.758, p<.05) • Followed by CAR of -0.442% on (-3, +1)
Morris and Reyes (1991) *Journal of Applied Business Research* Event Study (-14, +2) 28 firms 1979-85	• Change in corporate entity (megamergers, unfriendly takeovers, leveraged buyouts, restructuring) • Diversification • Change in corporate image (changes in communication efforts) • International expansion (e.g., prevent unattractive phonetic sound or spelling in international markets) • Industry affiliation (e.g., fluorocarbons)	• Distinctiveness • Relevance • Memorability • Flexibility • Positive nature	Stock Price • New corporate names possessing more of the five functional characteristics (distinctiveness, relevance, flexibility, memorability, positive nature) have higher abnormal stock returns (5.817%) over (-14, +2) than those with fewer of the functional characteristics (-4.236%) (t=-7.7288, p<.0001)
Harawa (1992) *Unpublished dissertation* Event Study (-1, +1) 160 firms 1970-84	• Respond to internal and external business factors by: - Adopting memorable, unique and strong corporate names - Decreasing industry affiliation - Indicating modernization or new product directions - Removing outdated image - Decreasing affiliation with a geographic region - Breaking with its past • Respond to CNC fads by: - Adopting acronym - Changing to high tech sounding name (e.g., tronics) - Increasing environmental friendliness of corporate name - Affiliating with performance - Affiliating with the future by using certain letters (e.g., x, z)	• CNCs ranked by their degree of pre-announcement (i.e., 48 months before) and post-announcement (i.e., 48 months after) response to CNC announcements.	Stock Price • Found statistically significant, positive stock price effects for day -1 of 0.7% (z=2.3364), but statistically insignificant effects for (0, +1) of -0.152% for (0, +1).

TABLE 2 CONTINUED

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Karpoff and Rankine (1994) *Journal of Banking and Finance* Event Study (-1, 0) 123 firms 1979-87	• Increase affiliation with product line • Adopt acronym • Change from acronym		Stock Price • 1.56% (z=2.76) for (-1, 0) for 36 firms without prior mention in a proxy statement and without a concurrent announcement (t=2.07, p<.05) • 0.01% (z=0.56) for (-1, 0) for 88 firms (including 1 firm that made a contemporaneous announcement) by firms that had previously mentioned the CNC in an SEC proxy statement. •
Kohli and Hemnes (1995) *Business Horizons* Conceptual	• Simplification • Industry affiliation • Geographical affiliation	• Length • Distinctiveness	
Koku (1997) *The Journal of Services Marketing* Event Study (-5, +5 years) 22 firms 1980-90	• Change in corporate entity (mergers, acquisitions) • Industry affiliation (better reflect new business it has entered) • Intention to become more competitive or signal a new way of doing business		P/E ratio • Statistically significant, positive difference between the post-event and pre-event means of the P/E ratios (t=2.28, p<.05)
Glynn and Abzug (2002) *Academy of Management Journal* Conceptual	• Industry affiliation	• Name's length and ambiguity • Name's ambiguity • Name's domain specificity • Audience orientation • Understand-ability	

TABLE 2 CONTINUED

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Cooper, Dimitrov and Rau (2001) *Journal of Finance* Event Study (0, +1) (-2, +2) 95 firms 1998-99	• Industry affiliation (.com)	• Change to .com	Stock Price • Statistically significant, positive abnormal returns of 53% for the five business days around the announcement date
Lee (2001) *Strategic Management Journal* Event Study (-2, -1) (-1, 0) (0, +1) (-1, +1) 114 firms 1995-99	• Industry affiliation (.com)	• Industry affiliation (.com) • Cosmetic vs. strategic	Stock Price • Statistically significant, positive abnormal returns of 2.70% ($p<.001$) over (-1, +1)
Cooper, Khorana, Osobov, Patel and Rau (2004) *Journal of Corporate Finance* Event Study (-15, -2) (0, +1) (-2, +2) (+2, +15) (+1, +30) (-30, +30) 250 firms 1998-2001	• Industry affiliation (.com)	• Deletion of .com	Stock Price • Statistically significant, positive abnormal returns of 10.6% ($t=2.58$) over (0, +1) and of 53% ($t=2.32$) over (-30, +30)

TABLE 2 CONTINUED

	Antecedents of CNCs Identified	Types of CNCs Studied	Dependent Variable and Major Findings
Karbhari, Sori and Mohamad (2004) *Corporate Ownership and Control* Event Study (-11, +10) (-10, 0) (+1, +10) (-10, +10) 18 firms 1984-96	• Change in corporate entity (merger, divestiture) • Confusion with another firm • Adopt acronym • Change in corporate image • Diversification	• Failed vs. non-failed firms	Stock Price • Statistically significant, negative abnormal returns of -8% (t=-2.57) over (-10, +10) for non-failed firms • Statistically insignificant, positive returns for failed firms

TABLE 3

CONTRIBUTIONS AND LIMITATIONS OF EVENT STUDIES OF CORPORATE NAME CHANGES

	Conceptual Contributions and Limitations	**Empirical Contributions and Methodological Limitations**
Howe (1982) *Financial Review* Event Study 121 firms 1962-80	*Contributions.* Identified the following antecedents of CNCs: • New corporate entity (1981 – acquisitions, 33%, mergers, 16%, spinoffs 11%, reorganizations 5%) • Diversification (activities and products) • New image (shed stodgy image) Differentiated changes in corporate image from changes in corporate entity *Limitations* Failed to differentiate between major and minor changes to the corporate name or brand name altering and non-brand name altering CNCs.	*Contributions.* First empirical study of CNCs. Examined two event dates: 1) date the CNC is first announced in the Wall Street Journal; and 2) date of the meeting at which shareholders approve the CNC (Note: Attempted to confirm the event dates with all firms listed in the sample with a survey, which received 52 partial or complete responses from the 121 firms. Because of the incomplete response and incomplete coverage by the Wall Street Journal, both dates are not available for all companies.) Examined differences between NYSE and ASE. Examined differences and between 1960s and 1970s. *Limitations.* Examined weekly returns instead of daily returns Using the date of announcement in Wall Street Journal instead of the press release date may have been appropriate in 1982, but using the date of the meeting rather than the date the results of the meeting were announced seems inappropriate.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Horsky and Swyngedouw (1987) *Marketing Science* Event Study 58 firms 1981-85	*Contributions.* Identified the following antecedents of CNCs: • Change in corporate entity (better describe new combined business) • Change in corporate image (acquire new image and corporate identity) Successfully supported the signaling hypothesis. Partially recognized distinction between changes in corporate image from changes in corporate entity by excluding CNC from the sample that made concurrent announcement on the event day, resulting in a partially correct classification of changes in corporate entity. Unlike Howe (1982), found a statistically significant, positive overall effect (0.61%, t=2.15, p<.02). Recognized distinction between major and minor changes to the corporate name. Partially recognized the effect of affiliating with an industry (i.e., financial services) and found that being a financial service hurts CNC (-1.33%, t=2.95). Recognized distinction between industrial and consumer firms and found a greater effect for industrial (1.24%, t=3.02 versus 0.45%, t=1.65) for the 39 industrial firms (80% of 49) in the sample. Recognized distinction between risky and non-risky firms and found greater effect for riskier firm (0.45%, t=2.04). Recognized distinction between well and poorly performing firms and found a greater effect for poorly performing firm (-0.39%, t=1.46). Recognized distinction between well and poorly performing firms and found greater effect for poorly performing firm (-0.39%, t=1.46). *Limitations.* Failed to differentiate between brand name altering and non-brand name altering CNCs. Argued that CNCs must be accompanied by other changes in the firm and signal "good" information. While this may be true for minor name changes, this need not be true for names that undergo a major change to better reflect what a company is already doing (e.g., Peat Marwick to BearingPoint)	*Contributions.* Introduced the event study methodology to the marketing literature. Excluded regulated firms such as public utilities since a CNC cannot signal a change in their level of service and rates, which are largely determined by a regulatory body. In addition, Horsky and Swyngedouw (1987) persuasively argued that the primary demand for electricity is not likely to be affected by the change in a utility company's name. Tested several independent variables including degree of change to the corporate name (major versus minor), industry effects (financial services versus non-financial services), type of firm (industrial versus consumer), riskiness (i.e., the magnitude of covariance of the firm's stock return with that of the market), and performance (well versus poor). *Limitations.* Insufficient sample size may have prevented examination of brand name altering versus non-brand name altering CNCs, major versus minor changes to the corporate name, and CNCs related to a change in corporate image versus a change in corporate entity. Failed to correctly classify all of the firms who had undergone a change in corporate entity within a year of the CNC announcement.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Ferris (1988) *Journal of Applied Business Research* Event Study 1983-85	*Contributions.* Found that CNCs can serve as signals of enhanced investment opportunities or of economic/managerial activities (e.g., asset divestment, divisional restructuring) that will positively influence anticipated earnings. Identified the following antecedents of CNCs: • New corporate entity (new investment policy and schedule, change in organization structure, divestiture • Diversification (intent to re-structure assets) Recognized distinctions among: •Association or co-announcement with changes in economic or managerial activities • Character length (shorten or lengthen) • Change to coined name • Change to high tech sounding name (onics, ex, ix) • Geographical expansion • New market penetration For changes to high tech name, found positive stock price effects that approached statistical significance (1.837%, t=1.884, p<.10) for day 0, but statistically insignificant effects for (-2, +2). For changes to high tech name that had a subsequent increase in EPS, found statistically significant, positive stock price effects of 8.912% (t=2.837, p<.05) for (-2, +2). For changes to high tech name that had a subsequent decrease in EPS, found statistically significant, positive stock price effects of -5.76% (t=-2.489, p<.05) for (-2, +2). *Limitations.* Failed to differentiate between major and minor changes to the corporate name or brand name altering and non-brand name altering CNCs.	*Contributions.* Tested the effect on earnings per share as well as stock price. Tested distinctions among: •Association or co-announcement with changes in economic or managerial activities • Character length (shorten or lengthen) • Change to coined name • Change to high tech sounding name (onics, ex, ix) • Geographical expansion • New market penetration • First, second, or most recent CNC. *Limitations.* Rather than using the date of first publicly available announcement of the CNC, used the *Wall Street Journal* publication date as day 0. Permitted CNC announcements contaminated by concurrent announcements (e.g., asset divestment, divisional restructuring) to remain in sample in order to conclude that CNCs can serve as signals of enhanced investment opportunities or of economic/managerial activities that will positively influence anticipated earnings.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Bosch and Hirschey (1989) *Financial Management* Event Study 79 firms 1979-86	Correctly classified CNCs by firms with a previous corporate restructuring as CNCs related to a change in corporate entity. Identified the following antecedents of CNCs: • Change in corporate entity (mergers, acquisitions, divestitures, restructuring) • Change in corporate image • Brand affiliation • Reflect changes in product lines • Confusion with other companies • Diversification • Adopt acronym Measured degree of change to the corporate name and found that minor CNCs (1.25%, $t=2.88$, $p<.01$ on day -5; 0.75%, $t=1.74$, $p<.1$ on day 0) outperformed major changes (whose difference from zero is not statistically significant on a daily or a cumulative basis). *Limitations* Failed to differentiate between brand name altering and non-brand name altering CNCs.	*Limitations.* Sample size of 79 may have prevented measurement of a major change to the corporate name related to a change in corporate image.
Madura and Tucker (1990) *Review of Business and Economic Research* Event Study 12 firms 1987-89	*Contributions.* Correctly classified CNCs by firms with a previous merger as CNCs related to a change in corporate entity. Identified the following antecedents of CNCs: • Diversification of mortgage lenders • Decrease affiliation with industry (savings and loan) • Decrease affiliation with geographic region • Confusion with competitors *Limitations.* Did not verify the impact of a CNC related to a change in corporate entity. Failed to differentiate between major / minor changes to the corporate name or brand name altering / non-brand name altering CNCs.	*Limitations.* Sample size of 12 prevented further subsample analysis.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Morris and Reyes (1991) *Journal of Applied Business Research* Event Study 28 firms 1979-85	*Contributions.* Found that new corporate names possessing more of the five functional characteristics (distinctiveness, relevance, flexibility, memorability, positive nature) have higher abnormal stock returns (5.817%) over (-14, +2) than those with fewer of the functional characteristics (-4.236%) (t=-7.7288, p<.0001) Identified the following antecedents of CNCs: • Change in corporate entity (megamergers, unfriendly takeovers, leveraged buyouts, restructuring) • Diversification • Change in corporate image (changes in communication efforts) • International expansion (e.g. prevent unattractive phonetic sound or spelling in international markets) • Industry affiliation (e.g. fluorocarbons) *Limitations.* Failed to differentiate between major and minor changes to the corporate name or brand name altering and non-brand name altering CNCs.	*Contributions.* Tested the distinctiveness, relevance, memorability, flexibility, and positive nature of corporate names. *Limitations.* Methodological weakness of measuring key characteristics of corporate names (i.e., distinctiveness, relevance, flexibility, memorability, and positive nature) without providing any information about the company. By scoring a corporate name judged as having all five characteristics as a 5 as opposed to a 1 for a corporate name having only one of the characteristics, ignored the relative importance of a particular characteristic for a new corporate name (e.g., relevance for a new corporate name increasing its affiliation with an industry). Chose to restrict the sample size to 28 in order to minimize the amount of respondent fatigue evaluating the CNCs. Prevented further subsample analysis.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Harawa (1992) Unpublished dissertation Event Study 160 firms 1970-84		*Limitations.* Defined day 0 as the day the announcement appeared in the *Wall Street Journal* rather than the press release date, which usually precedes the announcement in the *Wall Street Journal*. This presented two problems: 1) It may explain why Harawa found statistically significant, positive stock price effects for day -1 of 0.7% (z=2.3364), but statistically insignificant effects of -0.152% for (0, +1); and 2) it failed to capture any information leakage prior to the press release date.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Karpoff and Rankine (1994) *Journal of Banking and Finance* Event Study 147 firms 1979-87	*Contributions.* Cast doubt on previous researchers' conclusions that CNCs convey information about changes in the firm's line of business or that they signal management's private information about the firm's performance. Identified the following antecedents of CNCs: • Increase affiliation with product line • Adopt acronym • Change from acronym Tested the stock price effects of 36 CNC announcements that did not include a contemporaneous announcement by firms that had not previously mentioned the CNC in an SEC proxy statement. For these 36 firms, found statistically significant, positive stock price effects of 1.56% (z=2.76) for (-1, 0). Also tested the stock price effects of 88 CNC announcements (including 1 firm that made a contemporaneous announcement) by firms that had previously mentioned the CNC in an SEC proxy statement. For these 88 firms, however, found statistically insignificant stock price effects of 0.01% (z=0.56) for (-1, 0). *Limitations.* Failed to differentiate between CNCs related to changes in corporate image and changes in corporate entity, major and minor changes to the corporate name or brand name altering and non-brand name altering CNCs.	*Contributions.* Tested for outliers and found them to have a statistically significant impact on the results. *Limitations.* Only included events covered in the *Wall Street Journal* to focus on announcement days that received widespread publicity. This seems overly restrictive since one can assume that analysts following a firm will also be aware of and react to press releases announcing CNCs regardless of whether they are published by the *Wall Street Journal*. Moreover, it restricted the overall sample (including those with a contemporaneous announcement) to 147 firms and severely limited the power of the further subsample analysis (e.g., only 36 announcements with neither a prior mention in an SEC proxy statement nor a contemporaneous announcement). Using the SEC proxy date seems like it might not always reflect publicly available information.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Koku (1997) *The Journal of Services Marketing* Event Study 22 firms 1980-90	*Contributions.* Only researcher to differentiate service firms from non-service firms. Identified the following antecedents of CNCs: • Change in corporate entity (mergers, acquisitions) • Industry affiliation (better reflect new business it has entered) • Intention to become more competitive or signal a new way of doing business Found P/E ratio effects: • Statistically significant, positive difference between the post-event and pre-event means of the P/E ratios ($t=2.28$, $p<.05$) *Limitations.* Failure to differentiate between major and minor changes to the corporate name or brand name-altering and non-brand name altering CNCs.	*Contributions.* Used the trend analysis method in order to examine the P/E ratios of firms which have multiple events occurring concurrently for the five years before and after the CNC. *Limitations.* Did not eliminate firms with concurrent announcements from the sample Only 4 of the 28 firms in the sample released no other information within a week of the CNC.
Cooper, Dimitrov, and Rau (2001) *Journal of Finance* Event Study 95 firms 1998-99	*Contributions.* Found a statistically significant. positive abnormal return of 53% for the five business days around the announcement date of a .com CNC with no post-event negative drift. *Limitations.* Failure to differentiate between major and minor changes to the corporate name or brand name-altering and non-brand name altering CNCs.	*Limitations.* Failed to correctly classify all of the firms who had undergone a change in corporate entity within a year of the CNC announcement.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	Empirical Contributions and Methodological Limitations
Lee (2001) *Strategic Management Journal* Event Study 114 firms 1995-99	*Contributions.* Found a statistically significant, positive abnormal returns of 2.70% ($p<.001$) over (-1, +1) for.com CNCs. Distinguished between cosmetic versus strategic CNCs. Successfully supported the market signaling perspective. *Limitations.* Failure to differentiate between CNCs related to a change in corporate image and a change in corporate entity. For example one CNC announcement classified as strategic CNC (Bridgeport Communications to WealthHound.com) was the result of an acquisition occurring four days earlier. Failure to differentiate between major and minor changes to the corporate name or brand name-altering and non-brand name altering CNCs.	*Limitations.* Examined strategic name changes announcements that were accompanied by other strategies. For example, one CNC announcement was classified as a strategic CNC announcement also announced a change in management control and a stock split. This casts doubt over the true driver of the change in stock price. Eliminated only 7 firms with other concurrent announcements within a three business day window around the CNC announcement. Findings may be adversely affected by failure to differentiate between CNCs related to a change in corporate image and a change in corporate entity. For example one CNC announcement classified as strategic CNC (Bridgeport Communications to WealthHound.com) was the result of an acquisition occurring four days earlier.
Cooper, Khorana, Osobov, Patel, and Rau (2004) *Journal of Corporate Finance* Event Study 250 firms 1998-2001	*Contributions.* Distinguished between CNCs which deleted or added .com as well as major and minor changes to the corporate name. Found statistically significant, positive abnormal returns of 10.6% ($t=2.58$) over (0, +1) and of 53% ($t=2.32$) over (-30, +30). *Limitations.* Failure to differentiate between brand name-altering and non-brand name altering CNCs.	*Limitations.* Failed to correctly classify all of the firms who had undergone a change in corporate entity within a year of the CNC announcement.

TABLE 3 CONTINUED

	Conceptual Contributions and Limitations	**Empirical Contributions and Methodological Limitations**
Karbhari, Sori, and Mohamad (2004) *Corporate Ownership and Control* Event Study 18 firms 1984-96	*Contributions.* Found statistically significant, negative abnormal returns of -8% (t=-2.57) over (-10, +10) for non-failed firms. Identified the following antecedents of CNCs: • Change in corporate entity (merger, divestiture) • Confusion with another firm • Adopt acronym • Change in corporate image • Diversification *Limitations.* Failure to differentiate between CNCs related to changes in corporate image and changes in corporate entity, major and minor changes to the corporate name, or brand name altering and non-brand name altering CNCs.	*Contributions.* Examined failed firms matched with non-failed firms. *Limitations.* Sample (and population) size of only 18 CNCs accompanied by news of an approved restructuring scheme may have been the reason they found statistically insignificant, positive returns for failed firms. By examining CNCs that were accompanied by approved restructuring scheme news, failed to tease out the stock price effect of the CNC and the stock price effect of the approved restructuring news.

Howe (1982) was the first researcher to perform an event study of CNC announcements and identified a desired change in a stodgy corporate image, the diversification (e.g., activities and products) of a firm, and a change in corporate entity (i.e., acquisitions, mergers, spinoffs, and reorganizations) as antecedents of CNCs. Howe's (1982) examination of CNCs differed from all subsequent event studies of CNCs in that it measured two event dates: 1) the date the CNC was first announced in the *Wall Street Journal* and 2) the date of the meeting at which the shareholders approved the CNC. Howe (1982) examined these two event dates because of the uncertainty regarding the point in time at which the market is influenced by information concerning a CNC. In addition, Howe (1982) displayed additional rigor by attempting to confirm the event dates with all 121 firms listed in the sample with an independent survey, which received 52 partial or complete responses. Nonetheless, due to the incomplete response and incomplete coverage by the *Wall Street Journal*, both dates were not available for all companies. Overall, Howe (1982) found no statistically significant share price reaction associated with a CNC related to a new corporate image. In addition, Howe's cross sectional analysis of firms detected no differences among firms trading on different stock exchanges (New York Stock Exchange versus American Stock Exchange) or changing their name during different time periods (1960s versus 1970s).

As previously mentioned, Horsky and Swyngedouw (1987) introduced the event study methodology to the marketing literature and also were the first researchers in the marketing discipline to examine the announcements of CNCs and changes in the names

of firms' subsidiaries. Horsky and Swyngedouw (1987) identified a change in corporate entity (i.e., better describe new combined business) and a change in corporate image (i.e., acquire new image and corporate identity) as antecedents of CNCs. Unlike Howe (1982), Horsky and Swyngedouw (1987) found a statistically significant, positive overall stock price effect of 0.61% when they examined 58 CNC announcements.

One of Horsky and Swyngedouw's (1987) empirical contributions was their exclusion of regulated firms such as public utilities since a CNC cannot signal a change in their level of service and rates, which are largely determined by a regulatory body. To support this decision, Horsky and Swyngedouw (1987) persuasively argued that the primary demand for electricity is not likely to be affected by the change in a utility company's name. Also fortifying Horsky and Swyngedouw's (1987) conceptual and empirical contribution to the study of CNC announcements was their subsample analysis, which distinguished firms according to the degree of change (i.e., radical versus cosmetic) to the corporate name, industry served (i.e., financial service versus non-financial service), type of firm (i.e., industrial versus consumer), type of good (i.e., durable versus non-durable), size of firm (large versus small), risk level (i.e., the magnitude of covariance of the firm's stock return with that of the market), and performance of the firm (i.e., well performing and poorly performing). In doing so, they found that a statistically significant, negative effect (-1.33%) on stock price for CNC announcements by financial service firms, a statistically significant positive effect (1.24%) for industrial firms, and a statistically significant, positive effect (0.45%) for risky firms. In addition, Horsky and Swyngedouw (1987) did not detect differences

between the stock price effects of radical versus cosmetic changes to the corporate name, CNCs by firms producing durable versus nondurable goods, or CNCs by large versus small firms. In summary, Horsky and Swyngedouw (1987) concluded that although firms often experience improved profitability after a CNC, the change serves as a signal that a firm will improve profit performance by making changes in product offerings and organizational changes.

Ferris (1988) identified a change in corporate entity (i.e., change in organization structure, acquisition, divestiture, or emergence of future investment opportunities for the firm) and diversification (i.e., intent to restructure assets) as the antecedents of CNCs. As part of the subsample analysis, Ferris (1988) examined firms with CNCs that that were associated or co-announced with changes in economic or managerial activities, shortened or lengthened the character length of the corporate name, adopted a coined name, adopted a high tech sounding name (i.e., incorporated onics, ex, or ix in the name), represented a geographic expansion, or indicated new market penetration.

For changes to high tech names, Ferris (1988) found positive stock price effects that approached statistical significance (1.837%, $t=1.884$, $p<.10$) for day 0, but statistically insignificant effects for (-2, +2). One of Ferris's (1998) subsample analyses was unique from those conducted by other CNC event studies in that it examined the effect on stock price of a change to a high tech corporate name that was not accompanied by another concurrent announcement. In doing so, it compared the stock price effect of the CNC for firms that had a subsequent increase in earnings per share (EPS) to that for firms which had a subsequent decrease in EPS. On one hand, Ferris

(1988) found statistically significant, positive stock price effects of 8.912% (t=2.837, p<.05) for (-2, +2). On the other hand, for changes to a high tech name that had a subsequent decrease in EPS, Ferris (1988) found statistically significant, negative stock price effects of -5.76% (t=-2.489, p<.05) for (-2, +2). However, Ferris (1988) failed to find statistical significance for any other type of CNC not associated with changes in economic or managerial variables. In summary, Ferris (1988) concluded that the form and frequency of CNCs are generally statistically insignificant and a change in stock price will only occur if the CNC is coupled with changes in economic or managerial activities, which reinforce the CNC's signal of improvement in operational efficiencies, investment opportunities, and managerial ability.

Bosch and Hirschey (1989) identified a change in corporate entity (i.e., mergers, acquisitions, divestitures, or restructuring), a change in corporate image, affiliation with a brand, a change in product lines, confusion with other companies, diversification, and adoption of an acronym as antecedents of the seventy-nine CNC announcements in their sample. Bosch and Hirschey's (1989) subsample analysis examined the difference between the stock price effects associated with two antecedents of CNCs (i.e., change in corporate entity versus no change in corporate entity). For the twenty firms that changed their name following a merger, acquisition, sell-off, spin-off, or some other major corporate restructuring and specifically mentioned the change in corporate entity as the reason for the subsequent CNC, Bosch and Hirschey (1989) found a weak, positive CAR of 3.50% (t=1.71) over the (-10, 0) event window, a strong positive CAR on day -5 of 1.67% (t=2.70), and no apparent CAR on day 0. In contrast, the effect of a CNC on day

-5 by firms in the subsample of fifty-nine firms with no change in corporate entity was only 0.90% (t=2.22).

Bosch and Hirschey's (1989) subsample analysis also examined the degree of change to the corporate name (major versus minor) and found that minor CNCs not statistically significant, over the pre-announcement period, but were positive and statistically significant on a daily basis (1.25% on day -5; 0.75% on day 0) and positive (2.15%) on a cumulative basis. However, they found that the stock returns were negative and statistically significant (-2.71%) on a cumulative basis over the ten day post-announcement period. In addition, they found that major CNCs were statistically insignificant either on a daily or a cumulative basis. Hence, Bosch and Hirschey (1989) concluded that the valuation effects of a CNC are only modest and transitory.

Madura and Tucker (1990) identified diversification of mortgage lenders, decreased affiliation with the savings and loan industry, decreased affiliation with a geographic region, and confusion with competitors as antecedents of CNCs by thrift institutions. Madura and Tucker (1990) examined 12 CNC announcements by thrift institutions and found that the largest stock price reaction occurred 3 days before the announcement (2.189%), but that was followed by negative CARs resulting in a cumulative CAR of -0.442% during the event window (-3, +1), which was statistically insignificant.

Morris and Reyes (1991) identified a change in corporate entity (i.e., megamergers, unfriendly takeovers, leveraged buyouts, restructuring), diversification, a change in communication efforts, prevention of unattractive phonetic sound or spelling

in international markets, and decreased industry affiliation (e.g. fluorocarbons) as antecedents of CNCs. Morris and Reyes (1991) examined twenty-eight CNC announcements and found that new corporate names possessing more of the five functional characteristics (i.e., distinctiveness, relevance, flexibility, memorability, and positive nature) have higher abnormal stock returns (5.817%) over the (-14 day, +2 day) event window than those with fewer of the functional characteristics (-4.236%).

Harawa (1992) examined one-hundred and sixty CNC announcements and identified a response to internal and external factors as well as a response to CNC fads as antecedents of CNCs. Selecting the day that news of a CNC appeared in the *Wall Street Journal*, rather than the press release date, as day 0, Harawa (1992) found statistically significant, positive stock price effects of 0.7% (z=2.3364) for day -1, but statistically insignificant stock price effects of -0.152% for the (0, +1) window. In addition, Harawa (1992) introduced a methodological refinement called the synthetic-time portfolio performance methodology, which corrected for model biases occurring in the estimation of stock price effects' sensitivity to trading infrequency.

Karpoff and Rankine (1994) examined one-hundred and forty-seven CNC announcements and identified an increased affiliation with a product line, the adoption of an acronym, and the change from an acronym as antecedents of CNCs. In their subsample analysis, Karpoff and Rankine (1994) tested the stock price effects of thirty-six CNC announcements that did not include a contemporaneous announcement by firms that had not previously mentioned the CNC in an SEC proxy statement. For these thirty-six firms, Karpoff and Rankine (1994) found statistically significant, positive stock price

effects of 1.56% (z=2.76) for (-1, 0). Karpoff and Rankine (1994) also tested the stock price effects of eighty-eight CNC announcements (including one firm that made a contemporaneous announcement) by firms that had previously mentioned the CNC in an SEC proxy statement. For these eighty-eight firms, however, Karpoff and Rankine (1994) found statistically insignificant stock price effects of 0.01% (z=0.56) for (-1, 0).

Koku (1997) examined twenty-two CNC announcements and identified a change in corporate entity (i.e., mergers, acquisitions), industry affiliation (i.e., better reflect new business it has entered), and the intention to become more competitive or signal a new way of doing business as antecedents of CNCs. Koku (1997) found a statistically significant, positive difference of 3.67 (e.g., equivalent to the difference between a price-earnings ratio of 21 and a price-earnings ratio of 17.33) between the post-event and pre-event means of the price-earnings (P/E) ratios (t=2.28, p<.05). In summary, Koku (1997) concluded that service companies can improve their P/E ratios when they utilize a CNC to signal to customers, competitors, and investors its intentions to become more competitive or to signal a new way of doing business (e.g., Datsun to Nissan).

Cooper, Dimitrov, and Rau (2001) examined ninety-five CNC announcements by firms changing to .com corporate names during the Internet craze from 1998 to 1999. Cooper, Dimitrov, and Rau (2001) found statistically significant, positive abnormal returns of 53% for the five business days around the announcement date with no post-event negative drift. Lee (2001) examined the effect on stock price as well as trading volume of one-hundred and fourteen CNC announcements by firms changing to .com corporate names from 1995 to 1999. Lee (2001) adopted a market signaling perspective

and distinguished between cosmetic (i.e., image only) versus strategic CNCs that were coupled other changes within the company. Lee (2001) found statistically significant, positive abnormal returns of 2.70% over the (-1 day, +1 day) event window. Cooper, Dimitrov, and Rau (2001) and Lee's (2001) findings about the effect of changes to .com corporate names may be, as Lee (2001) cautioned, the result of an investing fad and the temporary cachet associated with the Internet.

Cooper, Khorana, Osobov, Patel, and Rau (2005) examined two-hundred and fifty CNC announcements by firms that were either adding or deleting .com from their corporate names between 1998 and 2001. For the thirty-six firms adding .com as part of a major change to their corporate name between August 1999 and February 2000, Cooper, Khorana, Osobov, Patel, and Rau (2005) found statistically significant, positive abnormal returns of 26% (t=2.41) over (-2, +2) and statistically significant, positive abnormal returns of 108.8% (t=2.88) over (-30, +30) as opposed to the insignificant returns of 10.5% (t=0.44) over (-2, +2) and 40.7% (t=0.49) over (-30, +30) for the five firms who added .com to their corporate names after September 2000. In addition, for the seven firms adding .com as part of a minor change to their corporate name between August 1999 and February 2000, Cooper, Khorana, Osobov, Patel, and Rau (2005) found statistically insignificant abnormal returns of 10.5% (t=1.14) over (-2, +2) but statistically significant, positive abnormal returns of 68.7% (t=2.15) over (-30, +30).

For the thirty-nine firms deleting .com as part of a major change to their corporate name after February 2000, Cooper, Khorana, Osobov, Patel, and Rau (2005) found statistically significant, positive abnormal returns of 13.8% (t=2.29) over (0, +1)

and statistically significant, positive abnormal returns of 64% (t=3.12) over (-30, +30) as opposed to the insignificant returns of 6.8% (t=0.95) over (0,1) and 10.6% (t=0.27) over (-30, +30) for the six firms who deleted .com from their corporate names prior to February 2000. In addition, for the twenty-two firms deleting .com as part of a minor change to their corporate name after February 2000, Cooper, Khorana, Osobov, Patel, and Rau (2005) found statistically insignificant abnormal returns of 0.2% (t=0.08) over (0, +1) for the twenty-two deleting .com as part of a minor change to their corporate name after February 2000. In summary, Lee's (2001) reservations about the potentially temporary cachet of the Internet were later found to be justified when Cooper, Khorana, Osobov, Patel, and Rau (2004) found that investors reacted positively to a CNC by a firm that removed .com from its corporate name following the Internet "crash" of mid-2000 and concluded that investors are potentially influenced by cosmetic effects and that managers rationally time corporate actions to take advantage of these biases.

Most recently, Karbhari, Sori, and Mohamad (2004) examined eighteen CNC announcements between 1984 and 1996 and identified a change in corporate entity (i.e., merger, divestiture), confusion with another firm, adoption of an acronym, a change in corporate image, and diversification as antecedents of CNCs. In their subsample analysis, Karbhari, Sori, and Mohamad (2004) distinguished failed firms (i.e., firms protected under article one-hundred and seventy-six of the Malaysian Companies Act of 1965 that received approval from the regulatory authorities to undertake a restructuring scheme to revive their financial condition) from a control group of matched non-failed firms and found statistically significant, negative abnormal returns of -8% over the (-10,

+10) event window for non-failed firms and statistically insignificant, positive returns for failed firms.

General Methodological Limitations of Event Studies

As previously mentioned, previous researchers have identified the noise in stock prices, the possible difficulty in identifying the date of an event, and the potential clustering of events as three important limitations of event studies (Chaney, Devinney, and Winer 1991). In addition to market noise, the selection of an event date, and the clustering of events, there are other limitations of previous event studies that are addressed in this section. These events include the statistically insignificant impact of an event, sample size, selection of event date, departures from traditional event study methodology, and generalizability.

Noise. Stock prices have noise, or other information, coming into the market. Noise is defined as "price and volume fluctuations that can confuse interpretation of market direction" that is "caused by program trades, dividend rolls, and other phenomena not reflective of general sentiment" (http://money.cnn.com/services/glossary/n.html).

Since stock prices are noisy, a sufficiently important event is required to cause a reaction that can be distinguished from the normal background noise (Chaney, Devinney, and Winer 1991). The effect of noise on event studies is subject to debate. On one hand, Brown and Warner's (1985) simulation found simultaneous events, on average, have a statistically insignificant effect on a firm's stock price. In other words, although individual firms' stock prices are unquestionably affected by noise, the average of the positive and negative effects of the noise on all firms is statistically insignificant.

On the other hand, according to McWilliams and Siegel (1997), if a firm were to announce a financially relevant event within the window of another event, then that firm should be removed from the sample. For example, firms might declare dividends, announce an impending merger, sign a major contract, announce a new project, file a large lawsuit, or announce unexpected earnings. Since the event study method attributes the abnormal return to a particular event, if other financially relevant events are occurring during the event window, it makes it difficult to isolate the impact of the event under consideration (McWilliams and Siegel 1997).

Nonetheless, only six of the twenty-seven event studies of marketing phenomena (e.g., Agrawal and Kamakura 1995; Bobinski and Ramirez 1994; Cornwell, Pruitt, and Clark 2005; Filbeck, Gorman, Greenlee, and Speh 2004; Geyskens, Geilens, and Dekimpe 2002; Hozier and Schatzberg 2000) addressed the noise confound and specifically omitted announcements contaminated by the news of other important concurrent announcements made during the event window from their samples.

Many of the other studies (e.g., Chaney, Devinney, and Winer 1991; Hendricks and Singhal 1997; Kulkarni, Vora, and Brown 1993; Mathur, Mathur, and Gleason 1998; Mathur, Mathur, and Rangan 1997; Miyazaki and Morgan 2001) were silent as to treatment of events with concurrent announcements during their event windows, which confounds the explanation and interpretation of their findings. For example, although Mathur and Mathur (1995) found changes in advertising slogans to have a statistically insignificant effect on firms' stock prices during the three business days (-1, +1) surrounding the announcement, Mathur and Mathur (1995) attributed the statistically

significant, positive CAR of 0.91% for (+2, +10) to some delayed investor reaction to the news of a change in advertising slogan. This conclusion seems to be problematic because the reaction may also be affected by other announcements during the (+2, +10) window. In addition, when studying the effect of an advertising agency's announcements of new accounts, Mathur and Mathur (1996) attributed the firms' statistically significant, positive CAR of 1.83% for (+6, +10) to investors' positive reassessment of the potential benefits of obtaining a new account. This conclusion also seems to be problematic because the reaction may also be affected by other announcements during the (+6, +10) window. Finally, when studying the effect of "green" promotional efforts, Mathur and Mathur (2000) departed from traditional event study methodology and ignored the assumption of efficient markets hypothesis that there will be an immediate reaction to news (Brown and Warner 1980, 1985; Fama 1970; Fama and French 1990; Muth 1961). In doing so, they attributed the firms' statistically significant, negative CARs of -0.84% for (+1, +5) and -3.14% for (-10, +10) to investors considering them to be value-destroying in nature. This, too, may be problematic because the reaction may also be affected by concurrent announcements during the (+1, +5) and (-10, +10) windows.

Surprisingly, not all researchers of CNCs (e.g., Ferris 1988, Koku 1997, Lee 2001) omitted announcements contaminated by the news of other important concurrent announcements from their samples. Moreover, three (Ferris 1988; Koku 1997; Lee 2001) of the thirteen CNC event studies explicitly stated that they included firms that made concurrent announcements in their sample. Ferris (1988), for example, examined CNCs

that were coupled with other economic or managerial changes including critical decisions affecting factors such as liability composition, asset structure, investment schedules, or geographical sales expansion. In addition, Koku (1997) did not eliminate firms with concurrent announcements from the sample. In fact, only four of the twenty-eight firms in Koku's (1997) sample released no other information within a week of the CNC.

Lee (2001) examined strategic name change announcements that were accompanied by other strategies. For example, one CNC announcement (Boraxx Technologies to QuadXSports.com) that was classified by Lee (2001) as a strategic CNC announcement also announced a change in management control and a stock split. Another CNC announcement (Alpha Microsystems to AlphaServ.com) also announced its earnings. These concurrent announcements make it difficult to identify the actual drivers of the changes in the firms' stock prices.

In addition, three of the thirteen CNC event studies (Bosch and Hirschey 1989; Karbhari, Sori, and Mohamad 2004; Morris and Reyes 1991) did not specify whether they omitted announcements contaminated by the news of other important concurrent announcements made during the event window from their samples. As was the case with the other event studies of marketing phenomena, this makes it difficult to interpret their findings. For instance, Bosch and Hirschey (1989) did not mention whether they checked for concurrent event announcements during (+1, +10), but still concluded that minor CNCs were positive (2.15%) over the pre-announcement period of (-10, 0), but not statistically significant on a cumulative basis, as well as statistically significant and

negative (-2.71%, t=-1.98, p<.05) on a cumulative basis over the post announcement period (+1, +10).

Event date is not easily identified. The date of the event (i.e., the first date at which the occurrence of the event became publicly known) may not be easily identifiable. Although a public announcement of an event may have occurred, it is highly difficult to pinpoint when the market incorporates this new information into the stock price. A variety of information is continuously provided to the financial markets and incorporated in the firm's stock price. This information flow hinders the evaluation of the announcement of a specific event's effect on the firm's stock price because the amorphous nature of the information, which increases the difficulty of determining exactly when the information is released. Therefore, it is often possible to witness abnormal returns prior to the date of the public announcement (Chaney, Devinney, and Winer 1991).

The daily change in a firm's stock price around the time of an event's formal announcement incorporates only part of the information signaled by the announcement. As such, rather than a full evaluation of the event's effect on a firm's market value, it is a consensus of opinion that is reached about the economic value of the event and its likelihood of success. As a result, the event's final stock price effect often represents only a small portion of the event's actual economic value (Chaney, Devinney, and Winer 1991).

Due to the uncertainty of the event date, the news sources should be carefully checked and events with ambiguous dates of occurrence removed from the sample

(Mathur and Mathur 1995). For instance, the event date can be unclear when a CNC is announced to the public after its occurrence in a monthly or bi-weekly magazine. The greater the certainty of the announcement date, the greater the statistically significant, positive stock price reaction to the announcement. Research by, Filbeck, Gorman, Greenlee, and Speh (2005) found that when the advertisements for which there is considerable uncertainty regarding their initial public appearance are added to the sample, the significant abnormal returns disappear during the three business day event window.

Events may cluster. Events may cluster in two ways. First, multiple important events are often simultaneously announced. For example, firms often use the same press release to announce earnings and major changes in the firm. In addition, firms often attempt to counter negative information, such as low quarterly earnings, with positive information such as the recruitment of a major new account (Chaney, Devinney, and Winer 1991). Second, multiple firms' announcements of similar events may cluster on specific event dates and necessitate estimating models simultaneously in order to avoid covariance between their errors (Chaney, Devinney, and Winer 1991). For example, Ford and Chrysler often made product recall announcement on the same day (Hoffer, Pruitt, and Reilly 1988; Jarrell and Peltzman 1985).

Statistically insignificant impact of event. The market reaction to an event announcement represents an aggregate expectation. Unanticipated events without uniform expectational effects may appear to have a statistically insignificant impact when measured by their stock price effect. For example, a particular group of investors

may exhibit positive expectations for an unanticipated event while another group has negative expectations. As a result, a firm's stock will be traded between these two groups. If the amount of stock held by the group with negative expectations equals the amount of stock desired by the groups with positive expectations, then the trading will have no effect on the firm's overall stock price (Chaney, Devinney, and Winer 1991).

Illustrating the frequently encountered insignificant impact of events are the statistically insignificant stock price effects that have been found during particular event windows for announcements of new products (Eddy and Saunders 1980), product recalls (Hoffer, Pruitt, and Reilly 1988), firms firing their advertising agencies (Kulkarni, Vora, and Brown 1993), new advertising slogans (Mathur and Mathur 1995), new product delays by firms with shorter product life cycles (Hendricks and Singhal 1997), internet advertising of services (Mathur, Mathur, and Gleason 1998), green products, recycling efforts, appointments of environmental policies (Mathur and Mathur 2000), major league sports' official product sponsorships (Cornwell, Pruitt, and Clark 2005), and Clio awards (Tippins and Kunkel 2006). In addition, no relationship was found between stock price performance and advertisements to the investment community (Bobinski and Ramirez 1994) or Super Bowl ad likeability or frequency (Kim and Morris 2003).

Moreover, Mathur and Mathur (1996) found that, in general, the news of a new advertising account has a negative effect on a publicly traded advertising agency's stock price. They also found that announcements of larger new accounts are better received by investors than announcements of smaller new accounts and that new account announcements by firms with relatively weak financial performance over the three-year

period prior to the announcement are not well received by investors (Mathur and Mathur 1996). In addition, Mathur and Mathur (2000) found significant negative CARs of -0.84% for (+1, +5) and -3.14% for (10, +10) for announcements for green promotional efforts. Finally, most Super Bowl advertisers showed significant negative abnormal returns and more than two-thirds of the .com advertisers noticed a large drop in traffic a week after the Super Bowl (Kim and Morris 2003). In summary, these studies illustrate the difficulties associated with linking changes in stock prices to specific marketing-based activities.

Sample size. It is generally accepted that a small sample size can limit the power of statistical tests and may understate the actual result. Moreover, insufficient sample size may have prevented other concurrent studies (e.g., Horsky and Swyngedouw 1987; Karbhari, Sori, and Mohamad 2004; Koku 1997; Madura and Tucker 1990; Morris and Reyes 1991) from testing for the effects of potentially important variables. With larger sample sizes comprised of CNCs from a larger span over time, they might have been able to recognize the stock price effects from brand name altering versus non-brand name altering CNCs, major versus minor changes to the corporate name, and CNCs related to a change in corporate image versus a properly classified change in corporate entity (i.e., a firm undergoing an acquisition, merger, etc. within the year preceding the CNC.

Horsky and Swyngedouw's (1987) use of forty-nine firms in their subsample analysis may have contributed to its lack of statistically significant results for consumer firms (e.g., ten of forty-nine firms). Furthermore, had Bosch and Hirschey (1989)'s

sample size been large enough to measure major changes to the corporate name during a CNC related to a change in corporate image, they might have reached the opposite conclusion that major, not minor, changes to the corporate name result in positive stock price effects. Moreover, Madura and Tucker's (1990) diminutive sample of twelve financial service firms may explain their inability to find a statistically significant stock price effect.

Selection of event date. Agrawal and Kamakura (1995) selected the date that the announcement of either a forthcoming or signed celebrity endorsement contract first appeared in the print media as the event date. Recognizing this limitation, they also tested (-1, 0) and found significance. Miyazaki and Morgan (2001) chose the first mention of the CNC in the media as the event date, but recognized that the information leakage may occur through non-print media during (-5, -2).

Harawa (1992) selected the day that news of a CNC appeared in the *Wall Street Journal*, rather than the press release date, as day 0. This failed to capture any information leakage prior to the press release date and may explain why Harawa found statistically significant, positive stock price effects for day -1 of 0.7% (z=2.3364), but statistically insignificant effects of -0.152% for (0, +1).

Other departures from traditional event study methodology. According to Hoffer, Pruitt, and Reilly (1988), Jarrell and Peltzman's (1985) results were affected by departures from traditional event study methodology such as the inclusion of events with overlapping event windows in their sample. For example, the effect on Chrysler's stock

price of a recall announcement by Ford during the same event window as a recall announcement by Chrysler was contaminated by Chrysler's announcements.

Generalizability. By focusing on firms affiliated with a particular celebrity endorser or firms competing in a particular industry, event studies can limit the generalizability of their findings to firms from other industries. Mathur, Mathur, and Rangan (1997) may have overstated the potential benefits of celebrity endorsers, in general, because their analysis was centered on Michael Jordan, a celebrity who was recognized as perhaps the leading endorser in the United States. Sorescu, Chandy, and Prabhu (2003) warned that the remarkable advantage that dominant firms in the highly concentrated pharmaceutical industry enjoy in the radical innovation process may raise questions about its generalizability. It is possible that small players cannot break the barriers to entry that their larger counterparts impose. It is also possible that nondominant firms lack the incentive to innovate due to being disadvantaged because of the long FDA approval process (Sorescu, Chandy, and Prabhu 2003).

Conclusion. The general limitations of event studies listed above are of particular importance to event studies in marketing because of the inherent characteristics of marketing events, which often evolve gradually and thereby do not take the form of distinct events. Since marketing decisions evolve slowly, the event announcements are often anticipated and surprise few investors. In addition, a marketing event announcement's economic value is often small relative to the firm's total market value. As a result, many significant marketing events will be left undetected due to their

gradual evolution and the noisy nature of stock prices (Chaney, Devinney, and Winer 1991).

In addition, the methodological challenges caused by the general limitations of event study methodology, as within the previous thirteen event studies of CNC, present several additional theoretical criticisms that can also be leveled against this stream of research.

Insufficient classification of CNCs leading to spurious results. By not modeling plausible other variables (e.g., change in corporate image versus change in corporate entity) the variance to be explained by the non-specified/omitted variables is manifested on the degree of change (i.e., major versus minor).

Horsky and Swyngedouw (1987) did not recognize the distinction between changes in corporate image and changes in corporate entity. Instead, they only excluded CNCs from the sample that made important concurrent announcements such as acquisitions, mergers, and divestitures on the event day itself. This prevented Horsky and Swyngedouw (1987) from identifying the effects of CNCs related to a change in corporate entity because they did not identify the firms that had undergone a change in corporate entity within a year of the CNC announcement as has been done by this dissertation. In addition, Horsky and Swyngedouw (1987) recognized the distinction between major and minor changes to the corporate name, but failed to find a difference in their statistically insignificant stock price effects because they did not distinguish major changes from minor changes to the corporate name during CNCs related to a change in corporate image. Instead, they grouped them with major changes to the

corporate name during a CNC related to a change in corporate entity, which may have led to their statistically insignificant findings. For example, Horsky and Swyngedouw (1987) would not have recognized that the CNC announcement of the change from Hasbro Industries to Hasbro Bradley was related to a change in corporate entity, namely Hasbro's acquisition of Milton Bradley four months before the CNC.

Lee (2001) did not differentiate between changes in corporate image and changes in corporate entity. For example one CNC announcement classified by Lee (2001) as strategic CNC (Bridgeport Communications to WealthHound.com) was the result of an acquisition occurring four days earlier.

Model underspecification. Studies that examine simple bivariate correlations are open to the criticism of likely 'omitted variable bias' (Bharadwaj 1994: 31). By not modeling plausible other variables (e.g., brand name altering versus non-brand name altering), the variance to be explained by the non-specified/omitted variables may be manifested on the degree of change (i.e., major versus minor), type of good (e.g., durable versus non-durable; financial services versus non-financial services), type of firm (e.g., industrial versus consumer), prior performance of the firm, or riskiness of the firm (see Horsky and Swyngedouw 1987).

Given this dissertation's examination of CNC related to a change in corporate image, it is fitting to conclude the literature review with a review of the previous literature examining the perceived characteristics of corporate names, which contribute greatly to the firm's corporate image.

Perceived Characteristics of Corporate Names

Researchers have paid a great deal of attention to concepts such as brand equity (e.g., Aaker 1991, 1996; Aaker and Joachimsthaler 2000; Farquhar 1989; Keller 1993, 1998; Kapferer 1992, 1997), brand extensions (e.g., Aaker and Keller 1990; Broniarczyk and Alba 1994; Kapferer 1992, 1997; Keller 1993, 1998; Keller and Aaker 1991), brand identity (e.g., Aaker 1996; Aaker and Joachimsthaler 2000) and brand personality (e.g., Aaker 1996; Aaker 1997; Plummer 1985).

Much of the research focusing specifically on corporate names has been in the form of normative studies that prescribe what characteristics make a successful brand or corporate name (e.g., Charmasson 1988; Garbett 1988; Keller 1993, 1998, 2003; McNeal and Zeren 1981; Robertson 1989; Shipley, Hooley, and Wallace 1988; Zinkhan and Martin 1987), the linguistic distinction among brand and corporate names (e.g., Collins 1977; Vanden Bergh, Adler, and Oliver 1987) or the process by which to select a name (e.g., Charmasson 1988; Garbett 1988; Kohli and Thakor 1997; McNeal and Zeren 1981; Peterson and Ross 1971). Other studies have examined the influence of the number of associations related to the brand name or the inclusion of frequently used words in the brand name (e.g., Meyers-Levy 1989).

Previous researchers have identified thirteen criteria considered in brand name selection and list them in order of importance as follows (McNeal and Zeren 1981):

1. Descriptive of the product's benefits
2. Memorable
3. Fit with the company's image and other products' image
4. Trademark availability
5. Promotable and advertisable
6. Uniqueness versus competitiveness

7. Length
8. Ease of pronunciation
9. Positive connotations to potential users
10. Suited to the package
11. Modern or contemporary
12. Understandable
13. Persuasive

The ten highest ranking of these thirteen criteria were then categorized into five functional characteristics: distinctiveness, relevance, memorability, flexibility, and positive nature (Morris and Reyes 1991), which closely resembled the four key criteria for services names (i.e., distinctiveness, relevance, memorability, flexibility) identified by Berry, Lefkowith, and Clark (1986).

Distinctiveness. A distinctive corporate name is one that immediately identifies the firm and distinguishes it from its competitors (Berry, Lefkowith, and Clark 1986). The distinctiveness of a corporate name is a function of its inherent uniqueness as well as its uniqueness in the context of competitors in the product category (Keller 1998). Distinctive names as atypical for the product category (e.g., Apple computers), unusual word combinations (e.g., Toys-R-Us), or coined words (e.g., Exxon) (Keller 1998). Other examples of distinctive corporate names include those bearing an uncommon surname of the founder (e.g., Smucker's). Researchers' opinions about using surnames are mixed. Genuine surnames can be distinctive but problems exist for the firm's founder if the firm fails and for the firm when the founder dies (Garbett 1988). Historic industry inventor surnames, however, are distinctive and helpful and it has been argued that Automatic Sprinkler Corporation's change to A-T-O was unsuccessful, but changing to Figgy International was beneficial because it helped personalize the firm (Garbett

1988). On the other hand, previous researchers have warned against the use of family names because of the complications they cause during the sale of a firm. For instance, the new buyer may not wish to operate under the seller's name and erase much of the goodwill associated with it. Or the seller may be concerned about how his personal reputation will be affected by any bad performance by the buyer (Charmasson 1988).

Relevance. A relevant corporate name conveys the nature of a firm and its benefits (Berry, Lefkowith, and Clark 1986). Previous researchers have extended the concept of relevance to include typicality (Zinkhan and Martin 1987) and symbolic isomorphism (Glynn and Abzug 1998). In a study of consumer attitudes toward brand names, typical was defined as similar or to other names in the product category and it was suggested that the process of inferential belief formation helps customers remember typical names, but does not help them remember atypical names (Zinkhan and Martin 1987). Drawing theoretically from institutional theory (DiMaggio and Powell 1983), previous researchers employed a similar logic and defined symbolic isomorphism as "the resemblance of an organization's symbolic attributes to other organizations within its institutional field" and suggested that symbolic isomorphism increases organizational legitimacy (Glynn and Abzug 2002).

Citing Robertson (1989), Keller (1998) pointed out that brand names which suggest the product or service category (e.g., Ticketron ticket selling service) can aid brand recall (Keller 1998; Robertson 1989). The arguments above also hold true for corporate names. Previous researchers, however, have warned about the potentially restrictive nature of brands that are highly descriptive of the product category or its

attributes and benefits (Keller, Heckler, and Houston 1998). For example, it may be challenging for the JuicyJuice brand to introduce a soft drink extension (Keller 1998).

Memorability. A memorable corporate name can be easily understood, used and recalled (Berry, Lefkowith and Clark 1986). Researchers have found that linguistic qualities can increase a name's memorability. Linguistic qualities can take the form of a phonetic device such as alliteration, assonance (i.e., vowel repetition), consonance (i.e., consonant repetition), masculine rhyme (i.e., rhyme of last syllable), feminine rhyme (i.e., unaccented syllable before accented syllable), onomatopoeia (phonetic resemblance), clipping, blending, and initial plosives (i.e., hard sounding speech sounds). They can also be an orthographic device such as unusual or incorrect spellings, abbreviations, and acronyms. Another option is using a morphological device like affixation or compounding. Finally, semantic devices such as metaphor, metonymy (i.e., applying one quality for another), synecdoche (i.e., substituting a part for the whole), personification, oxymoron, paronomasia (i.e., pun and word plays), and semantic appositeness (i.e., fit of name with object) can also contribute to the name's memorability (Vanden Bergh, Adler, and Oliver 1987).

Flexibility. A flexible corporate name has been defined as broad enough to convey a firm's current business and its foreseeable expansions (Berry, Lefkowith, and Clark 1986). Yet, this characteristic can conflict with the relevance of a corporate name (Keller 1998). Hence, corporate names should ideally be descriptive of a firm's principal activity, but flexible enough to allow for expansion (Garbett 1988). Moreover, sacrificing the ability to communicate a firm's activities may be necessary for a

conglomerate, but this should be avoided during a firm's early developmental stages, when the firm can afford to have a specific name while seeking short-term profits (Garbett 1988). When firms diversify, they will likely drop their useful business description as did US Steel and United Aircraft when they changed to USX and United Technologies, respectively.

Likeability. It has been suggested that corporate names are likable when they are rich in visual and verbal imagery and inherently fun and interesting (Keller 2003). Similarly, the positive nature of a brand name has been defined as providing positive connotations to potential users (McNeal and Zeren 1981).

The interdependence among distinctiveness, relevance, memorability, flexibility, and likeability is evidenced by the possibility that an improvement in one of these characteristics can result in the decline in another. For example, when American Sugar Co. changed its name to Amstar, it increased the flexibility of its corporate name by erasing its industry affiliation, but decreased its relevance. Interestingly, Amstar later decided to sacrifice the flexibility of its corporate name and increase its relevance by renaming itself again as Domino Sugar Co. Thus, it is important to consider the aggregate effect on customers' perceptions of the new corporate name's distinctiveness, relevance, memorability, flexibility, and likeability when judging the impact of a CNC.

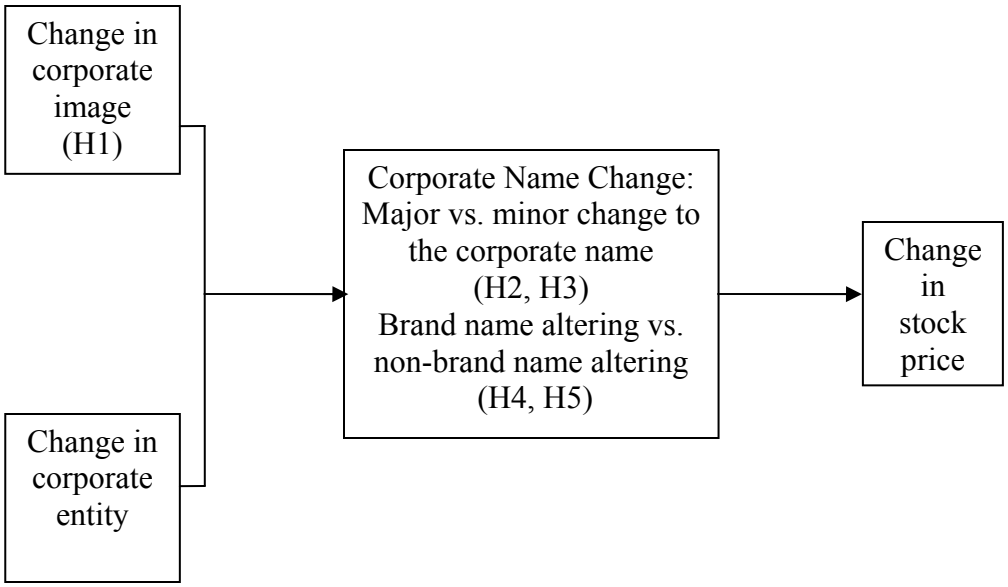
CONCEPTUAL MODEL AND HYPOTHESES

This section presents a conceptual model of the antecedents of a corporate name change and its effect on a firm's stock price (see Figure 1). It also discusses the theoretical and empirical support for each of the research questions addressed in this dissertation.

The conceptual model tested examines the relationship between CNCs and firms' corporate performance. Firm performance is assessed using cumulative abnormal returns, a measure developed in capital market theory, which is defined as the sum of differences between the expected return on a stock (systematic risk multiplied by the realized market return) and the actual return often used to evaluate the impact of news on a stock price. Capital market theory assumes that stock prices reflect the time- and risk-discounted present value of future cash flows which are expected to accrue to the firm (Rappaport 1997; Srinivasan and Bharadwaj 2004) and, according to the semistrong efficient markets/rational expectations hypothesis (Brown and Warner 1980, 1985; Fama 1970; Fama and French 1990; Muth 1961), reflect all publicly available information.

FIGURE 1

CONCEPTUAL MODEL



As a result, this dissertation measures the impact of a firm's first CNC announcement because only a CNC announcement which was unanticipated by investors should cause a change in the firm's stock price. Moreover, it should occur as soon as the market learns of the change, and the magnitude of the change should serve as an unbiased estimate of the value of changes to the firm's expected cash flows (Horsky and Swyngedouw 1987; Schwert 1981; Srinivasan and Bharadwaj 2004).

Antecedents of CNCs

Koku (1997) distinguished among three antecedents of CNCs: 1) mergers and acquisitions (i.e., new corporate entity); 2) the entry of a new line of business (i.e., increase or decrease affiliation with industry); or 3) the desire to signal to customers, competitors, and investors its intentions to become more competitive or to signal a new way of doing business. This dissertation differentiates a CNC related to a change in corporate image from a CNC related to a change in corporate entity or confusion with another firm. However, due to the relative scarcity of firms, and the attendant problems with sample size, that are confused with other firms, only the first two antecedents of CNCs are examined (see Table 4).

TABLE 4

CONCEPTUAL DEFINITIONS, OPERATIONALIZATIONS, AND EXAMPLES

Key Concept	Conceptual Definition	Operationalization	Examples
CNC related to a change in corporate entity	A CNC related to a change in the ownership of a firm or one of its business units "A result of mergers and acquisitions to better describe the new combined business" (Horsky and Swyngedouw 1987: 320)	A CNC that occurs less than one year after a merger, acquisition, divestiture, reorganization, or change in ownership	• AOL and Time Warner to AOL Time Warner • Exxon and Mobil to ExxonMobil • General Cinema Corporation and • Harcourt Brace to Harcourt General • Price Waterhouse and Coopers & Lybrand to PriceWaterhouseCoopers
CNC related to a change in corporate image	A CNC related to a change in what stakeholders actually think about the firm(Brown, Dacin, Pratt, and Whetten 2006) "An attempt to acquire a new image and corporate identity" (Horsky and Swyngedouw 1987: 320)	A CNC that results from diversification, international expansion or a desire to increase or decrease the corporate name's affiliation with a brand, business unit, event, attribute, industry, or geographic region	• Surviving Enron divisions to CrossCountry Energy Corporation and Primsa Energy International; • UAL to Allegis to UAL (decrease affiliation with event) • Kentucky Fried Chicken to KFC (decrease affiliation with attribute) • Hershey Chocolate Corporation to Hershey Foods Corporation; • Standard Press Steel to SPS Technologies • US Steel to USX • United Aircraft to United Technologies • RJ Reynolds Tobacco to RJ Reynolds Industries • KPMG Consulting to BearingPoint • PriceWaterhouseCoopers to Monday (decrease affiliation with industry) Standard Oil of Ohio to Standard Oil (decrease affiliation with geographic region)

TABLE 4 CONTINUED

Key Concept	Conceptual Definition	Operationalization	Examples
Major CNC	A CNC which creates a new corporate name that is not immediately recognizable as related to the previous corporate name A change "to a radically different name such as from Billy the Kid to BTK and Alaska Interstate to Enstar" (Horsky and Swyngedouw 1987: 327) "'Major' name changes are those changes such that the new name is entirely different form the old, e.g., Varity Corp. versus Massey-Ferguson Ltd." (Bosch and Hirschey 1989: 70)	A CNC which creates a new corporate name that is not immediately recognizable as related to the previous corporate name	• Dayton-Hudson to Target
Minor CNC	A CNC which creates a new corporate name that is immediately recognizable as related to the previous corporate name "A cosmetic change such as from Echlin Mfg. to Echlin and from Paine Webber to Paine Webber Group" (Horsky and Swyngedouw 1987: 327) "'Minor' changes would not completely affect company recognition, e.g., Lowenstein M. Corp versus M. Lowenstein & Sons Corp., and might reflect the 'continuity' of the evolving corporate identity, such as Reading and Bates Corp. versus Reading and Bates Offshore Drilling Corp." (Bosch and Hirschey 1989: 70)	A CNC which creates a new corporate name that is immediately recognizable as related to the previous corporate name	• US Air to US Airways

TABLE 4 CONTINUED

Key Concept	Conceptual Definition	Operationalization	Examples
Brand name altering CNC	A CNC which results in a change in one or more of the brand names facing the customer	A CNC which results in a change in one or more of the brand names facing the customer. This can occur when the CNC creates an entirely new brand name or results in the adoption by existing brands of another existing brand name.	• Andersen Consulting to Accenture (entirely new brand name) • Deloitte Consulting to Braxton Consulting (another existing brand name)
Non-brand name altering CNC	A CNC which does not result in a change in one or more of the brand names facing the customer	A CNC which does not result in a change in one or more of the brand names facing the customer	• Dayton-Hudson to Target • United Aircraft to United Technologies • Consolidated Foods to Sara Lee

CNC related to a change in corporate image. Previous researchers have found that a frequent reason for a CNC is a firm's desire to create a new corporate image (Bosch and Hirschey 1989; Horsky and Swyngedouw 1987; Howe 1982; Morris and Reyes 1991). As previously mentioned, however, many researchers are skeptical about the impact that a new image created by a CNC will have if it is not coupled with other substantial changes within the company. For example, Howe (1982) concluded that keeping a firm's name up to date is unnecessary because there is no financial benefit to changing a corporation's name.

The organizational identity literature distinguishes between corporate identity, what organizational members believe to be central, enduring, and distinctive (Albert and Whetten 1985), and corporate image, the way organizational members believe others see the organization, to gauge how outsiders are judging them (Dutton and Dukerich 1991). When there is a discrepancy between the firm's identity and image, managers may take actions to resolve that discrepancy (Gioia, Schultz, and Corley 2000). A CNC is one way to do so (Lee 2001) since it can serve as an investment in intangible capital designed to alter popular perceptions regarding a firm's corporate identity (Hirschey 1985; Karbhari, Sori, and Mohamad 2004).

When addressing the topic of corporate image, corporate identity, and corporate reputation, researchers have used a variety of terms and concepts which have been recently classified as identity, intended image, construed image, and reputation (Brown, Dacin, Pratt, and Whetten 2006).

Identity has been defined as the central, enduring, and distinctive "mental associations about the organization held by organizational members" (Brown, Dacin, Pratt, and Whetten 2006: 101). Previous research related to the concept of identity has addressed the question of "Who are we as an organization?" (Brown, Dacin, Pratt, and Whetten 2006: 101) with examinations of collective identity (Pratt 2003), corporate personality (Markwick and Fill 1997), identity or organizational identity (Davies 2003; Gioia, Schultz, and Corley 2000; Hatch and Schultz 1997; Pratt and Foreman 2000b; Whetten and Mackey 2002), and perceived organizational identity (Ashforth and Johnson 2001; Ashforth and Miel 1989; Dutton, Dukerich, and Harquail 1994).

Intended image has been defined as the central, enduring, and distinctive "mental associations about the organization that organization leaders want important audiences to hold" (Brown, Dacin, Pratt and Whetten 2006: 101). Previous research related to the concept of intended image has addressed the question of "What does the organization want others to think about the organization?" (Brown, Dacin, Pratt and Whetten 2006: 101) with examinations of corporate identity (Balmer 1998; Balmer and Gray 1999; Bernstein 1984; Dacin and Brown 2002; Dutton and Dukerich 1991; Gray and Smeltzer 1985; Hatch and Schultz 1997; Higgins and Bannister 1992; Ind 1990; Markwick and Fill 1997; Melewar and Jenkins 2002; Melewar, Karaosmanoglu, and Paterson 2005; Steidl and Emery 1997; van Riel 1995; Whetten and Mackey 2002), desired corporate identity (van Rekom 1997; van Riel and Balmer 1997), desired future image (Gioia, Schultz, and Corley 2000), desired identity (van Riel 1997), desired organizational

image (Scott and Lane 2000), image (Whetten 1997), and projected image (Gioia, Schultz, and Corley 2000).

Construed image has been defined as the central, enduring, and distinctive "mental associations that organizational members believe others outside the organization hold about the organization" (Brown, Dacin, Pratt and Whetten 2006: 101). Previous research related to the concept of intended image has addressed the question of "What does the organization believe others think of the organization?" (Brown, Dacin, Pratt and Whetten 2006: 101) with examinations of construed external image (Dutton, Dukerich, and Harquail 1994; Gioia, Schultz, and Corley 2000), perceived external prestige (Smidts, Pruyn, and van Riel 2001), perceived organizational prestige (Bhattacharya, Rao, and Glynn 1995; van Riel and Balmer 1997), and reflected stakeholder appeals (Scott and Lane 2000).

Reputation has been defined as the central, enduring, and distinctive "mental associations about the organization actually held by others outside the organization" (Brown, Dacin, Pratt and Whetten 2006: 101). Previous research related to the concept of reputation has addressed the question of "What do stakeholders actually think of the organization?" (Brown, Dacin, Pratt and Whetten 2006: 101) with examinations of company evaluation (Sen and Bhattacharya 2001), corporate associations (Berens and van Riel 2004; Berens, van Riel, and van Bruggen 2005; Brown 1998; Brown and Dacin 1997; Dacin and Brown 2002), corporate evaluation (Brown and Dacin 1997), corporate identity (Bhattacharya and Sen 2003), corporate image (Dowling 1994; Johnson and Zinkhan 1990; Kennedy (1977; Markwick and Fill 1997; Martineau 1958a; Martineau

1958b; Mertes 1971; Spector 1961; Topalian 1984; van Rekom 1997), image (Barich and Kotler 1991; Briston 1960; Britt 1971; Carlson 1963; Cohen 1963; Davies, Chun, da Silva, and Roper 2003; Dichter 1985; Dowling 1986; Enis 1967; Fombrun 1996; Garbett 1988; Gregory 1991; Gronroos 1984; Pharaoh 1982), organizational image (Hatch and Schultz 1997), organizational reputation (Scott and Lane 2000), reputation (Dacin and Brown 2002; Gioia, Schultz, and Corley 2000; van Riel 1997; Whetten 1997), and transient impressions (Gioia, Schultz, and Corley 2000).

As such, when this dissertation refers to a CNC related to a change in corporate image, it would be characterized by Brown, Dacin, Pratt, and Whetten (2006) as a CNC related to a change in corporate reputation. Thus, adopting Brown, Dacin, Pratt, and Whetten's (2006) definition of reputation, a CNC is operationalized as related to a change in corporate image when it results from an increase or decrease in the corporate name's affiliation with an industry, brand, business unit, event, attribute, or geographic region.

Affiliation with an industry. A firm that wishes to emphasize or de-emphasize its affiliation with a particular industry will often change its corporate name. For example, CNCs were common in the railroad and mining industries in the 1850s; the automobile industry in the 1910s; the airplane industry in the late 1920s; the high-tech industry in the 1960s; and the bio-genetic industry in the 1980s (Gordon 2001). In all of these growth periods, investors often appeared to eschew due diligence just to get a piece of the action (Cooper, Khorana, Osobov, Patel, and Rau 2004). Case in point, when

airplane stocks were popular during the 1920s, investors rushed to invest in Seaboard Airlines, which was actually a renamed firm competing in the railroad industry.

When firms diversify away from their core industries, they often choose to change their names to create a new corporate image which reflects their broader focus (Argenti, Hansen, and Neslin 1987; Boddewyn 1966; Bosch and Hirschey 1989; Ferris 1988; Glynn and Abzug 2002; Howe 1982; Morris and Reyes 1991). The changes by RJ Reynolds Tobacco to RJ Reynolds Industries, Standard Press Steel to SPS Technologies, US Steel to USX, and United Aircraft to United Technologies are examples of CNCs related to firms' decreased affiliation with an industry. The consulting divisions of accounting firms that were trying to disassociate themselves from the Arthur Andersen accounting scandal by making major changes from PriceWaterhouseCoopers to Monday and KPMG Consulting to BearingPoint provide more recent examples of CNCs due to decreased industry affiliation.

Affiliation with a particular brand or business unit. Serving as an interesting contrast to the firms that change their name to broaden their focus are the firms that want to return to familiar brand names and descriptive words as many firms did in the 1990s (Glynn and Abzug 2002). Garbett (1988) predicted the need for this retrenchment while asserting that as a result of firms' diversification, many names fail to serve their principal function of communicating the business in which the firm competes. Garbett (1988) also argued that if a firm is small enough and sufficiently well focused, its name should specify the firm's competency. An example of a firm that tried to erase its industry affiliation only to refocus on its primary brand is American Sugar Co., which

changed its name to Amstar and later renamed itself again as Domino Sugar Co. An example of a firm emphasizing a particular business unit is Dayton-Hudson's change to Target.

Affiliation with a negative event or product attribute(s). An antecedent not previously specified by researchers of CNCs is a firm's affiliation with a negative event or product attribute. The CNCs by the surviving divisions of Enron to CrossCountry Energy Corporation and Primsa Energy International (Alsop 2004) are examples of the former. In addition, a previous CNC can serve as the negative event and prompt the firm to revert to its original name as did United Airlines' parent company UAL after its change to Allegis (Kohli and Hemnes 1995). Although it is the name of a division rather than a corporate name, Kentucky Fried Chicken changed to KFC in order to de-emphasize its association with the attribute of fried food.

Affiliation with a geographic region. Some firms choose to change their corporate names because they want to reduce the impression that they are regional firms. Standard Oil of Ohio's change to Standard Oil is an example. Garbett (1988) argued that a geographic CNC is only necessary for a firm in certain industries such as railroads and banking, while firms in other industries such as liquor and tools would not require such a change.

In addition, international expansion can prompt firms to change their names, as was the case with TSI's change to Syniverse (Dano 2004). Boddewyn (1966) noted that global corporations should select names that are pronounceable in any language and free from any bad connotation in foreign languages. Morris and Reyes (1991) added that corporations might change their names to prevent unattractive phonetic sounds or

spelling arrangements in international markets. Although they were not changed, examples of difficult names to pronounce include Au Bon Pain bakeries, Purolator Courier delivery service, Jhirmack shampoo, Orangina soft drink, and Germaine Monteil cosmetics (Alsop 1987).

The corporate name can provide clarity and focus for the organization's leadership (Aaker 2004: 93). A well conceived corporate name "instantly sets the image positioning" for the firm's product and brands in the marketplace (Delano 2001: 44). From the perspective of the company's leadership, the corporate identity is often captured in the corporate name, which represents the essence of the new product, service experience, or business venture (Delano 2001). Organizational identity relates to the mental associations that organizational members have toward their company (Brown, Dacin, Pratt, and Whetten 2006).

Previous researchers have established that superior performance can result from a favorable corporate image or favorable corporate identity, which in turn has been linked to a favorable corporate reputation. For example, Margulies (1977) suggested that a positive relationship exists between well-designed corporate identity programs and sales. In addition, Fombrun and Shanley (1990) documented evidence of the link between business reputation and historical performance. Finally, Bharadwaj and Menon (1993) utilized the Profit Impact of Market Strategy (PIMS) database to investigate the determinants of success in service industries and concluded that corporate reputation and service image can increase market share and reduce business risk.

A favorable corporate image can also increase stakeholder commitment and loyalty (Simões, Dibb, and Fisk 2005) by improving the attitudes of corporate suppliers (Brown 1995), achieving higher levels of commitment among employees (Gray and Smeltzer 1987) and fortifying the company's ability to recruit new staff (Balmer 2003; Gatewood, Gowan, and Lautenschlager 1993), investors (Balmer 2003; Fombrun and Shanley 1990), and joint venture partners (Barney and Hansen 1994). Hence, a CNC related to a change in corporate image is expected to have a positive impact upon a firm's stock price.

Hypothesis 1: On average, a CNC related to a change in corporate image will have a positive effect upon the firm's stock price.

CNC related to a change in corporate entity. Firms often change their names after the emergence of a new corporate entity (Argenti, Hansen, and Neslin 1987; Boddewyn 1966; Bosch and Hirschey 1989; Ferris 1988; Glynn and Abzug 2002; Howe 1982; Koku 1997; Morris and Reyes 1991). For the purpose of this dissertation, a CNC related to a change in corporate entity is operationalized as a CNC that occurs less than one year after a merger, acquisition, divestiture, reorganization, or change in ownership. Although mergers first appeared in the U.S. during the early 1900s, this type of change was perhaps most common during the 1980s, a decade filled with takeovers, the restructuring of firms and industries, mergers and acquisitions, and banking deregulation (Glynn and Abzug 2002). Examples of CNCs that resulted from acquisitions include AOL and Time Warner to AOL Time Warner, Exxon and Mobil to ExxonMobil, General Cinema Corporation and Harcourt Brace to Harcourt General, and Price Waterhouse and Coopers & Lybrand to PriceWaterhouseCoopers.

It is possible that a CNC related to a change in corporate entity provides additional information about the merged company. For example, when Sandoz and Ciba-Geigy chose the name Novartis, the merged company was signaling a fundamental change in its direction (Du Bois 2001). However, it is expected that the effect on a firm's stock price of a CNC related to a change in corporate entity should be mostly captured at the time of the announcement of the change in corporate entity.

Major versus Minor Changes to the Corporate Name during a CNC Related to a Change in Corporate Image

For the purpose of this dissertation, a *major CNC* is operationalized as a CNC which creates a new corporate name that is not immediately recognizable as related to the previous corporate name (e.g., Dayton-Hudson to Target). In contrast, a *minor CNC* is operationalized as a CNC which creates a new corporate name that is immediately recognizable as related to the previous corporate name (e.g., US Air to US Airways). In sum, these operationalizations do not reflect the degree of change in the firm's operations, but rather reflect the degree of change to the corporate name itself.

Previous researchers of information processing have suggested that inconsistent information will increase the recipients' motivation to process the information (see Sengupta and Johar 1992). Since a major CNC will likely be perceived as inconsistent information, it will increase customers' motivation to process the information. If the CNC can create a more favorable corporate image among customers, then the additional processing of this information may lead to a more permanent change in their attitude

toward the firm, especially if the information is processed via the central route (Petty and Cacioppo 1981, 1986; Petty, Cacioppo, and Schumann 1983).

Previous researchers have also found that the greater the dissimilarity between a sponsor brand and comparison brands in an advertisement, the greater the elaboration when comparing them (see Priester, Godek, Nayakankuppum, and Park 2004). Extending this logic to CNCs, the greater the dissimilarity between the new corporate name and former corporate name, the greater the elaboration when comparing the new name to the former name. Hence, as compared to a minor change, a major change to the corporate name requires additional elaboration by customers.

Some of the previous researchers have reached similar conclusions about major and minor change to the corporate name. For example, Horsky and Swyngedouw (1987) concluded that a firm intends to strengthen the firm's appeal to consumers when it undergoes a major change to the corporate name, whereas a minor change to the corporate name would not likely have much influence upon consumers' preferences. In addition, other researchers found that firms that changed their name to a .com name during the Internet boom period (i.e., pre-August 2000) as well as firms that removed the .com from their name during the Internet bust period (i.e., post-August 2000) realized large gains in shareholder wealth associated with the CNC. Moreover, the gains were greater for major change than for minor change in the corporate name (Cooper, Khorana, Osobov, Patel, and Rau 2004).

Other researchers of CNCs, however, have not found major changes to the corporate name to have a greater effect upon a firm's stock price than minor changes.

For example, Horsky and Swyngedouw (1987) concluded that the effect of a CNC on stock price is not influenced by whether the change to the corporate name was major or minor. In addition, the announcement of a major change to the corporate name might positively affect customers' reception (i.e., acknowledging the new corporate name), but might have a negative affect on yielding (i.e., choosing to purchase from the firm) due to the substantial risk about the firm's future that the new name introduces (Bosch and Hirschey 1989). This may help explain Bosch and Hirschey's (1989) finding of a modest positive valuation effect for minor change to the corporate name during the eleven business day pre-announcement period (i.e., the ten business days prior to the event and the event date itself), which dissipated during the ten business day post-announcement period, and a statistically insignificant effect for major changes to the corporate name.

This may also be because it is arguable that both major and minor changes to the corporate name provide information. For example, the change from Echlin Mfg. to Echlin may be signaling that Echlin intended to engage in other activities besides manufacturing. In addition, the change from Paine Webber to Paine Webber Group signals an expansion or reorganization of the firm. Finally, the change from Bic Pen to Bic signaled its diversification into plastic products other than pens. Moreover, firms may be prevented from utilizing the CNC to convey positive information that is incomplete, complex, or too sensitive to divulge (Horsky and Swyngedouw 1987).

Aaker (2004) concluded that a CNC is a last resort. Supporting this conclusion is Garbett's (1988) report of the results of a survey by the New York communications and design firm, Lubliner Saltz, which showed that seventy-two percent of managers believe

that major changes to the corporate name should be considered only if there are no other alternatives. Although the change can be well perceived when it is connected to the past (Delattre 2002), major changes are often strongly opposed by shareholders. For example, Guinness' shareholders strongly opposed the newly selected name, Diageo, during the merger with Grand Metropolitan (Balmer and Dinnie 1999).

A final argument against major changes to the corporate name was advanced by Horsky and Swyngedouw (1987), who pointed out the risk inherent in a major CNC of losing some of the goodwill in the form of name recognition, company image, and routine purchase behavior by customers. Moreover, this loss of goodwill could cause a downward shift in the demand curve and result in lower revenues (Karbhari, Sori, and Mohamad 2004).

In summary, a minor CNC related to a change in corporate image will likely have little effect on customers' opinions of the firm's corporate image. In contrast, if a major CNC related to a change in corporate image can overcome the loss of the previous corporate name's goodwill and cause customers to construe the firm's corporate image more favorably, then it will likely have a positive effect on the firm's stock price. Thus, given the previously discussed link between corporate image and performance, it is hypothesized that:

Hypothesis 2: On average, a major change to the corporate name during a CNC related to a change in corporate image will have a positive effect upon a firm's stock price.

Hypothesis 3: On average, a minor change to the corporate name will have a lesser effect on a firm's stock price than a major change to the corporate name during a CNC related to a change in corporate image.

Brand Name Altering versus Non-Brand Name Altering CNCs

For the purpose of this dissertation, a *brand name altering CNC* is operationalized as a CNC which results in a change in one or more of the brand names facing the customer. This can occur when the CNC rebrands an existing product line with a new name (e.g., Software Technologies Corp. to SeeBeyond), creates a new name for a new product line (e.g., Rocking Horse Child Care to Nobel Education Dynamics), or accomplishes both (e.g., Etinuum to Digital Lighthouse). It has been argued that firms may be better off reviving brands rather than making the large capital investment required to build new brand image (Bellman 2005). There are inherent risks in a CNC since the previous name usually has generated some goodwill. Specifically, a brand name altering CNC can result in the loss of brand awareness and the loss of brand heritage (e.g., PriceWaterhouseCoopers Consulting to Monday; GTE and Bell Atlantic to Verizon).

Loss of brand awareness. It is generally accepted that brand awareness is positively related to a favorable brand image (Bernstein 1984; Boyle 1996; Kennedy 1977; Olins 1989). In addition, it is well documented that consumers choose well-known brands as a risk-reducing strategy (Capon and Burke 1980; de Chernatony 1989; Dunn, Murphy, and Skelly 1986; Fowler 1982; Granzin 1981; Guseman 1981; Mitchell and Greatorex 1989; Mitchell and McGoldrick 1996; Moore and Lehmann 1980; Perry and Perry 1976; Roselius 1971; Taylor and Rao 1982; Toh and Heeren 1982; Tootelian, Gaedeke, and Schlacter 1988; Wu, Holmes, and Alexander 1984). Although examined

less frequently, well-known brands are also used by industrial customers to reduce risk (Cardozo and Cagley 1971; Hawes and Barnhouse 1987; Mitchell 1989).

As mentioned previously, when a firm undergoes a brand name altering CNC, it may choose to create an entirely new brand name as Starmark Inc. did when it changed its name to Babystar Inc. and launched a new line of inflatable juvenile travel products under the Babystar brand rather than the Starmark brand. A brand name altering CNC can also occur when a firm adopts the brand name of a company it acquires as was the case with the change from Fidelity Medical Inc. to Corniche Group Inc. after Fidelity acquired the Corniche brand of stationery. In either case, brand name altering CNCs sacrifice the goodwill generated by the previous name in the form of brand awareness, company image, and customer loyalty (Horsky and Swyngedouw 1987). Moreover, the loss of this goodwill can decrease demand for the brand and reduce the firm's revenues (Horsky and Swyngedouw 1987; Karbhari, Sori, and Mohamad 2004).

Loss of brand heritage. Struggling corporate brands can benefit from returning to their roots and identifying what made them successful in the first place (Aaker 2004). Trying to disassociate a firm from its heritage, however, is a much riskier proposition. For example, the British media accused British Telecom, British Petroleum, and British Gas of cultural blasphemy when they deleted "British" from their names (Kaikati and Kaikati 2003) and changed to BT, BP, and Centrica, respectively. In addition, UAL abandoned its United Airlines heritage when it changed it name to Allegis but subsequently returned to it by changing back to UAL. Wunderman Cato attempted a

similar move when the advertising agency rebranded itself as Impiric before reverting to the Wunderman name.

In contrast, a brand name altering CNC related to a change in corporate image can serve as an effective replacement of: 1) the corporate name of a firm that has low market share with current products branded with the corporate name and competes in a high growth industry, an industry with low brand loyalty and low switching costs, or an industry where competitors have relatively small marketing budgets; or 2) the corporate name of a firm that wants to overcome negative perceptions of an industry (e.g., U.S. Steel to USX), a product attribute (e.g., Kentucky Fried Chicken to KFC), or an event (e.g., WorldCom to MCI).

A successful corporate identity has been described as a "living" identity that accurately represents an organization and its aspirations even as it changes over time (Topalian 2003). A CNC can help maintain this accurate representation, but customers' desire for consistency (Gardner and Levy 1955; Park, Jaworski, and McInnis 1986) makes it inadvisable for a firm to change one of its brand names (Kohli and Leuthesser 2001) unless extensive marketing of the new brand name can eventually generate a level of awareness that exceeds that which was achieved by the previous name. In order to do so, the CNC would have to vastly improve the brand's meaningfulness (i.e., relevance to the product category) (Berry, Lefkowith, and Clark 1986; Kanungo and Dutta 1966; Kohli, Harich, and Leuthesser 2005; McNeal and Zeren 1981; Misra and Jain 1971; Morris and Reyes 1991), likeability (Keller 2003: 177, 218), memorability, distinctiveness, and flexibility (Berry, Lefkowith, and Clark 1987; Keller 2003; McNeal

and Zeren 1981; Morris and Reyes 1991). Examples of brand name altering CNCs that have arguably accomplished this include Blue Ribbon Sports to Nike and Andersen Consulting to Accenture.

In contrast, a non-brand name altering CNC, such as Dayton-Hudson to Target, United Aircraft to United Technologies, or Consolidated Foods to Sara Lee, can serve as an effective replacement of an outdated corporate name that no longer describes the business well while having no negative impact on the awareness of the firm's brands. In doing so, firms still need to take special care in selecting the new name in order to avoid having to revert to the original name (e.g., UAL to Allegis to UAL) or change it again (e.g., Woolworth to Venator to Foot Locker).

Overall, due to the difficulty of overcoming the resulting loss of brand awareness and brand heritage, a firm may be better served by using a CNC to signal other changes that are occurring in the firm or to replace an outdated corporate name (see Horsky and Swyngedouw 1987; Koku 1997) without altering the brand names facing its customers. Hence:

> Hypothesis 4: On average, a non-brand name altering CNC will have a positive effect upon the firm's stock price.
>
> Hypothesis 5: On average, a brand name altering CNC will have a lesser effect upon the firm's stock price than a non-brand name altering CNC.

METHODOLOGY

Empirical Context and Data

To conduct the hypotheses tests, the following steps were taken: 1) a comprehensive sample of CNC announcements was compiled; 2) objective measures of CNCs related to a change in corporate entity versus a change in corporate image, major versus minor change to corporate name, and brand name altering versus non-brand name altering CNCs were created; 3) the financial value of CNCs was measured at the time a CNC is announced; and 4) a context with adequate variation in resources across firms was used to permit comparisons of CNCs across firms (Sorescu, Chandy, and Prabhu 2003).

To compile the comprehensive sample of firms which had publicly announced a CNC between 1987 and 2002, a search on Lexis Nexis was performed. Specifically, a "guided news search" of the "business and finance news source" within the "business" category of the Lexis Nexis Academic database was conducted with the key words "name change" in order to compile the names of the firms listed on the American Stock Exchange (ASE), NASDAQ, and New York Stock Exchange (NYSE) and match them to their identifying information with Wharton Research Data Services' (WRDS) Center for Research on Stock Prices (CRSP). This identified 814 CNC announcements that were made during the period of 1987 to 2002.

To define the criteria for inclusion of a particular CNC announcement in the sample, several steps were taken. First, another "guided news search" on Lexis Nexis was conducted during the year preceding the CNC with the new corporate name as a key

word to ensure that the new corporate name had not been divulged publicly prior to the CNC announcement. Next, another "guided news search" on Lexis Nexis was conducted to ensure that no other announcements were made during the seven business day event window surrounding the CNC announcement. Firms which made concurrent announcements were not analyzed because the analysis would be compromised by the multiple treatment effect comprised of the CNC's effect on stock price and the separate effect on the firm's stock price of the other announcements (e.g., acquisition, new product announcement, earnings, dividends, etc.).

After removing those CNC announcements which were made with other concurrent announcements, the sample was reduced from 814 to 183 CNCs between 1987 and 2002. Fortunately, the size of this reduced sample still permitted analysis of hypotheses (e.g., brand name altering versus non-brand name altering) that had not been considered by previous researchers perhaps due to insufficient sample size.

Event Study

Following the lead of other researchers of CNCs (e.g., Bosch and Hirschey 1989; Ferris 1988; Horsky and Swyngedouw 1987; Lee 2001; Madura and Tucker 1990; Morris and Reyes 1991), this dissertation adopts the event study methodology from the modern theory of finance to analyze the effect of CNCs on the behavior of stock prices.

A stock price reflects the time- and risk-discounted present value of future cash flows which are expected to accrue to the firm (Rappaport 1997; Srinivasan and Bharadwaj 2004) and, according to the semistrong efficient markets/rational expectations hypothesis (Brown and Warner 1980, 1985; Fama 1970; Fama and French

1990; Muth 1961), reflects all publicly available information. As a result, this dissertation measures the impact of a firm's first CNC announcement because only a CNC announcement which was unanticipated by investors should cause a change in the firm's stock price. Moreover, it should occur as soon as the market learns of the change, and the magnitude of the change should serve as an unbiased estimate of the value of changes to the firm's expected cash flows (Horsky and Swyngedouw 1987; Schwert 1981; Srinivasan and Bharadwaj 2004).

There are five steps to conducting an event study including: 1) identifying the event, 2) defining the criteria for including a particular event in the sample, 3) calculating normal and abnormal returns, 4) estimating the normal performance model, and 5) performing statistical and hypotheses tests (Srinivasan and Bharadwaj 2004). The magnitude of the effect of asset prices depends on the time pattern of regulatory effects on future cash flows and on the discount rate. For example, let P_{it}, the price of asset *i*, be the discounted value of the future cash flows which are expected to accrue to the asset:

$$P_{it} = \sum_{k=1}^{\infty} \frac{d_{it+k}}{(1+r_i)^k} \qquad (1)$$

where d_{it+k} is the cash flow to asset *i* which is expected to occur in period t+k and r_{it} is the discount rate, the opportunity cost of the cash flow given its perceived risk, which is assumed to be constant (Schwert 1981).

Suppose that the future discounted cash flows to the asset are affected by a CNC. The price of the asset will change by the present value of the changes in the expected future cash flows:

$$(P^*_{it} - P_{it}) = \sum \frac{(d^*_{it+k} - d_{it+k})}{(1+r_i)^k} \qquad (2)$$

where P^*_{it} is the equilibrium price after the CNC and d^*_{it+k} is the expected cash flow after the CNC (Schwert 1981).

According to Schwert (1981), the price change in (2) will be larger: (a) the sooner the CNC affects profitability, and (b) the longer the period over which the CNC is expected to affect profitability. Thus, a CNC that has a permanent effect on profitability will result in a magnified change in asset prices and a CNC that only affects profitability in the distant future will have very little impact on asset prices if the discount rate is sufficiently large (Schwert 1981). To estimate the effects of unanticipated CNCs it is necessary to measure the change in stock prices before and after the CNC. Unlike the stylized example in (2), the before and after stock prices, P and P*, cannot be measured at the same time. Instead, the effect of the CNC is estimated by comparing the stock return over the measurement interval

$$R_{it} = (P_{it} + d_{it} - P_{it-1}) / P_{it-1}$$

with a "normal" return to the stock price relative to the before-regulation stock price (Schwert 1981).

Dependent Variable

To measure the stock price effect of CNCs, the dependent variable used in this dissertation is the cumulative abnormal stock returns (CARs) during event window of three business days (-1, +1) surrounding the first announcement of an intended or completed CNC. CARs are defined as the sum of a firm's daily percentage stock price changes after adjusting for general stock market movements and the firm's systematic risk, for each day in an event window (Das, Sen, and Sengupta 1998; Park and Mezias 2005; Reuer 2001). The three business day event window was selected to account for any information leakage during the business day preceding the CNC announcement and the possibility that it takes an additional business day after the day of the announcement for some investors to learn that the CNC has taken place. The use of a short event window is supported by previous researchers who have found that they accurately estimate stock market reaction to events even during anomalies such as stock market crashes (Fama 1998; Park and Mezias 2005). This three business day period was also used as a primary event window by several other event studies (Chaney, Devinney, and Winer 1991; Clark, Cornwell, and Pruitt 2002; Cornwell, Pruitt, and Clark 2005;

Gorman, Grenlee, and Speh 2005; Harawa 1992; Jarell and Peltzman 1985; Lee 2001). Among the researchers who examined the daily returns for up to fourteen business days before (Morris and Reyes 1991) and ten business days after (Karbhari, Sori, and Mohamad 2004) the event, several of them (Agrawal and Kamakura 1995; Hendricks and Singhal 1997; Hozier and Schatzberg 2000; Mathur and Mathur 1995; Mathur and Mathur 1996; Mathur and Mathur 2000; Mishra and Bhabra 2001) elected to use a primary event window of (-1, 0), some of them (Bobinski and Ramirez 1994; Geyskens, Geilens, and Dekimpe 2002; Horsky and Swyngedouw 1987; Lane and Jacobson 1995; Mathur, Mathur, and Rangan 1998) chose (0, +1) as their primary event window and still others (Bosch and Hirschey 1989; Cooper, Dimitrov, and Rau 2001; Cooper, Khorana, Osobov, Patel, and Rau 2004; Kim and Morris 2003; Kulkarni, Vora, and Brown 2003) examined only day 0 as their primary event window. Without question, these event studies represent an improvement over the initial event studies (Eddy and Saunders 1980; Howe 1982) that used cumulative weekly stock price returns to examine their events. Nevertheless, it is argued here that utilizing a three business day window is not only appropriate, but also conservative in that it would be more difficult to show statistically significant stock price effects over a three business day window than a one or two business day event window.

Independent Variables

For the purposes of conducting the hypotheses tests, the press releases announcing the CNCs were collected and the CNCs were classified according to their antecedents (i.e., change in corporate image versus change in corporate entity), the

degree of change in the corporate name (i.e., major versus minor), and whether any of the firm's brands were altered as a result of the CNC. If the press release announcing the CNC did not provide sufficient information to make these classifications, additional information was collected from other press releases that were unrelated to the CNC during the year preceding the CNC announcement. In addition, to confirm whether a CNC altered one of the brand names in the firm's portfolio, the firms' annual reports from the year preceding and the year following the CNC announcement were collected from the SEC File microfiche database compiled by Q-Data and the EDGAR database compiled online by Mergent. The annual reports were then reviewed to identify the brands possessed by the firm both before and after the CNC.

To ensure the proper classification of CNC announcements according the antecedents of CNCs, another "guided news search" on Lexis Nexis was conducted in order to review the firm's press releases during the year preceding the CNC and determine whether the CNC was related to a change in corporate entity not mentioned during the event window. When all of these efforts still did not provide sufficient information to classify the antecedents for a specific hypothesis, the firms were dropped from the subsample (e.g., brand name altering CNC announcements) analyzed for that hypothesis.

To ensure that the degree of change to the corporate name was objectively measured, three judges reviewed each of the pairs of corporate names and rated them with the following scale: 1) New name is highly recognizable as related to previous name. I am 80% to 100% sure they're the same company (e.g., Intervoice Brite to

Intervoice); 2) New name is moderately recognizable as related to previous name. I'm 60 to 80% sure they're the same company (e.g., Healthdyne Information Enterprises to HI Enterprises); 3) New name is neither recognizable nor unrecognizable as related to previous name. I'm 40 to 60% sure they're the same company (e.g., Healthdyne Information Enterprises to HIE); 4) New name is moderately unrecognizable as related to previous name. I'm 20 to 40% sure they're the same company (e.g., Professional Detailing to PDI Inc.); 5) New name is highly unrecognizable as related to previous name. I'm 0 to 20% sure they're the same company (e.g., Dayton-Hudson to Target). In addition, when the CNC incorporated the adoption of an acronym, the judges followed the following guidelines. Acronyms that maintain the exact order of the initials as well as one or more of the initial words comprising the acronym (e.g., Healthdyne Information Enterprises to HI Enterprises) were rated with a 2. Acronyms that maintain the exact order of the initials (e.g., Healthdyne Information Enterprises to HIE) were rated with a 3. Acronyms that add one or more letters to the acronym (e.g., Professional Detailing to PDI Inc.) were rated with a 4.

All three judges identically rated 136 of the 183 pairs of corporate names. Then after further discussion, the three raters were able to reach a consensus rating on the remaining 47 pairs of corporate names. Finally, the pairs of corporate names that were rated with a 1 or 2 were classified as minor changes to the corporate name, the pairs of corporate names that were rated with a 4 or 5 were classified as major changes to the corporate name, and the pairs of corporate names that were rated a 3 were classified as neutral changes to the corporate name. This ultimately resulted in two pairs of corporate

names being dropped from the subsample for the hypothesis examining the difference between minor and major changes to the corporate name during a CNC related to a change in corporate image.

Efforts to Overcome Methodological Limitations of Previous Event Studies

By examining CNCs between 1987 and 2002, this dissertation has overcome a majority of the methodological limitations that were encountered by previous researchers of CNCs.

Noise. As discussed previously, although Brown and Warner's (1985) simulation found simultaneous events to have a statistically insignificant average effect on firms' stock prices, McWilliams and Siegel (1997) have argued that confounding events can contribute to the noise in stock prices, make it difficult to isolate the stock price of an event, and should be removed from the sample. To address this potential limitation, McWilliams and Siegel's (1997) more conservative approach is adopted by this dissertation. Thus, firms which made concurrent announcements of financially relevant events during the seven business days surrounding the event were removed from the sample.

Event date is not easily identified. If the date of the event (i.e., the first date at which the occurrence of the CNC became publicly known) was not easily identifiable, the firms were removed from the sample. For example, CNCs that were first reported in a monthly or bi-weekly magazine were not included.

Events may cluster. The sample was checked to confirm that clustering of CNC announcements on particular dates was not an issue. Hence, there was no need to estimate CNCs simultaneously in order to avoid covariance between their errors.

Sample size. Although the conservative decision to remove firms with concurrent announcements during the seven business day window surrounding the CNC drastically reduced the size of the sample from 814 to 183 firms, it was still large enough to conduct the subsample analyses to test each of the hypotheses.

Generalizability. Unlike with event studies which focus on a particularly industry, generalizability is a strength, rather than a limitation, of this dissertation. The sample is comprised of CNC announcements by publicly traded firms from a wide variety of industries, including industrial and consumer firms, manufacturers and service providers, as well as large firms and relatively small firms.

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RESULTS

To test the hypotheses, t-tests have been conducted to determine whether the difference between the hypothesized stock price effects and zero are statistically significant during the three business day event window (-1, +1) surrounding the CNC announcement.

Antecedents of Corporate Name Changes

Change in corporate image. Hypothesis 1 posited that a CNC related to a change in corporate image will have a positive effect upon the firm's stock price. This hypothesis was supported within the event window (-1, +1) with a mean CAR of 2.20%, a t-value of 2.34, and a p-value of .021.

Change in corporate entity. In addition, although the null hypothesis was not offered, it was expected that a CNC related to a change in corporate entity should have a statistically insignificant effect on stock price because the stock price effect is mostly captured at the time of the announcement of the change in corporate entity. This expectation was confirmed within the event window (-1, +1) with a mean CAR of 0.31%, a t-value of 0.27, and a p-value of .7863.

Major versus Minor Change to a Corporate Name during a CNC Related to a Change in Corporate Image

Hypothesis 2 posited that, on average, a major change to the corporate name during a CNC related to a change in corporate image will have a positive effect upon a firm's stock price. This hypothesis was supported within the event window (-1, +1) with a mean CAR of 2.87%, a t-value of 2.20, and a p-value of .0304.

Hypothesis 3 posited that, on average, a minor change to the corporate name will have a lesser effect on a firm's stock price than a major change to the corporate name during a CNC related to a change in corporate image. This hypothesis was not supported during the event window of (-1, +1), with a mean CAR of 2.1%, a t-value of 1.25, and p-value of 0.2146.

In summary, a major change to the corporate name during a CNC is, on average, statistically significant and positive, whereas a minor change to the corporate name during a CNC is, on average, statistically insignificant. However, the difference between the two is statistically insignificant.

Brand Name Altering versus Non-Brand Name Altering CNCs

Hypothesis 4 posited that, on average, a non-brand name altering CNC will have a positive effect upon the firm's stock price. This hypothesis was not supported although it approached statistical significance with a mean CAR of 2.14%, a t-value of 1.77, and a p-value of .0801.

Hypothesis 5 posited that, on average, a brand name altering CNC will have a lesser effect upon the firms' stock price than a non-brand name altering CNC. With a mean difference in the CARs of -0.16%, a t-value of -.08, and a p-value of .9372, this hypothesis was not supported. In summary, a non-brand name altering CNC, on average, approaches statistical significance whereas a brand altering CNC is, on average, statistically insignificant. However, the difference between a non-brand name altering and a brand name altering CNC is statistically insignificant.

Robustness Checks

CNC event studies often conduct robustness checks of the event window used to measure the stock price effect. To test the robustness of the stock price effect during the three business day event window, analyses of the stock price effect during five and seven business day event windows were performed. In the event that information is incorporated in the stock price more than one business day prior to the CNC announcement, the effect will decrease the difference in returns attributed to the CNC. Thus, the three business day event window provides a conservative measure of the effect of CNCs because it underestimates the impact of the effect of CNC compared to larger event windows of five to seven business days. (Sorescu, Chandy, and Prabhu 2003).

Hypothesis 1, which posited that a CNC related to a change in corporate image will have a positive effect upon the firm's stock price approached statistical significance in the five business day window (-2, +2) and fully supported in the seven business day window (-3, +3). In the five business day window, hypothesis 1 had a mean CAR of 2.08%, a t-value of 1.94, and a p-value of .0551. In the seven business day window, the mean CAR was 2.73% with a t-value of 2.40 and a p-value of .0179.

Hypothesis 2, which posited that, on average, a major change to the corporate name during a CNC related to a change in corporate image will have a positive effect upon a firm's stock price approached statistical significance in the five business day window (-2, +2) and was fully supported in the seven business day window (-3, +3). In the five business day window, the mean CAR was 2.91% with a t-value of 1.96 and a p-value of .0533. In the seven business day window, the mean CAR was 3.27% with a

t-value of 2.15 and a p-value of .0347.

Hypothesis 3, which posited that, on average, a minor change to the corporate name will have less of an effect on a firm's stock price than a major change to the corporate name during a CNC related to a change in corporate image was not supported on either the five or seven business day window. In the five business day window, it returned a mean CAR of 2.55%, a t-value of 1.32, and a p-value of .1903. In the seven business day window, it returned a mean CAR of 1.97%, a t-value of 0.91 and a p-value of .3645.

Hypothesis 4, which posited that, on average, a non-brand name altering CNC will have a positive effect upon the firm's stock price approached statistical significance in the five business day window (-2, +2) and fully supported in the seven business day window (-3, +3). In the five business day window, hypothesis 4 had a mean CAR of .0281 with a t-value of 1.78 and a p-value of .0554. In the seven business day window, it had a mean CAR of 3.64% with a t-value of 2.5 and a p-value of .0145.

Hypothesis 5 which posited that, on average, a brand name altering CNC will have a lesser effect upon the firms' stock price than a non-brand name altering CNC was not supported on either the five or seven business day window. On the five business day window, it returned a mean of 1.7% with a t-value of 0.81 and a p-value of .4189. On the seven business day window, it had a mean of 2.6%, a t-value of 1.08, and a p-value of .2800.

In addition, other robustness tests were performed to account for the effect of outliers. Hypothesis 1, which posited that a CNC related to a change in corporate image

will have a positive effect upon the firm's stock price was supported in the three business day window (-1, +1), approached statistical significance in the five business day window (-2, +2), and was fully supported in the seven business day window (-3, +3). In the three business day window, it returned a mean CAR of 1.23%, a t-value of 2.52, and a p-value of .0133. In the five business day window, hypothesis 1 had a mean of .69% and a t-value of 1.05 and a p-value of .2948. In the seven business day window, the mean was 1.46% with a t-value of 1.67 and a p-value of .0978

Hypothesis 2, which posited that, on average, a major change to the corporate name during a CNC related to a change in corporate image will have a positive effect upon a firm's stock price was fully supported in the three business day window (-1, +1), not supported in the five business day window (-2, +2) and fully supported in the seven business day window (-3, +3). In the three business day window, it had a mean CAR of 1.55%, a t-value of 2.31, and a p-value of .0238. In the five business day window, the mean was 0.92% with a t-value of 0.98. It had a p-value of .3323. In the seven business day window, the mean CAR was 1.57% with a t-value of 1.27 and a p-value of .2074.

Hypothesis 3 posited that, on average, a minor change to the corporate name will have less of an effect on a firm's stock price than a major change to the corporate name during a CNC related to a change in corporate image was not supported on the three business day window, the five business day window, or the seven business day window. On the three business day window, it returned a mean CAR of 0.96%, a t-value of 1.02, and a p-value of .3107. On the five business day window, it returned a mean CAR of

0.68% and a t-value of 0.58 with a p-value of .5649. On the seven business day window, it returned a mean CAR of 0.62% with a t-value of 0.39 and a p-value of .6951.

Hypothesis 4, which posited that, on average, a non-brand name altering CNC will have a positive effect upon the firm's stock price, was not supported on the three business day window, the five business day window, or the seven business day window. On the three business day window, it returned a mean CAR of 0.78%, a t-value of 1.23, and a p-value of .2242. On the five business day window, it returned a mean CAR of 0.51% and a t-value of 0.59 with a p-value of .5548. On the seven business day window, it returned a mean CAR of 1.57% with a t-value of 1.44 and a p-value of .1537.

Hypothesis 5 which posited that, on average, a brand name altering CNC will have a lesser effect upon the firms' stock price than a non-brand name altering CNC was not supported the three business day window, the five business day window, or the seven business day window. On the three business day window, it returned a mean CAR of -1.23 %, a t-value of -1.2, and a p-value of .2342. On the five business day window, it returned a mean CAR of -0.2% and a t-value of -.14 with a p-value of .8865. On the seven business day window, it returned a mean CAR of 0.4% with a t-value of 0.22 and a p-value of .8254.

The complete results of the stock price effect of corporate name changes can be found on Table 5. Table 6 then outlines the effects of outliers on the data by removing them from the data set then re-calculating the data to see if the results still hold true. Finally, Table 7 summarizes the results of several other event studies and affirms that the three business day period was frequently used as a primary event window.

TABLE 5

RESULTS: THE STOCK PRICE EFFECT OF CORPORATE NAME CHANGES

Hypo-thesis	I.V.	D.V.	N	Mean	Standard Deviation	t-Value	Prob > |t|	Lower CL Mean	Upper CL Mean	Notes
H1	Change in corporate image	(-1, +1) (-2, +2) (-3, +3)	129	0.0220 0.0208 0.0273	0.1067 0.1220 0.1291	2.34 1.94 2.40	0.0210 0.0551 0.0179	0.0034 -0.00046 0.0048	0.0406 0.0421 0.0498	Supported Part Supp Supported
	Change in corporate entity	(-1, +1) (-2, +2) (-3, +3)	54	0.0031 -0.006 -0.021	0.0824 0.0821 0.0769	0.27 -0.54 -1.97	0.7863 0.5923 0.0540	-0.019 -0.028 -0.042	0.0255 0.0164 0.0004	
H2	Major CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	87	0.0287 0.0291 0.0327	0.1214 0.1383 0.1424	2.20 1.96 2.15	0.0304 0.0533 0.0347	0.0028 -0.00042 0.0024	0.0545 0.0585 0.0631	Supported Part Supp Supported
	Minor CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	40	0.0076 0.0035 0.0131	0.0676 0.0789 0.0965	0.71 0.28 0.86	0.4795 0.7782 0.3958	-0.014 -0.022 -0.018	0.0293 0.0288 0.0439	
H3	Difference between Major and Minor CNC	(-1, +1) (-2, +2) (-3, +3)		0.0210 0.0255 0.0197	0.1075 0.1229 0.1298	1.25 1.32 0.91	0.2146 0.1903 0.3645	-0.020 -0.021 -0.029	0.0617 0.0720 0.0687	Not Supp Not Supp Not Supp
H4	Non-brand name altering CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	82	0.0214 0.0281 0.0364	0.1093 0.1330 0.1320	1.77 1.78 2.50	0.0801 0.0554 0.0145	-0.003 -0.003 0.0074	0.0454 0.0553 0.0654	Part Supp Part Supp Supported
	Brand name altering CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	45	0.0230 0.0090 0.0103	0.1049 0.1009 0.1253	1.47 0.60 0.55	0.1492 0.5512 0.5839	-0.009 -0.021 -0.027	0.0545 0.0393 0.0480	
H5	Difference between brand name altering and non-brand name altering	(-1, +1) (-2, +2) (-3, +3)		- 0.0016 0.0170 0.0260	0.1078 0.1226 0.1297	-0.08 0.81 1.08	0.9372 0.4189 0.2800	-0.0412 -0.0280 -0.0215	0.0380 0.0620 0.0740	Not Supp Not Supp Not Supp

TABLE 6

ROBUSTNESS CHECKS: THE STOCK PRICE EFFECTS OF CORPORATE NAME CHANGES AFTER EXCLUDING OUTLIERS

Hypo-thesis	I.V.	D.V.	N	Change in Stock Price	Standard Deviation	t-Value	Prob > |t|	Lower CL Mean	Upper CL Mean	Notes
H1	Change in corporate image	(-1, +1) (-2, +2) (-3, +3)	115	0.0123 0.0069 0.0146	0.0525 0.0705 0.1291	2.52 1.05 1.67	0.0133 0.2948 0.0978	0.0026 -0.006 -0.003	0.0220 0.0199 0.0320	Supported Not Supp Part Supp
	Change in corporate entity	(-1, +1) (-2, +2) (-3, +3)	50	0.0029 -0.011 -0.023	0.0587 0.0763 0.0737	0.36 -1.06 -2.21	0.7238 0.2956 0.0319	-0.014 -0.033 -0.044	0.0196 0.0103 -0.002	
H2	Major CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	75	0.0155 0.0092 0.0157	0.0581 0.0817 0.1424	2.31 0.98 1.27	0.0238 0.3323 0.2074	0.0021 -0.010 -0.009	0.0288 0.0280 0.0921	Supported Not Supp Not Supp
	Minor CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	38	0.0058 0.0024 0.0095	0.0410 0.0437 0.0616	0.88 0.34 0.95	0.3853 0.7378 0.3507	-0.008 -0.012 -0.011	0.0193 0.0168 0.0297	
H3	Difference between Major and Minor CNC	(-1, +1) (-2, +2) (-3, +3)		0.0096 0.0068 0.0062	0.0530 0.0713 0.0942	1.02 0.58 0.39	0.3107 0.5649 0.6951	-0.011 -0.021 -0.031	0.0305 0.0350 0.0434	Not Supp Not Supp Not Supp
H4	Non-brand name altering CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	73	0.0078 0.0051 0.0157	0.0542 0.0737 0.0932	1.23 0.59 1.44	0.2242 0.5548 0.1537	-0.005 -0.012 -0.006	0.0204 0.0223 0.0375	Not Supp Not Supp Not Supp
	Brand name altering CNC related to change in corporate image	(-1, +1) (-2, +2) (-3, +3)	40	0.0201 0.0071 0.0116	0.0487 0.0629 0.0971	2.61 0.71 0.76	0.0128 0.4801 0.4538	0.0045 -0.013 -0.019	0.0357 0.0272 0.0427	
H5	Difference between brand name altering and non-brand name altering	(-1, +1) (-2, +2) (-3, +3)		-0.0123 -0.0020 0.0040	0.0524 0.0701 0.0946	-1.20 -0.14 0.22	0.2342 0.8865 0.8254	-0.0327 -0.0293 -0.0328	0.0080 0.0250 0.0410	Not Supp Not Supp Not Supp

TABLE 7

KEY RESULTS OF PREVIOUS EVENT STUDIES OF CORPORATE NAME CHANGES

	Effect Size	Event Window (business days examined)	Robustness Checks
Howe (1982) 121 firms 1962-1980 19 years	0.07% (p>0.05)	(-1 week, +1 week)	Examined weekly CARs for each of the nine weeks surrounding the CNC announcement.
Horsky and Swyngedouw (1987) 58 firms 1981-1985 5 years	0.61% (t=2.15, p <0.02)	(-1, 0)	none
Ferris (1988) 1983-1985 3 years	4.32% (t=2.628, p<0.05)	Day 0	Examined daily CARs for each of the five business days (-2, +2) surrounding the CNC announcement
Bosch and Hirschey (1989) 79 firms 1979-1986 8 years	0.75% (t=1.74, p<0.1)	Day 0	Examined daily CARs for each of the eleven business days preceding (-10, 0), the ten business days (-4, +5) surrounding, and the ten business days following (+1, +10) the CNC announcement
Madura and Tucker (1990) 12 firms 1987-1989 3 years	0.097% (t=.078, p>0.05)	Day 0	Examined daily CARs for each of the eleven business days (-5, +5) surrounding the CNC announcement
Morris and Reyes (1991) 28 firms 1979-1985 7 years	-5.817% (t=-7.7288, p<.0001)	(-14, +2)	none
Harawa (1992) 160 firms 1970-84 15 years	-0.152% (p>0.05)	(0, +1)	Examined daily CARs for each of the sixty-one business days (-30, +30), as well as the three business day (-1, +1) event window surrounding the CNC announcement

TABLE 7 CONTINUED

	Effect Size	Event Window (business days examined)	Robustness Checks
Karpoff and Rankine (1994) 123 firms 1979-1987 9 years	1.56% ($z=2.76$, $p<0.05$)	(-1, 0)	Examined daily CARs for each of the seven business days (-1, +5) surrounding the CNC announcement
Koku (1997) 22 firms 1980-1990 11 years	Difference of 3.67 in P/E ratio ($t=2.28$, $p<0.05$)	(-5, +5 yrs)	Examined annual P/E ratios for each of the 11 years (-5, +5 years) surrounding the CNC announcement
Cooper, Dimitrov, and Rau (2001) 95 firms 1998-1999 2 years	18% ($t=7.31$)	(0, +1)	Examined daily CARs for each of the five business days (-2, +2) surrounding the CNC announcement as well as the fourteen business days preceding (-15, -2), and the fourteen business days (+2, +15) following the CNC announcement.
Lee (2001) 114 firms 1995-1999 5 years	2.70%	(-1, +1)	none
Cooper, Khorana, Osobov, Patel, and Rau (2005) 250 firms 1998-2001 3 years	10.60% ($t=2.58$)	(0, +1)	Examined daily CARs for each of the five business days (-2, +2) surrounding, as well as the fourteen business day window (-15, -2) preceding, the fourteen business day window (+2, +15) following, the thirty business day window (+1, +30) following, and the sixty-one business day window (-30, +30) surrounding the CNC announcement.
Karbhari, Sori and Mohamad (2004) 1984-96 13 years	-8% ($t=-2.57$)	(-10, +10)	Examined daily CARs for each of the eleven business days (-10, 0) preceding and the ten business days (+1, +10) following the CNC announcement.
DeFanti (2006) 183 firms 1987-2002 16 years	1.23% ($t=2.52$, $p<0.05$)	(-1, +1)	Examined the CARs for the five business day (-2, +2) and seven business day (-3, +3) windows surrounding the CNC announcement.

DISCUSSION: SUMMARY, IMPLICATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

This section is comprised of the following sections. The first section presents a general overview of the dissertation. The second section summarizes the key findings and discusses them within the context of the theoretical support for the conceptual model and hypotheses. Since, the limitations of the study may somewhat temper these findings, the third section provides a brief discussion of the limitations. The fourth section discusses future research directions, identifies additional variables to be considered in the further study of corporate name changes, and specifies the implications of the findings for managers and researchers. The fifth and final section presents a brief set of concluding comments.

General Overview of the Dissertation

Even before the advertising campaign to promote a new corporate name is considered, the cost of a CNC can amount to tens or even hundreds of millions of dollars be very costly (Bennett 1986; Callahan 2002; Ellis 1987; McQuade 1984; Stuart and Muzellac 2004; USA Today 1987). Therefore, the financial consequences of CNCs are of great consequence to managers. More specifically, managers and researchers alike should be highly interested in differentiating between the stock price effect of: 1) a CNC related to a change in corporate image versus a change in corporate entity; 2) a major change versus a minor change to the corporate name during a CNC related to a change in corporate image; and 3) a non-brand name altering versus a brand name altering CNC related to a change in corporate image.

Methodology. This dissertation adopts the event study methodology from the modern theory of finance to analyze the effect of 183 CNCs occurring between 1987 and 2002. As such, each of the five steps of event studies were conducted, including: 1) identifying the event, 2) defining the criteria for including a particular event in the sample, 3) calculating normal and abnormal returns, 4) estimating the normal performance model, and 5) performing statistical and hypotheses tests (Srinivasan and Bharadwaj 2004).

To complete the first step, a firm's first CNC announcement was identified as the event because only a CNC announcement which was unanticipated by investors should cause a change in the firm's stock price. This identified 814 CNC announcements that were made during the period of 1987 to 2002. In the second step, to define the criteria for inclusion of a particular CNC announcement in the sample, it was ensured that no other announcements were made during the seven business day event window surrounding the CNC announcement in order to avoid comprising the analysis with the multiple treatment effect comprised of the CNC's effect on stock price and the separate effect on the firm's stock price of the other announcements (e.g., acquisition, new product announcement, earnings, dividends, etc.). After removing those CNC announcements which were made with other concurrent announcements, the sample was reduced from 814 to 183 CNCs between 1987 and 2002. Fortunately, the size of this reduced sample still permitted analysis of hypotheses (e.g., brand name altering versus non-brand name altering) that had not been considered by previous researchers perhaps due to insufficient sample size.

To complete the third and fourth steps, Wharton Data Research Services' Eventus software was used to calculate the normal returns of the overall stock market, calculate the abnormal returns that have been attributed to the CNC announcements, and estimate the normal performance model. For the fifth step, to test the hypotheses, t-tests have been conducted to determine whether the difference between the hypothesized stock price effects and zero are statistically significant during the three business day event window (-1, +1) surrounding the CNC announcement.

Summary of findings. The general hypothesis of this dissertation is that a major, non-brand altering CNC related to a change in corporate image would have a statistically significant, positive effect upon a firm's stock price. While the empirical findings generally support this overall hypothesis, neither the difference between a major and a minor change to the corporate name nor the difference between a non-brand name altering and a brand name altering CNC related to a change in corporate image was statistically significant. The specific findings were as follows.

As expected, a CNC related to a change in corporate image had a statistically significant, positive mean CAR of 2.20% upon the firm's stock price for the three business day event window of (-1, +1). This stock price effect also approached statistical significance in the five business day window (-2, +2) with a mean CAR was 2.08% and was statistically significant and positive in the seven business day window (-3, +3) as well, with a mean CAR of 2.73%. In addition, when the outliers were removed, the stock price effect approached statistical significance with a mean CAR of 1.23% for the three business day event window (-1, +1), but was statistically

insignificant with a mean CAR of 0.69% for the five business day window (-2, +2). It was also statistically insignificant for the seven business day window (-3, +3) with a mean CAR of 1.46%.

In addition, although the null hypothesis was not offered, it was expected that a CNC related to a change in corporate entity should have a statistically insignificant effect on stock price because the stock price effect is mostly captured at the time of the announcement of the change in corporate entity. This expectation was confirmed within the three business day event window (-1, +1) with a statistically insignificant mean CAR of 0.31%.

A major change to the corporate name during a CNC related to a change in corporate image, as expected, had a statistically significant positive mean CAR of 2.87% for the three business day window (-1, +1). In addition, the positive stock price effect approached statistical significance in the five business day window (-2, +2) with a mean CAR of 2.91% and was positive and statistically significant in the seven business day window with a mean CAR of 3.27%. In addition, when the outliers were removed, the stock price effect was positive and statistically significant for the three business day event window (-1, +1) with a mean CAR of 1.55%, but was statistically insignificant both in the five business day window (-2, +2) with a mean CAR of 0.92% and in the seven business day window (-3, +3) with a mean CAR of 1.57%..

Contrary to expectations, a minor change to the corporate name did not have a lesser effect on a firm's stock price than a major change to the corporate name during a CNC related to a change in corporate image. Although the effect size of the difference in

CARs was 2.1% in magnitude, it was statistically insignificant for the three business day event window (-1, +1). It was also statistically insignificant in the five business day and seven business day windows with statistically insignificant differences in CARs of 2.55% and 1.97%, respectively. After the outliers were removed, the difference in CARs diminished to a statistically insignificant 0.96% for the three business day event window (-1, +1), a statistically insignificant 0.68% for the five business day window (-2, +2), and a statistically insignificant 0.62% for the seven business day window (-3, +3).

In summary, a major change to the corporate name during a CNC is, on average, statistically significant and positive, whereas a minor change to the corporate name during a CNC is, on average, statistically insignificant. However, the difference between a major change and a minor change is statistically insignificant with respect to the firm's stock price when the purpose of the CNC is to create a different corporate image.

As expected, a non-brand name altering CNC related to a change in corporate image approached statistical significance with a positive mean CAR of 2.14% upon the firm's stock price for the three business day event window of (-1, +1). This stock price effect also approached statistical significance in the five business day window (-2, +2) with a mean CAR of 2.81% and was statistically significant and positive in the seven business day window (-3, +3) as well, with a mean CAR of 3.64%. However, when the outliers were removed, the stock price effect was no longer statistically significant for the three business day event window (-1, +1), five business day window (-2, +2), or seven business day window (-3, +3), with mean CARs of 0.78%, 0.51%, and 1.57%, respectively.

In contrast, it was surprising to find that a brand name altering CNC related to a change in corporate image did not have a lesser effect on a firm's stock price than a non-brand name altering CNC related to a change in corporate image. As opposed to the statistically significant, positive CAR of 2.14% for the non-brand name altering CNCs, the mean CAR of 2.30% for the brand name altering CNCs was found to be statistically insignificant for the three business day event window (-1, +1) due to the relatively smaller subsample size. Hence, the effect size of the difference between the two was a statistically insignificant -0.16% CAR. In addition, the differences in the effect sizes for the non-brand name altering and brand name altering CNCs were found to be statistically insignificant in the five business day and seven business day windows as well, with CARs of 1.70% and 2.60%, respectively. After the outliers were removed, the difference in CARs diminished to a statistically insignificant -1.23% for the three business day event window (-1, +1), a statistically insignificant -0.20% for the five business day window (-2, +2), and a statistically insignificant 0.40% for the seven business day window (-3, +3).

In summary, a non-brand name altering CNC related to a change in corporate image is, on average, statistically significant and positive, whereas a brand name altering CNC related to a change in corporate image is, on average, statistically insignificant. However, the difference between a non-brand name altering CNC and a brand name altering CNC is statistically insignificant with respect to the firm's stock price when the purpose of the CNC is to create a different corporate image.

Limitations

The sixteen-year time frame of the research presents several methodological challenges. For instance, it was difficult to find supplemental information about some of the individual firms in the sample, which made it challenging in some cases to assess whether or not a brand name was altered. Another concern is that the antecedent categories are not mutually exclusive. For example, firms often acquire or divest another business during the year preceding a CNC related to a change in corporate image. For these reasons, CNC announcements were retained in the sample only if the press releases or additional research (e.g., reviewing annual reports) provided sufficient information for them to be classified as belonging in one, and only one, antecedent category (i.e., change in corporate image versus corporate entity) or as one type of CNC (i.e., major or minor change to the corporate name; brand name altering versus non-brand name altering).

In addition, because the Internet was widely adopted during the tail end of the sixteen-year period spanning from January 1987 to December 2002, it made it somewhat difficult to choose a proper event period with which to measure the stock price effect of CNCs. Ultimately, the three business day event window was chosen in order to permit for information leakage to occur up to one day before a CNC was publicly announced and for investors to take up to one day after the CNC announcement to learn about it. While these are reasonable assumptions for CNCs that occurred prior to the advent of the Internet, it is more likely that the stock price effects of CNC announcements are now captured on the actual day of the announcement since analysts and investors alike would be able to learn of the announcement much more rapidly.

The empirical results of this dissertation are subject to limitations as well. First, the results for Hypothesis 4 were sensitive to outliers. Specifically, when outliers were taken into account, the stock price effect of a non-brand name altering CNC diminished from a positive CAR of 2.14%, which approached statistical significance, to a statistically insignificant CAR of 0.78%.

Second, they are sensitive to power. It is possible that H3 was not supported because of low power since there are only 40 observations in the subsample of minor, image-related CNCs. Typically, a difference of about 2% in CAR should in general be significant if the sample is large enough.

Third, not all researchers concur with the semistrong form of the efficient markets hypothesis, which represents a compromise between the strong and weak forms. On one hand, strong-form holds that stock prices reflect all pertinent information whether or not it has been publicly announced. On the other hand, the weak-form argues that all information contained in price movements from the past are fully reflected in current market prices. As such, the semistrong-form concludes that current market prices reflect all publicly available information.

Some researchers have questioned the assumptions of the semistrong efficient markets hypothesis, including that investors are rational, have structural knowledge of the economy, and have complete knowledge of the "laws of nature" that govern the relationships between economic variables. As such, the structural knowledge assumption has been relaxed by an alternative "rational learning" or "structural uncertainty" stream of research that has been offered in the finance literature (Brav and

Heaton 2002; Brennan and Xia 2001; Gompers, Ishii, and Metrick 2003; Kurz 1994; Lewellen and Shenken 2002; Lewis 1989). Since the semistrong efficient markets hypothesis remains the dominant perspective, which has been adopted by all previous CNC event studies, this dissertation eschews the rational expectations hypothesis in favor of the semistrong efficient markets hypothesis.

Directions for Future Research

This dissertation will serve as the beginning of a programmatic effort to advance the understanding of the antecedents and consequences of CNCs. In the future, an examination will be made of the difference in the impact of brand name altering CNCs versus non-brand name altering CNCs on the stock prices of service firms, business-to-business firms, and firms with positive versus negative previous financial performance.

Brand name altering CNCs by service firms. Other than Koku (1997), no previous study of CNCs examined the difference in their specific impact on services firms. Failing to do so can result in an aggregation bias (Koku 1997). Service firms are similar to manufacturing firms in that they will also suffer a loss of brand awareness and brand heritage when they undergo brand altering CNCs. However, service firms are different from manufacturing firms in that services firms' brand name altering CNCs will be more negatively impacted by the CNC signaling effects, dual purpose of a service firm's corporate name (i.e., the corporate name also serves as a primary brand name), perceived risk, intangibility, and the prominence of experience and credence attributes. It is these differences that increase the risk of a brand name altering CNC by a service firm.

CNC signaling effects. Due to its high cost, a CNC can serve as an effective signal of a firm's other organizational changes (Bosch and Hirschey 1989; Ferris 1988; Horsky and Swyngedouw 1987; Koku 1997; Lee 1999; Morris and Reyes 1990). However, service firms vary greatly from manufacturing firms in their signaling attributes. For example, when a manufacturing firm communicates a change in the direction in terms of the quality of its products, it is relatively easy for a customer to verify the change in quality by examining tangible products such as candy bars and clothes as well as durable products such as refrigerators, cars, computers, and television sets. It is much more difficult to do so with services (Koku 1997) and this increases the uncertainty created by a service firm's brand name altering CNC.

Dual purpose of a service firm's corporate name. For all firms, the corporate brand defines the organization that will deliver and stand behind its product or service offering. Without question, the corporate brand is unique in a manufacturing firm's brand portfolio in that it represents an organization as well as a product. For instance, the corporate brand can help to differentiate the firm by providing credibility and facilitating brand management (See Aaker 2004).

In a service firm, however, the corporate brand is even more important and often serves the dual purpose of both naming the firm and functioning as one of its primary brands or even its only brand. If the brand facing the customer changes when a services firm changes its corporate name, a great deal of brand equity is lost (e.g., PriceWaterhouseCoopers Consulting to Monday). Corporate brands are defined primarily by organizational associations, which may be relevant to product brands, but

the number, power, and credibility of organizational associations will be greater for a corporate brand that clearly represents the firm as a whole (Aaker 2004). This is often the case with service firms' corporate brands.

Perceived risk. Perceived risk can be defined as the uncertainty and consequences of the decision affects the extent of the search and information sought (Bauer 1960; Laroche, MacDougall, Bergeron, and Yang 2004). Its components include social, financial, physical, psychological, time, and performance risk (Laroche, MacDougall, Bergeron, and Yang 2004; Stone and Gronhaug 1993).

As was the case with major CNCs, the announcement of a service firm's CNC might positively affect customers' reception (i.e., acknowledging the new corporate name), but might have a negative affect on yielding (i.e., choosing to utilize the service) due to the perceived risk and uncertainty about the firm that the new name introduces. Customers' perceived risk is a major issue for service firms because of services' intangibility (Zeithaml 1981; Laroche, McDougall, Bergeron, and Yang 1994), heterogeneity, and inseparability (Guseman 1981; Mitchell and Greatorex 1993). Among service firms, perceived risk is higher with professional services than non-professional services due their cost and credence qualities. Perceived risk is also higher with organizational (B2B) services than consumer (B2C) services due to their effect on people other than the purchaser (Mitchell, Moutinho, and Lewis 2003).

Intangibility. Researchers have already recognized that the power of the corporate name may be even stronger with intangibles. For example, Keller (2003) suggests that in many cases, when the possible product benefits are less concrete, the

creative potential of the brand name and other brand elements play a more important role in capturing the intangible characteristics of a brand.

The intangibility of services contributes to their perceived risk because the more intangible a product or service is, the more difficult its evaluation will be (Finn 1985; Laroche, McDougall, Bergeron, and Yang 2004; McDougall and Snetsinger 1990; Mitchell and Greatorex 1993; Murray and Schactler 1990; Zeithaml 1981; Zeithaml and Bitner 2000). Since branding increases tangibility (Berry 1980; Berry and Clark 1986), the intangibility of services requires customers to place more trust in a brand and, as previously mentioned, when this brand changes during a CNC, customers are likely to be adversely affected by the uncertainty created. Supporting this argument are empirical findings which show that brands are superior to generics in combating perceived psychological risk, performance risk, and financial risk (see Laroche, MacDougall, Bergeron, and Yang 2004).

Another concern with services is the difficulty that customers face when they attempt to compare one service to another. With tangible products, firms can delineate the quality in specific ways that can be used by prospective customers to judge them against one another prior to purchase. Case in point, consumer packaged goods can list their ingredients on the packaging and computers can be classified by their amount of memory in gigabytes or processing speed in megahertz to describe their expected performance. In contrast, services do not allow such impartial comparisons to be made (Koku 1997).

Related to a service firm's intangibility is its credence and experience attributes (Darby and Karni 1973; Nelson 1970; Zeithaml 1981). For example, whereas products such as automobiles possess search qualities that can be compared before they are purchased, customers cannot attest to experience qualities such as the quality of food and services at a restaurant prior to making a purchase (Koku 1997). The same can be said of the credence qualities offered by universities, physicians, and management consultants.

Various researchers have asserted that customers take a chance when they purchase experience goods because, unlike search goods, experience goods cannot be inspected for quality prior to purchase (Nelson 1970; Darby and Karni 1973; Bharadwaj, Varadarajan, and Fahy 1993). As a result, firms often find it difficult to convince customers to take a chance on a new brand when they are possess knowledge about the quality of the incumbent's product through prior use (Schmalensee 1982; Bharadwaj, Varadarajan, and Fahy 1993). In addition, variability in service quality also makes the consumers' purchase choices more complex (Murray 1991; Nayyar and Templeton 1991; Bharadwaj, Varadarajan, and Fahy 1993). Although consumers may seek more information to make better choices, since information search is generally expensive (Stigler 1961; Bharadwaj, Varadarajan, and Fahy 1993), customers may choose the product with the best brand reputation because it has the lowest evaluation costs (Rumelt 1987; Bharadwaj, Varadarajan, and Fahy 1993).

Given that customers rely on brand reputation in order to reduce their risk when purchasing experience goods, it may be disconcerting to them when a firm undergoes a radical, utility producing change to a dual purpose corporate name. Moreover, the

customers' perceived risk will likely increase when the new corporate name is mistaken for a completely new brand. For example, if a customer observes that his or her favorite restaurant has changed its name, he or she may assume that it is under new ownership and may have hired a new chef. This will likely increase the customer's perceived risk and make the customer less likely to return to the restaurant. Since the restaurant is an experience good, this risk is mitigated somewhat by the fact that one additional visit to the restaurant will enable the customer to gauge whether the newly named restaurant is worthy of his or her continued patronage.

In sum, a brand name altering CNC is risky for any firm because of the aforementioned loss of brand awareness and brand heritage. However, it is even more risky for a service firm due to the negative impact of CNC signaling effects, the dual purpose of a service firm's corporate name, perceived risk, intangibility, and the prominence of experience and credence attributes. Hence, one might expect that, a non-brand name altering CNC by a services firm will have a greater effect on the firm's stock price than a brand name altering CNC by a services firm.

Previous firm performance. High economic performance signals a firm's inherent quality to creditors and investors. The greater a firm's current market performance, the greater a firm's reputation (Fombrun and Shanley 1990: 238). For example, Fortune Magazine's annual ratings of America's largest corporations are shown to be heavily influenced by previous financial results (Beckwith and Lehmann 1975; Brown and Perry 1994; Cooper 1981; Dillon, Mulani, and Frederick, 1984; 194; Holbrook 1983; Myers 1965; Pulakos, Schmitt, and Ostroff 1986; Thorndike 1920). In

fact, Brown and Perry (1994) point out that financial performance (i.e., combinations of accounting returns, stock market returns, sales growth, size, operating leverage, etc.) has explained from 42 percent (McGuire, Schneeweis, and Branch 1990) to 53 percent (Fombrun and Shanley 1990) of the variance (i.e., adjusted R^2) of the overall rating of firm quality in the Fortune survey.

Therefore, it follows that firms that have performed below the market for the year preceding a CNC are more likely to improve their performance after the CNC either by recovering lost market share or signaling other forthcoming changes, which are more likely to happen and succeed in a firm which has been relatively inefficient prior to the changes (Horsky and Swyngedouw 1987). For example, Ball (1972) illustrates how poorly performing firms are more likely to change their accounting methods (Horsky and Swyngedouw 1987).

Hence, one might expect that a CNC by a firm with negative previous stock performance will have a positive effect upon the firm's stock price will have a greater effect on the firm's stock price that a CNC by a firm with positive previous stock performance.

Implications

As indicated in Table 8, the previous research on CNCs in the marketing, finance, management, economics, and business history literatures has focused primarily on either the antecedents of CNCs (i.e., change in corporate image versus change in corporate entity) or the degree of change to the corporate name (i.e., major versus minor). Although Horsky and Swyngedouw (1987) attempted to compare the stock price effects of major versus minor changes to the corporate name during CNC related to a change in corporate image, their classification of a CNC related to a change in corporate entity was insufficient. More specifically, they classified a CNC as related to a change in corporate entity when the CNC announcement also made reference to that change in corporate entity rather than identifying all firms that had undergone a change in corporate entity within the year preceding the CNC announcement, as was done by this dissertation. Finally, no previous study of CNCs examined the stock price effect related to whether the CNC altered any of the firm's brands.

TABLE 8

SCHOLARLY CONTRIBUTION OF PREVIOUS EVENT STUDIES OF CORPORATE NAME CHANGES

Previous study; (year published) N; time period -- Variable studied	Change in corporate image	Change in corporate entity	Major versus minor change to corporate name	Brand name altering versus non-brand name altering
Howe 1982 121 firms 1962-1980 19 years	X			
Horsky and Swyngedouw 1987 58 firms 1981-1985 5 years			X	
Ferris 1988 1983-1985 3 years	X	X		
Bosch and Hirschey 1989 79 firms 1979-1986 8 years		X	X	
Madura and Tucker 1990 12 firms 1987-1989 3 years				
Morris and Reyes 1991 28 firms 1979-1985 7 years	X			
Harawa 1992 160 firms 15 years				
Karpoff 1994 123 firms 1979-1987 9 years	X			
Koku 1997 22 firms 1980-1990 11 years	X			

TABLE 8 CONTINUED

Previous study; (year published) N; time period -- Variable studied	**Change in corporate image**	**Change in corporate entity**	**Major versus minor change to corporate name**	**Brand name altering versus non-brand name altering**
Cooper, Dimitrov, and Rau 2001 95 firms 1998-1999 2 years	**X**			
Lee 2001 114 firms 1995-1999 5 years	**X**			
Cooper, Khorana, Osobov, Patel, and Rau 2004 250 firms 1998-2001 3 years	**X**			
Karbhari, Sori, and Mohamad 2004 18 firms 13 years	**X**	**X**		
DeFanti (2006) 183 firms 1987-2002 16 years	**X**	**X**	**X**	**X**

This dissertation's examination of the relationship between a CNC related to a change in corporate image and a firm's stock price addresses an issue of primary concern to both managers and academicians. By differentiating between a CNC related to a change in corporate image versus a change in corporate entity, major and minor changes to the corporate name during a CNC related to a change in corporate image, and non-brand name altering and brand name altering CNCs related to a change in corporate image, this dissertation expands, refines, and casts potential doubt on these conclusions. More specifically, the statistically significant, positive effect that a CNC related to a change in corporate entity has on a firm's stock price supports the contention that a CNC related to a change in corporate image may indeed positively affect investors' expectations of the future demand for a firm's goods or services and need not be restricted to merely serving as a signal of other organizational changes. Such an assertion can be made because an increase in the firm's stock price represents an increase in the firm's cash flows, which, in turn, is caused by an increase in the demand of a firm's products and services.

By examining CNCs between 1987 and 2002, this dissertation has also overcome perhaps the most important methodological limitation that was encountered by previous researchers of CNCs. To address the potential limitation that confounding events can contribute to the noise in stock prices and make it difficult to isolate the stock price of an event such as a CNC, firms which made concurrent announcements of financially relevant events during the seven business days surrounding the event were removed from the sample.

As discussed previously, although Brown and Warner's (1985) simulation found simultaneous events to have a statistically insignificant average effect on firms' stock prices, McWilliams and Siegel (1997) have argued that confounding events can contribute to the noise in stock prices, make it difficult to isolate the stock price of an event, and should be removed from the sample. To address this potential limitation, McWilliams and Siegel's (1997) more conservative approach is adopted by this dissertation. Thus, firms which made concurrent announcements of financially relevant events during the seven business days surrounding the event were removed from the sample.

According to McWilliams and Siegel (1997), if a firm were to announce a financially relevant event during the event window of the announcement of the event being examined, then it should be removed from the sample. For example, firms might declare dividends, announce an impending merger, sign a major contract, announce a new project, file a large lawsuit, or announce unexpected earnings. Since the event study method attributes the abnormal return to a particular event, if other financially relevant events are occurring during the event window, it makes it difficult to isolate the impact of the event under consideration (McWilliams and Siegel 1997).

Another important methodological refinement of previous CNC event studies made by this dissertation is its robustness checks of outliers. It departed from the great majority of previous CNC studies in that only three (Cooper, Dimitrov, and Rau 2001; Karpoff and Rankine 1994; Lee 2001) of the previous thirteen CNC event studies conducted robustness checks for outliers.

Finally, the effect size of the statistically significant, positive mean CAR of 2.20% for CNCs related to a change in corporate image for the three business day event window of (-1, +1) compares favorably with previous studies of CNCs. Horsky and Swyngedouw (1987) found a CAR of 0.61% for CNCs related to a change in corporate image and Bosch and Hirschey (1989) found a CAR of 0.75% for minor changes to the corporate name during a CNC related to a change in corporate image. The effect sizes reported in Horsky and Swyngedouw (1987) and Bosch and Hirschey (1989)'s findings regarding the stock price effect of a CNC related to a change in corporate image may be compromised because of the way in which they classified CNCs. In particular, they appeared to classify CNCs as related to a change in corporate entity only when the change in corporate entity was mentioned in the CNC announcement. In doing so, they likely classified many CNCs related to a change in corporate entity as CNCs related to a change in corporate image and therefore failed to get a truly accurate measure of the stock price effect of a CNC related to a change in corporate image. A more appropriate classification would have been to classify CNCs as related to a change in corporate entity when the firm had undergone a change in corporate entity within a year of the CNC announcement, as was done in this dissertation.

In closing, Horsky and Swyngedouw's seminal study of CNCs in the marketing literature found that CNCs do indeed significantly affect firms' stock prices, but they do so through by signaling other changes occurring within the firm rather than by increasing the demand for a firm's products or services. Moreover, Horsky and Swyngedouw (1987) concluded that the difference between a minor change and a major change to the

corporate name is statistically insignificant. With the exception of a few studies pertaining to Internet-related CNCs (Cooper, Dimitrov, and Rau 2001; Cooper, Khorana, Osobov, Patel, Rau 2004; Lee 2001;), the great majority of the previous studies of CNCs have generally concurred with these conclusions.

In contrast, the statistically significant, positive stock price effect of a CNC related to a change in corporate image indicates that, on average, investors expect the firm to have increased future cash flows as a result of the CNC. This supports the contention that a CNC related to a change in corporate image may indeed positively affect the demand for a firm's goods or services and need not be restricted to merely serving as a signal of other organizational changes.

Conclusion

Drawing from the theoretical concepts of information processing (Petty and Cacioppo 1981, 1986; Petty, Cacioppo, and Schumann 1983), brand equity (Aaker 1991), brand heritage (Aaker 2004), CNC signaling effects (Bosch and Hirschey 1989; Ferris 1988; Horsky and Swyngedouw 1987; Karbhari, Sori, and Mohamad 2004; Koku 1997; Lee 2001), perceived risk (Bauer 1960; Laroche, MacDougall, Bergeron, and Yang 2004; Stone and Gronhaug 1993; Zeithaml 1981), and signaling theory (Spence 1973), this dissertation demonstrates that by failing to differentiate between a CNC related to a change in corporate image and a change in corporate entity, many researchers may have overgeneralized when they concluded that a CNC does not affect a firm's stock price or that the distinction between a major and a minor change to the corporate name does not matter. This dissertation both expands and refines the previous

research on CNCs (see Table 3) by recognizing that: 1) a CNC related to a change in corporate image will have a positive impact on stock price whereas a CNC related to a change in corporate entity will not; 2) a major CNC related to a change in corporate image will have a positive impact on a firm's stock price whereas a minor CNC related to a change in corporate image will not; and 3) a non-brand name altering CNC related to a change in corporate image will have a positive impact on a firm's stock price where as a brand name altering CNC related to a change in corporate image will not.

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