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The Impact of Socially Conscious Initiative Announcements on Coffee Company Stock Values

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Abstract

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Dissertation Submitted in Partial Fulfillment

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Abstract

Stockholders invest billions of dollars in the purchase of new corporate coffee stock while producers of these commodities exist in poverty of developing nations. Corporate managers may miss the opportunities for offering humanitarian aid if potential stockholders do not know of corporate social change initiatives. Little research in the influence of socially conscious initiatives exists in the coffee sector and none concentrating on socially conscious initiative announcements. If a relationship exists between socially conscious initiative announcements and stock investments, then managers could justify funding social change initiatives. This quantitative study used a 5 day pre and post event study methodology including *t* tests, ANOVAs, and regressions examining five companies with 138 individual announcements from 5 coffee companies between 2011 and 2015. The independent variables were socially conscious initiative announcements regarding separate initiatives in the Wall Street Journal and differing socially conscious initiatives in the Washington Post. The dependent variables were abnormal changes in the Standard and Poor coffee corporate closing prices. This study used the Weighted Average Cost of Capital, the Capital Asset Pricing Model, and the Fama-French 3 Factors Model to demonstrate abnormal positive stock abnormalities. resulting in statistically significant positive findings pre and post publication in the five companies examined. Further research could use different time periods or media outlets. Similar findings could support advantages for investors and managers for aiding struggling coffee producers enticing other corporations to follow suit leading to beneficial worldwide social good development.

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Dedication

I desire to dedicate this dissertation first to my Lord and Savior Jesus Christ. He is the reason for my life, and without His help and guidance I would never have made it through school. Jesus brought me from a suicidal 19-year-old student to a thriving prosperous doctoral student of Management, Leadership, and Finance. John 3:16 states, "For God so loved the world that He gave His only begotten Son, that whosoever believeth in Him should not perish but have everlasting life." It is through faith in Christ that I have succeeded in reaching the point of completion in my educational career.

The second person I want to dedicate this dissertation to is my beautiful bride Terrie Lee Smith. Terrie has been an inspiration in my life. My beautiful bride allowed me to enter school in 2002 and 15 years later, I have reached the culmination of my education. Without her help, understanding, loving support, and effort I would never have succeeded in becoming a PhD. I love you Mrs. Smith. I could never have succeeded in obtaining my doctoral degree, much less completing this dissertation today without you by my side. I will always love you. You truly are God's favorite, and mine.

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Chapter 1: Introduction to the Study

The coffee industry operates on a large, multinational scale. Supplies often originate from multiple developing nationsand end-users of the product live all over the world. Coffee distribution nations include both developed and undeveloped countries. In the United States alone, 91.5% of all residents drink coffee, and in 2014, consumers spent over $1.21 trillion on coffee (The Statistics Portal, 2015). In 2013, Starbucks alone had over 19,000 stores worldwide (The Statistics Portal, 2015). This number is not decreasing; rather it is increasing rapidly. Many corporations within the coffee industry finance their operations through equity capital sold to the general public(Perez-Aleman, 2013). Stockholders are the owners of these corporations and as such, have a right to decide collectively on the actions taken by the organization (Bøhren & Krosvik, 2013). Corporations compete for investors through a myriad of endeavors including eco-friendly and socially conscious initiatives, especially within the coffee industry.

Social consciousness is centered on giving back to the community, and the stakeholders that keep a business afloat and surviving. Having a socially conscious business allows stakeholders (from suppliers, to employees, to consumers) to know that they are working with socially conscious patterns of decisionmaking. It is essential for firms within the industry to engage investors as well as both present and future stockholders because the decisions these investors make result in greater equity opportunities for corporations. Hörisch, Freeman, and Schaltegger (2014) postulatednumerous possibilities for stakeholder management including the enhancement of sustainability management, which is important to stakeholders, using stakeholders as intermediaries for education, and the regulation of interests that are important to both stockholders and stakeholders.

Kotler, Hessekiel, and Lee (2012) theorized that having good intentions is insufficient in a business environment; intelligent management teams must select initiatives that do the best for the community while also benefiting the business organization. When corporate management decides upon the most profitable initiatives to support, they often announce their intentions through mediums such as the *Wall Street Journal*(Perez-Aleman, 2013). deHaan, Shevlin, and Thornock (2015) recognized the importance of media announcements in ensuring the best strategic influence on the market. In this study, I examined these socially conscious initiative announcements.

Strategically managing announcements may grant corporation leaders the opportunity to access competitive advantages, which in turn, influences the entire industry supply chain, from developing nation farmers to end consumers. Firms may also gain opportunities due to greater equity value. Leadership within corporations has attempted to use socially conscious initiatives over long periods, to draw both consumers and investors. Some of these initiatives have been successful, while others have failed. Corporate leaders determiningwhether announcing these socially conscious endeavorsbenefit the organization could improve the investment value within the industry.

Announcing initiatives is critical when working in an industry that is dependent on stockholder and stakeholder perceptions of the stock market (Chen, Chen, Huang, & Schatzberg, 2014). Dam and Petkova (2014) examined firms associated with the Carbon

Disclosure Project (CDP), a nonprofit organization of dedicated multinational investors with over 78 trillion dollars of investment capital under management. Dam and Petkova (2014) stated that out of 66 multinational firms active with the CPD, only 21 announced their involvement with the organization. Kajander, Sivunen, Vimpari, Pulkka, and Junnila (2012) posited that announcements of socially conscious initiatives often create reactions in the stock market, evidenced by changes in the weighted average cost of capital (WACC) of multiple corporations. Such reactions include purchases or sales of stock, and changes in stock prices following the announcements. While coffee company managers are aware that their socially conscious initiatives bear great importance to the value of their corporate stock, they are largely unaware of the value of announcing these initiatives (Michaely, Rubin, & Vedrashko, 2014). The aim of the current study is to examine the influence of socially conscious initiative announcements on coffee company stock valuations, as well as on abnormal changes from the WACC, and capital asset pricing models (CAPM) of multinational corporations.

Social consciousness is essential to coffee companies (Elder, Lister, & Dauvergne, 2014). Multiple studies have investigated the influence of socially conscious initiatives, and the announcements regarding them,on organizational performance (Clacher & Hagendorff, 2012; Feigenbaum, 2011; Kajander et al., 2012). However, few studies have examined the influence that socially conscious initiative announcements have on stock prices. In addition, no known studies have specifically examined the coffee industry. The issue arises, therefore, that coffee managers do not know if announcements regarding intentions toward social consciousness initiatives cause stock price changes. If announcements regarding social consciousness do affect stock return prices, this reflects an opportunity for increased organizational value, and the organizational capability to create benefits along the supply chain, within the coffee industry. Deák and Karali (2014)determined that stock market volatility changes the competitive advantage for organizations. Furthermore, the volatility within stock pricing is reflected down the supply chain, all the way to the farmers who grow the crops (Deák& Karali, 2014).

In this quantitative event study, I examined the influence socially conscious initiative announcements have on stock return prices, and stock valuation in the coffee industry.The independent variable in this study was socially conscious investment announcements and the dependent variable wasabnormal stock prices of the publicly traded coffee companies, represented in the industry.Cassidy, Constand, and Corbett (1990) examined investor value and risk management initiatives through abnormal stock returns. Kajander et al. (2012) investigated the market value of sustainable business innovation announcements on stock values in the construction sector. Berk and DeMarzo (2014) defined the WACC and the CAPM.

Background of the Study

A business strategy must be congruent with the capabilities of a firm as well as its market and nonmarket environments(Macher & Mayo, 2015). The market environment includes interactions between the firm and other parties that are intermediated by markets or private agreements. The nonmarket environment includes interactions that are intermediated by public institutions. A business strategy must integrate both market and nonmarket components.

The coffee industry operates in a multinational setting (Clapp, 2014). Working across national borders means operating within nonmarket environments, including those intermediated by the public such as public policies set by governments(Macher & Mayo, 2015). Macher and Mayo (2015) notedthat there are various levels of nonmarket operations including firm, industry, and country-level factors. Macher and Mayo argued that firms could take advantage of governmental policy-making opportunities to enhance and augment nonmarket strategies. Larger firms, and those within industries with limited competition—such as the coffee industry—have a sizable influence on policymaking (Macher& Mayo, 2015). Policies regulating industry requirements create advantages for those corporations with policymaking influence.

As the number of multinational firms and competitors increase, firm management professionals recognize the importance of moving beyond simple wealth and profit creation, toward a customer service relationship-based work ethic (Park & Ghauri, 2015). Park and Chauri (2015) argued that within emerging markets, nongovernmental organizations, internal managers, employees, and consumers have considerable influence over corporate efforts toward social responsibility. Management support of social initiatives, and the consequent capability to communicate strong ethical business values within multinational investments, opens doors of opportunity for organizational value creation.

Clacher and Hagendorff (2012) investigated whether announcements regarding social responsibility create or destroy shareholder wealth. Definitions of social consciousness include sustainability, poverty alleviation, and cultural diversity; issues which American business leaders deal with, as the consuming culture of the coffee products where investors interest themselves in global social initiatives (Feigenbaum, 2011). Kajander et al. (2012) explored the market value of sustainable business innovations, and the announcements concerning these innovations, on stock valuation within the construction industry. Williams (2014) argued that a surge in investing activities is ongoing in the food and beverage industries. Companies compete for these investors, and many investors have noticed social initiatives within the coffee industry. The current research project centers solely on the coffee industry.

The largest coffee distribution companies include Starbucks, McDonalds, and Dunkin' Donuts(Brizek, 2012). Smaller companies include Seattle-Drip and Diedrich (Sheikh and Conlon (2012). Most coffee companies purchase coffee from multiple developing nations, and conduct trade across multinational borders(Perez-Aleman, 2013). Transnational corporation management members who act within the industry face multiple shareholders who are deeply concerned with issues of social consciousness (Elder et al. (2014).

All companies compete for equity development within the coffee market. These include Pete's Coffee, Barista's Coffee Company, Seattle-Drip, and Diedrich(Sheikh & Conlon, 2012).All companies within the industry seek opportunities to draw more investors. Brizek (2012) asserted that smaller coffee companies often seek opportunities to obtain greater market share and investor support. By making announcements regarding socially conscious initiative intentions, smaller coffee companies may build investor support, and gain a competitive advantage. Equal Exchange Coffee, Farmers Brother

Coffee, Keurig Green Mountain Incorporated, and Tully's have been identified asimportant publicly traded coffee companies (Seong-Jong, Min, Kwon, and Kwon (2010). In addition, the Tata coffee company, another significant company within the industry,also has concentrated socially conscious initiatives (Agnihotri (2013). There are over 30 publicly traded companies within the coffee industry, and many of them endeavor towards socially consciousness business practices. Knowing the influences announcements have on investor perception could aid management professionals in stimulating useful corporate value.

Problem Statement

Regardless of industry, corporations compete to earn the confidence of investors resulting in equity investments. How to build this goodwill among investors is a question pondered by numerous researchers (Melo & Galan, 2011; Ortiz-de-Urbina-Criado, Montoro-Sánchez, & Mora-Valentín, 2014). The problem addressed in this dissertation is that it is unknown if socially conscious initiative announcements build desire for stock purchase, and enhancement of stock pricing, for publicly traded coffee companies. Dam and Petkova (2014) stated that out of 66 multinational firms active with the CPD, only 21 announced their involvement with the organization. Coffee company managers are largely unaware of the value of these announcements (Michaely et al., 2014).

Purpose of the Study

If investors follow a strict WACC and CAPM, then the activities and announcements of firms should have no influence(Holthausen & Zmijewski, 2012). If, however, announcements regarding socially conscious initiatives—such as those appearing in the *Wall Street Journal*, for example—hold corporate value, and the benefits for the company outweigh the costs, positive abnormal returns should occur.The purpose of this quantitative study is to determine if a significant enough degree of correlation existsbetween socially conscious initiative announcements and abnormal stock return pricing, to warrant further research.

Limitations

Many publicly traded companies in the coffee industry also offer commodities other than coffee. A problem therefore exists in distinguishing these companies from companies that offer only the singular commodity of coffee. Additionally, stock changes may be a result of events within the industry other than socially conscious initiative announcements. However, the existing literature on announcements and changes in stock returns provides credible reason to investigate this issue(deHaan et al., 2015). In addition, while multiple authors have developed and used event study methodology, it is still a newly developed form of quantitative analysis (Dam & Petkova, 2014; Deák & Karali, 2014). Setting the correct event window could also be a difficult limitation, as information outside the event window and long-term analysis is not considered. Following the examples of previous authorswill reduce bias created by setting incorrect event windows.

Research Questions and Hypotheses

Research Question 1:What is the relationship between socially conscious initiative announcements and stock return investment prices within the coffee industry?

$H_0$1: No relationship exists between socially conscious initiative announcements and stock return investment prices within the coffee industry, when examined within the context of WACC and CAPM.

H_a1: A relationship exists between socially conscious initiative announcements and stock return investment prices in the coffee industry, when examined within the context of WACC and CAPM.

Research Question 2:What is the correlation between socially conscious initiative announcements and abnormal stock returns within companies operating in the coffee industry?

$H_0$2: Socially conscious initiative announcements result in no abnormal returns within the context of the WACC and CAPM.

H_a2: Socially conscious initiative announcements are associated with abnormal returns within the context of the WACC and CAPM.

Conceptual Framework

Fama and French (2012) theorized that the WACC and CAPM were insufficient to determine adequate asset and stock pricing. Fama and French (2012) asserted that in a perfect market, stock prices reflect complete information regarding the present value of a firm's potential cash flow. Robinson, Kleffner, and Bertels (2011) posited that the WACC reflected the free cash flow to the firm with all information available, but a reduction of the WACC resulted in changes to market share prices. Similarly, Racicot and Théoret (2012) theorized that the CAPM shows that an average of market share price is maintained and increased over time. While expected and actual returns are typically different, some models such as the WACC, CAPM, and the Fama-French three factors model, provide a starting point from which it is possible to estimate, with some normality, average stock pricing. Cassidy et al. (1990) stated that certain announcements reflect changes in stock pricing and stock valuation. The assumption is that diversity initiative announcements, and public opinion of these initiative announcements change the capability of corporations to attractinvestors. If this is true, it leads to important revelations guided by the research questions, including the type of relationship socially conscious initiative announcements have towards stock pricing and abnormal stock pricing, and the opportunities management professionals have at their disposal to guide stock pricing opportunities.

I selected articles for examination from the *Wall Street Journal* and other major periodicals such as the *Washington Post* by conducting a search for industry keywords, including the use of Factiva and Lexis/Nexis. Reinecke, Manning, and von Hagen (2012)noted these key words, related to socially conscious industries, include those typical of social development such as *socially conscious, sustainability, social initiative, green investing*, and*social responsibility,* among others. The selected articles had to include the direct mention of a corporation conducting operations within the coffee industry.

For the current study, I followed the event window model proposed by Kajander et al. (2012), with windows of time showing stock price changes, immediately following announcements involving corporate initiatives. The aim of this is to show how corporate socially conscious initiative announcements influence the valuation of stock pricing in the coffee industry. To carry out an analysis of socially conscious initiative announcements, I constructed a database containing 5 years of stock prices and initiative announcements among publicly traded coffee companies. The increasing surge in specialty coffees is indicative of investors' interest in socially conscious initiatives (Weinberg & Bealer, 2004). By using the proposed database, I tracked initiative announcements made in the *Wall Street Journal*, and *Washington Post*, as well as stock prices over a 5-year period, from 2010 to 2015. In this way, correlations between announcements and abnormal stock pricing can be identified. These relationships could indicate investor desire for increased or decreased socially conscious initiatives. On the date the announcements appear in the *Wall Street Journal*, or *Washington Post*, market reactions may be apparent. Other publications may release information with a greater expediency; however I believed the *Wall Street Journal's*, and *Washington Post's* reputation and audience granted greater opportunity for consistency. Bal, Bryde, Fearon, and Ochieng (2013) demonstrated an influence of such announcements in the construction sector; this same dynamic may also exist within the coffee sector.

Nature of the Study

I examined the impact of socially conscious initiative announcements on stock prices of coffee companies using a quantitative method. I examined the socially conscious initiative announcements in the *Wall Street Journal*, and *Washington Post*, from January 1, 2011 to December 31, 2015, using anevent study design,by including keyword searches with terms related to social consciousness. In this study, stock pricing was compared on a daily rate for each company traded on the public stock market within the coffee industry.

Definitions

The following keywords and terms are specifically related to this dissertation study:

Abnormal stock prices: Within most financial models mentioned in this paper, a particular pattern of stock pricing is expected and the changes of these stock pricing in a perfect model are typically predictable (Hai, Wang, & Xiaolu, 2014). When the expectations of market pricing are not met, abnormal stock pricing occurs. Abnormal stock pricing is a shifting from expectation in a positive or negative fashion away from the standard CAPM expectations.

Capital asset pricing model (CAPM): Describes the relationship between the risk taken on with investments and the return expected from the assumption of this risk (Dempsey, 2013).

Corporate Social Responsibility (CSR): The commitment organizational management makes to improving firm activities that have implications for economic, societal, and environmental concerns on multiple geographic levels (Harjoto & Jo, 2015).

Developing nations: Countries defined by the World Bank as having a lower or median income level per capita and some types of important resource restraints (Zakrasek, Creasey, & Crew, 2015).

The Fama French three factors model: A model proposed by Fama and French, well known researchers in the asset pricing and portfolio management field, and uses three factors to determine asset pricing, while the CAPM uses one. Fama and French, added size, and value to risk in the determination of asset pricing. (Fama & French, 2012)

Investment equity, value, and desire: Investors invest money in corporations through stock purchases and desire increases the value of the stock. This leads to the idea of buying stock at low prices and selling them at high prices (Manz, Manz, Marx, & Dillon, 2013). When investments are low, investors may desire to purchase stock with the hopes of the stock price increasing.

Socially conscious initiatives: Corporate actions that create a beneficial circumstance or reaction in favor of the public in some manner (Dam & Petkova, 2014).

Stockholder investments: An important component to equity ownership of corporations. Stockholders purchase ownership of publicly traded companies using stock market exchanges. The prices of one share of stock changes from one day to the next depending on desirability of the stock pursued (Deák & Karali, 2014).

Stock marked exchanges: Serve corporations by distributing stock to investors who desire to purchase the stock, and thus become stockholders. Stockholders invest money, seeking an increased amount returned to them, known as stock returns, on a rate typically superior to rates they could obtain by loaning the same amount of funds to the corporation. Due to stock volatility, there is no guarantee that stockholders can obtain returns, and this typically means the greater the volatility or risk, the greater the amount of return demanded by investors (Dittmar & Field, 2015). Citation

Weighted average cost of capital (WACC):The cost of capital an organization holds, which proportionally balances the element of capital—typically including all types of stock and all types of debt (Parrott, 2014).

Scope and Delimitations

In this study, I examined abnormal stock pricing changes following socially conscious initiative announcements made by the management of publicly traded coffee companies. Hai et al. (2014)determined that disclosures created by publicly traded company management have a direct influence on share prices within industries. Queen (2015) insisted that the coffee industry also experiences these changed stock prices. In this study, I examined publicly traded coffee companies traded on the NASDAQ and the American exchange that have madesocially conscious initiative announcements in *The Wall Street Journal*, and *Washington Post* daily publication. I will not examine the reasons why individual investors make certain stock purchasing decisions, but rather focus only on the publicly traded stock pricing abnormalities following such announcements.

Significance of the Study

The new wave of CSR includes the importance of multinational corporate status. Clapp (2014)determined that coffee organizations operate in a multinational and transnational scheme. Industry stakeholders gather resources in one location and bring them to other areas (including other nations) to work on them, assemble them, and provide a finished product. D. Levy, Heinlein, and Breuer (2011) recognize that in multinational—and multicultural—corporate frameworks, the demands of national memory incorporate themselves into the makeup of corporate personality, changing the dynamics of business methodology.

Specialty coffee retail value is currently estimated at a minimum of $46 billion, comprising 51% of the volume share and 55% of the total value share in the coffee industry, according to a 2014 Specialty Coffee Association report (https://www.scaa.org). Starbucks had revenues of $9.46 billion in 2014. This means that specialty coffees sold, comparatively,by Starbucks alone constitutes nearly $5 billion of revenue. Elder et al. (2014) argued that within the last 5years, coffee companies have increased their social consciousness initiatives. Investors forget socially conscious initiatives from past company experience quickly. Levy et al. (2011) argued that national memory needs to take a lesser role in corporate design, but is still prevalent. Elder et al. (2014) examinedglobal retail chains such as Walmart, McDonald's, and Starbucks, concentrating on sustainability and social consciousness within the coffee industry. Elder asserted there has been an issue noted with social consciousness' influence on global resources. When corporations can attract new investors and new investment equity, financing opportunities that are otherwise impossible, become available. These possibilities include providing their supply chain with modern equipment such as volatility forecasting software (Mohan, Gemech, Reeves, & Struthers, 2014). Corporations can achieve equity advantages such as these changes in multiple ways, including by making announcements of socially conscious initiatives that may raise stock equity value.

Research on investment value is also important, as coffee companies' management teams appeal to the public for investments and corporateleaders can finance company growth through equity. If social consciousness is a factor in firm performance and investment desire (Kajander et al., 2012), does embracing a stronger social consciousness lead organizations to a more substantial competitive advantage? Coffee, as part of the food and beverage industry, is a publicly traded commodity, with legal insider trading (Williams, 2014). This legal insider trading could indicate other reasons for announcements regarding socially conscious initiatives such as manipulation of stock pricing to aid certain parties unfairly.

Upon deciding to initiate socially conscious endeavors, publicly traded coffee companies' management teams often announce their intentions to stockholders through company communications, and to the media through public communication mediumssuch as The *Wall Street Journal* and *Washington Post*. Investors, upon viewing these announcements, may decide to invest in the corporations in an effort to help society,especially in areas of investor interest. Studying if these initiative announcements affect stock prices could help determine the necessity and advantage of announcing corporate intentions.

In this study, the issue of social consciousness was addressed. The focus was on the effect of socially conscious initiative announcements on the desire for stock ofcoffee companies. Investment levels will be measured to determine whether the announcements hold a positive or negative influence. This endeavor should provide a greater understanding of the dynamics between socially conscious initiative announcements, and returns on investmentsthat may aid both researchers and corporate leaders. The results of this study should allow for an increased understanding of obtaining corporate advantage within the industry, while determining the most favorable route to sustainability. If socially conscious initiative announcementsresult in investment increases from expected returns, corporations could capitalize on this superior knowledge and use equity enhancements to provide increased support along the supply chain, including support for poor coffee farming communities. As coffee companies compete for survival, improved social consciousness may act as a key to equity advantage. If this is the case, the findings from this study will aid in this endeavor. If socially conscious initiativeannouncements do not aid in increasedinvestments, then decreasing socially conscious initiative announcements may provide economic benefit. While studies of initiative announcements' influence on stock valuation have been undertaken(Kajander et al., 2012), none have examined the multinational coffee industry.

Significance to Theory

In this dissertation, I sought to develop a theory regarding socially conscious initiative announcements and stock price abnormalities. Dittmar and Field (2015) theorized that a business leader could time markets using announcements, in favor of repurchase pricing adjustments. deHaan et al. (2015) theorized that strategic timing of earning management announcements directly influences stock pricing changes and abnormalities. In this study, I attempted to show, in the same way as Bal et al. (2013) demonstrated withinthe construction industry,that socially conscious initiative announcements regarding sustainability impact stock pricing announcements made in the coffee sector, and result in potential shareholders rewarding corporations for the perceived good behavior.

Significance to Practice

If the announcements of socially conscious initiatives within the coffee sector produce stock price changes, then the opportunity may exist to use these announcements to drive stock pricing. Smart management may make decisions, either negatively or positively, to propel investors into stock purchasing or selling decisions. This could result in timing of equity financing opportunities.

Significance to Social Change

If announcing socially conscious initiatives causes stock abnormalities, then these announcements could result in organizations seeing wealth building opportunities for their corporations. Many coffee industries work with developing nations for product development and often attempt to build these developing nations to sustain the practice of industry support (Mohan et al., 2014). The determination of stock pricing abnormalities following socially conscious initiative announcements could open a pathway for socially conscious corporations to increase theiropportunities to support this development.

Summary and Transition

Investor perceptions have direct influence on corporation equity values and stock pricing(Kolk, 2013). This could prove exceedingly important to both corporate competitive advantage as well as the nurturing of developing nations. If announcements of corporations involved with socially conscious initiatives create abnormalities in stock pricing from expected changes under the WACC and the CAPM, then making these announcements could prove beneficial. I sought within this dissertation to determine if a relationship exists between these corporate announcements and stock return investment prices within the coffee industry. I also attempted to determine what the relationship is that exists between these two variables for companies operating in the coffee industry.

The question of whether socially conscious initiative announcements influence publicly traded coffee companies' stock prices has both direct and indirect implicationsforsociety, including the enhancement of developing nations. The enhancement of developing nations called social constructivism is not new. Multiple authors have examined the theories surrounding social consciousness and various industries (Bal et al., 2013; Deák & Karali, 2014)—however, few have done so regarding the coffee industry. The next chapter, a review of the literature, will examine the articles useful in developing the theory regarding the importance of announcing social conscious initiatives on stock valuation within the coffee industry.

Chapter 2: Literature Review

The literature review for this dissertation will center on the lack of knowledge within the coffee industry regarding the influence of socially conscious initiative announcements on corporation coffee stock valuation. The literature review will provide an underlying framework for the research questions and hypotheses, and demonstrate how the current literature provides a bridge of support to develop the next logical step of valuation estimation. In Chapter 2, I will explain the literature search strategy taking place including the theoretical foundations in the discipline of finance, explain how social consciousness holds importance with corporate investors, examine the literature available regarding the lack of research into the announcements of socially conscious initiative announcements, the coffee industry, and the importance of socially conscious initiatives in the industry and on industry practice. I will examine the literature on corporate financial theories including the Fama-French three factors model (Fama & French, 2012), the CAPM, and the WACC, and how these influence the need for further study regarding how socially conscious initiative announcements influence the coffee-sector and other industry corporate values. Finally, in this chapter I will examine the event window methodology, and the capability event window examination holds towards corporate social responsibility.

Literature Search Strategy

The review of the literature centers on multiple items. In this review, I centered on the definitions of CSR, and stock valuation in the coffee industry. I also focused on the types of research necessary to understand the changes taking place in stock pricing within the publicly traded stock market. In addition, I examined articles regarding volatilities of the stock market, and issues surrounding abnormal stock pricing. Articles examined in this literature review included topics on the commodities market, as this is the market in which the coffee market exists. Authors, who have or are currently addressing the subject of corporate social responsibilities, were also analyzed in this dissertation. I examined the research articles centering on the different publicly traded corporations within the market. Great changes are taking place in the investment community, and therefore I examined research on the perception of corporate investors, and changes in stock pricing resulting from these changes. I examined articles addressing issues of multinational commodities and the developing nations. Additionally, I included an important review of articles covering subjects such as cash flow opportunities for corporations, the financial models important in the examination of the cost of corporate capitalization including the WACC, the CAPM, and the Fama-French three factors model. I reviewedresearch discussing the transformation of the coffee industry to a green, socially conscious industry, and its influence on stock pricing abnormalities.

I used numerous search engines to search the existing literature, including Walden University Library and Google Scholar. Articles examined were be limited to those published between 2012 and 2016, with few exceptions including seminal worksgoing as far back as 1990. Few articles exist regarding the socially conscious initiatives influence on the coffee sector;therefore, I transitioned between two platforms, other industries experiencing stock pricing abnormalities and socially conscious initiative announcements within the coffee sector.

Theoretical Foundation

Numerous theories work in conjunction within the financial arena to provide an undergirding for this research project. Seaborn and Fels (2015) defined theory to mean the constructs, assumptions, and facts that offer a rational explanation of cause and effect. Multiple theories lead to a connection between one another and the possibility that socially conscious initiative announcements lead to abnormal stock pricing.

The adaptive investment approach (AIA) theory holds that investors can continually adjust investment levels to reflect the conditions of the market, and safeguard against investment volatility Rebaudo and Dangles (2015). Rebaudo and Dangles asserted that the AIA is a configuration between the adaptive market hypothesis and the efficient market hypothesis.Ma (2015) introduced the framework for this theory and stated that investors can augment their investment decisions derived from information regarding economic regimes, ongoing market returns, and volatility of the market.

The efficient market hypothesis states that it is impossible to outdo the market because all information is necessarily available for market transactions(Yusoff, Salleh, Ahmad, & Idris, 2015). Many theorists refute or challenge this in one manner or another, however in the commodities market where insider trading is legal (Chan, Ikenberry, Lee, & Wang, 2012), the efficient market hypothesis would not logically work because all information would not be released. Van Geyt, Van Cauwenberge, and Bauwhede (2013) asserted that insiders are indeed capable of profiting from superior information.

The adaptive market hypothesis is an attempt to reconcile the efficient market hypothesis with behavioral market hypothesis. As stated earlier, the efficient market hypothesis statesthat all information is available,and thus it is impossible to create a best position to trade on the market. Behavioral theories state that an evolution occurs in the market, giving greater emphasis to prior understanding and behaviors. Coronado Ramírez, Celso Arellano, and Rojas (2015)investigated the adaptive market approach in agricultural communities with nonlinear tests in return series, running the Hinich portmanteau bicorrelation test,to reveal information regarding moments whereby adaptive market efficiency occurs. Coronodo et al. (2015) emphasized the importance of detecting nonlinear time windows—not only in time periods but also in the full-time series surrounding financial events. This bears stark importance to the event window methodology, which aids in comprehending what occurs in time windows, and in the competition for investors. Researchers use these nonoverlapping moving time windows to predict and control inefficiency. The adaptive market theory predicts markets are not efficient, but rather switch between times of great sufficiency and times of remarkable inefficiency at different points—such as what could occur when corporations make announcements regarding socially conscious initiative announcements.

When considering the dynamics within corporate announcements regarding socially conscious initiatives, Coronado Ramírez et al. (2015) asserted that understanding stock information creates value. Coronado et al. (2015) argued that understanding the underlying mechanisms of commodity trading, the volatility within the market, and the behavior of the return series of futures, is vital. This comprehension leads to better decisionmaking by many groups, including producers, investors, traders, and policy makers. In regards to policy makers, it is essential to comprehend who the decision makers are in the industry, such as the governmental and nongovernmental agents, so that management can tailor the construction of announcements regarding socially conscious initiatives.

The arbitrage pricing theory is an addition to the CAPM.Andriotto and Teti (2014) argued moving beyond the CAPMto allow for improved innovation factors and the optimization of the risk and return tradeoff. Moving beyond CAPM also allows the addition of extra variables to an otherwise accepted formula, and thus improves knowledge, according toFulga (2015). Fulgadefined the arbitrage-pricing model to represent each added variable as a singular beta. Through the addition of each variable beta, improved linear equations aid in the prediction of financial accuracy. Adding the socially conscious initiative announcements beta, therefore would logically aid in better financial predictability if abnormal stock pricing occurs after these announcements.

The Black-Scholes model rests upon the idea that allowing for the buying and selling of particular assets, risk via purchasing hedge funds is modified (Subramaniam & Jin Dong, 2012). Subramanian & Jin Dong used the Black-Scholes model to examine the influence of executive market repricing when managers decide to take risks. It is possible that management might mitigate the risks of their decisions when they are concerned with social consciousness. I researched in this dissertation the possibility that this mitigation results in abnormal stock pricing.

One of the first and most important assumptions in financial theory is the behavioral theory. The behavioral theory simply states that under circumstances where individuals are faced with constraints, they will attempt to maximize utility and seek the greatest profit possible (citation). Grazzini (2013) asserted that certain signals sent into the market could stem from individuals' desire to maximize their utility, but this occurs on a rare basis. Yoshihara and Veneziani (2013)analyzed the exploitation that takes place in labor economics when management employ the financial behavioral theory, and they also define this exploitation, emphasizing its relational nature in labor and income allocation. It would be logical to assume that the behavioral theory is at play in the profit maximization sought in the coffee industry such as it is in every other industry. It would also be logical to assume that the behavioral theory would, at minimum, modify the desires of stakeholders of the coffee industry to seek their own utility maximization.

To understand the three factors in the Fama-French three factors model requires understanding the concepts of size, value, and momentum in international stock returns as proposed by Fama and French (2012). International stock return pricing holds importance in any study regarding multinational firms such as those in the coffee industry. In their examination of four regions, Fama and French (2012) determined that value premiums existed in returns on stock that vary from smaller to larger, inversely, as firm size and stock increases. Fama and French tested the possibility that within international scenarios, empirical capital asset models captured the size influences. Additionally, they tested if the pricing of assets were integrated across the four regions of North America, Japan, Europe, and Asia-Pacific. Like other authors, Fama and French found local returns provided greater explanatory data for security portfolios when based on value versus growth, and when based on size. Fama and French (2012) attempted to complete two goals. First, they attempted to detail the influence size, value, and momentum held on expected average returns in developed markets. They argued that most previous literature focused on large stock. This is potentially because of the volatility within small firm stocks. Fama and French (2012) instead concentrated their efforts across the stock index. Second, they performed two unique regression analyses to determine if these regressions captured the average returns for size and value differentials within the portfolios studied. Fama and French pondered if regional integration occurs in asset pricing, and therefore analyzed information across 23 countries in the four regions examined. The concept of incorporating additional variables to enhance the superiority of measurement regarding stock valuations is important to the conceptual underpinnings of the current research, whereby socially conscious initiative announcements could cause changes in stock price variability.

With the nature of the coffee industry being cross-border multinational, it is important to examine and build upon some of the multinational financial theories. Gallagher (2014) suggested that one such theory is the Guidotti-Greenspan rule, which states that national reserves for any nation should at the minimum show equality to short-term external debt in the amount of 1year's maturity value. When considering that coffee originates from multiple developing nations, this may be a difficult standard to meet but it is certainly one worth attempting. Gallagher argued that the Guidotti-Greenspan rule stems from an attempt of developing nations to safeguard against economic collapse.

When considering the multinational risk-taking place in the coffee industry, the prospect theory holds particular relevance. H. Levy and Woemer (2013) explained the importance of the prospect theory and compared it to the utility theory.The prospect theory is reliant upon behavior of participants in laboratory-controlled experiments and contradicts the behavior expected in the utility paradigm (Levy &Woemer, 2013). Levy and Woemer (2013) explained that within the prospect theory, the value of perceived risk is paramount instead of the value of final outcomes. Perception of the influence of socially conscious initiative announcements drives this dissertation forward,thus the perceptions of investors, according to the prospect theory and the utility theory, are essential in this research.

Financial Theories

Dittmar and Field (2015) theorized the possibility of timing markets using announcements in favor of repurchase pricing adjustments. They examined stock repurchase pricing scenarios to determine if managers time the market when they make issuance and repurchase decisions regarding the securities the corporations negotiate. Dittmar and Field (2015) examined recent literature to find evidence supporting market-timing hypotheses, but determined that the conclusions remain unclear. One reason for this lack of clarity is the long-run horizons these works include after announcement events, coupled with the evidence that firms making announcements regarding intentions to repurchase do not always follow through. This leads to the question of announcement intent. Another reason for the lack of clarity is the repurchase literature is often based on quarterly, or annual data regarding the amount but not prices paid for security exchanges.

Dittmar and Field (2015)utilize monthly data regarding repurchase pricing included in 10-K and 10-Q filings with the Securities Exchange Commission electronic data gathering, and retrieval database. They obtained security price averaging through the

Center for Research in Securities Pricing. They used these tools to determine if firms are capable of timing market repurchasing efforts. Their sample consisted of 2,237 firms and 38,900 firm-months during the periods of 2004 and 2011.

Dittmar and Field (2015) concluded that mispricing was evident at the period when the corporation made the announcement regarding repurchase intention. They examined the prices paid for repurchases, and how these related to the announcements. They found that information asymmetry, analyst forecasting, and stated motivation all related to pricing on the market. They also found that firms pay lower prices for stock repurchasing after a stock price run down, and pay a lower price after a market downturn. After controlling for the Fama-French indicators, they demonstrated that firms show a positive alpha of .3% monthly, during the 3-year period following the securities purchasing. This indicates that market announcements can benefit organizations during insider trading activities, and can lead to determinations regarding how financial analysts use other firm announcements to control stock valuation opportunities. If this theory is accurate, then the announcements made by corporation management officials could lead to changes in stock pricing or stock price abnormalities.

deHaan et al. (2015) theorized that the strategic timing of earning management announcements produces direct influence on stock pricing changes and abnormalities.They additionally investigated both the hiding of information as well as the announcements of information regarding earnings, and the influence these opposing actions have on stock return pricing in periods of good versus poor market attention (deHaan et al. (2015). If hiding or showing earnings creates differences in abnormal stock returns, then hiding and revealing other pertinent corporate facts could produce similar results. DeHann et al. (2015) concluded that there are three necessary conditions that must exist for this strategy to work. First, managers must change the timing of these announcements or it may cause investors to notice precisely what they are attempting to hide. Second, predictable variation patterns in investor attention are necessary for the strategy to work. Finally, they insist upon the requirement of the observance of management tendency to announce the earning changes dependent upon changing market conditions.

The selected period for deHaan et al.'s (2015) study was between 2000 and 2011, which adds credibility to the time period selection of this dissertation. DeHann et al. (2015) also selected three dimensions for the announcements taking place:the time of day the annoucements originated, the day of the week the announcements originated, and the *market business* of the particular announcement date and period. They conducted a quantitative regression test to examine the three market attention variables, anddetermined that there exists credible support, given certain circumstances, that announcement timing does influence stock pricing (deHaan et al., 2015). These findings grant credibility to the theory that other announcements could also influence stock pricing. Within the coffee industry this is an important theoretical basis to follow.

When corporations decide to conduct socially conscious initiatives, they have the opportunity to announce these actions, as well as choose the timing of the announcements(Spatt (2014). Corporations that employ the best execution of investments and announcements, as well as the other factors, have an increased opportunity for improved financial performance. Spatt (2014) asserted that certain market participants influence market prices in an artificial manner in order to obtain higher pricing, but creates a distinction between market actions and trades. Spatt stated that market participants may conduct trades to cause price distortions. I have shown how the announcements of socially conscious initiatives could create just this type of reaction on the commodities market. Spatt argued that these trades and actions would lead to both wealth redistribution and inefficient market pricing.

Theoretical Foundations of the Stakeholder versus Stockholder Relationship

Multiple studies support the idea that stockholders and stakeholders must hold diametrically opposite positions regarding wealth creation. Raelin and Bondy (2013), however,argue that this is not always the case in their research on the potential implications of agency theory, and how it pertains to good governance. Raelin and Bondy (2013) asserted that when researchers discuss agency theory, they do so using two assumptions, profit maximization, and social well-being. Janssen, Sen, and Bhattacharya (2015) insisted that corporate management face multiple challenges in this age of global business including stakeholder demands. Kassel (2012)suggeststhat the idea of moral responsibility competes against financial performance in the list of values that encompass corporate social responsibilities.The first assumption is that managers and stockholders hold opposing and potentially polar interests. Stakeholders and stockholders also hold potentially differing interests; howeverin the stakeholder management model, Berman, Wicks, Kotha, and Jones (1999) insisted that the sole purpose of stakeholder management is to increase wealth. In the intrinsic stakeholder commitment model,alternatively, firm leaders treat stakeholders positively, thus influencing opportunities for wealth creation. Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi (2015) cited Berman (1999) as one of the many authors who argued that the over-emphasized applied approach provides unreliable evidence because of undisclosed factors influencing results. Mitchell, Agle, and Wood (1997) argued that power, legitimacy, and urgency act as three factors essential to the development of proper stakeholder relationship management. Dickson, Gordon, and Huber (2015) cite Mitchell et al. (1977) to explain the essential nature of examining who among the stakeholders hold true legitimate control over the organization. Dickson et al. (2015) defined legitimate authority as those that people choose to follow. In the case of the coffee industry, if an announcement regarding socially conscious initiatives results in investors purchasing stocks, then the authority of the announcement is legitimate.

Gunawan (2015) conducted a study on corporate social disclosures in Indonesia and cited Mitchell et al. (1977) when classifying stakeholders into various groups, including individual people who have influence on corporations and whom the corporations have influence upon, as secondary in importance, when compared to the media and special interest groups. One potential example of this is the willingness of media outlets such as the *Wall Street Journal* and *Washington Post*to publish announcements, instead of only one person mentioning an announcement to another person. It is important to note that only a small portion of corporations release their carbon footprint data through media outlets. One explanation for this is that media stakeholders do not view this information as urgent as other potential disclosures.

The second assumption is that society will support shareholder interests. These assumptions are not always true. Raelin and Bondy (2013) found that agency theory holds a large position with exaggerated belief in governance addressing the positions taken by many corporate management teams. The agency theory is, per Raelin and Bondy often violated. They asserted that a reconceptualization must occur between the societal beliefs and the positions taken by many shareholder parties. They also suggested that the role taken by shareholders as societal guardians is not backed up by evidence or reality. This guardian position allows shareholders and managers to operate in a manner unhealthy to society’s interests. The position of agency theory is an important issue when considering the topic of social good. In my dissertation, I examined the value changes of stock within the coffee industry after social initiative announcements take place. This is important because findings show dysfunction within the second assumption of agency theory—that society benefits shareholder values. If society believes the social initiatives a company undertakes is important, stock value should improve after the announcement of the initiative. If findings demonstrated that social initiative announcements do not influence stock values, then a step is taken toward determining the agreement between society values and stockholder values. If either a negative or positive value change occured, then potential perceived benefit for society is shown as important to investors.

Stockholders often desire to earn a maximization of profit regardless of quantity of investment within the corporation (Clifton, Fuentes, & Warner, 2016). Clifton et al. suggested that when corporations move toward overseas business opportunities, they often forsake socially conscious values to seek profit maximization. In this way, smaller developing nations, and individuals working in these nations such as the coffee-producing farmers, face an unfair trade deficit. Larger stockholders and larger companies are able to outperform smaller companies in benefiting smaller players because of stronger financial positions and equity development. Bøhren and Krosvik (2013) examined the rights of minorities, and majority stockholders' attempts to reduce the number of minority investors. Bohren and Krosvik assert that minority investors have the right to continue to hold shares within the company, and reject offers from majority stockholders seeking to devalue non-tendered stock. Bohren and Krosvik found that larger stockholders are often capable of taking advantage of situations within the coffee commodities market and out maneuver the smaller stockholders. Stockholders often settle rejected offers for freeze outs in court, taking between one and three years to dispute, and minority shareholders typically do not pay the litigation costs. Majority stockholders typically undervalue the rights and protections of minority stockholders; which indicates that stockholders may have differing values when it comes to their desire for corporation direction. If stockholders within any given corporation have differing directional desires, then it stands to reason that stakeholders influenced by the corporations would also have different desires than stockholders. Stockholders and stakeholders find this dynamic important especially in consideration of international, and multinational corporations.

Freeze outs occur when proposers generate surpluses by buying all the assets of certain individuals. These individuals vote to allow or disallow this action, but if a qualified majority is obtained, minority shareholders are voted out, although they can claim compensation for assets. At, Béal, and Morand (2015) examined these freeze outs to determine if enlarged offers for minority shareholders influence the desire to sell. At et al. cited Bøhren and Krosvik's argument that the fair compensation of minority shareholders remains unexamined. At et al. further assert that the court settlements imposed in the cases of freeze outs do not necessarily represent all parties with fairness. Fairness in the manner in which corporations conduct business, as perceived by both stockholders and stakeholders, is a relevant topic examined in this dissertation.

The idea of profit maximization is not necessarily in opposition to that of social benefit. Kotler et al. (2012) insisted that product market competition may foster corporate social resonsibility (Janssen et al., 2015). Kotler et al. continued to argue that over the last three decades, numerous authors have demonstrated that while building a better world may not guarantee greater profit, the two are not mutually exclusive. Many theorists today hold the belief that goodwill leads to insulation from negative impacts in crisis situations—that is, throughCSR, management safeguards the value of a corporation in times of crisis, including values of stock (Janssen et al., 2015). If corporate goodwill is established, particularly through corporate socially conscious initiatives, management builds insulation from probable or possible loss. In particular, corporate social resonsibility leads to stockholders' attention becoming focused during crises, and stockolders may evaluate crises situations differently when goodwill exists in a company (Janssen et al., 2015). Thus, it stands to reason that with the coffee industry working so closely with developing nations, potential crises occuring within these areas may seem less important if the corporations purchasing the product have maintained or earned positions of positive goodwill.

CSR is often a boon for smaller organizations, many of which compete within the coffee industry. Corporate sustainability initiatives resulting in green certifications can lead smaller corporations and competitors into advantageous positioning within the market (Djupdal & Westhead, 2015). Djupdal and Westhead asserted that efforts surrounding sustainability encourage focusing on innovation and efficiency within the market, resulting in certification seen by stockholders and stakeholders. These certifications enable investors to understand individual firm activities and buffer against the smallness and newness of these firms.

Studies on crisis management and stockholder reactions include examinations of voluntary disclosure. (Plumlee, Brown, Hayes, & Marshall, 2015) studied the relationship between a firm's disclosure quality and the value of the corporation, including as represented by stock value, across five different industries. The authors found that voluntary environmental quality results in higher firm value in both cost flow and equity components. When corporate management voluntarily disclose the fact they have not pursued socially conscious inititativs but intend to do so in future periods it could lead to higher firm value and stronger stockholder/management trust.

Corporate competition for stockholding investors.

Corporations typically compete for investors. Do, Faff, Lajbcygier, Veeraraghavan, and Tupitsyn (2015) examined the factors that influence commodities trade investment analysts. Unfortunately, the authors observed what they called a smart money influence, whereby investors who appear unsuccessful in aquiring the best advisors, end up with a lesser performing commodity investment than they could have.

Thatthese advisors select lesser performing funds could stem from corporations seeking opportunities, or revealing information that is otherwise not followed such as announcing corporate socially conscious initiatives but not following through, or that the follow through would be costly and thus not produe the best profits.

When examining an industry where smaller nations produce what smaller nations consume, it is also important to recognize the originating nations of the coffee products. One such country is Vietnam. Fortier and Thi Thu Trang (2013) examined the nation of Vietnam and the post-socialist transition that took place, resulting in the need to attract investors into their corporations. Vietnam's agricultural transition into modernization included coffee as an export product, leading to impressive wealth creationand pulling many from poverty and insecurity regarding basic human needs over the last two decades. Fortier and Thi Thu Trang (2013) stated that there is competition for investors, but also warned against the problems that come when various provinces vie for investor support, leading to expropriating land and price speculation that is harmful to society. The authors agreed with Szmytkowska and Nowicka (2015) in claiming that postmodernism and global economic forces are driving the need for more investors.

Fähnrich (2013) examined the necessity of open communictions in allowing the increase of investors in international corporate competition for investment dollars. The globalization process in international business is creating a demand for improved communication on multiple levels, including with local and regional governments. The announcements of corporations' socially conscious initiatives is such a type of communication, and draws such investors into areas in stark need of investments.

Foreign direct investment into places where coffee products originate, like Vietnam, and African nations imcluding Nigeria, create opportunities for future investments. Houanye and Shen (2012) argued that at the end of the 20th century,while many investors were looking for new investment opportunities, Africa has had little attention. Chinese investors have played a large role in investment in Africa, and Houanye and Shen (2012) postulated that it is nearly impossible to talk about investments in Africa without recognizing the source of China. This international investment causes considerable turmoil and results in the need for excellent governance and inter-regional cooperation with regulation within industries such as the coffee industry.

Information Lack in Commitment to Socially Conscious Initiative Announcements

Little information exists related to the pressure placed upon multinational organizations to make socially conscious initiative announcements. Dam and Petkova (2014) examined the pressure placed upon multinational organizations to enact environmentally beneficial efforts. The authors note that little information exists regarding announcements of commitments to socially conscious initiatives, as well as the negative or positive influence the commitment to social good brings multinational corporations. The authors used an event study method to examine supply chain sustainability programs, and employ wealth using the two-equation Heckman modeling of 66 multinational firms. They found negative stock returns on a moderate level of importance followed reactions to the announcements of socially conscious initiatives. Dam and Petkova (2014) provided insight into the influences of wealth management when firms commit to environmental supply chain sustainability programs (ESCSP). This is important as the coffee industry itself depends largely on multinational providers for coffee bean production and farming.

Dam and Petkova (2014) examined how the wealth of shareholders changed when multinational corporations participated in ESCSP efforts. Their study provided two contributions to the literature in this area. First, they increased the understanding of how sustainability influences shareholder wealth. Second, they provided insight into which types of firms benefit from supply chain sustainability efforts, in relation to shareholder wealth creation. Dam and Petkova (2014) claimed their findings substantiated that firms committed to ESCSP experience a negative effect on wealth creation.

Multiple researchers have examined the effects of various types of announcements, particularly earnings announcements. Afego (2013) for example, examined earnings announcements in the coffee sector. Andoh-Baidoo, Osei-Bryson, and Amoako-Gyampah (2012) studied IT characteristics and e-commerce initiative announcements, and Devos, Elliott, and Warr (2015) investigated CEO opportunism and wealth creation announcements surrounding stock splits, and the announcements of these splits. Rahrovani, Addas, and Pinsonneault (2015) examined socially conscious initiative announcements in the context of IT innovation. It is, therefore, well established that announcements can create volatility and shifting—however, little research has examined the relationship between socially conscious initiative announcements and stock pricing.

Social Consciousness Holds Importance Among Business Sectors

Bal et al. (2013) theorized social consciousness and sustainability hold importance within the construction sector. Sector representatives often view certain stakeholders within their sector as important, while other parties are seen as unimportant. This theory could hold true within the coffee sector in a similar fashion. Bal et al. conducted an exploratory study that hypothesized that many practitioners within the sector are involved in sustainability. They suggested six important steps within the process of stakeholder engagement including identification, relating stakeholders to sustainability targets, and measuring performance. Bal et al. stated that understanding the agendas of stakeholders could influence the market.

Bal et al. (2013) recognized that while interest in sustainability practices has risen, little research exists regarding stakeholder engagement. This warrants an opportunity to examine how sustainability and socially conscious initiatives influence stakeholders. Additionally, the stakeholder engagement process could be investigated to determine how this type of activity influences firm stock pricing. Bal et al.'s findings coincide with Queen (2015), who recognized the importance of balancing socially conscious initiative responsibilities to stakeholders with economic responsibilities to shareholders.

One theoretical arena worth examining regarding social consciousness in the coffee sector is that of Americanism, or the opposition that many individuals living in certain geographic areas seem to hold in regards to westernized culture. Feigenbaum (2011) argued that Americanism is a damaging influence, whereby westernized national desires dominate business markets where other cultures thrived, and corporations such as Starbucks are taking advantage of cultural diversity and products. Feigenbaum's qualitative study brought insight into global areas of concern where the adoption of Western culture suppresses native culture. Social consciousness holds great importance to many stockholders and stakeholders alike, and corporate executives who embrace socially conscious initiatives can find support and financial opportunities in socially conscious initiatives.

This liberalization of culturalism is a step multiple researchers argue as important towards increasing opportunities for coffee producers. Mohan et al. (2014) speculated that the liberalization of the commodity trade and commodity markets increased exposure to price volatility, which influences producer's livelihoods. Y. Zheng (2015) speculated that the liberalization of employment markets opens opportunities for corporate management savings in the production line. Using a GARCH forecast model to distinguish between predictable and unpredictable volatility within the coffee market, Mohan et al. demonstrated how welfare gains occur, following the elimination of price risk within Indian coffee producers. They approximated that the prevention of price volatility can seriously influence the poor producers' livelihood, and smoothing of the volatility that advanced price prediction could reduce hardship, and save an entire month's income for small producers. They argued for the need to provide producers with suitable price risk management and hedging mechanisms, which corporations working with small producers could achieve with improved financial capabilities originating with less stock volatility and more corporate stability.

Social consciousness and CSR have quickly gained attention and value among investors (Krüger, 2015). Kruger used event study methodology to investigate and demonstrate how both positive and negative events of CSR influence investor response.

Kruger found that investors respond strongly to negative events but weakly to positive events. Thus, per Kruger, corporate reputation leads to greater positive stock reaction.

Carbon Disclosure Project

A company's carbon footprint is considered extremely important in many industries concerned with sustainability, especially the coffee industry. Matisoff, Noonan, and O'Brien (2013) assert that carbon emission footprint reporting, and the announcement of these footprints, provide one measure of efficiency and CSR for organizations in multiple sectors. Matisoff et al. (2013) argued that while some countries such as Japan and several European nations have increased transparency, American firms have decreased transparency. If this is true, announcements regarding transparency or socially conscious initiatives may provide opportunities for advancement in stock value for American firms.

The CDP's reporting has particular value for stakeholders—and may for shareholders as well. Guenther, Guenther, Schiemann, and Weber (2015) insist that greater amounts of information released regarding the handling of carbon footprints provides important information for investors and stakeholders alike. Guenther et al. (2015) also stress that, related to stakeholder theory, insufficient information exists for the disclosure of carbon footprints. This points to the need for more research into both stakeholder and stockholder theories—a gap this dissertation seeks to fill.

Organizational Consciousness and Organizational Behavior

The complexities of organizational management and control through stock equities are an ever-developing field of research. Due to the novelty of the organizational consciousness paradigm, many researchers focus their efforts in this domain. Ajmal and Lodhi (2015), for example, examined lower levels to higher levels of organizational consciousness. In the lower levels of consciousness, the self-interest of stockholders plays a larger part; while in the higher levels, freedom, and enlightenment of stakeholders, including employees, take center stage. Benefiel, Fry, and Geigle (2014) argued these higher levels of social consciousness include matters of faith and beliefs, in regards to spirituality in the workplace. Q. Zheng, Luo, and Maksimov (2015) insisted that in the highest levels of organizational consciousness, value-based alliances play a significant role in building organizational profit opportunities, including reaching out to consumers.

Consumer Perceptions of Social Consciousness

Corporate leadership within the coffee sector has used consumer perceptions of social consciousness to drive stock and corporation value. Mueller (2014) asserted that there has been a call for improved understanding of model development, and the predictive capability of the influences of CSR. Mueller (2014) examined CSR from a consumer perspective to show how enlightened corporate leadership uses these perceptions to drive corporate value. Mueller (2014) found that corporate leaders who manage CSR properly could send a message to certain population segments and receive special recognition that promotes corporate stock value. This finding is related to this dissertation project, and leaders in the coffee industry have experienced this phenomenon as demonstrated by organizational involvement with groups such as free trade certification.

Enlightened Shareholder Maximization

There is a delicate balance management must navigate between their due diligence owed to stakeholders, and their overall responsibilities to society. Queen (2015) theorized that firms that embrace enlightened shareholder maximization could provide long-term value without removing shareholder wealth opportunities. Queen suggested that both investors and managers are involved in a migration to long-term wealth creation strategies. Despite the criticisms of shareholder theory, namely that stakeholder management is at odds with shareholder wealth creation, they are not mutually exclusive.

Queen (2015) examined firms from the 100 Top Corporate Citizens List using two basic questions. First, Queen compared long-term and short-term measures of performance to determine their correlation with financial benefits. Second, Queen sought to discover the relationship between these measures and any explanation of stock return performances. Stock return abnormalities often demonstrate changes within stock valuations.

Queen (2015) examined 1,122 firm-years observations within a 12-year period. A significant correlation between value-driven performance and investor financial benefits, including stock return benefits when firms implement stakeholder value maximization strategies including socially conscious initiative strategies, was the expected outcome. The study found that firms within the 100 Top Corporate Citizen list did not sacrifice return maximization when implementing stakeholder maximization efforts. These findings indicated a direction for the current study toward the examination of how socially conscious initiative announcements influence stock return prices within the coffee sector.

The roles between shareholder management, the value of the organization, and compensation of senior officers including CEOs can at times appear mixed or even contradictory to one another. Multiple authors including Benson and Davidson (2010) and Queen (2015) explored this phenomenon to determine if enlightened shareholders value firms at a higher level than the traditional profit maximization centers. Benson and Davidson (2010) noted that the balance between shareholders who value profit maximization, and those who prefer stakeholder welfare, is controversial but believe multiple investors exist within both groups so it is imperative for companies to find a correlation between the importance of socially conscious initiative announcements and investment desire.

Enlightened shareholder management has a strong advantage within the food industry. People are conscious of what they eat and drink, and desire to invest in ethical companies. Deák and Karali (2014) asserted few studies examine relations between environmental preferences for stockholders within the food service industry. They argued these preferences often result in financial opportunities for companies willing to stake a position of concern. They also claimed this as an excellent area for research because the coffee industry is a large contributor toward greenhouse emissions. Deák and Karali (2014) studied the influence of food and beverage companies' environmental news announcements on stock prices. In particular, they examined the Keurig Green Mountain Coffee company—Green Mountain has a long history of environmental sustainability support and dedication toward social well-being. Deák and Karali found that both positive and negative influences stemmed from company actions taken by management, leading to sometimes higher and sometimes lower stock values compared to predicted returns. This research finds that announcements of socially conscious initiatives result in higher or lower stock values compared to predicted stock values, leading to important implications for management regarding future decision-making opportunities. Deák and Karalialso found that events related to outside stakeholders lead to smaller but still significant stock value changes within short event windows. This finding further supported the use of the event study methodology in this dissertation.

If socially conscious initiatives lead to investment desired changes, even on a small level, Hasler (2014) argued that researchers must examine a new definition of shareholder value maximization. Hasler(2014) examined a newly formed corporate status called the benefit corporation. In 2014, 26 states and Washington, D.C. used a type of socially conscious corporation status called a benefit corporation. In this type of corporation, benefit corporation management faced the requirement of balancing shareholder desires with community stakeholder requirements. Hasler (2014) suggested that legislation permit this corporate status as a result of recognizing that corporations have a duty to conduct operations, so as to meet the needs of the community, the environment, and other stakeholders—regardless of financial ownership held by the stockholders. Hasler (2014) argued that the old-school property models of stockholder direction and corporation ethics derived direction solely from profit maximization using any means necessary. Hasler suggested that this new model of corporate leadership allowed corporate managers to opt-out of the wealth maximization scheme. This allows management to serve the interest of multiple parties that are interested in, and influenced by corporate actions. The shareholders finance the socially conscious initiatives, and thus have the right to invest or not to invest in these types of corporations. It is, therefore, the shareholders and not the state that require benefit corporations to endeavor toward socially responsible behavior patterns. If investors invest in these types of organizations, it is possible that they desire socially beneficial behavior. This dissertation, examined how initiative announcements drew investors towards the types of industries aiding social good, drawing relevancy from the current popularity of benefit corporations. Knowledge regarding the types of industries in which socially conscious initiative announcements provide superior financial strength could prove an important benefit for both stockholders and stakeholders.

Origination of the Coffee Product

Many commodities, including coffee, originate in developing nations. Manikas and Kroes (2015) researched enhanced commodity purchasing characteristics conducted when significant random demand distribution exists along with highly volatile price variations. Jose, Ely, and Luciana (2016) assert that the coffee industry is highly volatile in regards to both commodity pricing and demand. Quiroga, Suárez, and Solís (2015) examined Nicaragua, among other nations with high levels of coffee product growth and volatility of producer economic survival, to determine how climate change is influencing developing nations’ ability to produce. It is expected that climate change could easily cause product sustainability to diminish or disappear within the next few years. Within

Nicaragua, nearly one-third of the working population depends on coffee distribution for their livelihood. Quiroga et al. found that experience and technical capabilities assist in sustainable livelihood, and are important aspects for small producers such as those found with coffee farmers. Quiroga et al. call these individuals smallholders. Few smallholders expect elevated concerns, and few also expect support from external parties. Quiroga et al. (2015) assert that a greater level of involvement from stakeholders remains essential for the development of small producers in developing nations.

Corporate Social Responsibility and Developing Nations

The coffee industry draws its product from multiple developing nations. Doh, Littell, and Quigley (2015) insisted that the focus on these emerging markets is creating unique requirements for examination, including the processes used when multinational corporations concentrate on CSR. Doh et al. (2015) argued that little is known regarding the perspectives, policies, and programs of these corporations and their management. They also recognized the wide range of characteristics revolving around Corporate Social Responsibility (CSR) advancement.

CSR theories originated somewhere around the Second World War era (Doh et al., 2015). CSR emerged as an issue and theory partly because of the Great Depression, and the financial crises during this time period. Additionally, during the 1990s, corporate strategies emerged within multinational organizations in order to govern the changes occurring in the multinational business environment, such as seen in coffee production and consumption, and select the best possible approaches to global expansion and sustainability actions (Doh et al., 2015). The current study draws from CSR, which includes the management of socially conscious initiative announcements. Any relationship between management decisions regarding initiative announcements may influence multiple factors, including corporate valuation shown by stock price variance.

Coffee Sector Production Countries

Numerous countries produce coffee including developed and developing nations such as Australia, Vietnam, Uganda, Costa Rica, Venezuela, and even the United States. Tobias, Mair, and Barbosa-Leiker (2013) stated that leaders in transformative entrepreneurship within the coffee industry concentrate on poverty reduction and conflict resolution—for example in Rwanda. Rwanda produces 21,000 metric tons of coffee on an annual basis (Technologies, 2016). Because coffee is the second highest exported commodity, and because of the international growth of the fair trade movement, stakeholders and stockholders have increased concern regarding the development of rural conditions in developing nations, interactions between consumption and supplying nations along the value chains, and socially conscious consumption (Fritsch, 2014). However, from the farmer’s perspective, the fair-trade movement may not be as beneficial as the consumers believe (Lyon, 2013).

Conceptual Framework

One of the most important concepts of the type of research undertaken in this dissertation is measurement parameters. Fama and French (2012) stat, the WACC between debt securities and equity securities within corporations, as measured by the CAPM, perform insufficiently to allow proper pricing. This led Fama and French to include items such as company size in the necessary configuration. That Fama and

French included additional variables leads to the assumption that additional variables such as the relationship between socially conscious initiative announcements, and abnormal stock pricing provide a deeper understanding of financial outcomes.

Robinson et al. (2011) notes, the WACC reflects the free cash flow to the firm with all information available, but a reduction of the WACC results in changes to market share prices. Robinson et al. (2011) explored the potential of corporate sustainability, reputation, and firm value changes with membership of corporations in recognized sustainability indexes. If this is the case, then one potential logical pathway may lead to the conclusion that knowing about memberships may lead to investor involvement. Exploring the short and long-term windows of impacts on North American firms excluded from the Dow Jones sustainability indexes, Robinson et al. concluded that there exists a correlation between higher share prices regarding index inclusion and sustainability initiative involvement. The authors theorized that the benefits of inclusion outweigh the cost of inclusion in these indexes, evidenced by increases in share prices.. Because these findings show increased stock values stemming from sustainability index inclusion, it is worthy to investigate whether increased stock values would also stem from socially conscious initiative announcements. If stockholders know the corporation helps stakeholders, increased benefits may follow.

Capital Asset Pricing Model and Average Market Shares

Racicot and Théoret (2012) theorized that the CAPM shows that an average of market share price is maintained and increased over time. Racicot and Théoret (2012) also suggestedthat errors occur because of bias in the CAPM, but over time, these biases are negated by superior intelligence and an average model capable of prediction results. If an average exists, any variable added resulting in a abnormal return, could hold positive or negative influences on the CAPM. The CAPM is the model balance between debt and equity securities. One additional problem Racicot and Theoret proposed was the limited timeframe provided in most studies operating under the CAPM.

The CAPM takes on multiple forms depending upon the researcher's or financial analyst's desires (Gregory, Tharyan, & Christidis, 2013). Gregory et al. explained what they consider to be necessary guidance in regards to asset pricing and event study analysis. They pursued various versions of the Fama-French and Cahart models within the United Kingdom, seeking to explain the returns experienced by larger firms . One unique problem of the Fama-French model, according to Gregory et al., is its lack of capability to explain interregional variables, including degrees of internationalization. The Fama-French model expands the thought that investors should be reimbrused for more than simply their time value of monetary investment, and the risk of loss investors face for investments. Fama and French (2012) asserted that the time their money is placed into service, added to the risk, less a risk-free rate of return. is why the CAPM is insufficient in predicting true return values. Kaya, Rabe, and Elizabeth (2015) examined the return on capital, cost of capital, and the influence on firm value in the recent recession to determine the occurrences and changes taking place in multiple companies including Starbucks. This recession led to important changes in multinational cooperation.

Fama and French (2012) asserted numerous variables added to this equation forms, improves predictability for financial forecasting. Fama and French insisted if financial analysts add size, value, and momentum in international stock portfolios,forecasting would be improved. Gregory et al. (2013) speculated that the Fama-French addition to the CAPM performed better on a regional level than on an international level, and therefore logically would perform better on a country level than a regional level. Adding additional variables to the CAPM, as Fama and French did, could improve predictability. This operated as one aim of performing an event study analysis in this dissertation.

Event time studies such as in this dissertation, compute abnormal returns on a cumulative basis. Racicot and Théoret (2012) suggest that changes in valuation result in abnormal returns in regards to merger and acquisitions. Changes in valuations due to other factors should lead to the same outcome, and thus result in changes to the average. Racicot and Théoret (2012) created two instruments to better understand the variable error, combining these to control a two-stage least squares formula, and a generalized method of moments for event studies. They based their information off seminal authors such as Fuller, Dagenais, Cragg, and Lewbel. They also examined the Fama-French model and the Durbin-Pal instruments. Determiningthe robustness of included variables is possible when weighing these factors optimally—however, Racicot and Théoret (2012) failed to describe the definition of optimal.

Adding factors to financial formulas such as the CAPM adds efficiency and reliability. Raei, Ahmadinia, and Hasbaei (2011) introduced modifications to the CAPM and argued these modifications add efficiency. Researchers find efficiency essential to providing superior interpretations of market conditions in economic arenas. Both advantages and disadvantages exist when attempting to add variables to financial analysis.

Multiple Certification and Industry Keywords

To understand the concept of socially conscious initiatives, we must first define socially consciousness. Researchers must form keywords to build a construct in order to study it. For the concept of social consciousness, such key words include those typical of social development such as *socially conscious, sustainability, social initiative, green investing, and, social responsibility,* among others (Reinecke et al. (2012).

Within the coffee sector, however, there is a prevalent problem of multiple organizations seeking social conscious representation, using the same standards of recognition. Thus, holding multiple certifications from socially conscious organizations becomes meaningless.

Within the coffee industry, there are numerous important parties. These include the growers of the coffee product, as well as the governmental and non-governmental parties controlling the coffee product—which often differ from the consumer companies. Additionally, the consumer companies are important, as are the consumers. Understanding the various stakeholders within the industry is an essential concept for understanding socially conscious initiatives. According to Reinecke et al. (2012), however, there is an absence of international or transnational governance, which in turn has created increased self-regulation within the coffee industry.

Coffee is a premier industry where socially conscious sustainability certification is at the pioneering level (Reinecke et al., 2012). Coffee is the second largest commodity traded worldwide. According to Reinecke et al., there are four social or environmental systems that influence the coffee industry: rain forest alliance, fair trade, organic, and bird friendly. In addition, the Common Code for the Coffee Community (4C) is an important organization within the industry. These four organizations work together and in competition to raise the standards of the industry. Finally, there is a triple bottom line for the industry's sustainability guidelines: environmental, social, and economic.

Event Window Methodology

A new type of quantitative research method is known as the event window model. The event window model, as proposed by multiple authors (Cassidy et al., 1990; Clacher & Hagendorff, 2012; Dam & Petkova, 2014; Kajander et al., 2012),uses windows of time showing stock price changes immediately following announcements involving corporate initiatives. Cheung and Jackson (2013) performed a multi-year study to examine how changes to corporate leadership influence stock market volatility. Cheung and Jackson (2013) predicted that short-term findings lend greater credibility to long-term findings. Similarly, Bal et al. (2013) used an event study to demonstrate the influence of announcements in the construction sector; this same dynamic may also exist within the coffee sector and the event study methodology proved useful for the study of socially conscious initiative announcements.

The event window methodology takes windows of time, and compares events or an event over a period of time. In the case of this dissertation research project, the event was the announcement of socially conscious initiatives planned by a corporation, and the period of time is a five-year period. Researchers can use one, or many events. Multiple researchers have suggested this quantitative methodology as an excellent method to examine stock price reactions (Aier, 2013; Nthoesane & Kruger, 2014).

Additionally, multiple researchers have used the event study methodology to study changes in the stock market. Using the CAPM, Cassidy et al. (1990) studied market values of the corporate risk function to determine if investors place value on risk management. According to Cassidy et al.findings, investors do value the risk management function. Manab and Ghazali (2013) cited Cassidy when asserting that, while investors value risk management initiatives, few studies show a linkage between the risk management function and firm value. If links between variables in this manner are important as Manab and Ghazali (2013) speculated, then linking socially conscious initiatives with firm value would logically pose as a starting point towards determining if information sharing regarding the socially conscious initiatives would benefit corporations.

Event Window Studies Within the Food and Beverage Industries

This dissertation project's focus on the coffee industry directly relates to previous literature studying food and beverage industries. Kong (2012) used an event study to examine the food and beverage industry in China after the September 11, 2008 melamine contamination incident. They found stockholders are influenced by the heavy emphasis given to events related to CSR. Kong's study also provides important policy-making criteria in two ways. First, Kong suggests both corporate and governmental officials should release policies that promote CSR activities. Second, Kong suggested that the food industry held uniquely important opportunities for long-term benefits regarding CSR. By using an event study and examining stock values before, during, and after the melamine contamination incident, Kong hoped to determine how these CSR behaviors influence investors' desire for stock. Kong mentioned event windows became popular with Fama, Fisher, Jensen, and Roll (1969). However, Kong (2012) also noted one unfortunate point regarding event studies—the inability to study long-term windows. Long-term windows are difficult to study because investor reactions to long-term events may be a result of other concurring events, or even market noise.

In event window studies, the estimation window is the period over which investor reaction is examined and related to a particular event. Kong (2012) cited authors including McWilliams and Siegel (1997) in his definition of CSR: the actions taken by firms to embrace some good beyond the basic needs of the firm. Studies into the reactions of investors, and comprehension into the corporate social relationship initiatives within the food and beverage industry, including the coffee industry, offer support to corporations in embracing societal needs, especially in considering the benefits offered to developing nations. The coffee industry draws much of its product for consumption from developing nations, and thus investors interested in socially conscious initiative announcements may concentrate on the well-being of developing nation stakeholders.

The event study methodology is a useful quantitative method capable of increasing our understanding of multiple economic events associated with multinational enterprises. Anderson, Sutherland, and Severe (2015) used the event study methodology to examine trends in patent applications from Chinese multinational enterprises that own asset-rich developed market businesses. Starbucks—examined in this dissertation—is another example of a multinational enterprise that is asset-rich. Anderson, Sutherland, and Severe found that domestic patents for the business market rise significantly in the aftermath of asset-rich enterprise acquisitions, while enterprises without the aid of these asset-rich companies fail to obtain similar patents. Anderson et al. argued that the event study methodology provided a unique opportunity to perform longitudinal approaches to study multinational enterprises.

Multiple authors, including Yusoff et al. (2015), utilized event studies to examine stock market reactions to events such as political events, but asserted that researchers may find less use for event studies when examining longer-term reactions. Erdem, Keller, Kuksov, and Pieters (2016) used an event study methodology to examine how stakeholders and investors using word of mouth to gather information regarding non-announced product recalls, influence the product market. Yusoff et al. (2015) used the efficient market hypothesis to analyze the reactions on the short-term occurring with connection to bi-power business-political elite in Malaysia. Yusoff et al. found the ability to predict abnormal returns following announcements of surprising political news signified an inefficient market.

The efficient market hypothesis states that market prices reflect all information, and therefore, it is impossible to beat the market (Pollitte, Miller, & Yaprak, 2015). Pollitte et al. asserted that researchers using the efficient market hypothesis assume all information regarding a market security is included in the price of the security as soon as an announcement occurs. Thus, abnormal returns reflect the value created for any security on the date of the announcement. Politte et al. used the event window methodology to examine the changing values occurring following announcements from differing sustainable competitive advantage and postulated that unique knowledge bases provided additional value for corporations. Dong and Wu (2015) surmised that under the efficient market hypothesis, any effect of an event would reflect immediately in corporation stock value. The knowledge of socially conscious initiatives the corporation intends to undertake could provide an important element, and influence stock pricing, driving it away from researcher expectations under the perfect market hypothesis.

Corporate Socially Conscious Initiatives and the Coffee Industry

An extremely relevant and important study completed by Kajander et al. (2012) examined sustainable business innovation announcements, statistically testing the connection between sustainability initiative announcements and stock market values within the construction industry. The first known study of this type in the industry, the analysis of sustainability initiative announcements and construction company financial information, showed that positive information led to a statistically significant association between the announcements and the corporation stock value. Kajander et al. found that 0.82% of the market capitalization was explainable in the companies examined. These findings aligned with other studies by Reefke and Sundaram (2916), who suggested that investments into sustainable innovations are important factors to investors, and business decision-makers alike. Reefe and Sundaram (2016) asserted that sustainability investments might indicate the potential for growth and superior corporate governance.

In their study, Kajander et al. (2012) performed an event study using the market model. In the market model, the return of the corporation is expected to equal a set of stocks used to represent the entire market comparatively. They suggested an improvement on this model by incorporating an industry index factor, to examine illiquidity factors, and a size factor, in order to compare companies of similar sizes. Illiquid and liquid stock factor changes exist as possible results of investor knowledge increases.

Kajander et al. (2012) suggested numerous future research avenues based on their findings. These included a financial SBI, and firm financial performance on an econometric scale. Additionally, they suggested a case study involving stock market investor viewpoints, and top management professionals. Yartey (2011) suggested an estimation time-series study for the impact of a chosen SBI and market values. A study of other industries such as the coffee industry, could model the schematic used in Yartey's (2011) article. Dash, Pattnaik, and Rath (2016) examined knowledge development using firm financial performance to develop customer relationships in uncertain environments. The commodity is a very uncertain environment (Cartea, Jaimungal, & Qin, 2016).

Kolk (2013) investigated the dimensions of creating a sustainable coffee market, including the perceptions of moving the market from niche to mainstream. The complex issues of the coffee industry created a substantial problem, which Kolk described as centered on the complex, divergent, and uncertain pathways to achieving a sustainable coffee market. Kolk asserted that conventional traders and producers are replacing the relationship between buyers and producers. While multiple parties—including regulators and NGOs—demand traceability, the links between coffee origins and consumers are complex and expensive. Multiple certification and standards avail themselves to the market, and the fact that few consumers are conscious of social and environmental issues surrounding the industry, causes issues such as a drastic need for knowledge development (Cartea et al., 2016). There exists an attitude-to-action gap, with only 30% of consumers being aware of the environmental issues that are important in the coffee industry. This leads to consumers having negative trust in coffee companies (Cha, Yi, & Bagozzi, 2015). Kolk argued that consumer negativity requires a major breakthrough to overcome the competition, resulting in unachievable goals towards creating a market for sustainable coffee.

The complexities of the market, as discussed by Kolk (2013), are necessary components to comprehend what drives valuations within coffee companies. That a limited number of consumers either comprehend or concern themselves with the concerns of the industry suppliers, as well as the lack of trust on their part, indicates problems with market development. If similar issues influence investors and shareholders, determining more clearly what influences investors would aid organizations in survival and stakeholders interested in developing more sustainable markets, within the industry in achieving their goals.

Abnormal Stock Pricing

Multiple authors have examined the abnormal pricing of stock on the stock market. Chan et al.(2012) examined the link between insider trading and share repurchases with the propensity to include signal mispricing when abnormal values in stocks deviate from fair value. Nwogugu (2015) directed arguments towards the failures of the Dodd-Frank Act to control insider trading in the commodities market. Nwogugu insisted that the Dodd-Frank act or RAFSA does not control for stocks and bonds in the commodities market. Insider trading and share repurchases stem from the same decision makers. Numerous reasons exist as to why company management repurchases stock previously issued. Most of these reasons are congruous with shareholder value maximization. These transactions typically aid companies, and mispricing is a typical motivating factor. Chan et al. (2012) pointed out that numerous studies note long-term abnormal returns exist, prior to share repurchasing announcements. Financial researchers disagree regarding the influence the announcements themselves have on the actual benefit repurchases have on shareholder wealth maximization. One premise cited frequently for this repurchase goal is undervaluation. Chan et al. (2012) argued that this leads to the question of insider trading by management seeking their own wealth maximization over the needs of the investor, and some researchers have found that managers hold timing capability and practice insider trading. With this information, Chan et al. found it logical to ask if the post announcement return changes are directly connected to the presence of sympathetic trades. If announcements are related to trades, then this is a step in proving the influence of announcements on stock valuations, and insider trading possibilities. If announcements influence the pricing of stock, it is also a step toward demonstrating that multiple factors influence abnormalities in stock pricing, including investor perceptions of announcements.

Abnormal stock pricing reactions may appear and result from multiple market conditions. For example, Drake, Myers, Scholz, and Sharp (2015) examined restatement announcements, which occur when corporate executives have reported information incorrectly, and must restate the information. As a result of these restatements, corporate value changes often occur. Drake et al. found that within only one day, the reaction is noticed and responses occur—and these reactions are typically negative. Christensen, Drake, and Thornock (2014) further argued that when corporations report in an optimistic fashion or even pessimistically, short-selling traders react to announced information. Abnormal stock reactions typically occur over short periods, and as such, the event study methodology could provide useful knowledge accumulation.

Socially Conscious Advantages Toward Stock Pricing Influences on Coffee Growers

One unique problem within the coffee industry is the propensity for price changes to hurt coffee producers, who tend to operate in underdeveloped or developing nations. Ederington and Guan (2010) argued that historical fact shows volatility coupled with high competitiveness within the coffee industry exists. The ability to predict price volatility, and therefore price changes in the industry could aid coffee farmers in surviving and competing in the industry. Efficient predictions without bias are necessary for predictions within the industry regarding price. Ederington and Guan suggest developing tools for producer-use to aid in the survival of small companies. Product price changes within the industry could influence stock pricing within the industry (Lee, Chen, & Hartmann, 2015).

According to Ederington and Guan (2010), Jensen's inequality theorem demonstrated that either a predictive model's forecast of variance, or its standard deviation on returns, is biased. Ederington and Guan examined GARCH, EGARCH, and TGARCH, and compared them with their own proposed model documented in an earlier study. Their model, ARLS, does not over-estimate the standard deviation as compared to other models. Rahayu, Chang, and Anindita (2015) suggest ARCH/GARCH and EGARCH as prominent tools for prediction. The GARCH and TGARCH hold large bias during highly volatile forecasting periods. In these highly volatile forecasting periods, it may prove difficult to separate the influence of announcements from market noise. Ederington and Guan (2010) argued that this high volatility is rarely experienced at the height of predictive levels. They assert that the ARLS model predicts standard deviations directly in an unbiased fashion. Ederington and Guan's study also examined time-series patterns in surprise returns because the authors assert that the surprise returns fit in a superior fashion in volatility studies. Surprise returns and abnormal stock reactions could operate concurrently or even prove to be the same variable.

Ederington and Guan (2010) compared the four forecasting models using the Standard and Poor 500 daily logs, three-month and one-year T-bills and notes, the Yen/Dollar and Dollar Pound forex information, crude oil and gold, and five equities from Dow Jones. The time horizon included between 10 and 40 days, as 10 days is considered the proper horizon for VaR measures.

Management stock purchase and repurchase directions.

Bonaimé and Ryngaert (2013) scrutinized aspects of insider trading and share repurchases to determine if corporation insiders, including management professionals and executives, sell, or buy stock in the same directions as the firms they work with and for. Similarly, Xie (2015) examined insider trading crimes in China. China punishes insider commodity trading, including the management who conduct the insider trading activities. Xie (2015) examined announcement requirements in the case of major events influencing market pricing in China. Bonaimé and Ryngaert, however, examined return buy and sell announcements, to determine if managerial stock ownership and investors act consistently with signaling available during repurchases, or if abnormal positive or negative returns occur from the announcements. If announcements of share repurchase influence investor decisions to purchase in this area, then logically, other areas of announcements may influence investor decisions.

In their study, Bonaimé and Ryngaert (2013) addressed three questions. First, they pondered if insiders' trade in the same direction as the firms, when the firms buy or sell stock in the case of repurchases. Ben-Rephael, Oded, and Wohl (2014) later asserted that firms often repurchase their stock at bargain prices. Additionally, Bonaime and Ryngaert examined the differences between actual and announced repurchases. At times, corporations may announce an intention but not follow through. This is also possible with the intention to conduct socially conscious initiatives. Second, the authors sought to determine if the direction changes from insiders, influenced the strength of the signal of undervaluation during share repurchasing efforts. Drawing on Bonaime and Ryngaert'swork, Dittmar and Field (2015) argued that managers may actually find it possible to time the market, allowing for sizeable decreases in stock repurchases. Third, Bonaime and Ryngaert attempted to explain the factors causing variations in trading occurring between insiders and quarterly repurchasing efforts. They found, in quarters when companies conduct repurchasing efforts, the net buying and net selling tends to increase abnormally. The abnormal share pricing and trading demonstrates an avenue for exploration and investigation for future review. The authors found it puzzling that a signaling is explainable by attempts to explain price levels, liquidity, and insider selling.

The trading of top executives held the strongest signals, and Bonaimé and Ryngaert (2013) theorized that this may occur because of the amount of information available to insiders at this level. Insiders would logically know about socially conscious initiative intentions before the general public is aware. In their study, Chen et al. (2014) had similar findings, noting that inside trading can provide a strong signal to corporate valuation, and the amount of insider trading was considerably more than might have been expected. This insider trading may lead to speculation regarding the true reasoning behind corporations making announcements regarding socially conscious initiatives the corporation intends to pursue.

Environmental Influence and Stock Ratings

Prior literature examining whether socially conscious initiatives influence stock values has had mixed findings. Amato and Amato (2012), for example, examined the inclusion of publicly traded firms represented in *Newsweek* to determine the influence on stock valuations for these companies. Borochin and Golec (2016) examined using options to determine influence events that drew information from the *Wall Street Journal* and

Washington Post. Contrary to other literature that found negative impacts on companies and their stock, Amato and Amato found that positive impacts occur for the companies in the top quartile of the *Newsweek* “Greenest Companies in America” article. These findings lend credibility to the idea that socially conscious initiatives could positively influence stock pricing into an abnormal range.

Amato and Amato (2012) examined a sample of 3,460 observations in 346 Fortune 500 companies using a 10-day event window. They set control variables of return on the Dow Jones Industrial Average, the corporation’s beta coefficient, and total revenues. Auer and Schuhmacher (2015) examined similar information using the *Wall Street Journal* as a resource. Amato and Amato (2012) set dummy variables to denote firms ranked at the top and bottom of the *Newsweek* list. These studies that examined information from *the Washington Post* and the *Wall Street Journal* lend credibility for other research to use these resources as a source for socially conscious initiative announcements in the same manner.

Amato and Amato (2012) found that large companies in the top quartile of the *Newsweek* greenest companies list experienced a positive influence on stock valuation. They also found the companies listed in the bottom quartile of the list experienced little or no influence on stock pricing. Per Amato and Amato , no prior literature examined companies’ self-reporting, and unverified announcements of green marketing. They also insisted that no previous study rose to the level of attention necessary for proper conclusions. This also lends credibility to the use of the *New York Times* publications as a data provision source for further work on socially conscious announcements on stock valuation.

Ba, Lisic, Liu, and Stallaert (2013) constructed an event study research project to examine stock market reactions when green vehicle innovation announcements took place. Gregoriou, Healy, and Gupta (2015) examined the issues of global connectivity and the influence on stock valuations, an important concept in the coffee industry. Madsen and Rodgers (2015) examined the philanthropic influence on stock values and corporate reputation, using an event study. These are just a few types of socially conscious initiative announcements. Within industries, initiatives vary. Gregoriou et al. (2014) determined that global innovations into green vehicle technology results in positive reactions within the automotive industries, to green vehicle innovation announcements. Examining stock reactions to announcements over a 1-year time-span, Ba et al. (2013) found a direct influence on market values of corporations when they concentrated their efforts on these innovations.

Ba et al. (2013) found that the announcements made regarding green vehicle technology innovations result in positive impacts on automakers’ market values. Additionally, they found that when corporations made incremental changes toward these technologies, a larger positive reaching takes place on stock valuations. Finally, they further discovered that the innovations for vehicles with higher pricing have more positive impacts on market values, than comparatively lower priced vehicles.

Ba et al. (2013) asserted that this was the first article to examine financial impacts and green vehicle announcements. This is an important study as it ties directly to researching other announcements through event study analysis. This article sheds light on potential financial outcomes that stem from the global industries concentrating on green technologies. This dissertation controlled for multiple items important for event studies and a similar schematic should aid future research.

Jeong, Jang, Day, and Ha (2014) examined the eco-friendly practices of restaurants—specifically Starbucks' image of going green—and their influence on customer attitudes. Jeong et al. found that green practices of restaurants—including the use of recyclable take-out containers, recyclable waste, and energy-efficient lighting—positively influence customers' perceptions of their green image. They also noted, however that the use of energy-saving equipment did not have the same influence, but theorized this may be a result of customers not actually experiencing or seeing the use of the energy-saving equipment.

Jeong et al. (2014) utilized a customer survey with four sections: perceived customer effectiveness, customer perceptions of green technology, customer perceptions of organizations' green image, and customer attitudes towards restaurants. Such customer perceptions could provide an idea of investor perceptions. Using a 7-point Likert scale, Jeong et al. (2014) distributed the self-administered survey on one Midwestern university campus, and a total of 361 responses resulted. This study location may be a limitation of the study.

Wai Kong Cheung (2011) analyzed the influence of index inclusion on corporations added to the Dow Jones Sustainability World Index, to determine if investors valued corporate sustainability efforts. Wai Kong Cheun used three measurements to determine valuation of sustainability efforts: stock return values, risk levels, and liquidity. Wai Kong Cheun asserted that the results were in line with Harris and Eitan's price pressure hypothesis. Wai Kong Cheun argued that Harris and Eitan's theory in this hypothesis leads to the findings that event announcements do not increase or carry information, and any changes of stock valuations are temporary.

Wai Kong Cheung (2011) studied announcements in the period between 2002 and 2008, using data from the Down Jones website and the standard event study methodology, to compare index inclusion and exclusion. The author examined the differences between announcement dates and change dates, and separated findings into five windows. The first window existed between the 15 days prior to 1 day before the announcement. The second window was the run up from the date immediately following the announcement, to the date before any recognizable change. The third window was a conglomeration of three date windows running between the change date, and ten days following. The fourth window was a temporary window between the 15th day pre-announcement and the 20th day post-change. The final window was the impact window 15 days previous to announcement, to two months following. These separation dates signify the importance of separating the date ranges in other similar studies such as this dissertation.

Harjoto and Jo (2015) explored the separate types of CSR initiatives, separating them into two distinct types—legal and voluntary—to determine the impacts on earnings forecasting capabilities, the volatility within the stock market of varied firm stock, cost of equity, and firm value. Legally-required socially conscious initiatives may produce differing stock reactions than those completed by corporations on a voluntary basis. Harjoto and Jo (2015) found that the intensities of CSR brought about a reduction of analyst dispersion in forecasting and predicting corporate earnings management. Voluntary normative compliance with CSR initiatives impacted firm values, and decreased cost of capital, stock return volatility, and dispersion, while legally-required initiatives decreased firm value. This decrease in stock return volatility may hold credence for this dissertation study of socially conscious initiative announcements, within the stock pricing of the coffee industry. Harjoto and Jo determined that impacts to firm value disclosure capabilities reduced the changes within the firm value volatility. The significant commitment within the previous decade to this article leads to the conclusion that corporations are finding greater willingness to cooperate and instigate CSR initiatives. Harjoto and Joe asserted when asymmetric information exists, sell-side analysts find difficulty in evaluating the benefits available to firms that choose to engage in these initiatives. Using reputation guidance and management for long-term analysis. Harjoto and Jo also studied the impacts of compliance with CSR initiatives. Reputation management may hold some credibility when seeking avenues to explore long-term comparisons between corporations that otherwise could result from other items, including market noise.

Multinational Nature of the Coffee Sector

The multinational nature of the coffee industry warrants socially conscious initiatives from corporations in consumer nations that are typically developed nations given that the supplies originate in developing nations (Perez-Aleman (2013). Perez-

Aleman examined the regulatory nature and influences of competition and upgrading process within the coffee sector, concentrating on regulations that reward corporations for enacting socially conscious influences. Through a qualitative study of Nicaraguan coffee and agri-food industry small producers, Perez-Aleman found that regulation plays an important role in bringing about changes in organizational practices. With the development of new knowledge and skills within the industry allowing for upgraded production processes, private and public parties within the sector find renewed support for economic development. Perez-Aleman stressed the importance of what he terms “rewarding regulation,” which he argues fosters supportive resources useful along the entire supply and value chain within the industry.

The regulatory environment of developing nations that provides the originating product for many consuming industries, including the coffee industry, have experienced many changes. Fuentes and Pipkin (2015) noted Perez-Aleman as one of the most important researchers exploring this trend among the industries. Fuentes and Pipkin conducted a qualitative case study of five small developing nations within Latin America to determine the necessary conditions required in business engagement within the supplier nations, which often force the small-producers to stay in near poverty or poverty situations. Fuentes and Pipkin found that consumer protection regulatory requirements aided certain developing nations in providing avenues to overcome vulnerability for small producers.

Current Coffee Companies in Operation

Multiple companies exist within the coffee industry, and researchers have undertaken numerous areas of exploration regarding their corporate activities. Gupta (2015) examined Starbucks and the CSR undertakings Starbucks has achieved. Starbucks is the leading corporation within the industry, and has participated in multiple socially conscious initiatives. Lightstone and Rixon (2014) examined Tim Horton's, another large coffee corporation that has succeeded in incorporating Fair Trade Practices and Certification into their business activities.

Summary and Conclusions

Social consciousness is a topic of significant importance in the global age of business (Queen, 2015). Superior knowledge and enlightened shareholder intelligence has created a need for corporations to seek out avenues to bring both stockholders and stakeholders together, to create industry and market dynamics (Miller, 2013). The perfect market hypothesis states that the perfect market should immediately react to announcements of socially conscious initiatives within the global business arena. Scant literature exists regarding how socially conscious initiative announcements influence corporate stock valuations, and it appears that the construction sector may be one of the very few industries where researchers have investigated this topic (Bal et al., 2013). This dissertation fills this gap in the literature.

Chapter 3: Research Method

Purpose of the Study

In this study, I intended to determine if and to what degree a correlation existed between socially conscious initiative announcements, and stock price changes. Holthausen and Zmijewski (2012) asserted that if the announcements carried in the *Wall Street Journal* follow a strict WACC and CAPM, no apparent change should be reflected in the pricing of stock within the coffee industry. If, on the other hand, announcements in the *Wall Street Journal,* or *Washington Post* how a change within an event window, then an apparent correlation exists. The purpose of this research is to determine if there is a correlation between socially conscious initiative announcements and abnormal stock pricing changes. A positive change would illustrate an opportunity to take advantage of announcements, while a negative change would offer an advantage to avoid costly announcements that may influence corporate stock pricing. In this chapter I begin with the design and rationale for the dissertation, followed by the methodology and population of this study. I then describe the data and the approach to data examination including the SPSS tool used for statistical analysis. I complete this chapter with a close examination of validity, and a summarization before launching the actual dissertation study itself.

Research Design and Rationale

In this quantitative research study, the dependent variable is the stock market price per share for publicly traded coffee companies, and the independent variable isthe socially conscious initiative announcements found in the *Wall Street Journal* and *Washington Post* during the timeframe between January 1, 2011 and December 31, 2015,inclusively.The modifying variable is any other announcements, taking place regarding the coffee company in the immediate surrounding days of the socially conscious initiative announcement. As this research project specifically focuses on secondary publicly released information, no resource constraints should exist.

Numerous authors (Pollitte et al., 2015; Wei, Couch, Yulianto, & Ahn, 2015) have used event windows to study abnormal stock price changes. In this dissertation, I closely followed the example of (Deák & Karali, 2014). Deak and Karali (2014) asserted that event studies, first developed by Fama et al.(1969),are the upheld standard for the measurement of stock price changes. Event studies opened the opportunity to examine market efficiency, reflect on changes from added information, and test impacts resultant to events on corporate shareholder wealth maximization.

Deák and Karali (2014) also suggested the value of using corporations that had over $1 million in annual sales. They limited their study to firms that specialize in one area within their market. This study will follow these suggestions. Additionally, Deak and Karali suggested a set of keywords regarding environmental news. In this study, I will utilize similar keywords, specifically related to social consciousness. A search string of the *Wall Street Journal,* and *Washington Post*, downloaded from the Wall Street Journal Factiva database, permitted the search string content use. Deak and Karali(2014) also suggested that when researchers encounter events published repeatedly in the *Wall Street Journal* they use only the first event publication. I also only used events with no concurrent event announcements, such as corporate changes, net income improvements, or earnings adjustments, and I examined the event window 5 days prior and 5 days post announcement.

Methodology

I followed a quantitative methodology using an event study of stock return price changes, immediately following announcements regarding coffee companies' socially conscious initiative announcements in the *Wall Street Journal* and *Washington Post*. I examined each announcement over a 5-year period, beginning with January 1, 2011 and ending with December 31, 2015. I analyzed the event windows for 30 days prior to the announcement, and 30 days following the announcement, to determine if abnormal price changes take place.

Selecting the event study method is of major importance because of its versatility in determining information regarding stock pricing following certain businesses occurrences. Although this is a new form of research analysis, many authors studying stock pricing changes have determined the usefulness of event studies (Borochin & Golec, 2016; Cassidy et al., 1990; Kajander et al., 2012; Kong, Liu, & Dai, 2014). One of the most important abilities of corporations is fundraising. Equity advantages offer corporations growth opportunities that competitors may miss. Understanding items that change stock pricing values, grants opportunities for corporations, and the event study method is important as it can open understanding and continue research in this effort.

Population

The study population comprised all publicly traded coffee companies traded between January 1, 2011and December 31, 2015, all announcements in the *Wall Street*

Journal and *Washington Post* regarding socially conscious initiatives conducted by these companies, and all coffee companies with listed stock prices carried on the S&P 500, Yahoo Finance, or SECfilings, with data covering the 5-year period from January 1, 2011, to December 31, 2015. There are hundreds of articles in the *Wall Street Journal* and *Washington Post* regarding coffee company announcements. I examined the stock reactions prior to and following the announcements, for a 5-day window previous to announcement and post announcement.

Sampling and Sampling Procedures

The sampling and sampling procedures mimicked those found in multiple event study analysis projects. Field (2013) specified normative sampling techniques as useful for design within studies using SPSS. Wei et al. (2015) suggested that with an event study examination, the Fama-French three factors model allows for the inclusion of size, momentum, and book-to-market factors, and controls for company size, which in the coffee industry ranges from small start-up companies to large Fortune 500 companies. Many sample firms in the industry under study range significantly in size. The datasetincluded identification of all publicly traded companies listed on the Nasdaq. No privately traded coffee companies, or noncorporate coffee companies are included in this study.

Yahoo Finance and the S&P are recognized on a global basis, and operate by storing financial information of all publicly traded companies, including those within the coffee industry. Historical data exists within the annual reports of publicly traded coffee companies, who are required to submit annual reports with financial information available. The companies used for this research project are those that remained in compliance with the U.S. Securities and Exchange Commission (SEC) regulations, and the 2002 Sarbanes Oxley Act (Siegel, Franz, & O'Shaughnessy, 2010). Data was sorted using an Excel database and Excel worksheets with data sorting arranged by company size, number and date of socially conscious initiative announcements appearing in the *Wall Street Journal*, and *Washington Post*, and stock pricing for the event window period.

Procedures for Recruitment, Participation, and Data Collection (Primary Data)

I drew information for this research project from the S&P 500, Yahoo Finance, the *Wall Street Journal*, the *Washington Post*, and publicly traded coffee companies' annual reports. All of this data is publicly released and available information, and no permissions for collection was required. I entered data into an Excel database, including date of socially conscious initiative announcements, and stock pricing for the 5-day prior and 5-day post announcements. No participants were required for this study and no consent was required.

Archival Data

This data is publicly available through the *Wall Street Journal* and *Washington Post*, coffee companies' annual reports, Yahoo Finance, and the S&P 500. I collected data regarding socially conscious initiative announcements in the *Wall Street Journal* during the period of January 1,2011 to December 31, 2015. The SEC requires publicly traded companies to issue annual reports after the performance of an external public audit. This ensures the accuracy of publicly released information. Both the S&P and

Yahoo Finance are recognized industry leaders registered with the United States, and generally accepted by businesses for storage of complete financial information. A simple collection and review of the announcements appearing in the *Wall Street Journal*, and *Washington Post*, during the 5-year period and a collection of annual stock pricing dataset in an Excel document will provide adequate archival information for research project analysis.

Instrumentation and Operationalization of Constructs

- Basis for development

  The IBM Statistical Package for Social Sciences (SPSS) software package is widely recognized as an excellent tool for development of strategic thinking in the field of research (Bratianu, Hapenciuc, Orzea, Rauliuc, & Ghita, 2011; Field, 2013; Regents, 2013). Microsoft Excel Software packages offer excellent database opportunity for instrument backup and manipulation. The question of relation between socially conscious initiative announcements and the stock pricing within the coffee sector has not been previously examined. Kajander et al. (2012) examined socially conscious initiatives' influence on stock pricing within the construction sector, but to my knowledge, no previous study examined the influence of such announcements within the coffee section. Thus, no prior instrumentation is available.

- Plan to provide evidence for reliability (for example, internal consistency and test/retest).

The ability of research repetition is the practical definition of reliability. If a research project is reliable, other researchers following the same procedures will obtain the same results. This is essential in a successful dissertation. Numerous authors (Borochin & Golec, 2016; Dibrell, B Craig, Kim, & J Johnson, 2015) utilized event studies for research (Deák & Karali, 2014; Hai et al., 2014)to examine the financial discipline and stock reactions. This undergirding provides a foundational basis for reliability. The use of recognized research instruments such as SPSS (Regents, 2013)ensures the continued reliability of the findings and the capability of reenactment of these findings. The use of SPSS to determine if a correlation exists between socially conscious initiative announcements, and abnormal stock pricing also provides reliability.

- Plan to provide evidence for validity (for example, predictive and construct validity).

The provision of research questions, and recognized research retest capabilities leading to reliability, ensures research validity. Validity itself links directly to the accuracy of conclusions drawn from the study. In this study of socially conscious initiative announcement events, it is important to determine that the findings are valid and to recognize the modifying variables important to any conclusions regarding correlation. Research of socially conscious initiative announcements could open the door to challenges of predictive validity. The use of regression analysis through SPSS should add validity to the research. Multiple regressions should provide goodness of fit for the benefit of validity.

- Establish sufficiency of instrumentation to answer research questions.

  The use of multiple regression, correlation studies, and event study analysis using SPSS should provide sufficient instrumentation to determine if a correlation exists between socially conscious initiative announcements, and stock price changes, differing from expectations under a WACC and the CAPM. The consideration of mediating variables including additional announcements made during the event window studied warrants use of SPSS, which allows inclusion of various factors.

Data Analysis Plan

The utilization of two important software packages, Microsoft Excel and SPSS, provided sufficient analysis capabilities to determine correlations, and produce results that answer the research questions. Data cleaning is the process of disengaging inaccurate or inappropriate information from the dataset used for analysis (Abedjan et al., 2016). I undertook continuous process of encapsulating data in Microsoft Excel and incorporated the data into SPSS. Data screening continued through the entire process systematically, until an accurate representation of the findings is possible with as little inaccuracy as possible. Several rounds of data scrubbing and cleaning in Excel,and incorporation into SPSS took place, ensuring the highest level of data cleaning possible for this project.

The research questions include the following:

Research Question 1: What is the relationship between socially conscious initiative announcements and stock return investment prices within the coffee industry?

$H_0$1: No relationship exists between socially conscious initiative announcements and stock return investment prices within the coffee industry when examined within the context of WACC and CAPM.

H_a1: A relationship exists between socially conscious initiative announcements and stock return investment prices in the coffee industry, when examined within the context of WACC and CAPM.

Research Question 2: What is the significance of the relationship that exists between socially conscious initiative announcements and stock valuation within companies operating in the coffee industry?

$H_0$2: Socially conscious initiative announcements result in no abnormal returns within the context of the WACC and CAPM.

H_a2: Socially conscious initiative announcements result in abnormal returns within the context of the WACC and CAPM.

The analysis plan including the elements is described in detail below.

Statistical tests that will be used to test the hypotheses.

Two hypotheses exist for this research project. First, it is hypothesized that a correlation exists between coffee companies' socially conscious initiative announcements made in the *Wall Street Journal,* and *the Washington Post,* and abnormal stock pricing. After controlling for the numerous possible modifying variables, a multiple regression, correlation analysis, *t*-tests, and ANOVAs will determine if a correlation does exist. The second hypothesis is that socially conscious initiative announcements result in abnormal stock pricing. Thus, while the first research question asks if a relationship exists, the second research question asks if there is a causal relation.

Procedures used to account for multiple statistical tests, as appropriate.

The Fama-French three factors model controls for size and momentum, which is essential in the coffee industry because of the large size differences between companies. Testing comparatives between large and small companies within the coffee sector, testing differences between pre-event and post event stock prices, and testing the inclusion of initiative announcements with other important influences on stock pricing are all possible through the use of SPSS. Each of these and other tests conducted using the SPSS software willlead to conclusions regarding the proposed hypotheses.

Rationale for inclusion of potential covariates and/or confounding variables.

Coffee companies compete for equity advantage, and stock price changes can make a considerable difference to many of these companies. Larger companies, such as Starbucks, may not experience the dramatic improvements or disadvantages smaller companies do when stock prices change. At the same time, a change of a single cent in stock pricing may offer more money to larger companies than smaller companies. This study, therefore, necessitates the inclusions of multiple different sizes of corporation. I included possible paired correlations to find the differences in smaller and larger corporate returns, following socially conscious initiative announcements.

Multiple events often occur during closely related timeframes. This will necessitate the inclusion of other announcements, such as earning reports and dividend payment announcements, occurring concurrently with socially conscious initiative announcements. Events surrounding the announcements of socially conscious initiative announcements that occur because of a company's actions could warrant comparison to other companies, such as Starbucks, that do not have concurrent initiative announcements. This will aid in determining pricing differences in stock pricing. I also examined dates when no announcements were made and then compared these to dates when initiative announcements were reported in the *Wall Street Journal,* and *Washington Post* for numerous coffee companies for comparative purposes. The numerous articles published regularly regarding commodity trading, especially within the coffee industry, that are not related to socially conscious initiatives will necessitate a careful and detailed analysis, to determine what information to include within the study and how the information influences the stock reaction. This will address the potential that other information released may cloud the true influence of the socially conscious initiative announcements on the stock pricing of corporations within the industry.

How results will be interpreted?

The event window will be separated into three sections: 5 days proceeding, the day of, and 5 days after the announcement event in the *Wall Street Journal*, and *Washington Post*. Immediate changes resulting from initiative announcements should occur in an instant timeframe, and should fall somewhere outside the normal changes taking place in stock pricing during the period examined. If the stock prices change were either negative or positive, then it would appear to indicate that the initiatives do influence stock pricing, thus answering the first research question. Announcements may take the form of individual companies within the industry or the industry itself. Borochin and Golec (2016) suggested if an eventis related to one singular company within the industry, the researcher should examine that company in a singular fashion. Following this logic, I examined and compared companies of similar size where possible, to see if under these circumstances, a change takes place in the stock of one company and compare it to the stock of another.

Confidence levels should improve with the concentration of the event window length. Borochin and Golec (2016) proposed that by extending the event window under examination, the confidence level grows because investor reaction takes place over a particularly tight timeframe, typically within 1 day after the announcement of the event. This would meet the expectations of the perfect market hypothesis.

Threats to Validity

External Validity

External validity is the extent to which the results of a test can aid researchers in applying the same findings to other research projects. In this study I show a linkage between socially conscious initiative announcements and stock prices. Logically other announcements should produce similar results. Within the commodity market in the United States, insider trading is allowed. This is different from laws in other nations and different from laws in other industries within the United States. If manipulation of announcements can drive investor desire, then it is simply one step in providing information regarding the failings in the legal system in this area. External validity means that other researchers are applying the same tests regarding other variables not studied in this research. It is also possible that other industries beyond the coffee sector would find similar stock reaction events. It is possible, however, that alternative announcements occurring at the same time as initiative announcements would skew the findings, and the socially conscious initiative announcements would not be the reason, at least in full, for the changes taking place in stock market pricing.

It is also possible that multiple treatment interference could take place. Within the Wall Street Journal, or Washington Post, numerous stories may be published regarding the same socially conscious initiative. Other news agencies may also carry stories that directly influence stockholder perception and change stock pricing. In this study, I limited multiple treatment interference by closely examining those announcements that are not repeated, and are not listed in other known news sources. I also studied the first notice of any announcement to determine findings and avoid multiplicity.

Internal Validity

The concept of internal validity is important in this study. Numerous variables react together to change stock pricing, and rarely does one variable act alone. This is an area where concise and careful control and consideration must take place in the determination of what causes changes in stock pricing. While conducting studies such as those concerned with observational or descriptive datasets, researchers conducting correlation studies must adhere to rigors of internal validity testing. I attempted to observe correlation within this study. I aimed to consider all other variables capable of influencing stock pricing, other than socially conscious initiative announcements—such as earnings announcements, management change announcements, etc. Regardless of the correlation of other variables, it is essential to attempt an examination of all other variables influencing stock pricing, to determine if the socially conscious initiative announcements do have even a small amount of correlation with stock pricing abnormalities. It is also possible that a threat to internal validity could result from the study of a single industry. This study is important because it adds to the previous literature.

Construct Validity

Within this study, construct validity is aided by the fact that other authors have examined the same type of reaction within other industries. Bal et al. (2013) examined the construction sector and Deák and Karali (2014) examined the food industry. I examined, within this study, the normal stock reaction using the established perfect market hypothesis (Lambert, Leuz, & Verrecchia, 2012), as well as the Fama-French three factors model, the CAPM, and the WACC expectation, and compared expected stock pricing against abnormal stock pricing within the event window preceding and following socially conscious initiative announcements. Any changes outside normal expectations of the perfect market hypothesis satisfied any concerns regarding construct validity. This dynamic approach to relate the findings should also address any statistical concerns regarding statistical conclusion validity.

Ethical Procedures

The IRB Number associated with this study is 2115532. No participants are involved in this research project. All dissertation data is archival and publicly released. An application for IRB is required for all dissertations, but given the use of publicly released archival data, this requirement will be minimal compared to other dissertations. No human participants exist. No institutional permissions are necessary. The only ethical concern related to recruitment of materials was to make the best attempt to ensure all announcements were included for the period studied. Data came from publicly released information. No anonymous or confidential data is included in this research dissertation. Data will be stored in Excel spreadsheets backed up with an online backup system in case of information loss, but no protections are required due to the nature of this archival publicly released information.

Summary

In this quantitative research project, I examined an event window of 30 days preceding and following socially conscious initiative announcements released from publicly traded coffee companies in the Wall Street Journal, and Washington Post. This information provided an answer to the research questions asked in this dissertation. The research questions queried if socially conscious initiative announcements resulted in abnormal stock pricing, and what type of relationship existed between these announcements and stock pricing within the coffee industry. I examined all coffee companies listed in the S&P 500 and on the Nasdaq Exchange that had announcements made in the Wall Street Journal, and Washington Post between January 1, 2011 to

December 31, 2015, to determine correlations. I organized all data in an Excel database and used SPSS for correlative studies using multiple regressions. If the findings showed that a correlation exists in the coffee industry, this information is applicable towards future research in other industries.

Chapter 4: Results

The purpose of this study was the determination of stock abnormalities stemming from announcements regarding socially conscious initiatives undertaken by companies operating in the coffee industry. In this study, I examined announcements carried through articles contained within the *Wall Street Journal* and the *Washington Post* regarding socially conscious initiatives, to determine, within an event window of 5 days prior and post announcement, the influence on stock valuation. If a significant enough degree of correlation exists between socially conscious initiative announcements and stock valuation changes, this would warrant further research.

In this research project, I examined two questions. First, I looked for the relationship between socially conscious initiative announcements and stock return investment prices within the coffee industry. The null hypothesis states there is no relationship within the context of weighted average cost of capital and the capital asset pricing model. In the second research question, I examined the significance of any relationship that exists between the socially conscious initiative announcements and the valuation of stock within coffee industry related companies.

Chapter 4 begins with a review of the questions studied in this project. I then document the data collection process, the analysis of the data, and finally discuss the results of the findings. In the summary, I direct the reader’s attention to the final chapter. There was no pilot study necessary for this research project and all data was secondary data, so in the next section of this chapter I will discuss data collection.

Data Collection

I selected a 5-year window for examination of announcements regarding socially conscious initiatives within the coffee industry beginning January 1, 2011, and ending on December 31, 2015, inclusively. I started using ABI/Inform Global available through the Walden University library to access any articles related to coffee and socially conscious initiatives during the 5-year window. I examined each article to determine if it held relevance to socially conscious initiatives announced by companies in the coffee industry. I found 4,021 articles carried by the *Wall Street Journal* and determined that of these, only 77 held information regarding socially conscious initiatives. I then examined the *Washington Post* and found 12,089 coffee related articles with only 61 articles holding useful information regarding socially conscious initiatives. Given the fact that this information was secondary and publicly available, I faced no issues with information retrieval and treatment for the proposal.

In the *Wall Street Journal*, I found 77 articles specifically regarding socially conscious initiatives. Within the *Washington Post* I found 61 articles specifically regarding socially conscious initiatives. Incorporating these together, a total of 138 articles existed for possible use.

I chose publicly traded coffee companies existing for the period between January 1, 2011, and December 31, 2015. Five companies presented sufficient data to examine the industry. These were Starbucks (SBUX), Coffee Holding (JVA), Farm Brothers (FARM), McDonalds (MCD), and Panera Bread Company (PNRA.) I compiled research articles from the *Wall Street Journal (WSJ)* and the *Washington Post (WaPo),* which mentioned environmental initiatives taken by the coffee industry in general. I examined other companies but excluded them from the study because of insufficient information or insufficient date range inclusions.

Results

I chose the closing price of the five companies stock valuations during this 5-year period. In the first analysis, I performed a comparison of the percent change in closing prices in the 5trading days before an article appeared, and the 5days following the publication. The last closing price of the first period is the closing price of the day before publication. The first closing price of the second period is the closing price of the day of publication.

I created two data frames for the first analysis: one for the *Wall Street Journal* and one for the *Washington Post*. I removed from my analysis any periods with multiple publications so that no overlapping of announcement windows took place. This reduced the data set to 44 entries for the *Wall Street Journal* and 32 for the *Washington Post*.

Following this deletion of repeated windows, I conducted tests to evaluate differences in stock price movements in the period pre- and post publication. These tests were paired *t*-tests, or Wilcoxon signed ranks tests, depending on the normality of the scores. This resulted in a total of 10 comparisons, with $p<.005$ being the unadjusted critical value for significance ($p<.05$ divided by 10).

The following tables contain information important for the analysis. The first table shows the main statistics for the pre-and postchanges in shares surrounding publication in the *Wall Street Journal* articles. In regards to JVA and PNRA the difference scores showed high levels of skewness. For JVA skewness is 1.55 (*SE*-.36) and kurtosis 5.78 (*SE*=70); for PNRA skewness is 1.27 (*SE*-.36) and kurtosis 7.94 (*SE*=.70). JVA and PNRA are therefore analyzed with a sign ranked Wilcoxon test.

Of all the companies examined, the only company with significant differences pre and post publication was Starbucks, $t(43)$-3.25. The unadjusted significance being p=.002, p=.023 after a Bonferroni adjustment. McDonalds resulted in $t(43)$=.56, p=.572 for FARM $t(43)$=.07, p=.945. The Wilcoxon sign rank test results for JVA were z=1.18, p=.239, for Panera Bread z=.14, p=.889.

In Table 1 I demonstrated the pre and post minimum, maximum, and mean statistical test for each of the five tests in question. I then demonstrated Standrad Deviation, Kurtosis, and Skewness of these five companies. I then demonstrate the difference with the five companies in completion.

Table 1

Descriptive Statistics

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Skewness Std. Error	Kurtosis Statistic	Kurtosis Std. Error
SBUX pre	44.00	-6.02	12.33	.88	2.84	1.17	.36	5.51	.70
SBUX post	44.00	-8.33	2.62	-.89	2.59	-.95	.36	.57	.70
MCD pre	44.00	-4.90	3.40	.11	1.66	-.75	.36	1.20	.70
MCD post	44.00	-4.53	3.60	-.13	1.96	-.27	.36	-.49	.70
FARM pre	44.00	-19.80	10.95	-.04	6.28	-1.21	.36	2.72	.70
FARM post	44.00	-13.95	12.80	-.15	6.87	-.11	.36	-.42	.70
JVA pre	44.00	-27.17	30.76	-1.79	8.79	.15	.36	5.55	.70
JVA post	44.00	-37.48	58.07	.41	12.25	1.71	.36	12.83	.70
PNRA pre	44.00	-10.33	18.93	-.01	4.15	1.98	.36	9.77	.70
PNRA post	44.00	-12.61	27.40	.36	5.25	2.98	.36	16.79	.70
SBUX diff	44.00	-12.09	4.45	-1.77	3.62	-.67	.36	.41	.70
MCD diff	44.00	-7.54	7.87	-.24	2.73	.31	.36	1.48	.70
FARM diff	44.00	-19.25	32.60	-.11	10.25	.55	.36	1.54	.70
JVA diff	44.00	-22.03	51.11	2.20	12.31	1.55	.36	5.78	.70
PNRA diff	44.00	-20.82	31.82	.37	7.39	1.27	.36	7.94	.70
Valid N (listwise)	44.00								

In Table 2, I found the main statistics for the pre-andpostshare prices as well as the difference scores for the *Washington Post* publication articles. Starbucks has a kurtosis of 3.02 (*SE*=.81); JVA a skewness of 1.66 (*SE*=.44) and a kurtosis of 752(.81). Given these figures, Wilcoxon sign ranked test were used for these two companies. The three paired t-tests were not statistically significant. For McDonalds $t(31)=57$, $p=.572$, for FARM$t(31)=.41$, $p=.685$, for Panera $t(31)=.03$, $p=.978$. Neither Wilcoxon tests revealed significance. For Starbucks $z=-1.03$, $p=.304$, for JVA $z=.243$, $p=.808$.

Following from the pre- and post comparisons, I considered the interaction of the Standard and Poor 500 index (S&P). I theorized that the impact of an article in the *Wall Street Journal* or *Washington Post* might be moderated by changes in the S&P during the 5 days following publication. To test this interaction, 10 mixed ANOVAs were considered with the percentage change in share price as the dependent variable. The within-subjects independent variable was pre- or post publication, and the between subjects independent variable was the change in the S&P, in the 5 days post publication. This independent variable had three levels, which were based on the level of change in this index.

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
SBUX pre	32.00	-7.46	9.09	.48	2.95	.18	.41	2.38	.81
SBUX post	32.00	-4.78	5.28	.00	2.63	.04	.41	-.74	.81
MCD pre	32.00	-2.49	6.96	.48	1.85	1.31	.41	3.64	.81
MCD post	32.00	-2.65	2.41	.28	1.39	-.49	.41	-.53	.81
FARM pre	32.00	-12.51	16.18	.45	6.43	.22	.41	-.02	.81
FARM post	32.00	-6.08	22.41	1.18	6.07	1.58	.41	3.61	.81
JVA pre	32.00	-6.37	19.35	1.08	5.56	1.36	.41	2.85	.81
JVA post	32.00	-15.31	49.76	1.35	10.63	3.12	.41	14.18	.81
PNRA pre	32.00	-10.88	4.38	-.44	3.13	-1.41	.41	2.69	.81
PNRA post	32.00	-7.51	5.54	-.41	3.20	-.21	.41	-.53	.81
SBUX diff	32.00	-13.87	12.74	-.47	4.57	.21	.41	3.02	.81
MCD diff	32.00	-5.38	2.98	-.20	1.98	-.61	.41	.43	.81
FARM diff	32.00	-17.59	23.58	.74	10.18	.32	.41	-.42	.81
JVA diff	32.00	-20.03	45.47	.27	11.41	1.66	.41	7.52	.81
PNRA diff	32.00	-9.24	14.01	.02	4.98	.62	.41	.88	.81
Valid N (listwise)	32.00								

It was necessary to establish cut off values. These cut off values of these levels were provided as the closest approximation to equal group size. Equal group size lends to stronger analysis. The *Wall Street Journal* has low S&P changes ranging from -5.48% through to -1.03% (n=15), the medium group from -1.01% through to .57% (=14), and the high group from .6% through to 2.6% (n=11), and the high group from .91% through to 3.86% (n=10).

For the purposes of multiple comparisons, the significance of the within subjects main effect, and its interaction with the between subjects variable, is assessed. Using a Bonferroni adjustment, the critical, unadjusted significance, p<.005, will then be applied to whichever of the two p values are lower. If there is adjusted significance, checks will be made to see if the ANOVA has violated its assumption.

Normal ANOVA assumptions include independence of cases. This was the reason for the elimination of event windows with more than one socially conscious initiative announcement. The second assumption is normality. Normality indicates the distributions of residuals are normal. Finally, the third assumption of an ANOVA is equality or homogeneity of variance, which indicates all variables within the tested group have the same variance. In the case of this research project, it is assumed that these three assumptions are met. There are some recognizable reasons to believe that at least in the case of Weighted Average Cost of Capital, and the Capital Asset Pricing Model, the variables do hold normal variance with no abnormalities. Abnormal stock pricing could indicate changes resulting from these socially conscious initiatives.

In the case of *Wall Street Journal*, only Starbucks had a significant ANOVA. The main within subjects effect had $F(1,41)=11.67$, $p=.001$, $\eta^2=.19$, the interaction between the within and between subjects independent variables was also significant, $F(2,41)=3.82$, $p=.03$, $\eta^2=.13$.

In the case of *Washington Post*, Starbucks was also the only significant ANOVA. The within subjects main effect was not significant, $F(1.29)=.327$,$p=.572$, the interaction was significant, $F(2,29)=6.76$, $p=004$,, $\eta^2 = .32$.

The diagnostics for the *Wall Street Journal* ANOVA suggested, overall, that the assumptions are met. I performed Shapiro-Wilks tests for normality on the six cells of the ANOVA. Five out of six were not statistically significant. The medium S&P, post publication cell was significant, $p=0.46$. I used the Levene's test to test the null hypothesis that the variance of the change in Starbucks' share price was the same, across the three levels of change in S&P. I categorized the three levels of variance into low, medium, and high deviations, within the S&P and within the event windows. The pre-publication changes indicated $F(2,41)=2.64$, $p=0.83$; for post-publication the changes indicated $F(2,41)=1.62$, $p=210$. I also conducted a Box's M test to test the null hypothesis regarding variance-covariance matrices for homogeneity (Tabachnick & Fidell, 2014). The test was statistically significant, $F(6,4.06)=3.18$, $p=004$. Tabarchnick and Fidell asserted that the Box's M test is extremely sensitive, and state that if Box's M is significant at $p<.001$, then tests will face problems with robustness. As significance was at a higher level, I did not give weight to the results of this diagnostic test.

I judged for the *Washington Post* ANOVA that the assumptions for the test had been met. Only one of the six cells of the ANOVA had a statistical significant Shapiro-Wilk statistics test score, low S&P, prepublication, at the p=.041 level. Levene's test, across the three levels of the between subjects independent variable, was not significant, prepublication F(2,29)=.05, p=.951, for Starbucks post-publication F(2.29)=.35,p=.717, Box's M was not statistically significant, F(6, 19665.02)=1.05, p=.389.

I conducted the two ANOVAs and found results indicating limited support for the hypothesis that the announcements had an influence on share price of companies whose business is related to coffee. Limited support, however, does not indicate a lack of support in the sense that the share price of one such company, Starbucks, appears to experience a small influence. This would lend at least limited support to the hypothesis that there is a relationship between announcements and share price movement.

Figure 1 shows the impact of the Standard and Poor's and *Wall Street Journal* publication on the Starbucks share price. For all levels of change in the Standard and Poor's (low, medium, and high), the growth in the Starbucks share price reduced, but the reduction was substantially steeper in the low Standard and Poor's condition.

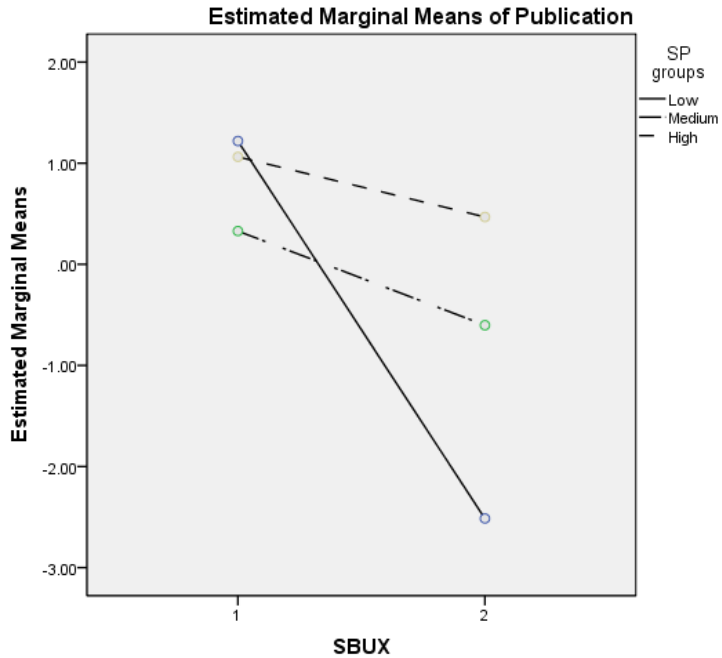

Figure 1 Starbucks and Wall Street Journal

Figure 2 demonstrates the plot of the interactions involving Starbucks five-day percentage growth, pre-and post-*Washington Post* publication, and Standard and Poor's growth post publication (low, medium, and high). It is important to note that the difference between high and low hold opposing reactions.

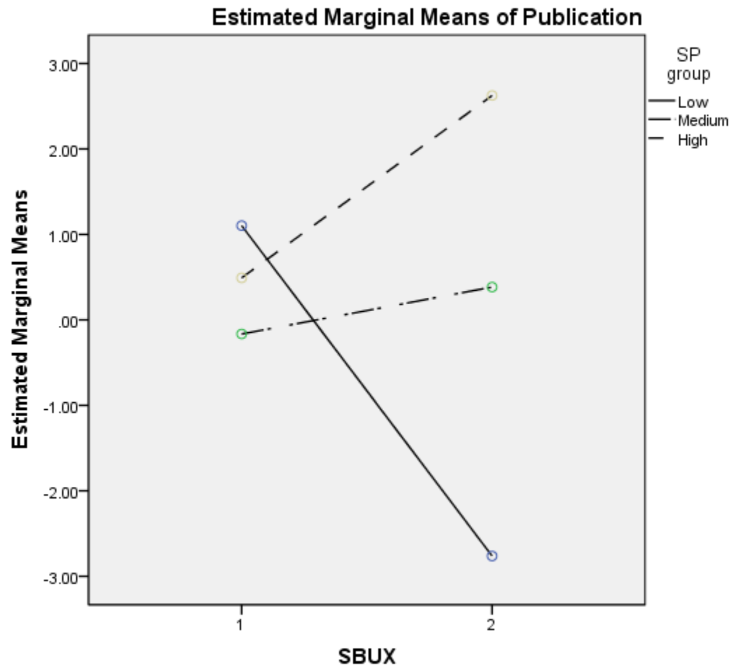

Figure 2 Starbucks and Washington Post

Following the ANOVAs, I determined it was necessary to pursue the performance of a regression. The dependent variable was a single factor regressed un-rotated principal component of the closing price of Starbucks, McDonalds, Farm Brothers, Coffee Holding, and Panera Bread. The following histogram of the principal component demonstrates some evidence of bimodal distribution, and there is a degree of kurtosis (-.383, SE=.138).

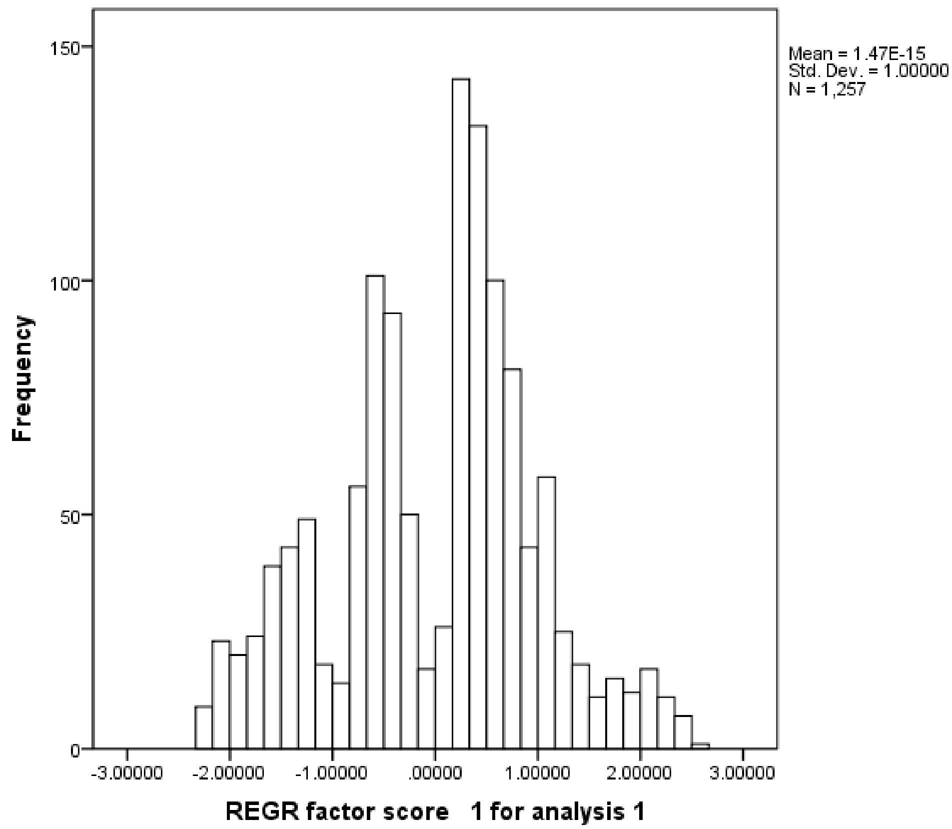

*Figure 3*Regression Factor Score

Two of the predictor variables include the *Washington Post* and the *Wall Street Journal*. These were dummy-coded. A 1 represented the day of publication and the following four subsequent days. A 0 represented other days. 330 days (26.3%) out of 1257 were in the publication window of the *Wall Street Journal* and 259 days (20.6%) were in the publication window of *Washington Post*.

The Standard and Poor's 500 close was another predictor variable as was the interaction between the Standard and Poor's, *Wall Street Journal*, and *Washington Post*. I utilized simple multiplication to calculate the interaction variables. This provided the required information for continued analysis.

In the preliminary stage, the correlations of the predictor variables were calculated. The correlation between the *Wall Street Journal* and its interaction with the Standard and Poor's, and *Washington Post* and its interaction were very high, .976 and .985, respectively. There is then a problem of multicollinearity, which was resolved by dropping the main effects of publications from the regression. This meant that three predictor variables remained, the Standard and Poor's close, and the Standard of Poor's interaction between *Wall Street Journal* and *Washington Post*.

Another issue is autocorrelation. As part of the data is influenced by time series events, autocorrelation is likely a large issue in this analysis when a linear regression is performed (see Table 3) with the three predictor variables; the Durbin-Watson statistic is 023, $p<.001$. I then performed a linear regression with the Cochrane-Orcutt correction as noted in Table 4.

Table 3 below indicates the predictors for Standard and Poor's close/*Wall Street Journal* interaction, Standard and Poor's close and *Washington Post* interaction, with the dependent variable being the principal component of the closing prices of Starbucks, McDonalds, Farmer Brothers, Coffee Holdings, and Panera Bread. I included no adjustment for autocorrelation.

Table 3

Coefficients [a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
(Constant)	-4.764	.065		-72.858	.000
S&P	.003	.000	.909	73.013	.000
WSJ_S&P	-7.626E-5	.000	-.057	-4.682	.000
WaPo_S&P	3.604E-7	.000	.000	.021	.983

Note a Dependent Variable Prin Comp

Table 4 shows a Cochrane-Orcut adjusted regression table for the predictors Standard and Poor's close, Standard and Poor's close with the *Wall Street Journal* interaction, the Standard and Poor's close with the *Washington Post* Interaction, with the dependent variable being the principal component of the closing prices of Starbucks, McDonalds, Farmer Brothers, Coffee Holdings, and Panera Bread.

Table 4

Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std, Error	Beta	T	Sig.
(Constant)	.002	.000	.581	25.217	.000
S&P	2.043E-6	.000	.018	.771	.441
WSJ_S&P	3.897E-7	.000	.003	.127	.899
WaPo_S&P	-3.552	.235		-15.125	.000

Note: The Cochrane-Orcuttestimation method is used.

Once I accounted for auto-correlation, the regression showed that only the main effect of the Standard and Poor's held a significant impact on the principal component of Starbucks, McDonalds, Farm Brothers, Coffee Holdings, and Panera Bread. The R^2 for the regression was .58, and for the main effect of Standard and Poor's β=.58, t=25.22, p=.001.

I also performed regressions (with corrections for auto-correlations) with each of the five coffee companies' closing prices as the dependent variables, the Standard and Poor's, and its interactions as the predictor variables. In all cases, there was a significant main effect for the Standard and Poor's. The regression for FARM did appear to show statistical significance for the interaction between the *Washington Post* and the Standard and Poor's β=.054, *t*=2.03, *p*=.041.As five companies were analyzed, the critical value for the significance of this interaction was *p*=.01, which the regression did not achieve.

Results Summary

The data analysis included parametric and non-parametric analyses. The determinations were that a relationship and correlation exist between announcements of socially conscious initiatives carried in the *Wall Street Journal* and coffee company stock value based on a set of *t*-tests, and 10 mixed ANOVAs performed. I posed the research question to determine if there was a relationship between socially conscious initiative announcements and stock values in coffee companies. When comparing specific periods, before and after an announcement, there appears to be support for the hypothesis that announcements can have an impact on share price, but the movement of the S&P moderates this influence. However, a regression model that encompassed the entire period from January 1, 2011 to December 31, 2015, failed to find any significant impact on the share price of environmental initiatives.

Chapter 5: Discussion

In this study, I determined whether announcements regarding socially conscious initiatives would influence the value of stock in companies operating within the coffee industry during a 5-year period from January 1, 2011 to December 31, 2015. If When following the strictest weighted average cost of capital and capital asset pricing model, then stock pricing would change but not outside an obvious pattern. I sought to determine if announcements from the *Wall Street Journal* and the *Washington Post* related to environmental and social initiatives led to abnormal return values.

Concisely summarize key findings

I examined five companies with continued existence during the entire five-year period from January 1, 2011 through December 31, 2015. I found sufficient reason to conclude that socially conscious initiative announcements carried in the *Wall Street Journal*, and *Washington Post* do have a relationship to company stock value abnormalities. This conclusion was brought about by the performance of *t*-tests, Wilcoxon signed rank tests, 10 ANOVAs, and regressions. Starbucks was the only company showing a significant difference pre-and post publication, as indicated by *t*-tests.

I found that with the ANOVAs, in the case of the *Wall Street Journal* and the *Washington Post,* only Starbucks demonstrated significance. While the within and between subject independent variables are significant for the *Wall Street Journal*, for the *Washington Post* only the interaction was significant. The results for the ANOVA thus provided only limited support for the hypothesis.

In the regression, autocorrelation was a major factor, and after adjustment, only the main effect of the S&P was a significant factor.

Interpretation of the findings

Abnormal stock reactions occur within company stock in numerous industries. Various studies exist regarding this reaction. Chan et al. (2012) sought to understand the link between trading and share repurchases and signal mispricing. Nwogugu (2015) examined the Dodd-Frank Act and insider trading, looking at stock reactions. Nwogugu (2015) examined RAFSA for control on bonds in the commodities market. Kajander et al. (2012) investigated reactions of announcements regarding sustainable business practices in the construction industry. In this study, I sought to determine if a relationship and a correlation existed between socially conscious initiative announcements and stock reactions, using event windows. This research project added an extra dimension to the comprehension of how socially conscious initiative announcements influenced the stock values and if abnormal stock reactions occur. I concluded that, at least to a small degree, the announcements of socially conscious initiatives by companies within the coffee industry does relate and correlate to stock valuation.

Various authors also examined how abnormal stock pricing occurs from multiple market conditions. Drake et al. (2015) argued that restatements of reported financial information results in abnormal stock reactions and corporate value changes. Drake et al. (2015) asserted that negative reactions typically occur. In this study, I expanded the areas of research to include the reaction of stock values within the coffee industry, resulting from socially conscious initiative announcements carried in the *Wall Street Journal* and *Washington Post*.

Analysis and Interpretation: theoretical and conceptual framework

In this study, I attempted to expand the comprehension of the importance of socially conscious initiatives in the coffee industry. Yusoff et al. (2015) argued that the efficient market hypothesis asserts it is impossible to outdo the market because all information is immediately available. Various authors, including Chan et al. (2012), refuted this claim. Through this study, I have shown that abnormal stock prices may occur because of socially conscious initiative announcements.

Social consciousness does hold importance within numerous industries, either in a negative or positive fashion (Clacher & Hagendorff, 2012; Feigenbaum, 2011; Kajander et al., 2012). Elder et al. (2014) insisted that coffee companies were not unique in this aspect and that socially conscious initiatives were essential to these industries. Through this study, I determined that there are indications that the announcements of these initiatives do hold as mall amount of significance to stock values, typically in a negative direction.

Multiple research projects have used a newer methodology called an event window to study stock reactions (Dam & Petkova, 2014; Deák & Karali, 2014). I have furthered the practice and understanding of the possibilities of this method. I used an event study to determine if, within an event window of 5days’prior to and 5days after a socially conscious initiative announcement is carried in the *Wall Street Journal*and

Washington Post abnormal stock reactions follow. Abnormal stock pricing supports relevance for the Fama-French three factors model.

The Fama-French three factors model requires an understanding of size, value, and momentum. Size, value, and momentum are all extremely relevant factors within the coffee industry Fama and French (2012). This study aids in supporting the assertion that international stock pricing holds importance when examining multinational firms. Within this study, I examined the multinational industry finding that announcements regarding corporate action in the areas of socially conscious initiatives do influence the valuation of coffee company stock pricing. This adds one additional factor towards support of size as important in financial calculations, as shown in the Fama-French model. The varied socially conscious initiative announcements reflecting the correlation found with Starbucks and Panera Bread stock value changes, leads to added credibility in the use of value and momentum as a portion of the financial Fama-French model.

Fama and French (2012) argued that most previous literature focused on large stocks because of the volatility within small company stocks. I found within the study that a greater volatility did exist within smaller company stocks. The time frame made it difficult to examine the small company stocks in comparative nature with the large, and thus the smallest stock examined was that of Coffee Holdings Company, and the largest was Starbucks, both of which are larger stock companies. I found the largest correlation within the largest company. This adds an extra dimension of thought toward the changes in varied stock sizes.

One important financial theory that is influential to this research was the adaptive market approach theory. Rebaudo and Dangles (2015) theorized the adaptive investment approach as a middle ground between the adaptive market hypothesis and the efficient market hypothesis. Ma (2015) introduced the framework for the adaptive market hypothesis, stating that investors have the capability to augment investment decisions, granted that the information regards ongoing market returns, and volatility. I have presented in this research one aspect important for investor consideration within the coffee industry. I demonstrated a slight correlation between announcements of socially conscious initiatives and coffee stock value. While this is a small step, most large decisions are driven by numerous small facts, and the correlation aids in the foundation of the adaptive market approach as a financial theory. This theory links closely to the efficient market hypothesis as a small type of refutation.

The efficient market hypothesis asserts the impossibility of outperforming the market as all information necessary for market conditioning is immediately released (Yusoff et al., 2015). While many theorists refute this in various ways, by showing the volatility from socially conscious initiative announcements in the coffee industry, I have added one small step worthy of consideration in both the efficient market hypothesis, and the opposition against this theory.

The Capital Asset Pricing is a model pertaining to, and describing systematic risk and expected returns from investments in the market. The arbitrage pricing theory is an addition to this model. Andriotto and Teti (2014) asserted that a move beyond the Capital Asset Pricing Model allowed for improved innovative factors. I have, through this study, included the influence of socially conscious initiative announcements on stock values within the coffee industry as one such factor. When investors know more about potential risks, and when each risk of market change is explored, it adds to the knowledge base from which decisions rest. Fulga (2015) explained that within the arbitrage-pricing model, each variable added holds its own beta. Fulga argued that the inclusion of each beta improves linear equations, aiding in predicting financial accuracy. I have aided this theory by providing one more variable to examine, at least for the coffee industry.

The trading of assets including large stock transactions contains constant drift and volatility. Subramaniam and Jin Dong (2012) utilized the Black and Scholes model to examine management decisions on risk activities. The model assumes the existence of constant drift and volatility. Through inclusion of the Standard and Poor’s constant drift, and the examination of coffee company stock value in a 5-year event window and abnormal stock changes following socially conscious initiative announcements, I have extended the literature and research into the drift and volatility that the Black and Scholes model acknowledges.

I previously stated the importance of the behavioral theory towards financial knowledge. This theory argues that investors seek the maximization of utility, and seek the greatest potential profit. Grazzini (2013) asserted that signals disseminated into the market resulted from individuals seeking to maximize utility. I found within this study that signals regarding expenditures in socially conscious initiatives within the coffee industry did correlate to stock valuation change, mostly in a negative direction. This adds to the knowledge and justification of this theory. Stock value changes may result in investor wealth changes.

The nature of the coffee industry as a multinational organization is important to understanding multinational financial theories. Gallagher (2014) suggested the Guidotti-Greenspan rule, which means that for any nation, the national reserve should equal in a minimalistic fashion the short-term external debt. Most of the coffee product originates from developing nations that may not meet this standard. The examination of stock value changes following announcements of socially conscious initiatives in these third world nations aid in comprehending the capability of meeting this level of requirement. I have sought to determine if stock valuation changes follow announcements of socially conscious initiatives, and one such initiative could be the wealth development of supplier nations for the industry. While this study does not seek to research perception, it does provide quantitative grounding to the possibility of investor perception resulting in stock value changes.

Perceived risk may hold importance. H. Levy and Woemer (2013) compared prospect theory to utility theory, stating that the value of perceived risk is paramount on value final outcomes. Through this study and the findings of correlation between socially conscious initiative announcements, and stock value abnormal changes, I have offered findings that may add to the consideration of this theory. Further study may determine that perceived influences on stock reactions hold correlation to abnormal stock values within the coffee industry, when the socially conscious initiatives are announced. It may even indicate that making announcements is not the best idea. The timing of these announcements could aid corporations through cost savings.

Strategically timing announcements could be one avenue towards the best incorporation of opportunities towards financial stability. deHaan et al. (2015) insisted that strategically timing announcements could aid management in influencing stock price changes. Management must decide on what is pertinent to announce, and when it is important to announce the information..

Limitations of the study

The noise is likely the most limiting influence on this research project. Unfortunately, when businesses make changes, there is typically not simply one change. Announcements regarding socially conscious initiatives coincide with announcements of change in management, and announcements of earnings management. Many times, when business leaders change, or businesses earn extra profit, they may desire to embark on a quest to aid those individuals or smaller companies that have brought success to their organization. Management professionals may announce each of these occurrences and these may coincide with socially conscious initiative announcements.

Another limitation of this study is the actual delivery areas of the *Wall Street Journal* and the *Washington Post*. These newspapers have a distributorship in which they are read and not every area includes these newspapers. No other news mediums were included beyond the *Wall Street Journal* and *Washington Post*. Clearly, if these newspapers do not reach an area of individuals who invest in the stock market, they may not see these announcements, and investors must examine announcements carried in other mediums. It is likely that each of these announcements is carried in multiple venues.

Multiple venues may influence market timing. If announcements of information pertaining to socially conscious initiatives are carried in another news publication such as on the internet or a tweet before release in the *Wall Street Journal* or *Washington Post*, investors may react in a more expedient fashion than other investors. This could cause timing difficulties and allow certain investors to obtain superior timing for purchase and sales of stock, thus influencing coffee company stock values.

Another limitation is the use of secondary data. The information used for this research project is all secondary data. The stock pricing came from the Standard and Poor's and was released over a five-year period, and any mistakes made in reporting may not be recognized. Additionally, announcements carried from the *Wall Street Journal* and *Washington Post,* have overlapping announcements regarding socially conscious initiatives. I have attempted to eliminate overlapping socially conscious initiative announcements, however other announcements may have influenced the same event windows.

Event windows are ten-day periods, five days preceding the announcements and five days starting with the announcement date as day one. I did not examine any periods outside the event windows. This limited the data findings to that window.

The tracing of announcements regarding socially conscious initiative announcements and the influence of these announcements on stock values opens the door to generalize the study to other areas of knowledge acquisition. As I have shown, announcements do influence stock pricing. While it is not proven, it is logical that other announcements should cause a similar reaction. Announcements carried in other media should produce a similar influence on stock pricing, to a varied degree as shown in both the *Wall Street Journal* and *Washington Post*. Reproducible results should be available for other socially conscious initiative announcements in the same manner, but not necessarily the same results. Further study would reveal the possibilities with this.

The nature of the businesses that sell coffee is another limitation in this study, as these companies are not necessarily limited to selling only coffee. Panera Bread for example is a fresh bread company that also sells coffee. McDonalds operates in the fast-food industry, and operates as a competitor to other coffee selling companies.

Recommendations

Event studies are notorious for short-term time frames. The first recommendation I would make for further study is the development of long-term analysis. Instead of simply using a five-day window as I did in this study, it would benefit future researchers to examine longer event windows. This study is limited to the *Wall Street Journal* and *Washington Post*. Branching out to determine what results occur following other mediums of communication would benefit knowledge development. These could include items such as tweets, Facebook posts, and other instant communication avenues under current development.

Implications

My research project has substantial influence on positive social change by providing benefits towards cost savings on an organizational level. Businesses have a constraint of expenditures. They must make wise decisions regarding who to work with, how to disseminate information, and specific timing of information release. Few endeavors are completely free. Aiding society requires cost-benefit opportunities.

In the case of the findings of this research, it is essential to note that slight negative results following announcements of socially conscious initiatives show significance. Business management professionals may want to allow for the dissemination of information on a strategic basis (deHaan et al., 2015). Management professionals may use the money saved, by not allowing stock value to drop, to benefit society through social initiatives. If results of future studies show a positive reaction towards these announcements, it is possible management professionals may gain valuable monetary resources useful in developing socially conscious initiatives. Money saved by not announcing the initiatives could benefit families in under developed nations where the coffee product originates.

Customer social responsibility includes the importance of multinational organizations such as those found in the coffee industry (Clapp, 2014). Coffee organizations operate on a transnational and multinational schematic. Stakeholders within the industry gather resources in one location and bring them back to other areas for consumption. D. Levy et al. (2011) suggested in multinational and multicultural corporate frameworks that national memory places demands on corporate development, thus changing the dynamics of business methodology.

Specialty coffee retail value alone is estimated $46 billion per year and Starbucks alone has revenues of $9.46 billion, as far back as 2014. Elder et al. (2014) insisted that coffee companies have increased socially conscious initiatives during the last few years. These initiatives include supplying modern equipment for coffee producing farmers, and gifting volatility forecasting software to coffee development specialists (Mohan et al., 2014). Mohan argued that this volatility software can make enough difference to provide a coffee farming family enough financial aid to support them for a month at a time.

Through this study, I determined negative results indicating that corporate investors decrease their investments following certain announcements of socially conscious initiatives. This may explain the large amount of undeclared initiatives. Management professionals who decide not to announce may cause stock value to not fall as a result of the declaration, thus opening the door for cost savings, providing money to aid individuals, families, and even cultures within developing nations.

Recommendations for practice, as appropriate

In developing this study, I wondered if the results would show positive or negative tendencies for investment following announcements of socially conscious initiatives. In a small manner, it seems that results demonstrate the likelihood of diminished stock value following the announcements in a small event window. It is therefore my recommendation that management professionals think carefully about what they want to announce, and when they desire to announce the socially conscious initiatives they partake in, to benefit the corporation and society. Declaring the initiative at the wrong time may hurt the company, and drive down the stock price. Even small changes can result in large financial changes when considering the multi-billion-dollar coffee industry.

Conclusion

Socially conscious initiatives are important for social good, worldwide. In the multinational industry where coffee companies obtain their products from third world developing nations, and consumption occurs in modernized nations, the need for social fairness and societal development is paramount. One penny saved for each share of coffee company stock could feed, cloth, house, and sustain multiple coffee farmers over longtime periods. In a time when the spoken or written word influences the purchasing habits of socially conscious investors, it is essential to understand how, and when to announce organizational intent. Making announcements in the wrong way and at the wrong time could result in organizational failure and lack of support for farmers in these developing nations, stemming from corporation stock undervaluation. In an atmosphere of competition for corporate survival, it is essential for corporation management to have all the pieces of the corporate puzzle in mind when making decisions. The more information there is available for decision-making purposes, the greater the opportunities for corporate growth and social development. Additional knowledge leads to greater decision-making and worldwide success.

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