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"Because I Care I risk": How CEO Free Market Orientation Affects the Extent and Type of Income Smoothing

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“Because I Care I risk”: How CEO Free Market Orientation
Affects the Extent and Type of Income Smoothing

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Abstract

The executive political ideology literature suffers from a lack of conceptual clarity because social and economic issues are conflated. This has created an inconsistency in empirical findings with the theoretical predictions of the political ideology construct. In this dissertation, I identify a distinct economic component, *free market orientation*, based on support for *economic individualism*, *competition*, and *property rights* to reconcile these inconsistencies. Specifically, I argue that these indicators of *free market orientation* will have a unique impact on the way executives run their organizations. I develop a novel scale that measures CEO economic values that I term free market orientation and demonstrate its distinctness from a broad political ideology construct of CEO liberalism-conservatism. To do so, I conduct a content analysis of firm earnings conference calls to measure three indicators of *free market orientation* of CEOs – *economic individualism*, *competition*, and *property rights*. As an initial demonstration of the significance of CEOs' economic ideology, in the sample of 140 CEOs who were appointed to their positions in years 2008 and 2009, I also develop and test the idea that CEOs' *free market orientation* will influence their firms' extent and type of income smoothing strategies, defined as an attempt on the part of the firm's management to actively manage earnings toward a predetermined target. Specifically, I argue that free market oriented CEOs are more likely to engage in income smoothing and choose income smoothing strategies with the least harm to shareholder value but of more risk to themselves – discretionary accounting accruals. Thus, by engaging in income smoothing and choosing among certain earnings management strategies (real activities, accretive stock repurchases, or discretionary accounting accruals), free market-oriented CEOs not only display their ability to take greater risks but also their focus on the primacy of current shareholder interests over that of other firm stakeholders.

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I. Introduction

The increased globalization in recent decades and rise of transnational corporations whose operations transcend their home country jurisdictions, increasingly heightens scholarly and public attention to the societal role of corporations beyond their wealth-generating function as evidenced with the burgeoning number of research on social responsibility of corporations. More recently, researchers explore these questions through the prism of executive political ideology– the Democratic and Republican parties in the U.S. operationalized as the opposites of the conservatism-liberalism spectrum.

Specifically, the conceptualization of executive political ideology along the liberalism-conservatism continuum has opened ample opportunity for upper echelons research to immerse into executive value thinking and beliefs about these fundamental societal. Owing to burgeoning research in this domain, we know that executive political ideology influences organizational CSR activities, pay structure, resource allocation decisions, and even performance outcomes of their organizations. Albeit with the richness of organizational outcomes associated with the executive political ideology, this research has produced empirical inconsistencies with the theoretical thinking that leaves us at a loss as to our ability to peer into the black box of executive attributes associated with executive value systems.

These inconsistencies stem from overtly focus of executive political ideology on the psychological needs and biases that are known to predict an individual's views on social issues. In so doing, however, it pays insufficient attention to managerial values and beliefs about economic issues. This is problematic because an individual's social and economic values are increasingly understood to be distinct dimensions of one's political ideology. Thus, the continued conflation of these distinct components of political ideology not only exacerbates the black box puzzle in upper echelons research but hinders organization scholars' fuller understanding executive value thinking about underlying roles and responsibilities of corporations in a today's society.

Specifically, overtly focus on executive psychological needs or biases in understanding the impact of executive values and beliefs on organizational outcomes or conflation of these needs with economic values, undersells the salience of executive economic worldview or beliefs in shaping those decisions. Thus, critical questions such as whether a corporation engages in corporate social responsibility (CSR) activities, mergers and acquisitions (M&A), tax avoidance, tax sheltering or debt financing and investments is largely considered through the prism of either psychological characteristics attributed to one's social values or as a combination of both social and economic value thinking without underlying rationale which dimension of political ideology is in action. This is puzzling given economic values are not only independent dimension of political ideology but also figure prominently in other research streams that consider an individual's economic value systems influence country or institutional arrangements. Thus, overlooking this aspect of political ideology on an organizational level with overtly focus on psychological biases or insecurities in upper echelons omits purposeful value thinking of the decision makers and their commitment to certain economic systems as the desired mechanism for targeted organizational outcomes.

In this three-chapter dissertation, I attempt to address this theoretical gap in upper echelons literature, by focusing on the overlooked role of executive economic values, which are largely distinct and independent dimension of executive political ideology. Specifically, in *Chapter I* of the dissertation, I identify a distinct economic component of executive political ideology, *free market orientation*, based on support for *economic individualism*, *competition*, and *property rights* to reconcile these inconsistencies. Specifically, I argue that these dimensions will have a unique impact on the way executives run their organizations. By synthesizing current research, I reinterpret extant political ideology research findings through the prism of executive *free market orientation* and offer suggestions for future research.

In *Chapter II* of the dissertation, to further advance empirical research in this overlooked domain of political ideology research, I introduce a novel scale that measures the economic values of CEOs that I term *free market orientation* and demonstrate its distinctiveness from a broad political ideology construct of liberalism-conservatism. To do so, I apply a Computer Assisted Textual Analysis (CATA) technique to firm earnings calls to measure three indicators of free market orientation – *economic individualism, competition*, and *property rights*, as well as utilize a unique dataset from the CATO Institute to assess the robustness of this novel measure.

Finally, in *Chapter III* of the dissertation, as an initial demonstration of the significance of CEOs' economic ideology, in the sample of 140 CEOs who were appointed to their positions in years 2008 and 2009, I develop and test the idea that CEOs' *free market orientation* will influence their firms' extent and type of income smoothing strategies, defined as an attempt on the part of the firm's management to actively manage earnings toward a predetermined target. Specifically, I argue that free market oriented CEOs are more likely to engage in income smoothing and choose income smoothing strategies with the least harm to shareholder value but of more risk to themselves – discretionary accounting accruals. Thus, by engaging in income smoothing and choosing among certain earnings management strategies (real activities, accretive stock repurchases, or discretionary accounting accruals), free market-oriented CEOs not only display their ability to take greater risks but also their focus on the primacy of current shareholder interests over that of other firm stakeholders.

Taken together, Chapters I, II, and III contribute to research on upper echelons research by attracting scholarly attention on the overlooked role of executive economic values or *free market orientation*, which is a distinct and independent dimension of executive political ideology. Chapter I presents theoretical arguments for a scholarly need to explore executive economic values or *free market orientation*. Chapter II introduces a novel scale to measure *executive free market orientation* via computer assisted textual analysis technique as well as distinguishes it from the traditional liberalism-conservatism measure of political ideology. Chapter III provides a test of the idea that CEOs free market orientation will influence their firms' engagement in income smoothing and a choice of income smoothing strategies.

Throughout the dissertation, I discuss the implications of an understanding of executive *free market orientation* for advancing upper echelons research as well as re-interpreting current theoretical and empirical inconsistencies associated with extant executive political ideology research.

II. Chapter I: Free market orientation as a distinct dimension of executive political ideology

A. Abstract

The current political ideology literature suffers from a lack of conceptual clarity: social and economic issues are conflated with overwhelming focus on psychological needs. This has created inconsistency of empirical findings with theoretical predictions of political ideology construct. I identify a distinct economic component, *free market orientation*, based on support for *economic individualism*, *competition*, and *property rights* to reconcile these inconsistencies. Specifically, I argue that these dimensions will have unique impact on the way executives run their organizations. By synthesizing current research, I reinterpret extant political ideology research findings through the prism of executive *free market orientation* and offer suggestions for future research.

B. Introduction

The conceptualization of political ideology along the liberalism-conservatism continuum – the Democratic and Republican parties in the U.S. operationalized as the opposites of the spectrum – has broadened the management research of organizational outcomes attributed to executive values and beliefs (Hambrick & Mason, 1984; Hambrick, 2007). Increasingly, however, this broad conceptualization fails to shed light on some intriguing organizational outcomes associated with Republican- and Democratic-leaning executives. To illustrate, while this research stream considers Republican-leaning executives as risk-averse individuals (Christensen, Haliwal, Boivie, & Graffin, 2015) with a higher need for security and status quo (Briscoe, Chin, & Hambrick, 2014) and intolerance for change (Chin, Hambrick, & Trevino, 2013), recent findings suggest that Republican-leaning executives not only display a behavior inconsistent with these traits, such as greater tax evasion (Francis, Hasan, Sun, & Wu, 2016), corporate wrongdoings (Hutton, Jiang, & Kumar, 2015), and actions attempted to change their environment (Unsal, Hassan, & Zirek, 2016), but also were found to deliver overall better organizational financial outcomes at least in the short run than their Democratic counterparts (Jiang, Kumar, & Law, 2016; Hutton, Jiang, & Kumar, 2014; Elnahas & Kim, 2017). Relatedly, while this conceptualization portrays Democratic-leaning executives as caring about the environment, social issues, and justice (Briscoe et al., 2014), they were found to engage in more securities and intellectual property rights litigations (Hutton et al., 2015) and be less prudent with shareholder or investor funds than their Republican counterparts (DeVault & Sias, 2017).

These findings are inconsistent with the theoretical predictions of extant political ideology construct, which predominantly focuses on the psychological needs that are known to predict an individual's views on social issues (Jost, Glacer, & Kruglanski., 2003; Stenner, 2005;

Noel, 2014; Fedlman & Johston, 2014). In so doing, however, it overlooks the effect of managerial values and beliefs about economic issues. Thus, critical questions such as whether a corporation engages in corporate social responsibility (CSR) activities (Chin et al., 2013; Gupta, Briscoe & Hambrick, 2017a), mergers and acquisitions (M&A) (Elnahas & Kimn, 2017), tax avoidance (Christensen et al., 2015), tax sheltering (Francis et al., 2016) or debt financing and investments (Hutton et al., 2014) have been limited largely to either managerial intolerance of ambiguity and uncertainty (e.g. Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017) or aversion to social change and diversity (e.g. Chin et al., 2013; Briscoe et al., 2014).

Economic values, however, are increasingly known to be an independent and salient part of an individual's political ideology (Malka, Soto, Inzlicht, & Lelkes, 2014; Malka, Lelkes, & Soto, 2017). The emerging research suggests that while conservative and liberal social values are associated with right and left wing economic issues accordingly among political elites (Zaller, 1992), this association is weak or negative among a general population (Stenner, 2009), and the association emerges only from the actions of political leaders (Malka et al., 2017). Specifically, general consensus among political scientists suggest that ideological divisions into the left and right spectrum emerge because of ideological packaging by party political elites of various issues to attract broad coalitions than can win elections (see Miller & Schofield, 2008; Noel, 2014). Thus, while some individuals may see liberalism and conservatism as primarily about social issues, others may understand the dimension in terms of economics (Feldman & Johnston, 2014; Noel, 2014; Johnston, Lavine, & Federico, 2017). Importantly, individuals' attitudes across social and economic issues, while often weakly correlated, remain statistically independent in the U.S. sample but have no meaningful or even a negative correlation in samples from the rest of the world (Conover & Feldman, 1981; Johnston, 1988; Cochrane, 2010).

While donations to the Republican and Democratic parties are used as a proxy for conservatism and liberalism, the supporters of these parties represent a broad, fragmented coalition of individuals with at times conflicting social and economic values (Miller & Schofield, 2008). Both economic and social conservatives tend to support the Republican Party. While economic conservatives care more about free enterprise and limiting the role of government (Feldman & Johnson, 2014), social conservatives give more salience to the role of social values, morality, and religion in the society with no objection to the expansionary role of the government in economic issues (Johnson & Tamney, 2001; Noel, 2014). Similarly, the Democratic Party includes many social liberals who carry free market-oriented views while remaining liberal on social issues (Miller & Schoefiled, 2008). As such, managers that donate to the Republican and Democratic parties may possess abstract beliefs which guide their behavior and preferences on social and economic issues, but they do not necessarily see a higher-order convergence between these political preferences into a broad political ideology construct (Feldman & Johnson, 2014).

This is especially true because managers of large and diverse corporations are often the subject of political ideology research (e.g., Gupta et al., 2017a, 2017b; Chin & Semadani, 2017). I have a reason to expect that these managers are more likely to be highly educated, open to diversity, and subjected to rigorous filtering within organizational ranks before the succession to the upper echelons. While a career and succession in a diverse and complex organization may not make a Republican a Democrat, I assume it makes him or her somewhat more cosmopolitan, more comfortable with social diversity and change. As such, while critical organizational decisions, such as CSR activities, M&As, tax avoidance, debt leverage and investment decisions may partly reflect an individual differences in aversion to risk (e.g. Christensen et al., 2015, Hutton et al., 2014; Elnahas & Kim, 2017) or social change and diversity (e.g. Chin et al., 2013;

Briscoe et al., 2014), but may also demonstrate economic values as to desired mechanisms to achieve individual and organizational outcomes. Thus, the goal of my paper is to identify the distinct effect of overlooked role of economic values in organizational outcomes that is currently conflated with social values in management research.

I argue that an individual's *free market orientation*, which reflects one's economic values and beliefs, is critical in addressing limitations associated with the current conceptualization of political ideology. Rohrschneider (1996) outlined that some important components of an individual's economic values are the belief in the right to own private property, the right to profit maximization, the premise that meritocracy should govern the distribution of income, and the superior efficiency of competition (Rohrschneider, 1996). Accordingly, *free market orientation* represents a spectrum of values on the supremacy of an individual autonomy, competition, and private property and reflects the set of widely shared beliefs about the advantage of market mechanisms in matters affecting society and interaction among particular actors. Thus, a defining feature of an individual's *free market orientation* is the three core values directly relevant to an individual's economic values: *economic individualism, competition, and private property* (McClosky & Zaller, 1984).

While *economic individualism* refers to the belief that people should get ahead by themselves and be self-reliant, *competition* refers to the belief that rivalry among parties is a means for advancement and economic progress. *Property rights*, a third integral component of an individual's *free market orientation*, reflects an individual's belief in one's right to own unlimited property and allocate it at his or her discretion. Generally, by having a higher faith in free market principles and limited role of government in society than their Democratic counterparts (Jackson, Bigelow, & Green, 2003; Koger, Masket, & Noel, 2010), Republican legislators may be argued to have higher free market orientation than their counterparts. Thus, differences between Republican and Democratic-leaning managers in a choice of degree of debt leverage and investments (Hutton et al., 2014), M&As (Elnahas & Kim, 2017), argued as differences in risk-aversion (Hutton et al., 2014; Elnahas & Kim, 2017), may in fact also represent dissimilarities in views on economic individualism. Similarly, their differences in a top management team (TMT) compensation structure (Chin & Semadani, 2017), CEO pay level (Gupta & Wowak, 2017) and internal resource allocation (Gupta et al., 2017b) argued as differences in psychological attribution biases (Chin & Semadani, 2017; Gupta & Wowak, 2017) may actually represent dissimilarities in the belief in tournament-style competitive environment and meritocracy. Finally, their differences in CSR expenditure (Chin et al., 2013; Digui & Kostovetsky, 2014; Gupta et al., 2017a) and responsiveness to CSR activities (Briscoe et al., 2014), argued as differences in aversion to social change (Chin et al., 2013; Gupta et al., 2017a), may also reflect their dissimilar views on the societal responsibility of a corporation (Sundaram & Inkpen, 2004; Freeman, Wicks, & Parmar, 2004).

This paper suggests a number of contributions to the current political ideology research in the management literature. First, I argue that the current conceptualization of political ideology conflates social and economic values that creates inconsistency of empirical findings with the theoretical predictions. Thereby, I argue that managerial social and economic values cannot be packaged into a single broad liberalism-conservatism continuum (Malka et al., 2017; Feldman & Johnston, 2014; Noel, 2014). By this, I extend political ideology research in management, suggesting a more fine-grained understanding of managerial political values and beliefs. Second, I synthesize the existing research on political ideology in organizations that has developed among separate disciplines, such as finance, accounting, and management. In so doing, I highlight the limitations of the current conceptualization of political ideology and offer a novel approach that reconciles some of the conflicting findings of the current research. More specifically, I challenge the current conceptualization of Republican managers as risk-averse individuals with high intolerance for change and diversity by relaxing the social conservatism assumption and suggesting that, in fact, variation in free market orientation of Republican and Democratic-leaning executives may impact their distinct corporate strategies. Thus, this novel conceptualization may shed light into the findings from the finance literature on why Republican-leaning managers pursue fiscally conservative policies that deliver better financial performance at least in the short run (Hutton et al., 2014; Elnahas & Kim, 2017) and better work for their clients than their Democratic-leaning counterparts (Jiang et al., 2016). Additionally, it may also advance our understanding of why Republican leaning managers, in some situations, undertake greater risk to protect shareholder value than their Democratic counterparts (Francis et al., 2016; Unsal et al., 2016; Hutton et al., 2015). This contributes to an expanding understanding of the black box of mechanisms that tie executive ideology to intriguing organizational outcomes (Lawrence, 1997). Importantly, by introducing a novel construct, free market orientation, to the management literature that taps into the often overlooked role of managerial economic values, I open up a new avenue of research that could uncover additional important organizational effects attributed to managerial free market orientation.

C. Defining Political Ideology

The conceptual success of political ideology research in business disciplines rests on the fact that political ideology is treated as a unidimensional construct along the right and left spectrum (Jost, Nosek, & Gosling, 2008; Jost, 2017). Historically, in the French Legislative

Assembly proponents of the king sat on the right of the chamber, whereas those opposed sat on the left (Bobbio, 1996; Laponce, 1981). Political psychology researchers largely adopted these distinctions. As such, the right metaphor came to represent acceptance of the status quo, i.e. hierarchy, and of traditional values, i.e., religion, whereas the left indicates social change and egalitarianism (Jost et al., 2003). While individuals on the left were understood as proponents of social change and egalitarianism in political, economic, and social life, right-wing individuals represented support for the status quo, hierarchy, and traditional values (Jost et al., 2003).

Jost and his colleagues (2003) using the above mentioned traditional divide into conservatism and liberalism suggest that ideological beliefs are psychologically motivated and argued that the variation in the core human needs for security, certainty, and order will determine whether an individual becomes a conservative or liberal. According to their influential motivated cognition theory, need for security, certainty, and order will determine an individual's support for both traditional social and moral values and support for in-egalitarian status quo or capitalism. As such, according to Jost et al. (2003) due to the need for security and certainty, conservatives demonstrate high resistance to change and tolerance of inequality as the status quo, whereas liberals advocate social change and egalitarianism.

The unidimensional nature of political ideology has gained even more popularity largely due to the historical divide in western countries between the left and right on the spectrum of political issues since the French revolution (Jost et al., 2008). Particularly, in the U.S. two-party system, the Republican Party reflects respect for traditions, religion, and inequality, representing conservatism (Bonanno & Jost 2006; Poole & Rosenthal, 2007). In contrast, the Democratic Party with its tolerance for social change and advocating for more equal distribution of income represents liberalism (Bonanno & Jost 2006). This parsimonious division into two ideological opposites as well as public availability of individuals' donation data to these parties has led to increased research on political ideology to explore organizational outcomes of this division among finance analysts (Jiang et al., 2016); hedge and mutual fund managers (DeVault & Sias, 2016; Hong & Kostovetsky, 2012); TMT (Hutton et al., 2014) and CEOs (e.g., Chin et al., 2013; Gupta et al., 2017 a, b).

By packaging an individual's beliefs and values on social and economic issues into a broad construct of conservatism and liberalism, however, this broad conceptualization of political ideology, increasingly, fails to shed light on intriguing organizational outcomes associated with Republican- and Democratic-leaning managers. While this research stream considers Republican-leaning executives as risk-averse (Christensen et al., 2015) with a higher need for security and the status quo (Briscoe et al., 2014) and intolerance for change, ambiguity, and diversity (Chin et al., 2013), the emerging research suggests that Republican-leaning managers are capable of taking riskier and bolder actions than their Democratic counterparts (Francis et al., 2016; Hutton et al., 2015). To illustrate, recent research has uncovered that Republican leaning CEOs engage in more tax evasion (Francis et al., 2016), higher corporate wrongdoings related to civil rights, labor, and environmental litigations (Hutton et al., 2015), and have higher attempt to influence their environment through higher lobbying activities than their Democratic-leaning counterparts (Unsal et al., 2016). While these findings may reflect some differences between Republican and Democratic leaning CEOs beyond risk-taking, these actions are in clear contrast to risk-averse, status quo, and conformant nature of a conservative that has largely been described in the unidimensional conceptualization of political ideology (Jost et al., 2003). Further, Republican-leaning managers by having higher faith in free market principles than their Democratic counterparts (Jackson, Bigelow, & Green, 2003; Koger, Masket, & Noel,

2010) may seem to be quite tolerant of uncertainties and risk, because free market and fierce competition generally increases uncertainty and unpredictable outcomes for an individual (Greenberg & Jonas, 2003).

Relatedly, while this broad conceptualization portrays Democratic executives as egalitarian and caring about the environment, social issues, and justice (Briscoe et al., 2014), they were found to commit more firm related wrongdoings than their Republican counterparts (Hutton et al., 2015). For example, Hutton et al. (2015) found that Democratic-leaning executives are more likely to engage in more securities and intellectual property rights litigations than their Republican counterparts.

Importantly, the extant political ideology conceptualization does not explain why Republican-leaning executives, despite their presumably risk-averse corporate policies overall, deliver better organizational financial results at least in the short-run (see Hutton et al., 2014; Jiang et al., 2016, and Elnahas & Kim, 2017). Specifically, Jiang et al. (2016) found that Republican analysts, despite their fiscally conservative forecasts, produce more accurate forecasts, issue more general updates to their clients in general, and more likely to be rewarded by institutional investors for their work. Similar results were obtained by Hutton et al. (2014) and Elnahas & Kim (2017) for CEOs. Hutton et al. (2014) found that despite fiscally conservative corporate policies, Republican CEOs deliver better financial returns. Also, Elnahas & Kim (2017) found that despite engaging in fewer M&As, Republican CEOs delivered better performance results from those activities at least in the short run.

D. Two Dimensionality of Political Ideology

The current broad conceptualization of political ideology overemphasizes psychological needs (see Jost et al., 2003), such as need for security, the status quo, intolerance of ambiguity and uncertainty (Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017) and intolerance of social change (Chin et al., 2013; Briscoe et al., 2014), conflating social and economic values that are increasingly considered to be distinct dimensions of political ideology (Feldman & Johnston, 2014; Noel, 2014). In so doing, however, it overlooks the salient role of executive economic values and beliefs in executive choices, merely acknowledging economic values as the demonstration of the degree of support for the status quo (Jost et al., 2003). Namely, according to this conceptualization, conservatives support free markets and capitalism because of their psychological needs to reduce uncertainty and maintain the status quo, whereas liberals may not have those needs, thus displaying lesser support for free market principles (Jost, Blount, Pfeffer, & Hunyady, 2003). Interestingly, in favoring free market principles, conservatives may seem to encourage uncertainties, change and risk-taking, since free markets by encouraging competition and uncertainty may lower a sense of a stability that reduce uncertainty and anxiety with change (Greenberg & Jonas, 2003). This is in direct contrast to conformant and risk-averse depiction of supporters of a free market conceptualized in the broad liberalism-conservatism construct of political ideology (see Jost et al., 2003).

Kerlinger (1967, 1972) argued that an individual's attitudes differ in terms of their "referents," or focus. More specifically, referents that are important towards one attitude may be irrelevant to another. Kerlinger (1967) suggested that "liberal is not just the opposite of conservative" but are relatively distinct attitude systems based on different criterial referents (:112). His factor analysis demonstrated support for these arguments with "conservatism" and "liberalism" referents loading on different dimensions and being weakly, negatively correlated (Conover & Feldman, 1981; Morgan & Wisneski, 2017).

Similarly, based on his work on core human values, Schwartz (1992) suggested that an individual's political ideology is comprised of two distinct dimensions. Using data from 20 countries, Schwartz (1992) derived two broad dimensions of economic and social values. While the social dimension defined respect for tradition, concern for personal and national security, and preference for conformity against individual autonomy and self-direction, the economic dimension was defined by motivations to achieve social rewards, power, and prestige for hard work. Schwartz (1992) argued that these dimensions, while possibly correlated in some societies, are relatively independent.

Relatedly, political science scholars have found that individuals not only attribute different meanings on the liberal-conservative continuum with respect to public policy issues (Zumbrunnen & Gangl, 2008), but also keep orientations across social and economic policy domains largely distinct (Duckitt, 2001; Layman & Carsey, 2002; Treier & Hillygus, 2009). They have found that people often think in terms of broad ideas within these specific domains (Feldman, 1988; Feldman & Steenbergen, 2001; Goren, 2001; 2004). Their findings revealed that while sophisticated partisans possess both the awareness and motivation to bring their views along party lines, for the general population this was not true (Layman & Carsey, 2002; Feldman & Johnston, 2014). Thus, individuals with a high degree of political engagement – those who are most interested in and informed about political discourse – typically structure their political views along a single dimension, but those who are less engaged generally do not (Zaller, 1992).

Studies by Malka and his colleagues (2014) have shown that individuals with a higher need for security and certainty demonstrate support for socially conservative values and government welfare programs. This does not align with the extant conceptualization of political ideology that suggests high alignment between socially conservative values and a support for free market economic system that advocates for limiting the role of government in the economy. In a more recent study, Malka and his colleagues (2017), involving surveys from 99 countries, found a negative relationship between support for socially conservative policies and free enterprise, supporting their own earlier findings about inconsistencies with a unidimensional liberalism-conservatism continuum. This is consistent with past studies by Stenner (2005; 2009), who found that support for free market ideals is negatively correlated with social conservatism and is generally associated with high tolerance of diversity and change.

These findings present a challenge to any claim that an individuals' social and economic values directly or organically leads individuals to adopt broad coherent packages of liberal or conservative attitudes (e.g., Jost et al., 2003). Instead, the emergence of an overarching liberal-conservative dimension appears contingent upon exposure to political messaging (Stenner, 2009), which itself emerges from the actions of political leaders (Malka & Soto, 2014). In fact, closer examination of the studies that were used by Jost et al. (2003)'s meta-analysis suggested that the measures of conservatism included in the study did not differentiate whether the measure reflected economic values or social values (Crowson, 2009). Thus, while some individuals may see liberalism and conservatism as primarily about social issues, others may understand the dimension in terms of economics, while others may see both domains as relevant to ideological categorizations. For example, the study by Ellis & Stimson (2012) demonstrates that many people who label themselves conservative actually have liberal preferences on specific policy issues. Similarly, the study by Swedlow & Wychoff (2009) found that a significant number of people who describe themselves as conservatives actually have liberal views on social issues, while maintaining libertarian views on the economy. Importantly, empirical research in both psychology and political science suggests that an individual's attitudes across social and economic issues, while often weakly correlated, remain statistically independent in the U.S. sample but have no meaningful or even negative correlation in samples from the rest of the world (Conover & Feldman, 1981; Johnston, 1988; Cochrane, 2010).

This is not to say that some scholars classify conservatism into more than two dimensions. For example, Stenner (2009) distinguished among three forms of conservatism: social, status quo, and laissez-faire conservatism. According to her while social conservatism that she referred to as authoritanism reflects "predisposition to obedience to authority, moral absolutism, racial, and ethnic prejudice" (Stenner, 2009: 142), status quo conservatism is associated with rigidity, intolerance of uncertainty, and discomfort with new experiences. She argues that while social conservatism is primarily about "aversion to difference," status quo conservatism is about "aversion to change" with general theme being "distaste for difference" (:148). In contrast, laissez-faire conservatism, according to her, is primarily associated with economic equality/inequality and the (re)distribution of wealth. According to Stenner (2005) across diverse cultures, while social and status-quo conservatism are sometimes related, laissez-faire conservatism is negatively correlated with both social and status quo conservatism.

Interestingly, the historic divide between the Republican and Democratic parties in the U.S. is widely studied as a representation of the unidimensional political ideology scale of liberalism and conservatism. However, studies of the members of these parties or individuals who donate to these parties demonstrate that these parties are a fragmented coalition of social and economic liberals and conservatives (Miller & Schofield, 2008; Noel, 2014). These studies have shown that while the Republican Party has been the coalition of pro-business economic conservatives and populist religious social conservatives for decades, the growing influence of religious right and populism is moving pro-business candidates either to the Democratic or other independent parties (Johnston & Tamney, 2001). In fact, studies by Goren (2013) demonstrate that two key principles attributed to political ideology, such as the issue of limited government and traditional morality logically or empirically are not bound together. Carmines et al. (2012) suggest that the traditional Republican and Democrat divide in the U.S. does not account for the presence of libertarians, populists, and moderates that tend to vote Democrat or Republican depending on the salience of issues for them at a particular point of time. This aligns with findings of Noel (2014) who suggested that caution must be exercised when attempting to tie a specific ideology to a particular party platforms since parties, especially the Republican and Democratic in the U.S., tend to be a coalition of groups with divergent political ideologies. As such, executives may possess abstract beliefs which guide their behavior and preferences, but they do not necessarily see a higher-order convergence between social and economic values into a broad political ideology construct (Feldman & Johnson, 2014).

This is especially true because highly educated cosmopolitan executives of large and diverse public corporations are the subjects of political ideology research. To illustrate, the sample of most political ideology research remains large public corporations listed either in Execucomp, S&P 500 or the Fortune 500 list (e.g., Gupta et al., 2017 a, b; Chin & Semadani, 2017). According to a recent study, 38% of the Fortune 500 CEOs from 1996 to 2012 attended elite universities, with the criteria being admitting top 1% in ability tests (Wai, 2013). This study also found that 67% of Fortune 500 CEOs for years 1996-2012 either attended elite college or had a degree from graduate school with one in seven of them attending Harvard University (Wai, 2013). Further, for example, of the S&P 500 companies that report overseas sales separately, the typical company in 2014 got 48% of total sales outside the U.S., demonstrating the scope of diverse cultures these organizations are exposed to (Gross, 2017). Further, a typical CEO or an executive of a large public corporation not only has a highly culturally dissimilar customer base, but also may have had years of exposure to a multicultural environment and change before succeeding to the top. While exposure to diverse markets or a customer base may not make managers ethnically or culturally diverse, it likely exposes them to diversity and alternate side of the issue. Thus, positions that demand appreciation of multiple diverse perspectives may increase their openness to diversity and change. This is evident in the studies of the U.S. Supreme Court over the past 50 years that have shown that the Supreme Court nominees move disproportionately from socially conservative to more moderate and even liberal stances after becoming high-court justices, which has largely been attributed to their higher exposure to the other side of an issue (Hanson & Benforado, 2006).

Thereby, while exposure to more information, higher education and diversity may not make a Republican a Democrat, it makes people somewhat more cosmopolitan and more comfortable with social diversity and change. Influential works by Stouffer (1955) and Lipset (1959) argued that people with higher levels of formal education have more positive and tolerant attitudes toward out-groups. Since then, numerous studies have linked education to tolerance and support for the civil liberties of out-groups, like Communists, atheists, homosexuals, student protesters, and criminals (Stubager, 2008; Vogt, 1997; Bobo & Licari, 1989; McClosky & Brill, 1983; McCutcheon, 1985; Ransford, 1972), and to more positive beliefs and feelings about racial and ethnic minorities (Tsai & Venkataramani, 2015; Phelan, Link, Stueve, & Moore, 1995; Quinley & Glock, 1979; Knoke & Isaac 1976; Selznick & Steinberg 1969; Hyman & Sheatsley 1964; Stember, 1961). Importantly, studies report that social conservatism is consistently negatively correlated with an individual's level of education (Stenner, 2005), which tend to be relatively high for business executives as suggested earlier.

Relatedly, individuals with socially conservative values were found to be less oriented toward growth and challenge and to take less initiative and responsibility by avoiding uncertainty and innovativeness at work (Fay & Frese, 2000). Because succession to the top involves taking risks while embracing uncertainty and diversity at lower echelons of the organization, these individuals – potentially successful at lower echelons – may not endure in top of the diverse and complex organizations that are the subject of current political ideology research. Importantly, these executives are largely selected based on their ability to deliver change, take risks, and lead their organizations in an environment of increased diversity and change. Given their risk-aversion and inability to succeed in the workplace (Fay & Frese, 2000), I envision that individuals with high social and status quo conservatism can hardly win risky tournaments to upper echelons of highly diverse corporations (Lazear & Rosen, 1981). Additionally, insights from attraction-selection-attrition model (Schneider, 1987) that has been verified in numerous studies (Judge & Cable, 1997; Jackson et al., 1991) would also suggest that organizations with diverse constituents will select in executives who appear to "fit" their environment. Thus, critical organizational decisions at higher echelons of these corporations, such as CSR activities, M&As, tax avoidance, debt leverage and investment decisions may not necessarily only reflect managerial aversion to uncertainty (e.g. Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017) or social change (e.g. Chin et al., 2013; Briscoe et al., 2014), but also economic values that demonstrate the belief in the right mechanisms to achieve a desired individual and organizational goals.

Thus, extant conceptualization and operationalization of political ideology in management literature conflates social and economic values that are suggested to be distinct dimensions of individual's political values (see Feldman & Johnston, 2013; Malka et al., 2014; Malka et al., 2017). As suggested above, other alternative view even suggests that political ideology may have three distinct components, such as social, status-quo, and laissez-faire conservatism (see Stenner, 2005; Stenner, 2009). Overall, conflation of these distinct dimensions and predominant focus on psychological needs, such as need to reduce uncertainty and change, has led to empirical findings that are inconsistent with emerging theoretical predictions of political ideology research.

Stereotypes aside, as suggested earlier, there is a reason to expect that CEO economic values are likely to be of more critical salience in organizational outcomes than social values. Thus, disentangling distinct role of economic values by relaxing social conservatism assumption is important to resolve some of extant mismatch between conceptualization of political ideology and empirical findings of ideology research. Thereby, in the next section, I introduce free market orientation, as a reflection of managerial economic values that may help resolve inconsistencies with the emerging predictions of political ideology research.

E. Free Market Orientation

Compared to an individual's social values, only a few studies systematically looked at an individual's economic values (Free & Cantril, 1967; McClosky & Zaller, 1984; Duch, 1993; Shiller, Boycko, & Korobov, 1990). As such, similar to the realm of social values, there is no fixed set of economic values that exhaustively defines the economic values of an individual (Rohrschneider, 1996). Yet on the basis of the work of political theorists and few empirical studies of economic values of a general population across multiple countries (Chong, McClosky, & Zaller, 1983; Heath, Evans, & Martin, 1994; Kaase, 1994; Roller, 1994) as well as emerging research on an individual's economic beliefs in political psychology (Gerber, Huber, Doherty, Dowling, & Ha, 2010; Stenner, 2009; Bakker, 2017), Rohrschneider (1996) outlined the following belief systems as important components of an individual's economic values: the belief in the right to own private property, the right to profit maximization, the premise that meritocracy should govern the distribution of income, the superior efficiency of competition, and the premise that allowing some earn unlimited profit advances economic growth.

The empirical studies of Rohrschneider (1996) were in a German sample that have looked at differences between economic values of people in East and West Germany, reflecting two extreme opposites on economic issues spectrum. However, multiple analyses of public opinion surveys in Britain and the U.S. have consistently demonstrated that economic attitudes towards issues such as nationalization, income redistribution, welfare state and government intervention vary among individuals, go largely together, and demonstrate an individual's attitude towards free enterprise, inequality in society, and government intervention (Heath et al., 1994; Fleishman, 1988; Feldman, 1988; Stenner, 2005; 2009).

A wealth of research in political science and economics attribute variation in societal outcomes to economic values of governing parties and governments that demonstrate convergence on attitude towards inequality and free enterprise (Bjørnskov, 2005; Potrafke, 2010; Potrafke, 2011; Weymouth & Broz, 2013). For example, pro-market-oriented governments were found to encourage deregulation (Pitlik, 2007; Duso & Seldeslachts, 2010; Potrafke, 2010), institute pro-free trade policies (Milner & Judkins, 2004), instill higher perceived security of private property (Weymouth & Broz, 2013), reduce taxation (Osterloh & Debus, 2012), and boost competition in procurement contracts (Hytinen, Lundberg, & Toivanen, 2008).

Political scientists define these set of beliefs as an individual's trust in capitalism (McClosky & Zaller,1984), while political psychologists primarily have understood these attributes as economic (e.g. Bakker, 2017; Crowson, 2009; Hiel & Mervielde, 2004; Fleishman, 1988; Malka et al., 2017) or market conservatism or liberalism (Zumbrunnen & Gangl, 2008). Important institutional outcomes of these premises are the view that government should stay out of private markets as much as possible and the belief that market mechanism or supply and demand should guide the functioning of the economic system (Free & Cantril, 1967). These beliefs stem from the idea, nicely summarized by Joseph Schumpeter in 1942 study that if left to run freely capitalism can generate enough wealth to continually raise standards of living off all individuals to a decent standard (Schumpeter, 2002). The intellectual roots of these belief systems have been formulated by multiple scholars, such as Locke, Adam Smith, David Ricardo and, more recently, Milton Freedman (Free & Cantril, 1967; Devine, 1972). A unifying theme across these values or beliefs is the supremacy of market mechanisms over third party or government intervention and reflects an individual's *free market orientation*.

Viewed broadly, *free market orientation* reflects the set of widely shared beliefs and values concerning the role of an individual in society in matters affecting the society overall and interaction among individuals. As widely shared values and beliefs, the elements of *free market orientation* are evident in an individual's thinking, behavior and political rhetoric (Gerring, 1997). The values and beliefs of the individual are maintained over time by the strong commitment to these values on the part of the individual (McClosky & Zaller, 1984). While various conceptual arguments are suggested to the variability of these values within an individual, these values are generally perceived to be stable over time and only some significant environmental and individual shifts may alter these values (Feldman, 2013). This is because values and beliefs generally "act as ongoing standards of evaluation" of individual's actions and stable enough to lend consistence to guiding one's behavior (Feldman, 2013: 603).

Albeit an overwhelming focus of studies that explore an individual's free market orientation focus on the role of government redistribution in society and government intervention (e.g. Heath et al., 1994; Malka et al., 2014), based on past research of an individual's economic values, a defining feature of free market orientation are three core principles directly relevant to the individual's economic values: *economic individualism, competition,* and *private property* (see e.g., Williams, 1970; Lipset, 1979; Elder & Cobb, 1983; McClosky & Zaller, 1984; Heywood, 2017). All three of these have been argued to be central to the way in which people, particularly in the United States, think about essential features of capitalism or free enterprise (see McClosky & Zaller, 1984; Lipset, 1979).

Economic individualism, the belief that people should get ahead on their own through hard work and autonomy, is a core element in the free market orientation of individuals (Heywood, 2017; Free & Cantril, 1967). Toqueville observing American value systems originally defined an individualistic person as "such a folk owe no man anything and hardly expect anything from anybody" (Toqueville, 2003: 506). Individualism advocates hard work, self-reliance and a desire to maintain an independence of action (McClosky & Zaller, 1984; Feldman, 1988), a clear contrast to the collectivism perspective that considers an individual in a network of intertwined relationships (Greif, 1994; Zerbe & Anderson, 2001). An individualistic person believes that each person is responsible for his or her own success in life (Feldman, 1988). A failure or success is attributed to an individual's own past actions and behavior.

Personal achievement, thus, becomes an important component for an individualistic person to measure his or her success in life (Feldman, 1988). A contrast of individualism, is characterized by interdependence (Singelis, 1994), promotion of group interests at the expense of the personal interests, emphasizing duty to a collective or a particular group (Hofstede, 1980; Singelis, 1994). It also emphasizes reliance on an external network of relationships and preference on informal institutions to resolve disputes and contract enforcement (see Triandis, 2018 for a review). For example, in a study of medieval traders Grief (1994) evidences how degree of individualism in two societies influences the way traders resolved agency problems (Jensen & Meckling, 1976). Specifically, he finds that while traders with high individualism, Genoese, relied on formal contracts between parties to enforce agency relationship between merchants and their agents, Maghribi traders, who are argued to be low in individualism, showed preference for informal cheating prevention mechanisms as collective punishment.

Though a multitude of explanations for variations of support for capitalism across societies are suggested, economic individualism is considered one of the most distinctive and fundamental dimensions of free market orientation and has been noted to be a strong trait of support for capitalistic society in America and other capitalist societies (Free & Cantril, 1967; McClosky & Zaller, 1984; Devine, 1972; Feldman, 1982). For example, Feldman & Zaller (1992) found that three out of four Americans they interviewed about job guarantees and living standards invoked individualism as a value in some way (Feldman & Zaller, 1992: 278). Individualism is widely cited in explaining the small welfare state and low level of redistribution policies in the U.S. (Kluegel & Smith, 1986; Lipset, 1979). This is in clear contrast to collectivism that is common in egalitarian European societies that associate individualism with self-interest or selfishness and overall demonstrate lesser support for free market ideals

(McClsoky & Zaller, 1984; BBC World Service, 2009). To illustrate, Alesina and Glaeser (2004) demonstrate that while most Americans attribute poverty to lack of individual effort and laziness, attributes of individualism, most citizens of Europe consider contextual factors such as luck or social and economic factors as the primary cause of poverty. Scholars tap into *economic individualism* dimension of an individual's free market orientation through studying an individual's attitude towards income redistribution via taxation (Bakker, 2017), support for government welfare policies (Treier & Hillygus, 2009), need for labor unions to protect employee working conditions (Fleishman, 1988), the role of government in providing jobs (Barker & Carman, 2000).

The companion belief to the *economic individualism* dimension of a free market orientation is a support for just and fair *competition*. Free market oriented individuals justify inequality in society through equality or parity in competition (Potter, 2009). Its value is as a means for advancement rather than an asset itself (Devine, 1972). Proponents of the support for competition argue that competition forces individuals to be more efficient and hard-working while penalizing idleness and stimulates individuals to work up to his or her abilities (McClosky & Zaller, 1984). They further argue that it forces companies to be efficient and design attractive products or services, be attentive to consumer needs and satisfy them as efficiently as possible with this benefiting the society (McClosky & Zaller, 1984). The competition dimension of free market orientation also emphasizes meritocracy in every action, arguing that in true meritocratic systems everyone has an equal chance to advance and obtain rewards based on their individual knowledge, ability, and skills (Castilla & Bernard, 2010). Free market oriented individuals argue that meritocracy is not only beneficial for the organization or society, but also for the individual engaged in competition. By allowing free and fair competition, limiting the role of government intervention, and focusing on market mechanisms, free market oriented individuals believe that economic productivity and growth will be maximized (McClosky & Zaller, 1984). Polar opposite, involves inducing individuals to recognize one another as equals who share basic interests and goals (Shwartz, 2006). Individuals are expected to internalize commitment to cooperate and to feel concern for everyone's welfare (Triandis, 2018). They expect themselves and others to act for the benefit of others. Equality, justice, and mutual interest could be of critical significance for the support of alternative to competition. In this form of arrangement, that I call *cooperation* optimal outcome is achieved when the actors in the economy collaborate to achieve their goals through "information sharing, monitoring, sanctioning, and deliberation" (: 52).

A survey of the American population, which generally has a more positive view of free market ideas (McClosky and Zaller,1984), has shown that almost 90% of respondents stated that "competition keeps a person on his toes" (:122). Similarly, the survey research repeatedly reveals that Americans endorse meritocracy at work (Castilla & Bernard, 2010). Hall & Soskice (2001) argue that countries with high support for capitalism, such as the U.S. largely rely on the market mechanisms, mainly through competitive labor, financial, and product markets, a possible demonstration of support for competition, whereas in countries with lesser support for capitalism (Kauffman, 2013), such as Germany, national economies rely on mutual cooperation among economic actors facilitated by dense network of institutions that may signal a support for coordination. In fact, Germany and the United States are often found to follow remarkably different practices in terms of executive pay (Sanders & Tuschke 2007) or the involvement of labor unions in decision making (Gospel & Pendleton 2003) that might signify divergent preferences for competition and coordination within organizations. Scholars tap into the competition dimension of free market orientation by survey questions on appropriateness of meritocracy at work (Castilla & Benad, 2010), capitalism or laissez faire economics as a preferential economic system (Zummumbren & Gangl, 2008), and tolerance for inequality in society (Bakker, 2017; Fleishman, 1988).

Property rights, a third important component of a *free market orientation*, can be seen as the economic side of the support for economic individualism and competition. Adam Smith, one of the intellectual founders of free market enterprise thinking, argued that a breach of an individual's personal property except for assault on his or her body is the next most severe crime (Smith, 2017). Committed as they are to *economic individualism* and *competition*, individuals with *free market orientation* have little difficulty accepting the idea that each individual ought to be free to own property (Smith, 2017). This support for the property rights has typically been accompanied by a distrust of big government (Lipset, 1979; Devine, 1972). Along with the support for the limited role of government in a free market, respect for property rights generally assumes wide support for capitalism as the most efficient economic system to achieve the desired outcome and forms one of the basic elements of the American political culture (McClosky & Zaller, 1984).

Free market oriented individuals consider private property the most important element for personal autonomy and the bulwark of individual freedom and the source of economic well-being, incentivizing competition, thereby helping to ensure that an individual maintains autonomy (Hayek, 2014). Without property rights, according to property rights advocates, individuals would, in fact, lose their autonomy and be unable to make decisions on their own (Randolph, 2012). They argue that even for those who lack material property, the right to accumulate private property through their effort incentivizes them to work and compete for resources that overall benefits individual and society (Randolp, 2012). In contrast, those who oppose unlimited property rights though do not generally argue against one's right to own private property, may seek a balance between property rights and "social" rights (Matten & Crane, 2005). This happens because along with property rights, individuals are argued to have social rights, which include "those rights that provide the individual with the freedom to participate in society, such as the right to education, health care, or various aspects of welfare" (Matten & Crane, 2005: 170). Proponents of this approach argue that private property rights are useful to the extent they serve the purpose of securing people's means of livelihood. However, their justifiable limitation rests at the point they infringe on others' social rights (Beetham, 2017). Thus, the relevance of property rights are diminished once they infringe on "social" or "societal" rights, i.e. the rights and interests of a broader stakeholder groups.

In American society where support for free market enterprise is high, more than four out of five respondents surveyed in the late 2000s agreed that "private property rights are just as important as other rights like freedom of speech and religion" (Associated Press, 2008). However, in France, where public expresses lesser support for laissez-faire capitalism (Pew Research Center, 2012), only about one out of ten respondents surveyed regarded "the right to own property, either alone or in association with others' as one of their most valued human rights" (YouGov.UK, 2016). Thus, in most capitalist societies most individuals may value property rights, however, the degree of support for unlimited property rights may vary. Scholars committed to measuring an individual's respect for private property survey individuals on appropriateness of taxing the wealth on behalf of the poor (Bakker, 2017), the right to own property (Iyer, Koleva, Graham, Ditto, & Haidt, 2012) or reducing income inequality in the society (Fleishman, 1988; Heath et al., 1994).

Although one certainly might list additional characteristics, the three principles highlighted above: *economic individualism vs. collectivism*, *competition vs. cooperation,* and *property rights vs. social rights* undoubtedly define important components of the polar ends of a free market orientation continuum. At one polar end is the support for an ideal-typical free-market culture where managers support virtually all of these principles. The opposite pole is defined by a set of ideal-typical egalitarian economic values. I believe that one pole resembles libertarian views similar to that of Rand Paul, the U.S. Senator from Kentucky, who has a score of 88% in opposition to free trade barriers in the libertarian CATO Institute tracking of Congressional free trade policy (CATO, 2018). The other pole might reflect the egalitarian, democratic socialist, views of Bernie Sanders, the U.S. Senator from Vermont, who has merely a score of 8%, meaning that 92% of the time he voted against policies that promoted free trade.

Thus, while population of most developed capitalist societies, predominant sample for executive political ideology research, will generally have higher support for *economic individualism*, *competition*, and *property rights*, i.e. be on the higher end of the free market orientation spectrum, as suggested above, divergent views on the individualism-collectivism, competition-coordination, and property rights-social or societal rights among people of these countries persists. As such, the study of the executive free market orientation is likely to open up intriguing organizational outcomes attributed to variation in views on free market mechanisms to resolve organizational and societal outcomes.

F. Executive Free Market Orientation

In the next section, I will attempt to synthesize, reintegrate and reinterpret the findings of previous political ideology research through the prism of executive free market orientation, by relaxing social conservatism assumption of current liberalism-conservatism construct. This is critical, as suggested above, in light of increasing understanding that social conservatism, traditionally associated with psychological needs, may not be aligned with an individual's worldview on economic issues, i.e. one's economic values (Feldman & Johnson, 2014; Malka et al., 2014; 2017).

Insert Table 1 here

In order for free market orientation to be a useful addition to research on top executives, however, there must be a meaningful variance. In this section, I describe what I anticipate the free market orientation distribution to be among top executives. I argue that executives, on average, have higher *free market orientation* than the general population, but that they also exhibit sufficient variability to allow research on their differences. I anticipate that it will be those who have relatively high intrinsic *free market orientation* at the outset of their careers who will advance in business because of the opportunities for personal achievement. This is also because most senior executive positions, particularly those in large organizations, are achieved by winning a long series of rigorous promotion tournaments (Lazear and Rosen, 1981). Further, institutional environment of executives' ideology research studies, such as the U.S., may make these executives on average more free market oriented (Stenner, 2005). As such, I do not expect lower extreme of a free market orientation scale, where executives would express low support for *economic individualism, competition, and property rights*. Despite my assumption that executive *free market orientation* tends to be somewhat higher than in the general population, it would be a mistake to conclude that executives have uniformly high *free market orientation*. It is important to note that not every executive has risen through a series of demanding tournaments in highly attractive companies. Some executives head small or medium sized companies; some have arrived at their positions through family connections (Smith & Amoako-Adu, 1999; Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001) or politicized processes (Hiller & Hambrick, 2005); some are in their positions precisely because they are selected for their loyalty and views by domineering CEOs, boards, or owners (e.g., see Westphal & Zajac, 2013 for a summary).

Indeed, anecdotal examples suggest that executives vary in their degree of support of market mechanisms in organizational structure and strategy that reflect their free market orientation. To illustrate, a CEO of COSTCO which is known for lowest rates of layoffs, employee friendly policies, and lowest gap between average wages and CEO pay among industry peers and beyond (Stone, 2013), may be considered in a lower tail of the free market orientation scale. In contrast, executives at Koch Industries, known for rigor in promoting market mechanisms within organizational structure and strategy (The Economist, 2014), may be placed at a higher tail of the scale. In short, not every executive is at the very high end of the free market orientation scale, which should give adequate variability to study the phenomena even in the U.S. executive sample alone. This is akin to arguments put forth by Hambrick and his colleagues that while executives generally tend to have higher than average hubris (Hayward & Hambrick, 1997), narcissism (Chatterjee & Hambrick, 2007) and core-self-evaluation (Hiller & Hambrick, 2005), they “exhibit sufficient variability” in these constructs “to allow research on their differences” (Hiller & Hambrick, 2005: 306). Figure 1 displays the distributions of free market orientation I would expect from a sample of U.S. executives, as compared to the general population.

Insert Figure 1 here

As shown, I anticipate that executives exhibit significant range in their *free market orientation* but tend to score higher than the general population. Notably, I expect that a significant proportion of executives have *free market orientation* toward the upper end of the scale in a sample of general population.

Because traditionally a pro-business, limited government and free trade oriented individuals have been associated with the Republican Party (Jackson et al., 2003; Koger et al., 2010), I anticipate that Republican-leaning managers are more likely to have higher *free market orientation* than their Democratic counterparts. I recognize that this assumption may not track well with the current Republican Party orthodoxy under President Trump. However, given extant empirical political ideology research has been conducted prior to the rise of Trump movement when the Republican Party was considered more pro-business (Miller & Schoefield, 2008), it is safe to assume that findings attributed to Republican Party in current political ideology research is pro-business, limited government and free trade oriented. Thus I argue that the differing organizational outcomes between Republican- and Democratic-leaning managers that recent political ideology research has uncovered can be argued to be a demonstration of their value differences on *economic individualism, competition, and property rights* that necessitate further study.

I anticipate than one might argue that social values may be equally or more important for executives to vote for a Republican or a Democrat. However, my argument follows that given the sample of executive political ideology research – highly educated and cosmopolitan executives who undergo succession filtering in highly diverse organization (Schneider, 1987), they tend to have relatively homogeneous liberal views on social issues giving economic values more salience. Disentangling separate effect of economic values on organizational outcomes is of intriguing empirical research question, however, that I attempt to undertake in the second paper of my dissertation research. At this point, my goal is to demonstrate how relaxing social conservatism assumption may uncover critical organizational effects of executive free market orientation and resolve inconsistencies of extant findings with a broad political ideology construct.

I anticipate that executives' *economic individualism* will influence their desire to maintain the autonomy of their firms. It may influence not only their desire to seek autonomy in their decisions, but also commitment to self-reliance for their firms. Corporate strategies that may be affected by this desire may involve higher than average company cash hoarding in the expectation of a future need, a low firm debt to equity ratio to reduce a firm dependence on externalities, corporate political activities to keep government regulation at bay from a firm's actions and diversification of a customer and a product scope so not to become dependent on a single entity and/or product. The findings of political ideology research may substantiate some of these arguments. For example, Hutton et al., (2014) showed that managers who donate primarily to the Republican Party are associated with more fiscally conservative firm policies, as characterized by lower debt leverage. Relatedly, Elnahas & Kim (2017) found that Republican-leaning CEOs are less likely to engage in M&A activities and they are more likely to use cash as the method of payment rather than stocks. Unsal et al. (2016) found that Republican managers engage in more lobbying activities than their Democratic counterparts.

Although authors interpreted these findings as the evidence of risk-aversion of Republican executives (Hutton et al., 2014; Elnahas & Kim, 2017) or of a more self-interest (Unsal et al., 2016), these activities may also evidence a strategy by a free market oriented CEO to maintain their firm autonomy and independence of action through limiting their debt (Hutton et al., 2014), stakeholder (Elnahas & Kim, 2017), and regulatory exposure (Unsal et al., 2016). More specifically, lower debt leverage may be an effort by free market oriented managers to reduce a firm's dependence on external creditors. Similarly, the use of cash for M&A may be an attempt to limit the control of target firm stakeholders on a focal CEO's firm future actions. Finally, excessive spending on lobbying may be considered a directed effort by free market individuals to limit the regulator's interference in a firm's actions.

Further, I argue that executives' support for *competition* will not only influence the degree of competition within and outside the firm through tournament style compensation structure and uneven internal and external resource allocation decisions, as well as competitive behavior in the industry, but also a higher sensitivity of pay to prior performance, overall high incentive packages, and meritocracy in setting pay of organizational members. This happens because executives' beliefs in competition will determine the degree to which they consider incentives an important component in achieving the better organizational outcome and critical in maintaining the competitiveness of their firms. Thus, the differences between Republicans and Democrats in top management compensation structure (Chin & Semadani, 2017), CEO pay level (Gupta & Wowak, 2017) and internal resource allocation (Gupta et al., 2017b) that current research has uncovered may be argued to reflect their degree of support for competition within organizational structure and strategy. Specifically, Gupta and Wowak (2017) found that organizations with Republican boards had a stronger relationship between a firm's prior performance and CEO pay than that of with Democratic counterparts. Also, Chin and Semadani (2017) found that Republican-leaning CEOs have higher pay inequity within top teams than their Democratic counterparts. Moreover, Gupta et al. (2017b) found that Republican-leaning CEOs and organizations favor more uneven allocation of resources among business units than Democratic counterparts.

Although these findings were interpreted as evidence of attribution biases of conservatives and liberals (Tetlock, 2000; Gupta & Wowak, 2017; Chin & Semadani, 2017; Briscoe & Joshi, 2017), they may potentially signify differing economic worldview or *free market orientation* of Republican and Democratic executives. While Republican managers, due to a stronger *free market orientation*, may have inherent faith in rewarding individual success and encouragement of tournament style competition within TMT and a firm business units for overall firm benefit, Democratic counterparts, with lesser faith in Darwinian competition at the workplace (Dutton, Roberts, & Bednar, 2010), may consider it bad for collaboration and team work within a firm and perceive incentive inequity demoralizing with potential negative effects for team and organizational performance.

Finally, I anticipate that executives' support for *property rights* will influence whether managers consider shareholders rights as residual claimants a priority over other organizational stakeholders. This is consistent with property rights arguments that consider a shareholder an ultimate owner of a focal corporation (Fan & Wong, 2002) because cash flows from share ownership are purely residual claims that are due only after all other committed corporate claims (e.g., payments to suppliers, wages and salaries to employees and management, and interest and principal payments to bondholders) have been met (Sundaram & Inkpen, 2004). Free market oriented executives would likely argue that since corporate property is the private property of shareholders "moral rules that apply to private property apply to corporate property" (Freeman, Wicks, & Parmar, 2004: 368). Thus, free market oriented individuals will consider that running an organization in the foremost interest of shareholders is "the sine qua non of managerial decision making, because shareholders are property owners" (Sundaram & Inkpen, 2004: 351). As such, free market oriented managers are likely to rigorously defend and pursue shareholder interest more at the expense of other stakeholders, by favoring "property" over "societal" rights. Consistent with their laissez-faire logic, they may believe that the right to accumulate shareholder capital and returns provides ultimate benefit to all stakeholders and the society (Sundaram & Inkpen, 2004).

Thereby, assuming that participating in social issues beyond a certain point negatively impacts shareholder value creation (Hillman & Keim, 2001) and benefits more to management that runs these organizations (Friedman, 2007; Petrenko, Aime, Ridge, & Hill, 2015), free market oriented executives are less likely to spend on CSR with no clear organizational paybacks and be less susceptible to activist pressures for more CSR. As such, differences in CSR expenditure, CSR score, and responsiveness to CSR pressures by Republican and Democratic CEOs (Chin et al., 2013; Briscoe et al., 2014) or Republican and Democratic-leaning organizations (Di Giuli & Kostovetsky, 2014; Gupta et al, 2017a) that current research has uncovered may reflect their dissimilar views about the responsibilities of a corporation.

While Republican-leaning managers may consider a corporation primarily responsible to shareholders, consistent with their higher regard for property rights, their Democratic counterparts may consider a corporation accountable to a wider stakeholder group, consistent with a higher regard for societal rights. Similarly, observed differences in civil rights, labor, environmental wrongdoing between Republican- and Democratic-leaning organizations may also demonstrate the salience of property rights for the former and broader stakeholder or "societal" rights for the latter (Hutton et al., 2015). Specifically, Hutton et al. (2015) found that Republican-leaning organizations were found to engage in more civil rights, labor, and environmental litigations than Democratic counterparts. This may demonstrate that Republican-leaning organizations are more focused on shareholder whereas their Democratic counterparts pursue interests of a broader stakeholder group, including shareholders, which may lead to significant overall intentional and unintentional civil, labor, and environmental wrongdoings.

Importantly, as suggested above, while argued as evidence of risk-aversion, fiscally conservative policies, such as low debt to equity leverage (Hutton et al., 2014) and M&As (Elnahas & Kim, 2017) by Republican CEOs may be considered a choice in a shareholder-stakeholder dilemma by Republican and Democratic-leaning executives as well. For example, Hutton and his colleagues (2014) found that despite fiscally conservative policies Republican leaning CEOs deliver higher financial returns for their firms at least in the short run. A similar conclusion is reached by Elnahas & Kim (2017) who suggests that over the five-year period following M&A, stocks of firms with Republican CEOs significantly outperform those with non-Republican CEOs despite Republican CEOs being cautious in their M&A activities. Similar results were achieved in another study by Jiang et al. (2016) who found that despite modest and conventional forecasts Republican analysts produce better quality research for their clients. All this may signify that while Republican-leaning managers prioritize shareholder or owner goals, consistent with higher property right value, their Democratic counterparts may pursue interests of a broader stakeholder group beyond a shareholder by being focused more on societal rights.

To sum up, *free market orientation* may impact executive decision on the better ways to desired outcomes. While executives with *free market orientation* may believe that rising and falling on the basis of the consequences of one's decisions and efforts, competition, and shareholder supremacy — increases efficiency of organizations and positive societal outcomes, their counterparts while agreeing with basic value of these principles may argue that overwhelming focus on autonomy, competition and a shareholder may be detrimental for organization and society in the long run.

G. Discussion

The concept of political ideology along the liberalism-conservatism continuum has been extremely useful in expanding upper echelons research and theorizing. However, this research has evolved along multiple streams that produced findings the current conceptualization fails to account for. Thus, this paper argues that studying the overlooked role of managerial economic values is important to better understand organizational outcomes associated with a CEO or an executive's political ideology. As such, a fuller understanding of an individual's political ideology begins with unpacking how individual's economic values influence their actions and strategies. It is through referring to these ascribed economic values and beliefs on how the economy and a free market functions scholars can come to understand inconsistencies with extant political ideology research. Thus, economic values or free market orientation is ultimately a distinct component of one's political ideology.

While exploration of an individual's economic values is not new, this paper aims to better define these values in terms of a free market orientation and to theorize about the various ways executive's free market orientation influences organizational strategy and outcomes along with helping to understand current inconsistencies with political ideology research. Through synthesis of current political ideology research, the novel conceptualization of free market orientation presented here advances political ideology research by extending understanding the effect of economic values and offering an overarching theoretical insight that might inform future research.

At a fundamental level, this conceptualization generates insights into why Republican and Democratic-leaning managers demonstrate behavior inconsistent with traits in a unidimensional scale of liberalism-conservatism. This expands our understanding of the black box of mechanisms that are at play that explain why organizational members take certain actions (Lawrence, 1997). While these ideas can be applied to a wide variety of environments, the exploration of organizational consequences of an executive's free market orientation illustrates how this construct is particularly germane for understanding board, TMT, and CEO values that infuse organization's strategy and other various outcomes.

This paper suggests that given the subject of political ideology research are executives of large corporations, research will benefit more from exploring their *free market orientation* rather their psychological needs that has been found to predict an individual's social values. This is the case because individuals that political ideology research examines are more likely to be open to change and uncertainty due to tournament style succession (Lazear & Rosen, 1981) or filtering they undergo to rise in organizational ranks (Schneider, 1987). I suggest that an individual has to embrace diversity, change, and uncertainty if he or she is to rise in large multinational corporations. As such, by relaxing the social conservatism assumption, restricting the need to focus on psychological existential needs, this paper highlights overlooked role of economic values in understanding mechanisms that impact organizational outcomes. By this it helps to resolve limitations of the current political ideology conceptualization in explaining organizational outcomes associated with the manager party affiliation.

Although the presence of a higher faith in capitalism and free markets in conservatives in comparison to liberals has been noted in the current political ideology research (e.g., Chin et al., 2013; Chin & Semadani, 2017), this has largely been interpreted as the support of the status quo or aversion to change (Jost et al., 2003). This paper is the first to my knowledge to highlight individual's economic values as an independent and distinct component of an individual's political ideology not necessarily tied to his or her psychological existential needs. In clear contrast to conformant and risk-averse depiction of the supporters of a free market conceptualized in the unidimensional liberalism-conservatism construct of a political ideology, this paper suggests that free market orientation in fact may seem to encourage uncertainty and change (Greenberg & Jonas, 2003). Thus, an important and potentially generative avenue for future research is to empirically investigate the impact of the executive free market orientation, i.e. *support for economic individualism, competition, and property rights*, three dimensions of free market orientation, on organizational outcomes.

Recognizing that differences in dependence of the organization on its environment emerge from CEO's free market orientation- that is, when he or she has high *economic individualism*- provides direction for an expanded and fruitful research agenda. An interesting question to pursue is whether and how this economic individualism is of benefit or harm for long term performance of the firm. For example, a CEO high in economic individualism may have strong tendencies to maintain autonomy of his or her team that he or she ignores potential useful alliances. This is consistent with the findings that Republican CEOs engage in M&As in lower rate than their Democratic counterparts (Elnahas & Kim, 2017). Thus, by actively pursuing independence of action or autonomy, free market oriented CEOs may be putting their firms at a significant disadvantage in the long run.

Also, particularly interesting for future research is further exploration of competitive behavior of a free market oriented executives. Tournament style competitive environment within organization through high pay inequity and unevenness in internal resource allocation within business units may not be the only visible demonstration of the support for competition for these executives (Gupta et al., 2017b). This behavior may be present in competitive dynamics of the firm as well as it responds to external threats and opportunities. Exploring how a CEO free market orientation impacts a firm response to potential competitive attack may enrich both upper echelons and competitive dynamics literature. While CEOs with a low *free market orientation* may prefer to counter the attack with the offer of co-operation for a mutual benefit, CEOs with a high *free market orientation* may choose confrontation. More work is needed to advance these strands and understand more clearly how *free market orientation* demonstrates itself in competitive dynamics arena.

Another intriguing research stream may be a closer look at a shareholder primacy framework associated with managerial *free market orientation*. While free market oriented individuals may care about shareholder returns in comparison to other stakeholders, we do not necessarily know enough on short vs. long-term horizon spans of free market oriented executives. While we know that Republicans, who are likely to be more free market oriented, generate higher returns to their companies in the short run (Hutton et al., 2014; Elnahas & Kim, 2017), lesser known about the long term effects of their strategies. Future research may immensely benefit from exploring long-term effects of their choices to pursue shareholder supremacy.

Exploring the effect of dimensions of a *free market orientation* on organizational contracting with its suppliers is another intriguing avenue for future research. While we know that free market oriented executives may want autonomy from their suppliers, we may not know whether they prefer either short-term or long-term contracts with external suppliers. This is because both short and long term contracts could be argued is a means to maintain a firm and CEO autonomy from external entities. While short-term contracts may offer flexibility of a relationship, important to maintain autonomy, long term contracting may be a way to sustain autonomy through limiting oneself from short term market fluctuations.

While this paper has argued for independent and complementary effects of beliefs in *economic individualism, competition, and property rights*, potential interactive effects may persist among power holders within organization that bear similar free market orientation. One intriguing possibility is the interacting effect of board and CEO *free market orientation* on dividend payout. Because free market oriented executives advocate shareholder primacy due to their higher support of property rights, free market orientation of the boards may be associated with overall higher dividend announcements. However, the economic individualism dimension of a free market oriented CEO may actually trump this tendency given a CEO desire to maintain strong autonomy from external parties. Future research may greatly benefit from exploring these interacting effects of multiple dimensions of a free market orientation.

In summary, research on executive political ideology is growing but has produced findings that current conceptualization fails to account for. This paper recognizes two dimensionality of political ideology, noting the salience of economic values in resolving limitations with the current political ideology research. Specifically, exploring *free market orientation* is essential if the focus of political ideology remains managers of large diverse organizations. Thus, for scholars who are interested in understanding the effect of Republican and Democratic-leaning managers on organizational outcomes a fruitful choice may be designing reliable tools to tap into these economic values as well exploring organizational effects of this construct.

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I. Appendix: Figures and Tables

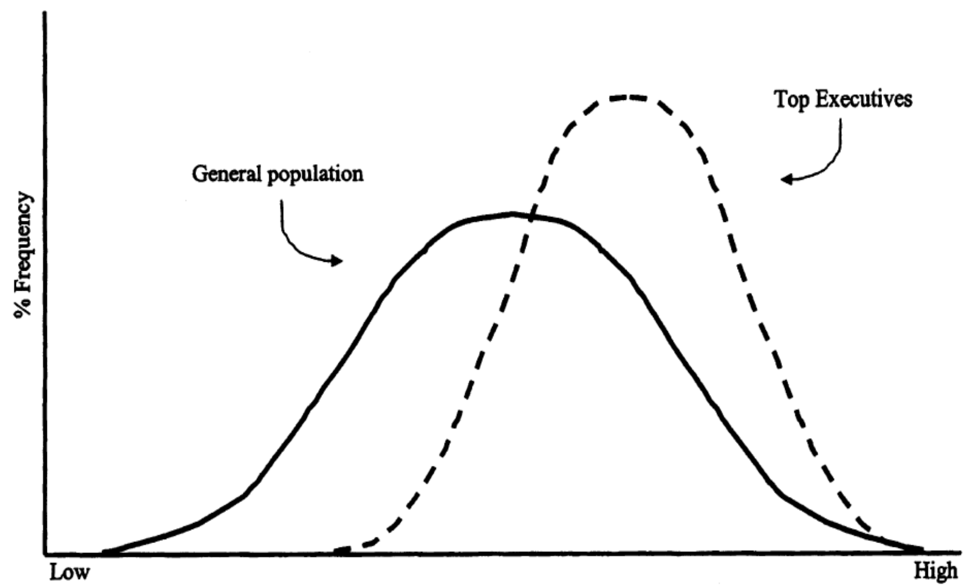

Figure 1 The proposed distribution of free market orientation levels in the general population and executive population (adapted from Hiller & Hambrick (2005) core-evaluation scale).

Table 1 Interpretation of extant political ideology research through free market orientation conceptualization.

Author	Sample	Political ideology conceptualization	Key findings	Free market orientation conceptualization
Hutton, Jiang & Kumar, 2014	ExecuComp databse, period 1992-2008, excluded SIC 4900-4999 and 6000-6999	Openness to change, familiar versus unfamilar stimuli, less sensation seeking-behavior, aversion to ambiguity, uncertainty, and complexity, fear of loss	Republican managers are likely to have lower levels of debt, lower capital and research and development (R&D) expenditures, less risky investments, but higher profitability.	More shareholder focused policies that involves taking prudent risk.
Kaustia and Torstila, 2011	unique data sets in Finland	Cognitive dissonance with stock market participation	Left-wing voters and politicians have more stock market aversion than right wing individuals.	No clear implication from free market orientation perspective.
DiGui & Kostovetsky, 2013	Largest 3000 U.S. public companies, period 2003-2009	Environmental protections, anti-discrimination laws, affirmative action, employee protection, and helping the poor and disadvantaged FEC: Republican/Democrat donation data	Democratic-leaning organizations spend more on CSR than Republican-leaning organizations, score higher on CSR rating, but accrue negative stock returns and decline in ROA.	Democratic organizations have lesser focus on shareholder wealth than Republican counterparts.
DeVault & Sias, 2016	201 hedge fund equity holdings, period 2000-2012	tolerant of ambiguity, complexity, openness to new experiences, uncertainty avoidance, greater need for structure and closure FEC: Republican/Democrat donation data	Liberal hedge funds exhibit preference for smaller stocks, less mature companies, volatile stocks, unprofitable companies, non-dividend paying companies, and lottery-type securities, and make large adjustments to their U.S. equity market exposure.	Democratic organizations have lesser focus on shareholder wealth than Republican counterparts.
Jiang, Kumar & Law (2014)	11,769 finance analysts for the period 1993-2009	preference for the status quo, resistance to change, and cautiousness FEC: Republican/Democrat donation data	Republican analyst is more likely to recommend small changes in forecast or recommendation and less likely to issue a bold forecast. They are also likely to produce more accurate earnings forecasts, issue more updates in general, and are more likely to be selected as institutional investor all-star analysts.	Republican analysts have better care of property rights and thus produce better results for their clients.

Table 1 (Cont.)

Author	Sample	Political ideology conceptualization	Key findings	Free market orientation conceptualization
Elnahas & Kim, 2017	12,928 CEO-year observations between 1993-2006' 1007 firms & 2100 CEOs	disposition to preserve the status quo, strong external stimulation & engagement in sensation-seeking behavior FEC: Republican/Democrat donation data	Republican CEOs engage in higher M&A than Democratic CEOs and more likely to use cash to make acquisitions and more likely to acquire public firms than private firms and from the same industry and avoid high information uncertainty acquisitions but deliver better performance from M&A than their Democratic counterparts. Spend more on CAPEX than Democrats.	Republican CEOs have better care of one's property rights.
Unsal, Hassan & Zirek, 2016	2030 unique firms and 3765 distinct CEOs for the period 2000-2012	FEC: Republican/Democrat donation data	Republican CEOs engage more in lobbying through lobbying the greatest number of bills and issues, have relatively larger lobbying expenditures and employ higher number of lobbyists.	Republicans want to limit government intervention into the market by lobbying more than Democratic CEOs.
Francis, Hasan, Sun & Wu, 2016	ExecuComp; period 1992-2015	favoring tax reduction, smaller size of government, and disfavoring wealth redistribution. FEC: Republican/Democrat donation data	Republican CEOs engage in more tax sheltering even when their interests are not necessarily aligned with those of shareholders.	Republican CEOs have better care of one's property rights.
Briscoe, Chin & Hambrick (2014)	LGBT groups, period 1985-2004	emphasis on civil rights and associated social issues, including diversity, social justice, social change and protecting natural environment; emphasis on individualism, respect for authority, stability, and the status quo. FEC: Republican/Democrat donation data	Democratic CEOs face more activist pressures than Republican CEOs.	Republican leaning CEOs care less of other stakeholder interests beyond a shareholder.

Table 1 (Cont.)

Author	Sample	Political ideology conceptualization	Key findings	Free market orientation conceptualization
Gupta, Briscoe & Hambrick (2016)	Fortune 500 companies listed in 2001-2008	support of social justice, economic equality and control over markets; support of individualism, ownership rights, and efficiency FEC: Republican/Democrat donation data	Democratic leaning organizations have greater CSR scores.	Republican leaning CEOs care less of other stakeholder interests beyond a shareholder.
Chin, Hambrick & Trevino, 2013	A sample of 249 CEOs, appointed beween 2004 and 2006, period 2005-2009	concerned with civil rights, sensitivity to social issues, such as diversity, social change, human rights, and the environment, seeking economic equality, social justice, and control over markets; emphasis on individualism, property rights, efficiency, and free markets, order, stability, respect for authority, and the status quo FEC: Republican/Democrat donation data	Democratic CEOs have better CSR scores than their Republican counterparts.	Republican leaning CEOs care less of other stakeholder interests beyond a shareholder.
Chin & Semadani, 2017	A sample of 176 CEOs and 685 compensation committee members from S&P 500 for the period 2007-2010.	valuing economic equality, social justice, planned social change, and market controls; emphasis on individualism, free markets, property rights, business cases, order, and respect for authority FEC: Republican/Democrat donation data	Democratic CEOs reduce pay dispersion and pay gaps between CEO and non-CEO executives.	Republican leaning CEOs emphasize more meritocracy.
Hutton, Jiang & Kumar, 2016	1992-2006; Execucomp; FEC donation	FEC: Republican/Democrat donation data	Republican CEOs are more likely to have civil rights, labor and environmental litigations, whereas Democratic CEOs are more likely to have securities and property rights litigations.	Republican CEOs have better care of one's property rights.

Table 1 (Cont.)

Author	Sample	Political ideology conceptualization	Key findings	Free market orientation conceptualization
Gupta, Briscoe & Hambrick, 2017	Fortune 500 companies, period 2000-2012	emphasis on social and economic equality; emphasis on efficiency and high tolerance for inequality in outcomes	Democratic CEOs emphasize more equal resource allocation among a firm business units.	Republican leaning CEOs emphasize more meritocracy.
Gupta & Wowak, 2017	19,175 firm-year observations, 4,181 CEOs, S&P 1500 companies, period 1998-2013	external vs. internal attributions FEC: Republican/Democrat donation data	Republican boards pay more to their CEOs.	Republican leaning CEOs emphasize more meritocracy.
Christensen, Haliwal, Boivie & Graffin, 2014	14,174 firm-year observations, 6818 CEOs, Execucomp, period 1992-2008	need to reduce uncertainty and threats, fear of losses, aversion to ambiguity and uncertainty FEC: Republican/Democrat donation data	Republican-leaning executives engage in less tax avoidance.	This finding is challenged by a later study by Francis, Hasan, Sun & Wu, 2016.
Briscoe & Joshi, 2017	Unique data from a large law firm	internal vs. external attributions FEC: Republican/Democrat donation data	Gender gap in performance-based pay is reduced more for workers tied to Democratic-leaning managers.	Republican leaning CEOs emphasize more meritocracy.
Hafenbradl & Waeger, 2017	MBA and Executive MBA students		Fair market ideology supporters will engage in CSR only when there is a good business case for the project.	Fair market ideology may in fact reflect free market orientation and better care for property rights.

II. Chapter II: Developing a scale to measure executive free market orientation

A. Abstract

The broad liberalism-conservatism measure that utilizes party donation data, while useful in separating an individual's political ideology along Republican and Democratic Party lines, conflates social and economic values. This paper introduces a novel scale that measures the economic values of CEOs that I term free market orientation and demonstrates its distinctiveness from a broad political ideology construct of liberalism-conservatism. To do so, I apply a Computer Assisted Textual Analysis (CATA) technique to firm earnings calls to measure three indicators of free market orientation – economic individualism, competition, and property rights, as well as utilize a unique dataset from the CATO Institute to assess the robustness of this novel measure.

B. Introduction

The broad liberalism-conservatism measure that utilizes party donations has been useful in separating an individual's political ideology along Republican and Democratic Party lines (e.g. Chin, Hambrick, & Trevino, 2013). However, it conflates social and economic values that are considered independent dimensions of an individual's political ideology (Feldman & Johnston, 2014; Malka, Soto, Inzlicht, & Lelkes, 2014, Malka, Lelkes, & Soto, 2017). This has led to some inconsistencies in the current political ideology research that limit our understanding of the potential impact of executive political ideology on a firm strategy and structure. For example, the extant research portrays Republican-leaning executives as risk-averse (Christensen, Dhaliwal, Boivie, & Graffin, 2015), with a higher need for security and status quo (Briscoe, Chin, & Hambrick, 2014) and intolerance for change (Chin et al., 2013). However, recent findings uncover evidence that is inconsistent with these predictions. Specifically, Republican-leaning executives were found to engage in risky behaviors, such as greater tax evasion (Francis, Hasan, Sun & Wu, 2016), corporate wrongdoings (Hutton, Jiang & Kumar, 2015), and actions that attempted to change their environment (Unsal, Hassan & Zirek, 2016), which conflict with the conformant and status-quo portrayal of a Republican executive. This happens because extant theoretical predictions of political ideology are primarily focused on the psychological needs that predict an individual's views on social issues (Jost, Glacer & Kruglanski., 2003; Stenner, 2005; Noel, 2014; Feldman & Johnston, 2014).

Economic values, however, are increasingly known to be an independent and salient part of an individual's political ideology (Malka, Soto, Inzlicht, & Lelkes, 2014; Malka, Lelkes, & Soto, 2017). These values "act as ongoing standards of evaluation" (Feldman, 2013: 603) and are reflected in an individual's thinking, behavior and political rhetoric (Gerring, 1997). While evidence of economic values and beliefs on the way individuals run governments have been of scholarly concern for some time among economists and political science scholars (e.g., Pitlik, 2007; Duso & Seldeslachts, 2010; Potrafke, 2010, Milner & Judkins, 2004; Hyytinen, Lundberg, & Toivanen, 2008, Osterloh & Debus, 2012; Weymouth & Broz, 2013), the impact of these values on desired mechanisms to achieve organizational outcomes or on organizational strategy and structure remains largely overlooked.

The goal of this paper is to introduce and validate a novel measure of economic values of CEOs that I term free market orientation and demonstrate its distinctiveness from the broad political ideology construct. Free market orientation epitomizes a range of values and beliefs on the supremacy of an individual's autonomy, competition, and private property. As such, these values reflect the set of widely shared beliefs about the advantage of market mechanisms in matters affecting society and in interactions among individuals in society. A defining feature of an individual's *free market orientation* are the three core values directly relevant to an individual's economic values: *economic individualism, competition,* and *property rights* (McClosky & Zaller, 1984). *Economic individualism* refers to the belief that people should get ahead by themselves and be self-reliant (McClosky & Zaller, 1984). *Competition* refers to the belief that rivalry is a means for advancement and economic progress. *Property rights,* a third integral component of an individual's *free market orientation*, reflects an individual's belief in one's right to own unlimited property and allocate or use it at his or her discretion.

Through the development and validation of a free market orientation construct I will contribute to the current political ideology research in management in multiple ways. First, by introducing a novel technique to measure free market orientation, I open up a new avenue of research that could uncover additional important organizational effects attributed to economic values of organizational leaders. While economic values or philosophy has been shown to have an important effect on the way political leaders run political systems (e.g., Bjørnskov, 2005; Potrafke, 2010; Potrafke, 2011; Weymouth & Broz, 2013), this has been a less explored phenomenon in organizational studies literature. Thus, by developing and validating a free market orientation scale, I allow for testing the effects of economic values on critical organizational decisions, such as CSR activities (Chin et al., 2013; Gupta et al., 2017), mergers and acquisitions (M&As; Elnahas & Kim, 2017), tax avoidance (Francis et al., 2017), debt leverage (Hutton et al., 2014) and investment decisions that not only broadens executive political ideology research, but also allows for empirical analysis of an alternative explanation as to desired mechanisms employed to achieve individual and organizational outcomes. Second, by constructing a free market orientation scale that reflects an individual's economic values and setting it apart from a traditional liberalism score (Chin et al., 2013), I highlight the limitations of the broad measure that may not account for the differences within broad political groups such as the Republican and Democratic parties in the U.S. Third, by utilizing a Computer Assisted Textual Analysis (CATA) technique to measure free market orientation, I contribute to broadening the adoption of this technique by management scholars when an unobtrusive measure of the construct is the preferred approach.

The paper is divided into three sections. First, I briefly summarize three main dimensions of free market orientation – *economic individualism, competition,* and *property rights*. In the second section of the paper, I describe how I intend to utilize a CATA technique to measure these three indicators of an individual's free market orientation (see Short, Broberg, Cogliser, & Brigham, 2010 for a review). I also intend to validate the scales obtained from CEO earnings conference calls with a CATA technique using an alternative measure of free market orientation that draws from a unique dataset from the CATO Institute, a libertarian public policy research think tank. This dataset tracks the voting record of Congress on free trade and subsidy related policies, ranking members of Congress on their degree of support of free trade and subsidies; i.e. overall support for market principles. Thus, utilizing the donation record of CEOs to these Congressional members, I will test the concurrent validity of my CATA based a free market orientation scale. As a final step, I intend to calculate a liberalism-conservatism scale, consistent with Chin et al. (2013), to demonstrate the discriminant validity of a novel free market orientation measure. Finally, in the third section of the paper, I will discuss findings from this scale development and validation exercise and offer suggestions for future research.

C. Theoretical Background

Economic values that I term *free market orientation* represent an individual's belief in a capitalistic economic system (McClosky & Zaller, 1984) or a spectrum of values on the supremacy of individual effort, self-reliance, competition, and private property, traits traditionally associated with a free enterprise system. Previous research in political psychology and political science primarily understood these views as economic (e.g. Bakker, 2017; Crowson, 2009; Hiel & Mervielde, 2004; Fleishman, 1988; Malka et al., 2017) or market conservatism or liberalism (e.g., Zumbrunnen & Gangl, 2008). The favorable view of market mechanisms among individuals in a society is a basic tenet of individuals' *free market orientation* (Free & Cantril, 1967). These beliefs align well with ideas of such political and economic philosophers as Adam Smith, Joseph Schumpeter, and Milton Friedman who believed that the invisible hand of free enterprise can produce better organizational outcomes to society than the bureaucratic mechanisms of regulation (see Smith, 2017; Schumpeter, 2002; Friedman, 2007). The belief in the right to own private property, the opportunity to maximize profit, the premise that meritocracy should govern the distribution of income, and the superior efficiency of competition have been argued to be important components of an individual's free market orientation (see Rohrschneider, 1996, for further discussion). Deregulation of the economy (Pitlik, 2007; Duso & Seldeslachts, 2010; Potrafke, 2010), pro-free trade and pro-competition policies (Milner & Judkins, 2004; Hyytinen, Lundberg & Toivanen, 2008), reduced taxation (Osterloh & Debus, 2012) and higher perceived security of private property (Weymouth & Broz, 2013) can be considered as some of the outcomes associated with free market orientation of individuals running governing coalitions.

As suggested earlier, three core principles – *economic individualism, competition, and property rights* (see e.g., Williams, 1970; Lipset, 1979; Elder & Cobb, 1983; McClosky & Zaller, 1984; Heywood, 2017) – are central to an individual's free market orientation. *Economic individualism* refers to the belief that individuals should be autonomous and self-reliant (Heywood, 2017; Free & Cantril, 1967). Thus, it suggests that self-reliance and a desire to maintain autonomy is essential for individual success and one's failure and success is attributed to an individual's past behaviors and actions (McClosky & Zaller, 1984; Feldman, 1988). Personal achievement is important to measure personal success in life (Feldman, 1988). *Economic collectivism* or interdependence, in contrast to economic individualism, advocates that an individual is in a network of intertwined relationships (Greif, 1994; Zerbe & Anderson, 2001). Promotion of a collective interest at the expense of an individual one (Hofstede, 1980; Singelis, 1994), a favorable view of interdependence, and an emphasis on reliance on collective institutions to resolve contract disputes is important for collectivism. Collectivists may trust these communal institutions as a collective mechanism to reward and punish to achieve transaction cost efficiency and other positive externalities (Greif, 1994). Thus, they may not see a problem in engaging into strong interdependence to advance mutually beneficial goals.

Economic individualism is considered to have strong support in American society and other capitalist countries throughout the world (Free & Cantril, 1967; McClosky & Zaller, 1984; Devine, 1972; Feldman, 1982). Three out of four Americans interviewed by Feldman and Zaller (1992) suggested individualism as an important individual value. As such, individualism is often suggested as an explanation for limited welfare and redistribution policies in the U.S. (Jacobs, 2008, King, 1973; Kluegel & Smith, 1986; Lipset, 1959). In contrast, most individuals in more egalitarian European countries with collectivist policies associate individualism with self-interest or selfishness and demonstrate lower levels of support for free market principles (McClsoky & Zaller, 1984; BBC World Service, 2009). While most Americans attribute poverty to lack of individual effort and laziness – attributes of individualism most citizens of Europe consider contextual factors such as luck or social and economic factors as the primary cause of poverty (Alesina, Glaeser, & Glaeser, 2004).

C*ompetition*, the second important dimension of an individual's free market orientation, refers to the belief that rivalry among parties is a means for advancement and economic progress. Individuals with a belief in competition suggest that competition makes individuals more efficient and hard-working, stimulating them to perform to the best of their abilities (McClosky & Zaller, 1984). This, according to free market oriented individuals, produces beneficial outcomes to society in the form of better products, higher customer satisfaction, and efficient utilization of limited resources (McClosky & Zaller, 1984). They argue that fair competition is not only beneficial for the organization and society because it maximizes beneficial organizational outcomes and growth, such as efficient utilization of resources, higher quantity and quality products, but also for the individual engaged in competition via the best use of one's resources (Smith, 2017). The competition indicator of free market orientation emphasizes meritocracy in organizations and society overall by suggesting that in meritocratic systems everyone has an equal chance to advance and obtain rewards based on their individual knowledge, ability, and skills (Castilla & Bernard, 2010). Thus, they argue that meritocracy is not only beneficial for an organization or society, but also for the individual engaged in competition.

Cooperation, a polar opposite of *competition*, refers to the belief that mutual commitment and co-operation creates beneficial outcomes for everyone (Triandis, 2018; Schwartz, 2007). This may involve inducing individuals to recognize one another as equals who share basic interests and goals (Shwartz, 2007). Parties in a transaction are expected to internalize a commitment to cooperate and to feel concern for everyone's welfare (Triandis, 2018). They may at times expect themselves and others to act for the benefit of others with equality, justice, and mutual interest being of critical significance for these individuals. For them, an optimal outcome is achieved when the actors in the economy collaborate to achieve their goals through "information sharing, monitoring, sanctioning, and deliberation" (Schwartz, 2007: 52).

Diverging views on *competition* and *cooperation* may be observed, for example, in the way the U.S. and Germany follow different practices in executive pay (Sanders & Tuschke, 2007) or the participation of labor unions in organizational decision making (Gospel & Pendleton, 2003). Indeed, although firms both in the U.S. and Germany engage in strategic alliances or partnerships to a certain extent in order to gain competitive advantage, the U.S., with higher support for market-based competition than Germany (Hall, 2001; Kaufmann, 2013) or prevalence of "shareholder firms" (Thomas & Waring, 1999) demonstrates a higher preference for competitive labor, financial, and product markets with “a sharp separation” between the firm and its external partners (Thomas & Waring, 1999:733), whereas Germany relies on mutual cooperation among economic actors within a dense network of institutions and shared control (Thomas & Waring, 1999). To illustrate, Thomas and Warring (1999) contrasting German business from that of the U.S. emphasize that German businesses are “more embedded in networks of relations that are more permanent, with a greater and less formal sharing of control [across partners]” than their U.S. counterparts, where there is “ a sharp separation between the firm and its external transactors”. (:734, 733).

Final, the third dimension of free market orientation, *property rights*, refers to an individual’s belief in one’s right to own unlimited property and allocate or use it at his or her discretion. Free-market-oriented individuals consider private property the most important element for personal autonomy and incentivizing competition. This happens because they believe the right to own unlimited property incentivizes individuals to work harder as they believe they can retain what they earn (Hayek, 1944). This, according to free market oriented individuals, increases beneficial outcomes for society (McClosky & Zaller, 1984; Randolph, 2012). The intellectual roots of this argument can be traced to the economist Adam Smith, who considered a breach of one’s property rights as the next most severe crime to the assault on one’s body (Smith, 2017).

Although those who oppose unlimited property rights do not generally argue against one’s right to own private property, they seek a balance between *property* and *societal rights* (Matten & Crane, 2005). They argue that individuals also have *societal rights*, which are comprised of “… those rights that provide the individual with the freedom to participate in society, such as the right to education, healthcare, or various aspects of welfare” (Matten &

Crane, 2005: 170). They argue that those rights may prevail over one's right to private property in some cases. Thus, they argue that the benefits of *property rights* are diminished once they infringe on *societal rights*, i.e. the rights and interests of broader stakeholder groups (Beetham, 2017).

Individuals might have differing opinions on the balance between *property rights* and *societal rights* depending on the country. For example, in American society more than four out of five respondents surveyed in the late 2000s agreed that "private property rights are just as important as other rights like freedom of speech and religion" (Associated Press, 2008), whereas in France, only about one out of ten respondents surveyed regarded "the right to own property, either alone or in association with others' as one of their most valued human rights" (YouGov.UK, 2016). Thus, although most capitalist societies generally support *property rights*, the degree of support for unlimited property rights may vary, with the population in the U.S. demonstrating higher support for *property rights* in comparison to the population of France, which may ultimately have higher support for *societal* over *property rights*. The high regard for *property rights* in the U.S. is especially attributed to a manifestation of "a property owner's individuality" that is closely associated with higher support for economic individualism in the U.S. (Friedman, 2001).

In summary, the three indicators highlighted above and discussed in detail in the first dissertation paper – *economic individualism, competition, and property rights* – are important components of one's free market orientation and are generally perceived to be stable over time (Feldman, 2013). One polar end represents an ideal free market culture, where an individual supports strong autonomy or independence of action, competitive behavior, and property rights. The other end, however, represents egalitarian economic values with emphasis on mutual cooperation, commitment to each other, and limited or no support for private property rights. These three indicators have been argued to be central features of capitalism or free enterprise, especially in the United States (see McClosky & Zaller, 1984; Lipset, 1979). Although the predominant sample for executive political ideology research is the population of most developed capitalist societies with general higher support for *economic individualism*, *competition*, and *property rights* (i.e. higher end of the free market orientation scale), divergent views on the *economic individualism, competition*, and *property rights* among people of these countries persists, including CEOs of public corporations (see the first dissertation paper for detailed discussion). In the next section of this paper, I intend to develop and validate a scale to measure these three indicators of CEO free market orientation. Thus, while *economic individualism* is defined as the belief that people should get ahead by themselves, be autonomous, and be self-reliant, *competition* refers to the belief that rivalry among parties is a means for advancement and economic progress. Finally, *property rights*, a third integral component of an individual's free market orientation, reflects an individual's belief in one's right to own unlimited property and allocate it at his or her discretion.

D. Methods

a. Sample selection

I use CATA (content analysis) to measure the relevant indicators of free market orientation. Integrating CATA to measure the construct of interest provides numerous advantages to organizational researchers. First, it has higher reliability than human coding with lower cost and greater speed (Neuendorf & Kumar, 2002). Second, this unobtrusive measure is also convenient when utilizing survey methodology is not feasible due to potential social desirability bias (Chin et al., 2013) and a reluctance of CEOs to respond to questions about their ideological views as sensitive as political or economic ideology (Cycyota & Harrison, 2006). Numerous organizational studies have successfully employed content analysis utilizing publicly available firm documents such as letters to shareholders, annual reports (e.g., Abrahamson & Park, 1994; Bowman, 1984; Clapham & Schwenk, 1991) and, more recently, earnings call transcripts (Lee, Hawang, & Chen, 2017; Pan, McNamara, Lee, Haleblian, & Devers, 2017). Prior research has supported the usefulness of analyzing these public documents (e.g., letters to shareholders, earnings calls) to investigate phenomena such as competitive aggressiveness (Chen & Hambrick, 1995; Chen & Macmillan, 1992; Chen & Miller, 1994), competitive actions or moves (Young, Smith, & Grimm, 1996), strategic change (Cho & Hambrick, 2006), board chair role as a resource provider (Westphal & Zajac, 1995; Krause, Semadani, & Withers, 2016), board attention (Tuggle, Schnatterly, & Johnson, 2010), CEO attention (Kaplan, 2008), entrepreneurial orientation (Short et al., 2010) and overconfidence (Lee et al., 2017).

The Shapir-Whorf hypothesis suggests that the cognitive categories through which individuals understand the world are reflected in the words they use (Cho & Hambrick, 2006; Sapir 1944; Whorf 1956). "Words that are frequently used are cognitively central and reflect what is most on the user's mind; words that are used infrequently or not at all are at the cognitive periphery, perhaps even representing uncomfortable or alien concepts" (Cho & Hambrick, 2006: 459; Huff 1990). Hence, analysis of CEO spoken words is one of the best ways to observe what they value and how they understand the world, i.e. their economic values or free market orientation.

My sample consists of quarterly earnings conference calls of all CEOs from the Execucomp database who were appointed in years 2008 and 2009. I chose this sample because the Execucomp database is comprised of publicly traded firms that allows public access to earnings calls as well as the collection of additional variables (i.e., measures of organizational size and firm performance) through a secondary source without the threat of introducing common method variance.

Earnings calls led by firm top executives is an opportunity for management to deliver their perspective on issues their firms are facing and to influence their stakeholder perceptions (Graffin, Carpenter, & Boivie, 2011; Porac, Wade, & Pollock, 1999). Further, the voluntary nature of these events allows significant latitude to management “to present information in the way they believe” (Pan et al., , 2018: 2206). Generally, there are two distinct sections to earnings calls: an introductory portion and a discussion section (Blau, DeLisle, & Price, 2015). Similar to other forms of corporate communication, such as press releases, SEC filings, company annual reports, the introductory section of quarterly earnings calls are uninterrupted, where managers essentially go through the prepared scripted presentation. However, in the second, discussion section, management generally may go off the script to reflect their views, such as CEO of TESLA telling analysts that “boring, bonehead questions are not cool” (Gillette, 2018). Thus, the second discussion section of the calls is a great opportunity to observe a more nuanced view of CEO because of spontaneity of the unscripted speech (Matsumoto, Pronk, & Roelofsen, 2011; Price, Doran, Peterson, & Bliss, 2012).

My selection of CEO quarterly earnings calls with analysts for CATA as an indicator of free market orientation is based on two main criteria. First, the indicator needed to be under the control of the CEO and not driven primarily by institutional or other external forces to qualify as a manifestation of the CEO’s free market orientation (Chatterjee & Hambrick, 2007). In contrast to the scripted nature of letters to shareholders, earnings call transcripts are not carefully constructed or selectively edited by firm management (Blau, DeLisle, & Price, 2015; Matsumoto et al., 2011; Price et al., 2012). Thus, CEO participation in earnings calls is less scripted and may be a vital source of understanding a CEO's worldview and values. Second, the use of earnings calls ensures comparability among firms and allows me to control for many other potential influences on CEOs' rhetoric in these events. For example, conference calls take place in similar settings, have a relatively standardized length, and cover similar topics across firms.

I use Seeking Alpha, a crowd-sourced web content service for financial markets, to obtain transcripts of quarterly earnings conference calls for years 2010 and 2011 following a focal individual becoming a CEO. This is consistent with the guidelines of Short et al. (2010) who analyzed annual shareholder letters of CEOs to measure CEO entrepreneurial orientation but have used only a one-year document. Further, a two-year time frame that includes on average eight earnings call transcripts to construct free market orientation measure is consistent with the time span of prior research that has used ten consecutive periods of political donations to construct political ideology measure (e.g. Chin et al., 2013; Gupta et al., 2017a,b; Briscoe et al., 2014).

I have identified 444 CEO transitions in years 2008 and 2009 in Execucomp. Out of these 102 were either acquired, merged with another company or the CEO lost his or her position prior to 2010, 48 did not have any earnings calls for the period of 2010 and 2011, and 63 never had any earnings calls in SeekingAlpha.com. This has left me with 231 CEOs who have had at least one earnings call in years 2010 and 2011. However, to maintain consistency with previous research that has utilized ten consecutive periods of political donations to construct political ideology measure (e.g. Chin et al., 2013; Gupta et al., 2017a,b; Briscoe et al., 2014) and to capture stability of the measure across quarterly earnings calls, my final sample comprises CEOs who have had earnings calls covering at least half of the period of 2010 and 2011, which leaves me with a final sample of 140 earnings calls.

b. Free Market Orientation Operationalization

To construct a valid measure of free market orientation, I rely on my own novel definition of free market orientation as the ‘‘belief in the supremacy of individual self-reliance, competition, and property rights” presented in the first paper of my dissertation. This definition demonstrates multidimensionality of free market orientation with support for *economic individualism, competition*, and *property rights* being three distinct indicators of the construct. Thus, by definition, free market orientation, is a construct that has at least three elements: *economic individualism, competition,* and *property rights*.

I have created a discrete and exhaustive word list for each of these theoretically based indicators from The Synonym Finder (Rodale, 1978) consistent with Short et al. (2010). More specifically, I generated synonyms or words associated with each above-mentioned dimension of the construct. I consider it important that word lists used are exhaustive and mutually exclusive, that each word that is extracted from the dictionary can be linked with only one indicator of free market orientation. This is consistent with recommendations of Short et al. (2010) and past studies that have utilized The Synonym Finder (e.g., Hubbard, Pollock, Pfarrer, & Rindova, 2017) or other relevant thesaurus or dictionary of words associated with a particular construct (e.g., Buyl, Boone, & Wade, 2017). Word lists that I generated from *The Synonym Finder* were validated in step 2 using a multistep process with two raters who were unaware of the purpose of the study. The raters were third- and fourth-year Ph.D. candidates in management with specialization in strategy respectively. The raters examined the words generated by *The Synonym*

Finder and compared them to the theoretical definition of the three indicators of free market orientation presented to them. They were instructed to delete words that did not match the specified indicators and add words that could be associated with each dimension of the construct. To demonstrate inter-rater reliability of my nominal coding scheme (agree/disagree between the raters), I have used Holsti's (1969) method as recommended by Short et al. (2010) for CATA. The Holsti (1969) inter-rater agreement method reflects underlying agreement in coding between or among raters and has been widely used by previous research in content analysis (Stemler, 2001; Milne & Adler, 1999). The Holsti (1969) method uses the following formula:

$$(PA0= 2A/nA+nB),$$

where PA0 is the proportion agreement observed between two raters, A is the measure of agreements between the two raters, and nA and nB are the overall quantity of words coded by the two raters. The inter-rater agreement between two raters as per Holsti's (1969) methodology for deductive procedure comprised 0.84. According to guidelines suggested by Riffe, Lacy, and Fico (2005), Krippendorff (2004), and Ellis (1994) values higher than .75 should be considered as a sign of high reliability. This deductive process has yielded 108 words pertaining to economic individualism, 99 words pertaining to competition, and 49 words pertaining to property rights indicators of free market orientation respectively. The full list of words generated at this step is presented in Table 1.

In step 3, I supplemented my deductive analysis with an inductive procedure based on the word choices evident in CEO earnings calls. First, I identified a comprehensive list of commonly used words from my sample of transcripts of CEO earnings calls. Similar to others who have applied an inductive approach to dictionary development (e.g., Abrahamson & Park, 1994;

Doucet & Jehn, 1997; Short et al., 2010), I generated an exhaustive list of frequently used words within all texts of the CEO earnings call transcripts across my sample.

Second, I looked for a general definition/explanation of free market orientation that could guide my inductive reasoning and selected words that aligned with a general definition/explanation of free market orientation. In the third step, the two raters also examined the lists to identify words associated with each indicator of free market orientation, deleting the words that they considered irrelevant. The inter-rater agreement between two raters as per the methodology by Holsti (1969) is 0.78, which is also a sign of high inter-rater reliability according to Ellis (1994). The list was refined by a discussion of potential words identified by one but not both raters through an iterative process until both raters agreed that a particular word either should be included into one of the indicators of free market orientation or discarded. This inductive procedure of dictionary generation yielded 54 words pertaining to *economic individualism*, 68 words pertaining to *competition*, and 59 words pertaining to *property rights* indicators of free market orientation. The full list of words identified through this procedure is also presented in Table 1.

Insert Table 1 here

In step 4, I summed the number of words utilized by each quarterly earnings call as per the dictionary of the words that have been combined via the deductive and inductive approaches highlighted above (step 2 and 3). I also calculated a total number of words spoken by the CEO in each quarterly earnings call. The measure of each indicator of free market orientation (i.e. *economic individualism*, *competition*, and *property rights*) was calculated by dividing a total number of words relevant to each indicator to total number of words in each quarterly earnings call. The overall number of quarterly earning calls for two years were averaged to obtain free market orientation measure. For example, if 120 words out of 1200 are identified as relevant to *economic individualism* indicator of free market orientation through the analysis of the word frequency in Q1, Q2, Q3, and Q4 earnings calls from Year 1, to calculate economic individualism measure for a specific quarterly earnings call, 120 were divided by 1200 to get 0.1 as the measure of economic individualism. If the measure of economic individualism for Year 1 and 2 are 0.12 and 0.2 respectively, the overall two-year or eight quarter measure of economic individualism for a focal CEO is 0.16. This methodology is consistent with Chin et al. (2013), Gupta et al. (2017a, b) and other research that has used 10 periods of donation to obtain political ideology measure.

In step 5, I conducted a confirmatory factor analysis to observe whether the three indicators of free market orientation (i.e. *economic individualism, competition*, and *property rights*) are loading on to the same factor. All three indicators of free market orientation are highly correlated and loaded on one factor with eigenvalue of 2.5, producing the relevant statistical criteria to satisfy this condition. Specifically, Hu and Bentler (1999) suggest that to have an overall model fit: RMSEA should be lower than .06, and TLI and CFI higher than .90 respectively. My factor analysis demonstrated RMSEA value is 0.00, that the CFI value is 1.00 and that the TLI value is 1.00, suggesting overall model fit. Reliability of the measure as measured by Cronbach alpha is 0.88. Full results of the factor analysis as well as correlation among indicators of free market orientation are presented in Table 2 and Table 3 respectively.

Insert Table 2 and 3 here

E. Robustness check

In the next step, I assessed the robustness of my free market orientation measure via CATA. I used archival data on the individual political donation record of CEOs to construct an alternate measure of free market orientation based on an individual's support of free-market-oriented congressional members. Prior research has found that an individual's donation data or campaign contributions are valid indicators of one's political ideology or views (Chin et al., 2013). While a broader measure of CEO liberalism-conservatism differentiates between the degree of donor support between Republican and Democratic parties through their political donation data (Chin et al., 2013), it does not account for differences of both parties, where support for free market ideals may not necessarily indicate support for conservative ideals (Miller & Schofield, 2008). However, by examining Congressional member support for free market-friendly policies through their actual votes, I should be able to tap the free market orientation of CEOs who donate to these individuals. For this purpose, I used data from the CATO Institute, a libertarian think tank that tracks all Congressional member votes on their degree of opposition to free trade and subsidies.

More specifically, the CATO Institute tracks how Congress and its individual members have voted over the years 1999-2014 on bills and amendments affecting trade barriers to the U.S. economy and subsidies that certain sectors of the economy receive. The data is publicly available on the CATO Institute website. According to the CATO Institute, the choice Congress faces in forming trade barriers and initiating subsidies is a choice between the free market and government intervention, which demonstrates whether U.S. policy favors a free market by advancing free trade and rejecting government intervention such as export and agricultural subsidies, or whether it favors intervention by not only maintaining and raising barriers to trade but also various subsidies. Through their votes on legislation, members of Congress can oppose both trade barriers and trade subsidies, oppose barriers and favor subsidies, favor barriers and oppose subsidies, or favor both barriers and subsidies. Thus, by considering the CATO Institute Congressional voting record, I may observe a more accurate and useful way of measuring how individual members of Congress vote on free market issues, classifying members of Congress according to their degree of support for an international market free from the distorting effects of barriers and subsidies.

Free-market-oriented individuals argue that both kinds of intervention—barriers and subsidies—direct resources to less-efficient uses, substituting the judgment of government officials for that of private actors in the marketplace and limiting competition and efficient functioning of a free market. Thus, combining trade barriers and trade subsidies as measures of free trade creates a reliable measure for evaluating public policy toward the free market principles of Congressional members. Free market oriented members of Congress are likely to consistently vote against both trade barriers and economic subsidies, whereby those who oppose free market principles support them. For example, in CATO data, a well-known Republican free marketer, Rand Paul has a score of 88% on opposing free trade barriers and 100% of opposing to subsidies, whereas a fellow Republican, Jeff Sessions, has merely scored 54% and 45% respectively. To compare, another renowned egalitarian senator, Bernie Sanders, has a score of 8% and 20% on opposition to trade barriers and subsidies, meaning that 92% of the time he supported trade barriers and 80% of the time he voted for subsidies.

Prior research has widely used donation data as an indicator of an individual's ideology (e.g., Chin et al., 2013; Gupta & Wowak, 2017, Chin & Semadani, 2017). Accordingly, I measured each CEO's free market orientation by examining the degree to which he or she supported the free-market-oriented congressional members using data on individual political contributions to the members of Congress between years 1997-2007 and 1998-2008, respectively. However, because the data is available only to the members of Congress with a voting record but not losing political candidates, for the purposes of a robustness check, I included only CEOs that have donated to sitting members of Congress for years 1997-2007 and 1998-2008.

Using data from the Center for Responsive Politics, consistent with Chin et al. (2013) I coded executives' contribution records for the 10 years prior to their becoming CEOs (1997-2007 or 1998-2008). This window is wide enough, encompassing five congressional election cycles and two presidential elections, to allow meaningful interpretation of an executive's donation pattern. As described below, my CATO based measure of free market orientation is assessed by examining the executives' political donations to Congressional members between 1997 and 2007 or 1998 and 2008 for the ten years before they became CEOs (from year t–10 to t–1, where t is the first year of their CEO position). To illustrate, the time frame for considering the donation records of CEOs appointed in 2008 will be from 1997 to 2007. Moreover, by focusing only on political donations made before CEOs began their tenures, and by omitting CEOs who had previously been CEOs, I reduce the possibility that CEOs' donation patterns might be reflections of their interests on behalf of their firms rather than of their personal values (Chin et al., 2013).

Political contributions data, consistent with previous research (Chin et al., 2013; Chin & Semadani, 2017), originated from the U.S. Federal Election Commission (FEC), the independent regulatory agency established to monitor and disclose campaign finance information. The FEC records all individual contributions of more than $200 to individual candidates; to campaign committees for federal office; to national, state, and local parties; and to political action committees (PACs). Since 1993, such data have been accessible directly from the FEC website, as well as from non-partisan research institutes such as the Center for Responsive Politics (www.opensecrets.org).

I summed total votes in opposition to trade barriers and subsidies of an individual Congressional member and divide by the overall number of votes a particular Congressional member had on free trade and subsidy related issues to consider free market orientation of CEOs. For example, if Congressional member A (either a Senator or Congressmen/Congresswoman) voted 10 times in opposition to trade barriers out of overall 20 votes related to free trade and voted 5 times in opposition on subsidies out of overall 10 votes on issues that promote subsidies, the overall measure of free market orientation of a Congressional member is (10+5)/ (20+10) =.50. The average score of free market orientation of all Congressional members a focal CEO supported in the ten-year period prior to becoming a CEO comprises his or her free market orientation measure. Only 47 CEOs from my initial sample of 140 CEOs for which content analysis was conducted have been involved in political donations. Descriptive statistics (correlations, means, and standard deviation) of the relationship between CATO based measure and indicators of free market orientation based on CATA is presented in Table 3. The results suggest that CATA based indicators of free market orientation are in fact negatively correlated with CATO based measure of free market support with correlation of -0.18. This is an unexpected finding since CATO based measure should be a robustness check of my CATA based measure of free market orientation with the expectation of a positive correlation between these two variables. This unexpected finding is further discussed in the discussion section of the paper.

To establish the distinctiveness of the CATA based measure of free market orientation from the traditional scale of CEO liberalism-conservatism, I used information on CEOs' overall contributions to Democratic and Republican Party candidates and organizations. Consistent with Chin et al.(2013), I calculated four indicators, each of which taps a distinct facet of political giving, which together becomes my political liberalism index: (1) the number of donations to Democrats divided by the number of donations to recipients of both parties (to handle zero values, I added .1 to all numerators and .2 to all denominators), (2) the dollar amount of donations to Democrats divided by the amount of donations to both parties, (3) the number of years (over the 10-year time frame) the executive made donations to Democrats divided by the number of years donations were made to either party, and (4) the number of distinct Democratic recipients to which the executive made donations divided by the total number of distinct recipients of both parties. For these calculations, I included contributions to individual candidates, party committees, and any PACs identified as containing either Democratic or Republican supporters consistent with the Chin et al. (2013) methodology. I calculated the political liberalism index scores as the simple average of the four items consistent with Chin et al. (2013) for the whole sample. The results presented in Table 4 suggest moderate to little correlation between CATA based free market orientation and liberalism-conservatism measure as per Chin et al. (2013). The correlation between liberalism and free market orientation measure is merely 0.09 in the sample of 55 CEOs. These results are interesting, since this suggests that free market orientation is not necessarily related to support of either Republican or Democratic candidates, which is consistent with the idea that free market oriented individuals might be attracted to either party because of their social values.

Insert Table 4 here

F. Discussion

Free market orientation reflects executives' economic values and is demonstrated in the way executives run their organizations. Three distinct indicators of executives' free market orientation are *economic individualism, competition,* and *property rights*. In this paper, I have attempted to operationalize executive economic values or free market orientation through a CATA technique that has been suggested to be a valid methodology to capture a phenomenon of interest when the use of obtrusive measures is impossible or not a preferred choice (Short et al., 2010). I also constructed a robustness check for this novel measure utilizing executive support of free market oriented Congressional members through campaign contributions. In addition to this, I sought to demonstrate the distinctiveness of this new measure from traditional liberalism-conservatism measure as constructed by Chin et al. (2013) through proxying political donations of executives to Republican and Democratic candidates.

The results of CATA and factor analysis demonstrated that three indicators of free market orientation are highly correlated and load into one factor. However, my robustness check did not achieve expected results with a small but negative correlation between CATA and CATO based measure of free market orientation. Nevertheless, the CATA based measure of free market orientation did not display any meaningful correlation with a traditional measure of liberalism-conservatism, while CATO based measure and traditional liberalism-conservatism measure were highly negatively correlated.

These results suggest that while donation-based measures are associated with each other in a meaningful way (CATO free market orientation and traditional liberalism-conservatism measure), they do not necessarily tap into an individual's economic values that are increasingly argued to be a distinct dimension of individual's political ideology (Malka et al., 2017). Indeed, a small positive, but insignificant correlation between CATA based measure of free market orientation and traditional liberalism-conservatism measure suggests that these two measures are distinct and traditional liberalism-conservatism measure may not necessarily tap into economic values of executives.

Beyond demonstrating limitations of traditional liberalism-conservatism measure to capture executives' economic values, this novel CATA based measure uncovers a new avenue of research to examine the economic worldview of executives in upper echelons research. More specifically, this novel measure provides a more nuanced understanding of organizational outcomes associated with diverging economic philosophies in terms of the underlying role of corporations in society, such as supremacy of shareholder interests, extent of CEO tolerance for organizational interdependence and desirability of fierce competition in the marketplace. Thus, important organizational outcomes, such as a firm involvement in CSR (Chin et al., 2013; Gupta et al., 2017a), mergers and acquisitions (Elnahas & Kim, 2017), tax avoidance (Francis et al., 2017) or fiscal conservatism (Hutton et al, 2014) may be closely examined through the prism of executives' economic values, which has largely been overlooked in management.

Interestingly, the findings of this paper raise more questions that warrant further investigation to gain a more holistic understanding of executive political ideology and advance upper echelons research towards more precise measures. As suggested earlier, while I did not find theorized positive correlation between CATA and CATO based measures of free market orientation, a significant negative correlation between CATO based measure of free market orientation and a traditional liberalism-conservatism measure was found. One explanation for these findings could be that political donation-based measures do not necessarily represent economic views of executives. This may be true because executives support Congressional members largely for their social and not economic values.

An alternative explanation for these findings may be that executives donate because of instrumental reasons rather than their individual social and economic values. In fact, scholars in political science argue that businesses often donate across the aisle and may not necessarily donate based on their managers' individual values (Snyder, 1990; Claassen, 2007; Barber, 2016). Indeed, president Trump is often quoted saying that he used to donate across the aisle both to Democrats and Republicans solely to advance his business interests. This is also consistent with some of the findings of Chin and his colleagues (2013) that even CEOs of industries, such as oil and gas, that theoretically should support the Republican Party because of laxer support for regulation of these industries donate to other side of the aisle, which may also suggest some instrumental reasons for political donations by executives. To corroborate this point further, my examination of the sample of executive political donations has shown that frequency of political donations largely increases as a focal executive gets closer to higher echelons in his or her career while non-instrumentality of executive political donations would suggest that frequency should remain stable over time. While this research is the first step to advance an alternate measure to examine executive economic values beyond a traditional liberalism-conservatism score, future research may shed light on these intriguing possibilities that warrant further examination.

Because this research has focused on executive transitions in 2008 and 2009 only, only the third of the initial sample were found to engage in campaign contributions – a necessary condition to construct measures of CATO free market orientation as well as traditional liberalism-conservatism measure. This has limited the sample of executives with full observations for CATA, CATO, and donation-based liberalism measure. Thus, given that small sample size influence statistical power of correlations (Scherbaum & Ferreter, 2009), future studies may conduct this study on a larger sample of executive successions or capture CEO transitions in multiple years to corroborate findings of this study.

Finally, while the use of CATA techniques and validation methods to capture a construct utilized in this paper has been used in previous research, the use of alternate validation techniques to further validate this novel measure is likely to be a significant next step to advance the wider use of this measure. One alternate option is comparing the CATA based measure of free market orientation of politicians whose economic values have been publicly declared. For example, a socialist Democrat, Bernie Sanders should have a lower CATA based free market orientation score than the libertarian Rand Paul, who is known to widely promote free market ideals. Alternatively, a survey of a certain number of executives may be conducted to compare it to their CATA based free market orientation measure. Future research may explore this or alternate techniques to further validate this novel measure that may become an important measure to capture executive economic philosophies.

G. Conclusion

This paper sought to advance a novel methodology to measure executive free market orientation that comprises of three distinct indicators: *economic individualism*, *competition*, and *property rights*. Utilizing earnings conference calls of 140 CEOs who transitioned to their positions in 2008 and 2009, respectively, a CATA based measure of free market orientation has been developed and contrasted with a traditional liberalism-conservatism measure. Future research in upper echelons may benefit from testing the impact of executive free market orientation on important organizational outcomes associated with these executive economic values.

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I. Appendix: Tables

Table 1. Free market orientation indicators CATA dictionary developed as per Short et al. (2010) guidelines		
Economic individualism	**Deductive procedure**	ability, accountability, accountable, assertive, assured, at-liberty, authority, authorization, autonomous, autonomy, believe, bet, capability, capable, certain, command, competence, competency, conduct, confident, control, convinced, dare, daring, decontrol, dependable, deregulation, deserve, direct, discipline, distinct, duty, earn, effective, effectively, effectiveness, efficacy, enable, endure, endurance, energetic, entrepreneur, entrepreneurial, excellence, experience, expertise, explore, fail, failure, goal-oriented, hardworking, headstrong, impact, impacts, independence, independent, individual, intelligence, investigate, investigation, justified, knowledge, lead, leads, leader, liability, liable, liberty, manage, mastery, merit, meritocracy, obligated, obligation, oversee, pioneer, potential, power, prevail, proficiency, protect, qualified, resolute, resources, responsibility, responsible, restrain, risk, risky, satisfied, secure, self-reliant, self-sufficiency, skill, skillfulness, solvent, strength, strengthen , succeed, supervise, sure, trigger, scrutinization, scrutiny, search, uncertain, unregulated
	Inductive procedure	able, acquisition, acquisitions, actions, answer, anticipate, asset, assets, capabilities, capacity, cash, certainly, clearly, credit, debt, decision, efforts, enterprise, execution, expect, expected, fact, goal, hard, initiatives, job, know, leadership, loans, order, proactive, provide, providing, quality, real, reliability, reliable, reserves, security, seeking, separate, solid, solutions, strong, stronger, success, successful, support, understand, venture, venturesome, view, work, working

Table 1 (Cont.)

Competition	**Deductive procedure**	Achieve, achievement, advance, advantage, aggressive, ambitious, assault, assert, attack, battle, beat, bid, capitalize, challenge, challenger, clash, combat, compare, compared, compete, competing, competition, competitive, competitor, competitory, conflict, conflicting, confront, contend, contender, contest, cutthroat, defeat, defend, drive, driving, eager, earnest, encounter, enemy, engage, engagement, enthusiastic, entrant, exploit, exploitative, fall, fell, fervent, fervid, fierce, fight, fighter, foe, forceful, forward, game, grow, hostilities, improve, increase, infighting, intense, intensified, intensive, leverage, lose, match, offensive, opponent, oppose, opposing, opposition, overcome, predatory, pretentious, promote, promotion, pushing, race, reach, relative, rise, rival, rivalry, scuffle, seize, strategy, strive, striving, struggle, supply, target, threat, tournament, vigorous, vying, war, win
	Inductive procedure	above, against, ahead, back, base, before, better, beyond, challenged, challenges, challenging, changes, , competitiveness, competitors, deal, deals, demand, environment, expand, expanding, expansion, focus, focused, greater, grew, growing, growth, higher, improved, improvement, improving, increased, increases, increasing, last, launch, launched, less, loss, losses, lower, market, market's, marketplace, markets, momentum, more, most, opportunities, opportunity, over, period, position, positioned, price, prices, pricing, prior, project, projects, rates, sale, sales, strategic, than, uncertainty, versus,

Table 1 (Cont.)

Property rights	**Deductive procedure**	bank, banker, benefit, benefits, bondholder, bonds, bonus, capital, compensation, dividend, earnings, finances, financier, fortune, funds, gain, gains, income, interest, investiture, investment, investments, investor, lender, own, owner, ownership, payoff, possess, possession, possessions, possessor, principal, proceeds, profit, profits, property, proprietor, reimbursement, remuneration, shareholder, shareholders, shareowner, stimulus, stock, stockholder, trademark, wealth, yield
	Inductive procedure	amount, billion, board, contract, contracts, cost, costs, deliver, dollars, efficiencies, efficiency, equity, expense, expenses, financial, future, invest, invested, investing, investor-owned, investors, long-term, margin, margins, million, money, number, numbers, performance, portfolio, prior, product, production, productivity, products, profit, profitability, profitable, profits, proprietary, proprietoship, proprietress, quarter, quarters, result, results, retain, return, returns, revenue, revenues, savings, securities, share, spending, tax, value, vestment, year-over-year

Table 2.

Results of factor analysis involving three indicators of free market orientation: economic individualism, competition, and property rights.

Factor analysis/correlation Number of obs = 140
Method: principal-component factors Retained factors = 1
Rotation: (unrotated) Number of params = 3

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	2.592	2.372	0.864	0.864
Factor2	0.221	0.034	0.073	0.938
Factor3	0.187		0.062	1.000

LR test: independent vs. saturated: chi2(3) = 308.94 Prob>chi2 = 0.0000
Factor loadings (pattern matrix) and unique variances

Variable	**Factor1**	**Uniqueness**
competition	0.933	0.130
Economic individualism	0.933	0.130
Property rights	0.923	0.148

Factor	Variance	Difference	Proportion	Cumulative
Factor1	2.592	.	0.864	0.864

LR test: independent vs. saturated: chi2(3) = 308.94 Prob>chi2 = 0.0000
Rotated factor loadings (pattern matrix) and unique variances

Table 3. Correlation between CATO measure of free market support and indicators of free market orientation based on CATA

		Mean	S.D	(1)	(2)	(3)	(4)	(5)
1	Free market (CATO)	0.51	0.1	1.00				
2	Free market orientation (CATA)	-0.02	0.9	-0.18	1.0			
3	Economic individualism	0.03	0.0	-0.19	0.9	1.0		
4	Competition	0.04	0.0	-0.16	0.9	0.8	1.0	
5	Property rights	0.04	0.0	-0.15	0.9	0.7	0.7	1.0

*****Observations: 47**

Table 4. Correlation between CEO liberalism and indicators of free market orientation based on CATA

		Mean	S.D.	(1)	(2)	(3)	(4)	(5)
1	Liberalism	0.37	0.32	1.00				
2	Free market orientation (CATA)	-0.02	0.99	0.09	1.00			
3	Economic individualism	0.03	0.01	0.10	0.93	1.00		
4	Competition	0.04	0.02	0.06	0.94	0.82	1.00	
5	Property rights	0.04	0.02	0.08	0.91	0.75	0.78	1.00

*****Observations 55**

Table 5. Correlation between CATO measure of free market orientation and traditional liberalism score

		Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)
1	Free market orientation (CATO)	0.5	0.1	1.0					
2	Liberalism	0.4	0.3	-0.5	1.0				
3	number of donations	0.3	0.4	-0.3	0.9	1.0			
4	dollar amount of donations	0.2	0.4	-0.2	0.9	0.9	1.0		
5	number of years	0.5	0.4	-0.7	0.9	0.6	0.7	1.0	
6	distinct recepients	0.4	0.3	-0.7	0.9	0.7	0.7	0.9	1.0

***** Observations 45**

IV. Chapter III: "Because I Care, I risk": How CEO Free Market Orientation affects the Extent and Type of Income Smoothing.

A. Abstract

As an initial demonstration of the significance of CEOs' economic values, a distinct and independent dimension of executive political ideology, I develop and test the idea that CEOs' *free market orientation* will influence their firms' extent and type of income smoothing strategies, defined as an attempt on the part of the firm's management to actively manage earnings toward a predetermined target. Specifically, I argue that free market oriented CEOs are more likely to engage in income smoothing and choose income smoothing strategies with the least harm to shareholder value but of more risk to themselves – discretionary accounting accruals. Thus, by engaging in income smoothing and choosing among certain earnings management strategies (real activities, accretive stock repurchases, or discretionary accounting accruals), free market-oriented CEOs not only display their ability to take greater risks but also their focus on the primacy of current shareholder interests over that of other firm stakeholders.

B. Introduction

The notion that executives differ in their worldview is a central assumption of upper echelons theory, which considers individual beliefs, values, and preferences (Hambrick & Mason, 1984; Hambrick, 2007) as predictors of organizational outcomes (for a review, see Carpenter, Geletkanycz, & Sanders, 2004; Bromiley & Rau, 2016). According to this view, CEOs interpret and act on their environments not merely as rational, self-interested agents, but as social actors whose motives stem from their values and beliefs (Hambrick & Mason, 1984). The emerging research on executives' political ideology, a natural extension from upper echelons research, emphasizes that the ideological divide among executives – Republican vs. Democratic Party leaning in the U.S., a proxy for the conservatism-liberalism political ideology construct – affects how executives filter information, make decisions, and run their organizations (e.g., Chin, Hambrick, & Trevino, 2013; Chin & Semadani, 2017; Christensen, Dhaliwal, Boivie, & Graffin, 2015). However, this broad conceptualization of political ideology fails to shed light on some intriguing organizational outcomes associated with Republican- and Democratic-leaning executives.

To illustrate, while this research stream considers Republican-leaning executives as risk-averse individuals (Christensen et al., 2015) with a higher need for security and status quo (Briscoe, Chin, & Hambrick, 2014) and intolerance for change (Chin et al., 2013), emerging research suggests that Republican-leaning executives not only display a behavior inconsistent with these traits, such as greater tax sheltering (Francis, Hasan, Sun & Wu, 2016), corporate wrongdoings (Hutton, Jiang, & Kumar, 2015), and actions attempted to change their environment (Unsal, Hassan, & Zirek, 2016), but also were found to deliver overall better shareholder outcomes than their Democratic counterparts (Jiang, Kumar, & Law, 2016; Hutton, Jiang, & Kumar, 2014; Elnahas & Kim, 2017). Relatedly, while this conceptualization portrays Democratic-leaning executives as caring about the natural environment, social issues, and justice (Briscoe et al., 2014), they were found to engage in more securities and intellectual property rights litigations (Hutton et al., 2015), be less prudent with shareholder or investor funds (DeVault & Sias, 2017), and issue financial reports of lower quality than their Republican counterparts (Bhandari, Golden, & Thevenot, 2018).

These findings are inconsistent with the theoretical predictions of the liberalism-conservatism political ideology construct. Specifically, by predominantly focusing on the psychological needs that are known to predict an individual's views on social issues (Jost, Glacer, Kruglanski, & Sulloway, 2003; Fedlman & Johston, 2014), this political ideology construct conflates social and economic values. Thus, critical questions such as whether a corporation engages in corporate social responsibility (CSR) activities (Chin et al., 2013; Gupta, Briscoe, & Hambrick, 2017), mergers and acquisitions (M&A) (Elnahas & Kimn, 2017), tax avoidance (Christensen et al., 2015), tax sheltering (Francis et al., 2016) or debt financing and investments (Hutton et al., 2014) have been limited largely to either managerial intolerance of ambiguity and uncertainty (e.g. Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017) or aversion to social change and diversity (e.g. Chin et al., 2013; Briscoe et al., 2014).

Economic values, however, are increasingly known to be an independent and salient part of an individual's political ideology (Malka, Soto, Inzlicht, & Lelkes, 2014; Malka, Lelkes, & Soto, 2017). These values, which I refer to as free market orientation, epitomize a range of values and beliefs on the supremacy of an individual's autonomy, competition, and private property and reflect the set of widely shared beliefs about the advantage of market mechanisms in matters affecting society and in interactions among individuals in society. A defining feature of an individual's *free market orientation* are the three core values directly relevant to an individual's economic values: *economic individualism, competition, and property rights* (McClosky & Zaller, 1984). Although one certainly might list additional characteristics, the three principles highlighted above (*economic individualism, competition, and property rights*) define important components of a free market orientation continuum. At one polar end is the support for an ideal-typical free-market culture where executives support virtually all of these principles with abnormal profits, price gouging, and competition considered perfectly legitimate, such as when a CEO claims that one has a "moral requirement to sell the product at the highest price" as long as there is demand to reward shareholders (Drash, 2018). According to this perspective, firms can earn abnormal profits by erecting barriers to entry that restrict competitive forces or taking advantage of a short-term disequilibrium in the market (Jacobson, 1992). The opposite pole is defined by a set of ideal-typical egalitarian economic values, where cooperation rather competition is emphasized (Thomas & Waring, 1999) and shareholders are considered one of many stakeholders whose interests need to be respected and accounted for (Freeman, Wicks, & Parmar, 2004), such as when a CEO says that "nobody's going to remember you for delivering earnings to stockholders, … [but] will remember you for the lasting impact you made on society" (Maloney, 2018). The extreme view of this perspective argues that competition is destructive, and cooperation benefits all stakeholders involved (Lado, Boyd, & Hanlon, 1997).

While evidence of economic values and beliefs on the way individuals run governments have been of scholarly concern for some time among economists and political science scholars (Pitlik, 2007; Duso & Seldeslachts, 2010; Potrafke, 2010; 2011; Milner & Judkins, 2004; Hyytinen, Lundberg & Toivanen, 2008, Osterloh & Debus, 2012; Weymouth & Broz, 2013), the impact of these values on desired mechanisms to achieve organizational outcomes or on organizational strategy and structure remains largely overlooked (See the first dissertation paper for detailed discussion of economic values).

As an initial demonstration of the significance of CEOs' economic ideology, I develop and test the idea that CEOs' economic values or free market orientation, will influence their firms' extent and means of engagement in income smoothing. The concept of income smoothing, an attempt on the part of the firm's management to actively manage earnings toward a predetermined target specifically to protect a firm's value from large market swings that may occur based on a very small earnings miss (Chong, 2006; Graham et al., 2005), is central in the important debate about the ultimate responsibility of business organizations, particularly about the primacy of shareholder interests versus other stakeholders (Post, 2003; Freeman et al., 2004). Firms engage in income smoothing to manage external impressions of the firm to build firm credibility (Davidson, Jiraport, Kim, & Nemec, 2004) and ultimately increase firm market value (Graham et al., 2005). The literature on income smoothing demonstrates that firms can achieve income smoothing via three means: real activities (e.g., Roychowdhury, 2006; Zang, 2011), accretive stock repurchases (e.g., Hribar, Jenskins, & Johnson, 2006; Farrel, Yu, & Zhang, 2014), and discretionary accounting accrual management (e.g., Davidson et al., 2004; Hadani, Goranova, & Khan, 2011). While at times understood as a fraudulent or unethical activity, in fact, income smoothing is argued to be "not necessarily" illegal or "a negative phenomenon," but "a necessary and logical result of the [discretionary] flexibility [of firm management in operational and financial reporting]" (Chong, 2006: 43) and is widely practiced among firms (Bitner & Dolan, 1998; Graham et al., 2005).

Income smoothing is particularly relevant to observe the free market orientation of CEOs because, by engaging in income smoothing, free market oriented CEOs display their risk bearing for the benefit of the owners of the firm. Specifically, because when engaging in income smoothing “the line between legitimacy and outright fraud is relatively vague,” external audience at times, may have difficulty “distinguishing between what constitutes a good practice and what a gray area is,” imposing steep personal and organizational penalties for practices that a CEO may otherwise deem legitimate (Chong, 2006: 43). This is also salient to view CEO attitudes towards competition and dependence in the marketplace (McClosky & Zaller, 1984) since income smoothing strategies also diverge in their impact on future firm capabilities and external dependence (Roychowdhury, 2006).

By testing the impact of the free market orientation of CEOs on firm income smoothing strategies, I extend a more nuanced understanding of the relationship between economic values and risk-seeking behavior of executives. Specifically, I argue that free market oriented CEOs are more likely to pursue income smoothing strategies, which is overall risky both for them and their firms. However, they are likely to choose an income smoothing strategy that has a greater personal risk but is of more benefit to owners of the firm. By this, I extend a more nuanced understanding of the extent of risk tolerance among free market oriented CEOs, moving away from a risk-averse portrayal of these CEOs.

This is important because the extant conceptualization of political ideology portrays free market oriented executives as driven by psychological needs for certainty and risk aversion (e.g., Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017). However, support of free market principles in fact demonstrates a favorable view of risk taking (Greenberg & Jonas, 2003). By testing the risk tolerance of free market oriented executives, I contribute to a more nuanced understanding of the differences in social and economic values in the upper echelons of an organization. This will advance the field of upper echelons research towards more precise measures of executive ideological beliefs and values. Further, this research advances an intriguing possibility that free market oriented CEOs are willing to engage in extra risk in consideration of a long-term shareholder benefit. To test my ideas, I develop a content-analysis based measure of free market orientation of CEOs, using company quarterly earnings conference calls of CEOs of major U.S. companies for years 2010 and 2011. I examine the association between this measure of CEO free market orientation and the extent and type of the firm's income smoothing strategies for years 2012-2016.

C. Literature Review

Since Hambrick & Mason's (1984) seminal paper on upper echelons values and beliefs as predictors of organizational actions, a considerable research stream has evolved examining how executives' experiences, personalities, and values influence their behavior (for a review, see Carpenter, Geletkanycz, & Sanders, 2004; Bromiley & Rau, 2016). While early studies have focused on more observable executive characteristics, such as executive age, education, or experience, as predictors of managerial behavior (e.g., Carpenter et al., 2004), more recent research explores characteristics that are not so readily or easily observable (e.g., Ou, Tsui, Kinicki, Waldman, Xiao, & Song, 2014; Colbert, Barrick, & Bradley, 2014), with political ideology being one of the more recent areas under examination (e.g., Chin et al., 2013; Gupta & Wowak, 2017; Chin et al., 2017).

The success of political ideology research in upper echelons research, particularly, rests on the fact that it is treated as a unidimensional construct along the right and left spectrum (Jost, Nosek, & Gosling, 2008; Jost, 2017). The unidimensional nature of political ideology has gained popularity in research largely due to the historical divide in western countries between the left and right on the spectrum of political issues since the French revolution (Jost et al., 2008). Particularly, in the U.S. two-party system, the Republican Party reflects respect for traditions, religion, and inequality, representing conservatism (Bonanno & Jost 2006; Poole & Rosenthal, 2007). In contrast, the Democratic Party with its tolerance for social change and advocating for more equal distribution of wealth represents contemporary liberalism (Bonanno & Jost 2006). This parsimonious division into two ideological opposites as well as public availability of individuals' donation data to these parties has led to increased research on political ideology to explore organizational outcomes of this division among finance analysts (Jiang et al., 2016); hedge and mutual fund managers (DeVault & Sias, 2016; Hong & Kostovetsky, 2012), TMT (Hutton et al., 2014), and CEOs (e.g., Chin et al., 2013; Gupta et al., 2017 a, b).

The current broad conceptualization of political ideology, however, overemphasizes psychological needs (see Jost et al., 2003), conflating social and economic values that are increasingly considered to be distinct dimensions of political ideology (Feldman & Johnston, 2014; Noel, 2014). In so doing, it overlooks the salient role of executive economic values and beliefs in executive choices (for a review, see the first dissertation paper), merely acknowledging economic values as the demonstration of the degree of support for the status quo (Jost et al., 2003). Specifically, according to this conceptualization, conservatives (Republicans) support free markets and capitalism because of their psychological needs to reduce uncertainty and maintain the status quo, whereas liberals (Democrats) may not have those needs, thus displaying lesser support for free market principles (Jost, Blount, Pfeffer, & Hunyady, 2003).

Interestingly, in favoring free market principles (Jackson et al., 2003; Koger et al., 2010), conservatives (Republican executives) may seem to encourage uncertainties, change and risk-taking, since free markets, by encouraging competition and uncertainty, may lower a sense of stability that reduces uncertainty and anxiety with change (Greenberg & Jonas, 2003). This is in direct contrast to conformant and risk-averse depiction of supporters of a free market conceptualized in the broad liberalism-conservatism construct of political ideology (see Jost et al., 2003). As such, economic values are increasingly understood to be an independent and salient part of an individual's political ideology (Malka, Soto, Inzlicht & Lelkes, 2014; Malka, Lelkes & Soto, 2017).

Important components of a free market oriented individual's economic values are the belief in the right to own private property, the right to profit maximization, the premise that meritocracy should govern the distribution of income, the superior efficiency of competition, and the premise that allowing some to earn unlimited profit advances economic growth by erecting barriers to entry that restrict competitive forces or taking advantage of a short-term disequilibrium in the market (Jacobson, 1992). The argument is advanced that free market principles, such as competition and the desire for profit allow for the creation of attractive products and market equilibrium and efficiency in the long-run (Hill, 1990). Political scientists define these set of beliefs as an individual's trust in capitalism (McClosky & Zaller,1984), while political psychologists primarily have understood these attributes as economic (e.g. Bakker, 2017; Crowson, 2009; Hiel & Mervielde, 2004; Fleishman, 1988; Malka et al., 2017) or market conservatism or liberalism (Zumbrunnen & Gangl, 2008). Important institutional outcomes of these premises are the view that government should stay out of private markets as much as possible and the belief that market mechanisms or supply and demand should guide the functioning of the economic system (Free & Cantril, 1967). A unifying theme across these values or beliefs is the supremacy of market mechanisms over third party or government intervention and reflects an individual's *free market orientation*.

D. Free Market Orientation and Income Smoothing

While firms can meet their targets without a deliberate attempt to manage their earnings, income smoothing is an effort "to counter the cyclical nature" of business operations and reported earnings (Beidleman, 1973: 654). Income smoothing has long been considered critical for companies to manage their favorable external image (Davidson, Jiraport, Kim, & Nemec, 2004). This happens because in modern corporations, ownership is typically separated from control (Jensen & Meckling, 1976). Thus, investors, creditors, and other external parties rely on the information provided by the firms' management, and in particular on firms meeting a predetermined target (Dechow & Skinner, 2000; Chong, 2006).

According to Chong (2006), income smoothing "is not necessarily illegitimate or a negative phenomenon" (43). It is a logical result of flexibility in discretionary operational and financial reporting. In fact, legitimate income smoothing occurs when a firm delivers a stable performance by making favorable business decisions within the legal discretion of the management. That is why, in a survey of executives, Graham et al. (2005) finds that income smoothing is commonly practiced by business executives. In many situations, however, CEOs, by making a certain operational or reporting decision (i.e. smoothing income), engage in risk because the line between legitimate and illegitimate income smoothing can be so close that "at times, it becomes difficult for the [outsiders] to distinguish between what constitutes a good practice and what a gray area is," potentially leading to steep personal and organizational penalties for such actions (Chong, 2006:43).

I suggest that there are several reasons why free market oriented CEOs wish to engage in more income smoothing than their counterparts even though it involves taking personal and organizational risk. While their counterparts may consider a firm responsible to wider stakeholder groups (Donaldson & Preston, 1995), free market oriented CEOs consider themselves accountable primarily to current shareholders of their firm as the owners of the firm (Thomas & Waring, 1999). They believe that protecting private property rights and returns from this property is an essential duty of CEOs as leaders of their organizations (Friedman, 2007). For example, Hutton et al. (2015) found that firms with Republican-leaning management engage in more civil rights, labor, and environmental litigation, which he and his colleagues argued is because of Republican-leaning managers' views on property rights. Francis et al. (2016) similarly found that Republican CEOs, who are more free market oriented, are more likely to engage in tax sheltering than Democratic CEOs, which has also been argued as evidence of their greater concern with private property rights.

The importance of smooth earnings for free market oriented CEOs could be attributed to empirical evidence showing that investors reward firms with earnings that meet or beat their earning target estimates by assigning a valuation premium and penalize those that fall short of such estimates (Barth, Elliott, & Finn, 1999; Bartov, Givoly, & Hayn, 2002; Kasznik & McNichols, 2002). Meeting or beating a forecast benchmark has been found to increase a firm's stock price (Badertscher, 2011). For example, Chevis, Das, and Sivaramakrishnan (2007) find that the valuation premium awarded by the market to firms with smooth earnings increases as the length of the period of continuous meet/beat activity increases. They also present evidence suggesting that these firms enjoy higher valuations of income and book value of equity than firms that only periodically meet or exceed earning targets. Similarly, Bartov et al. (2002) find that firms, which meet or beat earnings targets demonstrate higher stock return than firms that are not able to meet their earnings targets. In the same vein, Skinner and Sloan (2001), for example, demonstrate that the market responds asymmetrically to a firm's earnings targets.

Specifically, the penalty for not meeting earnings targets by one cent is larger than the rewards for beating those earnings targets by one cent.

Indeed, the evidence shows that the market rewards firms with certain earnings that constantly meet or beat earnings estimates by assigning a valuation premium and penalize those that do not meet such estimates (Barth, Elliott, & Finn, 1999). Meeting or beating a forecast benchmark also lowers the cost of capital and other business transactions (Trueman & Titman, 1988), ensuring the trust of the stakeholders in the firm's long-term success (Graham et al., 2005). Thus, income smoothing may improve their firm's standing with external stakeholder groups such as customers, suppliers, and creditors to earn better terms of trade or reduce financing constraints for shareholders, by signaling a positive impression to the market (Bartov et al., 2002; Cheng & Warfield, 2005).

Beyond the consideration of shareholder interest, free market oriented CEOs have a greater tendency to attribute firm success and failure to their own efforts than their peers, which may be driven by strong economic individualism (McClosky & Zaller, 1984). Thus, personal achievement is an important component of a free market oriented CEO to measure success in life (Feldman, 1988). While meeting earnings expectations and performance metrics is important for firms' external legitimacy and recognition (e.g., Davdison et al., 2004; Chen et al., 2015) and is a wide-spread phenomenon among corporations (Bitner & Dolan, 1998), free market oriented CEOs have a greater tendency to consider a firm not meeting its performance metrics as a personal failure than their peers. For example, more than ninety five percent of the more than four hundred executives surveyed by Graham et al. (2005) preferred smooth earnings paths, which signifies the importance executives place on earnings targets.

Finally, free market oriented CEOs have a tendency to view the business environment as competition among firms for limited resources as well as investor funds (McClosky & Zaller, 1984; Duckitt, 2006). Free market oriented CEOs are more likely to engage in income smoothing to beat the competition because they consider income smoothing as critical in their competition with other firms for market recognition and resources. Thus, certainty and predictability of earnings being one of the fundamental metrics of success for organizations (Chen et al., 2015) and given that smooth earnings is preferred by the vast majority of executives (Graham et al., 2005), free market oriented CEOs are highly incentivized to take extra risk by engaging in income smoothing. While income smoothing involves earnings management that may be viewed as risky by potentially being perceived as misleading, free market oriented CEOs may consider it necessary to win the competition among firms for limited resources of the external environment. By engaging in income smoothing activities, they may consider winning this contest for resources rewarding both for their shareholders and themselves.

In contrast, individuals low on free market orientation may consider that an organization has many other stakeholders beyond shareholders whose rights must be addressed and respected (Donaldson & Preston, 1995). In this regard, individuals who rely on financial statements provided by a firm, such as regulators, analysts and possible future investors are also considered important stakeholders whose rights need to be addressed. Thus, income smoothing, which has a risk of potentially being perceived as not reflecting the underlying reality of the organization, is seen as inappropriate because it may inadvertently harm the interests of analysts, suppliers, creditors, and potential investors who may rely on this information to make their decisions.

CEOs low on free market orientation may have no need for additional risk because they attribute failure to factors beyond their control and do not view a business environment as competition but a cooperative environment where the needs of all stakeholder must be met (Donaldson & Preston, 1995). As such, not meeting an earnings target or delivering predictable returns may, in their view, be attributed to factors that they have little control over with less urgency to match competitor results. Thus, though not delivering certain and predictable growth in earnings or not meeting or beating analyst forecasts is considered problematic, it is thought to be a lesser evil than taking a risk and potentially being perceived as misleading wider stakeholder groups, including investors seeking to invest money in a firm.

Importantly, CEOs low on free market orientation may not be willing to take extra risk for the benefit of the owners of the firm as it may potentially lead to steep personal and organizational penalties. In contrast, free market oriented CEOs may consider the market as a competitive environment where additional risks need to be taken to reward themselves as well as shareholders. In short, the free market orientation of CEOs might not only significantly impact firm income smoothing because of their higher concern with shareholder rights, but also because of the extent of personal responsibility free market oriented CEOs attach to firm outcomes, and their view of the business environment as competition for limited resources where some risks need to be taken. Thus, I hypothesize that:

H1: The free market orientation of a CEO is positively related to income smoothing.

E. Income Smoothing Strategies

a. Real Activities Management

Real activities management primarily involves deliberate management of firm sales, reduction of firm discretionary expenditures, and overproduction (Roychowdhury, 2006). Sales management involves attempts to temporarily increase sales during the year by offering temporary price discounts or more lenient credit terms (Zhao, Chen, Zhang, & Davis, 2012). As such, increased sales relative to fixed and variable expenditures may decrease or increase firms reported earnings. Real activities management via reduction of discretionary expenditures primarily happens by manipulating expenditures on R&D, advertising, maintenance and other general administrative expenditures (Roychowdhury, 2006). Hence, firms can increase or reduce reported earnings by managing the timing and scope of firm discretionary expenditures. Finally, real activities management may be achieved by producing more goods than necessary to meet expected demand (Zhao et al. 2012). Since overproduction involves producing more goods than necessary, firm fixed costs are divided over a larger quantity of finished products, effectively lowering cost per unit. Thus, assuming that this reduction in unit cost "is not offset by any increase in marginal cost per unit, total cost per unit declines … this implies that reported [production cost] is lower, and the firm reports better operating margins" (Roychowdhury, 2006: 340).

Overall real activities management as an income smoothing strategy is considered less risky personally for a CEO because it is within business operating decisions that an executive makes on a daily basis (Kim & Sohn, 2013) and thereby is less likely to be challenged. Nevertheless, free market oriented CEOs are less likely to pursue this option. First, real activities management involves engaging in business practices that harm shareholder value (Zhao et al., 2012). This happens because real activities management involves changes in a firm's cash flow that limit the effective and efficient use of firm resources for a strategic advantage. Indeed, the increased sales volumes as a result of the price discounts are likely to lower cash flow in the future (Roychowdhury, 2006). Further, lenient credit terms to push higher sales may cut into future profitability of the firm. Relatedly, while reductions in discretionary expenditures in the current period may lower cash outflow in the current period, it may significantly impede future cash balance (Kim & Sohn, 2013). This may lead to missing investments into potentially profitable projects, impeding long term shareholder value.

Further, the firm incurs production and holding costs on the over-produced items that are not recovered in the same period through sales (Roychowdhury, 2006). As a result, cash flows from operations are lower than normal given sales levels. All else equal, the incremental marginal costs incurred in producing the additional inventories result in higher annual production costs relative to sales (Roychowdhury, 2006). Thus, excessive price discounts and overproduction lead to abnormally high production costs relative to dollar sales. This may lead to abnormal under-production, a shortage of inventory for sales, loss of loyal customers, and therefore impair the firm’s future profitability (Mizik, 2010). Thus, the net effect is a negative outcome for a shareholder. For example, Zhao et al. (2012) find that although abnormal real activities in general signal positive future performance, they are associated with lower future performance. Similarly, Zhang (2008) finds that real activities management lowers firm operational performance in years following firm engagement in real activities management. This overall negative impact of real activities management has been widely acknowledged by executives surveyed by Graham et al. (2005) as well, who suggested that it may be detrimental to shareholder value.

Thus, given evidence that real activities management lowers future firm value (Zhao et al., 2012), free market oriented CEOs are not likely to pursue this option. This is likely because free market oriented CEOs generally have a stronger concern for private property rights of a shareholder (McClosky & Zaller, 1984). For example, Adam Smith, one of the intellectual founders of free market enterprise thinking, argued that, except for assault on his or her body, a breach of an individual's personal property is the next most severe crime (Smith, 2017). Thus, free market oriented CEOs are likely to believe that the private property of individuals needs to be protected even though it may involve forfeiting earnings benchmarks.

Second, real activities managements involve changes in firm operational activities that harm both a firm's operational (Helfat & Winter, 2001) and dynamic capability (Teece, Pisano, & Shuen, 1997). This happens because real activities management that involves acceleration of sales by increasing price discounts or lenient credit terms, reduction of discretionary expenditures, such as SG&A expense, advertising expense and R&D expense or overproduction (Roychowdhury, 2006), may impair necessary timely investments in firm operational and dynamic capabilities. Given that a firm generally operates in its optimal level under market conditions (Kim & Sohn, 2013), when it manipulates cash flow by changing operational activities, it changes its operation to a suboptimal level, constraining a firm's competitive capabilities. Thus, real activity changes can inflate/deflate cash flow and other investments, impairing a firm's operational benefits in the future (Graham et al., 2005). This suggests that necessary projects are not funded in a timely manner, impairing the long-term benefits of a firm's operations and performance (Laverty, 1996)

However, as suggested above, free market oriented CEOs have a strong preference for economic individualism, independence and a desire to compete (McClosky & Zaller, 1984). With real activities changes impairing firm future capabilities in the strategic arena, free market oriented CEOs are less likely to favor this strategy for income smoothing. This happens because while income smoothing via real activities management may be helpful to meet their goals of reaching earnings targets and benefiting current shareholder goals, it may impair their desire to remain independent and compete in the business environment they consider involves a rivalry among firms for limited resources and recognition. In summary, although real activities management is less risky for CEOs due to being associated within the authority of the CEO (Gunny, 2010), because free market oriented CEOs care more about shareholder rights, independence, and their competitive capability, they are less likely to undertake income smoothing via real activities management. Thus, I hypothesize that:

H2: The free market orientation of CEOs is negatively related to real activities management as an income smoothing strategy.

b. Accretive Stock Repurchases

As suggested earlier, beyond real activities management, firms have an opportunity to engage in accretive stock repurchase as an income smoothing strategy, which involves stock repurchases in the open market by a firm specifically to manage its earnings targets (Hribar, Jenkins, & Johnson, 2006). While overall stock buy backs are generally interpreted as a firm’s attempt to increase its undervalued stock or reduce agency costs by returning excess cash (Eberhart & Siddique, 2004), accretive stock repurchases are specifically undertaken to influence a firm earning targets (e.g., Hribar, Jenkins, & Johnson, 2006; Burnett, Cripe, Martin, & McAllister, 2012).

Accretive stock re-purchases as an income smoothing strategy is similarly less risky as real activity management because it is also considered within the operational discretion of CEOs (Bryan & Mason, 2016). Thus, they are less likely to be challenged by regulators or any other external party (Burnett, Cripe, Martin, & McAllister, 2012). While free market oriented CEOs may seek to return excess cash to shareholders through stock repurchases and dividends (Jensen, 1993), they are less likely to seek accretive stock repurchase strategy for income smoothing.

Stock repurchases have an impact on earnings targets via two means (Farrell, Unlu, & Yu, 2014). First, stock repurchases that occur at the beginning of the period are deducted from shares outstanding for the full period, increasing earnings per share. Second, because stock repurchase requires a cash payout, this cash outflow decreases earnings by the amount of any foregone return on cash used (or interest expense incurred on cash borrowed) for repurchases. Stock repurchases increase earnings only when the foregone return (or interest expense incurred) on the cash paid out is less than the firm's earnings-to-price ratio at the time of the buyback (see Bens, Nagar, Skinner, & Wong, 2003).

While share repurchases that are undertaken to distribute excess cash should be shareholder-friendly by delivering short-term gains for investors through increased stock price (Jensen, 1987; 1993), accretive stock repurchases to smooth reported income "may exact a long-term toll" on owners of the firm (Brettell, Gaffen, & Rohde, 2015). The accretive stock repurchase to manage earnings "can create perverse incentives to pay out too much cash, damaging firms' ... ability to invest" (The Economist, 2014), reducing their focus on "innovations that can drive growth" (Trainer, 2016).

These accretive stock repurchases create a short-term relief through beating earning targets at the expense of investing in assets, research and development or increasing hiring (Russolillo, 2014). This negative impact of cash shortage for a firm beyond a certain level was first highlighted by Jensen (1987) in The Free Cash Flow Theory. Indeed, the cash spent on share repurchases is not spent on capital expenditures, acquisitions or research and development that could help a company grow in the long run. For example, in a more recent study, Almedia, Fos, and Kronlund (2016) find that an increase in share repurchases made by firms that would have a small negative miss or surprise in earnings targets is associated with significant changes in other corporate policies that may damage a long term firm value. These companies were found to decrease employment, capital expenditures, and R&D in the four quarters following increases in repurchases motivated by earnings targets, relative to companies that just meet analyst earnings forecasts. Similarly, Nguyen, Vu, and Yin (2015) found that firm share re-purchases are negatively associated with firm current and future innovation. However, firm investments in capital expenditures, R&D, and innovation have long been considered an important signal of firm buffering from the external environment (Lev, 1975). Thus, because free market oriented CEOs consider the business environment as competition for limited resources and investor funds (McClosky & Zaller, 1984), they care about maintaining their firm competitiveness and independence. As such, they cannot take actions that impede these critical investments that signal their capability and competence to compete.

Beyond worries of impeding future firm investments, it may signal incompetence of the CEO to use the cash on hand for projects that deliver value that the firm is eager to return cash back to its owners (Bendig, Willmann, Strese, & Brettel, 2018). In fact these findings were discovered by Grullon and Michaely (2004), who found that firms with poor growth opportunities reduce investment and direct resources towards share repurchases. Similarly, Boudry, Kallberg, and Liu (2013) found that share repurchases were associated with poor investment opportunities. Farrell, Yu, and Zhang (2013) found that growth firms were less likely to engage in earnings management through stock repurchases.

However, free market oriented CEOs are over focused on personal achievement and over-attribute firm failure and success to themselves due to stronger individualism than their peers (McClosky & Zaller, 1984). Thus, they generally do not like to be viewed as incapable of generating value to the owners of the firm. They, especially, disfavor any signal that would demonstrate that the CEO does not have profitable projects to invest in for a better use for shareholder's money. With stock repurchases being one of the commonly known signals of an absence of profitable projects by a firm (e.g., Bendig et al., 2018), free market oriented CEOs are less likely to pursue accretive stock repurchases as an income smoothing strategy.

Importantly, stock repurchases tend to reduce organizational cash (Almeida et al., 2016). Cash has been known as an important element of organizational slack that reduces a firm's environmental dependence, buffering a firm from environmental threats (Dess & Beard, 1984; Sharfman, Wolf, Chase, & Tansik, 1988). This will impact the perceived independence of the CEO from the external environment. Because free market oriented CEOs have a strong desire for independence from the external environment (McClosky & Zaller, 1984), they are less likely to give up cash, a form of organizational slack (Kim & Bettis, 2014) that has been known to buffer organization from adverse impact of the external environment (Dess & Beard, 1984). Thus, with cash being important for long-term investments that reduce firm dependence on its environment (Pfeffer & Salancik, 1978), free market oriented CEOs are less likely to desire to use cash for accretive stock repurchase that may significantly reduce firm investment capability (Nguyen et al., 2015). In summary, free market oriented CEOs generally do not favor accretive stock repurchases as a method to achieve income smoothing because of its strategic harm to their desire to be independent and competitive as well as potential negative impacts on firm capabilities. Thus, I hypothesize:

H3: The free market orientation of CEOs will be negatively related to stock repurchases as an income smoothing strategy.

c. Discretionary Accounting Accruals

A third widely accepted strategy for income smoothing involves increasing or decreasing discretionary accounting accruals (e.g., Zang, 2011; Braam, Nandy, Weitzel, & Lodth, 2015). Under generally accepted accounting principles, companies use accrual accounting, whereby income is recognized when it is earned and expenses, when they are incurred, regardless of when cash is received or disbursed (Davdison et al., 2004). Thus, accrual accounting gives managers some discretion in determining reported earnings (Hadani et al., 2011). Specifically, management has a great deal of control over the timing of actual expenditures and also has some ability to alter the timing of recognition of revenues and expenses. For example, by advancing recognition of sales revenue through credit sales, or delaying recognition of losses, decreasing/increasing estimates of bad debt reserves, warranty costs, and inventory write-downs, by waiting to establish loss reserves (Teoh et al., 1998a, b), they may decrease or increase reported earnings. This involves management of the firm's reported earnings in the financial statements, using "purposeful" judgment in reporting expenses or revenue (Hadani et al., 2011).

Income smoothing through discretionary accounting accrual managements are generally considered riskier for a CEO (e.g., Cohen et al., 2008; Cohen & Zarowin, 2010). This is because, unlike with real activities management or accretive stock repurchases, which are more of operational decisions, decisions about discretionary accounting accruals are subject to higher scrutiny by auditors, regulators, and investors especially post accounting scandals with Enron and WorldCom (Graham et al., 2005). Thus, as suggested earlier, when engaging in income smoothing "the line between legitimacy and outright fraud [being] vague" (Chong, 2006:43), CEOs use of discretionary accruals involves higher personal and organizational risk.

Nevertheless, this does not necessarily mean free market oriented CEOs will not take a risk in order to protect shareholder value.

I argue that the free market orientation of CEOs is positively related to the use of discretionary accounting accrual managements as an income smoothing strategy. This happens because, as suggested earlier, while other forms of income smoothing, such as real activities and stock repurchase involve some form of influence on firm business operations (Roychowdhury, 2006), such as research and development or innovation, discretionary accruals do not involve real changes in firm business operations or cash flow (Cohen, Dey, & Lys, 2008). Thus, unlike real activities management or stock repurchases, discretionary accruals have a lesser long-term consequence for firm strategic capabilities (Zang, 2011). This makes discretionary accruals especially useful in smoothing the income of the firm with no or limited impact on firm operational capabilities of a firm.

I suggest this is an important factor for free market oriented CEOs who deeply care about maintaining their firm strategic capability and reducing environmental dependence. Thus, due to strong economic individualism (McClosky & Zaller, 1984), free market oriented CEOs care about their degree of dependence from the environment and consider their strategic competitiveness important for their firm's survival. This suggests they are less likely to manipulate business operations for a short-term gain not to impede firm capabilities (Laverty, 1996). They are equally unlikely to desire to use cash, an organizational slack critical for buffering a firm from environmental dependence (Tan & Peng, 2003). As such, they are unlikely to postpone necessary strategic investments or expenditures. This may significantly safeguard firm strategic operational (Helfat & Winter, 2011) and dynamic capabilities (Teece et al., 1997). This is consistent with Ipino and Parbonetti (2011) who found that switching from discretionary accrual to real-based earnings management leads to a much larger decrease in firm performance. Similar findings were reported by Cohen and Zarowin (2010) and Roychowdhury, Kothari, and Mizik (2012). They found that managing earnings at the time of raising additional equity via discretionary accruals is better than real activities because the latter is more costly in the long run. Thus, income smoothing through discretionary accruals while personally risky (Cohen et al., 2008), may allow free market oriented CEOs to maintain these capabilities while achieving the objectives of delivering on a promise and maintaining a sense of personal competence.

Relatedly, while this approach bears a risk of being perceived as deceitful for investors because it may be recognized as not reflecting the underlying true performance of the firm, accounting accrual management allows free market oriented CEOs to shield the market from earnings surprises, protecting overall shareholder value (Dechow, 1994) as well as contributing to the external recognition of CEO competency (Chen et al., 2015). While CEOs with low free market orientation may be unwilling to take a risk and potentially be perceived as misleading because of earnings management, free market oriented CEOs care more about the overall value of current shareholder assets and are thereby willing to risk to be seen as untruthful. Taking a higher risk of being perceived as misleading to market participants and other organizational stakeholders, including current shareholders of the firm, free market oriented CEOs demonstrate their care for current shareholder well-being. This is consistent with the findings of Hutton et al. (2015) that found that firms with Republican-leaning management engage in more civil rights, labor, and environmental litigation. Hutton et al. (2015) argued that because Republican-leaning managers stress the importance of property rights, they are willing to engage in litigation to protect shareholder interests, i.e., risk on behalf of a shareholder. Francis et al. (2016) similarly found that Republican CEOs are more likely to engage in tax sheltering than Democratic CEOs, which could also be a demonstration of a higher risk taking on behalf of shareholders by Republican leaning executives, who tend to be more free market oriented than their Democratic counterparts (Jackson et al., 2003; Koger et al., 2010). This is consistent with the notion that free market oriented individuals generally support less government and lower taxes for the benefit of the property owners (McClosky & Zaller, 1984). Thus, taking the extra risk of being found deceitful through discretionary accrual management free market oriented CEOs benefit the firm owners as well as their quest to prevail in the competitive environment.

Finally, free market oriented CEOs may prefer discretionary accruals to real activities management and accretive stock repurchases, because these discretionary decisions can take place right before or after the fiscal year end (Zang, 2011), when the need for income smoothing is actually realized, whereas real activities management or accretive stock repurchase decisions need to be planned and executed prior to the end of the reporting period (Gunny, 2010). This is important, because free market oriented CEOs are more focused on strategic capabilities and competitiveness of their firms than their peers' driven by strong economic individualism and a desire for competitiveness. While income smoothing strategies via real activities management or accretive stock repurchases may require advance preparation and execution in the beginning or over the course of the reporting period, free market oriented CEOs may be more focused on competition in the business environment first as a means to beat their earning targets and use the income smoothing strategy as the last resort, when market means of influence on earnings is not sufficient for desirable results so as not to harm shareholder interests. Thus, I hypothesize that:

H4: The free market orientation of CEOs will be positively related to discretionary accounting accrual management as an income smoothing strategy.

F. Methods

a. Sample and Research Design

Based on several considerations, my sample consisted of CEOs from the Execucomp database, who were appointed to their positions in years 2008 and 2009. I identified 444 CEO transitions in the years 2008 and 2009 in Execucomp. Out of these 102 were either acquired, merged with another company or a CEO lost his or her position prior to 2010, 48 did not have any earnings calls for the period of 2010 and 2011, and 63 never had any earnings calls in SeekingAlpha.com, a crowd-sourced web content service for financial markets that supplies public company earnings conference calls. This left me with 231 CEOs that had at least one earnings call in the years 2010 and 2011. However, to maintain consistency with previous research that has utilized ten consecutive periods of political donations to construct a political ideology measure (e.g. Chin et al., 2013; Gupta et al., 2017a,b; Briscoe et al., 2014) and to capture stability of the measure across quarterly earnings calls (Chin et al., 2013), my final sample comprises CEOs who had earnings calls covering at least half of the period of 2010 and 2011, which leaves me with a final sample of 140 earnings calls with at least four quarterly earnings calls in SeekingAlpha.com.

The data for dependent variables is collected from COMPUSTAT as well as I/B/E/S that provides the relevant earnings forecasts and actual figures for publicly traded firms. The independent variable, free market orientation, was constructed via CATA (content analysis) using earnings calls transcripts of quarterly earnings conference calls for two consecutive years following a firm CEO being appointed to his or her position (2010-2011). I measured dependent variables for each year a CEO was in office between 2012 and 2016, designated as t+n, up to 2016. Thus, if a CEO was appointed in 2008 and remained in office through 2016, I would have dependent variables of interest for five years for that firm (2012-2016). After missing data, this framework yielded a pooled time-series of 285 firm-year observations for my income smoothing hypothesis.

Independent variable: The relevant indicators of free market orientation of CEOs (economic individualism, competition, and property rights) is measured by dividing the number of words spoken by a focal CEO that match the relevant synonyms of each indicator of free market orientation in quarterly earnings conference calls to the total number of words spoken by the CEO. These three indicators are averaged and loaded into one factor (see my second dissertation paper on measurement of free market orientation).

Income smoothing: Consistent with prior research (Burgstahler and Dichev, 1997; Degeorge et al., 1999), I use the following three target thresholds that prior research suggests that executives care about when they report earnings: 1) positive profits 2) sustaining recent performance, and 3) meet analysts' expectations. Positive profit is measured as a dummy code whether earnings per share for a given quarter exceed zero at least by one cent. Sustained recent performance is measured whether current quarterly performance is higher than last year's same quarter performance at least by one cent. Meeting analyst's expectations is measured as quarterly actual earnings meeting and exceeding most recent analysts' consensus earnings forecast. If all three criteria are met in a given quarter, a firm is considered engaging in income smoothing. If at least one of those measures is not met, then a firm is considered not engaging in income smoothing. If these conditions are not met, the indicator variable is set to zero. Quarterly measures are summed to obtain yearly measure of income smoothing.

Real activities management: I use three real activities-based earnings management measures, consistent with Roychowdhury (2006) and Cohen et al. (2008). These measures are based on the abnormal levels of cash flow from operations, production costs, and discretionary expenses. These measures are used to detect behaviors such as acceleration of the timing of sales through increased price discounts, reporting of the lower cost of goods sold through increased production, and decreases in discretionary expenses that include advertising, research and development, and SG&A expenses. Specifically, I derive normal levels of cash flow from operations (CFO), discretionary expenses and productions costs for every firm-year. Deviations from the normal levels are termed abnormal CFO, abnormal production costs, and abnormal discretionary expenses. The measures of abnormal cash flow, production costs, and discretionary expenditures are standardized and summed.

To identify abnormal cash flow, following Roychowdhury (2006) and Cohen et al. (2008), I express normal cash flow from operations as a linear function of sales and change in sales in the current period. To estimate the model, I run the following cross-sectional regression for every industry and year:

(1) $\mathrm{CFO}_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(\Delta S_t/A_{t-1}) + \varepsilon_t,$, where At is the total assets at the end of period t, St the sales during period t and Δ St =St-St-1.

For every firm-year, abnormal cash flow from operations is the actual CFO minus the ‘‘normal’’ CFO calculated using estimated coefficients from the corresponding industry-year model and the firm-year’s sales and lagged assets. The model for normal COGS will be estimated as: (2) $\mathrm{COGS}_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta(S_t/A_{t-1}) + \varepsilon_t.$

I estimate the model for ‘normal’ inventory growth using the following regression:

(3) $\Delta \mathrm{INV}_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(\Delta S_t/A_{t-1}) + \beta_2(\Delta S_{t-1}/A_{t-1}) + \varepsilon_t,$, where Δ INV is the change in inventory in period t. Production costs (PROD t) are COGS t+ ΔINV *t*. Thus, using (2) and (3), I estimate normal production costs from the following industry-year regression:

(4) $$\mathrm{PROD}_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(\Delta S_t/A_{t-1}) + \beta_3(\Delta S_{t-1}/A_{t-1}) + \varepsilon_t.$$

Finally, the relevant regression for discretionary expenses is :

$\mathrm{DISEXP}_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta(S_{t-1}/A_{t-1}) + \varepsilon_t.$, where DISEXP *t* is discretionary expenses in period t.

Accretive stock repurchases: To identify firms engaging in earnings management through accretive stock repurchases, I follow prior research by Hribar, Jenkins, and Johnson (2006) and Burnett et al. (2012). This research identifies share repurchase as accretive share repurchase if a firm's earnings per share (EPS) with the repurchase is higher than by at least one cent than EPS with the assumption of no share buybacks. For example, when EPS with the buyback is greater than as-if EPS with the assumption of no buyback by at least one cent. I compute the value a firm's EPS would have taken if it did not engage in share repurchases as follows.

$$\mathrm{NOREPUR\_EPS} = (\mathrm{NI} + \mathrm{OPP\_COST})/(\mathrm{SHARESOUT} + 0.5 * \mathrm{SHARESISSUED}),$$

where NI t is the reported earnings available to common shareholders for the fiscal quarter, SHARESOUT, the shares outstanding at the beginning of the fiscal quarter, and SHARESISSUED, the number of shares issued during the quarter, and OPP_COST, the opportunity cost incurred for engaging in share repurchases, calculated as described below.

Had a firm not engaged in share repurchases, it would have also avoided the opportunity cost attributable to not earning a return on the cash it expended for the repurchases, meaning that this opportunity cost must be added to the numerator of EPS to remove the effect of the share repurchases. Following Hribar et al. (2006) and Burnett et al. (2012), I first determine whether a firm had excess cash on hand that could be used to conduct the share repurchases or whether a firm had to borrow cash to carry out the repurchases, because each scenario affects the calculation of the opportunity cost differently. I consider a firm's excess cash to be cash greater than 6% of total assets for retail firms or 2% of total assets for any other type of firm (Burnett et al., 2012; Copeland, Koller, &Murrin, 2000; Hribar et al., 2006). The opportunity cost of the cash expended for the portion of the share repurchase that does not exceed the amount of the firm's excess cash is calculated as the dollar amount of the share repurchase (up to the amount of the firm's excess cash) multiplied by the three-month treasury bill rate, while the opportunity cost of the cash expended for the portion of the share repurchase that exceeds the amount of the firm's excess cash is calculated as the dollar amount of the share repurchase that exceeds the firm's excess cash multiplied by the firm's average interest rate (Burnett et al., 2012; Hribar et al., 2006). For a given quarter, a firm's average interest rate is calculated as its interest expense divided by its average debt (Burnett et al., 2012; Francis, Reichelt, & Wang, 2005). Consistent with Burnett et al. (2012), if information necessary to determine a firm's average interest rate is unavailable then I use the average industry interest rate, with industries defined using 2-digit SIC codes. Then, consistent with Hribar et al. (2006) and Burnett et al. (2012), I use marginal tax rates to determine the after-tax amount of the opportunity cost. I utilize marginal tax rates available in the Compustat Marginal Tax Rates database. The yearly measure of accretive stock purchases is calculated by summing quarterly figures.

Accounting accruals management: Following previous research (Hadani et al., 2011), I measure accounting accruals management, by using the modified Jones model (1991). This model has been widely used to detect a firm discretionary accounting management as an earnings management strategy in accounting (e.g., Dechow, Sloan, & Sweeney, 1995), finance (Guay, Kothari, & Watts, 1996), and management literature (e.g. Davdison et al., 2004; Chen et al., 2015). The model considers the difference between the firm's actual and expected accruals as the estimate of earnings management. Actual accruals are measured as the difference between reported earnings and operating cash flows. Expected accruals is computed by regressing total accruals in the firm's 2-digit SIC-code industry on total assets, revenues, property, plant, and equipment, and accounts receivable.

Control variables: I control for common factors that may impact differences in executive behavior, such as firm size, measured as firm total assets, prior firm performance, measured as the lagged value of firm return on assets, and firm recent market performance, measured as the lagged value of stock a Tobin's Q[1]. I also control for common CEO attributes, such as CEO duality, measured as whether a CEO is also chair of the board, CEO equity, measured as percent of firm stocks owned by a focal CEO, and prior CEO variable pay, measured as the lagged value of stock awards and options, that may potentially impact firm income smoothing activities. Finally, I control for income smoothing strategies when running my models on income smoothing and other income smoothing strategies when hypothesizing a relationship between free market orientation of a CEO and forms of income smoothing.

[1] As a sensitivity test, I tested all control variables concurrently in my models and obtained similar results.

b. Selection Correction

Since my measure of CEO free market orientation is based on CEOs with at least four earnings calls over a two year period, I must account for the selection process that allows for one executive to be in my sample while others are not. To do so, I conducted a first stage model predicting inclusion in my sample based upon theoretically meaningful variables that may impact the likelihood of having earnings conference calls. Specifically, I conduct a probit analysis utilizing firm performance, firm size, CEO pay, CEO variable pay, and firm market performance as well as year dummy variables to predict inclusion in the sample. I rely on these variables, to the exclusion of a unique instrumental variable, because theoretically these firm and CEO attributes may impact the likelihood of having earnings conference calls. I then calculated the inverse Mills ratio and included this selection correction in the second stage analysis to account for possible selection bias. Results of this first stage analysis are included in Table 4 of the Appendix and provide results that three of my instruments (firm performance, CEO variable pay, and overall CEO pay) are statistically significantly associated with the likelihood of a firm having a quarterly earnings conference calls.

c. Estimation Methods

I have both continuous and count variables in my proposed hypotheses. In Hypotheses 1 and 3, since the dependent variables are the number of times a firm engaged in income smoothing and number of times a firm engaged in accretive stock repurchases, i.e. counts variables, I use a panel Poisson regression (McCullagh & Nelder, 1989). A Poisson specification (poisson command in Stata15.0) ensures that zero values of the dependent variable are incorporated into a model rather than implicitly truncated, as they are in OLS regression. This estimation technique is common in management research when dealing with count variables (e.g., Katilla & Ahuja, 2002; Williamson & Cable, 2003).

I used generalized estimating equations (GEE) to deal with multiple observations for my dependent variables for hypotheses 2 and 4. GEE, which derives maximum likelihood estimates and accommodates non-independent observations, is suitable when using cross-sectional time series data (Liang and Zeger, 1986). I did not use a fixed-effects model because it is not appropriate when models include time invariant variables (such as free market orientation). More specifically, I used the xtgee command in Stata 15.0, which fits general linear models and allows me to specify the within-group correlation structure for the panels (StataCorp, 2012). Because using the Wooldridge test of autocorrelation (via the Stata command "xtserial"), I rejected the null hypothesis of absence of autocorrelation, I specified a Gaussian (normal) distribution with AR1 correlation structure. I have used robust variance estimators (White, 1980) for all regressions in my models.

G. Results

Table 1 reports means, standard deviations, and correlations among the variables. Table 2 presentes Poisson regression results for tests of my hypotheseses on income smoothing and accretive stock repurchases. Model 1 and 3 present regression of dependent variables of interest on control variables. Model 2 of Table 2 tests Hypothesis 1, which predicts that free market orientation is positively related to income smoothing. The results show a significant positive effect of free market orientation on firm income smoothing, providing strong support for Hypothesis 1($p<0.05$). In practical terms, results for Hypothesis 1 suggest that one standard deviation increase in CEO free market orientation is associated with 0.20 additional increase in income smoothing. Model 4 tests the main effect of free market orientation on accretive stock repurchases. The results show some support for Hypothesis 3. Specifically, while the direction of the coefficient is in the expected direction, the coefficient of the independent variable is significant only at 0.1 level ($p<0.1$). In practical terms, this hypothesis suggests that one standard deviation increase in CEO free market orientation is associated with 0.05 fewer accretive stock repurchases.

Insert Table 1 and 2 here

Table 3 presents GEE results for tests of my hypotheses on real activities and discretionary accounting accruals respectively. Model 5 and 7 include only control variables. Model 6 tests the main effect of free market orientation on real activities and indicates that free market orientation was negatively associated with real activities, but this association fails to reach significance level ($p>0.05$). Thus, I did not find support that free market oriented CEOs are less likely to engage in real activities management as an income smoothing strategy. In Model 8, I test Hypothesis 4, which predicts that free market orientation is positively associated with discretionary accounting accruals. The results show a significant positive effect for the relationship, providing strong support for Hypothesis 4 ($p<0.05$). In practical terms, this hypothesis suggests that for one standard deviation increase in free market orientation from its mean increases the engagement in discretionary accruals increases by thirty seven percent.

Insert Table 3 here

H. Discussion

The notion that individuals' economic values influence their decisions has been of some interest to scholars in multiple disciplines while political ideology has largely been conflated with individual's social values in management research. Economic values or free market orientation, distinct and largely independent dimension of individuals' political ideology, epitomize a range of values and beliefs on the supremacy of an individual's autonomy, competition, and property rights. In the context of organizations, these values speak to the advantage of market mechanisms in interactions among individuals and parties. As such, a fuller understanding of an individuals' political ideology begins with unpacking how individual's economic values influence their actions and strategies. It is through referring to these ascribed economic values and beliefs on how the economy and a free market functions scholars can come to gain more nuanced understanding of organizational outcomes associated with diverging economic philosophies in terms of the underlying role of corporations in society, such as the supremacy of shareholder interests, the extent of organizational interdependence, and the embrace of fierce competition rather cooperation in the marketplace. Thus, given the subject of political ideology research are executives of large corporations, research will benefit more from exploring their economic philosophies or free market orientation rather broad political ideology that is more focused on psychological needs, such as need for certainty and security, that are less likely to be associated with winners of executive filtering or tournament style succession (Lazear and Rosen, 1981) to rise in organizational ranks (Schneider, 1987) that require openness to change and risk-taking.

This paper advanced an idea that executive free market orientation impacts their firm engagement in income smoothing activities. I argued that free market oriented CEOs not only engage in greater income smoothing, but also make an active choice among available income smoothing strategies. Free market oriented CEOs were argued to engage in greater discretionary accounting accruals, while avoiding real activities and accretive stock repurchases as an income smoothing strategies because the latter are overall more misaligned with their economic values than the former. Specifically, real activities and accretive stock repurchases may be overall harmful to shareholder interests and impede desire of free market oriented CEOs to maintain their economic independence and competitiveness in the market place. I find significant support for two of my hypotheses. Specifically, I find that free market orientation is positively related with firm engagement in income smoothing and the use of discretionary accounting accruals as income smoothing strategy. I also find that free market oriented CEOs were less likely to engage in accretive stock repurchases as income smoothing strategy. While I find that free market orientation of CEOs is negativelty related with real activities management, this relationship fails to reach significance level.

This research contributes to management field in multiple ways. First, by testing the impact of CEO free market orientation on firm income smoothing, I test the idea that support of *economic inidividualism*, *competition*, and *property rights* indeed involves taking risks on behalf of shareholders of the firm. Second, I find that free market oriented CEOs are more likely to pursue an income smoothing strategy, which is overall risky both for them and their firms but less harmful to shareholders and more aligned with their desire for economic independence and competitiveness. This is important because the extant conceptualization of political ideology portrays free market oriented executives as driven by psychological needs for certainty and risk aversion (e.g., Christensen et al., 2015; Hutton et al., 2014; Elnahas & Kim, 2017). However, support of free market principles in fact demonstrates a favorable view of risk taking (Greenberg

& Jonas, 2003). By testing the risk tolerance of free market oriented executives, I contribute to a more nuanced understanding of economic values or free market orientation in the upper echelons of an organization. This advances the field of upper echelons research towards more precise measures of executive ideological beliefs and values. This is also salient to view CEO attitudes towards competition and dependence in the marketplace (McClosky & Zaller, 1984) since income smoothing strategies also diverge in their impact on future firm capabilities and external dependence (Roychowdhury, 2006). Thus, this research opens up avenues for future research that may uncover important outcomes associated with these new executive values.

Importantly, although the presence of a higher faith in capitalism and free markets in conservatives in comparison to liberals has been noted in the current political ideology research (e.g., Chin et al., 2013; Chin & Semadani, 2017), this has largely been interpreted as the support of the status quo or aversion to change (Jost et al., 2003). This paper is the first to my knowledge to highlight and test an individual's economic values as an independent and distinct component of an individual's political ideology not necessarily tied to his or her psychological existential needs. In clear contrast to conformant and risk-averse depiction of the supporters of a free market conceptualized in the unidimensional liberalism-conservatism construct of political ideology, this paper demonstrates that free market orientation in fact may seem to encourage uncertainty and change (Greenberg & Jonas, 2003).

An important and potentially generative avenue for future research is to empirically investigate the impact of the executive free market orientation – *support for economic individualism, competition,* and *property rights*, three dimensions of free market orientation on other organizational outcomes beyond income smoothing. For example, recognizing that differences in dependence of the organization on its environment emerge from CEO's free market orientation- that is, when he or she has high economic individualism- provides direction for an expanded and fruitful research agenda. An interesting question to pursue is whether and how this economic individualism impacts a firm desire to lobby government. For example, a CEO high in *economic individualism* may have strong tendencies to avoid government assistance in competing with other firms. Thus, by actively pursuing autonomy and economic individualism, free market oriented CEOs may be putting their firms at a significant disadvantage compared to other firms. Alternatively, the desire to control its own fate may push these free market oriented CEOs to lobby more than their peers.

Also, particularly interesting for future research is further exploration of competitive behavior of free market oriented executives. A tournament style competitive environment within an organization through high pay inequity and unevenness in internal resource allocation within business units may not be the only visible demonstration of the support for competition for these executives (Gupta et al., 2017b). This behavior may be present in the competitive dynamics of the firm as well as it responds to external threats and opportunities. Exploring how a CEO free market orientation impacts a firm response to potential competitive attack may enrich both upper echelons and competitive dynamics literature. While CEOs with a low free market orientation may prefer to counter the attack with the offer of cooperation for a mutual benefit, CEOs with a high free market orientation may choose confrontation.

Exploring the effect of the dimensions of a free market orientation on organizational contracting with its suppliers is another intriguing avenue for future research. While we know that free market oriented executives may want autonomy from their suppliers, we may not know whether they prefer either short-term or long-term contracts with external suppliers. This is because both short and long term contracts could be argued are a means to maintain a firm and CEO autonomy from external entities. While short-term contracts may offer a flexibility of a relationship, important to maintain autonomy, long term contracting may be a way to sustain autonomy through limiting oneself from short term market fluctuations.

While this paper has argued for independent and complementary effects of beliefs in *economic individualism, competition,* and *property rights*, potential interactive effects may persist among power holders within the organization that bear similar free market orientation. One intriguing possibility is the interacting effect of board and CEO free market orientation on dividend payout. Because free market oriented executives advocate shareholder primacy due to their higher support of *property rights*, free market orientation of the boards may be associated with overall higher dividend announcements. However, the economic individualism dimension of a free market oriented CEO may actually trump this tendency given a CEO desire to maintain strong autonomy from external parties. Future research may greatly benefit from exploring these interacting effects of multiple dimensions of a free market orientation.

As with any research, natural limitations of this paper exist that warrant further investigation. While the use of CATA techniques and validation methods to capture a construct utilized in this paper has widely been used in previous research the use of alternate validation techniques to further validate this novel measure is likely to be of significant next step to advance wider use of this measure. One alternate option is comparing CATA based measure of free market orientation of politicians whose economic values has been publicly declared. For example, a socialist Democrat, Bernie Sanders should have lower CATA based free market orientation score than libertarian Rand Paul, who is known to widely aspire free market ideals. Alternatively, a survey of a certain number of executives may be conducted to compare it to their CATA based free market orientation measure. Future research may explore this or alternate techniques to further validate this novel measure that may become an important measure to capture executive economic philosophies.

Further, since finance literature has multiple proxies for the construct of income smoothing, the use of three proxies as suggested in this paper may not reliably reflect firm income smoothing activity. In fact, executives may have divergent views of what “smooth income” is, leading to multiple interpretations of the goal of achieving smooth earnings. Future research might investigate these divergent views and how executive free market influences these multiple approaches to income smoothing.

In summary, this paper recognizes the salience of economic values in understanding how organizations behave in fundamentally divergent views on the role of corporations in society. Specifically, by testimg the impact of CEO free market orientation on firm income smoothing strategies, this paper takes a first step in gaining a more nuanced understanding of how executives fundamentally differ in terms of shareholder-stakeholder debate, economic interdependence and belief in competition as a means for advancement and economic progress.

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J. Appendix: Tables

Table 1. Means, Standard Deviations and Correlations

		Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Free Market Orientation	0.0	1.0	1.0											
2	Income Smoothing	2.0	1.4	0.1	1.0										
3	Real Activities	-0.3	1.6	0.0	0.2	1.0									
4	Accretive Stock Repurchases	0.1	0.4	0.0	-0.1	0.1	1.0								
5	Discretionary Accruals	49.1	239.0	0.2	0.0	0.1	0.1	1.0							
6	CEO Duality	0.4	0.5	0.0	0.1	-0.1	-0.1	-0.1	1.0						
7	CEO Ownership	0.6	0.7	0.0	-0.1	0.1	0.1	0.1	-0.1	1.0					
8	CEO Variable Pay	8.3	0.9	0.0	0.3	-0.1	-0.1	0.1	0.2	-0.3	1.0				
9	Firm Performance	0.0	0.1	0.0	0.3	0.1	0.0	0.0	0.1	0.0	0.2	1.0			
10	Firm Size	50.3	203.0	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	0.2	0.0	1.0		
11	Firm Market Performance	1.8	1.2	0.0	0.3	0.3	0.0	0.1	0.1	0.1	0.3	0.3	-0.1	1.0	
12	Inverse Mills Ratio	0.9	0.3	0.0	-0.3	0.1	0.1	-0.2	-0.2	0.2	-0.9	-0.3	-0.2	-0.3	1.0

Table 2. Results from poisson regression with robust standard errors				
	(Model 1)	(Model 2)	(Model 3)	(Model 4)
Variables	**Income Smoothing**	**Income Smoothing**	**Accretive Stock Repurchase**	**Accretive Stock Repurchase**
CEO Duality	0.03	0.06	-1.28**	-1.31**
	(0.08)	(0.08)	(0.43)	(0.44)
CEO Ownership	-0.12	-0.14*	0.30	0.41
	(0.06)	(0.06)	(0.38)	(0.34)
CEO Variable Pay	-0.15	-0.18*	1.04**	1.01**
	(0.09)	(0.08)	(0.39)	(0.36)
Firm Performance	0.43	0.48	0.51	0.74
	(0.35)	(0.33)	(1.29)	(0.90)
Firm Size	0.00	0.00	-0.00*	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Firm Market Performance	0.03	0.04	-0.63	-0.61*
	(0.03)	(0.03)	(0.36)	(0.31)
Real Activities	0.07	0.07	0.29	0.22
	(0.04)	(0.04)	(0.17)	(0.16)
Accretive Stock Repurchase	-0.05	-0.02		
	(0.08)	(0.08)		

Table 2 (Cont.)				
	(Model 1)	**(Model 2)**	**(Model 3)**	**(Model 4)**
Variables	**Income Smoothing**	**Income Smoothing**	**Accretive Stock Repurchase**	**Accretive Stock Repurchase**
Discretionary Accruals	-0.00	-0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Inverse Mills Ratio	-0.77^{***}	-0.82^{***}	1.49	1.33
	(0.20)	(0.20)	(1.76)	(1.66)
Free Market Orientation		0.10^{*}		-0.46°
		(0.04)		(0.27)
Constant	2.32^{**}	2.67^{**}	-24.55^{***}	-22.63^{***}
	(0.82)	(0.82)	(5.05)	(4.69)
N	285	285	347	347

Standard errors in parentheses; year and succession time dummies in all models
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, $^{\circ}$ $p < 0.1$

Table 3. Results from GEE with autocorrelation and robust standard errors				
	(Model 5)	**(Model 6)**	**(Model 7)**	**(Model 8)**
Variables	**Real Activities**	**Real Activities**	**Discretionary Accruals**	**Discretionary Accruals**
CEO duality	-0.32	-0.33	-41988.50	-34861.66
	(0.36)	(0.38)	(65436.66)	(64459.83)
CEO ownership	-0.07	-0.07	142.85	37.20
	(0.09)	(0.09)	(290.76)	(211.50)
CEO Variable Pay	0.06	0.06	392.53	135.98
	(0.17)	(0.17)	(401.87)	(286.50)
Firm Performance	0.63	0.63	-719.16	-812.52**
	(0.51)	(0.51)	(393.05)	(312.85)
Firm Size	-0.00	-0.00	-0.04**	-0.02
	(0.00)	(0.00)	(0.01)	(0.01)
Firm Market Performance	0.19*	0.19*	332.80	249.75
	(0.09)	(0.09)	(227.73)	(162.69)
Accretive Stock Repurchase	-0.00	-0.00	152.98	171.37
	(0.04)	(0.05)	(204.95)	(152.60)
Discretionary Accruals	0.00	0.00		
	(0.00)	(0.00)		

Table 3 (Cont.)				
	(Model 5)	**(Model 6)**	**(Model 7)**	**(Model 8)**
Variables	**Real Activities**	**Real Activities**	**Discretionary Accruals**	**Discretionary Accruals**
Free Market Orientation		-0.02		67784.50*
		(0.23)		(32491.34)
Real Activities			-138.00	-148.86
			(331.00)	(297.47)
Inverse Mills Ratio			-2182.08*	-1834.52*
			(1103.65)	(833.99)
Constant	-1.40	-1.41	127469.78**	128179.68**
	(1.14)	(1.18)	(45293.35)	(45615.15)
N	355	355	325	325

Standard errors in parentheses; year and succession dummies in all models.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4. Selection Correction First Stage Model	
Firm Size	0.00
	(0.00)
Firm Performance	0.85^{***}
	(0.24)
Firm Market Performance	-0.02
	(0.03)
CEO Pay	0.00^{***}
	(0.00)
CEO Variable Pay	0.00^{**}
	(0.00)
Constant	-0.96^{***}
	(0.29)
N	1564

Standard errors in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

V. Conclusion

I began this dissertation with the underlying reasons for a need to explore executive economic values for understanding the fundamental roles of corporations in society. To make my case, I drew from research in political psychology and political science as well as synthesized extant empirical research in executive political ideology through the prism of executive economic values or *free market orientation.* I developed a novel measure to capture executive free market orientation through computer assisted textual analysis as well as demonstrated its distinctiveness from the traditional liberalism-conservatism measure. Further, I empirically demonstrated that free market oriented CEOs engage in greater income smoothing than their peers. I also found that free market oriented CEOs are more likely to pursue discretionary accounting accruals as an income smoothing strategy. Taken together, the findings presented in this dissertation provide important evidence that executive economic values are the distinct and independent dimension of executive political ideology. It also advances the idea that free market oriented CEOs are more likely to choose personally more risky income smoothing strategies to protect shareholder value and overall competitiveness of their firms in the market place. This dissertation uncovers a new avenue of research in upper echelons research. It is my hope that this dissertation is the first step in investigating critical organizational outcomes associated with executive economic values. In an era, when corporations are increasingly urged to act as corporate citizens, ignoring executive economic beliefs that are largely distinct of their social values disfavors managerial scholars to contribute to the debate about the roles of corporations in responding to emerging societal issues.