WALKING A FINE LINE: FIRM REPUTATION FOR INNOVATION, OPTIMAL STRATEGIC DISTINCTIVENESS, AND PERFORMANCE

A Dissertation

by

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ABSTRACT

Organizational reputation has been shown to influence important organizational outcomes. As a result, a large body of literature has devoted significant attention to organizational reputation. Findings have shown organizational reputation influences a wide range of outcomes such as IPO pricing, firm performance, stakeholder support, and organizational misconduct. One area extant organizational reputation work has not examined is the influence of organizational reputation on strategic decision making. In this dissertation, I propose organizational reputation is an important factor influencing strategic decision making. I draw on recent refinements of the known for something dimension of organizational reputation and focus on firms with a high firm innovation capability reputation. Firms with a high innovation capability reputation are known for generating innovation.

Innovation is expected from firms with a high innovation capability reputation, but less attention is given to the behaviors or actions these firms engage in to generate innovation. Recognizing stakeholders largely focus on the firm's innovation leads CEOs to perceive discretion exists in the behaviors the firm can use to generate innovation. I examine how having a high innovation capability reputation and the areas of discretion CEOs perceive attached to the reputation influence strategic distinctiveness. Why some firms increase distinctiveness while others reduce distinctiveness is a central question for organizational scholars. I develop competing hypotheses suggesting an upside and downside to strategic distinctiveness exists influencing the likelihood of engaging in strategic distinctiveness. On the upside, strategic distinctiveness offers firms a

mechanism to help achieve aspirations. One the downside, strategic distinctiveness offers a mechanism that could result in the firm losing the benefits its reputation offers. To examine boundary conditions, I draw on the upper echelons literature and argue organizational, environmental, and leadership contexts can create contingencies exacerbating aspirations or loss aversion that will either amplify or attenuate my main relationships. Finally, literature suggests firms walk a fine line between too much distinctiveness and not enough distinctiveness. Thus, I examine whether an optimal level of strategic distinctiveness is best for firm performance. I test my arguments using a sample of S&P 1500 firms between 2007-2015.

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TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

Organizational reputation matters for firms because it influences organizational outcomes (Ravasi, Rindova, Etter, & Cornelissen, 2018). Accordingly, scholars have devoted significant attention to understanding organizational reputation focusing both on the antecedents and outcomes of the construct (Lange, Lee, & Dai, 2011; Ravasi et al., 2018). A variety of factors influence the formation of a focal organization's reputation including performance, competitive actions, affiliations, institutional intermediaries, social activism, social media, and industry membership (Etter, Ravasi, & Colleoni, 2019; Ravasi et al., 2018). Extant research shows having a positive reputation generates favorable organizational outcomes like firm performance (Roberts & Dowling, 2002), price premiums customers are willing to pay for products (Rindova, Williamson, Petkova, & Sever, 2005), exchange partner relationships (Park & Rogan, 2019), shareholder value (Raithel & Schwaiger, 2015), and survival (Rao, 1994).

Research on organizational reputation continues to grow in importance both pragmatically and theoretically. Pragmatically, changes in society like the advent of social media make reputation an increasingly important asset organizations value and analyze. Theoretically, the rise of social media empowers individuals to shape perceptions of organizations something extant research largely ignores (Etter et al., 2018). The increasing importance of reputation and its ability to change quickly in today's social media obsessed environment suggests reputation likely manifests in organizations' strategic decision making. Yet, how organizational reputation manifests

in strategic decision making has received considerably less attention from scholars. Despite this, recent conceptualizations of organizational reputation suggest reputation may impact strategic decision making and, as a result, organizational performance (Parker, Krause, & Devers, 2019; Park & Rogan, 2019).

Parker and colleagues (2019) refine organizations that have a reputation for something into behavior-based and outcome-based reputations. The conceptualization builds from earlier work by Mishina and colleagues (2012) who identified organizations as being known for character or capability reasons. The behavior-based and outcome-based conceptualization is inclusive to the earlier conceptualization by Mishina and colleagues (2012), while simultaneously acknowledging a wider range of factors beyond character might lead to developing a behavior-based reputation as well as factors other than capability may generate an outcome-based reputation. In addition to offering a refinement to what organizations are known for, the authors draw attention to how an organization's reputation generates areas of perceived discretion. Executives in organizations with behavior-based reputations have to deliver the same actions expected by stakeholders but perceive discretion in the objectives or outcomes the organization can pursue. Contrastingly, executives in organizations with outcome-based reputations must achieve the outcome stakeholders expect, but perceive discretion in the actions they can use to achieve the outcome (Parker et al., 2019). Hence, organizations face pressures from stakeholders to maintain a high reputation, but areas of perceived discretion do exist.

Using the recent refinement by Parker and colleagues (2019) can offer us a better understanding of how organizations can maintain a high reputation. An organization faces pressures to conform to stakeholders' expectations, but at the same time needs to differentiate enough from peer organizations to distinguish the organization (Rindova, Williamson, Petkova, & Sever, 2005). Areas of perceived discretion offer managers one way to be able to differentiate the organization from other similar organizations. Exploiting areas of perceived discretion enables an organization to develop distinct strategies relative to its peer organizations, strategic distinctiveness, allowing the organization to stand out. The type of reputation an organization possesses shapes how and why an organization engages in strategic distinctiveness. Thus, this suggests attention needs to be given to how organizational reputation influences important strategic decisions such as how relatively distinct the organization should be, which is a fundamental question facing all organizations (Crossland, Zyung, Hiller, & Hambrick, 2014).

To address this research question, I examine how an organization's outcome-based reputation influences differences in a firm's strategic distinctiveness relative to other organizations. Specifically, I focus on organizations with an innovation capability that leads these organizations to be known for innovation, which is an outcome. I develop competing hypotheses given extant literature provides no clear guidance. On one hand, scholars suggest an upside to strategic distinctiveness exists because it offers firms with a high firm innovation capability reputation a mechanism to achieve aspirations (Mishina, Dykes, Block, & Pollock, 2010; Haleblian, Pfarrer, & Kiley,

2017). On the other hand, scholars suggest a downside to strategic distinctiveness exists because it offers firms a mechanism that could result in the firm losing the benefits its reputation offers (Chrisman & Patel, 2012; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Mishina et al., 2010). Hence, I develop competing hypotheses arguing aspirations increase the likelihood of engaging in strategic distinctiveness, while loss aversion decreases the likelihood of engaging in strategic distinctiveness.

Upper echelons research shows managerial decision making is dependent on context (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Finkelstein, 1987). Specifically, upper echelon scholars argue contingencies in organizational, environmental, and leadership contexts can have important effects on managerial decision making. Thus, I examine how contingencies in each context can create demands that either amplify or attenuate the likelihood that a firm with a high innovation reputation engages in strategic distinctiveness. I focus on factors shaping demands in each context because extant upper echelons research illustrates the demands managers experience act as a salient force shaping decision making (Hambrick, Finkelstein, & Mooney, 2005). For each context, I chose a salient factor extant research has identified as a demand that could exacerbate aspirations or loss aversion. In the organizational context, I examine organizational prominence given research shows prominence creates demands on organizations (Rindova et al., 2005; Mishina et al., 2010; Haleblian et al., 2010). In the environmental context, I examine environmental dynamism because extant research shows environmental dynamism places demands on firms shaping strategic

decision making (Haleblian & Finkelstein, 1993; Henderson, Miller, Hambrick, 2006; Jansen, Vera, Crossan, 2009). In the leadership context, I examine CEO ideology because research illustrates CEO ideology shapes aspirations and loss aversion influencing strategic decision making (Briscoe, Chin, & Hambrick, 2014; Chin, Hambrick & Trevino, 2013; Elnahas & Kim, 2017). Finally, I examine how strategic distinctiveness influences organizational performance to better understand whether an optimal level of distinctiveness exists for organizations with an outcome-based reputation.

This dissertation offers several contributions. First, by examining the influence of an organization's outcome-based reputation on strategic distinctiveness I contribute to the organizational reputation literature (Finkelstein et al., 2009). Specifically, I draw attention to an important factor that influences important strategic decisions that extant work has yet to examine. Second, I contribute to the organizational reputation and strategic leadership literatures by testing how an organization's outcome-based reputation influences strategic decisions at the executive level. Only a single study has examined an organization's outcome-based reputation and this work focused on stakeholders (exchange partners) rather than executives (Park & Rogan, 2019). Hence, I complement and contribute to a growing body of literature showing the importance of an organization's reputation in important organizational actions. Third, I contribute to the organizational reputation literature by drawing attention to the level of distinctiveness as important mediating factor influencing the effects of reputation. Extant work has shown high organizational reputation influences CEO decisions (Mishina et al, 2010), but this

work is too narrow in its consideration of the decisions high reputation might impact. Considering the level of distinctiveness across a range of actions can better help us understand when and why high firm reputation generates favorable organizational outcomes. Finally, I introduce a measure of innovation capability that future research on organizational reputation can utilize to study the antecedents and consequences of an outcome-based reputation.

CHAPTER II

LITERATURE REVIEW

To address my research question I draw on three streams of literature: organizational reputation, upper echelons, and strategic distinctiveness. Each of these literatures reflect a central construct in my dissertation. To simplify my literature review I break the section into three subparts. First, I review the organizational reputation literature because my central variable of interest reflects a type of reputation. Second, I review the upper echelons literature on context as a contingency factor influencing managerial effects. Finally, I review the strategic novelty literature. My central variable of interest, an organization's outcome-based reputation, is a type of organizational reputation and, thus, I begin by reviewing the organizational reputation literature below.

Organizational Reputation

Organizational reputation is an important factor influencing organizations because it impacts organizational outcomes (Ravasi et al., 2018). Given the importance of organizational reputation, it has drawn considerable scholarly attention. A downside of this attention has been a lack of construct clarity. A recent review by Ravasi and colleagues (2018) highlights six different perspectives on organizational reputation exist. Each perspective defines organizational reputation slightly differently. Although no consensus definition exists (Ravasi et al., 2018), organizational reputation generally is defined as "a collective social judgement regarding the quality or capabilities of a focal actor within a specific domain" (Boivie, Graffiin, & Gentry, 2016: 188; Park & Rogan, 2019). Three main dimensions of organizational reputation exist. Lange and colleagues

(2011) in trying to provide construct clarity, refine organizational reputation into *being known* (generalized awareness or visibility of the firm; prominence of the firm in the collective perception), *being known for something* (perceived predictability of organizational outcomes and behavior relevant to specific audience interests), and *generalized favorability* (perceptions or judgements of the overall organization as good, attractive, and appropriate) (155). Rather than focusing on converging on a single definition scholars have begun to focus on investigating the different dimensions of organizational reputation (Boivie et al., 2016; Fischer & Reuber, 2007; Park & Rogan, 2019; Rindova, Petkova, & Kotha, 2007). Below I describe each of the three dimensions starting first with the being known for something dimension.

Being Known for Something: Outcomes and Behaviors

The difference between the being known and being known for something dimension is judgement. Judgement acts as a central factor influencing stakeholders' perceptions of organizations. Stakeholders judge whether the organization can deliver or meet specific needs or provide value. Pfarrer and colleagues (2010) refer to this dimension as the result of judgements with respect to "the firm's demonstrated ability to create value". Love and Kraatz (2009: 317) label this dimension of reputation as "technical efficacy" reflecting judgements by an audience of the firm regarding whether the organization can meet material needs. Basedo and colleagues (2006) refer to this dimension of organizational reputation when stating organizational reputation reflects stakeholders' collective judgements of the firm's disposition to behave in a certain manner.

Evaluations can focus on either the material outcomes of an organization or the organization's behavior and will vary across audiences (Love & Kraatz, 2009). Lange and colleagues (2011) cite Mahon (2002) who nicely summarizes the being known for something dimension. Mahon (2002: 439) states that "reputation is an asset in relation to (a) a specific context or process, (b) a specific issue, (c) specific stakeholders, and (d) expectations of organizational behavior based on past actions and situations.

Research shows being known for something impacts organizational outcomes. Benjamin and Podolny (1999) study how California wine makers past quality provides information about current quality reflecting the wine makers reputation. Results show reputation has beneficial impacts on organizational status. Rindova and Fombrun (1999) illustrate how competitive advantage depends on the interactions among firms and constituents whereby information regarding the performance of firms is shaped. The interactive process firms and constituents engage in shapes access to resources and competitive advantage. Rhee and Haunschild (2006) find organizations with a high reputation reflecting consumers' perceptions of the superior quality of the organization experience higher market penalties for product recalls. Pfarrer and colleagues (2010) refer to reputation as an accumulation of high levels of public recognition of the quality of a firm's capabilities and outputs. Using this definition of reputation, the authors show high reputation firms are less likely to announce earnings surprises. Further, high reputation firms receive smaller penalties for negative surprises and larger rewards for positive surprises.

Love and Kraatz (2009) show downsizing decisions by corporations influence the character dimension. Specifically, corporations choosing to downsize experience negative character perceptions that depend on the overall prevalence of downsizing among firms. Basdeo and colleagues (2006) highlight how a firm behaves in the market influences reputation. The authors find the total number of a firm's market actions, complexity of its action repertoire, time lags in rivals' responses, and similarity of its repertoire with rivals positively influence reputation.

Since Lange and colleagues (2011) review of the organizational reputation literature refinements of the being known for something dimension have occurred. Mishina and colleagues (2012) building from extant work introduce two dimensions of being known for something: capability and character. Capability reputations refer to collective evaluations about the quality and performance characteristics of a particular firm. Character reputations refer to collective judgements regarding a firm's incentive structures and behavioral tendencies, based on observations of the firm's prior actions. Capability reputations assess what the firm *can do*, while character reputations assess what the firm *would likely do*.

Parker and colleagues (2019) offer a further refinement to the being known for something dimension which encapsulates the earlier refinement by Mishina and colleagues (2012). Parker and colleagues (2019) introduce two dimensions of being known for something: behaviors and outcome. Behavior based reputations reflect observations of the firm's behavioral tendencies and past actions allowing observers to reliably predict which actions the firm will take in the future. Outcome based reputations

reflect observations about the firm's quality and performance characteristics allowing observers to reliably predict which outcomes the firm is likely to achieve. The authors argue the terms act as meta constructs whereby being known for something reputations can be assigned to one of the two dimensions. Further, the behavior and outcome based conceptualization is more inclusive than Mishina and colleagues (2012) capability and character conceptualization.

Parker and colleagues (2019) discuss how being known for something creates areas of perceived discretion as well. Organizations with a behavior-based reputation must continue to behave in the same way, but perceive discretion in the objectives that can be pursued (Parker et al., 2019). Organizations with an outcome-based reputation need to deliver the outcome stakeholders expect, but executives' perceive discretion in the actions that can be taken to achieve the outcome (Parker et al., 2019). Given the recent nature of the new conceptualization limited empirical work exists. In fact, no studies using the behavior-based or outcome-based terminology exist. However, as the authors contend in the new conceptualization, behaviors encapsulate character and outcomes encapsulate capability. The study by Park and Rogan (2019) adds support to this perspective even though it is not a direct test of it. Park and Rogan (2019) analyze how an organization's character and capability reputations influence exchange partners likelihood of partnering with the organization (potential new exchange partner) or remaining with the organization (existing exchange partner) following adverse events. The authors find a capability reputation is more important to potential exchange partners, while existing exchange partners focus more on character reputations. This work shows

an organization's type of reputation has important outcomes for organizational actions supporting the notion it might matter in strategic decision making.

Being Known: Organizational Prominence

Another salient dimension of reputation is the being known dimension. Scholars often refer to being known as organizational prominence and I will follow extant approaches and refer to it as prominence (Rindova et al., 2005). The term prominence comes from the institutional perspective on reputation. The institutional perspective believes that uncertainty on organizations is reduced through social interactions among actors that helps to diffuse the "true" attributes of a firm (Rindova et al., 2005). Within an organizational field certain actors like institutional intermediaries and high status actors are uniquely located to access and/or disseminate information (Rao, 1998; Rao, Greve, & Davis, 2001; Rindova et al., 2005). Due to the unique information institutional intermediaries and high status actors can possess stakeholders pay close attention to the information these actors provide on organizations. As a result, differences in the information institutional intermediaries and high status actors provide on certain organizations influences how salient or central the organization is in the public mind (Rindova et al., 2005).

Extant work has focused both on the antecedents and outcomes of prominence. As alluded to above, institutional intermediaries and high status actors are two important antecedents to prominence. Specifically, rankings or certifications by institutional intermediaries like the media lead to prominence (Rindova et al., 2005). Associating with high status actors is another important antecedent of prominence (Rindova et al.,

2005). A firm's market actions impact prominence as well. Basdeo and colleagues (2006) find the total number of market actions, the complexity of its action repertoire, time lag in rivals responses to its actions, and the similarity of its repertoire with its rivals positively affects reputation.

Prominence can lead to beneficial firm outcomes. Pollock and Rindova (2003) show how media coverage of a firm is positively associated with the firms' initial public offering (IPO). Similarly, Zuckerman (1999) shows coverage by analysts' influences how investors value a firm. Roberts and Dowling (2002) illustrate how having a high reputation is positively associated with financial performance.

Another steam of research examines how having a high reputation or prominence can influence positive and negative organizational outcomes. Specifically, this research investigates how prominence can impact firm's aspirations causing good firms to do bad things (Mishina, Dykes, Block, & Pollock, 2010). Mishina and colleagues (2010) link work on loss aversion with organizational reputation to show prominent firms' aspirations to maintain prominence relative to peers causes good firms to engage in corporate illegality. Pfarrer and colleagues (2010) find high reputation or prominent firms are less likely to announce positive earnings surprises. Further, prominent firms receive lower market penalties for negative earnings surprises and greater market rewards for earnings surprises.

Building from this work, recent research examines the boundary conditions of having a high reputation. Zavyalova and colleagues (2016) utilize a sample of universities experiencing a negative event to examine when having a high reputation acts

as a burden and when it acts as a benefit. The authors find stakeholder identification is an important moderator influencing whether a high reputation acts as a burden or benefit. High stakeholder identification causes a high reputation to act as a benefit following a negative event, while low stakeholder identification causes a high reputation to act as a burden.

Collectively, research shows an organization's recognition among stakeholders and ability to stand out relative to peers in its organizational field is important.

Generalized Favorability: Expectancy violations and favorability shocks

The final dimension of organizational reputation is generalized favorability. Generalized favorability refers to the overall perception of the organization as being good, attractive, and appropriate. Scholars tend to focus on the tone stakeholders use to describe the organization to capture generalized favorability (Lange et al., 2011). More positive tones reflect a higher generalized favorability for the organization. Organizations with high generalized favorability tend to be in stakeholders' minds more as well as exist in a positive way. As a result, this can lead to favorable organizational outcomes (Ravasi et al., 2018).

When an event violates stakeholders' expectations of the organization this impacts the organization's generalized favorability. Stakeholders will not look as favorability on the organization because the organization did not do what was expected. Events that violate stakeholders' expectations are referred to as expectancy violations. Extant research illustrates expectancy violations influence strategic decision making. Bednar and colleagues (2013) show negative events cause organizations to engage in

strategic change. Harrison and colleagues (2018) illustrate how organizations receiving star analyst downgrades and negative attention because of violating expectations leads directors to leave firms as a means of reputation maintenance. Bednar and colleagues (2015) show how the potential negative influence of controversial governance practices is contingent on media coverage and acceptance of the practices. This work illustrates generalized favorability is highly context dependent.

Research shows firms' actions and industry dynamics impact generalized favorability as well. Recent work shows CEOs' media coverage can impact organizational reputation. Love and colleagues (2017) find CEO's who receive negative media coverage damage their firm's reputation. Firms with higher levels of wrongdoing experience lower generalized favorability (Zavyalova, Pfarrer, Reger, & Shapiro, 2012). This is magnified if other firms in the industry experience wrongdoing creating a negative spillover effect. However, firms can engage in technical actions to offset the negative effect of their wrongdoing. Graffin and colleagues (2016) show firms can use impression offsetting to moderate the negative reaction from an expectancy violation. The authors find organizations can use positive unrelated information to offset the negative reaction to an expectancy violating acquisition (Graffin, Haleblian, & Kiley, 2016).

The term expectancy reflects the fact stakeholders expect actors to conform to the "enduring pattern of actions" associated with specific situations (Burgoon, 1993). Expectancies are classified into two types: prescriptive and predictive. Prescriptive expectancies refer to generalized norms for a specific outcome (Burgoon, 1993).

Predictive expectancies refer to anticipated outcomes for specific actors or specific situations (Burgoon, 1993; Graffin, Haleblian, & Kiley, 2016). To illustrate, firms with a high firm outcome-based reputation have predictive expectancies to deliver the outcome associated with the firm's reputation. Prescriptive expectancies reflect collective perceptions about the normal actions firms with a specific high firm outcome-based reputation, like innovation, take to generate the outcome. For example, high research and development expenditures may be perceived as normal actions taken to generate innovation. When actors act consistent with expectancies little new information is provided and stakeholders are satisfied.

If an actor violates expectancies, it results in an expectancy violation directing stakeholders' attention to the actor and the violation (Burgoon, 1993; Graffin et al., 2016). Expectancy violations can be positive or negative. Positive expectancy violations would be actors exceeding stakeholders' expectations in a situation. Negative expectancy violations would be an actor not meeting expectations by not acting in the expected way. To illustrate, a firm exceeding its earnings estimate is a positive expectancy violation, while a firm missing its earnings estimate is negative expectancy violation (Graffin et al., 2016).

The level of perceived intentionality magnifies the impact of an expectancy violation. Stakeholders feel more violated when they perceive the firm intentionally violated the trust placed in the organization (Burgoon, 1993; Graffin et al., 2016). Having a reputation for a specific outcome establishes a connection between stakeholders and an organization (Parker et al., 2019). Stakeholders trust the

organization will deliver the outcome and engage in practices to do so. When an organization with an outcome-based violation has an expectancy violation on delivering its outcome it will break the trust stakeholders placed in the organization. Stakeholders will perceive the organization intentionally deviated from what it is known for which will magnify the impact of the expectancy violation. Contrastingly, violations the organization is not known for will not create the same impact because no trust has been established between the stakeholder and organization. Nor is there a pattern of actions to validate stakeholders' perceptions of the organization intentionally acting differently.

When an expectancy violation occurs it brings increased scrutiny to actors (Burgoon, 1993). Meeting expectations allows the actor more discretion to go about its business without interference. After the expectancy violation, stakeholders will examine all the actions actors take and more pressure will be on actors to conform to expectations. The nature of the action causing the violation influences the level of scrutiny. Organizations with a reputation have expectations that must be met in the eyes of stakeholders. If an organization engages in actions that violate its reputation, it will create a magnified expectancy violation. As a result, it will create a situation where stakeholders place high scrutiny and pressure on organizations to conform to expectations again or risk losing the firm's reputation.

The Role of Context as a Contingency: Organizational, Environmental, and Leadership

The upper echelons perspective argues executives' personalities, values, and experiences shape their interpretations of the situations they face and, in turn, affect their

choices (Hambrick & Mason, 1984). A long line of research originating from the central premise of the upper echelons model now exists. This research illustrates individual differences among executives influence a wide range of organizational outcomes (Carpenter et al., 2004).

Within the upper echelons literature a specific stream of research exists examining the influence of context. Research on context illustrates context is a salient factor influencing managerial decision making (Carpenter et al., 2004; Hambrick & Mason, 1984). Context acts as a contingency factor influencing managerial effects. This means the role of executives' personalities, values, and experiences in decision making is dependent on context. The research on context recognizes three salient contexts influencing managerial decision making: organizational, environmental, and leadership (Carpenter et al., 2004). The organizational context reflects the internal context of an organization including things such as strategy and structure of the organization. Environmental context captures the broad environment the organization exists in examining factors that can shift stability and change like industry characteristics. Leadership context reflects the dynamics of leadership existing among executives in the apex of the firm. Below I review the literature on each specific context.

Organizational Context

Research on organizational context acting as a contingency factor focuses largely on the strategy and structure of the organization. International diversification has been shown to be a salient contingency factor shaping managerial effects. Carpenter (2002) shows the relationship between TMT heterogeneity and performance is stronger

in firms with higher levels of internationalization. Carpenter and colleagues (2001) find TMT work experiences positive relationship with performance in multinational firms was stronger in firms with a greater global presence. Nielsen and Nielsen (2013) show internationalization acts as a salient moderator influencing the effect of managerial diversity on firm performance. The authors find the influence of managerial diversity on firm performance is stronger in highly internationalized firms.

Extant work illustrates the structure of the organization is another salient moderator. Damanpour (1991) shows the type of organization is an important moderator influencing the relationship between managerial characteristics and innovation. The author finds differences exist between manufacturing and non-manufacturing organizations as well as for-profit and not-for-profit organizations. Steensma and Corley (2001) illustrate organizational context moderates firm boundaries for technology sourcing. Specifically, the authors examine three structural factors: managerial ownership, risk orientation of the firm, and slack resources. The authors show organizational context moderates the likelihood of transactions cost economics, an options perspective, and a resource-based view explaining firm boundary decisions. Battilana and Casciaro (2012) illustrate change agents ability to generate organizational change is moderated by the whether the change diverges from the institutional status quo in the organization's field of activity. This work illustrates the type of strategy is an important moderator influencing alterations in organizational structure.

Research shows organizational scope is another important moderator. Vermeulen and Barkema (2002) find the strategic decision to engage in foreign expansion and its

positive relationship with firm performance is moderated by scope of internationalization. Higher levels of organizational scope during the internationalization process negatively moderate a firm's increase in profitability resulting from international expansion. Further, work by Jansen and colleagues (2009) highlights integration mechanisms (contingency rewards, social integration, cross-functional interfaces, and connectedness) mediate the relationship between structural differentiation and ambidexterity. Slater and colleagues (2006) illustrate the strategic orientation of the organization moderates the strategy formation capability—performance relationship.

Organizational size has also been shown to be an important moderator. Vaccaro and colleagues (2012) illustrate organizational size moderates the relationship between leadership and management innovation (i.e., new practices, processes, or structures) with the relationship stronger in smaller firms. Chen and Hambrick (1995) find small firms and large firms differ in terms of competitive behavior. The authors find smaller airlines were speedier to initiate attacks, but were stealthy in doing so compared to larger airlines. Greenwood and colleagues (2010) show firm size moderates downsizing decisions. Smaller family owned firms are less likely to downsize compared to larger non-family owned firms. Voss and Voss (2013) illustrate organizational size moderates the product and market ambidexterity performance relationship. The authors find product and market ambidexterity leads to positive effects on revenue in larger but not smaller firms.

Jensen and Zajac (2004) show governance arrangements act as another salient contingency factor. Specifically, the authors find the influence of executive background

on diversification was dependent on whether the background was embodied in the CEO, TMT or the board. Tang and colleagues (2011) show powerful boards moderate the likelihood of powerful CEOs engaging in deviant strategies. Dowell and colleagues (2011) illustrate CEO power moderates the relationship between governance and survival with powerful CEOs being more beneficial during crisis. Research finds structural interdependence of TMTs is another important moderating effect influencing the relationship between TMT composition and organizational outcomes (Hambrick, Humphrey, & Gupta, 2015). Recent work by Misangyi and Acharya (2014) extends earlier work on governance arrangements showing the relationship between governance mechanisms and firm performance is dependent on how the factors are configured. This work examines a variety of factors extant upper echelons research shows influence firm performance (e.g., CEO ownership, CEO duality, TMT ownership) to illustrate the effect of governance mechanisms on firm performance depends on how the factors are combined.

Environmental Context

Another contextual factor extant upper echelons research identifies as a contingency factor is the environment. Work examining the environment largely focuses on how factors within the environment either support stability or change (Carpenter et al., 2004). Hoffman and Hegarty (1993) show the effect of TMT characteristics on innovation varies by culture. Wiersema and Bird (1993) find TMT heterogeneity led to higher levels of turnover among Japanese firms relative to U.S. firms. Geletkanycz (1997) demonstrated national culture was an important moderator impacting executives'

preference for the status quo. Crossland and Hambrick (2011) show nation-level institutional factors impact the degree to which CEOs matter. The authors find nation-level factors increasing discretion increase the influence a CEO has on firm performance. Van Essen (2012) and colleagues illustrate the relationship between executive compensation and firm performance is dependent on country level factors. Specifically, the authors find the degree to which formal and informal institutions protect investors from managerial opportunism and overcompensation act as salient moderating mechanisms.

Industry characteristics have drawn significant attention from scholars studying the environment. In one of the earliest studies, Keck (1997) found the complexity of the environment moderated the influence of TMT heterogeneity and tenure of firm performance. In highly complex environments short-tenured teams and heterogeneous teams were found to be most valuable. Contrastingly, in stable environments long tenured and homogenous teams led to better performance. Finkelstein and Hambrick (1990) find that the effect of TMT tenure on strategy and performance depends on the level of discretion a firm's industry offers. Specifically, the tendency for long tenured TMTs to persist in strategies, conform to industry trends, and achieve performance near industry averages occurred more frequently in industries with high discretion. Haleblian and Finkelstein (1993) show environmental dynamism and discretion act as contingency forces shaping the relationship between TMT size, CEO dominance, and firm performance. Results show large TMTs perform better in turbulent environments and

firms with CEOs who are dominant perform worse. This relationship only holds in environments allowing top managers discretion in decision making.

Recently, work illustrates industry or environmental dynamism moderates a range of upper echelon relationships. Simsek and colleagues (2010) find industry dynamism moderates the relationship between CEO core self-evaluation and firm entrepreneurial orientation. Results show high CEO core self-evaluation is more beneficial in highly dynamic environments. Nadkarni and Chen (2014) show industry dynamism moderates CEO temporal focus and the rate of new product introduction. Specifically, the authors find in stable environments new products are introduced faster when CEOs have high past focus, high present focus, and low future focus. Contrastingly, in dynamic environments higher rates of new product introduction occur with low past focus, high present focus, and high future focus. Nadkarni and colleagues (2016) illustrate industry dynamism influences the relationship between executive temporal depth and competitive aggressiveness. Findings show past temporal depth is associated with higher levels of aggressiveness in less dynamic industries, while future temporal depth is associated with aggressiveness in dynamic industries.

Across the research on environment a central finding is environmental contexts that are less stable encourage change (Kunisch, Bartunek, Mueller, & Huy, 2017). A variety of underlying factors have been identified as causing this relationship including increases in discretion, higher demands on executives, higher rates of competition, time, and institutional factors. As a result, it is widely accepted that environmental

characteristics act as salient contingency factors in the upper echelons model (Carpenter et al., 2004).

Leadership Context

The leadership context is another important contingency factor shaping upper echelons relationships. Work on the leadership context focuses largely on cognitive factors shaping the CEO or the CEO-TMT interface. Simons and colleagues (1999) found TMT debate moderates the relationship between TMT diversity and firm performance. The authors found having a system for engaging in debate enables TMTs to leverage the benefits of heterogeneity allowing for more comprehensive decision making and strategies. Ferrier and Lyon (2004) show the heterogeneity of the TMT moderated the relationship between strategy and performance. Alexiev and colleagues (2010) find TMT heterogeneity moderates TMT advice seeking and exploratory innovation with higher levels of heterogeneity positively associated with internal advice seeking and exploratory innovation.

Ou and colleagues (2018) show CEO humility is another important contingency factor impacting the relationship between the TMT and CEO. When a CEO is more humble it leads to higher levels of collaboration with the TMT causing the firm to adopt an ambidextrous strategic orientation leading to higher performance (Ou, Waldman, & Peterson, 2018). Carpenter and colleagues (2001) found complementarity among the CEO and TMT regarding international experience lead to better performance for multinational firms. Complementarity between the TMT and the board has been shown to influence technology IPO firms internationalization strategies. Technology firms with

TMTs and boards both having international experience were more likely to pursue globalization strategies. Kor (2003) illustrates the configuration of executive characteristics influences firms pursuing new growth opportunities. Specifically, firms with founders participating in the TMT and managers' with past industry experience cause firms to engage in new growth opportunities.

Research finds social comparison within the leadership context moderates upper echelon relationships as well. Ridge and colleagues (2015) find factors increasing or inhibiting social comparison and tournament perceptions among TMT members influence the relationship between pay disparity and firm performance. Managerial uncertainty preferences is another moderator extant research finds influences managerial effects. Heavey and colleagues (2009) show managerial uncertainty preferences moderate the relationship between decision comprehensiveness and corporate entrepreneurship with acceptance of uncertainty amplifying the positive relationship. Temporal leadership is another important factor influencing the relationship between CEOs and corporate entrepreneurship. Chen and Nadkarni (2017) find CEOs' temporal leadership (i.e., how they manage TMT time) mediates the CEO temporal disposition and corporate entrepreneurship relationship. CEOs who use steady action and early action temporal leadership styles positively influence the relationship between temporal disposition and corporate entrepreneurship.

A growing body of research examines CEOs' values as a contingency factor. Extant work finds CEOs' values help to explain differences among firms engagement in corporate social responsibility (CSR) actions (Chin et al., 2013). Research also finds

differences among CEOs in terms of values acts as a contingency factor shaping the CEO-TMT pay decision. Results show liberal CEOs have lower pay gaps with their TMTs compared to conservative CEOs (Chin & Semadeni, 2017). Work in finance illustrates CEOs values, as measured by political ideology, moderate the corporate lobbying firm performance relationship. Unsal and colleagues (2016) find corporate lobbying is more effective in firms with liberal CEOs leading to higher firm performance because of lower agency costs. Briscoe and colleagues (2014) show CEO values moderate the relationship between opportunity structure and social activism. The authors show firms with CEOs who have liberal values are perceived as more receptive by social activists increasing the likelihood of social activism.

Changes in values within the leadership context have garnered significant scholarly attention as well. Much of this research examines the succession context to understand whether the succession process generates a change in values or maintains existing values. Herrmann and Datta (2002) find the characteristics of the CEO's successor impacted the choice of foreign market entry mode. Bigley and Wiersema (2002) show heir apparent experience for CEOs has long term impacts on strategic decision making leading firms to engage in strategic refocusing and less strategic change. Shen and Cannella (2002) illustrate the type of successor matters during CEO succession. The authors refine successors intro three types: follower, contender, and outsider. Results show contender successors can actually be beneficial for firms because it leads to higher levels of TMT turnover. This work extended our knowledge on succession by refining the conceptualization of insider successors and drawing attention

to the impact the type of successor has on TMT dynamics. Hambrick and Cannella (2004) found firm performance suffers when the CEO does not also assume the title of COO and, instead, assigns the title to another TMT member.

Zhang and Qu (2016) highlight how gender change during the succession process influences firm performance. Results show gender change during CEO succession negatively influences firm performance, but this relationship can be attenuated if positive views on female leadership exists in the firm as reflected by the presence of females in TMT or on the board. McDonald and colleagues (2018) find the appointment of a minority CEO decreases white male top managers' identification with the organization causing them to be less likely to engage in helping behaviors. Dwivedi and colleagues (2018) illustrate how characteristics of predecessor CEOs and the succession context combine to influence female CEOs' success. The results show successful female CEOs experience a succession process involving gender inclusive gatekeeping whereby the former (mostly) male CEOs support the female CEO.

Strategic Distinctiveness, Optimal Distinctiveness, and Performance

Scholars have long been interested in why some firms exhibit distinctiveness, while most firms are imitative and inertial (Crossland et al., 2014; Kelly & Amburgey, 1991; Romanelli & Tushman, 1986). The dominant perspective explaining firms tendencies towards imitation and inertia rest on the constraining impact existing resource configurations and organizational culture have on firms causing firms to develop path dependencies as well as conform to normative pressures (DiMaggio & Powell, 1983). As a result, firms that defy inertial and conformity tendencies have garnered researchers'

attention (Boeker, 1997; Crossland et al., 2014; Tushman, Newman, & Romanelli, 1986).

Strategic distinctiveness offers a means by which firms can differentiate. Strategic distinctiveness (strategic nonconformity) reflects how much a firm's profile differs from the profiles of other firms, or it's industry's central tendencies, at any given point in time (Crossland et al., 2014). How distinctive a firm is reflects how much a firm adheres to (conformity) or ignores (distinct) existing industry norms regarding resource allocations (Crossland et al., 2014; Miller & Chen, 1996). Strategic distinctiveness involves deliberate choices to not conform and change. Strategic distinctiveness is typically measured using firms resource allocation decisions. The way a firm uses it resources is important and can directly influence the development of competitive advantage and firm performance (Crossland et al., 2014). Scholars capture how a focal firm deploys its resources as well as central tendencies for deploying resources in the focal firm's industry. Strategic distinctiveness captures the degree to which a firm's resource deployment decisions deviate from industry central tendencies. Higher levels of deviation reflect higher levels of strategic distinctiveness.

Strategic distinctiveness is important for firms because firms need to differentiate enough from peer firms to develop competitive advantages as well as strategic positions (Zhao, Fisher, Lounsbury, & Miller, 2017). The benefits of competitive advantages and strategic positions are well established in the literature (Barney, 1991; Deephouse, 1999; Zhao et al., 2017). Strategic distinctiveness has been argued to be a main factor influencing competitive advantage and strategic positioning. Competitive advantage

derives from having valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). Sustainable competitive advantages also derive from firms developing unique market positions (Deephouse, 1999). Hence, strategic distinctiveness offers a mechanism to help distinguish firms which helps firms to develop competitive advantages and unique strategic positions.

At the same time, firms need to be careful about engaging in too much distinctiveness. Distinctiveness can lead to generating competitive advantages and unique strategic positions lowering competition thereby enabling positive organizational outcomes (Deephouse, 1999). However, too much strategic distinctiveness can generate negative organizational outcomes because firms lack legitimacy (Deephouse, 1999). Firms then need to walk a fine line between too little and too much distinctiveness. This notion has generated a large body of research on optimal distinctiveness.

Optimal distinctiveness refers to achieving the right balance of strategic distinctiveness and conformity. Underlying optimal distinctiveness are two theoretical mechanisms: differentiation and legitimacy (Zhao et al., 2017). Differentiation as alluded to above, is important because it enables a firm to distinguish itself from peers. Legitimacy is important because legitimacy shapes perceptions of a firm and firm's ability to acquire resources. Firms that are legitimate adhere to existing expectations, norms, and practices enabling them to avoid performance penalties associated with deviance (DiMaggio & Powell, 1983; Zhao et al., 2017).

Optimal distinctiveness has been shown to lead to positive organizational performance. Deephouse (1999) was one of the first to illustrate firms using an optimal

level of distinctiveness, or what he termed a strategic balance, generate superior performance. In his study, he shows commercial banks using an optimal level of distinctiveness generated higher return on assets (ROA) than conforming or distinct firms. Das and Teng (2000) illustrate how optimal distinctiveness or achieving the right balance of distinctiveness and legitimacy enables strategic alliance stability. McNamara and colleagues (2003) find firm positioning within a group structure can have firm performance implications. The authors find secondary firms, compared to core and solitary firms, generate higher ROA because of secondary firms' ability to effectively balance the benefits of strategic distinctiveness with institutional pressures for similarity.

Research shows the optimal distinctiveness performance relationship matters for entrepreneurial ventures as well. Zott and Amit (2007) find optimal distinctiveness in entrepreneurial firms positively influences performance. Specifically, the authors find entrepreneurial firms using optimal distinctiveness in business model designs generate higher stock market value. Wry and colleagues (2014) study how nanotechnology firms can secure venture capital funding. The authors show firms striking the correct balance between category membership and category spanning obtained the highest amount of venture capital funding.

Overall, research illustrates optimal distinctiveness can generate positive firm performance. This suggests an optimal level of distinctiveness might exists for firms with a high firm innovation capability reputation. Next I develop my hypotheses on why firms with a high firm innovation capability reputation would or would not engage in

strategic distinctiveness as well as the implications of strategic distinctiveness for firm performance.

CHAPTER III

HYPOTHESIS DEVELOPMENT

In this chapter, I develop my hypotheses. Drawing on the literatures above I will develop theory on how a firm's innovation reputation influences the likelihood of firms engaging in strategic distinctiveness. Specifically, I will focus on firms with a high firm innovation capability reputation. A capability reputation is a type of capability that leads firms to be known for generating innovation. This means a firm with a high firm innovation capability reputation has an outcome-based reputation because stakeholders view the firm's capability (innovation) as generating specific outcomes (Parker et al., 2019).

I focus on firms with a high firm innovation capability reputation because recent conceptualizations suggest an outcome-based reputation such as this generates perceptions of discretion in actions for managers (Parker et al., 2019). As outlined above, extant work illustrates how important discretion is for strategic distinctiveness. This suggests that having a high firm innovation capability reputation may create a situation that leads to strategic distinctiveness. First, I examine how having a high firm innovation capability reputation will influence the likelihood of firms engaging in strategic distinctiveness. Given the lack of clarity in extant organizational reputation research I develop opposing theoretical arguments.

After developing hypotheses for my main relationships, I move to examine how factors in the organizational (prominence), environmental (dynamism), and leadership (CEO ideology) contexts could create contingency relationships by generating demands

exacerbating aspirations or loss aversion thereby amplifying my main relationships. See Figure A1 for my full theoretical model. Below I begin with developing my main relationships.

Main Relationship

An organization's reputation is important for organizational outcomes (Ravasi et al., 2018). Therefore, it is safe to assume CEOs consider organizational reputation when making strategic decisions (Parker et al., 2019). However, virtually no research exists examining whether an organization's reputation actually influences strategic decision making. To examine this question, I classify research on organizational reputation into two distinct theoretical perspectives: (1) aspirations and (2) loss aversion. Drawing on this classification scheme, I develop competing theoretical arguments regarding how an organization's reputation will influence strategic distinctiveness. More specifically, I develop arguments around whether organizations with a high firm innovation capability reputation, a type of outcome-based reputation, will likely engage in strategic distinctiveness.

I derive the aspirations perspective from organizational reputation research that shares the assumption that organizations and top managers are driven by aspirations to meet performance expectations to avoid the potential costs for not meeting expectations. Work in this stream proposes aspirations driven by relative performance evaluations act as a salient motivating factor driving organizations and top managers' decisions (Mishina et al., 2010). Organizations and top managers form aspirations relative to other organizations and top managers. Similarly, stakeholders and others evaluate the

performance of the organization relative to peers. Thus, a firm's performance relative to its industry peers, rather than absolute performance, creates pressures on organizations and top managers creating high aspirations (Mishina et al., 2010). In strategy, the phenomenon has been referred to as the "Red Queen effect" (Derfus, Maggitti, Grimm, & Smith, 2008). The "Red Queen effect" refers to the fact that a firm must perform better and better relative to its competition just to maintain its current market position. As a result, aspirations will continue to rise, but performance cannot continue to increase indefinitely. The potential loss to the organization and its top managers for not meeting aspirations increases the likelihood of the organization engaging in distinctive actions (Mishina at al., 2010).

I derive the loss aversion perspective from organizational reputation research utilizing a behavioral theory of the firm perspective. This research shares the assumption that organizations and top managers endow the high reputation leading them to begin to start counting on it as a firm asset causing them to engage in actions to protect the reputation. Work in this stream draws on the notion of loss aversion introduced in prospect theory (Kahneman & Tversky,1979). Prospect theory explains how individuals' cognitive bias can influence behavioral decision making. Prospect theory argues the manner in which individuals frame choices affects how the choices are evaluated and choices can be framed as either a gain or loss situation. The theory suggests individuals evaluate choices by determining whether it's a potential gain, sure gain, potential loss, or sure loss. The type of situation influences individuals' behaviors with individuals behaving in a risk-averse manner to protect sure gains and a risk-seeking manner to

avoid sure losses (Kahneman & Tversky, 1979; Mishina et al., 2010). Furthermore, given relative gains and losses are weighted equally, potential losses loom larger than potential gains and will therefore dominate decision making (Kaheman & Tversky, 1979). This creates a phenomenon known as "loss aversion".

The notion of loss aversion has been applied at the firm level as well using a behavioral theory of the firm perspective. A dominant stream of loss aversion at the firm level examines firms known for being family firms. This research does not explicitly label family firms as having a reputation, but it is implied. Family firms value socioemotional wealth and have endowed the benefits it provides as a firm asset causing them to engage in actions to protect it. Research illustrates family firms utilize a loss aversion mentality causing them to avoid actions with high uncertainty (Chrisman & Patel, 2012; Gomez-Mejia et al., 2007; Greenwood, Diaz, Lie & Lorente, 2010). Recent conceptualizations of organizational reputation suggest the same logic can be applied to firms with a reputation (Parker et al., 2019).This suggests family firms and other firms possessing assets like a reputation, could choose to avoid distinctive actions because of the high uncertainty involved and potential for loss.

Below I develop my competing hypotheses drawing on the two distinct theoretical perspectives I identify: (1) aspirations and (2) loss aversion. I begin with the aspirations perspective and then develop my second main relationship using the loss aversion perspective.

Aspirations

Having an organizational reputation places expectations on firms (Lange et al., 2011; Parker et al., 2019). More specifically, organizations known for something are expected to deliver either a desired behavior or outcome to stakeholders. That is, if a firm has a behavior-based outcome, stakeholders expect the organization to act in a specific way such as acting ethically (Park & Rogan, 2019). Contrastingly, if a firm has an outcome-based reputation, stakeholders expect the firm to deliver a specific outcome such as high quality products (Parker et al., 2019). To appease stakeholders and maintain the firm's reputation, which is important given the relationship between reputation and firm success (Park & Rogan, 2019; Ravasi et al., 2018; Rindova et al., 2005), firms will attempt to deliver what stakeholders expect.

While reputation places expectations on firms, it also can provide perceived discretion to achieve those expectations. Parker and colleagues (2019) describe how the reputation a firm has creates areas of perceived discretion that stakeholders pay less attention to. A behavior-based reputation reflects stakeholders focusing on the actions firms take to achieve outcomes. The focus on actions creates perceived discretion to engage in a variety of outcomes as long as the actions remain the same. An outcome-based reputation means stakeholders expect certain outcomes from firms, but pay less attention to how those outcomes are achieved generating perceived discretion in actions. A firm with a high firm innovation capability falls into the latter category.

Stakeholders of firms with a high firm innovation capability expect those firms to deliver the outcome desired (Rindova et al., 2005). Stakeholders pay less attention to how firms deliver the innovations even if the strategies firms utilize are highly novel or

distinctive. Consider Amazon's recent acquisition of Whole Foods for $13.7 billion dollars or Tesla's new model 3 car. Both strategies are highly novel with Amazon, an online retail giant, purchasing a grocery store and the Model 3 being highly distinct from other vehicles in the market (Ladd, 2018; Boudette, 2019). The important point is stakeholders do not pay attention to the highly distinct actions because both Amazon and Tesla continue to deliver the outcome expected: innovation.

The aspirations of Amazon and Tesla motivate the distinctive actions each company engages in. Extant organizational reputation research argues aspirations act as a powerful force motivating organizations' and CEOs' actions (Mishina et al., 2010). Specifically, threats of decline in future relative performance and the costs it will bring to the organization and executives for not meeting internal aspirations and external expectations increases the likelihood of firms engaging in distinctive actions (Mishina et al., 2010). This relationship becomes magnified when the organization is known for something like innovation.

Having a high innovation capability reputation creates internal aspirations within an organization. The organization and its executives compare the organization relative to its peers in the industry to assess their performance. The organization aspires to maintain its high innovation capability reputation and will act to do so. Since the organization's aspirations are relative to its peers, it will look for actions that can help maintain its reputation and distinguish it from its peers. The perceived discretion of actions to achieve the outcome stakeholders' desire of firms with a high firm innovation capability offers one way for firms to differentiate. Firms may be likely to exploit areas of

perceived discretion because aspirations can generate a "Red Queen effect"(Derfus et al., 2008). That is, firms must continue to perform better and better relative to peers to simply maintain its current position. As a result, the reference point for aspirations continues to rise, but performance cannot increase indefinitely. Organizations and top managers seeking to meet aspirations and avoid the potential costs of not doing so will be more willing to use distinctive actions.

Extant organizational reputation research supports the notion organizations' aspirations act as a salient motivating factor leading to distinct actions. Mishina and colleagues (2010) find organizations with a high reputation engage in corporate illegality because of aspirations to maintain the organizations high reputation. Similarly, Haleblian and colleagues (2017) find high reputation firms engage in more distinct actions. Specifically, the authors find high reputation firms had more unrelated acquisitions compared to firms without a high reputation. Both studies only examine firms with a high reputation, not a reputation for being known for something. However, it suggests aspirations act as a salient force motivating organizations who seek to maintain the benefits a reputation provides. As a result, aspirations should motivate firms with a high innovation capability reputation to engage in distinct actions.

Strategic distinctiveness offers a means by which firms can differentiate. Strategic distinctiveness reflects how much a firm's profile differs from the profiles of other firms, or its industry's central tendencies, at any given point in time (Crossland et al., 2014). How distinctive a firm is reflects how much a firm adheres to (conformity) or ignores (distinct) existing industry norms regarding resource allocations (Crossland et

al., 2014; Miller & Chen, 1996). Strategic distinctiveness offers firms a mechanism to help achieve aspirations. Using strategic distinctiveness will aid firms in developing a competitive advantage to enable the firm to be able to continue to generate the outcome expected as an innovative firm. Further, strategic distinctiveness offers firms a mechanism to signal to stakeholders the firm is changing the way it is using resources creating a unique strategic position (Deephouse, 1999). This is important because the firm recognizes old resource bundles have limited competitive advantage for highly innovative firms (Dierickx & Cool, 1989).Thus, a firm with a high innovation capability reputation aspiring to maintain its reputation will perceive strategic distinctiveness as an attractive option.

The above reasoning suggests a firm with a high innovation capability reputation aspires to maintain the reputation. To maintain the firm's reputation top managers need to engage in actions allowing the firm to stay ahead of peers as well as distinguish the firm from peers. Due to the attention stakeholders give to the outcome the firm is known for it creates areas of perceived discretion regarding the actions the firm can engage in. The aspiration to maintain the firm's reputation in combination with top managers' perceptions of discretion and recognition of needing to distinguish the firm suggests the firm will likely engage in strategic distinctiveness. Thus, I posit:

H1a: A high firm innovation capability reputation will be positively associated with strategic distinctiveness

Loss Aversion

At the same time, a firm with a high innovation capability reputation wants to avoid losing its reputation. Parker and colleagues (2019) discuss how areas of perceived discretion exist, but also imply organizations will likely act to avoid losing the organization's reputation. This is because having a high innovation capability reputation offers benefits to firms (Parker et al., 2019; Ravasi et al., 2018; Rindova et al., 2005). The benefits that accrue from the reputation shape the firm's actions. Reputation positively impacts a firm's financial performance (Roberts & Dowling, 2002), a firm's initial public offering (IPO) (Rindova & Pollock, 2003), how shareholders' value a firm (Zuckerman, 1999), and exchange partners' loyalty (Park & Rogan, 2019). This motivates firms to engage in actions to ensure the expectations stakeholders' have for the firm are met (Parker et al., 2019).

Possessing a high innovation capability reputation and wanting to avoid losing the reputation because of the benefits it offers creates a loss aversion mentality. Loss aversion is a decision-making term that has been applied to management research to explain strategic decision making (Kahneman & Tversky, 1979; Kuhberger, Schulte-Mecklenbeck, & Perner, 1999; Miller & Shapira, 2004). Loss aversion differs from risk aversion in significant ways. Risk aversion assumes individuals when given the choice between two options with equal expected returns will prefer the less risky option (Kahneman & Tversky, 1979). Risk aversion derives from the expected utility maximization of a concave utility of wealth function. That is, individuals who are assumed to be rational prefer to avoid situations as they become more risky because the utility declines. Loss aversion argues gains contributes less to utility or happiness than

an equal loss subtracts from utility or happiness (Kahneman & Tversky, 1979). Hence, loss aversion is about avoiding loss not risk. In fact, loss aversion can involve risk aversion and risk taking. For example, an individual could quickly lock in investment gains (risk aversion) as well as avoiding selling off a losing stock (risk taking).

The term loss aversion originates from prospect theory, which is a behavioral decision making theory. Prospect theory offers an alternative to pure economic utility models. Specifically, prospect theory is grounded in the concepts of endowment and loss aversion. Endowment refers to how actors upon receiving an asset endow (include) value from the asset in their perceptions which motivates them to focus on protecting the asset from downside risk versus trying to increase the upside (Devers, Wiseman, & Holmes, 2007; Kahneman & Tversky, 1979). In firms with a high firm innovation capability reputation, managers endow the high reputation leading them to begin to start counting on it as a firm asset causing them to focus on protecting it from downside risk. Thus, managers in firms with a high firm innovation reputation who have endowed the high reputation seek to maintain the reputation causing them to act in ways to preserve the reputation. This leads to a loss aversion mentality.

Loss aversion from a behavioral theory of the firm perspective has been applied to explain firm actions. This research illustrates firms engage in loss aversion actions when possessing something beneficial or valuable. Chrisman and Patel (2012) show family firms tend to invest less in R&D because of the high uncertainty and to avoid losing socioemotional wealth. Gomez-Mejia and colleagues (2007) found Spanish family firms to be driven by loss aversion as well. Specifically, the authors show

Spanish family firms chose to remain independent (risker option) allowing them to avoid losing socioemotional wealth rather than join a cooperative (less risker option). This work shows firms possessing intangible assets like socioemotional wealth engage in actions to avoid losing those assets.

Extending this logic to organizational reputation suggests firms with a high innovation capability reputation might be less likely to engage in strategic distinctiveness and more likely to conform. If a firm with a high innovation capability reputation endows the benefits the reputation offers it creates benefits the firm values. This creates a situation where the firm seeks to avoid losing the benefits. As a result, even though perceived areas of discretion exist exploiting them involves uncertainty and risk. Hence, firms with a high innovation capability reputation would be less likely to exploit areas of perceived discretion because of the desire to avoid losing the reputation they possess. Even if conformity, adhering to previous actions and industry central tendencies, may be objectively risky it is perceived as a way to avoid losing the firm's reputation.

Thus, extant research on organizational reputation suggests competing logics exist (Parker et al., 2019). One the one hand, research suggests the areas of perceived discretion and aspirations to maintain the high innovation capability reputation will cause firms to engage in strategic distinctiveness. Contrastingly, research also suggests the desire to maintain the high innovation capability reputation could cause firms to engage in loss aversion decision making decreasing the likelihood of engaging in

strategic distinctiveness. Given the lack of clarity, I propose a competing hypothesis. Thus, I post:

H1b: A high firm innovation capability reputation will be negatively associated with strategic distinctiveness

Organizational Context: Prominence

An organization's context acts as a salient factor shaping managerial decision making. Contingencies in the organizational context can alter relationships by either amplifying or attenuating effects. An organization's strategies and structure act as two of the central contingency factors (Carpenter et al., 2004). Organizational prominence captures the size of the organization in the public's mind. Extant research illustrates factors capturing the size of the organization, like prominence, can create contingency relationships (Chen & Hambrick, 1995; Josefy, Kuban, Ireland, & Hitt, 2015). Below I develop hypotheses on how organizational prominence can amplify my main relationships.

An organization's reputation contains several dimensions. One dimension is what the organization is known for (Lange et al., 2011). A firm with a high firm innovation capability reputation is known for producing innovative outcomes. Another important dimension of reputation is whether the firm is known (Lange et al., 2011; Rindova et al., 2005). Being known reflects the generalized awareness of the firm or prominence of the firm in the collective perception (Lange et al., 2011). Firm prominence is beneficial for firm success (Pollock & Rindova, 2003; Zuckerman, 1999).

At the same time, prominence brings higher demands (Rindova et al., 2005; Mishina et al., 2010; Haleblian, Pfarrer, & Kiley, 2017). Prominence develops because the firm becomes widely recognized. Rindova and colleagues (2005) identify third-party intermediaries such as the media as important antecedents to generating prominence. For example, Apple is known all across the world. The reason individuals have a general awareness of Apple is because it delivers innovative outcomes like the iphone (Porter, 2018). The outcomes Apple deliver result in media attention raising general awareness about Apple. The prominence for its iphone and the brand led Apple to become the first company valued at $1 trillion dollars (Porter, 2018). This suggests firms with prominence were focused on by the media, and, in order to maintain the firm's prominence, the firm will need to maintain media interest. For firms with a high innovation reputation, prominence derives from the media focusing on the firms' ability to deliver a specific outcome: innovation. The attention from the media develops a general recognition of the firm. Media attention also creates higher demands on the firm to be the most prominent firm delivering the outcome expected.

The demands resulting from prominence can exacerbate the aspirations the organization already had for itself. Previously, the organization's aspirations were to simply be better relative to peers at delivering the outcome expected from stakeholders. Adding in prominence increases the aspirations thereby increasing the demands on the organization. The relative performance comparisons for the organization and its executives will increase causing the standard of performance to be raised. In other words, prominence can magnify the 'Red Queen effect" because the reference point for

aspirations is being raised even higher (Derfus et al., 2008). As a result, firms will be looking for ways to continue to deliver the outcome expected and maintain the attention of important actors like the media who can shape prominence.

Higher demands will impact the organization's actions. Extant organizational reputation research shows prominence acts as a salient force shaping organizational actions. Research finds prominence motivates organizations to engage in distinct actions like corporate illegality (Mishina et al., 2010) or unrelated acquisitions (Haleblian et al., 2017). Distinct actions result because organizations and top managers strive to maintain the performance expectations established for the organization. Failing to achieve the performance standards would cost the organization and its executives. To avoid the potential costs the organization and its executives consider a wider range of possibilities to help maintain performance. This means the areas of discretion the organization and its top executives consider will be magnified. Thus, the demands from prominence can cause top managers to consider distinct actions.

Prominence then will positively influence the pressure towards strategic distinctiveness in firms with a high firm innovation capability reputation. Prominence requires the firm to stay relevant by maintaining relevance to third party intermediaries. One way to maintain the attention of third party actors like the media is by constantly altering the firm or engaging in change. Another important part of prominence is standing out relative to peer firms. Most firms are changing on a frequent basis given frequent change is correlated with better performance (Klarner & Raisch, 2013). Firms will have to do something different that helps to distinguish the firm. Differentiating

from other peer firms is important because it will impact where in stakeholders' minds firms reside. That is, highly prominent firms are thought to be of higher status than less prominent firms (Rindova et al., 2005).

As a result, prominence will amplify the positive relationship between having a high firm innovation capability reputation and strategic distinctiveness. Specifically, prominence exacerbates the aspirations of the organization leading top managers to engage in decision making that leads to distinct actions. Firms will utilize strategic distinctiveness to ensure the firm continues to stand out relative to other firms allowing it to achieve its aspirations. By doing so, the firm can maintain the favorable outcomes likely to result from being perceived as highly innovative and prominent (Ravasi et al., 2018). Thus, I posit:

H2a: Organizational prominence will amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness

Prominence can also create additional benefits for the firm. Extant organizational reputation research highlights prominence generates favorable organizational outcomes (Ravasi et al., 2018). Roberts and Dowling (2002) find highly prominent firms achieve higher financial performance relative to non-prominent firms. Pollock and Rindova (2003) show firm prominence positively influences IPO pricing. Pfarrer and colleagues (2010) find highly prominent firms receive higher market rewards for earnings surprises and lower penalties for negative earnings surprises.

Possessing organizational prominence offers another benefit to firms. For firms possessing prominence, once the organization endows the benefits it will seek to avoid

losing those benefits. The additional benefit prominence offers to firms creates added demands on the organization. Specifically, now the organization must engage in actions to avoid losing prominence in addition to maintaining its reputation for being known for innovation.

Once the organization endows the benefits from prominence it will amplify loss aversion. Amplifying loss aversion means the organization will be more careful in choosing the actions it considers. This leads to lower perceptions of discretion in the organization. Previously, the organization was only trying to protect a single reputation. Now the organization possesses two reputations, innovation and prominence, and seeks to avoid losing either of the benefits each reputation offers. The amplification of loss aversion will manifest in strategic decision making.

Organizations can choose to either conform or be distinct. Conformity reflects adhering to previous actions the organization or other peer organizations normally engage in. Conformity offers organizations benefits because it is familiar, minimizes search and analysis costs, and signals legitimacy (Hambrick et al., 2005; Deephouse, 1999). Contrastingly, distinct actions enable a firm to stand out relative to peer firms. Yet, distinct actions involve high uncertainty because the firm is differentiating from normal tendencies which can create cognitive dissonance if distinctiveness becomes too high (Deephouse, 1999; Zhao et al., 2017). For an organization with a high firm innovation capability reputation distinct actions will be less attractive. This is because distinct actions involve high uncertainty which increases the chances of potential loss.

The amplification of loss aversion because of prominence will make distinct actions even less attractive.

As a result, prominence will amplify the negative relationship between having a high firm innovation capability reputation and strategic distinctiveness. Organizations with a high firm innovation capability reputation already utilize a loss aversion mentality in decision making. Prominence exacerbates the loss aversion mentality because the organization now has additional benefits it has endowed and wants to avoid losing. This will cause organizations to avoid distinct strategies that could result in loss in favor of familiar strategies. Strategic distinctiveness will be perceived less favorably because of the potential losses that could result. Thus, I posit:

H2b: Organizational prominence will amplify the negative relationship between a high firm innovation capability reputation and strategic distinctiveness

Environmental Context: Environmental Dynamism

The environmental context is another important factor shaping strategic decision making. Factors in the environmental context can create contingencies altering decision making processes by impacting stability and change. Contingencies in the environment shape decision making processes (Carpenter et al., 2004). A central factor in the environmental context is environmental dynamism.

Environmental dynamism consists of two underlying components: volatility and unpredictability (Miller & Friesen, 1983). Volatility refers to the amount and rate of change within an environment. Unpredictability refers to the level of uncertainty in the environment. Volatility and uncertainty are fundamental characteristics of environmental

dynamism (Miller & Friesen, 1983; Schilke, 2014). Several factors feed into environmental dynamism including factors such as stock market instability, changes in industry structure, innovation, technological discontinuity, competitive rivalry, and environmental shocks (Geletkanycz & Hambrick, 1997; Schilke, 2014). Highly dynamic environments are characterized by rapid and discontinuous change, while less dynamic environments are characterized by infrequent changes that can usually be predicted by market participants.

For organizations with a high firm innovation capability reputation, environmental dynamism can impact aspirations. Organizations and top managers form aspirations using relative performance evaluations of peer organizations (Mishina et al., 2010). These aspirations motivate organizations and top managers' actions because not meeting aspirations generates costs to the organization and its top managers. This can lead to a "Red Queen effect" whereby aspirations continually rise, but performance increases cannot occur indefinitely leading organizations and top managers to be open to distinct actions. Environmental dynamism will exacerbate aspirations.

In highly dynamic environments change is frequent and unpredictable. This will impact the relative performance evaluations underlying the aspirations firms with a high firm innovation capability reputation hold. Environmental dynamism will increase the rate of change and unpredictability in relative performance aspirations. The rate of change will increase because environmental dynamism can shift the peer organizations firms utilize to make relative performance evaluations. Unpredictability in relative performance evaluations can occur because environmental dynamism can shift normal

means of evaluating performance such as if an innovation changed the rules of the game in an industry. This means the aspirations of firms with a high firm innovation capability reputation will be increasingly under potential threat.

To avoid not meeting aspirations and the potential costs to the organization and its top managers, the organization will likely be motivated to consider distinctive actions. The attractiveness of distinctive actions will be amplified by environmental dynamism. Environmental dynamism involves frequent unpredictable change limiting competitive advantages and the sustainability of unique strategic positions. As a result, the organization and its top managers will have to continually find new ways to be able to meet aspirations.

Extant research shows distinctive actions can be beneficial in highly dynamic environments. Jansen and colleagues (2006) show pursuing exploratory innovation is effective in highly dynamic environments leading to better firm performance. Further, Zahra and Bogner (2006) find distinctive actions benefit software new ventures in dynamic environments. Specifically, the authors find new product radicality led to high performance when environmental dynamism was high. Karna and colleagues (2016) further support the notion distinctive actions can be beneficial in highly dynamic environments. The authors conduct a meta-analysis of the dynamic capabilities—performance relationship and find dynamic capabilities are more strongly linked with performance in highly dynamic environments compared to stable environments.

Thus, environmental dynamism will exacerbate aspirations for firms with a high firm innovation capability reputation. High rates of change and unpredictability will

cause performance standards to change putting increasing pressure on firms and top managers to continually meet aspirations. To try and meet aspirations and avoid the potential costs of not doing so, the organization and its top managers will likely consider distinctive actions. Distinctive actions have been shown to be beneficial in highly dynamic environments helping firms to develop competitive advantages and unique strategic positions. Hence, environmental dynamism because it exacerbates aspirations will amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. Thus, I posit:

H3a: Environmental dynamism will amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness

Organizations with a high firm innovation capability reputation can utilize a loss aversion perspective. A loss aversion perspective occurs because the organization and its top managers endow the reputation as a firm asset and begin to count on it as an asset causing the organization and its top managers to protect it. Specifically, organizations that have endowed the reputation and the benefits the reputation provides as a firm asset will be motivated to avoid losing the asset. The potential consequences of losing reputation will loom larger than any potential gains thereby creating a loss aversion mentality.

Loss aversion causes the organization and its top managers to avoid uncertain actions that could result in possible losses. Environmental dynamism will impact loss aversion. Highly dynamic environments are characterized by frequent unpredictable change (Miller & Friesen, 1983; Geletkanycz & Hambrick, 1997; Schilke, 2014). The

unpredictability and volatility of dynamic environments occurs for a variety of reasons including stock market instability, changes in industry structure, innovation, technological discontinuity, competitive rivalry, and environmental shocks (Geletkanycz & Hambrick, 1997; Schilke, 2014). Environmental dynamism will exacerbate loss aversion by increasing the uncertainty around the organization. As a result, the organization and its top managers will be more motivated to avoid losing the organization's reputation.

Exacerbating loss aversion will make strategic distinctiveness less attractive in highly dynamic environments. The organization and its top managers will be looking for ways to protect the organization's reputation to avoid losing the reputation as a firm asset. In highly dynamic environments research shows conformity can be beneficial for firms. Geletkanycz and Hambrick (1997) show strategic conformity is highly beneficial for firms in environments characterized by high uncertainty. The logic behind conformity being beneficial in highly dynamic environments hinges on legitimacy (Deephouse, 1999). By conforming, organizations are utilizing strategies and practices stakeholders recognize as legitimate resulting in the organization being perceived as legitimate. Legitimacy is important because it influences access to resources and social approval of organizations. Thus, by conforming the organization is utilizing strategies and practices with lower uncertainty thereby helping the organization to avoid a loss.

For organizations with a high firm innovation capability reputation, the reputation creates benefits the organization and its top managers endow as a firm asset. This creates a loss aversion mentality because losing the organization's reputation

outweighs any potential gain. The high uncertainty and frequent change environmental dynamism brings will exacerbate loss aversion. As a result, the organization and its top managers will be more likely to look for actions that help the organization avoid loss. Strategic distinctiveness involves high uncertainty and environmental dynamism increases the uncertainty around the organization. Hence, environmental dynamism will exacerbate loss aversion amplifying the negative relationship between a high firm innovation capability reputation and strategic distinctiveness. Thus, I posit:

H3b: Environmental dynamism will amplify the negative relationship between a high firm innovation capability reputation and strategic distinctiveness

Leadership Context: CEO ideology

The leadership context is another important factor that can create contingency relationships for an organization aspiring to maintain its high firm innovation capability reputation. Upper echelons research draws attention to the differences among CEOs as important contingency factors. Heavey and colleagues (2009) show uncertainty preferences among CEOs moderate the relationship between decision comprehensiveness and corporate entrepreneurship. Ou and colleagues (2018) find CEO hubris is an important moderator influencing collaboration among the CEO and TMT impacting firm performance. Chen and Nadkarni (2017) show CEOs temporal leadership acts as an important contingency factor shaping the relationship between CEO temporal disposition and corporate entrepreneurship. Gupta and colleagues (2018) find CEO personality traits, narcissism and extraversion, moderate the relationship between CEO

ideology and firm strategies. Collectively, research finds executive characteristics act as a central contingency factor within the leadership context.

A central characteristic individuals differ on that shapes the demands executives experience is political ideology. Political ideologies reflect a *system* of values that collectively reflect individual's preferences for "how society should be governed" (Jost, Federico, and Napier, 2009: 309). Political ideologies are a reflection of individuals' deeply held values and preferences which meaningfully influence the decisions they make (Jost, Nosek, & Gosling, 2008). Additionally, scholars have shown that individuals' ideologies tend to be rather stable by adulthood and that the conservative-liberal spectrum is the most often used and predictive way to categorize individuals' in terms of their ideology and its influence (Jost 2006). Conservatives tend to favor individualism, stability, small government and free markets and, land rights, whereas liberals tend to favor social welfare, new experiences, environmentalism and, egalitarianism (Jost et al., 2009). Thus, political ideologies are held to influence the manner in which individuals' act.

Differences in the political ideologies of CEOs of firms with a high firm innovation capability reputation should matter. As outlined above, firms with a high firm innovation capability reputation are driven by aspirations to maintain the reputation leading them to engage in strategic distinctiveness. Yet, this relationship may either be amplified or attenuated depending on the CEO's political ideology. Examining the differences among conservative and liberal CEOs suggest political ideology captures the different demands ideology places on individuals. The demands political ideology places

on individuals differ along two dimensions: preference for social change and equality. Studies show conservatives tend to adhere to the status quo when considering what actions to take. Christensen and colleagues (2015) show how conservative top management teams (TMT) lead firms to follow status quo ways of filing taxes compared to liberal TMTs that are more active in avoiding taxes. Furthermore, work in political psychology shows that conservatives tend to want to reduce uncertainties, while liberals are more comfortable with uncertainties and will change more often and take more risks (Jost et al., 2008).

Conservatives accept inequality and resist social change. Several scholars have shown how liberal political ideologies lead to higher rates of corporate social responsibility (CSR) strategies among firms (Chin et al., 2013; Gupta, Briscoe, & Hambrick, 2017). Similarly, Briscoe and colleagues (2014) show firms with liberal CEOs are more likely to be the target of shareholder activism because of liberals' openness to change and social equality. This led firms with liberal CEOs to be more likely to develop LGBT employees groups. This work shows firms with executives who have liberal ideologies engage in more novel strategies compared to firms with conservative executives.

Extant work on political ideology suggests conservatives are driven by performance aspirations more than liberals. Research shows conservatives care more about individualism and free markets (Jost et al., 2009). Further, extant research shows liberals tend to engage in distinct actions more than liberals such as CSR (Chin et al., 2013; Gupta et al., 2017). However, the distinct strategies liberals engage in like CSR

have no clear relationship with performance. In fact, a majority of the research illustrating liberals engagement in distinctive strategies focuses on social strategies that have no clear impact on firm performance (Briscoe, Chin, & Hambrick, 2014; Chin et al., 2013; Gupta et al., 2017).

For firms with a high innovation capability reputation aspiring to maintain the reputation the CEOs' political ideology will matter. Conservative CEOs accept inequality and reject social change. This causes conservative CEOs to engage in actions that help them to maintain power. Two central drivers of conservative ideologies are individualism and stability (Jost et al., 2009). Conservative CEOs want to maintain the system they exist in because it offers benefits. For firms with a high firm innovation capability reputation having a conservative CEO will amplify aspirations. A conservative CEO will seek to make sure his firm remains powerful and maintains the benefits accruing from its reputation. The focus on maintaining the organization's reputation and achieving performance expectations increases the possible actions open to the firm. The main focus for the CEO is to avoid the potential costs to himself/herself and the organization for failing to meet performance aspirations. This can increase the likelihood of the organization engaging in distinct strategies (Mishina et al., 2010; Haleblian et al., 2017).

Overall, the political ideology of the CEO is an important contingency factor in the leadership context. Given conservative CEOs acceptance of inequality and rejection of social change it will exacerbate aspirations. As a result, the relationship between a

high firm capability reputation and strategic distinctiveness will be amplified. Thus, I posit:

H4a: CEO conservative ideology will amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness

Loss aversion is another motivating factor for organizations with a high firm innovation capability reputation. For organizations that have endowed the benefits of having a high firm innovation capability reputation a loss situation exists. The organization possess a benefit it seeks to maintain causing it to engage in actions that help to avoid loss at all costs. Avoiding losing its reputation becomes more important than any relative gain.

The characteristics of the CEO will impact the loss aversion framing. As alluded to above, conservative and liberal CEOs face different demands. Conservative CEOs accept inequality and reject social change. A central underlying theme differentiating the two ideologies is preference for the status quo (Jost et al., 2009). Conservatives tend to prefer the status quo because it offers certainty, while liberals accept higher levels of uncertainty and are open to a wider range of possibilities.

Extant research on executives' political ideologies illustrates conservatives engage in actions supporting the status quo (Chin et al., 2013; Christensen et al., 2015; Gupta, Briscoe, & Hambrick, 2017). Although not explicit in this research, it implies conservatives utilize a loss aversion type mentality. Specifically, conservatives engage in actions to support the status quo because they do not want to lose the certainty it

provides. This suggests having a conservative CEO generates a loss aversion mentality in the leadership context.

The loss aversion mentality of a conservative CEO limits the range of actions the organization can consider. Loss aversion values avoiding a loss more than any relative gain (Kahneman & Tversky, 1979). The organization has the possibility to choose actions conforming to normal tendencies or engage in distinct actions. Distinct actions involve high uncertainty because the organization is distinguishing itself from other peer organizations. A loss aversion mentality will view highly uncertain actions as unattractive relative to conforming actions. Conformity offers legitimacy benefits decreasing the likelihood of the organization experiencing a loss (Deephouse, 1999).

For organizations with a high firm innovation capability reputation, having a conservative CEO will amplify its desire to avoid losing its reputation. Conservatives prefer the status quo and choose actions that are familiar and certain. The status quo for an organization with a high firm innovation capability reputation is being known for innovation. A conservative CEO will seek to maintain this recognition and the certain benefits it provides the organization. As a result, a loss aversion mentality will permeate the leadership of the organization. This will cause the organization as a whole to focus on avoiding losing its reputation decreasing the likelihood of engaging in strategic distinctiveness. Thus, I posit:

H4b: CEO conservative ideology will amplify the negative relationship between a high firm innovation capability reputation and strategic distinctiveness

Performance

Firms with an outcome-based reputation are expected to deliver specific outcomes. For a firm with a high firm innovation capability reputation stakeholders expect innovation. Meeting stakeholders' expectations is important because it impacts firm performance (Graffin et al., 2016; Parker et al., 2019). Part of meeting stakeholders' expectations is engaging in actions that are perceived as helping to generate innovation.

Firms with a high firm innovation capability reputation must also stand out relative to peer firms (Rindova et al., 2005). That is, stakeholders need to recognize the firm in order for its reputation to be maintained. Firms need to be careful in how the firm attempts to differentiate itself. While differentiation helps the firm to stand out relative to peers, the organization does not want to be too different (Brewer, 1991; Deephouse, 1999; Zhao, Fisher, Lounsbury, & Miller, 2017). An optimal level of distinctiveness exists for firms.

The relationship between distinctiveness and firm performance reflects an additive benefit/cost relationship (Haans, Pieters, & He, 2016). Underlying distinctiveness are two distinct causal mechanisms: legitimacy and differentiation (Deephouse, 1999; Zhao et al 2017). Differentiation refers to how much a firm is distinct from peer firms in its industry. The benefits of differentiation display a positive linear relationship. That is, as differentiation increases firms gain quicker access to resources and become more prominent in stakeholders' minds (Deephouse, 1999). At the same time, the more distinct a firm becomes the quicker the costs associated with legitimacy increase. The more distinct a firm is the less it looks like other firms and what stakeholders' perceive as legitimate making it increasingly difficult to recognize the firm

(Deephouse, 1999). Subtracting the costs of legitimacy from the benefits of differentiation suggests an inverted U-relationship between distinctiveness and performance exists. Firms want to try to attain the right amount of differentiation before the turning point where it becomes negative because the legitimacy costs outweigh the benefits.

An optimal level exists between too little and too much distinctiveness. Firms that can engage in the right level of distinctiveness will be most effective. This is because the recognition signal the firm is sending via strategic distinctiveness is perceived positively by stakeholders. The firm will conform enough to peer firms, while simultaneously differentiating in an effective manner. These firms will garner the legitimacy and resource benefits accruing to optimally distinct firms (Deephouse, 1999; Zhao et al., 2017). Thus, I posit:

H5: For a firm with a high firm innovation capability reputation engaging in strategic distinctiveness will have an inverse-U relationship with performance.

CHAPTER IV

METHODS

Sample

My sample consists of publicly traded S&P 1500 firms from 2007-2015. I choose the time frame 2007-2015 to avoid potentially confounding my analysis because of the Sarbanes Oxley Act (2002-2003). Sarbanes Oxley (SOX) was a major shift in corporate governance impacting firms and executives' strategic decisions (Krause & Semadeni, 2014). Specifically, SOX was an external force potentially influencing the likelihood of engaging in strategic distinctiveness. As a result, I chose the time frame 2007-2015 because it captured a time period after the SOX regulations where firms and executives had already adapted thereby minimizing the potential of confounding my analyses.

I collected data for my sample from a variety of sources including the Institutional Shareholder Service (ISS), Compustat, Execucomp, Ravenpack News Analytic database, Center for Research in Security Prices (CRSP), Research Quotient, and Thomson Reuter database. All of these databases are available through the University of Pennsylvania's Wharton Research Data Services (WRDS). To gather information on executives' political ideology I utilized the Federal Election Commission data on political donations. This database is a publicly-available database that tracks political donations over $200.

Board level data was collected from the ISS database. The Thompson Reuter and Execucomp databases provided data on ownership structure and compensation, respectively. The Ravepack News Analytic database provided data on firm actions. Firm

and industry level characteristics were gathered from Compustat. A firm's innovation reputation was developed from information in the Research Quotient database. Finally, I utilize the CSRP database to merge data from the different databases.

Dependent Variables: Strategic Conformity/Distinctiveness and Performance

Following Crossland and colleagues (2014), I operationalize strategic distinctiveness. I only utilize strategic distinctiveness because my theory and hypotheses focus on distinctiveness. That being said, change is built into the strategic distinctiveness measure so I do capture change as well.

Strategic Conformity/Distinctiveness.

To operationalize strategic distinctiveness I use six resource allocation variables. For each year, I take each variable and calculate the standardized absolute difference between the firm's score and the industry mean (Geletkanycz & Hambrick, 1997; Crossland et al., 2014). I then take the log of each and sum the six individual variables to create an overall strategic conformity/distinctiveness index for the firm in that year (Crossland et al., 2014).

Following extant approaches I calculate resource reallocation as the year-on-year absolute change in six strategic choice variables (1) advertising intensity (advertising expenditures/ sales), (2) R&D intensity (R&D expenditure/sales), (3) overhead efficiency (selling, general, and administrative expenses/sales), (4) capital intensity (fixed assets/total employees), (5) plant and equipment newness (net plant and equipment/ gross plant and equipment), and (6) financial leverage (total debt/ shareholder's equity) (Tang, Crossan, & Rowe, 2011; Crossland et al., 2014). To

eliminate the influence of extreme variables I Winsorize at the 2% level (Crossland et al., 2014). Using the six variables, I calculate absolute differences in year-to-year and create a single standardized index of resource reallocation. Higher levels reflect greater resource reallocation.

I label this variable *strategic conformity*. Positive values reflect conformity, while negative values reflect distinctiveness. To perform my regression analyses I utilize the forward command in Stata 15 to create a lead strategic conformity measure.

Performance

To test my performance relationship I use return on equity (ROE) as my dependent variable. I follow extant research using an accounting based measure because I am interested in assessing the performance implications of business strategies (Chadwick, Super, & Kwon, 2015: Cook & Glass, 2014; Geletkanycz & Hambrick, 1997; Waddock & Graves, 1997). ROE captures how a firm manages its capital providing a picture of whether management is growing the company's value. To calculate ROE I divide net income by total shareholders' equity. I winsorize and standardize the measure to eliminate outliers that might conflate my analysis. To insure outliers did not provide unique theoretical insights I ran the analysis with the standardized and non-standardized measures. The results did not change significantly in terms of size or significance. For robustness purposes, I also ran the analyses with total return to shareholders as the outcome variable and the results did not change significantly in terms of size or significance I label this variable *ROE*.

Independent Variable: Innovation Outcome-Based Reputation

I calculate an innovation outcome-based reputation for all firms on the S&P 1500. I utilize the Research Quotient database to obtain a measure of each firm's research quotient (RQ). This measure reflects a firm's capability of generating returns from investments in research and development (R&D). Higher levels of RQ mean the organization has a capability to develop innovation from its investments in R&D. I utilize this measure of innovation rather than patents because greater than 50% of firms that engage in R&D do not obtain patents (Cooper, Knott, & Yang, 2015). Hence, the RQ measure captures a wider range of innovation relative to patents. Further, the RQ measure aligns with extant conceptualizations of an outcome-based reputation because the organization is known for having a capability to generate innovation (Parker et al., 2018).

Specifically, RQ reflects the percentage increase in revenues from a 1% increase in R&D, when other inputs and their elasticities are held constant. Firms can generate a high RQ by generating a large number of innovations and being reasonable effective exploiting them, or by effectively exploiting a smaller number of innovations (RQ Manual). The equation is:

$$Y = A_{i,} K_{i,t}^{\alpha} L_{i,t}^{\beta} R_{i,t-1}^{\gamma} S_{i,t-1}^{\delta} D_{i,t}^{\phi} e_{i,t}$$

where Y is output, A_{it} is a firm fixed effect, K_{it} is capital, L_{it} is labor, R_{it} is lagged R&D, S_{it} is lagged spillovers, and D_{it} is advertising. RQ is estimated using entirely financial data and can be derived for any firm engaging in R&D. To get the RQ values for each

firm a random coefficients model is used that allows for heterogeneity in the output elasticity R&D (as well as other inputs)(RQ Manual).

Random coefficient models are those in which each coefficient has two components 1) the direct effect of the explanatory variable and 2) the random component that proxies for the effects of omitted variables. The random coefficient model estimated for equation 1 above is below, where $\beta\_$ and β_i: represent the direct effect and the firm specific error, respectively for each component in equation 1:

$$\ln Y_{it} = (\beta_0 + \beta_{0i}) + (\beta_1 + \beta_{1i}) \ln K_{it} + (\beta_2 + \beta_{2i}) \ln L_{it} + (\beta_3 + \beta_{3i}) \ln R_{i,t-1} + (\beta_4 + \beta_{4i}) \ln S_{i,t-1} + (\beta_5 + \beta_{5i}) \ln D_{it} + \varepsilon_{it}$$

To construct RQ for each firm-year, the equation utilizes rolling 10 year windows of Compustat data from 1965-2015. Firm level data includes (in $MM unless otherwise stated): revenues (Y_{it}), capital as net property, plant and equipment (K_{it}), labor as full time equivalent employees (1000)(L_{it}), advertising (D_{it}), and R&D ($R_{i,t}$). From the primary data, a secondary measure of firm specific spillovers ($S_{i,}$) is computed as the sum of differences in knowledge between the focal firm and rival firm for all firms in the four digit SIC industry with more knowledge (R&D) than the focal firm.

All firms need to have a minimum of six years of data in each ten year window to be included in the estimation. Each RQ estimate compares revenues to inputs using up to ten firm-year observations matching revenues to inputs. This measure has been used in extant work on R&D and absorptive capacity (Knott, 2008). I label this variable *RQ*.

Moderator Variables: Organizational, Environmental, and Leadership

In this section I describe how I measure each of my three context variables. I begin with the organizational context (prominence) then move to the environmental context (dynamism) and conclude with the leadership context (CEO ideology).

Organizational Prominence

I follow extant approaches for operationalizing organizational prominence (Pollock & Rindova, 2003). Pollock and Rindova (2003) examine how many times the media mentions an organization or volume of media coverage. This is done by counting the total number of articles about an organization. The outlets I examine come from the Dow Jones Newswire, which tracks news on S&P 1500 companies. I use the RavenPack News Analytic database to access articles about the organizations in my sample.

To ensure each article focuses on the focal organization I limited my analysis to articles where the relevance score equaled 100. The relevance score in RavenPack reflects whether the news article is about the focal organization. An article with a relevance score of 100 means the article is about the organization. A lower relevance score reflects the focal firm is not the focus of the article. After limiting based on the relevance score, I then created a count variable for each firm for each year to capture total media coverage.

Environmental Dynamism

Environmental dynamism reflects volatility, instability, and turbulence in an industry (Dess & Beard, 1984).To create my measure of environmental dynamism I follow extant approaches (Dess & Beard, 1984; Wowak, Mannor, Arrfelt, & McNamara,

2016). Specifically, I follow extant approaches and create Dess and Beard's (1984) widely used industry based environmental dynamism measure (Boyd, Gove, & Hitt, 2005; Girod & Whittington, 2017). Dynamism is the volatility of the rate of change of annual industry sales, that is, the standard error of the rate of change of annual industry sales (McNamara, Haleblian, & Dykes, 2008). It is calculated as the standard error of the regression of sales over time divided by mean industry sales (Boyd et al., 2005; McNamara et al., 2008). I create my environmental dynamism measure at the 2 digit SIC code level.

CEO ideology

Since I am interested in the role of CEO ideology I follow previous studies in calculating CEO ideology. I use political donation data from the Federal Election Commission. I calculate the net donations made to the Republican Party (total amount donated to the Republican Party minus donated to the Democratic Party, divided by total amounts donated to both parties and averaged by election cycles) (Christensen, Dhaliwal, Boive, & Graffin, 2015). I label this variable as *CEO conservatism*, which ranges from –1 to +1, –1 being most liberal, +1 being most conservative.

Control Variables

I control for a number of variables including executive, organizational, and industry factors. Executive factors include *CEO age* (in years, at the start of each year), *CEO tenure* (years at current firm at the start of each year), *CEO incentive compensation* (total compensation minus cash compensation (salary and bonus)), *CEO ownership* (number of shares owned by CEO divided by total outstanding shares multiplied by

100), *CEO outsider* (if CEO entered role from outside the firm), *Duality* (CEO is simultaneously the Board Chair), *CEO director* (number of directors appointed by CEO), and *CEO outside board seats* (count of the number of board appointments). Organizational factors include *size* (log of total employees), *performance* (return on equity and earnings per share), *atlman's z* score (proximity to bankruptcy), *working capital* (current liabilities minus current assets). I also control for several board factors including *independence* (number of independent directors divided by board size), *board size* (total number of directors), *females on board* (count of number of females on board divided), *recalls* (count of the number of product recalls) and board ideology.

To calculate *board ideology* I utilize the political donation data I used to calculate CEO political ideology following extant studies (Christensen et al., 2015; Gupta & Wowak, 2017). Using the individual ideology scores of directors I created a board ideology measure. Specifically, I created a board liberalism measure by adding the ideology scores of each director. I did not put weight on any particular director's ideology since each director has equal voting power over any governance decision. I excluded CEO's political ideology in this calculation if the CEO was also a director of the board.

I also control for two important types of institutional investors: dedicated and transient. To calculate dedicated and transient institutional ownership I follow extant work and use Bushee's (1998) classification system. To be classified as an institutional owner, the shareholder must hold at least one percent equity in the firm during my sample time frame. An institutional owner is either classified as dedicated, transient, or

quasi. I focus on the former two, but quasi institutional investors refer to investors who abdicate their monitoring role deferring to broad indexes regardless of the actions firms take (Connelly, Tihanyi, Certo, & Hitt, 2010). Abdicating their monitoring role means they are of little interest from a governance perspective (Bushee, 1998). Dedicated and transient ownership reflects the amount of shares held by dedicated and transient institutional investors.

To generate dedicated versus transient, I follow extant approaches utilizing Bushee's data (http://acct.wharton.upenn.edu/faculty/bushee/IIclass.html) which categorizes each institutional investor according to their past trading behavior. I label these variables as *Dedicated institutional ownership* and *Transient institutional ownership*. For a complete detail of the underlying process Bushee uses see Connelly and colleagues (2017) work.

Finally, I control for differences in the availability of resources at the industry level. I create an *industry munificence* variable. I create the munificence variable at the 2 digit SIC code level. To create the variables I follow extant guidelines and utilize the Dess and Beard (1984) approach (Wowak, Mannor, Arrfelt, & McNamara, 2016).

Analysis

To conduct my analysis I engaged in several steps. First, I gathered my variables and ran both fixed effects and random effects panel regressions in Stata 15 using the xtreg command. After running and saving the results from the fixed and random effects model I performed the Huasman test. A significant effect from the Huasman test indicates the random effects model is inappropriate and a fixed effects model should be

used. Performing the Huasman test showed the fixed effects model was the most appropriate approach. Thus, I ran my analysis using the xtreg command in Stata 15 with the robust and fixed effects options specified.

Endogeneity Analysis

After running my fixed effects panel model, I examined the possibility of an omitted variable impacting my results. To do so, I utilized the Konfound command in Stata 15. The Konfound command allows you to understand how much influence an omitted variable would have to explain to impact your results and what correlation would be needed for an omitted variable to impact your results. Higher levels are better and signal an omitted variable is unlikely to be biasing the results. To perform the Konfound command I utilize the estimated coefficient for my indicator variable, standard error, sample size, and number of predictor variables in the model. I ran the Kondfound command (.08 .05 2987 27) in Stata 15. The results indicated endogeneity or an omitted variable may be a problem. Specifically, the results showed 18.40% of the estimate would have to be due to bias and an omitted variable would have to be correlated with the predictor and outcome at 0.08. That is, an omitted variable would have to be correlated with RQ and strategic distinctiveness at 0.08 to invalidate any inferences. In my data the mean correlation with RQ is 0.05 and the mean correlation with strategic distinctiveness is 0.05. However, a few variables were correlated with RQ and/or strategic distinctiveness at a level greater than 0.08. Hence, I needed to address the potential of endogeneity in my analysis.

Two Stage Least Squares

Given endogeneity was a potential issue, I turned to the two stage least squares model. In this approach, you need to identify potential instruments to use in the analysis. A good instrumental variable will be highly correlated with your predictor variable and not highly correlated with the error term. You also need to address the potential endogeneity of instruments because using endogenous instruments can conflate analyses as well (Semadeni, Withers, & Certo, 2014). I identified three potential instrumental variables: industry median RQ (excluding focal firm), industry median working capital, and new product releases. Theoretically each of these factors has been shown to be related to innovation and distinctiveness. Extant work on discretion illustrates an organization's working capital influences distinctiveness and innovation (Wangrow, Schepker, & Barker, 2015). Similarly, the nature of a firm's industry has been shown to be a salient factor shaping innovation and distinctiveness (Deephouse, 1999). Finally, new product releases reflect a type of innovation. Each of these variables you would expect to be highly correlated with a firm's RQ or innovation reputation.

Once I identified my possible instruments, I performed analysis to see which combination of instruments was most appropriate and whether my instruments were exogenous. Table B1 presents the results of my analysis. To assess the appropriateness and exogeneity of my instruments, I used the ivreg command in Stata 15 and examined the F statistics and Hansen J's statistic. Stock and Yogo (2002) provide benchmarks to assess the weakness of instruments. Using two instruments the F-statistic should be equal to or greater than 11.59. The results indicated the instruments industry median RQ

(excluding focal firm) and new product releases were strong instruments (F=31.55 and p=.000). Further, the Hansen J's statistic indicated the instruments were exogenous (Hansen J=.6406). Hence, I use industry median RQ and new product releases as instrumental variables in my analyses.

Performing Regression Analysis

I used the instrumental variables to perform my analysis. Since my data is panel data I used the *xtivreg* command in Stata 15 to perform my analysis. I specified I wanted to instrument my main predictor variable RQ using industry median RQ and industry median working capital.

Performing SEM Analysis

To analyze my performance hypothesis I utilize SEM. To perform the analysis I use the sem command in Stata 15. Utilizing this command creates two separate regression equations essentially. The first equation analyzes predictors influencing strategic conformity. The second equation examines the full path from predictors of strategic conformity to the influence of conformity on performance. The pathreg command in Stata 15 is another means to specify the equation and provides identical results.

CHAPTER V

RESULTS

Table B2 reports the descriptive statistics. The mean of strategic conformity is 2.72 suggesting most firms tend not to conform on a scale of 0 to 10 with 10 reflecting high conformity. RQ and strategic conformity are positively correlated at 0.02. CEOs in my sample tend to be conservative with a mean of 0.18 on a scale of 1 to -1 with 1 being conservative. Environmental dynamism on average is fairly low across the firms in my sample with a mean of 0.03. The average firm in my sample is mentioned in slightly more than 200 news articles per year. In addition, while I do find some high correlations in my data, after running ordinary least squares (OLS) models and calculating variance inflation factors (VIFs), I found no VIF exceed 6.00 well under the recommended cutoff of 10 suggesting that multicollinearity is likely not an issue.

Table B3 reports the results from the regression analysis. Model 1 is the main relationship with controls and Model 2 is the full model with interactions. I report the findings from my analysis below. Hypothesis 1a argued having a high firm innovation capability reputation would be positively associated with strategic distinctiveness. Hypothesis 1b argued having a high firm innovation capability reputation would be negatively associated with strategic distinctiveness. I do not find statistical support for hypothesis 1a or 1b ((b=.52 p=.56).

I proposed factors in the organizational, environmental, and leadership contexts could create contingency relationships amplifying my main competing hypotheses. Hypothesis 2a argued organizational prominence would amplify the positive relationship

between a high firm innovation capability reputation and strategic distinctiveness due to higher demands which would magnify aspirations. Hypothesis 2b argued organizational prominence would amplify the negative relationship between a high firm innovation capability reputation and strategic distinctiveness because it would exacerbate loss aversion. The results fail to achieve statistical significance (b=.0003 p=.136). Hence, I do not find support for Hypothesis 2a or Hypothesis 2b.

In Hypothesis 3a, I argued environmental dynamism would exacerbate aspirations amplifying the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. In Hypothesis 3b, I argued environmental dynamism would exacerbate loss aversion amplifying the negative relationship between a high firm innovation capability reputation and strategic distinctiveness. The results fail to achieve statistical significance (b= .05 p= .197). Thus, I do not find support for Hypothesis 3a or 3b.

For Hypothesis 4a, I argued conservative CEOs exacerbate aspirations amplifying the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. In Hypothesis 4b, I argued conservative CEOs exacerbate loss aversion due to their preference for stability and the status quo amplifying the negative relationship between a high firm innovation capability reputation and strategic distinctiveness. I find support for hypothesis 4b (b=.08 p=.048). Interpreting the interaction, firms with a conservative CEO tend to, on average, have lower levels of distinctiveness than firms with liberal CEOs. This suggests that CEO conservatism conditions the relationship between RQ and strategic distinctiveness such that firms with

a conservative CEO tend to utilize a loss aversion perspective causing them to be less likely to use distinctive actions.

To test Hypothesis 5, I conducted SEM analysis. Table B4 reports the results. I hypothesized for firms with a high innovation reputation engaging in strategic distinctiveness displays an inverse U-relationship with performance. Model 1 reports the first stage with strategic conformity the outcome. Model 2 reports the second stage with return on equity (ROE) the outcome. The overall model display good fit (RMSEA=0.00, CFI=1.00, SRMR=0.00). I find support for hypothesis 6 (b= -3.60 p=.009). This result shows the squared term of strategic conformity is negatively related to performance. Hence, the result suggests an optimal level of strategic distinctiveness exists for firms with a high innovation capability reputation.

CHAPTER VI

DISCUSSION AND CONCLUSIONS

In this dissertation I sought to examine the influence a firm's reputation has on strategic decision making. Extant work on organizational reputation suggests the type of reputation a firm possesses could create areas of perceived discretion for managers (Parker et al., 2019). Further, extant work on organizational reputation suggests firms face pressures to maintain their reputation (Rindova et al., 2005). Building from this work, I develop theory on why a firm with a specific outcome based reputation for innovation would likely engage in strategic distinctiveness. I integrate the upper echelons literature with the organizational reputation literature to develop contingency relationships that would either amplify or attenuate the likelihood of firms engaging in strategic distinctiveness.

In hypothesis 1a, I argued firms with a high innovation reputation would be likely to engage in strategic distinctiveness. I built from extant work on organizational reputation arguing managers of firms known for something perceive areas of discretion exist. Specifically, firms known for an outcome, like innovation, perceive discretion in the behaviors or actions the firm can take (Parker et al., 2019). Since organizational reputation offers benefits firms will likely have aspirations to maintain the firm's reputation (Rindova et al., 2005; Mishina et al., 2010). Having a high firm innovation capability reputation means the firm needs to continue to generate innovation to maintain its high reputation. Innovation requires change and novelty suggesting firms would be likely to engage in strategic distinctiveness. For these reasons, I hypothesized a

positive relationship existed between a high firm innovation capability reputation and strategic distinctiveness.

Contrastingly, in hypothesis 1b, I develop a competing hypothesis suggesting a negative relationship existed between a high firm innovation capability reputation and strategic distinctiveness. I draw on organizational reputation literature which suggests firms want to maintain a high reputation and value the benefits it offers. Firms endow the value attached to the reputation and perceive it as a firm asset that needs to be protected. This creates a loss aversion approach causing firms to engage in actions to maintain the benefits and avoid loss (Devers et al., 2007; Kahneman & Tversky, 1979). Exploiting areas of perceived discretion attached to a high innovation reputation involves high uncertainty and, as a result, decreases the likelihood of strategic distinctiveness.

My results did not provide statistical support for either of my competing hypotheses. The direction of the relationship supports the logic behind hypothesis 1b. I think this could be for a couple reasons. First, my measure of a high innovation capability reputation really only captures exploitation of investing in R&D. That is, a firm's RQ reflects efficiency at generating revenue from investments in R&D. The measure is an innovation measure, but only captures exploitation innovation rather than exploration innovation. This might explain why firms with a high RQ are less likely to engage in strategic distinctiveness. If a firm is highly efficient at engaging in innovation, it would be unlikely to drastically change its approach. This is magnified by the fact that

when things are going well for organizations there is often resistance to novelty and a preference for the status quo (Boeker & Goodstein, 1991).

To examine the potential for firms with a high innovation capability reputation preferring conformity, I did some additional exploratory analysis. If a firm with a high innovation capability reputation prefers the status quo it should also be less likely to introduce new products. New products offer another measure of innovation and involve risk on the part of the organization. In my exploratory analysis I found having a high firm innovation capability reputation was negatively associated with new product introductions. This suggests firms with a high innovation capability reputation see the firm as possessing something good and want to continue to exploit it rather than engage in exploratory innovation.

Another reasons for my results may be my proxy for a high innovation capability reputation is not perfect. As mentioned above, the measure really only captures exploitation of money invested in R&D and does not capture exploratory innovation. It may be that some firms do engage in a high level of exploratory innovation, but the measure does not allow me to capture this. It seems like the perfect measure of an innovation reputation needs to possess both performance and perceptual dimensions. My measure really only deals with the performance dimension regarding generating revenues from R&D. A perceptual measure of novelty is also needed. However, this does raise an interesting point regarding the difference between perception and performance. Do the two dimensions act uniformly on firms influencing strategic decision making or might they act differently? Do firms need to possess both

performance and perception to be considered novel and which one impacts performance more? The point is, I think measuring a high firm innovation reputation is complex. In this study, I took a step towards beginning to develop a measure of a high firm innovation capability reputation. Moving forward I would like to further develop this measure and explore what an innovation reputation entails and how best to capture it. In doing so, I hope to better understand how a high firm innovation reputation will influence strategic decision making.

After establishing my baseline hypothesis, I developed arguments on how organizational, environmental, and leadership contexts can create contingency relationships exacerbating aspirations or loss aversion that would either amplify or attenuate my main competing hypotheses. I began with the organizational context. In hypothesis 2a, I argued prominence exacerbates aspirations. The relative performance standards the organization and its executives use increase. The increase in the standards means the benefits as well as the costs of not meeting performance expectations increase. As a result, the organization and its top managers will be more motivated to avoid the potential costs which amplifies the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. Contrastingly, in hypothesis 2b, I argued prominence generates additional benefits for the organization which can exacerbate loss aversion. Exacerbating loss aversion amplifies the negative relationship between a high firm innovation capability reputation and strategic distinctiveness. I found prominence amplifies the negative relationship, but the results failed to achieve statistical significance.

The results suggest support for the loss aversion perspective. Both prominence and having a high innovation capability reputation offer benefits to firms. As a result, firms may simply want to continue with the status quo and focus on conforming to avoid losing the benefits. Changing things up could cause the firm to lose what it is known for or prominence. My measure of prominence could potentially suffer from weaknesses as well. Today, social media is the main force by which stakeholders and general audiences impact organizations. It no longer takes a large social movement or the media to shape public perception or awareness of an organization. This means general awareness of the organization can shift rapidly to focus on unethical behaviors with only one tweet. People will be more likely to tweet about prominent organizations especially if the organization does something wrong. It seems prominence could be argued both ways possibly suggesting further examination of the role of prominence on strategic decision making could be warranted.

Moving to the environmental context, I examined environmental dynamism. In hypothesis 3a, I argued environmental dynamism would exacerbate aspirations. As a result, the organization and its top managers would be more open to distinct actions to help meet aspirations. This would amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. In hypothesis 3b, I argued environmental dynamism would increase uncertainty around the organization exacerbating loss aversion. As a result, environmental dynamism would amplify the negative relationship between a high firm innovation capability reputation and strategic

distinctiveness. I found environmental dynamism amplifies the negative relationship, but the results failed to achieve statistical significance.

Examining the results, suggests further support for the loss aversion perspective. Even though my results fail to achieve statistical significance, it suggest further research is warranted. One reason I may not have found a statistically significant result is industry dynamism is not a direct measure of firm uncertainty. Rather, industry dynamism captures instability, volatility, and uncertainty at the industry level. To truly capture when firms utilize a loss aversion perspective it might be valuable to examine the focus of uncertainty. For example, measures of uncertainty at the firm, industry, and macro level could provide insight into when a firm is most likely to engage in less strategic distinctiveness to protect valuable firm assets. A weakness of my study is that I do not capture firm or macro level uncertainty. Moving forward, I plan on examining how different types of uncertainty might provide insight in my main relationships.

Next, I examined the leadership context focusing on CEO ideology. In hypothesis 4a, I argued a conservative CEO would exacerbate the aspirations a firm with a high innovation capability reputation has. Conservatives are driven by individualism and market forces suggesting performance aspirations are important to them explaining why they accept inequality. This led me to hypothesize conservative CEOs because they exacerbate aspirations would amplify the positive relationship between a high firm innovation capability reputation and strategic distinctiveness. For the competing hypothesis 4b, I argue conservative CEOs exacerbate loss aversion. Extant work illustrates conservatives prefer stability and the status quo (Jost et al., 2009). As a result,

conservative CEOs exacerbate loss aversion amplifying the negative relationship between a high firm innovation capability reputation and strategic distinctiveness.

My results supported hypothesis 4b. This is not surprising given the things I have discussed above regarding my measure of innovation reputation and desire to maintain the reputation tends to lead to preferring the status quo. Having a conservative CEO would only strengthen the desire to conform and exploit the organizations ability to generate revenue from R&D.

For my final hypothesis, I examined the influence of strategic distinctiveness on firm performance. I argued there would be an inverse U-relationship between strategic distinctiveness and firm performance. In other words, an optimal level of distinctiveness exists and would lead to the best performance. Basically, firms that are not distinct will generate no benefits and firms that are too distinct will incur penalties because it becomes difficult to recognize the firm and the innovation it generates. Hence, using an optimal level of distinctiveness to differentiate from peer firms, but not too much would lead to the best performance.

My results supported my hypothesis that an optimal level of distinctiveness leads to positive firm performance. This suggests distinctiveness acts as a central factor audiences perceive when evaluating firms. This complements extant work on organizational reputation by showing distinctiveness is an important mediating factor impacting the beneficial aspects of reputation. Extant work on organizational reputation has examined specific CEO decisions (Mishina et al., 2010), but this work is too narrow in its consideration of the decisions high reputation might impact. In this dissertation, I

examine a wide range of actions and whether those actions are distinct from normal tendencies in the industry. In doing so, I illustrate it is the distinctiveness of actions that impacts whether firms will experience the beneficial aspects of reputation. My results suggest an optimal level of distinctiveness exists for firms with a high innovation reputation. Achieving the optimal level of distinctiveness enables firms to generate high performance.

Overall, the results from my dissertation support a loss aversion perspective. Although I fail to find statistical support, my results suggest the loss aversion perspective holds more weight than the aspirations perspective. Furthermore, loss aversion can become exacerbated by contingencies in the organizational, environmental, and leadership contexts. I found organizational prominence, environmental dynamism, and conservative CEOs all amplify the negative relationship between high firm innovation capability reputation and strategic distinctiveness. Only conservative CEOs was statistically significant, with prominence and environmental dynamism barely missing marginal significance. While loss aversion and seeking to protect the benefits reputation offers are not totally bad, exacerbating loss aversion could cause a firm with a high innovation capability reputation to stop generating innovation.

The results raise interesting questions regarding the risks associated with pursuing a high firm innovation capability reputation. From my dissertation the results show organizations that possess a high firm innovation capability reputation utilize a loss aversion perspective. This becomes exacerbated by contextual factors exacerbating loss aversion. It raises the question of how an innovative organization pursuing a high

reputation can utilize factors to avoid loss aversion becoming the dominant logic of the firm. What are the implications of loss aversion becoming the dominant logic? Might this explain differences between organizations perceived as innovative and organizations that perform innovatively? I believe a range of interesting future research questions can be asked and I detail some of these after I highlight my contributions and limitations.

Contributions

Several contributions result from my dissertation. First, I contribute to the organizational reputation literature by studying how an organization's reputation influences strategic decision making. Extant work on organizational reputation does not consider what influence an organization's reputation might have on strategic decision making. Building from recent refinements of the being known for something dimension of organizational reputation (Parker et al., 2019), I examine how having a high firm innovation capability reputation influences strategic novelty. Parker and colleagues (2019) suggest the type of reputation an organization possesses influences the areas of discretion top managers perceive. A large body of work exists showing the discretion top managers have influences strategic decision making (Wangrow et al., 2015). Integrating these two lines of reasoning suggests the type of reputation an organization holds because it influences top managers' perceptions of discretion should impact strategic decision making. To my knowledge, I am the first to conceptualize how an organization's reputation influences strategic decision making. In doing so, I draw attention to the important role organizational reputation plays in strategic decision making.

Second, I further contribute to the organizational reputation literature as well as the strategic leadership literature by empirically testing how an organization's outcome-based reputation influences strategic decisions at the executive level. To date, only a single study exists examining the influence of an organization's outcome based reputation and this work focuses on stakeholders' decisions (Park & Rogan, 2019). I complement and extend recent work by testing how an organization's outcome-based reputation influences strategic distinctiveness a central strategic decision CEOs make. While my results did not provide significant support, they do suggest an organization's outcome-based reputation manifests in strategic decision making. Given the nascent stage of research in this area I believe this is encouraging and should spur further research examining the link between organizational reputation and strategic decision making.

Third, I contribute to the organizational reputation literature by illustrating the distinctiveness of a firm's actions is an important mediating factor influencing the beneficial aspects of reputation. Extant work has examined single actions and the impact those actions have on firms with a high reputation (Mishina et al., 2010). However, this work is too narrow in its consideration of the decisions high reputation might impact. Rather, work needs to examine the level of distinctiveness across a range of actions to better help us understand when and why high reputation generates favorable organizational outcomes. Showing the distinctiveness of a firm's actions is an important factor influencing the beneficial aspects of organizational reputation contributes to work on the boundary conditions of organizational reputation (Zavyalova et al., 2016).

Finally, I introduce a measure of a firm's innovation capability future research can utilize. This contributes to the organizational reputation literature because it provides an objective measure scholars can use in their studies. The lone study examining an organization's outcome-based reputation uses a survey to capture firm's reputations. While surveys can be beneficial they suffer from several weaknesses as well. Introducing the RQ measure offers an objective alternative easily available to scholars. Furthermore, it provides benefits over patent based measures which fail to capture over 50% of firms engaging in R&D because not all firms obtain patents (Cooper et al., 2015).

Limitations

My dissertation is not without limitations. A central limitation of my study is the use of only U.S. based firms. My data comes from the S&P 1500 which is a U.S. based index. Although the S&P 1500 does contain foreign firms (e.g. Samsung) it does have a western bias. Companies not listed on the S&P 1500 or non-western indexes exist in different contexts that could view innovation differently. For example, many collectivist cultures utilize a social perspective where the group or collective is the focus. This could cause non-western companies to be more likely to engage in social innovations. Social innovations may or may not involve R&D and the results of social innovation may generate intangible rather than tangible returns. In my study, I only capture the tangible returns to firms for investments in R&D. As a result, I could be failing to capture other types of innovation that many firms may engage in that do not generate economic returns.

Another limitation of my study is I do not capture a firm's behavior-based reputation. I intended on using the governance ratings index from the Institutional Shareholders Service (ISS). This index originally only captured governance scores, but has expanded to capture social and environmental scores (ESG). However, the ESG ratings have only been in existence since 2018. Previously, ISS did provide a governance score, but this began in 2013-2014. As an additional source I considered using corporate social responsibility (CSR) data from the KLD database. However, my dependent variable is strategic distinctiveness and utilizing resources in a socially responsible way could reflect strategic distinctiveness. Hence, I could not utilize CSR because it might conflate with my DV of strategic distinctiveness. Moving forward I hope the ISS ESG ratings become widely available and utilized. If this occurs, if offers an excellent objective proxy to capture behavior-based reputations. Even though I do not directly utilize a variable capturing a firm's behavior-based outcome, I do control for several governance factors expected of ethical organizations. For example, I control for board independence as well as the power of the CEO by coding duality. While not direct governance scores these factors often underlie governance scores offered by third parties like ISS. This also aligns with Park and Rogan (2019) who use ethical behavior to capture a firm's behavior-based reputation.

Finally, my measure of a firm's innovation capability has its limitations. For one, the measure only captures a firm's efficiency at generating innovation. The measure does not capture how innovative stakeholders perceive the firm to be. This is important because perception and performance are two distinct components of innovation. People

need to perceive what the firm is doing is in fact innovative. My measure does not contain a perceptual component limiting what type of innovative firms I actually capture. For example, most startups and new ventures will not generate returns from R&D for several years. Yet, people perceive startups and new ventures to be highly innovative. Extant work on discretion illustrates pressures for conformity influence strategic actions (Wangrow et al., 2015). Firms perceived as highly innovative likely feel pressures to engage in specific actions stakeholders' expect from innovative firms. I am unable to capture the influence perceptions of innovation might have on strategic decision making with my measure.

Future Research

Moving forward I see several fruitful avenues for future research on organizational reputation and strategic decision making. First, I think future research on organizational reputation can further explore the distinction between performance and perception. Do organizations actually have to have both components of a reputation? Extant organizational reputation research suggests reputation reflects collective social judgements about an organization regarding specific qualities or capabilities (Boivie et al., 2016). Yet, little research on organizational reputation examines whether the collective social judgement reflects performance or perception. For example, a company could have a reputation for innovation because the products they offer involve radical technological changes. At the same time, a company could have a reputation for innovation because the company is perceived as being highly innovative when in fact its product is not that innovative.

The differences between the basis for each company's reputation could impact its discretion and strategic decision making. Consider a trucking company that develops highly innovative wheels for cargo trucks. The products the company makes are highly innovative (performance) yet the company is not perceived as highly innovative (perceptual). This creates an environment with higher discretion and less pressure. Could this explain why some companies today still have all male boards? Or why some executives' tenures exceed the normal 3 to 5 years of most CEOs? Theoretically developing what an innovation reputation actually entails is important for future research trying to study firms with an innovation reputation.

Another interesting avenue for future research is to link the work on organizational reputation with the categories literature. Having a reputation places an organization into a specific category. Categories reflect theories of value with each category representing a different value. In each category actors seek specific things they value and when they match an entities features to the things they value they categorize the company. Innovative companies reflect certain features actors' value and when they see a company displaying those features they categorize the company as innovative. Despite the overlap between the two literature streams little integration has occurred. I believe the recent work on organizational reputation and discretion I build upon can help understand categorical constraint and manipulation.

The actions a firm with a reputation engages in not only impact the focal firm, but likely impact other firms in the category as well. This is particularly true of innovative firms. This suggests the type of reputation an organization possess influences

the constraint on the category. Further, the actions firms engage in can alter the nature of categorical constraint. For example, innovative firms today are thought to be highly tech savy. How might firms strategically manipulate the constraints for being tech savvy to their benefit and what impact would it have on the category overall?

Finally, I think opportunity exists to integrate the organizational reputation literature with work on values to understand how firms strategically use values to develop specific reputations. Recent work on values argues values are social tools not simply ideals individuals possess in their minds (Rindova & Martins, 2017). Reputations reflect a collective social judgement about a focal firm delivering some specific value. Recently, work on organizational reputation shows audience members to be more active than previously conceptualized with the advent of social media (Etter et al., 2019). I believe firms can be active participants in shaping reputations as well. I think strategically utilizing values offers firms one means to do so. A firm could use values to highlight the firm's attractiveness to specific actors who act as gatekeepers to specific categories. Or a firm might use values to attack arguments from detractors who do not see a firm in a specific light. For example, a firm being accused of not being innovative might attack the detractors arguments by utilizing universal values to highlight the long term nature of the firm's innovation rendering the detractor's arguments mute because it solely focused on the short term. I think future theoretical work examining the strategic use of values in shaping reputation offers a fruitful path.

Conclusion

In this dissertation I set out to understand how organizational reputation influences strategic decision making. I drew on extant organizational reputation and upper echelons literature to develop my arguments. My conceptualization offers a contribution to the organizational reputation and strategic leadership literatures. Specifically, to my knowledge I am the first to link how the discretion attached to a specific type of reputation could influence the strategic decisions CEOs make. This complements recent work on organizational reputation that shows the type of reputation a firm possesses, behavior versus character, can influence external stakeholders strategic decision making (Park & Rogan, 2019).

To test my arguments I utilize a unique measure of innovation reputation. Although the results did not support my main hypothesis, I do believe my measure of innovation reputation offers a baseline to begin to capture the influence of an innovation reputation on strategic decision making. One of my moderating arguments did show significant relationships suggesting my measure is tapping into something influencing strategic decision making. Moving forward, I plan on further exploring how having a high firm innovation capability reputation might influence additional strategic decisions beyond strategic distinctiveness.

Overall, the results in my dissertation do not provide clear support suggesting a firm's reputation manifests in strategic decision making. Despite this, I believe examining the relationship between an organization's reputation and strategic decision making is pragmatically and theoretically important. Looking at organizations such as

Patagonia or Apple suggests the reputations these firms possess do influence the actions each engages in. Hence, I hope this dissertation spurs a line of research for myself and others examining the role of organizational reputation in strategic decision making.

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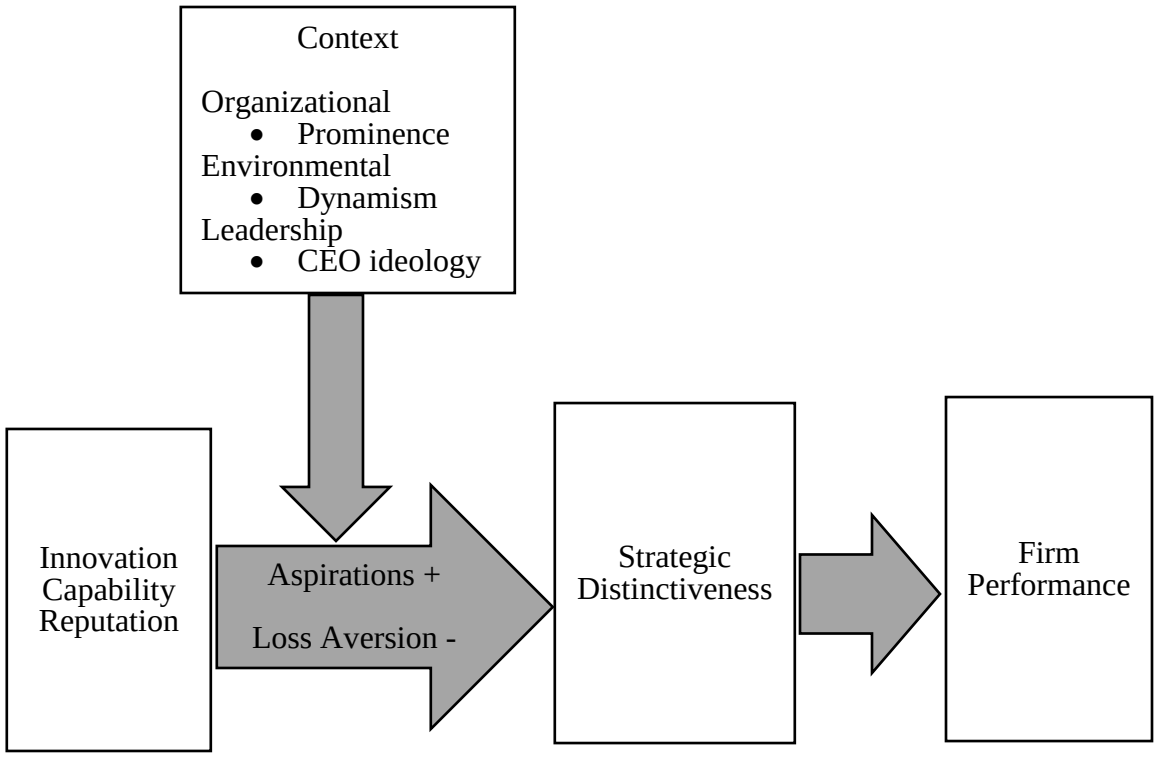
APPENDIX A

Figure A1. Theoretical Model



APPENDIX B

Table B1. IV regression Instruments

	RQ
Industry median RQ	.33***
New Product Release	.07+
F statistic (2, 2427)	31.55***
Hansen J	0.64
N	2462

***Stock & Yogo recommend F statistic for 2 instruments >=11.59**

Table B2. Means and Correlations[a]

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Strategic Conformity	2.72	0.06	1												
2.	RQ	0.13	1.87	0.02	1											
3.	CEO conservatism	0.18	0.64	-0.04	-0.05	1										
4.	Dedicated Institutional investors	1.75	3.96	-0.04	-0.05	0.03	1									
5.	Transient Institutional investors	15.76	8.70	0.00	0.06	-0.06	-0.07	1								
6.	Board Liberalism	0.23	0.71	-0.08	-0.01	0.21	0.01	-0.02	1							
7.	Altz	5.22	4.71	0.01	0.05	-0.05	-0.11	0.01	-0.02	1						
8.	Average board tenure	10.28	3.26	-0.02	-0.08	0.03	-0.01	-0.10	0.08	0.15	1					
9.	Board Independence	0.80	0.10	-0.05	0.04	0.13	0.07	0.00	0.03	-0.19	-0.39	1				
10.	CEO outside board seats	8.50	5.50	-0.01	0.03	0.11	0.03	-0.09	0.07	-0.29	-0.27	0.36	1			
11.	Duality	0.48	0.50	-0.03	0.01	0.06	-0.02	-0.01	0.03	-0.01	0.06	0.17	0.11	1		
12.	Females on board	1.17	1.05	-0.08	0.01	0.04	0.01	-0.15	-0.05	-0.21	-0.22	0.31	0.47	0.13	1	
13.	Board size	9.00	2.13	-0.11	0.01	0.11	0.02	-0.15	0.13	-0.27	-0.16	0.28	0.66	0.09	0.60	1
14.	Working capital	0.42	0.72	0.17	-0.12	-0.11	-0.03	0.01	-0.05	0.16	0.05	-0.08	-0.13	-0.06	-0.16	-0.19
15.	Industry Dynamism	0.03	0.02	-0.01	-0.04	-0.03	-0.04	0.04	-0.02	-0.01	-0.03	-0.01	-0.05	0.02	0.03	0.01
16.	Industry Munificence	0.04	0.06	0.11	0.07	-0.03	0.00	-0.02	-0.04	0.03	-0.02	-0.04	0.00	0.00	-0.06	-0.07
17.	Year	2011	2.55	0.01	-0.18	-0.04	-0.07	-0.04	-0.03	0.03	-0.01	0.10	-0.05	-0.03	0.15	0.03
18.	CEO age	56.00	6.95	0.00	-0.05	0.10	0.00	-0.07	0.06	0.01	0.26	-0.02	0.00	0.26	-0.02	0.02
19.	CEO tenure	11.40	8.40	0.03	-0.06	0.04	-0.03	-0.03	0.03	0.16	0.55	-0.23	-0.24	0.36	-0.21	-0.21
20.	CEO incentive compensation	0.76	0.19	-0.05	0.04	0.06	-0.05	0.06	0.00	-0.11	-0.25	0.29	0.35	0.02	0.26	0.29
21.	CEO ownership	1.83	5.43	0.07	-0.02	-0.06	-0.03	0.01	-0.01	0.16	0.28	-0.25	-0.28	0.19	-0.23	-0.27
22.	CEO director	4.01	2.83	-0.02	0.00	0.12	-0.05	-0.02	0.05	-0.01	0.04	0.09	0.14	0.41	0.14	0.26
23.	Inside CEO	0.98	0.15	-0.01	0.00	0.01	0.01	0.01	0.03	0.03	0.02	0.01	0.02	0.15	0.05	0.07
24.	ROE	0.14	1.50	-0.11	0.05	0.04	-0.04	-0.02	0.00	0.12	-0.02	0.07	0.10	0.05	0.15	0.13
25.	Earnings per share	1.90	2.80	-0.11	0.08	0.06	-0.08	-0.07	0.05	0.08	-0.03	0.16	0.26	0.15	0.22	0.27
26.	Firm size	2.00	1.25	-0.11	-0.05	0.14	-0.01	-0.13	0.08	-0.30	-0.13	0.26	0.63	0.18	0.51	0.66
27.	Recall	0.03	0.18	0.02	0.01	0.07	-0.03	-0.06	-0.03	-0.04	-0.05	0.07	0.19	0.05	0.20	0.21
28.	Prominence	203.2	168	0.04	0.07	0.03	-0.03	-0.07	-0.06	-0.10	-0.17	0.17	0.50	0.11	0.40	0.46

	Variables	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
14.	Working capital	1														
15.	Industry Dynamism	-0.04	1													
16.	Industry Munificence	-0.03	0.27	1												
17.	Year	-0.03	0.19	-0.07	1											
18.	CEO age	0.00	-0.03	-0.05	0.07	1										
19.	CEO tenure	0.05	-0.01	0.03	-0.07	0.46	1									
20.	CEO incentive compensation	-0.06	0.03	0.02	0.13	-0.13	-0.26	1								
21.	CEO ownership	0.04	0.03	0.09	-0.04	0.21	0.52	-0.29	1							
22.	CEO director	-0.04	0.00	0.02	-0.10	0.29	0.63	0.01	0.19	1						
23.	Inside CEO	-0.08	-0.02	-0.01	-0.04	0.05	0.18	0.02	0.04	0.18	1					
24.	ROE	-0.14	-0.01	-0.02	0.05	-0.01	-0.05	0.12	-0.04	0.02	0.03	1				
25.	Earnings per share	-0.16	-0.02	-0.02	0.13	0.05	-0.06	0.17	-0.12	0.06	0.04	0.48	1			
26.	Firm size	-0.25	-0.02	-0.02	0.05	0.06	-0.14	0.31	-0.22	0.20	0.02	0.20	0.41	1		
27.	Recall	-0.04	-0.04	-0.02	0.00	0.03	-0.04	0.05	-0.06	0.04	0.02	0.04	0.09	0.22	1	
28.	Prominence	-0.09	0.02	0.06	0.02	-0.01	-0.10	0.24	-0.13	0.19	0.02	0.16	0.26	0.67	0.27	1

[a]N=3,338.

Table B3. XTivreg models of firm innovation capability reputation on strategic conformity.

	Model 1	Model 2
RQ	0.522	0.0299
	(0.895)	(0.0766)
Board liberalism	-0.0588	-0.0702
	(0.0729)	(0.0579)
Altz	0.0951	0.0518
	(0.0826)	(0.0524)
AvgBrdTenure	0.0537	0.0749
	(0.0969)	(0.0683)
BrdIndepen	0.0765	0.0749
	(0.0568)	(0.0559)
CEOoutbrd	-0.0294	-0.0184
	(0.0789)	(0.0775)
Duality	0.0986	0.0816
	(0.113)	(0.103)
Femalebrd	0.0258	0.00405
	(0.0812)	(0.0681)
Brdsize	0.0912	0.108
	(0.0916)	(0.0767)
Working capital	0.234*	0.188**
	(0.0978)	(0.0644)
Industry munificence	0.0566	0.0625
	(0.0398)	(0.0382)
CEO age	-0.166*	-0.138*
	(0.0770)	(0.0588)
CEO tenure	0.206	0.175+
	(0.127)	(0.0994)
CEO incentive compensation	-0.0604	-0.0399
	(0.0598)	(0.0416)
CEO ownership	-0.0601	-0.0582
	(0.0729)	(0.0704)
CEO dir	-0.0357	-0.0362
	(0.0253)	(0.0248)
Inside Ceo	0.310	0.308
	(0.234)	(0.225)
roe	-0.0461	-0.0426
	(0.0365)	(0.0341)
earnings_per_share	0.0251	0.0273
	(0.0528)	(0.0519)
Firm size	0.229	0.0573
	(0.468)	(0.265)
Recall	-0.0729	-0.0952
	(0.177)	(0.175)
Dedicated institutional ownership	-0.0815+	-0.0825+
	(0.0460)	(0.0447)
Transient institutional ownership	0.00109	-0.0141
	(0.0481)	(0.0358)
CEO conservatism	0.0373	0.0133
	(0.0875)	(0.0638)
CEO conservatism X RQ		0.0834*
		(0.0422)
Industry dynamism	-0.0706	-0.0567
	(0.0487)	(0.0377)
Industry dynamism X RQ		0.047
		(0.0367)
Prominence	-0.0841	-0.000524
	(0.0714)	(0.000397)
Prominence X RQ		0.000384
		(0.000257)
Year	Included	Included
Constant	2.803***	3.030***
Observations	2,462	2,462
Number of gvkey	495	495

Standard errors in parentheses. *** p<0.001, ** p<0.01, * p<0.05, + p<0.10

Table B4. SEM Analysis of strategic conformity on performance.

	Model 1	Model 2
Strategic conformity		25.19**
		(9.716)
RQ	-0.347	0.322
	(0.390)	(0.342)
CEO conservatism	0.614	-0.212
	(0.401)	(0.328)
Dedicated institutional ownership	-0.0543	1.448*
	(0.362)	(0.635)
Transient institutional ownership	0.192	0.609
	(0.381)	(0.391)
Board liberalism	-0.876*	-0.438
	(0.416)	(0.350)
Altz	2.397***	-1.531*
	(0.680)	(0.714)
AvgBrdTenure	0.335	-0.0951
	(0.548)	(0.452)
BrdIndepen	0.0461	-0.346
	(0.436)	(0.387)
CEOoutbrd	-1.114+	-0.923
	(0.624)	(0.571)
Duality	-0.864	-0.486
	(0.864)	(0.724)
Femalebrd	1.684**	1.083+
	(0.618)	(0.563)
Brdsize	-0.171	0.913
	(0.636)	(0.637)
Working capital	-1.889**	2.117*
	(0.630)	(0.917)
Industry dynamism	0.184	1.182*
	(0.395)	(0.557)
Industry munificence	-0.451	-1.745*
	(0.414)	(0.741)
year	-0.260	-0.343+
	(0.186)	(0.193)
CEO age	-0.294	0.449
	(0.422)	(0.390)
CEO tenure	-0.838	-0.528
	(0.880)	(0.738)
CEO incentive compensation	0.850+	-0.344
	(0.459)	(0.373)
CEO ownership	1.018*	0.339
	(0.500)	(0.394)
Inside Ceo	4.260	-1.846
	(2.767)	(2.311)
CEO director	-0.00187	0.0213
	(0.234)	(0.195)
earnings_per_share	11.70***	-0.373
	(2.607)	(0.487)
Firm size	-0.995	1.695+
	(0.688)	(0.872)
Recall	-1.308	-1.828
	(2.170)	(1.916)
Prominence	1.591**	-1.244+
	(0.590)	(0.665)
Strategic conformity squared		-3.607**
		(1.389)
roe	-24.73***	
	(5.374)	
Constant	522.1	661.6+
	(374.6)	(380.6)
Observations	3,338	3,338

Standard errors in parentheses. *** p<0.001, ** p<0.01, * p<0.05, + p<0.10