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INTRODUCTION TO SPECIAL TOPIC FORUM

SOCIOCOGNITIVE PERSPECTIVES IN STRATEGIC MANAGEMENT

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How a firm is perceived has implications for strategy formulation, strategy implementation, and firm outcomes. However, strategic management researchers have traditionally devoted less attention to theories that address these perceptual implications. This special topic forum (STF) includes six articles that use a sociocognitive lens to help expand our theoretical understanding of strategy and strategic management. A sociocognitive perspective encompasses how observers perceive, interpret, and make sense of an organization's strategic processes, actions, and related outcomes. The goal of this STF is therefore to advance theory in an integral domain of management scholarship while also augmenting well-known frameworks for teaching and practice. Specifically, the articles not only reflect the work that has taken place over the past three decades but also generate important theoretical and practical advances. We introduce each article, explain the key strategic questions it addresses, and offer suggestions for future research.

For more than fifty years, strategic management scholars have addressed such key questions as "Why are some firms more successful than others?" and "How can firms obtain and sustain success?" Foundational research in strategic management has focused primarily on how industry structure affects firm performance (e.g., Caves & Porter, 1977; Miles & Snow, 1978; Porter, 1980), the relative effects of firm and external factors on performance (e.g., Bowman & Helfat, 2001; Brush, Bromiley, & Hendrickx, 1999: Hansen & Wernerfelt, 1989; McGahan & Porter, 1997; Rumelt, 1991), and how a firm's resources, capabilities, actions, and core competencies can differentiate it from rivals and lead to competitive advantage (e.g., D'Aveni, 1994; Dierickx & Cool, 1989; Eisenhardt & Martin, 2000; Grimm & Smith, 1997; Makadok, 2001; Penrose, 1959; Teece, Pisano, & Shuen, 1997; Wernerfelt, 1984).

This research has revealed key insights about the relationships between a firm's structure,

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external environment, and resources and the firm's actions and performance. However, over the last three decades, strategic management research has also broadened its focus, examining how market participants—for example, the firm's managers, stakeholders, and institutional infomediaries—perceive information, and how these perceptions generate strategic behaviors, market reactions, and performance outcomes (e.g., Daft & Weick, 1984; Deephouse, 2000; Gioia & Chittipeddi, 1991; Ocasio, 1997; Pollock & Rindova, 2003; Porac, Thomas, & Baden-Fuller, 1989; Schwenk, 1984; Weick, 1995). This "sociocognitive" perspective, while varied in its theoretical framings, focuses on the roles of managers' and observers' attention; the bounded rationality of their cognitions, intuitions, and emotions; and the use of biases and heuristics to socially construct "perceptual answers" to traditional strategic management questions about how firms obtain and sustain competitive advantage (Rindova, Reger, & Dalpiaz, 2012).

Thus, how a firm is perceived can have direct implications for strategy formulation, implementation, and firm outcomes. Classic strategy assumptions, boundary conditions, predictions, and applications about firm behaviors may therefore limit our understanding of strategy and strategic management in the twenty-first century. Nevertheless, strategic management researchers have traditionally devoted less attention to sociocognitive and social psychological theories that address these implications. In response, for this special topic forum (STF) we sought conceptual papers that use a sociocognitive lens to continue to expand our theoretical understanding of strategy and strategic management. In the context of this STF, a sociocognitive perspective encompasses how stakeholders, strategic decision makers, and other observers perceive, interpret, attribute, and make sense of an organization's strategic processes, actions, and related outcomes.

The STF's goal, then, is to enhance knowledge and advance theory in an integral domain of management scholarship while also augmenting well-known frameworks for teaching and practice. Specifically, we wanted to gather in one place a range of sociocognitive articles that reflect the work that has taken place in this area over the past three decades, as well as spearhead a number of new important theoretical and practical advances. We include six articles that meet this goal. In the remainder of this introduction, we introduce each article, explain the key strategic questions it addresses, and offer suggestions for future research. Before we dive in, we would like to thank the authors of these six articles, as well as the authors of all the submitted papers. We enjoyed reading your work, and we hope the feedback you received from us and the reviewers was helpful. Of course, we would also like to thank all of our reviewers for the helpful and constructive feedback on the submissions. Finally, we thank special issue editors Kevin Corley, Joep Cornelissen, Don Lange, Rich Makadok, Kyle Mayer, and Libby Weber for their time, wisdom, and effort in publishing this special issue. All are prominent strategic management scholars who have contributed substantively to developing the sociocognitive perspective in strategic management. It was a pleasure working with you.

THE ARTICLES: EXPANDING THE SCOPE OF STRATEGIC MANAGEMENT RESEARCH

We have grouped the six articles into three sets that we believe address key questions in strategic management in unique and important ways.

Grudges and Nudges: Fresh Perspectives on Interfirm Rivalries

The first group takes a sociocognitive perspective on rivalry and also adds a twist. Kilduff (2019) looks at relational rivalry and talks about the historical and emotional aspects of competitive feuds, while Waldron, Navis, Aronson, York, and Pacheco (2019) examine rivalry between firms and activists. As special issue editor Rich Makadok writes about Kilduff's article:

> Do companies hold grudges against their competitors? It's a simple question, with obvious strategic implications, but with few answers. Decades of extensive research in psychology has studied how emotions affect cognition and behavior, yet these effects have largely been ignored in strategic management research. Among all of the factors that might influence a firm's strategy formulation and its decisions about competitive interactions in the market, emotion is one of the least studied and most obscure. As an initial starting point toward remedying this omission, Kilduff's theory of interfirm relational rivalry explores the antecedents and consequences of such corporate feuds and animosities, as well as the institutionalization processes that make these hostilities more than just an individual-level phenomenon. Kilduff examines how studying this relatively unexplored

> topic might shape future research on firms' decisions about market entry, pricing, and diversification, but these research opportunities may be just the tip of the proverbial iceberg.
>
> For example, from a resource-based perspective, interfirm relational rivalry may affect the threat of imitation of capabilities or product features. Likewise, from the perspective of technology strategy, interfirm relational rivalry may influence the likelihood of patent infringement. Similarly, in the context of corporate-level strategy, interfirm relational rivalry may drive merger and acquisition decisions, especially in cases of bidding wars between competitors seeking to acquire the same company, and thereby possibly increase the severity of the well-known "winner's curse" phenomenon.

While Kilduff's focus on "feuds" as a function of firms' similarity, repeated competition, and comparable performance reminds us of sports rivalries, his sociocognitive perspective extends our understanding of competitive dynamics and "cold" I/O explanations of why firms are rivals. Harkening back to Porac and colleagues' (1989) work mentioned above, as well as the "mind of the strategist" and "eye of the beholder" perspectives articulated by Rindova and colleagues (2012), "Interfirm Relational Rivalry" explicates the many ways managers construct rivals. For example, while Tesla may not consider itself a car company—at least outwardly—many of its rivals and customers do, while others even suggest that it is—or will become—a battery company. From Tesla's point of view, it uses language to frame itself as a technology company, while "beholders" use their own language to construct rivals to Tesla that often are traditional automobile companies. In that way, Kilduff's focus on emotions and "trash-talk" among relational rivals points to a burgeoning area of sociocognitive research that looks at the strategic use of language in managing observers' perceptions of the firm and, thus, in affecting the firm's ability to acquire resources, deliver value, and gain competitive advantage (Gao, Yu, & Cannella, 2015).

Similarly, Waldron and his colleagues expand our understanding of competitive dynamics by offering a theoretical framework of rivalry between activists and firms. As special issue editor Cindy Devers writes:

> Although activists often pressure firms to adopt socially responsible or values-based practices, firms may or may not respond. Nevertheless, during this engagement process, those firms attempt to minimize the influence activists attempt to exert on them through simple nudges or costly proxy fights. While some research has acknowledged that competition between activists and firms exists, we know little about the tensions, actions, and responses that characterize these value-based rivalries. Waldron and colleagues address this shortcoming head on by integrating competitive dynamics and social activist research into a theoretical framework explaining how the process of values-based rivalries unfolds. To do so, they conceptualize the tensions, actions, and responses inherent in values-based rivalries and then distinguish these processes from those that occur in between-firm rivalries. They then explicate the role managers' perceptions play in shaping the likelihood of responding to activists' actions during the rivalry process.
>
> Waldron and colleagues' theory advances competitive dynamics research by developing a theoretical explanation of the rivalries that occur between dissimilar actors. It also contributes to social activism research by explaining how managerial perceptions of activist-related attributes influence the likelihood managers will respond to rivals' actions.

Similar to Kilduff's article, "Values-Based Rivalry" enhances our understanding of the organizations that firms consider rivals. Whereas traditional research focused on competitors as those firms sharing an industry or strategic group with the focal firm, a sociocognitive perspective allows managers to better understand that threats—and opportunities—can come from nontraditional sources. With a rise in social media communications allowing for more firm-to-firm contact, as well as greater firm-stakeholder contact and a focus on short-term results, Waldron and colleagues' prescriptions for how to identify and react to rivals' challenges are instrumental in today's business landscape.

In the last twenty years "the principle of who and what really counts" (Mitchell, Agle, & Wood, 1997: 853) has expanded to include additional stakeholders, many of whom now require less resources and power to be considered salient. For instance, large institutions own the vast majority of U.S. firms' equity shares. Thus, activist investors are able to marshal shareholder support for their demands more efficiently than in previous decades, when shareholdings were more atomistic. This is evidenced in battles between activists and large firms, such as Procter & Gamble (P&G) and Campbell Soup Company, which consume significant management and financial resources and can drive substantive governance

and leadership change. Indeed, P&G and Trian spent a combined $60 million to publicly present and defend their divergent strategic positions during their fierce governance battle, one that ultimately saw Trian leader Nelson Peltz win a seat on P&G's board (Franck, 2018). Further, Dan Loeb of Third Point launched a costly proxy fight with Campbell, aimed at replacing the entire board, ultimately settling for two seats (Hirsch, 2018). However, such activism isn't unique to the United States; in fact, the activist trend is rapidly spreading across the globe (Ponomareva, 2018). Therefore, "Values-Based Rivalry" is a timely and integral addition to the competitive dynamics and social activist research streams.

Moving Targets: Charting Strategic Drifts and Shifts

The second group of articles focuses on sociocognitive "drifts and shifts" in firms' strategic goals. Grimes, Williams, and Zhao (2019) tackle the tension associated with a firm staying true to its identity versus drifting toward new opportunities, while Nason, Mazzelli, and Carney (2019) theorize about how family firms can break free from traditional strategic frames by shifting to social networks as a helpful resource. As special issue editor Kyle Mayer writes about the Grimes et al. article:

> Firms don't always end up where they anticipated they would. The best plans often have to be rethought as they are being implemented because of internal issues during execution or external changes that influence the firm's motivation to continue with the original plan. Mission drift has long been considered a problematic issue for organizations that managers must watch for, but mission drift can also be an adaptive mechanism in which firms respond to new information. Grimes et al. conceptualize mission as a sociocognitive bridge between an organization's identity and its action. Mission drift occurs when the firm is slowly modifying its mission, especially as it manages multiple objectives as an organization. This article explores the concept of organizational mission drift, drawing on work from organizational identity and organizational adaptation. What causes a firm to take actions outside of its perceived mission? Grimes and colleagues focus on the complexity that arises from multiple, changing values held by society, organizational fields, and the firm and its role in mission drift. They examine the origins of actions perceived as inconsistent with an organization's values and when these actions will be perceived as mission drift, as well as how the organization may seek to influence audience perceptions. This article is an engaging step toward creating a theoretical conceptualization of mission drift.

Whereas strategic mission drift can lead to success (think effective diversification), it can also cause perceptual damage among observers (think cognitive dissonance). Grimes and colleagues discuss Disney's decision to produce PG-13 movies as an example of this dilemma. Canonical examples include Kodak's conundrum with producing a digital camera (Christensen, 1997) and Edison's decision to make the electric light less efficient so it appeared more like the gas lights and candles consumers were used to seeing (Hargadon & Douglas, 2001). The authors' sociocognitive perspective and focus on organizational identity opens new avenues to better understand how firms can deal with competing expectations from the marketplace. On the one hand, a firm can accrue benefits by consistently meeting expectations over time and staying true to its identity and reputation (Albert & Whetten, 1985; Gioia, Schultz, & Corley, 2000; Lange, Lee, & Dai, 2011; Ravasi, Etter, Rindova, & Cornelissen, 2018). On the other hand, marketplace observers are hard wired to expect more of firms over time, making meeting expectations more difficult (Haleblian, Pfarrer, & Kiley, 2017). "Anchors Aweigh" provides insight into how firms can manage this dilemma through "mission work" and, as such, contributes once again to the growing sociocognitive view of the role of language and perceptions in strategic decisions and firm performance.

Similarly, in "The Ties That Unbind," Nason and colleagues provide welcome nuance to the understanding of reference points in family firms as they investigate the benefits of social capital for family decision makers who are adaptable and open to change, and, thus, they offer new perspectives on what constitutes valuable resources. As special issue editor Cindy Devers writes:

> Extant research frames family firm strategic decision making around a socioemotional reference point. However, this work often takes a somewhat conservative and static view of family firms (Le Breton-Miller & Miller, 2018). In response, Nason and colleagues take a more dynamic perspective in which new information and experience may motivate shifts in the reference points some business-owning families utilize during strategic decision-making processes. They theorize that socialization with next-generation family members, capitalist class peers, and nonfamily professional advisors exposes business-owning family members to fresh

> stimuli that have the potential to alter their collective knowledge structures and, thus, the reference points they use when making strategic choices. This article therefore provides a fresh perspective on family firm decision making by developing a deeper theoretical explanation of how some business-owning families may move beyond their current strategic frames. It also advances a potentially fertile way scholars can examine the sociocognitive processes underlying how reference points develop, function, and may shift more completely.

Although scholars have previously considered reference point shift and heterogeneity in other domains (e.g., Fiegenbaum, Hart, & Schendel, 1996; Hoch & Loewenstein, 1991; Short & Palmer, 2003), the concept has yet to be fully incorporated into the family firm literature. Therefore, Nason and colleagues' sociocognitive theorizing on the processes underlying reference point shift in some business-owning families complements the more static socioemotional wealth perspective prevalent in family firm research (e.g., Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). Similar to "Anchors Aweigh," "The Ties That Unbind" creates new opportunities for scholars seeking to develop a richer understanding of how some business-owning families cope with potentially conflicting socioemotional wealth–based and market-based pressures.

Inside the Mind: Understanding Managerial Biases and Attention

The third group of articles takes a sociocognitive look at how biases and attention affect strategic decision making. Using construal-level theory, Steinbach, Gamache, and Johnson (2019) extend upper echelons research by examining how executives interpret and process decisions, while Denrell, Fang, and Liu (2019) theorize about how strategists can arbitrage competitors' attribution biases into competitive advantage. As special issue editor Kevin Corley writes about the Steinbach et al. article:

> One of the more effective ways to provide a theoretical contribution is by bridging two previously independent theoretical areas and showing how each can enhance the other. It's even more impactful when those two areas represent different levels of analysis. While many manuscripts attempt this type of bridging, most are unsuccessful at finding a truly significant way to advance theory. Not so with the effort by Steinbach and colleagues; their bridging of construal-level theory and upper echelons theory provides a truly novel and theoretically interesting look at how executives see their world and subsequently make decisions about their firm's place in it. Then, applying their theoretical insights to the specific context of mergers and acquisitions, Steinbach and colleagues demonstrate how construal shifts and executive flexibility help in managing complex strategic actions. The end result is a completely different way of considering how and why executives make the decisions they do, as well as a completely different way of thinking about how we can best help executives prepare better for the decisions they need to make.

In addition to serving as an excellent example of effectively bridging two theoretical areas, "Don't Get It Misconstrued" does an admirable job of further opening the "black box" of strategic decision making (cf. Hambrick, 2007: 337). For instance, much of the research examining mergers and acquisitions behavior and other strategic choices has heavily relied on secondary data and proxies, such as demographic or background characteristics, as substitutes for the psychological processes that underlie executives' strategic choices (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Nevertheless, although gaining access to and accurately measuring executive attributes is difficult, it is critically important to developing a more complete and rigorous understanding of executive behavior and strategic choice (Harrison, Thurgood, Boivie, & Pfarrer, 2019).

With the growing advances in empirical methodologies and techniques, scholars' access to unique and exciting ways of obtaining rich data on executive attributes continues to grow. Employing these new techniques and methods will allow researchers to gain insights on the executive-level antecedents that influence strategic choices, as well as the consequences of those choices, particularly as they relate to the sociocognitive factors. Thus, as tools continue to advance, the arguments put forth by Steinbach and colleagues can be subject to rigorous testing, and they may spur like-minded scholars to investigate the sociocognitive processes they previously shied away from.

Similarly, Denrell and colleagues unpack how recognizing luck and reversion to the mean can help strategists exploit opportunities and gain competitive advantage. As special issue editor Don Lange writes:

> A pervasive cognitive bias entails overattributing performance to skill rather than luck. Denrell et al. describe how errors result from that bias—in

particular, false expectations and mispricing in strategic factor markets—and how those errors can represent opportunities for an informed strategist. The misattributions of performance stem from the human tendency to treat current performance as a reliable predictor of future performance. The authors explain how, in reality, regression to the mean can make that expected relationship between current and future performance somewhat illusionary. A result of misattributions of performance is that the market may overprice certain employees (for example) as a consequence of their good luck and may underprice other employees following their bad luck. Denrell et al. theorize that such misevaluations can provide the basis for competitive advantage to the extent that they are protected by sociocognitive forces that prevent the misevaluations from being widely recognized and acted upon. One of those forces consists of learning barriers that obscure the existence of prediction bias. Another force consists of interdependency barriers, whereby informed strategists are hampered by their dependencies on others who cannot see and appreciate the misevaluations.

The paradox, then, is that the opportunities to exploit others' misattributions of performance are most available in situations where the misattributions are difficult to detect and act upon. Recognizing this puzzle, Denrell et al. theorize about how some strategists might overcome it to create and maintain competitive asymmetry. The authors discuss ways that strategists might reduce dependencies and overcome learning barriers. Denrell et al. describe how searching for these opportunities is akin to looking for a needle in a haystack, and as an inherently risky pursuit, but how a strategist can be guided by their theory to narrow down which haystacks might be most promising to explore. The larger point is that the systemic biases that have been so well explored and documented in the literature can provide the basis for competitive advantage.

"Luck" offers a clever explication of how competitive advantage may not be due to external forces or internal resources, as traditional research has suggested, but to a potential new kind of sociocognitive asset—recognizing competitors' biases and exploiting them. While they recognize the challenges in finding the right "haystacks," Denrell et al. extend research on intangible and perceptual assets by intimating that the "eye of the beholder" can be biased, and perhaps giving credence to the Johari window (Luft & Ingham, 1955)—and promoter Donald Rumsfeld (2002)—as an interesting area for future strategic management research:

> As we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don't know we don't know. And . . . it is the latter category that tend to be the difficult ones (Rumsfeld, 2002).

Perhaps Rumsfeld and others are right—investigating uncertainty in general (Weber & Mayer, 2014) and black swans in particular (Taleb, 2007) is a noble pursuit. Interestingly, however, the quote fails to mention a fourth option—the unknown knowns (Zizek, 2008)—which, from a strategic management perspective, can be construed as information firms know, yet fail to disclose or acknowledge, but that is discovered later. On second thought, this area may be the most fruitful for further inquiry in the twenty-first-century marketplace.

We hope you enjoy the STF on Sociocognitive Perspectives in Strategic Management. Our thanks go again to our reviewers and authors, as well as former *AMR* editor Belle Rose Ragins, managing editor Irina Burns, and the entire *AMR* staff for their support in developing this issue.

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