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**THE PAGE NUMBERS ABOVE CORRESPOND TO THE PDF PAGE COUNTER!!!**
About to Burst: How State Self-Regulation Affects the Enactment of Bullying Behaviors - Charn McAllister, Florida State University; Pamela Perrewe, Florida State University

This study proposes that the relationship between perceptions of abusive supervision and the enactment of bullying behaviors is mediated by state self-regulation, and that active coping moderates the relationship between state self-regulation and bullying. Further, we analyze whether the situational context (e.g., positive or negative) affects individuals’ levels of regulatory resource depletion and ultimately, the extent to which they engage in bullying behaviors. A moderated mediation analysis using time-separated data comprised of 138 participants provided support for our hypotheses, suggesting that state self-regulation mediates the relationship between perceptions of abusive supervision and the enactment of bullying behaviors.

A Complex Adaptive Systems Approach to Entrepreneurial Ecosystems - Philip T. Roundy, University of Tennessee at Chattanooga; Beverly K. Brockman, University of Tennessee at Chattanooga; Mike Bradshaw, The Company Lab

Entrepreneurial ecosystems are a phenomenon of growing economic and cultural significance, which is attracting the attention of academics and practitioners. Studies have identified ecosystems’ key components, such as sources of financial capital. However, prior research has not put forth a theory of entrepreneurial ecosystems that embraces their complexity. To address this omission, we draw from work in wide-ranging disciplines and contend that entrepreneurial ecosystems can be better understood if examined through the lens of complexity theory and conceptualized as complex adaptive systems. We present the core concepts of complexity, apply them to entrepreneurial ecosystems, and discuss the implications of our theorizing.

A Contingency Approach for Open Innovation: A Business Ecosystem Perspective - Seyed Hooman Seyed Abotorabi, Old Dominion University

Open innovation has become one of the most frequently discussed topics in the business press. Unfortunately, very few firms know how to implement the open innovation strategy because it is too different from traditional approaches, and there is limited theory and research on this promising new trend. Open innovation strategies should be built based on the business ecosystem in order to be successful. This study suggests several propositions discussing when and how the open innovation approach can work for a business operating within a wide variety of business models operating inside different business ecosystems. In this paper, I address what the best open innovation strategy is based on the different roles that firms adopt based on their business ecosystems. Nearly all the open innovation researches focus on capability building by analyzing changes as exogenous shocks and emphasizing only on core competencies, but this study has a novel perspective by relating open innovation to the value network of the firms in their business ecosystem.

Acquisition of Biopharmaceutical Firms after an IPO: Collaboration, Competition or Co-operation - David R. Williams, Appalachian State University; Carlton C. Young, Mississippi State University; Betty S. Coffey, Appalachian State University

In the current study we examine the acquisition of biopharmaceutical firms that recently had an initial public offering (IPO) and explore the nature of the relationships between the acquiring firm and the acquired IPO firm prior to the acquisition. The paper contributes to the often understudied area of resources in IPO acquisitions and relies on the resource-based view (RBV) theoretical lens. We argue that firm-specific resources and regional resources influence the collaboration and increase the likelihood of a biopharmaceutical firm being acquired by other firms. We find to some extent that firm-specific resources and regional resources affect the number of collaborators and the prospect that the firm will be acquired. Furthermore, our findings show that acquired firms with more firm-specific and regional resources are likely to be acquired by firms that had engaged in co-operation rather than by firms engaged solely in collaboration, competition, or (to a limited extent) with no prior relationship with the firm being acquired. Implications for biopharmaceutical firms and directions for future research are discussed.

Adoption and Implementation of the Ethics and Compliance Management (ECM) - Koustab Ghosh, Indian Institute of Management Rohtak

Previous scholarly works have corroborated that the institutional environment of the firm involves a lot of complex dimensions and relationships. This complexity is enhanced with the growing and evolving social expectations that are created on the firms by its institutional environment from time to time. Some of these events are substantive by nature and affect a large number of firms; whereas there are also events that affect only specific individual firms. Individual firms adopt different coping strategies in responding to such institutional pressure. This study attempts to explore these complex response mechanisms in the context of ethics and compliance. In particular, this study examines how individual firms respond to the ever-increasing social pressure of the institutional environment by adopting and implementing the ethics and compliance management (ECM) as an independent full-time function of the firm’s corporate management group. The findings highlighted that the decision to adopt ECM is the result of the field-wide critical events in the institutional environment. Further, the decision to the resource commitment in ECM implementation is influenced by the firmspecific critical events.

A Dose-Response Theory of Social Support - Adam Perez, The University of Alabama; Jonathon R. B. Halbesleben, University of Alabama

Social support is a well-studied construct that has found support in the literatures of numerous disciplines. In this paper we further the theory of social support by framing it within medicine’s dose-response theory. Dose-response curves model the relationship between the dosage of a medicine and the response in an organism. The graph of a dose-response curve shows the amount of medication (the dose) along the x-axis against the response on the y-axis. Framing social support as a medication allows us to ensure that we are prescribing the right medication, providing the right dose, administered via the right route, given to the right patient, and given at the right time. These “Five Rights,” memorized by every nurse, ensure that treatment is carried out systematically and with as little error as possible. However, in management we have very little advice to give to practitioners for how to provide social support. This paper helps develop this new dose-response theory of social support, extending the Triple Match Principle (DeJonge & Dorman, 2006) with testable propositions that can further our understanding of social support.
Aggressive Strategies During Recessions: Evidence from the 2007 IPOs - Steve Lovett, University of Texas Rio Grande Valley

Recessions are among the most disruptive events that businesses ever face, but little is known about firm strategies during recessions. This study used a person-firm industry framework to investigate the conditions under which firms are likely to respond aggressively or conservatively to recessions. The sample was taken from the set of firms that completed IPOs in 2007, just before the “great recession” of the late 2000s, and data was taken from their published financial statements. Aggressiveness was measured through a “balance sheet” approach, as the extent to which managers were willing to commit the funds raised at IPO to long-term assets. Hypotheses were tested through a regression using aggressiveness as the dependent variable. The larger 2007 IPO firms and those in less concentrated industries were more likely to follow more aggressive strategies. However, the hypothesis relating to the person was not supported. Future research focusing on how the characteristics of individual decision makers influence their responses to recessions would be useful. More generally, there may be circumstances under which firms might benefit from aggressive strategies during recessions, and more precise identification of these conditions would be of great value to business practitioners.

A Metacognitive Approach to Understanding What Marker Variables Measure - Marcia J. Simmering, Louisiana Tech University; Stephanie Leonard, Louisiana Tech University

Marker variables have increasingly been used as a way to detect common method variance in same source data, yet questions remain as to whether marker variables actually measure, and thus, how they work. The current study takes a metacognitive approach, using both quantitative and qualitative data to determine the degree to which three different marker variables account for the common rater effects of mood state (positive and negative affect), transient mood state, consistency motif, and implicit theories. Findings indicate that the marker variables studied elicit different respondent reactions in relation to different common rater effects.

An AMC Model of Organizational Security Strategy - Joseph Simpson, University of Texas - Rio Grande Valley

Given the prevalence of security in today's society, there is little doubt that security is an important facet of organizational life. Indeed, security has long been argued to be a basic need of humans in general. Despite such needs and prevalence, few management studies approach the topic of organizational security strategy. To address this dearth of research, a framework for the study of organizational security strategy is offered and propositions for future research are presented. Drawing from research on competitive dynamics, an Awareness-Motivation-Capability model is used in developing a framework for research on organizational security. Organizational security provides a much-needed change to a greater emphasis on security in organizations and their effects on employees.

An Entrepreneurial Approach to Internationalization - Matt Hersel, Auburn University; Brian L. Connelly, Auburn University

Entrepreneurial firms seek to innovate their product offerings and business practices in order to gain an advantage over rivals; firms seeking to diversify internationally enter different countries in order to access new markets and resources. In today's dynamic and global economy many firms are engaging in both practices to great success. As such, scholars have made an effort to combine research on entrepreneurship and internationalization, but less research considers how managers might go about internationalizing in an entrepreneurial manner. Drawing on the literature on entrepreneurial orientation (EO), this study investigates the benefits realized by firms when their executives expand operations internationally in a meaningful and entrepreneurial way. To do so, we conceptualize the dimensions of EO in terms of the task of international diversification and tie these activities to firm performance.

An Exploratory Study of Leadership Preferences in the Countries of Ghana, Kenya and Zambia - Randy Evans, University of Tennessee at Chattanooga; Romie F. Littrell, Auckland University of Technology; Nai Lamb, University of Tennessee at Chattanooga; Bradley L. Kirkman, North Carolina State University

The human capital foundation of Africa is vital to the advancement and well-being of the continent, yet there is a dearth of research on the practice of organizational leadership. To lessen this gap, we examine whether individuals in three sub-Saharan African countries differ in their preferred leader behaviors. The countries of Ghana, Kenya, and Zambia were selected as they represent western, eastern, and southern Africa, respectively. Our study advances leadership theory by (a) considering how preferred leader behaviors may vary due to gender differences of followers and (b) examining cross national differences between African countries. Males and females across these countries (N=906) did not differ significantly in their preferences for the 12 leadership behaviors represented in the Leadership Behavior Description Questionnaire-XII. The behaviors of initiating structure and integration were rated the highest and the behaviors of tolerance of uncertainty and tolerance of freedom were found to have the lowest preferences. Country comparisons did how ever reveal differences; the most pronounced variations were seen in Kenya while Ghana and Zambia were similar across most of the leadership behaviors.

An Exploratory Study of the Influence of Contemporary Performance Management Research on Current Organizational Practice - C. Allen Gorman, East Tennessee State University; John P. Meriac, University of Missouri - St. Louis; Joshua L. Ray, Tusculum College; Joel Ame Ryman, ETSU; Jason Gamble, East Tennessee State University

Performance management (PM) research has traditionally been criticized because of its supposed lack of impact on PM practice. A survey of PM practices in 101 U.S. organizations was conducted to determine the current state of PM and to evaluate the gaps between PM science and practice. Results revealed that gaps do exist between PM research and practice, but there were several instances of clear impact of contemporary PM research on the practice of PM. Moreover, exploratory analyses indicated that practical PM considerations (e.g., PM purpose, employee participation, ongoing informal feedback) were more important to human resource executives' perceptions of PM fairness and effectiveness than technical considerations traditionally found in the academic PM literature. Implications for the science and practice of PM are discussed.
Angel on One Shoulder: Perceived Organizational Support, Dark Personalities, and Counterproductive Work Behaviors - Joshua Palmer, Southern Illinois University Carbondale; Meera Komaraju, Southern Illinois University Carbondale; Min Carter, Southern Illinois University; Rhonda Kowalchuk, Southern Illinois University; Steven Karau, Southern Illinois University

Our study examined perceived organizational support as a moderator of the relationship between the dark triad personality traits of narcissism, Machiavellianism, psychopathy and specific types of counterproductive work behavior (i.e., sabotage, production deviance, withdrawal, theft, and abuse) using a cross-sectional sample of 208 employees recruited through Amazon Mechanical Turk. Significant findings from structural equation modeling (SEM) analyses suggest that individuals scoring high on narcissism, Machiavellianism, and psychopathy reported engaging in some types of counterproductive work behavior less frequently when they perceived higher levels of organizational support. Interestingly, perceived organizational support had the greatest effect on individuals reporting higher levels of psychopathy, indicating that workers normally perceived as cold and aloof may benefit the most in an environment that they perceive as genuinely caring about them and championing their successes. The findings of this study suggest that individuals possessing higher levels of narcissism, psychopathy, Machiavellianism are not necessarily "lost causes," and providing greater organizational support may inhibit their propensity to engage in some types of counterproductive work behavior.

An Interdependence Theory of Perceived Listening - Tiffany Schroeder, Case Western Reserve University

When employees perceive that higher-ups are listening they are more likely to speak up about work issues (Tangirala & Ramanujam, 2012), to display other discretionary performance (Lloyd, Boer, Keller, & Voepel, 2014), show higher levels of commitment (Lodell, Sonada, & Arnold, 1993), experience lower emotional exhaustion and have lower intentions to quit (Lloyd et al., 2014). Listening has also been positively correlated with trust, job satisfaction, psychological safety, and leadership (Kluger, 2015). This small but growing body of work indicates that it is important for employees to feel that someone is listening, yet it is unclear precisely what it means to employees to be listened to and how listening interactions shape their perceptions and behaviors in the workplace. In this paper I introduce the concept of perceived listening and offer a theoretical framework for investigating its role in organizational sciences.

Antecedents of Foreign Corporate Political Activities in United States Politics - Lee Warren Brown, Texas Womans University; Mahmut Yasar, The University of Texas at Arlington; Abdul A. Rasheed, University of Texas at Arlington

Firms engage in the political process through various forms of Corporate Political Activity (CPA) in the U.S. While almost all of the management research has focused on domestic firms engaged in CPA behaviors, foreign firms are also actively involved in lobbying in the U.S. We examine the antecedents of foreign CPA in the United States at the firm, industry and country levels using penalized maximum likelihood and Poisson estimators. Findings indicate that in many ways, foreign firms mimic their domestic counterparts, but there are some important differences as well. Using a sample of 1912 publicly listed foreign firms from 60 different countries during the period 1998-2014, we identify several antecedents of foreign-firm CPA at the firm, industry, and national levels.

A Psychological Contract Perspective of Board Effectiveness: Examining Behavioral and Strategic Consequences - Francois Neville, Georgia State University; Ryan Phillip Currie, Georgia State University

Although strategic leadership and governance scholars have long focused on understanding board effectiveness, it remains a complex and nuanced undertaking. In this regard, recent work alludes to potential negative consequences of deficient and/or excessive board monitoring and/or resource provision in terms of how it may influence CEO behavior and actions, as well as organizational strategy and performance. We build on these suggestions and articulate psychological contract framework of board effectiveness. Concretely, we regard monitoring and resource provision functions as promised and delivered inducements that influence how a CEO may perform his or her tasks and job. This novel theoretical stance allows us to articulate how misalignment (i.e., deficiencies or excesses) between promised and delivered monitoring and/or resource provision may influence CEO behavior and organizational strategies in unsuspecting ways. We build on these developments to outline an agenda for future research and suggest noteworthy implications for practice.

A Ripe Apple in a Rotten Barrel: An Interactionist Examination of Pro-Social Rule Breaking - John Edward Baur, University of Nevada Las Vegas; Michael R. Buckley, University of Oklahoma

Pro-social rule breaking, a collection of deviant behaviors enacted to assist others, has been conceptualized as a type of constructive deviance and suggested to offer benefits to organizations as well as stakeholders. However, the findings to date suggest that these behaviors are performed by employees with less than ideal characteristics. In response, through the use of a multi-wave field study, we use role identity theory to argue and find support for our repositioning of the construct such that positively deviant behaviors are the actions of good employees – those who are imaginative and confident in their abilities while holding salient empower identities – how ever they are within a context they perceive to be highly political and overseen by unsupportive leaders. In doing so, we address several shortcomings in the deviance research and, through the examination of a true interactionist model, we answer the call by several researchers to consider the contextual factors that influence the performance of pro-social rule breaking. Further, we begin the process to transition the construct from the early exploratory design to theory-driven refinement.

Assassination of Political Leaders: Leader (In)Actions and Contextual Factors - Andra Serban, University of Warwick; Francis J. Yammarino, Binghamton University - State University of New York; Chanyu Hao, High Point University; Juliet Banoeng-Yakubo, University of Warwick; Alexander Mushore, University of Warwick

Given human aggression and warfare are often described as the most pressing behavioral problems of our times, we focus on a related phenomenon, with large-scale social, political and economic consequences: the assassination and attempted assassination of political leaders. Despite the impact and relevance, this topic has been generally neglected within leadership research. Building on the frustration-aggression hypothesis, and work on leader assassinations by Yamarino, Munford, Serban and Shirreffs (2013), our study uses historiometric methods to identify whether leader (in)actions and the context in which a leader exercises power is associated with his/her assassination and attempted assassination, independent of leaders’ characteristics.
Our results indicate environmental constraints, social conflict and threat to traditional culture predict both assassination and assassination attempts. Additionally, country view, political corruption, social and domestic military pressure, as well as culture itself predict assassination, while leader disappointed social expectations leads to assassination attempts. We discuss implications of these findings and suggest some future research on leadership, assassination and their collective-level impact.

Assessing Municipal Employees' Participation in Volunteer Activities - Shelia Diann Hammon, University of South Alabama; Marjorie Icenogle, University of South Alabama

Corporate volunteerism involves the corporation supporting causes and providing resources that enable employees to participate in volunteer activities. However, employee volunteerism is broader concept that may go beyond organizational social responsibility efforts by recognizing that employees may volunteer their time and effort for social and environmental causes, with or without organizational support. Few studies have investigated employee volunteerism at the individual level and to-date few studies have investigate employee volunteerism in the public sector.

Little is known about why individuals, especially employees participate in volunteer activities. The findings reported here address gaps in the literature by exploring volunteer efforts of employees employed by a mid-sized city in the Southeast. This study investigated how many city employees are volunteering, which types of volunteer activities are they most likely to engage, and measures employees' attitudes regarding social responsibility and volunteerism. Findings reveal that 60% of the city employees are volunteering in a variety of community activities and causes. This study found that employees who have higher scores on the community citizenship behavior scale are more likely to volunteer and are likely to invest more hours volunteering annually. Differences among employees who volunteer and those who do not volunteer are investigated.

Assessing Organizational Demographic Representativeness: A Workforce Analytics Measure - William Latimer Tullar, UNC-Greensboro; E. Holly Buttner, UNC-Greensboro

Workforce analytics is an evolving measurement approach in human resource planning and strategic implementation. Workforce analytics can help organizations measure and manage one of their most important resources: their human capital. Resource dependency theory (Pfeffer & Salancik, 1978) proposes that organizations seek control resources critical to their survival. Many organizations seek a demographically representative workforce to better understand their diverse customer segments. Monitoring the representativeness of an organization's workforce, as captured in EEO-1 forms in the United States, is an important component of human resource management strategy. While there are diversity metrics for groups and teams, there currently is no published metric that evaluates the representativeness of an organization's workforce relative to its relevant labor market. We propose a one-number metric, called the D-Metric. This metric is a summary statistic useful in assessing the degree to which the organization's workforce is representative of the racioethnic demographics of its labor market. We show hypothetical and real examples of possible applications of the D-Metric in human resource management strategic planning.

A Teaching and Learning Model for Developing Leadership Skills in Undergraduate Management Programs - Belinda Johnson White, Morehouse College

This article describes a leadership and professional development (LPD) teaching and learning model for undergraduate business students. The LPD teaching and learning model serves as the conceptual framework for the LPD course. The course utilizes experiential learning theory to achieve student learning outcomes. The LPD model and course components are described in detail in the article. Alumni perception of the impact and importance of the class is extremely favorable, positioning LPD as a scalable intervention for the teaching of leadership and professional development skills and competencies throughout higher education and industry. The success of the model and the class along with conclusions and recommendations are discussed.

A Theory of Entrepreneurial Expation Among Bypassed Siblings - Peter Jaskiewicz, Concordia University; James G. Combs, University of Central Florida; Sabine Rau, King's College

An entrepreneurial legacy (EL) is a business family's rhetorical reconstruction of past entrepreneurial achievements or resilience. Recent research shows that imprinting an EL on the next generation motivates family incumbents and successors to engage in activities that foster transgenerational entrepreneurship in the family firm. The present study extends this line of research by developing theory to explain how next-generation members who are NOT successors can be motivated to become entrepreneurial inside or outside of the focal firm. As such, we develop theory on entrepreneurship expation—the extent to which entrepreneurial capabilities that are developed in one context (i.e., the family firm) will be applied to other contexts (i.e., a new firm). Based on 88 in-depth interviews with 13 German multi-generation business families active in the wine-making sector, we find that when a strong EL is combined with high family cohesion and low family flexibility it focuses male bypassed siblings on entrepreneurial behaviors as secondary participants in the firm or, if that is not possible, in other wine businesses in the same region, indicating some entrepreneurial expation. In families with moderate levels of cohesion, EL and family flexibility, male bypassed siblings turn their entrepreneurial energies to new firms, industries and regions—indicating strong entrepreneurial expation. Based on these findings, we theorize that very cohesive families with a strong EL limit entrepreneurial expation to ensure a pool of reserve successors. In contrast, families with moderate levels of cohesion, EL, and flexibility are less focused on the focal firm, supporting entrepreneurial expation of male next-generation members to new contexts. Our findings, however, do not extend to female next-generation members: Despite an entrepreneurial motivation, they are blocked from pursuing entrepreneurial behaviors by traditional family rules that favor sons; the only exception appears to be families lacking sons.

A Transactional Cost Perspective of Organizational Resilience - Cyrus Parks, University of Houston

Management scholars have typically focused on firm resources and emergent competencies to explain and provide normative support for organizational resilience, but critical relationships with markets, suppliers, customers, alliances and even competitors suggest that recovery after a shock also lies at the boundaries of the firm, not just internally. Transactional cost economics provide a contrasting theoretical lens for explaining and evaluating resilience in terms of strategic management decisions and connectedness with externalities though risk-based contracts. Firm resilience is proposed to be, at its origins, a function of the optimal balance of markets (i.e., through contracts) or hierarchies (i.e., through internal slack) for rebound and recovery.

Are They Worth It? CEO Perceptions of Employee Competence and Warmth as an Antecedent to HPWS Utilization - Kyoung Yong Kim, University of Houston; Jake G Messersmith, University of Nebraska-
Lincoln

Utilizing theory from social psychology, the antecedents and consequences of HPWS utilization are assessed in a sample of 109 small and medium sized enterprises (SMEs) in South Korea. The extent of HPWS utilization in small firms may not be driven only by strategic and economic motivations, but also by social interactions within the firm. We use the social psychology lens to propose the significance of CEO perceptions of employee warmth and competence as an antecedent to HPWS use in small firms. CEOs holding a high view of both employee trustworthiness (i.e., warmth) and ability (i.e., competence) appear to utilize higher levels of HPWS. Further, employee perceptions of leader support moderate the relationship between HPWS utilization and firm performance, such that high levels of perceived support enhance the efficacy of HPWS. The results serve to highlight the socio-relational architecture of the firm.

Attachment Style and Competitiveness: Early Relational Model Effects on Competitive Orientation - Gabrielle Swab, University of Mississippi; Paul Johnson, University of Mississippi

Although competitive behavior is a fundamental dynamic in the world of business, it remains relatively understudied compared to its role in interpersonal action. We engage in competition in various forms throughout our lives, from early childhood through adulthood, so understanding how and why we compete, as well as the different ways we compete may help us understand the characteristics of the different approaches to competition we see in the workplace. In pursuit of this goal, we proposed a model of childhood developmental processes, attachment style, and their effects on competitive orientation. By integrating these individual differences related to interpersonal activity, we establish a basis for identifying the important relational dynamics that affect competitive action.

Attention, Competitive and Cooperative Actions, and Firm Performance - Kyle Turner, University of South Carolina Upstate; T. Russell Crook, University of Tennessee; Matthew Harris, University of Tennessee; Annette L. Ranft, North Carolina State University

Extant research suggests that firms that engage in competitive and cooperative actions can improve performance. However, research on the antecedents and outcomes of these actions has been limited. Leveraging the attention based view of the firm, we theorize that attention is a prelude to competitive and cooperative actions and that attention is also a resource constraint that limits the positive effects of competitive and cooperative actions on firm performance. Using data from a sample of medical device manufacturing and oil and gas field services public firms, we test our theory and find that, as predicted, competitive actions have diminishing returns and this relationship is moderated by the diversity of these competitive actions. In relation to cooperation, we find that cooperative attention is positively related to the enactment of cooperative action, and cooperative actions and cooperative action similarity are positively related to firm performance.

Authentic Leadership: An Examination of Boundary Conditions - James Douglas Carlson, Texas Tech University; William Gardner, Texas Tech University; Daniel Gullifor, Texas Tech University; Claudia C. Cogliser, Texas Tech University

Authentic leadership theory currently makes an implicit assumption that authenticity and authentic relationships are achievable in any context. However, this assumption is unsubstantiated and needs to be addressed to facilitate sound advancement of the authentic leadership literature. To address this assumption, we present theoretical propositions regarding the boundary conditions of authentic leadership. Specifically, we center our attention on the development of authentic relationships and introduce a model of authentic relationship formation. We organize our discussion of the identification and examination of boundary conditions at both the ombus (e.g., time, physical distance, cultural friction) and discrete (e.g., perceived social distance, perceived frequency of leader-follower interaction, narcissism, Machiavellianism, psychopathy) levels of context. We follow our consideration of how these boundary conditions can impede the development of authentic relationships with a discussion of implications for the theory and suggestions for directions for future research.

Best Paper In Track: An Exploration of the Cognitive Foundation of Marketplace Discrimination - Jie McCardle, Georgia Southern University; Michael W. McCardle, University of North Florida

Marketplace discrimination and injustice remain to be a pervasive problem in the retailing industry despite the progress our modern society has made in social justice. This paper examines the cognitive foundation of perceptual biases and judgment errors that lead to discrimination. Drawing from theories of dual model of thinking, we argue that automatic thinking plays a role in the formation and escalation of discriminatory stereotypes and that scientific reasoning orientation in reflective thinking can help correct poor snap judgments and thus reduce the occurrence of discrimination. Understanding the dual cognitive process of perception and judgment can contribute to our knowledge of the causes of marketplace and workplace discrimination and thus help us develop solutions accordingly.

Best Paper In Track: Do Firms Downsize to Reduce Slack? - Patricia Norman, Baylor University; Frank Christopher Butler, University of Tennessee at Chattanooga; Michelle Zorn, Auburn University

Some of the research on employee downsizing has contended that employee downsizing is a way to reduce excess human resource slack. The relationship between slack resources and the likelihood of downsizing, however, has been largely untested. This study investigates how human resources slack and unabsobered financial slack, both individually and in differing bundles, are associated with the decision to downsize. In a matched pair study of 642 firms, we examined both financial slack and human resource slack. The results suggest, contrary to the commonly used definition of downsizing as a way to reduce excess slack, firms are actually more likely to downsize as human resource slack decreases rather than as human resource slack increases.

Best Paper In Track: Facilitating Peer Evaluation in Team Contexts: The Impact of Frame-of-Reference Rater Training - Andrew Loignon, UNC Charlotte; David J. Woehr, University of North Carolina Charlotte; Jane Shumski Thomas, Purdue University Calumet; Misty L. Loughry, Rollins College; Matthew W. Ohland, Purdue University; Daniel Ferguson, Purdue University

The present study extends the research on peer evaluation by examining the impact of a frame-of-reference training intervention on
team-members’ understanding of a specific model of teamwork, as well as on the quality of peer evaluation in a team-performance context. Specifically, we measured improvements in participants’ understanding of and ability to apply a model of team performance, then examine whether participants who have completed frame-of-reference training provide higher-quality peer ratings in the context of an interactive team exercise than those who do not receive training. Using round-robin data obtained from students working on a highly interdependent task at two universities, we test our hypotheses using the social relations model. Our findings suggest that students who completed the frame-of-reference training could classify and rate behaviors more accurately. Furthermore, these students provided higher-quality peer evaluations. Based on these results, we highlight implications for practice and research on peer evaluations.

Best Paper In Track: Restaurant Franchising Deviance and Firm Risk - Melih Madanoglu, Florida Atlantic University; Gary Castrogiovanni, Florida Atlantic University

How much should restaurant firms franchise? Does this decision affect firm risk? We set out to answer this question in a study of 64 publicly-listed franchising restaurant firms in the United States. Using the arguments of resource scarcity and agency theories, we first estimate the optimal mix of franchised and firm-owned outlets. Findings show that restaurant firms that deviate from prescriptions of these two theories have a higher firm risk. More specifically, franchising misalignment leads to higher firm risk. For franchisors, results highlight the importance of maintaining an optimal mix of franchised and firm-owned outlets.

Best Paper In Track: Social Media Recruitment: LinkedIn and (Counter)Productive Diversity Messages - Robyn Brouer, Canisius College; Rebecca Lee Badawy, Youngstown State University; Michael Stefanone, University at Buffalo, SUNY; Michael J. Egnito, University of Maryland

Organizations use their websites to signal their value diversity as part of their recruitment strategies. However, little is known about the consequences of conflicting information about diversity on perceived organizational attraction. We report on two experiments in which participants were exposed to a fictitious corporate website emphasizing diversity and then shown LinkedIn profiles of employees from that organization which varied in terms of their diversity. Results from Experiment 1 (N = 109) demonstrated that when corporate diversity signals conflict with signals available via LinkedIn, participants viewed the organization as less attractive and less attractive. Experiment 2 (N = 153) demonstrated that participants were sensitive to diversity across the formal hierarchy, and that conflicting diversity signals deterred participants from initiating employment applications. These effects were stronger for minority participants. Given the importance of cultivating ethnically diverse organizations, these results demonstrate that current diversity recruitment efforts may be counterproductive in terms of minority applicant recruitment given warrants available via social media.

Best Paper In Track: The Global Convergence Controversy: A Longitudinal Multilevel Assessment of Cultural Change - Rachida Aissaoui, Ohio University; Frances H. Fabian, University of Memphis

The extent of convergence of cultural value across nations is the subject of a wide debate in international management research. In light of conflicting evidence, we propose the possibility of two misconceptions in current theories: 1) culture is often viewed as a unilevel construct, and 2) the globalization of cultures is expected to follow a top-down bottom-up process. We differentiated between levels of national values versus individual values, specifically arguing that different factors drive the adoption of global values at each level. We perform three sets of structural equation models, including a mediation and a multivariate longitudinal analyses, to test our hypotheses that while individual values are likely to be influenced by commonly theorized factors thought to trigger global values, notably wealth, such a relationship will be mediated by the power structures interdependency at the national level.

Best Paper In Track — Sponsored by JBE: Finance or Philanthropy? Impact Investing in the Social Entrepreneurship Sector - Philip T. Roundy, University of Tennessee at Chattanooga; Ye Dai, Southern Illinois University Carbondale; Hunter Holzhauer, University of Tennessee at Chattanooga

The growing prevalence of social entrepreneurship has been coupled with an increasing number of so-called “impact investors.” How much remains to be learned about this nascent class of investors? In this partially inductive study based on semi-structured interviews and ethnographic observation, we explore this new phenomenon by focusing on how impact investors’ differed from other classes of investors in their motivations and the unique criteria they use to evaluate ventures seeking investment. Our empirical findings have theoretical implications for several literatures including research on social entrepreneurship and institutional logics. We also generate concrete insights valuable for practicing impact investors and social entrepreneurs.

Beyond Banning the Box: A Conceptual Model of the Stigmatization of Ex-Convicts in the Workplace - Heather Anderson, University of Oklahoma; John Edward Baur, University of Nevada Las Vegas; Michael R. Buckley, University of Oklahoma

Ex-convicts, an ever-growing percentage of the labor force, frequently face additional hardships due to stigmatization despite having paid their debt. Previous research on this stigma has focused almost exclusively on its one-time deleterious implications during the selection process while neglecting the perpetual ramifications that permeate social interactions post-hiring. We seek to glean insight into this shortcoming by adopting a cross-disciplinary approach and drawing from theoretical foundations in social psychology to present a model of the process and outcomes of the stigmatization of ex-convicts in organizations. In doing so, we outline the relationships between stigmatization, stereotyping, and discrimination in the employee-manager relationship as well as explain how stigma influences the interpersonal relationship to lead to employee outcomes such as higher turnover, lower performance, and lower job satisfaction.

Beyond Organizational Identification: The Legitimation and Robustness of Family Identification in the Family Firm - Curtis Matheme, University of Louisiana Lafayette; J. Kirk Ring, Louisiana Tech University; Brian Waterwall, Louisiana Tech University; Keith Credo, McNeese State University

In this study, family firms are viewed from a social identity theory perspective to examine the effects of organizational identification and family identification on family firm employees. We elucidate the differences between these two types of identifications upon organizational citizenship behaviors and commitment behaviors in family firm employees. Results suggest that family identification
is positively related to affective, normative, and continuance commitment, as well as organizational citizenship behaviors. To provide stronger support for the robustness of family identification, analyses were conducted to determine if the variance in these behaviors explained by family identification are above and beyond the variance explained by organizational identification. Hypotheses are tested with a sample of 173 employees from a variety of family businesses. Findings provide support for most of the hypotheses. Implications for researchers and practitioners as well as suggestions for future research are discussed.

Bound for Entrepreneurship? Exploring the Effects of Boundaryless Career Views on Entrepreneurial Intentions - David Marshall, University of Mississippi; Jon C. Carr, North Carolina State University

Considering that recent literature holds that many individuals transition incrementally from wage-employment jobs to entrepreneurial careers, we extend “new” career theory to the study of entrepreneurial decision making by examining the role of boundaryless career views in shaping entrepreneurial intentions for employees. The boundaryless view allows us to not only consider individual differences in entrepreneurial intentions but also accounts for the role of human agency in pursuing entrepreneurship; an aspect noticeably missing in the intentions literature. Specifically our study involving a diverse group of 902 employees from a security operations and logistics organization shows that boundaryless career views do indeed positively impact an employee’s intentions to leave wage employment in favor of entrepreneurship and that other self-directed career attitudes influence this relationship as well. Our theory and findings highlight the importance of examining entrepreneurial intentions in the context of wage-employment individuals (as opposed to students who have yet to make career decisions) and the underlying cognitive mechanisms that seem to allow some employees see entrepreneurship as a desirable and feasible career move while others do not.

Can Activists’ Social Identity Explain Their Choice of Corporate Targets? Evidence from a Mixed Method Study - Elise Perrault, College of Charleston; Katarina Sivakova, University of Zurich; Kathleen Rehbein, Marquette

While stakeholder activism continues to increase in popularity, extant research provides little understanding of who activists are and how they choose their corporate targets. In this article, we adopt an activist-centered approach and rely on social identity theory to determine how activists define their identities and whether these identities are associated with specific behaviors vis-à-vis organizations. In a mixed-method study we focus on one particular type of stakeholders—shareholder activists, and present one of the first empirical tests examining the heterogeneity of identities within this broad stakeholder category. Employing a sample of 735 social policy shareholder proposals filed by the 120 activists in the 2009-2010 period, we show that activists present a wide range of hybrid identities comprising economic and social components simultaneously, and that these identities are systematically related to activists’ targeting decisions as manifested in target characteristics and tactical strategies. We extract the implications of these findings for research on shareholder activism and stakeholder identification.

Causal Attribution in Management: The History - John Michael Mankelwicz, Troy University

Since mid-twentieth century there has been a virtual explosion of developments in the area of causal explanation and causality. Management practice has aspects of an art, or both art and crudest applied science, but has not benefited from these developments since the disciplines contributing to management thought have been slow to utilize them. There is a tendency to implicitly subsume causal considerations into the quantitative and other methods employed, often improperly. Managers as well as researchers should be explicitly concerned with their causal thinking. There are ethical, cognitive, as well as practical reasons. Causal ideas and methods are inherently relevant to management. This paper reviews the history of causal conceptions, with special regard to their spread to management and commerce. The concepts originated in the ancient law courts and religious practices to establish credit or blame. The emphasis was on personal causation, and modern conceptions still retain much of this personal and law-like focus. As conceptions have evolved considerably over time, those who provided the basic ideas were guided by the proximities of their culture and era: the philosophy of truth, the conception of time, and the view of human relationships. Discussion then considers the use of causal concepts and methods in recent management literature and practice, treating issues in order of their appearance and/or prominence.

Cleaning off the Dirt: How Leaders Help Employees of Dirty Work Create Positive Self-Efficacy through Leader and Work Group Identification - Emily Campion, University at Buffalo, The State University of New York

Building off of Hughes’ (1958) and Ashforth and Kreiner’s (1999) notion of dirty work, I aim to help solve the inherent paradox between the negative socio-emotional ramifications of stigmatized profession (e.g., police work, exotic dancing, custodial work) and positive self-identification by using leader behaviors and social identity theory of leadership (Hogg, 2001). I argue that individuals in these occupations are able to experience high self-efficacy through strong leader and work group identification. Leader-espoused occupational ideologies—reframing, recalibrating, and refocusing—and identification within one’s leader both help to foster work group identification as well as block the effects of occupational stigma. Group membership is critical for humans to understand their place in the world (Tajfel & Turner, 1986; Hackman, 1992). As such, stronger work group identification will likely result in increased self-efficacy, which research has demonstrated to be positively associated with job performance (Stajkovic & Luthans, 1998) and job attitudes (McNatt & Judge, 2008).

Comprehensive Model of Opportunity Recognition in Entrepreneurship: Integrating Cognitive Framework, Personality, and Environment - Reginald Tucker; East Carolina University; Graham Lowman, University of Alabama

We offer a parsimonious model of how individuals recognize opportunities within the entrepreneurship context. Specifically, we propose that an individual’s cognitive framework, personality, and environment interact at the most basic level influencing an individual’s development and formation of an entrepreneurial opportunity prototype. At the next level, individuals rely on this prototype to develop pattern recognition abilities which are used as a heuristic when recognizing opportunities. Opportunity recognition is the last level and occurs when all three levels align. A missed opportunity occurs when the three levels are out of alignment. Theoretical and practical implications as well as limitations are discussed.
Content Analysis Mapping of 20 Years of History of Workplace Deviance - Mortaza Zare, New Mexico State University

Organizational deviance, which has been a popular research topic in the past two decades, is a contested concept and many research studies are being done to unpack it. However, no attempt has been made to review and synthesize this literature. The goal of this paper is not only to review the literature of the past two decades to provide a clearer picture of deviance in the field of organizational behavior, but to introduce a new technique to review literature. This paper offers a content analysis of deviance literature using Leximancer software, which could be a complementary technique for the review paper. This paper will provide guidance for future researchers in the examination of what studies about deviance have been done, and what needs to be done in the future.

Corporate Entrepreneurship and Market Performance: A Content Analytic Approach. - Viven Jancenelle; Susan Faye Storrud-Barnes, Cleveland State University; Raj G Javalgi, Cleveland State University

Corporate entrepreneurship (CE) is a known construct for explaining performance differences across established firms. This work draws upon the five-dimensional view of CE and develops hypotheses aimed at testing the impact of CE on market performance. Contrary to the majority of studies that have investigated the CE-performance link, this study does not rely on perceptual survey instruments, but instead uses content analysis to measure the direct impact of CE on a firm's stock price. The entrepreneurial proclivity of 339 firm earnings conference calls is analyzed and the movement they trigger on stock price is measured using the event-study methodology. Results suggest that the CE dimensions of innovativeness, risk-taking, and especially autonomy, have a positive impact on market performance, while competitive aggressiveness has a negative effect. Discussion of these findings and their implications is provided.

Corporate Reputation Effects on Top Management Retention and Firm Market Performance - Thomas Weber, University of Southern Indiana; Kaveh Moghaddam, University of Houston-Victoria; Sara Azarpanah, Lone Star College

While previous corporate reputation studies have explored the effect of reputation on different firm operations and outcomes, this study focuses on two understudied yet important issues: top management retention and firm market performance. Using longitudinal data, this study investigates the effect of corporate reputation on CEO retention as well as firm market performance for three time frames (short-term, midterm, and long-term). The results show a positive corporate reputation was related to longer CEO tenure and higher firm market performance in the short-term, midterm, and long-term.

Dark Personality in Dark Triad: Interactive Effects of Dark Triad and Injustice on Detachment and OCBs - Fauzia Syed, International Islamic University; Saima Naseer, International Islamic University; Usman Raja, Brock University

Using temporally separated two wave (two month apart) field data (N = 288 dyads) with independent measure of behavior, we examined the relationship of the Dark Triad personality, a higher order construct comprising traits like narcissism, psychopathy, and Machiavellianism, with psychological detachment and organizational citizen behaviors. We also investigated the moderating role of perceived injustice in the relationship of Dark Triad personality with psychological detachment and citizenship behaviors. Overall, we received good support for our hypotheses. Dark Triad personality was positively related to psychological detachment and negatively related to OCB and OCB. Perceived injustice moderated these relationships such that the positive effect of the Dark Triad was stronger when injustice was high. Similarly, the Dark Triad had a stronger negative relationship with OCBs when perceived injustice was high. Our study extends our insights into a very nascent domain of research on the Dark Triad in OCB, which hold promise for finding dispositional causes of unwanted behaviors in organizations.

Development Programs for Hospital Middle Manager: Does Program Content Align With Desired Goals? - Alan Whaley, University of South Alabama USA Health; William E. Gillis, University of South Alabama

Middle and upper management will often see the same program from different perspectives. In this qualitative study of five hospitals, we examine the perspectives of TMT members and middle managers on hospital development programs and compare these views to actual program content. Our central contribution is the construction of a development program typology that we use to describe program alignment. We find three degrees of alignment within these development programs: low, moderate, and high saliency. We use this typology to develop propositions regarding how these program types may affect program and organizational outcomes.

Disparity and Role Congruity: A Configural Model of Team Boundary Spanning - Jia Yu, University of Iowa; Ning Li, University of Iowa; Scott Seibert, University of Iowa

The growing complexity in the internal and external environments requires work teams to go beyond boundaries. Teamboundary spanning has received increasing attention. The conventional approach to study team boundary spanning often treats the team as the entity of boundary spanning and focuses on teammembers’ aggregated boundary spanning behaviors. However, such approach is unable to capture the unique influences of specific individuals’ boundary spanning activities on team performance. Our study introduces a configural model of team boundary spanning and examines the interactive effect of two configural properties: disparity and role congruity, on team coordination and performance. Our results suggest that teams need to concentrate boundary-spanning activities on a selected number of members who are well connected in the team in order to leverage the benefits of boundary spanning activities.

Does Fun Promote Informal Learning? - John W. Michel, Loyola University Maryland; Michael Tews, Penn State; Raymond Noe, The Ohio State University

A growing body of research has demonstrated that workplace fun has important consequences for individuals and organizations, but we have an incomplete understanding of the role of fun in the learning domain, particularly as it relates to informal learning. To address this need, the present study examined the influence of fun activities and manager support for fun on informal learning with a sample of 206 managers. The results demonstrated that fun activities were significantly related to overall informal learning, but manager support for fun was not. Examination of the dimensions of informal learning found that manager support for fun was
significantly related to learning from oneself, while fun activities were significantly related to learning from others and learning from non-interpersonal sources. Furthermore, a negative interaction between core-self evaluations and fun activities in predicting learning from oneself was found, suggesting that fun may not be beneficial for everyone. The implications of the results for research and practice are discussed.

Doing Well by Being Well: Meaningful Leadership as the Pursuit of Well-Being - Sridevi Shivaraman, Ramapo College of New Jersey

This paper attempts to add clarity to the often fuzzy relationship between ethics and effectiveness in leadership by developing a meaningful leadership model. Adopting Aristotle’s view of a good life as comprising of well-being (eudaimonia) by achieving one’s highest potential, here moral and technical excellence are intertwined; meaningful leadership is conceptualized as the leader’s pursuit of well-being. This endeavor is discussed in relation to the six components of psychological well-being (PWB), namely: autonomy, self-acceptance, personal growth, positive relations, environmental mastery, and purpose. Using a nature-nurture approach, where nature refers to the personal characteristics of the leader, and nurture indicates self-leadership or deliberate efforts of the leader to create environments conducive to their well-being; large that the resulting leadership outcomes are both ethical and effective. The cornerstone of meaningful leadership is the leader’s purpose which involves the threefold pursuit of well-being: of the leader, of the followers and of the organizations they lead. The meaningful leadership model makes important theoretical contributions to both well-being and leadership literature by demonstrating why well-being is a worthwhile pursuit for leaders who wish to be ethical and effective.

Don't Put Faith in Me! I Only LOOK Like a Good Performer - Rebecca Lee Badawy, Youngstown State University; Robyn Brouer, Canisius College

The imposter phenomenon (IP), which refers to people who are high achievers yet view themselves as phonies (Clance & Imes, 1978), has seen increased attention in the popular press. Although there has been research concerning this topic, it has primarily taken place in the field of psychology and rarely explored in the realm of workplace sciences (e.g., Vergauwe et al., 2015). Grounded in the identity theory framework (Burke, 1991), we expand the work of IP by examining its impact person-job (PJ) fit assessments and subsequent behaviors. In a study of U.S. workers (N = 291) we found that imposters experience self-leader PJ fit discrepancies when comparing their own PJ fit assessments to what they believe they lead others see in them. Because imposters are high achievers, yet feel as if they are fakes, they believe that they do not have the know ledge, skills, and abilities (KSAs) to do their job. However, precisely because they are top performers, their self-view differs from their leaders’ view. Consistent with identity theory, we further theorize and find support that imposters with PJ fit discrepancies engage in impression management to alleviate the stress of having incongruent self-leader perceptions. However, the choice of influence tactic was moderated by self-monitoring, such that high self-monitors were more likely to choose socially acceptable forms of impression management, whereas low self-monitors chose more negative forms.

Do Weakest Institutions have a Disproportionate Impact on the Entrepreneurial Intentions of the Poor? - Adam Smith; William Q. Judge, Old Dominion University; Stephen Lanivich, Old Dominion University; Ed Markowski, Old Dominion University

This study advances scholarship on the institutions-entrepreneurship relationship. We propose that the dimensions of a country’s national business system directly impact individual entrepreneurial intentions and that individual income serves as a contingency factor in this relationship. That is, individuals with higher incomes are better able to deviate from dominant institutional logics. We cross-level analyze 49,013 individuals from 48 diverse countries. Results support the notion that institutions have a greater impact on low-income individuals with respect to entrepreneurial outcomes. The study contributes to a more nuanced understanding of embedded agency within the institutional logic perspective. It bridges the literatures on individual entrepreneurship and the institutional logic perspective. Furthermore, the study provides context and evidence on the impact of income on choice and economic well-being.

Effect of Regulatory Obstacles on New Product Development by Emerging Market Firms - Mona Bahl, Youngstown State University; Anthony J. Kos, Youngstown State University

Pro market reforms aimed at facilitating firm strategies such as New Product Development (NPD) also entail regulatory obstacles. We aim to study the effect of regulatory obstacles on NPD by emerging market firms and to examine firm competition factors that moderate this relationship. Using firm level data from 9,031 firms across 29 countries, we show that there is an inverted U-shaped relationship between regulatory obstacles and NPD. We also demonstrate that firm exports, productivity, and competition influence NPD.

Effects of Corporate Governance and National Culture on Earnings Management - Rosey Bao, Elon University; Oliva Grigg, Elon University

This study explores how corporate governance and the cultural context in which managers are embedded affect the degree to which firms manipulate earnings individually and in interaction. Based on a sample of 40,000 firms from 26 countries, we find that having a greater proportion of independent directors on the board decreases earnings management. We also find the negative relationship is attenuated and strengthened by the national culture dimensions of power distance and future orientation. Our findings offer insights on how the effectiveness of corporate governance practices are influenced by national culture factors, contributing to research focused on contextualizing corporate governance theory.

Effects of Quantitative Work Overload, Emotional Exhaustion, and Safety Climate on Accidents - Jordan E. Kirkland, University of Houston; Candice L. Thomas, University of Houston; Lars Johnson, University of Houston; Zachary Roberts, University of Houston; Nisha Quraishi, University of Houston; Christiane Spitzmueller, University of Houston

Research has established many factors that contribute to workplace safety. In the present study, we examine three variables (emotional exhaustion, safety climate, and quantitative work overload) that are critical to workplace safety because they influence...
how employees perceive and react to their environments. We build on safety research exploring the importance of emotional exhaustion and safety climate, and we draw from the job demands-resources model to examine the additional effect of quantitative work overload (i.e., employees’ perceptions of having too much work to do without adequate time or resources to complete it). Utilizing a multilevel moderation model, we argue that quantitative work overload plays a critical role in influencing the effect that other safety-relevant variables (namely, emotional exhaustion and safety climate) have in contributing to the number of workplace accidents. Consistent with our predictions, emotional exhaustion was associated with an increased number of accidents, and high levels of quantitative work overload worsened this relationship. Further, safety climate was associated with fewer accidents, but unexpectedly, accidents were lowest at high levels of safety climate and high levels of quantitative work overload. Overall, researchers must consider both the direct effects of safety climate and emotional exhaustion on accidents, as well as the additional influence of quantitative work overload, in order to understand why accidents occur in the workplace and how organizations can minimize and prevent them.

Emotion Regulation and Spousal Undermining: Evidence of a Reciprocity Effect in Dual Career Couples - T. Daniel White, University of Tennessee; Timothy Paul Munyon, The University of Tennessee; David Jiang, Georgia Southern University; Laura D’Oria, University of Tennessee

Does emotion regulation work at home? Incorporating family systems theoretical logic, this paper examines how emotion regulation influences the incidence and reciprocity of social undermining within dual-career couples. Using a sample of 130 dual-career married couples, we find evidence for a reciprocity effect of undermining within couples. Contrary to our predictions, the surface acting form of emotion regulation heightened the reciprocity of undermining within these couples. Supplemental analyses show that female spouses incur higher levels of undermining reciprocity when surface acting is high, but male spouses do not. Beyond identifying evidence of a reciprocity undermining effect, this paper offers new insights into the prevalence and effects of emotion regulation for dual-career couple systems. We discuss theoretical and applied implications of these findings.

Employee Job Performance: The Combined Effects of Perceived Justice, Politics, and Support on Job Performance - Diane Bergeron, Case Western Reserve University; Phillip Thompson, Case Western Reserve University; Hak-Yoon Kim, Case Western Reserve University

A large body of research has examined relationships among organizational justice and perceived organizational support; organizational justice and perceptions of organizational politics; and perceived organizational support and perceptions of organizational politics. These studies often investigate the individual or dual influence of such variables on work outcomes. However, no empirical research has examined how the combination of these three variables (perceptions of organizational justice, support and politics) jointly influences work outcomes. Thus, the purpose of this research is to investigate how these variables, which Grapzan and Kacmar (1995) describe as the “social setting of work organizations,” work together to influence two dimensions of job performance: in-role behavior and organizational citizenship behavior. We predicted that the relationship between organizational justice and job performance would be mediated by perceived organizational support and that the perceived organizational support-job performance link of the mediation model would be moderated by perceptions of organizational politics. We examine our hypothesized moderated mediation model in two samples (N= 257; N = 275) consisting of employee-supervisor dyads. Our hypotheses were generally supported in both samples. We discuss the theoretical and practical implications of our results and suggest directions for future research.

Employing Ex-Offenders: What We Know So Far and Where Do We Go From Here? - Ajay Ponnapalli, Florida International University; Hock-Peng Sin, Florida International University; Chen Wang, Florida International University

Many experts agree that seeking and maintaining steady employment is crucial for ex-offenders’ successful reentry into society. However, there has been an abundance of research on this topic from multiple disciplines like criminal justice, public policy, legal studies, sociology, rehabilitation, etc. Not much attention has been paid by management scholars. Addressing this issue, in this paper we first explain why it is important for firms to consider hiring ex-offenders. Then, we provide a brief summary of current literature and finally, we propose a research agenda for management scholars.

Entrepreneurial Orientation and Family Business Performance: The Moderating Effect of Socioemotional Wealth - Remedios Hernández Linares, University of Extremadura; Franz Kellermanns, University of North Carolina at Charlotte; Maria C. Lopez Fernandez, University of Cantabria; Soumop Sarkar, Universidade de Évora, CEFAGE-UE

We examine the independent impact of Lumpkin and Dess’ (1996) five entrepreneurial orientation (EO) dimensions (risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy) on family business performance, as well as the moderating effect of socioemotional wealth (SEW) on these relationships. Based on a sample of Spanish and Portuguese family firms, results show the direct impact of proactiveness, competitive aggressiveness, and autonomy on family firm performance, as well as the moderating effect of SEW on the link between risk-taking and performance and innovativeness and performance. Thus, we contribute to the scarce literature examining the influence of affective or family-based factors, namely SEW, on the link between EO and performance in family businesses by emphasizing both the different influence of each EO dimension on family firm performance and the fact that SEW has significant consequences for family firms.

Entrepreneurship in Industrial Clusters: A Relational Approach - Subrata Chakrabarty, University of Texas at El Paso

This paper contributes to the theoretical literature on entrepreneurship in industrial clusters. An entrepreneurial firm often engages with multiple stakeholders within an industrial cluster. The productive and counter-productive aspects of relational processes that underpin social capital, in the context the prevalent policy environment, are theoretically analyzed.
Environmental Management's Impact on Market Value: Rewards and Punishments - Amy McMillan, East Carolina University; Joshua Aaron, Middle Tennessee State University; Timothy C. Dunne, University of Missouri

Concerns regarding changes in the natural environment have led to an increase in research regarding environmental management practices. Studies examining the financial impact of such practices have been inconclusive. Drawing on agency theory and the resource-based view of the firm, we provide a comprehensive examination of the market's reaction to firms identified by Newsweek's Green Rankings as the best (top 100) and worst (bottom 100) for EM reputation among the largest 500 firms in the United States. Specifically, we investigate the extent to which the market reacts differently to service firms and manufacturing firms in regards to environmental reputation signals. We find the market responds favorably to positive environmental management reputation signals for service firms and to negative environmental management reputation signals for manufacturing firms. Post hoc analysis reveals that both service firms and manufacturing firms are rewarded for being ranked “in the middle” of the Newsweek Green Rankings.

Exchange Without Return: Helping Behaviors Over Time in Negative Reciprocity Relationships - Matthew Leon, University of Alabama; Jonathon R. B. Halbesleben, University of Alabama

There is broad awareness that the health of coworker relationships is often built on reciprocity and assessments of member exchanges, where relationships are pursued or terminated based on benefits received. Social exchange theory proposes that, when an exchange relationship is no longer favorable (i.e., a negative reciprocity relationship), an individual should terminate it to prevent resource losses. While this is economically rational, it is often impossible or impractical to terminate a relationship in a work context. The objective of this manuscript is to address this apparent mismatch between theories of helping behavior and typical workplace dynamics. First, we argue that one of the key assumptions of social exchange theory, that the relationships are voluntary, may not always hold in a work setting. Second, we argue that fluctuations in investment behavior, specifically helping, change in a non-linear fashion over time. Finally, we explore the impact of reciprocity and perceptions of team member efficacy on helping behaviors in a sustained, negative reciprocity relationship. Using an experimental protocol, we found that helping behaviors change discontinuously over time, individuals will help a partner complete an interdependent task regardless of reciprocity, and that helping is driven by a combination of factors including partner performance and general perceptions of a partner's helpfulness.

Examining Competing Explanations of Acquisition Divestment – Sina Amiri, Iowa St. University; David King, Iowa St. University

This paper examines the applicability of three major perspectives—prior mistake, indigestion, and financial constraint—in explaining the performance implications of the divestment of prior acquisitions. Our results suggest that a negative stigma surrounding divestments is largely unwarranted, and that acquisitions and divestitures are complementary corporate restructuring tools. Still, acquisition characteristics can help predict market reactions to subsequent divestment announcements. From a sample of 69 U.S. high technology acquisitions between 2003 and 2008 that were later divested by 2015, we find mixed support for the correction of the prior mistake view point. Contrary to expectations, we find a positive relationship between acquisition and divestment announcement market returns. However, in support of divestments correcting a prior mistake, we find the divestment of acquisitions that were paid for with stock (vs. cash) are associated with significantly lower divestment returns. The implication is that investors demand information signals at divestment equally, but that existing explanations of divestment display shortcomings. We anticipate a mix of acquisition and divestiture as corporate restructuring may lead to higher corporate performance. Additional implications for management practice and research are identified.

Explaining Intentions to Commercialize by Extending the Theory of Planned Behavior - Theresa A. Standish-Kuon, Commission on Independent Colleges and Universities; William G. Obenauer, Rensselaer Polytechnic Institute

The Theory of Planned Behavior (TPB) has been used to explain behavior in organizations within a variety of contexts. In particular, it has been used extensively to explain the development of entrepreneurial intentions. TPB states that attitudes, subjective norms, and perceptions of behavioral control are the drivers of behavior through their impact on behavioral intentions. One of the challenges with applying TPB to behavioral models has been inconsistent interpretations and use of behavioral control measures. In this paper, we extend TPB by developing a model that incorporates the two most commonly used measures of behavioral control: the integrating a layer of partial mediations. Building on the extensive body of entrepreneurship literature that is grounded in TPB, we use our newly developed model to explain the development of intentions to engage in commercialization behavior. In a sample comprised of university faculty, we find robust support for this extension of Azjen’s model.

Explaining Organizational Citizenship Behavior: A Critical Review of the Social Exchange Perspective - Tiffany Schroeder, Case Western Reserve University; Diane Bergeron, Case Western Reserve University

Social exchange has been widely cited as an explanation for why employees act as good organizational citizens. According to this theory, individuals perform organizational citizenship behavior (OCB) in order to maintain equitable and favorable workplace relationships that extend beyond the benefits of more impersonal contractual agreements. Although this perspective has been used extensively as an explanation for OCB, we argue that a re-examination of this perspective is overdue for several reasons. First, there is a lack of clarity around the underlying assumptions and connection to motives for OCB. Second, very little attention has been paid to alternative explanations for OCB, particularly with regard to research on justice. In this paper, we attempt to critique the social exchange explanation by making several underlying assumptions explicit and then using these assumptions to highlight conceptual and empirical problems with this perspective. Finally, we consider the value of the social exchange perspective for future research on OCB and encourage more attention to alternative explanations.

Exploring Interdisciplinary Collaborations of Faculty Members - Shahar Gur, UNC Charlotte; Leann Caudill, University of North Carolina at Charlotte

The goal of this exploratory social network analysis study is to examine the longitudinal progress of collaborations among faculty members in an interdisciplinary program. The program, founded in 2006, intersects four primary academic disciplines surrounding organizations. Our exploratory research question is whether the creation of this program encourages more collaborations across the disciplines, and thus results in a higher level of between-group connections among faculty members.
Using curricula vitae of all faculty members associated with the program from 2006-2015, we created three one-mode networks based on peer-reviewed journal and chapter publication coauthorship. Ties are valued as the cumulative number of collaborations per year. Looking at differences from Time 0 (2006) to Time 1 (2010) and Time 2 (2015), we found that interdisciplinary collaborations among faculty members increased over time. Additionally, we found that there were certain key faculty members who played a role in fostering interdisciplinary collaborations. Suggestions for future research are discussed, such as examining authorship order and publication impact factors and adding graduate students to the network.

Family Business Leadership: The Implications of the Implementation of Authentic Leadership in Family Businesses - Lori Tribble, Texas Tech University; William Gardner, Texas Tech University; Keith H. Brigham, Texas Tech University

While authentic leadership has been extensively studied within the leadership literature, it has received little attention from family business research. In light of the positive effects that have been shown to accrue from authentic leadership, we consider this a particularly promising form of leadership for the family business context. We suggest that when authentic leadership is developed within the family business, both the business and the family may flourish. We contribute to the family business literature by applying Yu, Lumpkin, Sorensen, and Brigham's (2012) landscape map of family business outcomes as a framework for organizing our discussion, as we consider the implications of authentic leadership for each category of outcomes. We also contribute to the leadership literature by identifying a particular context within which authentic leadership may thrive, thereby responding to calls for greater consideration of role of context within the authentic leadership literature. By developing authentic leadership within family businesses, we propose that leaders may be more effective in achieving all of the clusters of outcomes identified as important for family businesses.

Finding Meaning through Volunteering: A Study of Volunteering at a Manufacturing Facility - Alana Daniel, University of South Alabama; Donald Mosley, University of South Alabama; Marjorie Icenogle, University of South Alabama

This article explores a manufacturing facility-elementary school partnership founded in 2014 through a regional non-profit organization. The Reading Buddy program pairs lower elementary students with employees at a local manufacturing facility for reading practice during the academic year. The aim of the study was to discover how much impact the program would have on volunteers and to generate theory related to volunteering from volunteers at the manufacturing facility.

From Niche Practices to Protoinstitutions: The Evolution of Emergent Practices in Mature Organisational Fields - Sarah Stephen, University of Lausanne

Neoinstitutional theory has relatively neglected the process of new practices evolving into "protoinstitutions." As these are important elements in understanding institutional change, the paper utilises institutional theory and adopts a historical perspective to generate propositions by examining the genesis of a practice (socially responsible investment funds), with emergent and contrary logics, in an increasingly maturing organisational field (financial services), with dominant logics. Apart from identifying the inus conditions that determine the success or failure of new practices, it is also illustrated that the process did not follow the existing generalisations on institutional change due to certain crucial factors, such as the changing nature of the organisational field, the nature of (and pressures exerted by) the existing institutions and logics, and the presence (or absence) of certain events. Additionally, in mature organisational fields, the demotion of existing dominant logics and incumbent institutions is not easily achievable especially when a new practice differs from the incumbents on the basis of its driving logics. The unlikely institutional entrepreneurs use legitimisation strategies and a new practice is generally successful if its logics are congruent with the dominant logic. If not, the practice may undergo a period of dormancy. This can be circumvented by capitalising on exogenous events that favour the new practice.

Good Deeds Start at Home: Effects of Diversity and Employee Policies on Corporate Philanthropy and Performance - Ana Camara, Oklahoma State University; Oleg V. Petrenko, Oklahoma State University

Drawing on corporate social responsibility (CSR) and diversity literatures, this study hypothesizes and finds that companies that manage a diverse workforce implement more philanthropic initiatives directed at social issues, such as charitable giving, education support, volunteering, and involvement with the community. This research also suggests that the way a company treats its employees strengthens the relationship between diverse philanthropy directed at social causes and financial performance. Results confirm that a managerial focus on positive relationships with employees through diversity policies and fair labor relations has positive impact on financial results. Overall, this research shows that diversity management has implications on managerial choices of philanthropy and that these choices impact financial performance when fair employee policies are also in place.

High-quality Exchange Relationships with the Violated Leader: Testing an Assumption of Leader-Member Exchange - Wayne S. Crawford, New Mexico State University; Marcus A. Valenzuela, New Mexico State University; John Ross, New Mexico State University; Mortaza Zare, New Mexico State University

Research on political skill and leader-member exchange (LMX) has surged over the last two decades. Recent meta-analyses (e.g., Munyon, Summers, Thompson, & Ferris, 2015; Rockstuhl, Dulebohn, Ang, & Shore, 2012) demonstrate how widely each of these constructs are used in the field of management. We further investigate the interrelationships between these constructs, and test a long-held assumption of LMX. First, we argue that politically skilled leaders are able to foster high-quality exchange relationships with their subordinates. Following this we find that LMX leads to positive organizational outcomes in the forms of person-focused interpersonal citizenship behaviors (ICBs) and increased organizational commitment. However, by bringing together the literature streams on LMX and psychological contract breaches, we test the assumption that LMX always leads to positive outcomes and how these effects can be mitigated in certain situations. We examine a cross-level moderation effect, where we posit that supervisor feelings of violation attenuate the positive effects of high-quality exchange relationships. Using a sample of 250 supervisor-subordinate dyads, we find support for our multilevel moderated-mediation model. We find that supervisor feelings of violations toward the organization mitigate the positive effects of LMX on both attitudinal and behavioral outcomes. Our results and implications for both research and practice are discussed.
How Does Family Ownership Influence a Firm’s Pursuit of a Proactive Environmental Strategy? The Role of the Firm’s Long-Term Orientation - Emma Su, Mississippi State University; Junsheng Dou, Zhejiang University

This research investigates some of the underlying mechanisms of the effect of family ownership on a firm’s pursuit of a proactive environmental strategy (PES). Based on insights drawn from organizational identity theory and the socioemotional wealth preservation perspective, we propose that the effect of family ownership on a firm’s adoption of a PES is mediated through the firm’s long-term orientation (LTO). Specifically, family ownership is positively related to the firm’s LTO, which in turn has a positive impact on the firm’s PES. Furthermore, the strength of the relationship between family ownership and a firm’s LTO depends on the level of the family’s commitment to the firm. An analysis of 454 family firms in China provides empirical support for the proposed moderated mediation model. Contributions and implications of this study are also discussed.

How Does Network Centrality Affect Stock Market Performance in Emerging Economies? - Steven Andrew Creek, Washington State University; Paul Skilton, Washington State University; Avni Sahaym, Washington State University

Resource-based theory suggests that firms form alliances for increased accessibility to resources. Although prior work has investigated alliance impacts on stock market performance in developed economies, the literature lacks an investigation from the emerging market enterprise (EME) perspective. This is the first paper which investigates how the economic of partner firms and alliance network centrality interact to affect the financial market performance of EME firms. Our findings suggest that partner firm centrality positively impacts abnormal stock market returns and that the highest returns are observed when highly central partners are from developed economies. We contribute to the literature by exploring these relationships and offering a more precise model of investor responses to alliance announcements in EME stock markets.

How do VCs Affect Entrepreneurial Firms’ Alliance Activity? - Roberto Ragozzino, University of Tennessee at Knoxville; Dane Blevins, Clemson University

This paper aims to understand how the involvement of venture capitalists (VCs) affects alliance formation and alliance characteristics in entrepreneurial firms. Specifically, we examine the linkages between VCs and the likelihood, number, type, and geographic characteristics of the strategic alliances implemented by entrepreneurial firms. We draw from a sample that allows us to compare VC-backed firms against their counterparts with fewer concerns tied to endogeneity biases than previous studies. While our results show that both the statistical and economic significance of VCs’ contribution to alliance formation are sizable, the types of partnerships and partner characteristics are indifferent for VC- and non-VC-backed firms alike. A number of implications are discussed.

How Emerging Economy Firms Are Improving Entrepreneurial Orientation: Effects of Capital and Product Market Internationalization - Anish Purkayastha, Indian Institute of Management Ahmedabad; Vishal K. Gupta, University of Mississippi

Motivated partly by the lack of well-functioning capital markets at home, emerging economy firms seek capital in foreign nations. Integration of global economy helps emerging economy firms internationalizes their products in multiple foreign locations. We argue that in the context of emerging economies, product market and capital market internationalization boost entrepreneurial orientation of the firms. Building on coallignment argument, we develop insights into the complementary nature of capital and product market internationalization in improving entrepreneurial orientation. Secondary data drawn from 809 large Indian firms over a ten-year period is used to test predicted relationships with a random effect generalized least-squares panel regression analysis. Findings yield the valuable and practically useful insight that managers of emerging economy firms can best improve entrepreneurial orientation by adopting dual strategy of participating in foreign capital markets as well as adopting product market internationalization. Implications and directions for future research are discussed.

Identity or Reputation? Differing Perspectives of the Dark Triad and Their Impact on Job Performance - Benjamin D. McClarty, Mississippi State University; Don Klueper, University of Illinois at Chicago; Daniel S. Whitman, Louisiana State University

In this study, the influence of darker forms of personality (e.g., Machiavellianism, narcissism and psychopathy) on job performance (e.g., task performance, organizational citizenship behaviors, counterproductive workplace behaviors) is examined. Using socioanalytic theory, identity and reputation are conceptualized as divergent perspectives through which to view dark personality traits and their subsequent impact on job performance. Our results demonstrate the value of combining these perspectives to better understand the influence of dark traits on performance outcomes. The complementary nature of these theoretical and measurement perspectives contribute to personality and organizational theory, as well as HR practice.

Impact of Respondent Personality and Survey Features on Person-Specific Reliability of Scores on Self-Reports - Brian K. Miller, Texas State University

In classical test theory, researchers commonly calculate Cronbach’s alpha for scores in a sample of respondents on multi-item instruments using Likert response scales. However, alpha is a simple measure of reliability for the entire sample and not useful for determining if some subjects in a sample provided reliable data or not. Item response theory (IRT) can be used to calculate a test information curve that provides test information for each subject in a sample. The IRT-based person-specific reliability of scores associated with test information for individual subjects is calculated in this study for three different self-report inventories. This study uses a 2x2x2 cluster randomized post-test only experimental design with continuous covariates. Manipulated factors include: presence or absence of quality control items, randomly scrambled items or grouped survey items, and anonymous versus confidential administration conditions. Additionally, two personality covariates were used to predict person-specific, or conditional, reliability of scores on a third personality instrument. In each regression, personality explained more variance than the three manipulated experimental factors. In one regression, confidential data resulted in higher conditional reliability. In two regressions, using grouped survey items measuring the same construct being adjacent to each other in the survey resulted in lower conditional reliability. In no regression model was the use of quality control items associated with person-specific conditional reliability.
Impact of Transformational Leadership on Supply Chain Ambidexterity: The Mediating Role of Organizational Learning - Divesh Ojha, University of North Texas; Chandan Acharya, College of Staten Island - City University of New York

This paper examines the impact of transformational leadership on organizational learning and supply chain ambidexterity. Integrating multiple perspectives of organizational behavior relating to learning and leadership, we develop our research model and test it using survey data. Results from our analysis support the notion that organizational learning orientations fully mediate the relationship between transformational leadership and supply chain ambidexterity.

Inclusive HR Practices and Female Board Committee Representation - Arjun Mitra, University of Illinois at Chicago; Steve Sauerwald, University of Illinois at Chicago

While much research has examined the antecedents of female board representation, little is known about how firms can increase female board committee representation. Using reorganization theory and signaling theory, we show that inclusive human resource practices targeted at minority social groups (such as the LGBT community) are an effective signal to increase female board committee representation. We also argue that the absence of CEO duality and strong corporate social performance enhances this relationship. Based on a sample of 508 publicly-traded U.S. firms covered in the Corporate Equality Index, we find support for our arguments. Keywords: Female directors; Inclusive HR practices; LGBT community; Corporate Equality Index; Board committees

Incumbent Response to Emerging Radical Technology: The Influence of Competitive Interdependence on Strategic Choice - William R. Carter, University of Baltimore; Manjula S. Salimath, University of North Texas

Understanding incumbent response to an emerging radical technology is important because early-stage choices have path dependency implications for long-term firm performance. From a survey of key informants in firms facing an emerging radical technology, we find firms’ competition-related strategic orientations, resource comparisons, and environmental expectations are associated with the timing and nature of their technology. Our findings extend theory on incumbent response to technological change by advancing a novel conceptualization of response, focusing on response at the emergence of a new technology, and introducing competitive interdependence as a valuable lens for understanding response.

In God We Trust: An Examination of Anticipated Work-Religion Conflict and Job Seekers’ Decisions - Christopher Langford, University of Mary Hardin-Baylor

Despite the considerable literature examining the impact of various factors on the success of organizational recruitment efforts, little research exists that focuses on how religion influences the job search process. This is problematic given the majority of Americans claims to be religious. This manuscript attempts to fill this gap in the literature by explicitly examining the explicit recruiting and organizational variables that are likely to influence religious job seekers’ job pursuit behaviors and job choice decisions. The variable anticipated work-religion conflict is conceptualized in this paper as serving as an important partial-mediator in this process. A total of seventeen propositions are developed in support of an integrated model. Implications are discussed, along with considerations for future research.

Initiating Family Succession: Successor Affective Commitment, Influence Tactics, and Satisfaction in Family Firm Succession Processes - David Jiang, Georgia Southern University; Scott Hayward, Appalachian State University

Drawing from six family business cases studies, we employ research on social influence and social exchanges to create a model of the dynamics associated with a family successor’s push for succession. Building theory from data in our cases, we propose that while successors may not have power over resource control and dependencies that they can guide succession outcomes from social influence. Affective commitment guides successors toward more consensual influence tactics. Yet resistance from the founder draws attention to differences and can escalate to harder social influence tactics. This leads to the use of more coercive means of influence. In the end, affective commitment and influence tactics help explain how successors can shape succession outcomes and differences in successor satisfaction with the succession process, especially under circumstances with conflict-laden social exchanges.

Integrating Person-Organization Fit with Strategic Work Analysis - Vicky Knerly, Florida Institute of Technology

This paper will survey current trends in work analysis and propose an integration with P-O Fit in order to discover not only the employment needs of the organization which will optimize competitive advantage, but also discover the knowledge, skills, abilities, traits, behaviors, and characteristics of the workers needed for those positions which will best contribute to the strategic operation of the organization. Person-organization fit, when integrated with the work analysis process to determine future work needs, will result in a long-term positive outcome of acquiring workers who want to be with the organization because of perceived cognitive symmetry with the organization’s climate, culture, values, and norms. The resulting outcome will produce a positive, synergistic relationship with the organization and overall job satisfaction, and have a negative effect on intent to leave the organization, resulting in reduced turnover.

Internationalization and Family Firm Performance: A Meta-Analytic Review of the Main Effect and Moderating Factors - Bart Debicki, Towson University; Chao Miao, Wilkes University; Shanshan Qian, Towson University

This study is a meta-analytic review of the effect of internationalization on performance in family firms. We base our statistical procedures on 29 relevant studies. The findings indicate that there is a significant positive effect of internationalization on performance in family businesses. We also found multiple moderators that were significant in terms of their impact on the above relationship. Among firm-level characteristics, only family ownership was significant in that the effect was stronger in family firms with lower levels of family ownership. Several methodological factors were also significant, such as the methods of measuring performance and internationalization. The results also indicate that there are several cultural moderators, such as individualism,
masculinity, low uncertainty avoidance, and short-term orientation that positively influence the effect of internationalization on performance in family firms. We provide a discussion of the results obtained herein, point to several practical and theoretical implications and suggest several avenues for future research.

International LGBT Workplace Experiences: A Multi-Faceted View on Perceived Discrimination - Jesus Cayetano Garcia Gacilo, University of London; Thomas H. Stone, Oklahoma State University; Brigitte Steinheider, University of Oklahoma-Tulsa; Tara L Garrett, University of Oklahoma-Tulsa; Jim Jawahar, Illinois State University

Although race, sex and LGBT discrimination is declining in parts of the world, few studies examined perceptions of international LGBTs. This online, exploratory survey of 150 LGBT workers in 28 countries examined three questions: 1. Do employees feel discriminated against and which factors contribute to perceptions of discrimination?; 2. What factors are associated with disclosure vs. non-disclosure?; and 3. Do LGBT employees provide a specific work experience and do they feel it is appreciated by their employers? Although 70% of our sample have disclosed their LGBT identity at work, only a minority (26%) perceive discrimination. Perceived company support and higher job level predicted less feelings of discrimination while higher age and having an LGBT specific perspective increased perceived discrimination. While 55% agreed being LGBT provides a different perspective, only 12% feel their organization appreciates this perspective. Only 25% feel their employer provides LGBT support; however, open ended responses in terms of desired support varied from LGBT specific policies and inclusive work environments to no support at all. Implications and research directions are discussed.

Investigating Antecedents of Task Commitment and Task Attraction in a Service Learning Classroom Environment - Bryan Schaffer, Florida Gulf Coast University; Jennifer G. Manegold, Florida Gulf Coast University

Management educators have long recognized the importance of team-based learning that incorporates applied and interactive educational experiences. Including service-learning as a component of this education helps to emphasize for student teams the applicability of key course concepts to community engagement and sustained social impact. This study investigates the antecedents of team cohesiveness in a service-learning classroom environment. Focusing on task commitment and task attraction as key dependent variables representing cohesiveness, and task interdependence as the primary independent variable, we position three important task action phase processes as mediators in the analyses. These processes include 1) coordination activities, 2) monitoring progress toward goals, and 3) team monitoring and backup responses. Overall results provide strong support for the hypothesized relationships. Task interdependence in student teams significantly influences task cohesiveness through these action phase processes. We discuss these findings in terms of their implications for faculty who are interested in how to best structure student teams, particularly when the course project has a service-learning component, and we highlight potential directions for future research.

Investigating the Relationship Between Retirement Benefits, Perceived Organizational Support, and Employee Outcomes: A Conceptual Model - Min Kyu Joo, University of Houston

Organizations are increasingly shifting from defined benefit (DB) to defined contribution (DC) retirement plans. While such changes may lower organizational costs, the shift to DC plans has been conducted without consideration of how these changes may affect the exchange relationship that exists between organizations and employees. Drawing on previous benefits research and organizational support theory, we develop propositions regarding how retirement pension plans may affect a range of employee outcomes and provide a warning to researchers and practitioners to not overlook possible important side effects of the shift from DC to DB plans.


We examined the role of perceived risk of violence and mental danger on work stress, and the role of work stress on job performance. Relying on theory on work stress, risk analysis, and death awareness, we compared the experience of people who have and have not experienced a critical job injury. We also examined the role of job satisfaction and intention to quit as mediating mechanisms in these relationships. We used a sample of Mexican border-city police officers, taking into account the occupational and national context: a setting where workers face life-threatening risks, and a culture that relies on courage and toughness as resources to cope with job demands. The results showed that officers who had been injured reported higher job-related violence risks and work stress. Further, the results showed a complex stress-performance relationship that was present only for officers who had suffered a job injury. Work stress had a positive direct association with job performance, as well as a negative association with job performance that was mediated by withdrawal intentions. We discuss implications for the role of critical job injuries on stress and behavior, and for the relationship between work stress and performance in dangerous occupations.

Jurisdictional Battles in Higher Education: How Powerful Professions Shape Healthcare Training - Scott Feyereisen, Florida Atlantic University; Elizabeth Goodrick, Florida Atlantic University

Given the growing importance of understanding how professional boundaries are maintained or changed within healthcare domains, it is important to set of questions centers on the production system of healthcare providers. In the US, provider shortages are met with increasing numbers of "mid-level providers" such as Nurse Practitioners, Physician Assistants and Nurse Anesthetists (CNAs). However, there are still widespread objections to the unrestricted use of such professionals; physicians have long raised many of these objections because of what they perceive to be mid-level provider educational limitations. In this study, we examine predictors of adoption of the resulting increase in educational requirements within the population of CNA training schools. Using a three-part organizational framework, we find that program directors are constrained by cultural and environmental characteristics; CNA schools located in military, hospital, and nursing school settings provided varying levels of support for upgrading their programs to advanced degree status. Implications for healthcare and professions research and practice are discussed.

Layoff Survivors’ Reactions: A Longitudinal Examination of Communication Networks and Performance - Alex M. Suskind, Cornell University; Oziare Moore, Cornell University


Dow nsizing is a common organization change strategy for improving individual and organizational outcomes. How ever, much of the existing literature has focused on macro-level outcomes related to organizational change. This study presents a longitudinal examination of the relationship between downsizing survivors' network relationships and post-downsizing performance in an international hospital company undergoing a downsizing. In particular, we use social capital theory to examine measures of layoff survivors' (N = 97) communication relationships (betweenness centrality, information adequacy, and openness to change) 60 days prior to the scheduled downsizing (T1), and then measured 60 days (T2) and 120 days (T3) following the downsizing event on post-downsizing performance at (T4). Results of a general linear model provided broad support for the model. Although the results generally indicated that downsizing had a significant impact on survivors' communication networks, the impact and pattern of results varied over time. As hypothesized, we found significant relationships between survivors' network relationships at T1 and T3 on post-downsizing performance at T4. Contrary to our expectations, these survivor communication networks at T2 were not significantly related to post-downsizing performance at T4. These findings are discussed in light of recent research on social capital theory and their implications for research on survivors' reactions to organizational change.

Leader Feedback-Seeking from Subordinates and Evaluation of Leader Effectiveness in Leader-Subordinate Relationships: Subordinate Expertise Does Matter! - Jae Uk Chun, Korea University; John J. Sosik, Pennsylvania State University; Dongseop Lee, Korea University

From a motivational perspective of feedback-seeking behavior, we examined a mediating role of leaders' negative feedback-seeking from subordinates in the relationship between the quality of leader-member exchange (LMX) and subordinates' evaluation of leader effectiveness and a moderating role of subordinate expertise in the mediated relationship. Using 151 unique matched sets of leader and subordinate reports, we found that the positive relationship between LMX and leader effectiveness was mediated by leaders' negative feedback-seeking. Additionally, the positive relationship between LMX and leader negative feedback-seeking was stronger when the perceived subordinate expertise was lower. Lastly, the indirect effect of LMX through leader negative feedback-seeking on leader effectiveness was stronger when the perceived subordinate expertise was lower. These findings were obtained after controlling for leaders' learning and performance goal orientation as dispositional propensity to seek or avoid feedback. Theoretical and practical implications are discussed.

Leadership Research 1990-2015: Where Have All The U.S. Companies Gone? - Leanne Atwater, University of Houston; David Atwater, Atwater Management Consulting; Alex Tawse, University of Houston; Jia Yu, University of Houston; Francis J. Yammarino, Binghamton University - State University of New York

As the GLOBE study illustrated, national culture has a significant impact on how leadership is practiced and perceived and so far the issue has been addressed from a decidedly Western perspective. That is because, until recently, conclusions drawn about leadership and management have been made primarily by U.S. researchers based on studies conducted primarily in America. However, times have changed. As our data show, there has been a dramatic shift in the source of leadership research as study samples are increasingly coming from outside the U.S. This raises an important question: Are we being misled or taken off track if we apply theories, concepts, and relationships built in America to empirical work performed in very different cultural contexts? We address this question through analysis of leadership research published in 5 major journals over three 5-year time periods since 1990. We also discuss several important issues associated with the results, and propose steps to address the cultural influence on leadership research going forward.

Lean Healthcare: An Integrated Hospital Supply Chain View - Subhajit Chakraborty, Coastal Carolina University; Jorge Gonzalez, UT Rio Grande Valley

We apply a lean supply chain framework to the healthcare industry in the U.S., drawing support from lean systems theory. We conceptualize a view of the U.S. healthcare that places the hospital and its admitted patients at the center and describes how all entities inside and outside the hospital can implement lean systems to improve patient quality care. This application depicts how a holistic consideration of hospital resources available in both the internal and external supply chain could increase the optimal use of such resources and would ultimately serve patients. We offer propositions suggesting an integrated supply chain perspective would be helpful for delivering high quality of care to patients admitted to the hospital. This integrated supply chain perspective suggests that hospitals need to streamline the three types of flows—physical product, information, and financial—with elements in the internal supply chain and maintain collaborative relations with entities in their external supply chain. We discuss the theoretical and practical implications of our research.

Line Manager Implementation of HRM Practices: An AMO Approach - Dorothea Roumpi, University of Arkansas; Daanish Pestonjee, University of Arkansas; John E. Delery, University of Arkansas

This paper focuses on the crucial and generally neglected role that line managers play in achieving congruence between intended and implemented human resource practices. Using the Ability-Motivation-Opportunity framework, a proposed model is developed explaining the role of ability, motivation, and opportunity as mechanistic processes behind implementation decisions made by line managers. The line manager's ability, motivation, and opportunity to put into action the HRM practices, in turn, are conceptualized to be contingent upon a number of factors related to the organizational and social context, as well as individual differences. The proposed conceptual model illustrates that organizations can and should influence the extent to which line managers effectively implement the espoused HRM practices by shaping factors that favorably influence ability, motivation, and opportunity.

LMX Quality and Work Outcomes: Mediating Role of POP and Perceived Leader Integrity - Tasneem Fatima, International Islamic University; Usman Raja, Brock University; Sadia Jahanzeb, Fatima Jinnah Women University

Based on social exchange theory we propose and test a parallel mediation model where perception of organizational politics and perceived leader integrity mediate the relationship between LMX quality and employee job outcomes. The theoretical model is proposed from a follower perspective in this study. We tested the hypothesized model in a three wave time lagged design where data was collected from self and peer reports. With a sample of 310 we tested our hypotheses using SEM and regression analyses for comparison of results. The results using SEM and regressions were identical and showed that both mediators mediate the relationship between one LMX quality and all four outcome variables except through perceived leader integrity for turnover intentions.
Make Em Laugh: A Moderated Mediation Model of Humor Predicting Task Performance and Citizenship Behavior - Phillip Thompson, Case Western Reserve University; G. James Lemoine, University at Buffalo, SUNY; Amanda Varley, Case Western Reserve University

Although humor is beneficial to psychological and psychosocial outcomes and commonplace at work, research connecting it to dimensions of employee job performance is limited. While past theoretical research has argued the link between humor and impression management, virtually no empirical research has been conducted in this area. Drawing on trait activation theory, we provide insights into whether, how, and when positive and negative humor styles influence aspects of job performance (task performance and organizational citizenship behavior). With a diverse sample of employee-supervisor dyads (N = 788) across three studies, the authors tested a hypothesized moderated-mediation model which predicted that the relationship between positive- and negative humor and job performance is mediated by two impression management tactics (ingratiation and intimidation). Further, we predicted that individual perceptions of psychological safety would moderate these mediated relationships. We generally found support for our hypotheses. While positive humor had a positive relationship with task performance and OCB, negative humor had a negative relationship with these same outcomes. Further, we found support for our hypothesized moderated-mediation model as ingratiation mediated the positive humor-OCB relationship, intimidation mediated the negative humor-task performance relationship, and perceived psychological safety generally moderated these indirect effects. Theoretical and practical implications are discussed.

Many Paths to the Global Marketplace: Configurations of Venture Internationalization in Emerging and Developed Economies - Mark Mallon, Old Dominion University; William Q. Judge, Old Dominion University; Stav Fainshmidt, Florida International University; Stephen Lanivich, Old Dominion University; Ed Markowski, Old Dominion University

One of the largest needs in the comparative international entrepreneurship stream of research is comparative analyses of internationalization out of different home countries. This study seeks to understand the multi-level antecedents of new venture internationalization within the global economy. Fuzzy-set Qualitative Comparative Analysis is used to examine the complex, nonlinear interactions of national business system attributes and founders human capital using data from the Global Entrepreneurship Monitor. We find multiple configurations of national business systems and founder human capital that lead to high levels of new venture internationalization. Specifically, three effective configurations were found in emerging economies, and five different configurations in developed economies. As such, this study illustrates that successful internationalization differs across emerging and developed economy business systems, and that founders actively take advantage of or escape from national institutional influences.

Market Drivers of Inter-Organizational Network Participation - Kim Davey, Samford University; Thomas Powers, University of Alabama at Birmingham

Inter-organizational networks are increasingly emerging across industries as a strategy for organizations to adapt to fundamental changes in their competitive market environments. Inter-organizational network participation presents organizations with an opportunity to optimize their adaptive responses by transforming both their organizational strategy and structure to better align with their market. This paper examines market drivers associated with participation in inter-organizational networks. Hypotheses are developed and tested using a healthcare context. The results help identify market conditions under which organizations may adopt inter-organizational networks as a strategy.

Members Only? On the Link Between Directors’ Social Class and their Number of Board Appointments - Miriam Flickinger, LMU Munich; Marius Luber, Ludwig Maximilians University of Munich; Anja Tuschke, LMU Munich

This study explores the relationship between directors’ social class origin and the number of their board appointments. Starting with the assumption that a higher social class can be linked to a larger number of board seats, we ask whether acquiring human capital in form of management experience and education may help lower class directors to overcome disadvantages stemming from social origin. Results are surprising and suggest different effects depending on the type of human capital. Using longitudinal social background data of board chairmen of large German corporations, we find that increasing management experience does not help directors from a lower class social origin to gain more board appointments, while higher educational levels do. We also observe interesting effects of increases in both types of human capital on directors from an upper class background. Together, results speak for the presence of subliminal discrimination in director selection, which can only partly be overcome by acquired human capital.

Multi-level Antecedents of the Enterprise Strategy Integration for Multinational Firms - Veselina Vracheva, North Central College

This study investigates home-country national context and strategic leadership diversity effects on the firm's enterprise strategy integration, which reflects the degree to which a firm's integrated with its social environment. First, the direct effects of the top management team gender diversity, the board of directors' gender diversity, the top management team functional diversity, and the board of directors' stakeholder representation on the levels of integration of the enterprise strategies of 287 multinational firms are tested. Subsequently, the moderating effects of the above relationships of the political culture of these firms' home countries are also explored. Female representation in upper echelons positively influences the firm's enterprise strategy integration. This relationship is moderated by the political culture of the home country. The board of directors' stakeholder representation also positively influences the enterprise strategy integration, but this relationship is not affected by the home-country political culture. Finally, the relationship between the top management team functional diversity and the enterprise strategy integration is not significant or moderated in the suggested way.

My Foe and My Friend: Cooperation in Interorganizational Relations in the Experiences of Managers - Furkan Amil Gur, Northern Illinois University; Thomas Greckhamer, Louisiana State University
Interorganizational relationships are vital for organizations and their strategies. Recently, researchers have become interested in coopeition, i.e., relationships among organizations that simultaneously compete and cooperate with one another. To contribute to the growing literature on coopeitive relationships, in this study we explore managers' experiences of interorganizational relations with a specific interest on how they interpret key factors underlying their organizations' coopeitive relations. We, therefore, focus on managers' accounts of their activities involved in planning and implementing relations with other organizations in their field. To capture managers' interpretations, we chose a grounded theory approach, selected the seafood processing industry in a Southern U.S. state as the empirical setting for our study, and interviewed the execufives of seafood processors and representatives of other key organizations in this context. Our study's findings contribute to research on interorganizational relationships by exploring the characteristics of interorganizational relations and the way managers make decisions and the aspects and practices they interpret to be important for competitive, cooperative, and coopeitive relationships with certain other organizations.

Navigating Pre-Venture Activities: Core Self-Evaluations as a Guide to Perceived Success in Pre-venture Assistance Programs - Laci M Lyons, University of Central Arkansas; Stephen Lanivich, Old Dominion University; Anthony R. Wheeler, Bryant University

In the present research, we examine how dispositional traits affect nascent entrepreneurship success. This study followed 123 nascent entrepreneurs for 6 months, and lagged panel data were collected at 3 time points from the nascent entrepreneurs on their core self-evaluation, commitment to their venture start-up, fear of failure, and their perceived entrepreneurial success. Partial least squares (PLS) analysis supported our hypotheses that strong core self-evaluations were significant in affecting favorable outcomes for nascent entrepreneurs. Additionally, nascent entrepreneur commitment to his or her start-up mediated the relationship between a entrepreneur core self-evaluation and entrepreneurial perceived success.

Negative Environments, Moral Disengagement and Outcomes - Matthew Valle, Elon University; Suzanne Zivnuska, California State University, Chico; Silvia Clark, Texas State University

Based on a theoretical framework that incorporates moral disengagement theory (Bandura, 1986, 1999) as a mediating mechanism, the purpose of this research was to investigate the relationship between individual perceptions of negative organizational environments and moral disengagement and subsequent outcomes. Specifically, we examined the indirect relationship of abusive supervision and perceptions of organizational politics on the outcomes of organizational deviance behavior and unethical pro-organizational behavior through the influence of moral disengagement. We collected data in two separate surveys from 206 individuals working full-time; the data collections were separated by 6 weeks. Results indicate that moral disengagement mediates the relationship between abusive supervision and deviant organizational behavior/ethical pro-organizational behavior. No mediating effect was observed for moral disengagement in the path from perceptions of politics to outcomes. Implications for research and practice are offered.

"Nice Supervisors Don't Always Finish First:" Supervisor Empathy and the LMX Differentiation – Contextual Performance Relationship - Jeffrey Joseph Haynie, Nicholls State University; John Harris, Florida State University; Stanley G. Harris, Auburn University; K. Nathan Moates, Valdosta State University

We proposed that supervisor empathic concern moderates the relationships of LMX differentiation with the contextual performance outcomes of interpersonal facilitation and job dedication. These contextual performance outcomes were hypothesized to be greater in high LMX differentiation contexts led by leaders low in empathy as compared to those led by empathic leaders. In contrast, we also hypothesized that the performance outcomes would be greater in low LMX differentiation contexts led by highly empathic supervisors as compared to leaders low in empathy. Our model was fully supported. Implications of our findings and areas for future research are then discussed.

Nobody's Fooled! Evidence of a Negative Target CEO Halo Effect on Acquisition Premiums - Russell Fralich, HEC Montreal; Andrew Papadopoulos, UQAM

We examine the influence of target CEO status on the premium paid by bidders to acquire the firm. On one hand, status theory points to "positive" evaluator bias, suggesting higher premiums, on the other hand, it also suggests that high-status target CEOs may better obscure information regarding the target firm, creating adverse selection issues. Using a six-year sample U.S.-based merger and acquisition transactions, our results suggest that bidders may indeed be wary of adverse selection issues. This "negative halo" effect results in low premiums for targets led by high-status CEOs.

Not So Black and White: Understanding Group Differences in Performance - Arlise P. McKinney, Coastal Carolina University

There has been considerable research examining the group differences in various predictors that influence diversity in academic and employment outcomes. This study examined ethnic group differences in academic performance measures that are widely used in college admissions and personnel selection contexts. Each of the study variables (e.g., SAT, high school GPA, and college GPA) were examined over time, but the group differences in GPA were significantly lower than other assessments used in employment. The implications for diversity management and personnel strategies are discussed with suggestions for future research.

On Facing Co-Worker Envy: Importance of Self-Esteem and Attribution in Shaping Responses to Co-Worker Envy - Harshad Puranik, University of Cincinnati; Joel Koopman, University of Cincinnati; Heather C. Vough, University of Cincinnati; Daniel Gamache, University of Georgia

While much has been written about envy in the workplace, this research predominantly focuses on the envious, and not on the envious. We suspect this comparative paucity stems from 2 factors: 1) extant research assumes that envious individuals generally experience negative behaviors from the envious, and 2) envious individuals generally know they are enveloped. To this first point, although recent research illustrates that the envious act both positively and negatively, we lack a theoretical model that explains how the envious will respond to either behavior. To the second point, envy is a covert emotion, so an envious individual may fail to attribute the behavior of others to envy. Our thesis is that an envious individual's experience of env y-driven behavior (social undermining or prosocial behavior) is varied and complex, based on whether or not this behavior is attributed to envy. Viewing interactions between the envious and the enveloped through a self-regulatory lens, our model explains why envy individuals might
attribute behavior to envy, and how their behavioral response may differ as a result. Our model brings to the fore the importance of attribution in this interpersonal process and contributes a new typology of behavioral responses to being the target of envy.

Opportunism? It is All Relative! Antecedents and Consequences of Subjective Opportunism Judgments - Andac Arikan, Florida Atlantic University

I argue that in the absence of a formal contract anchoring the definition of what constitutes opportunistic behaviors during an interfirm exchange relationship (e.g., when the exchange is governed through relational devices), ex-post opportunism (i.e. opportunism after the initiation of the exchange relationship) is a subjective, interpretive concept. This means exchange partners may have different conceptions of what constitutes opportunistic behavior therefore they may make discrepant opportunism judgments on a given exchange-related behavior. I then develop hypotheses on the antecedents and consequences of opportunism judgments and test those hypotheses through an experiment in a sample of 304 MBA students. 8 of the 10 hypotheses are supported suggesting that opportunism judgments are indeed subjective and they are shaped by relational, attributional, behavioral, and personality characteristics. In particular, I find that ceteris paribus, opportunism by omission is judged to be less opportunistic than opportunism by commission; the presence of a causal account as well as the type of causal account provided significantly influences opportunism judgments with external accounts leading to the lowest opportunism judgments; perceptions of a strong relationship between partners lead to lower opportunism judgments; and people who are high on agreeableness and conscientiousness tend to make higher opportunism judgments. Furthermore, opportunism judgments influence important relationship outcomes such as intentions for repeat exchange and intentions about the use of relational governance modes in the future, pointing to the practical significance of variance in opportunism judgments.

Organizational and Environmental Factors Associated With the Rate of Adoption of Patient Engagement Capabilities - Oghale Asagbra, University of Alabama at Birmingham

Due in part to the meaningful use requirement enacted in 2009, hospitals have begun adopting health information technology (HIT) with patient engagement capabilities. How ever, little is known about the progress hospitals have made in the adoption of these capabilities. This study documented the adoption rate of patient engagement capabilities from 2008 to 2014 among acute care hospitals and examined the impact of hospital and environmental characteristics on the adoption rate by applying the resource dependency theory. 4,431 hospital-year observations were available for analyses, and a hospital fixed effects regression with two-way interaction was used to examine the adoption rate of patient engagement capabilities given their respective organizational and environmental characteristics. Overall, this study revealed that there is a positive trend in the adoption of HIT capabilities for patient engagement (e.g., provide patients with an electronic copy of their discharge instructions and record, provide patient-specific education resources, and view and download their health/medical record) ($\beta=1.166$, $p<0.001$). Specifically, measures of environmental munificence and dynamism were also associated with higher rates of adoption of patient engagement capabilities. Environmental complexity however did not show a significant association with the adoption rate of patient engagement capabilities. This study also showed that large ($\beta=1.295$, $p<0.001$), system-affiliated ($\beta=1.243$, $p<0.001$), not-for-profit ($\beta=1.184$, $p<0.001$), and teaching ($\beta=1.344$, $p<0.001$) hospitals have a higher rate of adoption of patient engagement capabilities.

Organizational Learning and Corporate Entrepreneurship in High-Tech Firms: Identifying a Role of a Top Management Team’s Entrepreneurial Alertness - Dohyoung Koh, Sogang University; Kyootai Lee, Sogang University; Youngkyun Kim, Incheon National University

This study investigates the mediating role of entrepreneurial alertness of a top management team (TMT) between organizational learning and corporate entrepreneurship (CE). We conducted two studies. In Study 1, based on TMT members’ responses from a group of Korean companies, we examined a factor structure of TMT’s entrepreneurial alertness and its influence on CE. We identified that TMTs’ entrepreneurial alertness is a second-order construct, consisting of scanning and searching, association and connection, and evaluation and judgment, with positively influence CE. In Study 2, based on TMT members’ responses from another group of Korean companies, we confirmed a second-order structure of TMTs’ entrepreneurial alertness. Furthermore, while breadth and depth of learning positively influenced TMTs’ entrepreneurial alertness, speed of learning had a negative effect. In addition, TMTs’ entrepreneurial alertness partially mediated the relationship between breadth of learning and CE, and fully mediated the relationship between depth of learning and CE. This study contributes to extending the concept of entrepreneurial alertness to a TMT context and identifying TMTs’ entrepreneurial alertness as an organizational capability. It helps understand how the three types of organizational learning can heterogeneously contribute to TMTs’ entrepreneurial alertness and CE in incumbent firms.

Origins and Boundary Conditions of Aspiration Levels - Burak Cem Kondu, University of North Georgia

Although Cyert and March proposed that aspiration levels are the “result of a continuous bargaining-learning process” (1963, p. 28), there is still no empirical test of their claim. Thus, this paper investigates how a continuous bargaining and learning process simultaneously influences aspiration levels through field data. Results suggest that learning from aspiration levels and attainment discrepancy positively influences aspiration levels and that learning from social comparison positively influences aspiration levels only in the case of clear feedback. In addition to adjusting aspiration levels to learning from past experience and achievements, managers also bargain over aspiration levels. In their bargaining, they move aspirations levels in the direction of each other’s interests and engage in cooperative behavior to elicit reciprocal behavior. Because of reciprocity characterizing bargaining process, current aspiration levels move in the direction of the interests of the party that conceded in the previous round of bargaining. Managers reciprocate each other’s cooperative behavior as long as they do not exceed success. In the case of success, aspiration levels move in the direction of the interests of the counterpart already compensated in the previous round.

Overqualification Phenomenon: Can An Overqualified Employee be Good for the Organization? - Mirzakhodjon Abdurakhmonov, University of Arkansas

The small but growing overqualification literature gained importance due to changes in global workforce. I review overqualification literature and propose a definition of overqualification, defining it as meeting all minimum education, skills and ability requirements of the job and possessing either formal education, skills or abilities higher than required for a given job. I also develop a theoretical model and propositions that generate insights into how overqualified employees respond to being overqualified. I use stress literature, identity, and self-efficacy theory to explore individual and organizational consequences of overqualification perception by employee and its implications for theory and practice.

Perceived Team Support: The Roles of Perceived Team Social Capital and Team Psychological Contract
We examine the direct and indirect relationships between the structural, cognitive, and relational dimensions of team social capital, team psychological contract breach, and team support. Using a sample of 291 team members across 76 teams and 18 organizations, we find that the cognitive (i.e., shared vision) and relational (i.e., trust) dimensions of social capital are negatively associated with psychological contract breach and positively associated with support. We do not find a significant association between the structural dimension (i.e., tie strength) of social capital and psychological contract breach or support, respectively. We also find that psychological contract breach is negatively associated with support. Theoretical and practical implications are discussed.

Political Skill and Will as Predictors of Impression Management Frequency and Style: A Configurational Investigation - Liam Maher, Florida State University; Vickie Gallagher, Cleveland State University; Ana Maria Rossi, International Stress Management Association - Brazil; Gerald R. Ferris, Florida State University; Pamela L. Perrewé, Florida State University

To date, few studies empirically have confirmed the long-accepted notion that politically skilled individuals discriminate and strategically employ or avoid particular political behaviors in the workplace. The purpose of this multi-study investigation is to evaluate political skill and political will as antecedents of configurational impression management strategies. The configurations of impression management tactics found by Bolino and Turnley (2003) are confirmed using hierarchical and K-means cluster analysis, and discriminant analysis is employed to demonstrate the effects of political skill and political will above and beyond the effects of Machiavellianism and self-monitoring in the prediction of impression management configurations. Consistent with the two-component model of impression management (Leary & Kowalski, 1990), the results of these studies confirm that political skill and political will best represent the cognitive processes that enable impression management strategy selection. Post-hoc analyses illustrate that there may be slight differences in usage of some impression management tactics directed at specific targets (in two of our four samples). Implications, limitations, and future directions are discussed.

Political Skill, Trust, and Efficacy in Teams - Elena Livina, Saint Joseph's University; Liam Maher, Florida State University; John Harris, Florida State University; Gerald R. Ferris, Florida State University

This study contributes to the team literature by examining the role of political skill in predicting team efficacy and trust in team. Political skill, frequently understood as a social skill at work, is argued to be a valuable resource not only at the individual level, but also for the teams. Using a hierarchical linear modeling (HLM) and data from 525 students, organized into 115 teams, we demonstrate that political skill at the individual level shapes individual perceptions of team efficacy and trust in team. Furthermore, both the level and the composition of political skill within the team are found to be critical for these team emergent states, albeit they play out differently for team members who are high vs. low in political skill. Our results suggest that high team political skill acts as a valuable team resource attenuating the negative effect of insufficient political skill of an individual. High levels and homogeneity of team political skill are found to be particularly critical for the low politically skilled team members. Contributions to theory and research, strengths and limitations, directions for future research, and implications for practice are discussed.

Posters to Facilitate Conversations: Real Conversation About Individual Learning Events - Nathan S. Hartman, Illinois State University; Thomas Conklin, Georgia State University

The focus of this manuscript is on sharing our experience with pairing poster presentations with individual reading assignments that actually culminate in peak learning experiences for students in MBA organizational behavior and leadership courses. Posters grant students an opportunity to convey their learning experiences in a way that is otherwise underserved in typical PowerPoint presentations. This activity supports wider learning for students and it is likely that instructors will find this technique particularly interesting.

Prevailing to Their Peers’ Detriment: Organizational Constraints Motivate Machiavellians to Undermine Their Peers - Christopher Castille, Villanova University; Rebecca J. Bennett, Louisiana Tech University; Daniel Kuyumcu, Google

Since Christie and Geis’s (1970) seminal research suggested that Machiavellians manipulate more, wim more, and are persuaded less (e.g., leadership attainment and personal success in negotiation), researchers have debated the merits of Machiavellianism in organizational life. More recent findings suggest that competition over resources might lead Machiavellians to take actions that result in the approval of their superiors, thus harming their career advancement. However, the strategies that Machiavellians use when they perceive their work environment as competitive have yet to be identified. To identify these strategies, we draw on trait activation theory as our theoretical framework. We argue that perceptions of resource constraints motivate Machiavellians to undermine their coworkers. Others have argued that, over time, social undermining could make it difficult for targets, such as coworkers to maintain effective working relationships while promoting a perpetrator’s own welfare (Duffy et al., 2006). Thus, social undermining might explain why Machiavellians are able to obtain favorable impressions from supervisors. Furthermore, with increased effort devoted toward undermining one’s peers, Machiavellians should be distracted from performing their core duties resulting in increased production deviance. Using data collected from 170 employees, we found that when Machiavellians faced resource constraints, they more frequently undermined their peers and shirked their duties. Our research addresses a gap in the Machiavellianism literature by identifying how Machiavellians navigate resource constrained work environments. We conclude with recommendations for managers who supervise Machiavellians.

Proactive Personality, Core Self-Evaluations, and Engagement: Main Effects and the Role of Negative Work Affect - Jeffrey Joseph Haynie, Nicholls State University; Brian Flynn, University of North Florida; Shawn Mauldin, Mississippi State University

We proposed the simultaneous mediating effects of job engagement in the relations of proactive personality and core self-evaluations with work behavior and attitudes. Job engagement was found to mediate the indirect paths of proactive personality and core self-evaluations with task performance and affective organizational commitment. We also expected these mediation effects to be strengthened when negative work affect was high. This conditional indirect effect was only supported for the motivational path with proactive personality. The implications of these findings and areas for future research are discussed.

Breach - Kevin S. Cruz, University of Richmond; Thomas J. Zagenczyk, Clemson University; Feifei Ye, University of Pittsburgh; Anthony C. Hood, University of Alabama at Birmingham

Political Skill, Trust, and Efficacy in Teams - Elena Livina, Saint Joseph's University; Liam Maher, Florida State University; John Harris, Florida State University; Gerald R. Ferris, Florida State University

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Proactive Personality, Core Self-Evaluations, and Engagement: Main Effects and the Role of Negative Work Affect - Jeffrey Joseph Haynie, Nicholls State University; Brian Flynn, University of North Florida; Shawn Mauldin, Mississippi State University

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Proactive Personality in Relation to Life Satisfaction During Late Career and Early Retirement - Todd Maurer, Georgia State University; Elizabeth Foster Chapman, Mercer University-Atlanta

The present study contributes at the intersection of the literatures on personality, careers, retirement, and life satisfaction by finding that a proactive disposition was positively related to life satisfaction during a ten-year period in which people went from being full-time employees to being fully retired. This was true whether differences in life satisfaction included or excluded differences in career satisfaction during that time, thus suggesting that proactivity explains differences in life satisfaction excluding influences from career. In a sample of 18 recent retirees from across the U.S., we found that those who were ready to return to work and preferred retirement, were more satisfied with their retirement, sooner, and their job satisfaction during that time, thus suggesting that proactivity explains differences in life satisfaction excluding influences from career. We therefore concluded that proactive people were more satisfied during this critical period of life. We discuss research implications as well as potential practical implications for enhancing satisfaction during a life stage in which proactive behavior may be beneficial.

Pushed Away from Work and Back to Family: How Family-Related Issues Influence Turnover Intentions - William G. Obenauer, Rensselaer Polytechnic Institute

Employee turnover is a costly expense for organizations. In addition to the costs associated with replacing an employee, the firm must also deal with the loss of individual knowledge associated with turnover. In light of the pivotal role that turnover can play in an organization’s success, researchers have devoted considerable time and energy to studying how employees develop turnover intentions. Previous research has looked at antecedents such as job satisfaction and work-family conflict as predictors of turnover, but few studies have looked at how this process develops over time. This study uses both a more complete model than previous research along with four time periods of data collection to better understand the role of these antecedents. Using structural equation modeling, we find support for all steps in our proposed model both in a cross-sectional data sample as well as a model that utilizes lagged variables. This model includes the frequently studied variables of turnover intentions, job satisfaction, and work-family conflict while introducing the less frequently studied variables of family supportive behavior and scheduling flexibility. Consequently, in addition to finding robust support for a time-series model, this study contributes to the literature by providing an extensive model of the turnover process that is focused on family-related constructs.

R.E.A.L. (Reality-based Experiential Applied Learning) Business Communication - Gregory Berka, Queens University of Charlotte; Heather L Gordon, Duke Energy; Beth Zuech Schneider, Queens University of Charlotte; Paul Kinny, Queens University of Charlotte

R.E.A.L. (Reality-based Experiential Applied Learning) Business Communication is a semester-long educational initiative placing students in a simulated departmental-based organizational structure engaged in a host of communication activities. The entire class works together on a business proposal for a real client with a real business need. The multi-phased layout and approach of REAL provides students opportunities to improve written, verbal, and interpersonal communications in a simulated complex organizational environment.

Ready for Industry Change? A Content Analysis of CEO Attention and Outcomes in the U.S. Telecommunications Industry, 1984-1996 - Michael Lerman, University of Tennessee; Anne Smith, University of Tennessee

Using a matched pair of firms in a dynamic industry, we identify patterns related to the attentional perspective of firm behavior. We address CEO attention and outcomes in the U.S. telecommunications industry. We analyze patterns of attention and subsequent outcomes to identify whether a firm was ready for an industry change. We evaluate these relationships through analysis of four of the Regional Bell Operating Companies (Amertech, Bell Atlantic, NYNEX, and SBC). The period of our analysis begins in 1984 (the breakup of AT&T) and continues through 1995 (the year preceding the 1996 U.S. Telecommunications Act). Using template analysis, we coded CEO letters to shareholders over this period and undertook several innovative efforts to evaluate the trustworthiness of our coding. We analyzed CEO attention to external and internal factors and strategic actions with the resulting outcomes. We assessed the patterns of attention and linked them to whether a firm initiated strategic actions after 1996 or as acquired soon thereafter. Attention to the task and general environment early on was associated with heightened diversification and firms that were ready to initiate change to the industry structure, whereas focus on existing customers, internal stakeholders, and restructuring activities were associated with acquired firms. Our findings provide theoretical elaboration of an attentional perspective and provide methodological recommendations for future studies.

Recruitment Process Outsourcing and Organization Attraction: How Do Applicants React? - Karen Landay, University of Alabama; Sarah DeArmond, University of Wisconsin Oshkosh

Though the use of recruitment process outsourcing (RPO) has increased in recent years, little research has examined the impact that RPO may have on applicants. This is particularly relevant as extant findings suggest that negative experiences during the recruitment process may be detrimental to organization attraction and job acceptance. Thus, this study uses signaling and critical contact theory to examine the main and interactive effects of RPO, recruiter competence, and perceived firm reputation on organization attraction. We presented undergraduate students with hypothetical job application scenarios in which we manipulated RPO, recruiter competence, and perceived firm reputation. Results showed that respondents were more attracted to an organization when a recruiter was competent rather than incompetent and when perceived hiring firm reputation was positive rather than negative. There was no main effect of RPO use to organization attraction. However, we did find support for an interactive effect of RPO use and recruiter competence on organization attraction. Organization attraction was greater when RPO was not used than when it was used when the recruiter was competent, but the opposite was true when the recruiter was incompetent. This suggests that recruiters may have a different effect on the RPO-organization attraction relationship than what has been suggested in previous research.

Related, Unrelated Product, and International Diversification Strategy of Korean Group Affiliated Firm: Chaebol’s Inside Ownership and Non-Bank Financial Institution - Kilho Shin, University of Texas at Arlington
In this article, I address how group affiliated firms that are excessively diversified in terms of related, unrelated product and international market are regulated by a pow erful governance mechanism, Chaebol. I gradually develop theoretical argument in the context of a less developed economy. South Korea, that explains why the group affiliated firms prefer high degrees of diversification strategies. Moreover, to investigate the existence of the governance mechanism for extreme diversification, I draw on both an agency and a pow er-dependence perspective. With a governance mechanism of chaebols, I explain that the group affiliated firms are restricted in pursuing diversification strategies when they are excessively diversified. In addition, with ample financial resources, I also address that the governance mechanism becomes more powerful and imposes sanctions for excessive diversification.

Relational Compassion in Dyads: Definition and Scale Development - Hongguo Wei, Case Western Reserve University

Based on the notion of an ethic of care and the psychological approach to compassion, I explore and define a concept — relational compassion in dyads — to emphasize the relational and moral foundation of compassion. Three dimensions of relational compassion are defined and elaborated, that is, being present, dialogue, and experiencing together. Then a scale of relational compassion in dyads is developed following a series of procedures such as item generation, content validity assessment, dimensionality examination, construct validity, and criterion validity. Further examination is needed to replicate and generalize results of the current study.

Retail Health Clinics: A Systematic Literature Review - Samantha DiMeo, The Pennsylvania State University; Deirdre McCaughey, University of Alabama at Birmingham; Catherine Baumgartner, The Pennsylvania State University

Retail health clinics (RHCs) offer a scope of services pertaining to minor acute conditions and preventive screenings. This emerging phenomenon advertises quick, convenient, and affordable care; therefore, the retail clinic industry has prompted interest among stakeholders in the healthcare industry. This study presents a framework for understanding the RHC industry, the model of care delivery, existing RHC challenges, and place in the care continuum. A systematic literature review was conducted using the online databases ProQuest and PubMed. Articles (n = 35) were retrieved that examined varying facets of the RHC industry. According to the literature, RHCs tend to be located in more affluent and urban areas, and convenience and proximity are identified as leading predictors of clinic use. The literature also revealed that the cost for care at RHCs is lower compared to alternative care settings. RHCs have received relatively high consumer satisfaction scores, and the quality of care in RHCs is comparable to alternative care settings. However, retail clinic operators continue to experience challenges, such as patient volume and profitability. Findings from the literature review indicate that, despite the lower costs for care offered at RHCs, access to care may not necessarily be increased for underserved and rural populations. Rather, RHCs are increasing convenience to the insured and urban populations. The study findings identify the importance of understanding the retail clinic industry and its potential to increase access to care at lower costs without compromising quality.

Retaining Target Executives through Negotiations: The Role of Acquirer Trust - Heather Parola, University of Evansville; Kimberly Ellis, Florida Atlantic University

This study explores the effects of acquirer trust in the target firm and post-deal target executive turnover in related acquisitions. Building on the social embeddedness perspective and organizational justice literature, we find that acquirer trust during the negotiation process promotes greater retention of target executives, but this relationship is mediated by organizational justice. As acquiring firms leverage their trust, the negotiation process become less competitive and more cooperative, promoting justice and eventual retention. Moreover, we find that this relationship is strengthened in deals where geographic complementarity is important.

'Repped From the Headlines': Creating Problem-Based Learning with Real-Time Cases - Beth Zuech Schneider, Queens University of Charlotte; Gregory Berka, Queens University of Charlotte

The case method has been a popular and effective learning tool used in some form by almost all business schools over several decades. While the case method can add a certain dynamic to a student's learning process, it falls to be a perfect solution for addressing the pedagogical needs of today's dynamic business environment. Using problem-based learning for case development can offer students real-time experience while retaining the benefits from the traditional case method. This paper outlines an approach for creating real-time cases with the problem-based learning method which is interdisciplinary and can be used in any business discipline.

Risk Evaluation at Work: Employee Role Expectations and Perceived Coworker Risk Propensity - Oliver Stoutner, Wright State University; Daniel G. Bachrach, University of Alabama; Jeffrey Arthur Martin, University of Alabama

Building on role- and self-categorization theories, in this 2x2 experiment employing 160 subjects, we examine how perceived coworker risk propensity affects employee risk evaluation at a fictitious childcare services organization. We find support for our hypothesis that perceived coworker risk propensity has a negative relationship with employee risk evaluation. Further, we find support for the moderating effect of variability in perceived coworker risk propensity. Implications for these results are discussed along with directions for future research.

Self-defensive Attributions: The Roles of Workplace Status and Perceived Supervisor Motives in Responses to Interpersonal Injustice - Adam C. Stoverink, Northern Illinois University; Joel Koopman, University of Cincinnati; Emilija Djurdjevic, University of Rhode Island

Although knowledge pertaining to interpersonal justice is rich and expansive, we know much less about interpersonal injustice. This asymmetry in the organizational justice literature largely stems from the widely accepted practice of measuring injustice with scales designed to capture justice. On the heels of recent work establishing justice and injustice as distinct constructs (Colquitt, Long, Rodell, & Halvorsen-Ganele, 2015), the present study examines interpersonal injustice, a theoretically influential, yet empirically understudied construct. Using a sample of cadets from a senior military college, we find evidence that interpersonal injustice triggers employees to attribute the mistreatment to the supervisor's injury-laden motives while simultaneously reducing perceptions that the behaviors are intended to improve the employee's performance. These perceived motives then translate to
reduced levels of supervisor trust and job performance. We further find that low-status employees are more likely than their high-status counterparts to attribute unjust interpersonal treatment to a desire to inflict harm. The interactive effect of injustice and status on performance promotion motives was not supported. Implications and opportunities for future research are discussed.

Sensitivity Analysis of Extra Credit Assignments - Julita Haber, Fordham University; Nina Sarkar, Queensborough Community College; Genevieve O'Connor, Fordham University

Have you ever wondered how many extra credit points you should award students for completing your extra credit assignments? You no longer have to wonder. Although extra credit assignments (ECAs) abound on college campuses, we found that the literature lacks general guidelines on how to use ECAs in the most effective way to facilitate students' learning. To address this gap, the study examines the relationship between the number of extra credit points and the effort needed for assignments by employing a modified Van Westendorp's sensitivity analysis based on data collected from 102 college students. Our results indicate that there is a non-linear relationship between effort and expected credit points, and this effect is varied by difficulty of course. We also calculate recommended point ranges for faculty to use for given ECAs. We conclude with important observations and suggestions for future research.

Sensitivity to Social Attack and Corporate Political Activity - Sean Lux, University of South Florida; Richard Gentry, University of Mississippi; James G. Combs, University of Central Florida; T. Russell Crook, University of Tennessee

Most firms do not invest in corporate political activity (CPA). Current theory explains that the reason is because most firms can free ride on the efforts of a few, mostly large, firms that have the most to gain from influencing political outcomes. We offer an alternative theory wherein firms either avoid or invest in CPA to protect against social attack. Specifically, our theory is that firms that are sensitive to social attack will avoid CPA unless their size puts them in the spotlight, in which case socially sensitive firms will spend more to insure that politicians will not enflame inevitable attacks by social activists. Because family firms are known to be particularly sensitive to reputational threats, we test our theory using a 1995-2005 panel of S&P 500 firms and investigate how CPA investments differ between family- and non-family firms. Consistent with our theorizing, we find that family involvement reduces lobbying by 77%, but that large family firms outspend their large non-family firm peers. Our theory offers a new explanation for why firms engage in or abstain from CPA and identifies a new and important distinguishing characteristic of family firms.

Serial Mediation Model in the Relationship between Customer Interpersonal Injustice and Employee Turnover Intention - Young Ho Song, McGill University

Organizational justice scholars have consistently argued that different types (i.e., distributive, procedural, informational, interpersonal) of injustice perception may influence employees' turnover intention in different ways. However, the research on the organizational justice—turnover intention relationship has been mainly focused on how endogenously generated, different types of injustice perception affect employees' turnover intention, while the employees perform their workplace duties within their affiliated organization. Relative little attention has been given to how exogenously created injustice perception from a particular source (i.e., customer interpersonal injustice) may affect employee turnover intention. Results from two fields of studies of telemarketing representatives (N=228) and insurance salespeople (N=147) consistently demonstrate that there is a positive association between customer interpersonal injustice and employee turnover intention. Moreover, both studies found that the relationship between customer interpersonal injustice and employee turnover intention is sequentially mediated by emotional exhaustion and job dissatisfaction. The author discusses the implications, limitations, and further development of these findings.

Setting the Stage for Individual Ambidexterity in Organizations: Two Antecedents of Explorative and Exploitative Behavior - Fernando Garcia, Dalton State College; Rebecca M. Guidice, UNC Wilmington; Neal Mero, Stetson University

In response to changing customer demands and increasing competition, companies must balance the need to exploit their current capabilities with the need to explore new capabilities to sustain long-term success. Balancing this duality is at the core of the ambidexterity concept. While ambidexterity research mostly has focused at the firm level of analysis, recent literature indicates the need to analyze the concept at the individual level to increase our understanding of how ambidexterity takes place and how it emerges from context. Drawing from the ambidexterity literature, the psychological empowerment, and the psychological ownership literatures, we propose that work environments that help develop individuals' feeling of empowerment and ownership will tend to motivate explorative and exploitative behavior. The resulting model will help us understand the dynamics of the ambidexterity phenomenon at its most basic level and will provide organizations with knowledge on how to encourage, promote, and manage ambidextrous behavior.

Sitting on Both Sides of the Fence: When The Banks are also Lenders - Jean McGuire, Louisiana State University; Barclay James, Universidad San Francisco de Quito

National financial systems differ regarding the extent to which banks are allowed to take direct ownership stakes in non-financial firms. Such ownership is common in bank-based financial systems, and regulations vary even in non-bank-based economies. Bank ownership is an important theoretical and regulatory issue in that banks are distinct from other institutional investors in that they can have positions and both equity holders and debt holders (as lenders). Because of often divergent incentives of shareholders and debt holders, the study of bank ownership provides a lens into understanding these potential conflicts of interest and the implications for firm performance. We develop and test hypotheses that draw on and extend what we know about bank ownership and firm performance, and in doing so provide insights into the dueling incentives of shareholders and debt holders. Numerous countries have firms with banks as both owners and lenders. We test our hypotheses using a sample of Japanese firms. We find that bank ownership is associated with lower firm performance, as measured by Tobin's Q. We also find that firms with bank owners who are also lenders to the firm—dual bank ownership—have lower performance than firms with bank owners who are not also lenders to the firm.

Social, For-Profit, and Non-Profit Opportunities: Towards A Theory of Social Opportunity Recognition - Jason Lortie, University of Mississippi; Kevin Cox, FAU
Social entrepreneurship is a popular topic; yet, scholars are still investigating the mystery of social opportunity recognition. Through the synthesis of both Institutional Theory and the Knowledge Corridor Thesis, we offer an explanation for why individuals recognize social opportunities. Macro-explanations are incorporated into our arguments, resulting in a more comprehensive model compared to those that rely only on micro arguments. We develop the idea of institutional channeling, the process of individuals being channeled into knowledge corridors based on their socializations into specific institutions. Institutional channeling into heterogeneous knowledge corridor collections is theorized as the antecedent of social opportunity recognition.

Social Hierarchy in the Workplace: Development of Distinct Measures for Power and Status - Andrew Yu, Michigan State University; Nicholas Hays, Michigan State University; Emma Zhao, University of Melbourne

Although there is growing recognition that power and status represent distinct and important bases of hierarchy, research on this distinction in organizational psychology has been limited, in part because of the lack of a valid measure. Using multiple samples, we develop a 12-item measure of power and status that replicates across samples. The scale exhibits good psychometric properties, including convergent and discriminant validity. We establish criterion-related validity by demonstrating relationships between our new measure and both individual traits and organizational behavioral outcomes. Overall, this research provides a reliable and valid measure of power and status, and demonstrates that distinct forms of social hierarchy can have important implications in workplace environments.

Social Network Analysis in HR/OB Family Business Research: Prospective Applications - James M. Vardaman, Mississippi State University; Laura E. Marler, Mississippi State University; Christopher M. Sterling, California State University-Fresno

This paper introduces social network analysis (SNA) into the family business research domain. We highlight specific topics in the family business literature where SNA can provide significant theoretical and empirical purchase. We also discuss key social network concepts and integrate prospective applications of SNA with prevailing theoretical perspectives in family business scholarship. Perhaps most importantly, we present empirical examples that illustrate the use of SNA in a family firm setting. In this sense, the paper serves as a basic starting point for family firm scholars interested in network applications and demonstrates the ways in which SNA opens new avenues for research.

Stereotype Threat: Do We Have a Good Theory for Organizational Research? - Gabrielle Swab, University of Mississippi; Golshan Javadian, Morgan State University; Vishal K. Gupta, University of Mississippi

Over the last two decades, stereotype threat theory (STT), a novel intriguing perspective to understand intergroup differences in social and economic outcomes (e.g., intellectual and ability tasks), has attracted considerable attention. Adapting and extending recent discussions on formulating and constructing theory, we present a comprehensive five-pronged theory assessment framework for evaluating STT as a "good" theory for organizational research. We delve deep into the STT literature, providing an incisive critical analyses to identify specific areas where STT has made substantive progress as well as those where notable gaps and omissions remain to be addressed through future inquiry. The assessment criteria we propose evaluates the present theoretical status of STT, and also helps move forward the scientific enterprise as a whole by guiding efforts to strengthen other theories that may be of interest to organizational scholars.

Success from Humble Beginnings: How Emotional Intelligence and Trait Humility Influence NCBOs - Scott R. Cohen, University of South Alabama; Don C. Mosley, University of South Alabama; William E. Gillis, University of South Alabama

Emotional Intelligence (EI) has attracted significant interest, and is a well-established social asset; however, its function in an entrepreneurial networking environment has not been investigated. This study investigates the role of the EI and humility as predictors of organizational citizenship behavior in an independent entrepreneurial networking organization. We found that both EI and humility were significantly associated with OCB. We also found that there was a significant interaction between EI and humility such that when humility was higher, the effect of EI on OCB was higher. The implications of these results to networking groups are discussed. Also, we describe the implications of leveraging this knowledge to improve both individual and group performance.

Talent Attracts Talent: Effects of Leader Human Capital on Talent Acquisition and Unit Performance - Christopher M. Harris, Texas Woman's University; Gary C. McMahan, University of Texas at Arlington

Human capital has been recognized as an important element in the creation of a competitive advantage. This study examines the influence of organizations having high quality leaders on the attraction of high quality recruits to organizations. High quality leaders along with high quality employees should allow an organization to develop a human capital advantage and perform at a high level. Our findings indicate that organizations with high quality leaders attract high quality recruits and in turn perform at a high level.

Teaching the Evergreen Value of Organizational Classics - Foster Roberts, Southeast Missouri State University; Tobi Popoola, University of Mississippi; David Marshall, University of Mississippi; Alexander Williams, Texas A&M University - Commerce; Jennifer Palar, Augustana College; Logan Jones, Missouri Western State University

Relying on Stinchcombe's 1982 framework describing the functions of classical readings to informing contemporary research and theory building, we suggest that the ideas of early organization and management thinkers can inform how we learn and conduct organizational and management theory (OMT) research. Within this framework, we analyze the philosophies of Chester Barnard, Mary Parker Follett, Henri Fayol, and Alfred D. Chandler Jr., and expound on how they serve as both instrumental and symbolic sources for learning in OMT.
Temporal Sequencing of Certification Signals and IPO Underpricing - Theodore Khoury, Portland State University; Curt B. Moore, West Virginia University; Prem G Mathew, Oregon State University; Yasuhiro Yamakawa, Babson College

Leveraging a novel dataset of IPOs in Japan between 2006 and 2010, we evaluate temporal sequencing of certification signals associated with levels of ownership by venture owners and certification by venture capital and underwriting intermediaries. Our findings support our theoretical contention that the temporal sequencing of founder ownership levels, venture capital reputation, and underwriter reputation signals significantly influence IPO underpricing. Furthermore, we propose conditions under which signals associated with VCFs and underwriters are substitutable or complementary. Our findings ultimately suggest signal complementarity between high reputation VCFs and underwriters when the intermediaries are affiliated. However, high reputation VCF signals substitute for underwriter signals when they are not affiliated.

The CEO and the P=AMO Model - Steve Lovett, University of Texas Rio Grande Valley

The P=AMO model proposes that job performance is a multiplicative function of ability, motivation, and opportunity to perform. This model was developed for the field of human resource management and has become a standard in that field, and has also been widely applied in other fields. However, to date the P=AMO model has not been explicitly applied to the most important job in most large organizations: that of the CEO. In this manuscript I review selected recent literature on CEO performance, ability, motivation, and opportunities. The literature is extensive, but also fragmented, and in some cases inconclusive because of its lack of coherence. An integrative framework for CEO research is clearly needed. The P=AMO model is useful for this purpose because it includes all aspects of the CEO's job and it leads to clear hypotheses - each of the three antecedent categories should be a complement to the other two, and substitution effects should be found within categories.

The Complexity of Interorganizational Collaboration: Formation Intention and Time Make a Difference - Tammy E. Beck, University of Nebraska-Lincoln; Karen Ford-Eickhoff, University of North Carolina Charlotte; Stephanie Solansky, University of Houston Victoria; Donde Ashmos Plowman, University of Nebraska

Organizations increasingly rely on collaborative arrangements to operate effectively. However, we still have much to learn about the structure and nature of collaboration, especially when collaborations manifest in non-traditional forms or cross sectors. We introduce a theoretical framework that reconceptualizes interorganizational collaboration into four types based on the intention used to form the collaboration and the time span for which the collaboration endures. We adopt a complexity theory perspective (a theory infrequently yet increasingly applied to collaborative arrangements) and recognize that each collaboration type is subject to stabilizing and destabilizing tensions and that these tensions push the collaboration system toward a state of equilibrium or chaos. The impact and accompanying risk of these tensions vary by collaboration type. Thus, we suggest a one-size-fits-all approach to managing collaborations will unlikely produce desired outcomes, and instead, propose that managerial approaches must account for collaboration type and the tensions and risks present within them.

The Digital Divide: Sex, Racial/Ethnic, and Cross-National Differences in Internet Use - Dianna L. Stone, University at Albany and Virginia Tech; Dianna Krueger, Tarleton State University; Stephen Takach, University of Texas at San Antonio

The Internet has prompted numerous changes in our everyday lives, and altered the way that we purchase products, apply for jobs, manage financial transactions, and communicate with others. Research on the use of the Internet in organizations revealed that it has a number of important benefits including decreased transaction times, increased efficiency, and enhanced communication (Kavanagh, Thite, & Johnson, 2015). Despite these advantages, it also has some unintended consequences that affect individuals, organizations, and society as a whole. For instance, the use of the Internet has prompted concerns about the digital divide and adverse impact against racial/ethnic minorities. These social issues may have a negative impact on individuals and organizations including decreased access to job opportunities, low increased unemployment rates, loss of talented employees, and social inequality. Thus, this paper considers theory and research on the digital divide, and offers directions for future research and practice on the topic.

The Double-Edged Sword of Leader-Member Exchange on Employee Voice in Groups: Social Contagion or Relational Maneuvering? - Joel Benjamin Carnevale, Auburn University; Lei Huang, Auburn University; Mary Uhl-Bien, Texas Christian University; Stanley G. Harris, Auburn University

Despite recent work examining the influence of leader-member (LMX) relationships on employee voice behavior, a number of questions remain regarding when and how the quality of one's relationship with the leader might promote, or inhibit, voice behavior, as well as the individual and contextual factors that might further influence this relationship. To address these limitations, we integrate social cognitive and social exchange theories to propose potential curvilinear (i.e., inverted U-shaped) relationships between LMX and both voice efficacy (mediator) and voice behavior (outcome). Moreover, in line with recent research emphasizing the importance of the work in influencing voice judgments and behavior, we examine the moderating effect of group voice. Survey data collected from 337 employees working at a large software production and service company provides support for the curvilinear indirect effect of LMX on follower voice via their voice efficacy. However, our results further show that when LMX was at very high levels, LMX had a negative indirect effect on employee voice via employee voice efficacy in the presence of low group voice, but there was no significant indirect effect in the presence of high group voice. Contributions to the LMX, social cognitive, and voice literatures are discussed and limitations and future directions are offered.

The Effect of Corporate Social Performance on Acquisition Performance - Sammy Murithi, Louisiana Tech University; Bruce Walters, Louisiana Tech University; Son Le, Louisiana Tech University; Andrea Drake, Louisiana Tech University

This study investigates the impact of corporate social responsibility (CSR) on postacquisition performance. Using stakeholder theory and signaling theory, we explore entrepreneurial firms, family firms, and top managers’ ownership as potential moderators of this relationship. Further, we explore top management team retention and quality of target as mediators of the relationship between CSR and postacquisition performance. We find that corporate social performance is generally associated with higher postacquisition performance. The results provide support for the moderating effect of entrepreneurial firm status on the
The Effect of Intrateam Trust on Organizational Outcomes: A Multilevel Perspective - Aber Kassa, Wayne State University; Amanuel G. Tekleab, Wayne State University

Trust is considered as one of the vital ingredients in work and interpersonal relationships. It is considered as vital in initiating, establishing, and maintaining relationships in social interactions and relationships. Studies suggest that team trust has a multitude of benefits ranging from inducing individual employees to perform better and engage in other productive workplace behaviors to facilitating team productivity and ultimately fulfilling the mission of organizational objectives. The purpose of this study is extending earlier works on the effect of trust on team performance, specifically intrateam trust, on organizational outcomes at individual, team, and organizational levels using individual, team, and organizational measures. It focuses on highlighting the mechanism through which team trust leads to organizational outcomes. The study proposes that team trust enables team members to openly reflect on their experience, buffer them from psychological anxiety, and help them handle conflict constructively, which in turn leads to desirable organizational outcomes. Moreover, the study proposes that team trust moderates the degree to which team trust elicits the organizational outcomes. The social exchange theory is used to posit the proposed relationships.

The Effect of Media Coverage and Board Composition on Female CEO Appointment - Hazel Dadanlar, UT Rio Grande Valley; Michael A. Abebe, The University of Texas Rio Grande Valley; Earl Yarbrough, University of Texas Rio Grande Valley

The persistent under representation of women in senior executive ranks including the CEO position is a topic of intense interest among corporate governance researchers. Recently, the scholarly conversation on this topic is increasingly focusing on the issue of whether female executive appointments are motivated solely by the rational succession logic or more by symbolic organizational actions aimed at signaling key stakeholders. In this study, drawing from signaling theory and the literature on organizational effects of media coverage, we explore whether the extent of negative media coverage about the firm drives the subsequent appointment of female CEOs. Further, we contend that negative media coverage is more likely to lead to female CEO appointment among firms with larger boards, more outside directors and at least one female director. Using data from a matched sample of 160 publicly traded U.S. firms, we found that firms that experienced negative media coverage were twice as likely to appoint a female CEO. Furthermore, we found that the influence of negative media coverage on female CEO appointments is greater among firms with boards dominated by outside directors and boards that have at least one female director. Despite our predictions, board size does not seem to facilitate the likelihood of female CEO appointment. Implications for research and practice are discussed.

The Effects of Person-Organization Political Misfit On Employees: A Conceptual Model - Lee Warren Brown, Texas Woman's University; Jennifer G. Manegold, Florida Gulf Coast University; Dennis Marquardt, Abilene Christian University

Organizational research has found many positive benefits to person-organization (PO) fit, for both individuals and the organization. However, PO misfit has received far less attention in the literature. In this paper, we look specifically at PO misfit caused by the differing political values of the firm and employees. We argue that when employees have negative perceptions of CEO political activism, the likelihood of PO political misfit between an employee and the organization increases, and this can lead to negative outcomes in the workplace. We also consider how ethical climate and moral identity impact PO misfit and negative organizational outcomes. We introduce a conceptual model, and discuss implications for both the firm and employee.

The Elusive Nature of Entrepreneurial Education - Karen Moustafa Leonard, University of Arkansas at Little Rock; Zelimir William Todorovic, Indiana University Fort Wayne

In a rapidly changing and globalizing world, it is essential that students receive the best education possible to allow them to compete. How ever, faculty and students are more comfortable in certain fields than others. In an attempt to explore these individual differences, we developed a way of thinking about courses and students that may help explain variations in comfort levels, using the type of field - stable or dynamic - and individual student differences - uncertainty avoidance and locus of control. Our framework and discussion should lead to further empirical studies of the variables. By understanding the nature of the interaction between course type and individual student differences, students can be guided in the appropriate types of courses. In addition, since students often take required courses that might not fit their personal requirements, this research provides help in dealing with these individual differences. If we understand what causes these differences, we can encourage and assist the student appropriately.

The Family Firm's Socioemotional Paradox: Examining Tensions Between Family Members' Socioemotional Wealth and Socioemotional Selectivity - David Jiang, Georgia Southern University; Timothy Paul Munyon, The University of Tennessee; Franz Kellermanns, University of North Carolina at Charlotte; Michael Lane Morris, University of Tennessee

Research on socioemotional wealth (SEW) theory finds that family firms, relative to nonfamily firms, generally pursue a higher proportion of nonfinancial goals that provide them with SEW, or a stock of emotional value in the firm. Family succession is believed to be an important distinguishing goal that contributes to SEW in these firms. However, a socioemotional paradox exists in the literature regarding succession desirability and the strength of SEW over time. Here, using a survey sample of family firm members drawn from family firms in tourism industries, we reconcile this paradox by integrating socioemotional wealth and socioemotional selectivity theoretical perspectives. In the aggregate, this study is the first to (a) empirically incorporate emotion into SEW theory (b) directly examine how time perspective influences changes in succession desirability and (c) provide psychological mechanisms that explain heterogeneity in SEW preferences for various family members across the family firm lifecycle. Consequently, this is one of the first studies to directly examine the microfoundations of SEW theory. Potential implications for practice are positioned to help family firms succession, especially by offering psychological implications of time perspective that can help founder-run family businesses improve firm survival and longevity.
The Fire under the Gridiron: Resource Dependence and NCAA Conference Realignment - Erik Taylor, Louisiana State University; Benjamin D. McLarty, Mississippi State University; Dale A. Henderson, Radford University

Resource dependence theory posits that interorganizational cooperation is a key means of reducing uncertainty and ensuring survival, but little research so far has investigated how coalitions of organizations function to reduce uncertainty and ensure survival, both for the coalition and the member institutions. In this research, we explore how relative bargaining power, legitimacy, and performance impact the structure and subsequent performance of coalitions. To this end, we analyze fifteen years of coalition realignment and the performance of collegiate athletic conferences. Using a comparative case study approach, we find that relative bargaining power is the main driver of realignment activity. This construct is influenced by both legitimacy and prior performance. Our analysis suggests that coalitions and organizations alike seek memberships that ensure long-run survival, even at the expense of short-run performance. This results in a "rich get richer" paradigm where the most powerful coalitions can ensure the greatest performance and exert the highest amount of autonomy with the least amount of restraints on member organizations.

The "Gift" of Learning Disabilities: A Positive Link to Entrepreneurship - Nancy McIntyre, West Virginia University; Michael Harvey, The University of Arizona

Research indicates that there is a significantly higher occurrence of learning disabilities among entrepreneurs than that found in the general population. In this paper, we utilize entrepreneurial cognition theory to develop a theoretical basis for this finding. We introduce the concept of neurodiversity to discuss what has been termed learning "disabilities" in a positive light as they impact success in entrepreneurship. We propose that individuals with learning differences (often labeled learning disabilities) are forced by those differences, to process information in ways that enable them to cope with the information in their environment and when they do so in a positive way, those individuals become more alert to their environment and are more able to identify entrepreneurial opportunities.

The Good, the Bad, and the Mixed: The Effects of Reputation, Infomediary Information, and Status Affiliation on Market Performance - Karen Nicholas, West Virginia University; Miles A. Zachary, West Virginia University; G. Tyge Payne, Texas Tech University

We contribute to research on social evaluations by considering how reputation and infomediary information work together to explain market performance. Although extant research acknowledges that both reputation and information provided by third-party infomediaries help shape the perceptions of stakeholders, we know considerably less about how and when it affects the uncertainty of market participants. To address this gap, we examine the interaction between reputation and infomediary information and its relationship with market performance in a sample of 526 films produced by 37 production firms in the U.S. film industry from 2009 through 2014. As hypothesized, we find that actor/director reputation and critical evaluation have an interactive effect on the box office success of films. Further, we consider and find support for positive status infomediary effects: films affiliated with high status production studios are less affected by the interaction between reputation and infomediary information. In contrast, films affiliated with low status production studios depend on both strong actor/director reputations and positive critical evaluations to be successful at the box office.

"The 'I' in Team:" Member Selection Control in Cross-Sector Social-oriented Partnership Teams - Thomas Pittz, University of Tampa; Melissa Cast, Western Michigan University; Sean E. Rogers, Cornell University; Judy Weisinger, Mills College

Cross-sector social partnerships represent a unique form of collective social entrepreneurship (Montgomery et al., 2012; Phillips et al., 2015). This research explores team selection control—the ability of an entrepreneurial social collective to provide input into the selection of team members as an important antecedent of team and job satisfaction. Additionally, this study considers the role of justice in moderating these relationships. The role of team selection control was tested in a sample of cross-sector social partnerships spanning all three economic sectors and divergent social objectives. The findings of this study have important implications for scholarship and practice.

The Impact of Diversity Climate on Valued Organizational Outcomes: A Meta-Analytic Review - Kevin Lowe, University of Auckland; E. Holly Buttnar, UNC-Greensboro; Shiva Nami, University of Auckland

Diversity climate has been linked to a number of organizational outcomes including employee retention, sales performance and sales growth, organizational attachment, perceptions of workplace justice, employee perceptions of inclusion, and customer satisfaction. We conducted a meta-analytic review to investigate the relationships between Diversity Climate and four valued organizational outcomes: Satisfaction, Performance, Commitment, and Intention to Stay. Results of the meta-analysis for 32,659 subjects across 22 studies and 63 effect sizes found positive relationships between Diversity Climate and each of the criterion variables of interest. The strongest effects were observed with Commitment and the weakest effects with Intent to Stay.

The Impact of Organizational Reputation and Recruiter Political Skill on Recruitment: Quality vs. Quantity - Diane Afoni Lawong, Florida State University

Researchers have identified various organizational and recruiter characteristics that impact recruitment effectiveness. However, how recruiters leverage these characteristics to recruit quality candidates, and distinguishing between the impact of recruiter and organizational characteristics in the recruitment process, remains neglected. This paper presents political skill as a social effectiveness tool that can be used by recruiters to leverage the reputation of their organizations during the recruitment process. Furthermore, I assert that organizational characteristics are more related to the quantity of applicants who are attracted to the organization, whereas recruiter characteristics are related to the attraction and successful recruitment of quality applicants.

The Impact of Transformational and Transactional Leadership on Healthcare Outcomes: A Meta-Analytic Review - Kevin Lowe, University of Auckland; Shiva Nami, University of Auckland; Lester Levy, University of...
Auckland

Healthcare is the world's largest industry at more than 10% of GDP in most developed countries and over 15% of GDP in the United States. Given this industry's importance to global welfare, the literature examining the effects of healthcare leadership on valued organizational outcomes is surprisingly under-researched and lacking empirical consolidation. In this study, we meta-analyzed the effects of transformational and transactional leadership, the most researched leadership paradigm in recent decades, on satisfaction, performance, commitment, and burnout. Results indicate that transformational leadership has a greater effect than transactional leadership with the strongest effects on commitment and the weakest on burnout.

The Making and Giving of Sense: Line Manager Implementation of Human Resource Strategy - David Steffensen, Florida State University

At their core, sensemaking and sensegiving are centered on processes of understanding and influence (Gioia & Chittipeddi, 1991). To provide a more complete picture of how these processes unfold, this paper develops a theoretical model that incorporates the dimensions of political skill, a social effectiveness construct, on the sensemaking and sensegiving of line managers. The context of line manager implementation is important, as it represents an important intermediate link between the development of human resource strategy and firm performance. In my paper, I argue that line managers are responsible for making sense of HR strategy they are told to implement, and for giving sense regarding their organizations' HR strategy to lower-level employees. With a backdrop of sensemaking and sensegiving, I argue that politically skilled line managers use their social astuteness and networking ability to secure important resources and accurately interpret their organizations' HR strategies and (b) their interpersonal influence and apparent sincerity to provide legitimacy and trust to the HR strategies.

The Risky Business of Studying Risk in Business: A Multidisciplinary Review - Sophie Elizabeth Jané, Case Western Reserve University; Chantal van Esch, Case Western Reserve University; Diana Biliomira, Case Western Reserve University

A specific area of decision-making that has garnered significant multi-disciplinary attention is that of understanding risk. Due to the many disciplines which have defined, conceptualized, and studied risk and its related constructs, synthesizing the depth and breadth of this literature is a challenging task. We discuss the progression of risk literature from early Expected Value and Probability Theory, to recent developments in Management and Neuroeconomics. Organizational theories and empirical findings on risk are examined based on recent empirical evidence. Common themes and emerging trends in the literature are used to build an agenda for future research.

The Role of Affective Competence in Affect-As-Information: A Moderated Mediation Model of Affect-Effort Relationships - Mark Geiger, Duquesne University; Terry W. Noel, Illinois State University; Pingshu Li, University of Kansas

Research has discussed the potential for affective states to inhibit or drive task effort. However, there continues to be a lack of consensus concerning whether positive and negative affect result in an increase or a decrease in task effort. In the present study, we follow an affect-as-information perspective in the context of student-venture start-ups to examine the relationship between venture-related affect and subsequent venture effort. The findings of our study go beyond previous research to suggest a moderated (affective competence) mediation (planned venture effort) mechanism in the affect-effort relationship. Our results show that affective competence is a significant mitigating factor in the affect-as-information process; indicating an important influence on the process through which venture-related affect influences subsequent venture effort.

The Role of Demographics: Who Engages In and Who Benefits From Family Supportive Supervisor Behavior? - John Neglia, Kennesaw State University; Amy B. Henley, Kennesaw State University; Robin Cheramie, Kennesaw State University; Elizabeth M. Boyd, Kennesaw State University

Organizations have traditionally instituted formal work place benefits to help employees alleviate the stress of work-family conflict. However, largely due to implementation difficulties, the effectiveness of formal work-family benefits is questionable. Informal workplace supports, such as family supportive supervisor behavior (FSSB) provide a better explanation for employee well-being. However, we know little about what predicts FSSB or about which employees benefit from it the most. Thus, the purpose of this study is to empirically examine demographic predictors of FSSB and which employees benefit most from FSSB. Drawing on social identity theory, a research model is proposed to examine whether an individual's demographic characteristics, operationalized as gender, identity, marital status, and parental status predicts FSSB. In addition, this study explores whether FSSB relates to employee task performance and whether this relationship is mediated by work-family conflict. From an academic perspective, this model may contribute to the literature by expanding the nomological network of FSSB to include potential predictors. From a practitioner perspective, this study will provide insight regarding existing supervisor and work-family-related competencies as well as, opportunities for development.

The Social Learning Effects of Goal Orientation: Leader Avoid Goal Orientation and Follower Unethical Behavior - Dennis Marquardt, Abilene Christian University; Wendy Jean Casper, University of Texas at Arlington

As the consequences of unethical behavior in organizations become more costly, identifying the underlying factors associated with such misconduct becomes more crucial. In this paper, we propose that seemingly morally benign patterns of goal-oriented behavior by managers provide signals and cues that relate to follower displays of unethical behavior. Using a sample of 230 supervisor-subordinate dyads, our findings largely support our claims. The results indicate that leader goal orientation is significantly related to follower unethical behavior and that this relationship is partially mediated by follower ethical leadership perceptions. Moderated mediation tests indicated that the negative indirect effect of leader avoid goal orientation on follow-er unethical behavior through perceptions of ethical leadership was attenuated by higher levels of leader learning goal orientation. Taken together, these findings demonstrate that leaders who emphasize failure avoidance while downplaying the importance of taking on challenges for the sake of mastery will have followers who perceive them as less ethical and are more willing to engage in ethical misconduct. We discuss the implications of these findings on both theory and practice.

The Source and Solution: How Supervisor-Induced Stress and LMX Impact Employee Neglect and
In this manuscript, we utilize conservation of resources (COR) theory to argue that hindrance stress experienced by employees as a result of their interaction with their supervisors impacts the degree of neglect that they exhibit in the workplace. This neglect impacts job performance outcomes such as task performance and organizational citizenship behavior. Additionally, we argue that leader–member exchange (LMX) has an influence on the stress to neglect relationship such that enhanced LMX reduces the impact of stress on neglect. In our first study, we use a multi-source data collection method to establish the mediation effect. In our second study, we use a time-lagged, multi-survey, multi-source data collection approach to more fully establish that these relationships have both a theoretical and practical impact on how we can understand the influence of supervisor-induced hindrance stress in the workplace.

The Tipping Point: When High Performance Work Demands Are Perceived as Abusive - Neal M. Ashkanasy, University of Queensland; Rebecca J. Bennett, Louisiana Tech University; Mark J. Martin, Florida A&M University; Estee D. Giraud, Pompeu Fabra University; Alana D. Dorris, University of Queensland

We describe a laboratory study designed to examine what happens when subordinates perceive high performance work demands as abusive. Drawing on theory and empirical work in the areas of Affective Events Theory (AET), attribution theory, justice theory, workplace deviance, and abusive supervision, we hypothesized and found that abusive as compared to neutral and supportive supervisory behavior adversely affected participants' affect, perceptions of abusive behavior, performance, and retaliatory behaviors. We also found that negative affect is positively related to perceptions of abuse and that external attributions for abusive supervisory behavior are negatively related to perceptions of abuse, negative affect, and retaliatory behavior. We conclude that a variety of intrapersonal factors and work demands interact, influencing the attribution and affective responses of subordinates resulting in different perceptions among subordinates of the same objective work demands.

Thriving in Demanding Environments: How Job Demands, Context and Resources Enable Thriving - John Roach, University of South Alabama; Marjorie Icenogle, University of South Alabama; William E. Gillis, University of South Alabama

This conceptual paper examines the saliency of certain contextual features and individual resources that enable one’s thriving at work in the context of high job demands. We incorporate insights from the job demands-resource (J-D-R) model into the model for thriving at work to help answer questions regarding how people can thrive in highly demanding jobs given certain contexts and resources. We also expand the model of thriving at work by arguing how two additional contextual features enable individual thriving: decision-making-participation and job demands.

To Use or Not to Use: The Acceptance of Mobile Technology Among Nurses - Crystal Day-Black, Coppin State University/University of Alabama; Dorian Boncoeur, Helmut Schmidt University; C. Justice Tillman, Baruch College, CUNY

Technology is now an intrinsic part of the healthcare industry. Recently, rapidly emerging mobile information technologies present both an opportunity and a challenge within this field, and especially for nurses whose duties range from communicating with other practitioners (physicians, therapists, the patient, and other team members) to develop a plan of care. This conceptual article explores the intricate cognitive processes at play that can help understand and predict nurses’ acceptance and usage of mobile technology at the workplace. We extend the Technology Acceptance Model by looking at antecedents to behavior and propose a partially mediated model, as well as external and organizational constraints which moderate the outcomes.

Toward a Theory of Extinction: Why Utopian Conditions Lead to the Eventual Death of Corporate-Level Strategies - Anna A. Obedkova, University of Texas at Arlington; Liliana Perez-Nordvedt, University of Texas at Arlington; Ann McFadyen, University of Texas at Arlington

While the field of management has made great progress when it comes to explaining the death of organizations or populations of organizations, little is known about the “death” of corporate-level strategies. Applying Calhoun’s (1973) Death by Utopia results from his Universe 25 experiment, we develop a theoretical model of extinction that seeks to explain why certain corporate-level strategies become extinct over time. In doing so, we identify utopian conditions that drive strategies to rapidly flourish, yet eventually lead to their demise. We suggest that rapid growth of a corporate-level strategy leads to over-crowding the business landscape. We further propose that once overcrowding surpasses a certain point, deviancy in behavior by corporate parents becomes prevalent. Such behavioral sinks, which take several forms, eventually leads to the corporate-level strategy’s extinction. In an effort to show how our theory adds to current theories that explain death, we compare and contrast population ecology, life cycle models, and our theoretical model to provide a richer lens through which to examine death of corporate-level strategies.

Turning Followers into Prosocial Citizens: An Integrated Model of Leader Humility and Follower Helping Behavior - Joel Benjamin Carnevale, Auburn University; Lei Huang, Auburn University; Ted A. Paterson, University of Nebraska-Lincoln

The current study proposes a cross-level moderated-mediation model based on social identity and social exchange theories to explain how and when humble leaders motivate followers to become “prosocial citizens.” Drawing on social identity theory, we theorize that humble leaders motivate their followers to engage in helping behaviors by fostering a sense of shared identity. Moreover, consistent with research emphasizing the inclusion of the larger social environment in explaining leader–follower relationships, we draw from social exchange theory to investigate the role of LMX differentiation in moderating this positive indirect effect. Three-wave survey data collected from 233 employees working at a large internet company provides support for the positive indirect effect of leader humility on follower helping via their identification with the leader. However, our results further show that this positive indirect effect is significant only in the presence of high LMX differentiation, and becomes non-significant when in the presence of low LMX differentiation. Contributions to the leader humility, social identity, social exchange, and helping literature are discussed. Limitations and future directions are also offered.

Understanding Emotional Variability among Hotel Frontline Employees: Antecedents and the Moderating
Effect of Positive Work Reflection - Shi (Tracy) Xu, The Pennsylvania State University; Larry R Martinez, Portland State University

This study examines two antecedents of emotional variability, self-instability and pessimism, and the impact of emotional variability on emotional exhaustion in the hospitality industry. In addition, we explore the moderating role of positive work reflection on the relationship between emotional variability and emotional exhaustion. A total of 224 frontline employees in 18 four- and five-star hotels of different sizes in Ecuador responded to surveys about their emotions and work lives. The findings suggest that (a) emotional variability is positively influenced by individuals' self-instability and pessimism, (b) emotional variability was positively related to emotional exhaustion and (c) the relationship between emotional variability and emotional exhaustion was weakened by positive work reflection. These results highlight the importance of potential low-cost, easily trainable interventions to manage the negative effects of highly variable emotions and the resulting exhaustion prevalent in the hospitality industry.

Understanding Productivity and Performance of Knowledge Workers: A Conceptual Model - April Spivack, Coastal Carolina University; Ashay B. Desai, University of Wisconsin Oshkosh

As a result of technological advances, knowledge workers have become increasingly mobile; people can perform work in a variety of new locations, via an assortment of new working arrangements. These new flexible work arrangements (FWA) challenge traditional managerial practices highlighting the tensions between attempts to control workers to extract maximum effort and granting workers spatial autonomy. We integrate arguments from multiple theories to build propositions and a framework mapping the relationships between flexible work arrangements, perceived spatial autonomy, work site selection, and productivity for today's knowledge workers. We highlight the interaction between individual work values and exchange ideology, and present a number of qualitative variables as factors representing cognitive processes and motivation. The resulting conceptual model contributes to the existing literature by contrasting different theoretical sets of predictor variables and examining their effect on productivity. We discuss implications and avenues for future work exploring these relationships.

Unethical Pro-Organizational Behavior: Incitement by the Leader - Salar Mesdaghiinia, Eastern Michigan University; Robert Eisenberger, University of Houston; Debra L Shapiro, University of Maryland

Antecedents to "unethical pro-organizational behavior" (UPB) — that is, employees' unethical behaviors for the purpose of helping their organization (e.g., inflating earnings, covering up failures) — have received relatively little study. Via a sample of 133 employees, we examine UPB's association with employees' perception that their leader exhibits and encourages UPB — that is, leader's immorality-encouragement (LIE). Drawing on social cognitive theory and French and Raven's (1959) conceptualization of bases of power, we posit that LIE increases UPB due to employees' internalization of unethical methods as acceptable business behaviors as well as acquiescence to reward and coercive power exerted by the leader. Further, we suggest that this relationship is stronger when employees are motivated to please the supervisor owing to a high-quality leader-member exchange (LMX) relationship. Additionally, because coworkers (not only leaders) also provide normative cues, we posit that the proposed positive relationship between LIE and employees' UPB is weakened when employees' coworkers have high moral workship and, as such, coworkers are more likely to confront or report wrongdoing. As predicted, UPB was positively related to LIE, as moderated by LMX and coworkers' average moral workship.

Untangling the Country of Origin Bias in CSR Context: A Social Dominance Perspective - Leyla Orudzheva, University of Texas; Nolan Gaffney, University of North Texas; Nathan Heaton, University of Texas at Tyler; Andrea Ellinger, University of Texas at Tyler; Rochell McWhorter, The University of Texas at Tyler; Russ Vince, University of Bath

Research on CSR continues to proliferate, but why are certain forms of CSR engage in CSR in some locations rather than in others? The differences in behavior might be explained by the status of the MNE's home country relative to the host country. Adopting a Social Dominance Theory perspective, we propose a multi-level integrative framework highlighting the potential presence of a hierarchical contamination, or rather how expectations of home country stakeholders for a foreign firm to engage in CSR are based, in part, on their perception of that firm's home country status relative to theirs.

Using Meta-Ethnography to Analyze Qualitative Case Study Research on Planned Organization Change: A Pilot Study - Diana McBurnett, The University of Texas at Tyler; Andrea Ellinger, The University of Texas at Tyler; Rochell McWhorter, The University of Texas at Tyler; Russ Vince, University of Bath

This paper provides an overview of a meta-ethnographic pilot study of qualitative case studies of planned organization change published in peer-reviewed journals between 2000 and 2015. It includes a summary of literature on planned organization change theory and models of change—agent/leadership and change recipient perspectives and a summary of empirical literature on change success rates and factors. The study is underpinned by contingency and paradox theories and addresses research questions regarding planned change failure and success factors and rates, implementation of models of planned change, and patterns found in qualitative case study literature of planned change.

"Well, I Have a Family": An Exploration of Socioemotional Wealth and Community Goals in SMEs - Bart Debicki, Towson University; Robert VDG Randolph, University of Nevada Las Vegas; Benjamin Alexander, Cal Poly; Robert Zajkowski, Maria Curie-Skłodowska University in Lublin

Businesses can direct their efforts toward the fulfillment of multiple, high-level objectives including financial wealth, socioemotional wealth (SEW), and community goals. Among family firms, the pursuit of SEW has been upheld as a key strategy to balance family, firm, and societal needs. However, the pursuit of SEW is not constrained to family firms; nor is SEW the only non-economic goal salient in family-owned and non-family firms. In this paper, we examine the pursuit of SEW and Community Goals in both family-owned and non-family small and medium-sized enterprises (SMEs). We argue that conflict and complementarity between different goals are affected by family ownership. We find that the pursuit of different non-economic goals interacts with family ownership to yield important financial outcomes.

What Works for You May Not Work for (Gen)Me: Generational Limitations of Leadership Theories - Heather Anderson, University of Oklahoma; John Edward Baur, University of Nevada Las Vegas; Jennifer
A. Griffith, East Central University; Michael R. Buckley, University of Oklahoma

Scholars and practitioners alike have recognized that younger workers, collectively known as Millennials or GenMe, are different from their counterparts born in prior generations. Employees of this generation hold different expectations regarding the centrality of work to their lives and bring different personalities and attitudes to the workforce. As the number of Millennials in the workforce grows, the divide between them and their older counterparts becomes more salient and poses unique challenges for organizational leaders. In this paper, we explore how these changes may augment the reconsideration of many of the most cited leadership theories in an effort to understand important boundary conditions and how leadership research must evolve to keep pace with the workforce.

When Being the Star Hurts More: Moderators in the Relationship between Abusive Supervision and Ostracism - Zhenyu Yuan, University of Iowa; Ning Li, University of Iowa; Pengcheng Zhang, Huazhong University of Science and Technology; Jixian Wang, Texas A&M University

Extant research on abusive supervision has focused on either the supervisor-subordinate dyad or the team level without recognizing the possibility that abusive supervision may be distributed unevenly within a team (e.g., individuals embedded in teams). In this study, we test the effect of relative abusive supervision within a team on ostracism. Furthermore, relative job performance and conscientiousness are incorporated as moderators that may exacerbate this effect. Using multisource data collected from teams in several organizations located in China, we found good support for our study hypotheses. We discuss the study contributions and implications for abusive supervision research.

When Do Machs Intimidate? An Investigation on Situational Ambiguity - Elizabeth Fabrizio, Youngstown State University; Rebecca Lee Badawy, Youngstown State University; Sebastian Boland, Youngstown State University; Robyn Brouer, Canisius College

Machiavellianism refers to a strategic propensity of individuals to manipulate and exploit others for their own advantage (Bereczkei et al., 2015; Wilson, Neer, and Miller, 1996), and it is associated with maladaptive behavior, resulting in negative consequences for both the individuals who employ these tactics and those who are subject to these tactics (McHoskey, 1999). Though research has supported that Machs’ (e.g., those who are Machiavellian) decision-making processes are deviant, less is understood about the environmental conditions that cue Machs to exhibit anti-social behavior. Based on the widely supported notion that behavior is a product of the person and the situation (Lewin, 1951), we explore situational factors that signal Machs to employ the maladaptive behavior of intimidation. Experimental results (N=362) demonstrated that Machs feel threatened in ambiguous situations, causing them to exhibit intimidation behaviors. In other words, Machs react negatively when they feel that they do not have the situational leverage to successfully employ manipulative strategies (i.e., achieve sanctioned outcomes through sanctioned means). Interestingly, and counter to gender norm literature, these results did not differ for males and females suggesting that the Mach personality transcends traditionally accepted gender norms. Taken together, this research provides information on how to reduce the likelihood of Machs utilizing anti-social behaviors in the workplace.

When Social Comparisons Lead to Turnover Intentions: The Impact of Relative Leader-member Exchange and Network Influence through Uncivil Behavior - Bingqing Wu, University of Illinois at Chicago; Don Kluemer, University of Illinois at Chicago; Shannon G. Taylor, University of Central Florida; Matt Bowler, Oklahoma State University

We explore the role of relative leader-member exchange (RLMX) and social influence on workplace incivility and consequent turnover intentions. Based on relative deprivation theory, we challenge the popular assumption that positive social capital (social influence) and high RLMX are always beneficial in the workplace. By placing RLMX and social influence in a 2x2 matrix, we theorize four types of employees (lieutenant, brown noser, competitor to the throne, and outsider) with differing impact on turnover intentions through uncivil behavior. Consistent with our hypotheses, network data collected from 172 restaurant employees across six store locations reveals that the indirect effect of RLMX through incivility to turnover intentions is conditional, such that influence moderates the first stage of the indirect effect.

Who is Likely to Fail? Benefits and Costs of Gender Diversity - Kyoung Yong Kim, University of Houston

While entrepreneurship exerts considerable influence on economic growth, a majority of new ventures go out of business within five years. In this high-stakes context, diversity in venture teams can be central to its survival, improving diagnosis of the situation and thereby the quality of decision making. While few studies have looked at the relationship between venture survival, we study the influence of gender diversity on venture survival. A number of studies in organizational behavior suggest that men and women differ in many aspects so gender diversity influences team dynamics. Thus, in the present study, we focus on gender diversity as a key antecedent of venture failure, and examine the conditions under which gender diversity positively or negatively influence venture failure. This is the first study in the entrepreneurship literature that thoroughly examines the gender diversity-venture failure relationship. Using panel data of 202 ventures, we found that gender diversity of the venture team was positively associated with venture failure when the team size was small, and the proportion of women's equity was high, or when the venture credit risk was low. Theoretical and practical implications are discussed.

Who is Regulating Whom? Understanding Institutional Power Contestation and Regulatory Influence in the Banking Industry - Jennifer Knippen, Eckerd College; Henry Tosi, University of Florida

This paper revisits power and agency within the institutional literature. It investigates the regulatory environment (regulation creation and regulation enforcement) as an antecedent to firm manipulation tactics (political contributions and firm-regulator networks) to offer insights into power contestation during institutionalization processes. We tested the hypotheses using a sample of firms from the investment banking industry from 1992 to 2010. We find a positive relationship between aspects of the regulatory environment and firm manipulation tactics, suggesting firms are indeed actively engaging in the institutionalization process. We conclude with a discussion of theoretical and practical implications.

Why Does Personality Predict Job Attitudes? A Meta-Analytic Path Model of Mediated Relationships - Alex Rubenstein, University of Memphis; Christian Calderon, University of Memphis
Research has provided considerable support for the dispositional basis of job attitudes. However, the mechanisms to explain such personality trait-job attitude relationships have been less forthcoming. Drawing from Trait Theory and the Theory of Purposeful Work Behavior, the present study developed and tested an integrative model linking the Five-Factor Model of personality to work attitudes (i.e., job satisfaction and organizational commitment) via five mediators: relationship quality, job characteristics perceptions, job complexity, fit perceptions, and extrinsic rewards. In doing so, we highlight the dominant pathways by which FFM traits are expressed to predict attitudes while offering 38 new meta-analytic estimates to the literature. The results illuminate the unique roles of each mediator in describing how and why each FFM trait is related to job attitudes. We discuss the implications of our results for both theory and practice, and highlight important avenues for future research on personality and job attitudes.

Why Lakisha and Jamal Didn't Get Interviews: Extending the Findings of Bertrand and Mullainathan - William G. O'Beirnauer, Rensselaer Polytechnic Institute

For over a decade, discrimination scholars have built upon the results of a field experiment published by Bertrand and Mullainathan in 2004. This seminal piece of discrimination literature reported findings that indicated a presence of general discrimination against African-Americans in the job market. As it was also cited frequently in the popular press, this piece helped to shape the way people view employment discrimination in the United States. In the current study, we review and extend Bertrand and Mullainathan's findings. First, we review the empirical analysis and find evidence that frequently cited discrimination effects from this study may be somewhat inflated. We then go on to introduce two new variables to the study and demonstrate that the impact of an applicant having an Arabic name has a larger negative marginal effect than an African-American name does on the likelihood of an employer calling the applicant. These variables also help to substantiate concerns that the original study's data set does not allow for differentiation between the effect of an African-American name and the effect of an uncommon name. Our empirical results do illustrate, however, that the negative marginal effects of an Arabic name are independent of the effects of name frequency within the population. Collectively, we show that while White applicants appear to have an advantage in the job market, the relationship between race and job opportunities may be more complicated than Bertrand and Mullainathan originally reported.

Why Students Help Others Cheat: It's Personal and Social - Alex Scrimshire, Oklahoma State University; Thomas H. Stone, Oklahoma State University; Jim Jawahar, Illinois State University; Jennifer Lynn Kisamore, University of Oklahoma-Tulsa

Academic misconduct is widespread in schools, colleges, and universities and it appears to be an international phenomenon that also spills over into the workplace (Nonis & Switz, 2001; Sims, 1993; and Stone, Jawahar & Kisamore, 2011). To this end, while a great deal of research has investigated various individual components such as, demographic, personality and situational factors that contribute to cheating, research has yet to examine why students help others cheat and whether students are being asked to help others cheat. In this study, we investigated if the closeness of the relationship to the individual requesting help in cheating the student was asked to help cheat, influenced the decision to help cheat. We also investigated if past cheating behavior predicted how an individual would respond to requests to cheat. Additionally, we sought to answer the following questions: whether minor cheating is more prevalent than serious cheating, what personality factors predict helping others cheat, who is helped, and how people rationalize helping others cheat. Results indicate minor cheating to be more prevalent, prudent personalities are less likely to have cheated or to help others cheat, individuals are more likely to help friends cheat than to help strangers, and past cheating behaviors is indicative of helping others to cheat. Implications for research and practice are discussed.

Will They Stay or Will They Go? The Influence of Justice and Bullying in Healthcare - Michele N. Medina, University of North Texas; Kathryn Keech Ostermeier, University of North Texas

Drawing on both fairness heuristics theory and affective events theory, we propose and test a mediated moderated model in the healthcare context evaluating the relationships between justice dimensions, intentions to leave, workplace bullying, and employee recourse. Specifically, we posit that organizational justice perceptions are negatively related to intentions to leave, mediated by workplace bullying and employee recourse. We posit employment justice as an antecedent of workplace bullying and show the positive relationship between employment justice and bullying is moderated by organizational justice perceptions. To test the hypothesized model, graduate students in a health care MBA program (n = 146) at a public university were surveyed. The data was analyzed using Preacher and Hayes (2008) macro, with results indicating support for workplace bullying mediating the relationship between organizational justice perceptions and intentions to leave. Discussion, implications, and future directions are included.

With LMX, Is Supervisor Affect Needed to Explain Relational Quality: A Meta-Analysis - Dongyou Wu, Michigan State University; James Dulebohn, Michigan State University; Chenwei Liao, Michigan State University

Although supervisor affect toward subordinates was a central construct during the 1980s and 1990s, a review of the literature suggests that leader-member exchange (LMX) has been the primary construct to supplant the use of supervisor affect in investigating dyadic relationship quality. To examine the construct redundancy between affect and LMX, the authors conducted a meta-analysis based on 110 affect studies, containing 126 samples, and 282 LMX studies, containing 347 samples, as well as 11 antecedent and 10 consequence effects that are common to both affect and LMX. Results indicated the affect and LMX have similar patterns with common correlates with respect to effect sizes and significance. Moderator analysis revealed that reporting source of affect and LMX has resulted in significantly higher correlations with antecedent and outcome variables when common reporting source data has been used. Incremental variance analysis results demonstrated that affect can potentially add additional variance in explaining consequences over LMX. Overall, our results suggest that supervisor affect, while similar to LMX, is an important construct that should not be abandoned in organizational research but should be used in LMX studies to control for common method variance.

Women entrepreneurship: Understanding the effect of Cross-national differences in Culture and Norms - Ratan Dheer, Eastern Michigan University; Mingxiang Li, Florida Atlantic University

Entrepreneurship literature suggests that starting new businesses offers women a route to economic and social parity. However, despite rapid growth in the rate of entrepreneurship in nations around the world, the number of new businesses started by women has traditionally remained less than that of men. This study focuses on understanding the causes of cross-national differences in women’s likelihood of starting new businesses. It specifically investigates the moderating role of informal institutional elements in explaining the likelihood of new venture creation by women. A multi-level analytical design is used to test
the hypothesized arguments.

Working Toward Neurodiversity: How Organizations and Leaders Can Accommodate for Autism Spectrum Disorder - Stephanie R. Seitz, California State University, East Bay; Sara A Smith, California State University, East Bay

In an increasingly relationship-oriented working world, social skill can be essential for job success. However, there is a growing number of working age adults who do not possess these heightened skills. Autism Spectrum Disorder (ASD) is characterized by specific difficulties with social interaction, and employers have legal obligations to reasonably accommodate for the particular needs associated with this disorder. To date, research has generally focused on identification, treatment, and prevention in children. Much less research has been devoted to the issues of ASD in adulthood, in particular in employment situations. We conducted an exploratory investigation to discover strategies that managers and organizations can use to accommodate for employees with ASD. From our research emerged five distinct themes: Understanding, flexibility, motivation, direct communication, and ongoing support. Using this framework, we make several theoretical propositions and discuss theoretical implications and avenues for future research.

Work Life Overlap in the Millennial Generation: The Role of Ubiquitous Technology - Jestine Philip, University of North Texas; Hossein Najmi, University of North Texas; Leyla Orudzheva, University of North Texas; Elisabeth Struckell, University of North Texas

Millennials now represent the majority generation and the majority workforce in the United States and yet only recently has scholarly literature begun to recognize their importance. Unlike older generations, millennials claim to desire a more seamless overlap between their work and personal lives. This study acknowledges a change in context from work-family balance to work-life overlap, provides evidence that the established relationship between core self-evaluation and job satisfaction holds for millennial workers, and contributes two new constructs and scales to measure how technology enables both work-to-life and life-to-work overlap for millennial workers. This study seeks to understand how employers and millennial workers might be able to agree on a “give and take” relationship, enabling employees to optimize the management of work and personal life, leading to improved job satisfaction. Through the introduction and application of two newly developed constructs, the authors pioneer the measurement of both technology enabled work-to-life and life-to-work overlap for an individual millennial subject.

You’re Fired: Gender Disparities in CEO Dismissal - Vishal K. Gupta, University of Mississippi; Sandra Mortal, University of Memphis; Sabatino Dino Silveri, University of Memphis; Minxing Sun, University of Memphis

The topic of CEO dismissal draws considerable attention, presumably because of the visibility, publicity, and intrigue that often surrounds the decision to force out an incumbent CEO. To advance scholarly understanding of CEO dismissal, we examine whether CEO gender influences the likelihood of dismissal from the chief executive position. Specifically, we theorize that dismissal is more likely among female CEOs compared to male CEOs, and that female CEO dismissal is less sensitive to performance than it is for male CEO dismissal. We confirm our predictions using a broad sample comprising large, publicly-traded firms over the 1993-2009 period. Implications and directions for future research are discussed.
A COMPLEX ADAPTIVE SYSTEMS APPROACH TO ENTREPRENEURIAL ECOSYSTEMS

ABSTRACT

Entrepreneurial ecosystems are a phenomenon of growing economic and cultural significance, which is attracting the attention of academics and practitioners. Studies have identified ecosystems’ key components, such as sources of financial capital. However, prior research has not put forth a theory of entrepreneurial ecosystems that embraces their complexity. To address this omission, we draw from work in wide-ranging disciplines and contend that entrepreneurial ecosystems can be better understood if examined through the lens of complexity theory and conceptualized as complex adaptive systems. We present the core concepts of complexity, apply them to entrepreneurial ecosystems, and discuss the implications of our theorizing.

Keywords: entrepreneurial ecosystems; startup communities; regional innovation; innovation ecosystems; complexity theory; complex adaptive systems
Supreme purity, clarity, and certainty at the cost of completeness. But what can be the attraction of getting to know such a tiny section of nature thoroughly, while one leaves everything subtler and more complex shyly and timidly alone?

Albert Einstein, *Essays in Science*

*We are observing the birth of a [new] science that is no longer limited to idealized and simplified situations but reflects the complexity of the real world.*

Ilya Prigogine, Isabelle Stengers, *Order out of Chaos*

Entrepreneurship is an engine for economic growth, product innovation, technological disruption, and wealth creation (Audretsch, Keilbach, and Lehmann, 2006; Hitt, Ireland, Camp, and Sexton, 2001; Schumpeter, 1934; Wennekers and Thurik, 1999). It is increasingly viewed as a keystone of regional and national competitive advantage (Baumol, 2002) and has been referred to as the “most sure way of [economic] development” (Isenberg, 2010: 2, quoting P. Kagame) and as “central to economic prosperity” (Storey and Greene, 2010: 208). Beyond its impact on the economy, there is also growing acknowledgement of entrepreneurship’s ability to shape the cultural milieu through its influence on institutions and social forces (Rindova, Barry, and Ketchen, 2009; Maguire, Hardy, and Lawrence, 2004) and its capacity to uncover and construct solutions for social problems (Dees, 1998). In this function, entrepreneurship is viewed as a source of “emancipation,” which allows individuals to pursue freedom, independence, and autonomy from the status quo, to change their position in the social order, and even to alter the very foundations of society itself (Rindova *et al*., 2009: 478)

Because of the growing acknowledgement of entrepreneurship’s economic and cultural importance, local, state, and national governments increasingly attempt to spur entrepreneurial activity (Acs, Autio, and Szerb, 2014; Lee, Peng, and Barney, 2007). Since entrepreneurs do not identify or create opportunities in isolation (e.g., Greve and Salaff, 2003), the focus is on fostering the construction of *entrepreneurial ecosystems*, the set of actors, institutions, social
structures, and cultural values – and the interactions among them – that produce entrepreneurial activity (e.g., Arruda, Nogueira, and Costa, 2014; Autio and Thomas, 2013; Breznitz and Taylor, 2014; Feld, 2012; Kantis and Federico, 2012; Mason and Brown, 2014; Neck, Meyer, Coehn, and Corbett, 2004; Spigel, forthcoming; Spilling, 1996; Van de Ven, 1993; Zahra and Nambisan, 2011). Indeed, understanding how to promote and foster an entrepreneurial ecosystem has become a “holy grail” for policy makers and practitioners in both developed and emerging economies (Isenberg, 2010). One result is that established entrepreneurial ecosystems, such as Israel, Silicon Valley, and Singapore, as well as emerging ecosystems, such as Waterloo, Ontario, have become the subject of intense and sustained scholarly and media attention.

To date, scholars examining entrepreneurial ecosystems have focused on identifying the key elements of such ecosystems (e.g., business incubators, sources of financial capital). For instance, in a study of the Silicon Valley ecosystem, Bahrami and Evans (1995) found that its critical features included venture capital, a pool of knowledgeable professionals, university and research institutions, a professional service infrastructure, and lead users of innovation (cf. also Kenney and Von Burg, 1999). Similarly, in a study of the Boulder, Colorado ecosystem, Neck and colleagues (2004) found that its key components included large established companies, which incubated ideas leading to the “spin off” of new ventures, formal and informal networks among entrepreneurs (and the organizations helping to facilitate such networks), capital sources, physical infrastructure, and the culture of the region. More recently, Arruda et al. (2014) examined the Brazilian entrepreneurial ecosystem and focused on factors such as the regulatory framework, access to financing, the diffusion of knowledge, and entrepreneurial capabilities.

These studies and others (e.g., Isenberg, 2010), have succeeded in isolating the components involved in the functioning of several high-profile ecosystems. It is increasingly
clear, however, that to fully understand ecosystem creation, evolution, and performance, it is necessary to go beyond producing lists of ecosystem elements. Spilling (1996), for instance, urges scholars to focus on the interactions among elements of an ecosystem, and Isenberg (2010:10) cautions that it is important to examine an ecosystem as an interconnected whole and that "ignoring the interconnected nature of the ecosystem can lead to perverse outcomes." Similarly, Motoyama and Watkins (2014) argue that to comprehend the functioning of an entrepreneurial ecosystem it is necessary to examine the connections among its components and how these connections, and the dynamic system of processes they represent, evolve. Most recently, Spigel (forthcoming) developed a relational view of entrepreneurial ecosystems focusing on ten cultural, social, and material attributes. The critical emphasis of Spigel’s work is on the interactions among attributes; however, in considering future research, he emphasizes the need for theoretical frameworks to understand how entrepreneurial ecosystems emerge and change.

We agree with these scholars that what is missing from prior work on entrepreneurial ecosystems is a guiding theoretical framework. Indeed, although entrepreneurial ecosystems have been the target of academic and practitioner attention for over 25 years, by not focusing on the complex interactions among ecosystems’ agents, organizations, and socio-cultural forces, we know surprisingly little about how ecosystems emerge, evolve, adapt, and produce outcomes that impact society. Thus much remains to be learned.

A hint as to the type of theory that could illuminate the study of entrepreneurial ecosystems can be found in the aforementioned clarion calls for studying the constellation of connections among elements of ecosystems. This suggests that ecosystems are best treated as systems. Moreover, it suggests that systems theory, an analytical approach that represents natural and social phenomena as a set of stocks and flows regulated by a variety of feedback processes
and interactions (e.g. Boulding, 1956; Hartvigsen et al., 1998; Von Bertalanffy, 1956) might provide an appropriate lens for understanding entrepreneurial ecosystems.

Work in systems theory has found that there are, in fact, two general types of systems, which correspond to two unique approaches to studying systems. The first approach assumes that systems are commonly in (or near) equilibrium, which negates the need to examine changing relationships and dynamic interactions among the system’s elements and instead focuses on isolating and parameterizing the elements (Manson, 2001). Although this approach is appropriate for explaining the behavior of some types of systems, a vibrant stream of work from a variety of disciplines, including biology (Sole and Goodwin, 2008), ecology (Levin, 1998), chemistry (Prigogine, 1980), physics (Ngai et al., 1988 1994), economics (Martin & Sunley, 2007), and management (Eisenhardt and Piezunka, 2011), suggests that there is an important sub-set of systems – *complex adaptive systems* (CAS) – that cannot be explained using general systems theory or through reductionist or static approaches to scientific inquiry. The study of complex adaptive systems, defined as systems in which the macro-level behaviors of the system both influence and emerge from interactions among the agents comprising the system (Levin, 2002, Manson, 2001), has led to an interdisciplinary branch of science referred to as *complexity theory*. The aim of complexity theory is to provide a framework for analyzing “systems with multiple elements adapting or reacting to the patterns these elements create” (Arthur 1999, p. 107) and understanding the hallmark characteristics of such systems, such as nonlinearity, nested hierarchies, cross-scale interactions, irreversibility, feedback effects, and self-organization.

We will argue that an entrepreneurial ecosystem is a complex adaptive system. Moreover, we contend that by analyzing entrepreneurial ecosystems through the lens of complexity theory we can move past lists of the components contained in entrepreneurial
ecosystems, provide a framework that can be used to respond to calls for granular studies of the connections among ecosystem components, and begin to understand how the adaptation of micro-interactions can shape the behavior, evolution, and performance of ecosystems. Thus, in this conceptual paper, we draw from work on complex systems in wide-ranging disciplines to provide an overarching framework for the study of entrepreneurial ecosystems.

LITERATURE REVIEW

The Roots of Complexity Theory and Complex Systems

The study of complexity has its foundations in general systems theory (Buckley, 1967; Kast and Rosenzweig, 1972; Von Bertalanffy, 1956), which began as a reaction against reductionist scientific theories that did not seek a holistic and dynamic understanding of how the components of phenomena are often highly interconnected (Cillers, 2001). Eventually, however, critics began to identify limitations in general systems research. Most notable, systems theory often inadvertently adopts many of the guiding tenets of classical Newtonian science, such as linearity, causality, predictability, stability, and universality, which leads to a view of systems as ordered, rational, steady-state, and generally in or near equilibrium (e.g. Morrison, 2008).

Moreover, systems theorists often try to simplify and parameterize the elements of a system and neglect changes in the relationships among elements (Manson, 2001). This manifests in empirical examinations of systems that utilize the mathematics and quantitative techniques of Newtonian science (e.g., linear programming methods).

Although general systems theory can be used to predict the behavior of an array of natural and social phenomena, there are a set of systems that cannot be explained with such theories because they exhibit unique behaviors and characteristics, such as nonlinear dynamics, adaptability, and sensitivity to starting conditions (Hartvigsen, Kinzig, and Peterson, 1998). This
type of system represents natural phenomena including forest ecosystems (Chazdon and Arroyo, 2013), coral reefs (Adger, Hughes, Folke, Carpenter, and Rockstrom, 2005), and insect colonies (Bonabeau, 1998) and social systems, such as organizations (Schneider and Somers, 2006), supply chains (Choi, Dooley, and Rungtusanatham, 2001), and economies (Tefsatsion, 2003).

A common conceptual lens – complexity theory – has been developed to analyze these systems (cf. Anderson, 1999; Byrne, 1998). In the most general sense, these systems share a feature: they adapt and react to the patterns created by their elements, a behavior referred to as complexity (Arthur, 1999; Lansing, 2003). Complexity arises in systems where there is a multiplicity of interconnected relationships across multiple levels of the system and across temporal, social, and spatial scales (Cadenasso, Pickett, and Grove, 2006; Rammel, Wilfing, and Stagl, 2007). In such systems, “large macroscopic patterns […] emerge out of local, small-scale interactions” (Rammel et al., 2007: 10). More specifically, systems exhibit complex behaviors when their components, processes, subsystems, and structures interact with one another and with the environment (Limburg, O’Neill, Constanza, and Farber, 2002). Over time, these interactions lead to adaptation and development of the system (Morrison, 2008). Complexity theory seeks to explain how complex behaviors are produced and how the behaviors and patterns of action produced at one level of a system can influence processes operating at a different level (Hartvigsen, Kinzig, and Peterson, 1998).

Phenomena that exhibit complex behaviors are referred to as complex adaptive systems (CAS; cf. Miller and Page, 2009). CAS are systems “in which the individual components are constantly interacting and reacting to one another, thus modifying the system and its response to outside disturbances, thus allowing it to adapt to altered conditions” (Messier and Puettmann, 2011: 250). Systems as diverse as cells (Theise, 2004), tidal ecosystems (Stallins and Parker,
and stock markets (Mauboussin, 2002) have been studied as CAS. Indeed, CAS have been argued to “crosscut [...] culture, nature, and society” (Lansing, 2003: 184). For instance, Jeanne (1997) studied the economy as a complex system and focused on how the individual actions of currency traders can rapidly aggregate and influence the behaviors and outcomes of the macro economy. Jeanne emphasized a distinguishing feature of CAS, which is that the simple interactions between individual agents can be amplified through nonlinear interactions and can affect the macro behaviors of the system without being explicitly transferred through the intermediary levels of the system (also: Manson, 2001). Similarly, Eisenhardt and Piezunka (2011: 507) argue that firms are complex adaptive systems because organization-level strategy, a relatively stable behavior at the system-level, emerges from the actions, interactions, and repositioning among individual executives who act autonomously and are guided by “simple rules that enable improvisation action to adapt to real-time conditions.” As these studies illustrate, examining CAS can produce insights about how changes and adaptations at one level of a system lead to emergent patterns at other levels. Furthermore, in CAS, agents act autonomously, often making decisions based on specific rules and in response to information from connections with other agents and the outside environment (Eisenhardt and Piezunka, 2011). These autonomous individual actions can lead to organization at the level of the system (Comfort, 1994).

In the next section, we discuss five defining characteristics of CAS and theorize about how entrepreneurial ecosystems can be more fully understood by using the lens of complexity theory. We then examine how variation in these and other characteristics can lead to important differences in ecosystem-level functioning and outcomes.

ENTREPRENEURIAL ECOSYSTEMS AS COMPLEX ADAPTIVE SYSTEMS
A diverse set of phenomena can be classified as complex adaptive systems ranging from the growth of dendritic crystals (Wolfram, 1985) to the patterning of coastal ecosystems (Baas, 2002) to urban development (Cartwright, 1991). Despite differences in their structures, scales, and types of agents, all of these phenomena represent systems that share five specific characteristics: complex components, nonlinearity, sensitivity to initial conditions, adaptability, and chaotic (or semi-chaotic) behaviors. A description of each of these characteristics, followed by their presence in entrepreneurial ecosystems, is examined in turn. To illustrate the characteristics, a model of an entrepreneurial ecosystem as a complex adaptive system is provided in Figure 1. In constructing this figure, we drew from other models of CAS (e.g., New England Complex Systems Institute, 2015) as well as from work prior work on entrepreneurial ecosystems (e.g., Spigel, forthcoming; Neck et al., 2004). It is important to note that the figure does not contain every type of agent or every possible connection between system components. Instead, we aimed to illustrate how the defining features of CAS (e.g., emergence, self-organization, nested hierarchical levels) manifest in entrepreneurial ecosystems.

--- Insert Figure 1 here ---

**Complex Components**

The components, or elements, of complex adaptive systems possess several co-occurring properties. First, variation exists among the agents of a system because of their “intrinsic attributes, their environmental context, or their patterns of interactions with other agents” (Hartvigsen *et al.*, 1998: 429). Agents refer to the entities (e.g., individuals, organizations) that populate a complex system (Choi *et al.*, 2001). Although there is variation among agents, “inhomogeneities,” or similarities among sub-groups that make them distinct from the system as a whole, exist in how the agents are organized. As Levin (1998: 432) explains, inhomogeneities
“enable us to recognize groups of individuals that are, in some sense, more similar to one another than they are to the background [system].” That is, despite variation and dissimilarity, the agents in CAS can be segmented into groups.

Second, the components of CAS, and the relationships among them, exist at multiple levels and scales. For example, in a social system such as an economy, there will be agents operating at the individual-level (i.e., entrepreneurs), organizational-level (i.e., firms), and the para-organizational level (e.g., industry associations). Relationships and interactions exist at all of these levels and across levels. Thus, effects and perturbations occurring at different levels (and time scales) can influence one another.

Third, despite differences that can exist across levels and scales, the components and behaviors that constitute complex systems display coherence. Coherence can be conceptualized as the degree of association between the components of a system, which causes them to coalesce into a group (the system) rather than to dissipate. Coherence can happen as a result of self-organization by several means. For instance, the structure of a particular task can impose on the agents of a system a natural sequencing of actions, which then creates a structured unfolding of behaviors and events (Brooks, 1991: 24). In addition, coherence can result from one type of agent depending in some way on another type of agent; for example, sharing similar, inter-dependent goals (McPhee and Zaug, 2001). Anything that strengthens the association between agents, such as sharing common languages, narratives, patterns of thinking, or cultural values, will increase the coherence of a system and act as a force that holds the system together and acts against dissipative tendencies. Although perfect coherence is not necessary for the functioning of a complex adaptive system, if there is not some degree of coherence agents will behave completely autonomously and the system will cease to exist.
Finally, although a system may be designed, and its initial conditions influenced by outside forces, the components of CAS do not need to have a global controller that directs the ongoing behaviors of individual agents or the overall system (Morrison, 2008). The order that exists in the system can emerge from the actions of its agents. Thus, order is the result of self-organization; it is not imposed from a “manager” of the system.

We contend that the components of entrepreneurial ecosystems possess all of these features, which, in part, is why it is appropriate to use CAS as a lens to understand such ecosystems. Moreover, examining the properties of ecosystem components can provide the most direct connection between complexity theory and prior work on entrepreneurial ecosystems (e.g., Isenberg, 2010; Mason and Brown, 2014; Neck et al., 2004; Spilling, 1996; Van de Ven, 1993).

First, an entrepreneurial ecosystem’s agents, such as entrepreneurs, investors, and other resource providers, are heterogeneous in their attributes (e.g., opportunity recognition abilities or resource endowments; Kirzner, 1973; Brush, Greene, and Hart, 2001), in their interactions with the external environment (e.g., connections to business communities outside the ecosystem), and in their relationship with other agents in the system (e.g., the depth and breadth of their social networks; Baron and Markman, 2003; Nambisan and Sawhney, 2011). Despite the heterogeneity that exists among individual agents in the ecosystem, there is enough homogeneity in agent-types to assign agents to categories based on their similarities in characteristics, behaviors, activities, and driving aims. For instance, although there is significant variation among entrepreneurs in their abilities, goals, and the types of ventures they create (Smith and Miner, 1983), individuals performing the role of entrepreneur share fundamental similarities that allow them to be assigned to a category (or sub-group), “entrepreneur,” which distinguishes them from other groups, such as investors. It may be the case than an individual has multiple roles (e.g., an individual who is
both an entrepreneur and an angel investor). In CAS, it is not that every agent is role-exclusive but that categories of like-roles can be identified.

At the same time, as CAS, the components of an entrepreneurial ecosystem exist and operate at different levels and at multiple scales. There are agents operating at the individual- (e.g., founder), organizational- (e.g., accelerator), and para-organizational- (e.g., associations) levels. Also, features of the ecosystem, and its dynamics, will operate differently depending on size and time scales. For example, knowledge diffusion, innovation transfer, and the effect of culture can change as the system grows (e.g., Botazzi & Peri, 2003). Similarly, technological innovations might evolve at the scale of months or years (e.g., Attewell, 1992); however, they can shape entrepreneurial decisions that are on the scale of days or weeks.

The agents and organizations in an entrepreneurial ecosystem have coherence along several dimensions. First, many of the agents share a common set of tasks – founding and growing new organizations – which not only causes them to engage in similar behaviors (e.g., seeking customers, finding talent) but also may result in inter-dependent goals, such as creating a community that is “new business friendly” or where there is a plethora of funding options. In addition, the behaviors and outcomes of some groups of agents will depend on other groups. For instance, an incubator’s success is in part dependent on the success of the entrepreneurs that utilize its services. The ecosystem’s agents may also share common values (e.g., towards cooperation) or discourse (e.g., shared narratives about the system’s past or future), which also create coherence. Related to both culture and values, the simple rules adopted by agents (e.g., “favor cooperation over competition” or “give before taking”), which operate like a portfolio of decision making heuristics and are learned through induction by observing the actions of other agents (Axelrod, 1997; Bingham and Eisenhardt, 2011), can be shared throughout an ecosystem.
Even if the rules are not accepted by every agent in the system, they will result in a general tendency to respond in a similar manner during interactions, which will create coherence in the system. For example, the entrepreneurial community in Boulder, Colorado is known for its supportive climate for new entrepreneurs. Rather than shaming founders of failed start-ups, these entrepreneurs are welcomed into the community as advisors, entrepreneurs-in-residence at venture capital firms, and mentors for accelerators (Feld, 2012). This support for failed entrepreneurs, which encourages them to try again, is a deeply-engrained cultural norm of Boulder’s start-up community that creates coherence and shapes the general response to new venture failure. A degree of coherence among the participants of an entrepreneurial ecosystem is critical because it is what creates a functioning system, rather than simply a set of un-associated agents or components (e.g., Allen, 1994).

Finally, entrepreneurial ecosystems do not have a global controller or a single, governing organization. While a high-profile entrepreneur, investor, or philanthropist might play a disproportionately large role in an ecosystem in terms of capital, legitimacy, or connections, no single entity can be said to be in control of, or able to fully manage, the behaviors of the ecosystem. Similarly, although some organizations (e.g., a venture capital fund or incubator) might be more influential than others, there is generally not a single organization that universally directs the behaviors of the ecosystem. This is important because it implies that the behaviors and structures of the system are emergent and arise from self-organization (Nicolis & Prigogine, 1977) rather than “top-down” control. That is, the ecosystem is largely constructed from the micro-interactions of its individual agents, which, in the aggregate, construct the ecosystem. Indeed, it has been suggested (e.g., Feld, 2012) that if any one agent (or set of agents) is too heavy-handed in their attempts to design or direct an entrepreneurial ecosystem, it can have
destructive effects on the system’s performance. Overall, the components of entrepreneurial ecosystems share the same key characteristics as components of complex adaptive systems.

**Proposition 1.** As CAS, entrepreneurial ecosystems exhibit complexity in their components.

**Nonlinearity**

Another hallmark of CAS are the nonlinear relationships that exist among the components of the system, which are themselves constantly changing (Manson, 2001). One type of non-linearity is attributable to feedback loops that arise from interactions among system components. When there is a *positive* feedback loop it results in one of the components increasing or decreasing indefinitely (e.g., when a population increase (or decrease) leads to even more population growth (or death); Manson, 2001). Positive feedback loops are described as *autocatalytic*, which describes the ability of a system to grow and evolve from within (Morrison, 2008). In contrast, a negative feedback loop between two components causes one of them to move towards an equilibrium (or steady) state, at least temporally, rather than triggering an indefinite increase or decrease.

Entrepreneurial ecosystems also exhibit nonlinear dynamics, including positive and negative feedback loops. For example, it stands to reason that increases in the number of entrepreneurs in an ecosystem will be associated with an increase in the number of investors (as both deal flow increases and as some entrepreneurs exit their ventures and assume the role of investor); increases in the number of investors (and the amount of investment capital available) will attract more entrepreneurs to the region, which in turn will attract more investment (cf. Lipper and Sommer, 2002). Thus, the relationship between the number of entrepreneurs and number of investors is self-reinforcing, at least at the system level.
Negative feedback effects are also likely to be present in entrepreneurial ecosystems. For example, local housing that is both available and affordable is essential for the growth of a talented worker pool. If such housing exists then it is possible for this pool of workers to contribute to the advancement of the entrepreneurial ecosystem, which in turn can contribute to the growth of the local economy. However, without the availability of affordable housing, the worker pool will reach a point of equilibrium where growth ceases but a decrease is not imminent. Thus, a negative feedback loop exists. In sum, these effects suggest:

**Proposition 2.** As CAS, entrepreneurial ecosystems exhibit nonlinearity in the relationships among ecosystem components.

**Sensitivity to Initial Conditions**

The nonlinear dynamics of CAS are accompanied by, and can contribute to, another property: sensitivity to the starting conditions of the system. This has several implications. First, small changes in the initial configuration of a system can, over time, have large and unexpected effects on its later development (Manson, 2001; Messier and Puettmann, 2011). Second, these dynamics can lead to path dependency, when a system’s behavioral responses become locked-in to a narrow trajectory because of historical experiences (cf. work on “co-evolutionary lock-in”; Burgelman, 2002). With path dependence, accidents of history become embedded in the system and constrain its future behaviors (Kauffman, 1993; Levin, 1998). Historical contingencies influence the future states of CAS in part through a “legacy” effect, where memories of the past states of the system influence future conditions (Cadenasso *et al.*, 2006).

A related characteristic of CAS, which plays a role in path dependencies and sensitivity to initial conditions, is process irreversibility. As Prigogine (1967) and others (cf. Collier, 1990) recognized, classic Newtonian science has been slow to incorporate time into analyses and, specifically, to acknowledge that many processes are irreversible – that is, once a process has
been initiated or completed, it is often impossible to go back in time and reverse it. Although this may seem like an obvious insight, its implications are far-reaching. As Prigogine and Stengers (1997) cautioned scholars, there is an “arrow in time” involved in many system processes, which is fundamental to understanding not only the processes’ complexity but also how the system has achieved its current state. For such processes, time proceeds in a straight line and there is no reversibility. Thus the historicity (i.e., the historical origins and development; Harvey and Reed, 1996) of events and decisions matters.

As CAS, entrepreneurial ecosystems exhibit these characteristics. Initial conditions leading to the formation of an ecosystem often have a disproportionate influence on its trajectory. For instance, the idiosyncratic circumstances that helped the Silicon Valley ecosystem to coalesce (e.g., the decisions of several semiconductor companies to locate in the Santa Clara Valley in the 1950s; cf. Bahrami and Evans, 1995), have had a profound impact on shaping the evolution and functioning of the ecosystem. For example, the heavy (parallel) emphasis on high-technology ventures and venture capital funding has led to an ecosystem capable of producing unprecedented numbers of disruptive innovations. Yet, the development of the ecosystem has also been associated with a concomitant increase in the region’s cost of living, which has acted as a restraint on other types of entrepreneurial activities and on segments of the social sector.

The historical contingencies of entrepreneurial ecosystems can also lead to path dependence. Because of the locking-in effect of previous historical circumstances it can be difficult for an ecosystem that, because of its historical development, has come to focus on one form of entrepreneurship or type of technology to switch gears and focus on an entirely different type. Like an organization, the past provides the foundation upon which an entrepreneurial ecosystem is built and is thus an important source of its identity, culture, and reputation (Walsh
and Ungson, 1991); however, it can also represent a constraint on the future focus of the ecosystem. Decisions made during the formative years of the ecosystem can be irreversible. For example, the creation of a technology accelerator focusing on a particular industry cannot be undone. Although the accelerator can be closed, the time and resources invested in its creation and the attention it commands from ecosystem participants influence the evolution of the ecosystem in ways that are not reversible.

**Proposition 3.** As CAS, entrepreneurial ecosystems exhibit sensitivity to initial conditions.

**Adaptability**

Although CAS are subject to sensitivity in their initial conditions, a defining characteristic of such systems, which separates them from static systems, is their adaptability. Indeed, it was the ability of some systems to evolve in response to both changes in the environment and demands of internal components that forced scholars to break from traditional methods of conceptualizing and analyzing such systems. Non-complex adaptive systems, such as a swinging pendulum (Lenton and van Oijen, 2002), are confined to an unchanging set of behavioral responses. In contrast, the components of an adaptive system have the potential to be constantly changing and evolving in response to internal and external pressures, which can create variation that leads to changes at the individual- and system-levels (Hartvigsen *et al.*, 1998).

An entrepreneurial ecosystem is also faced with constant pressures for adaptation. As the entrepreneurs, resource providers, policy makers, and other agents in the system change, and as the network that connects the agents and interactions among them evolve, these changes begin to “bubble up” through the levels of the ecosystem causing the behaviors of the system to adapt to the new circumstances. Thus ecosystem-level adaptability emerges from changes at lower levels. For instance, individual entrepreneurs may realize that their ecosystem, as a whole, is lacking a
particular type of human capital (e.g., software programming ability), which may limit entrepreneurs’ ability to found certain types of ventures (e.g. high-technology companies). As entrepreneurs connect with other agents in the system they will have an opportunity to communicate about this gap in the ecosystem’s stock of human capital. As a growing number of actors communicate about the topic, it will garner an increasing amount of attention. At some point, organizational actors (e.g., the Chamber of Commerce, local government) may begin to address the problem (e.g., by offering incentives to attract individuals from outside the ecosystem with the requisite human capital or by implementing programs that develop talent within the system). Eventually, if the initiatives are successful, the stock of this particular type of human capital will increase, which represents a change in the ecosystem’s agents. This, in turn, will increase the range of possible behaviors in the ecosystem and lead to adaptation. Moreover, such system-level changes can feedback to individuals and, through rule discovery, can alter the “simple rules” that guide their actions. For instance, continuing with the previous example, before the influx of new human capital (e.g. programming talent), entrepreneurs’ behaviors may have been driven by the simple rule, “when founding a business in this ecosystem, creating a cutting-edge, technology company is not feasible.” If this rule is changed, it will have a ripple effect throughout the system.

By constantly interacting and reacting to one another, the actions of individual agents within the ecosystem will result in continuous modifications of the system and how it responds to outside disturbances, which will allow it to adapt to changing and novel conditions (Messier and Puettmann, 2011). Conversely, if entrepreneurial ecosystems are not adaptable then they will be limited to their initial resource endowments and will have difficulty responding to disturbances (we elaborate on this point in the section on ecosystem resilience that follows).
**Proposition 4.** As CAS, entrepreneurial ecosystems exhibit adaptability in response to internal and environmental demands.

**Chaotic (or Quasi-Chaotic) Behaviors**

Because CAS have the propensity to continuously change and adapt, both internal and external observers may view the system as entirely unpredictable. However, while the behavior of such systems may appear difficult to predict (or even completely random), particularly at the level of the individual agent, when examined at the level of the system, prediction is much more feasible (Lansing, 2003). CAS often exhibit chaotic or quasi-chaotic behaviors; that is, because of continuous internal restructuring, the components of the system never quite settle on stable values. Instead, system variables can suddenly jump back and forth from one value to another (often referred to as “attractors”; Feigenbaum, 1980; Manson, 2001). If the values of system variables change without an underlying logic or pattern, then the system dynamics are random, unpredictable, and perfectly chaotic. CAS, however, operate at what is termed “the edge of chaos” (Langton, 1992). Indeed, such systems are described as possessing a “chaos [...] in which the components of the system never quite lock into place, yet never quite dissolve into turbulence either” (Waldrop, 1992: 293; Messier and Puettmann, 2011). Thus, CAS exist in a state “between frozen order and unpredictable chaos” where system components are in a constant state of flux, which is a “transition zone” between different configurations of the system (Lenton and van Oijen, 2002: 687; Levin, 1998). Scholars have devoted increasing attention to the ability of CAS to balance chaos and order because it has been argued that as a system moves closer to the edge of chaos it increases the potential for the system, and the agents comprising it, to exhibit more creative, novel, open-ended, and diverse behaviors (e.g. Morrison, 2008).

Entrepreneurial ecosystems often exhibit great fluctuations, with entrepreneurs, investors, and other participants rapidly changing positions or entering and exiting the system. Thus, they
may appear chaotic. It is an empirical question how close a particular entrepreneurial ecosystem operates to the edge of chaos; however the characteristics of such ecosystems suggest that they are balanced somewhere between states of randomness and stasis. Although the individuals, organizations, and the interactions among them are in a constant state of flux, established entrepreneurial ecosystems do not dissolve into completely unpredictable disorder. However, most ecosystems are also far from perfectly ordered. The complex components, nonlinearities, and continuous adaptations make it difficult to predict precisely how the ecosystem and its individual components will behave (however, it will be generally easier to predict the former rather than the latter). Indeed, what seem like “random bumps and nudges” from the individual agents in the system cause the ecosystem to be more likely to “veer into some grooves than others, producing convergence as well as divergence” (Lansing, 2003: 184). Thus, making accurate predictions about the behaviors, evolution, and trajectories of entrepreneurial ecosystems is challenging but, as we discuss in the next section, identifying general tendencies in system-level behaviors and outcomes may be possible.

**Proposition 5.** As CAS, entrepreneurial ecosystems exhibit chaotic (or quasi-chaotic) behaviors.

**The Diversity and Resilience of Entrepreneurial Ecosystems**

The characteristics described above are distinguishing features of complex adaptive systems and are possessed by all such systems. However, there are also characteristics by which complex systems differ; variation in these characteristics can lead to important differences in system functioning and outcomes. Most notably, CAS can differ in a fundamental property related to the “health” of a system and its ability to respond to disturbances: resilience. Disturbances can originate from shifting external conditions or within a system (Holling and Gunderson, 2002; Cadanesso et al., 2006). Resilience measures how quickly a CAS adapts to a
disturbance and returns to its previous (or an improved) state (Limburg et al., 2002). As the resilience of a CAS increases, the magnitude of disturbances from which the system can recover increases and the length of time it takes for the system to adapt decreases (Limburg et al., 2002). A CAS that is resilient is able to “absorb” disturbances and undergo the changes necessary to maintain its essential behaviors, structures, and identity (Walker et al., 2004). Thus a resilient system can survive disturbances without dissipating or ceasing to exist (Holling, 1986).

If entrepreneurial ecosystems are conceptualized as complex adaptive systems, then this suggests that the resilience of such systems is a critical characteristic. We build on work on CAS to argue that an entrepreneurial ecosystem’s resilience is a function of the diversity of system components (with greater diversity being associated with greater resilience).

An important finding from studies examining an array of ecological and social complex systems is that there is a strong, positive relationship between the diversity of a system’s elements (and the connections among elements) and its resilience. Indeed, as Manson (2001: 410) argues, a complex adaptive system “can deal with truly novel situations [when] it has a wide array of internal components and sub-systems linked by complex relationships […] the destruction of complex, diverse internal relationships may lead to a lack of resilience and adaptability in the ecosystem.” Diversity produces resilience through at least three mechanisms.

First, when a disturbance occurs, it may result in the destruction of one or more groups in a complex system (e.g., a shock to a biological ecosystem that eradicates a species). Although the effects of such a disturbance may ripple throughout an entire system, if the system has sufficient diversity, it will be able to absorb the disturbance and rely on other groups for its continued functioning (Elmqvist et al., 2003). Similarly, diversity allows key system properties and behaviors to “live on” in groups unaffected by the disturbance.
Second, diversity of components also helps to provide the requisite variety on which evolutionary forces can operate. A change in a system’s environment may favor one system component over others. If a system has a diverse collection of components, there is a greater likelihood that the environment will select one component as adaptive. Indeed, as Levin (1998: 435) contends, “the key to resilience […] is the maintenance of heterogeneity, the essential variation that enables adaptation.” Thus, diversity of components improves the likelihood that a system will possess, or be able to develop, an adaptation that fits environmental demands.

Third, studies of complex social systems have found that the diversity of system members (e.g., on socio-cultural dimensions) is associated with greater depth and breadth of knowledge (e.g., Folke, Hahn, Olsson, & Norberg, 2005). An expansive knowledge base, with rich and varied schema, can increase the number of responses available to the system. Thus, if disruption occurs, diversity can improve the likelihood that the system will be able to produce a resilient and adaptive response. Indeed, it has been argued that it is the “magic ingredient of micro-diversity” that allows complex systems to respond to disruptions by “undergo[ing] structural change and creat[ing] a new, qualitatively different system” (Allen et al., 2010: 44).

We contend that, as CAS, the diversity of an entrepreneurial ecosystem will also play a critical role in its resilience. An entrepreneurial ecosystem’s diversity, along both demographic characteristics and types of entrepreneurial participants (e.g., high-growth ventures, micro-enterprises, slow-growth ventures) can allow an ecosystem to survive and adapt to disruptions that negatively influence one group of participants. For instance, although an entrepreneurial ecosystem may specialize in a particular industry, an ecosystem with entrepreneurs operating in a wide variety of industries will be more likely to survive a shift in market conditions that severely reduces the profitability of an industry or technology. In addition, if an entrepreneurial
ecosystem has a diverse set of participants, this will increase the likelihood that, in response to a change, some aspect of the ecosystem’s variety will be selected by the environment as a beneficial adaptation. For example, a greater variety of entrepreneurs will increase the likelihood that a change in market trends will align with a particular group of entrepreneurs in the ecosystem. Finally, if an entrepreneurial ecosystem cultivates a diverse collection of participants, if a disruption occurs to which the ecosystem must respond and adapt, it will be more able to do so if there are wide-ranging perspectives. Thus, diversity increases the ecosystem's flexibility in responding to the uncertainty of disruptions, which in turn increases its resilience.

**Proposition 6.** Increases in the diversity of an entrepreneurial ecosystem's components will be associated with greater ecosystem resilience.

Figure 2 illustrates a resilient entrepreneurial ecosystem. The figure is not intended to be exhaustive or to include every type of agent or interactions; rather, it serves as an archetype of an ecosystem with a diverse array of components and relationships, which creates resilience.

--- Insert Figure 2 here ---

**DISCUSSION**

Although past research has made significant strides in identifying the key components of entrepreneurial ecosystems and has begun to explore the connections between ecosystem components, a comprehensive theoretical lens has been rarely applied to the study of such ecosystems. We have argued that the characteristics of entrepreneurial ecosystems match those of CAS, which are the focus of complexity theory. Thus, complexity theory provides an appropriate set of concepts, ideas, and terminology to apply to such systems. The ideas put forth stand to contribute to work on entrepreneurial ecosystems and have several implications for practitioners and policy makers.

**Contributions to Entrepreneurial Ecosystems**

As described, research on entrepreneurial ecosystems is largely atheoretical. Idiosyncratic ecosystems are often studied, without formal comparisons to other ecosystems, and the most
prominent characteristics of the ecosystems are identified. Although this research has made strides in uncovering the components of high-profile ecosystems, in focusing on specific ecosystems and their characteristics, this work has not produced a generalized theory of ecosystems. In contrast, complexity theory is not derived from, or applicable only to, a single entrepreneurial ecosystem (e.g., ecosystems emphasizing technology entrepreneurship). The ideas on which the theory is based are flexible enough that they can be applied to entrepreneurial systems of different sizes, types, and national contexts.

In addition to providing scholars of entrepreneurial ecosystems with a rich body of research to draw upon to understand the behavior and functioning of ecosystems, perhaps just as important a contribution to the study of the phenomenon is that complexity comes with a lexicon of conceptual terms, which can provide researchers with a common language to discuss the features and behaviors of entrepreneurial ecosystems. Moreover, by identifying entrepreneurial ecosystems as complex adaptive systems, the focus is shifted from individual ecosystem components to a view of the ecosystem as a system that changes, adapts, and evolves over time. As we have described, as CAS some components of entrepreneurial ecosystems will be ephemeral and constantly changing. But these ecosystems do have structure, which is embodied in the aggregated patterns of interactions between the entrepreneurs, resource providers, and other members of the system. Many of these structures will be sufficiently stable and long-lived enough to be studies and modeled (Cillers, 2001).
In addition to these more general contributions to work on entrepreneurial ecosystems, examining ecosystems through the lens of complexity theory produces other implications, which serve as directions for future research.

**Directions for Future Research**

Our understanding of entrepreneurial ecosystems could be improved by studying how such systems juggle the opposing forces of order and disorder. Indeed, work is necessary to probe precisely how entrepreneurial ecosystems operate at the “edge of chaos” and to determine how close to this “edge” is optimal. We contend that an important facet of understanding an entrepreneurial ecosystem is determining how tightly or loosely coupled the system’s processes are at different levels and scales and how changes in the amount of structure in these processes can influence system behavior and outcomes (cf. Limburgh *et al.*, 2002)

In biological ecosystems every element of the system contributes to its functioning in some way. This general insight suggests that important knowledge might be generated by looking beyond the most obvious players in an entrepreneurial ecosystem to other types of actors that may play a less visible, but perhaps no less important, role in shaping the ecosystem. For instance, civic, philanthropic, and religious organizations play a critical role in shaping the culture, norms, and values of social systems (e.g., Perkins *et al.*, 2007). In an entrepreneurial ecosystem, these organizations may play a similar role, yet they have received very little attention. Such organizations may inform the simple rules and other normative behaviors (e.g., “embrace collaboration,” “help others”), which guide the actions of individual agents, shape micro-interactions between agents, and influence the emergence of system behaviors.

Finally, arguably the most critical direction for future research is to empirically verify the ideas put forth in this paper. In order to facilitate the testing of our theorizing, we provide an
outline for how scholars might conduct empirical studies that use complexity theory to analyze entrepreneurial ecosystems. Specifically, after reviewing the pertinent literature on CAS, we believe that scholars could approach the study of entrepreneurial ecosystems as complex systems through the collection of both qualitative and quantitative data.

Most studies examining CAS in other contexts have used quantitative methodology to explore the properties of such systems. There are several methods that can be adapted to examine entrepreneurial ecosystems as CAS. For example, scholars from a variety of disciplines have used formal simulations to model CAS. These methods include machine learning techniques, such as adaptive (autonomous) agent models (e.g., Janssen, Walker, Langridge, and Abel, 2000), cellular automata (e.g., Morel and Ramanujam, 1999), and artificial neural networks (e.g., Recknagel, 2001). The critical steps in using such methods involve identifying the key components of the system (scholars could leverage prior work on entrepreneurial ecosystems for this step), specifying the relationships between components by distilling the interactions to their most critical features, and then observing how the model of the system changes over many iterations when starting conditions and relationship parameters are changed. It should be noted that the goal of such simulations is not to attempt to reproduce a CAS in its entirety, as with most systems this is both computationally and mathematically intractable. And, indeed, with a system as complex as an entrepreneurial ecosystem, this would likely be impossible. Rather, we contend that the aim of simulations is to isolate, to the extent possible, sets of key variables in entrepreneurial ecosystems and to explore how changes in their initial values and types of nonlinearities might influence the system over a large number of periods. Furthermore, in using formal simulations, we would not recommend attempting to model the system as a non-complex, non-adaptive system (i.e., to remove its complexity), but rather to attempt to gain a better
understanding of the complexity involved in a selected number of variables by isolating and magnifying their interactions.

Although quantitative methods have been the dominant approach to studying CAS in other disciplines, qualitative methods (and data) are also well-suited for the study of CAS, for several reasons. First, as we propose, entrepreneurial ecosystems are characterized by nonlinear dynamics, feedback loops, and complex, multi-level and multi-scale interactions. The flexibility of qualitative methods (e.g., semi-structured interviewing, ethnographic observation) makes them particularly appropriate for studying such phenomena. Specifically, the richness of qualitative data can enable scholars to unpack the multi-faceted, temporally unfolding characteristics of entrepreneurial ecosystems and to tease apart the causal relationships in such ecosystems (cf. Graebner, Martin, and Roundy, 2012). Second, communication among agents of a system is a key process that both creates and constitutes the interactions of an entrepreneurial ecosystem. It stands to reason that it is through narratives, discourse, and other linguistic phenomena that the knowledge, values, and culture that form the bedrock of an entrepreneurial ecosystem are passed between participants. As other studies of entrepreneurial phenomena have demonstrated (e.g., Martens et al., 2007) qualitative data are particularly effective in capturing such discourse. Finally, the vividness and concreteness of qualitative data make it well suited for paring with some of the more abstract quantitative methods, such as agent-based modeling, since qualitative data can be used to illustrate abstract ideas or help make conceptual frameworks more concrete and understandable (Graebner et al., 2012; Siggelkow, 2007).

**Implications for Policymakers and Practitioners**

Creating effective policy for ecosystems requires an integrative view that acknowledges the complexity of such systems (Allen, 2011). This holistic view, and our theorizing, has several
implications for individuals operating in entrepreneurial ecosystems and for policy makers that are attempting to construct such ecosystems. First, acknowledging that entrepreneurial ecosystems are CAS suggests that policymakers, and others attempting to measure the effectiveness of such ecosystems, should be mindful of the type of metrics used in their assessments. Work on other complex systems has found that CAS cannot be effectively assessed using simple, “count-based” metrics. For instance, Levin (1998) describes this challenge in the context of ecological ecosystems. He explains that when attempting to measure a system’s diversity, “simple species counts [...] do not alone capture the features that are most important for sustaining ecosystem functioning [as] [n]ot all species are equally important to the maintenance of key processes” (429). We would argue that this statement is equally applicable to entrepreneurial ecosystems. Traditional metrics used to measure economic activity, such as the number of jobs created or counts of the number of firms founded, may not fully capture the functioning of the system. In the same way that the behavior of CAS cannot be captured with simplistic equations (or systems of equations), it stands to reason that the functioning of an entrepreneurial ecosystem requires metrics that assess the characteristics of the ecosystem directly related to its complexity. For instance, as discussed, the behaviors of CAS are largely a result of the complexity of the interactions between system components. Thus, to measure an ecosystem’s ability to produce certain behaviors may require metrics that capture the depth and breadth of those interactions (e.g., metrics that measure features of the network of connections in the ecosystem). That is, it may be necessary to look past simple, surface-level characteristics of the system to measure its deeper-level properties.

In addition, as CAS, entrepreneurial ecosystems will operate at the edge of chaos, facing a constant tension between maintaining stability and devolving into disorder. In addition to
exploring how an entrepreneurial ecosystem responds to disturbances, important insights might also be revealed by considering how an ecosystem maintains its coherence rather than ceasing to exist. That is, how does an ecosystem maintain homeostasis (Abel, 1998)? Most current metrics (e.g., number of new ventures founded) seem focused on measuring one aspect of the growth of an entrepreneurial ecosystem. As in biological systems, however, growth is dependent on maintaining an underlying homeostasis. Using the human body (also a CAS) as an example, humans are able to live and grow only if their bodies maintain a stable environment as indicated by various vital signs. For instance, if a body cannot maintain its temperature (a homeostasis metric) within a narrow range around 98.6 degrees, changes in weight (a growth metric) do not matter because life cannot exist. But what are the “vital signs” relevant to sustaining and growing an entrepreneurial ecosystem? Underneath the growth of an ecosystem there may exist homeostasis-oriented factors, which may be just as critical as growth factors to the healthy functioning of the system. This suggests the importance of examining the factors that sustain the entrepreneurial ecosystem. For example, a city’s infrastructure – i.e., public transportation, internet speed and access, education system – provides an essential role in supporting its entrepreneurial ecosystem. And a strong city infrastructure cannot exist without a robust, diversified local economy. Thus, diversified entrepreneurial ventures, funding sources, and mentors may serve as necessary elements for sustaining the infrastructure the entrepreneurial ecosystem needs to flourish.

In sum, our theorizing represents a first-cut at conceptualizing entrepreneurial ecosystems as complex adaptive systems. We hope that by introducing the lens of complexity to the study of such systems we can open new avenues of research on entrepreneurial ecosystems, which will deepen our understanding of a phenomenon that is central to the health of modern economies.
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Adoption and Implementation of the Ethics and Compliance Management (ECM): A convoluted perspective of organizational risk reduction and institutional field events

Introduction

Although business ethics has received adequate attention from organizational researchers by now; the adoption and implementation of the Ethics and Compliance Management (ECM) function by the firms has hardly witnessed any comprehensive and systematic study in the recent past. This issue needs attention of organizational scholars as the demands on the firms are increasing more and more for stringent ethical compliance and socially responsible actions. Firms adopt different strategies to counter such external pressures; one of which relates to the creation and implementation of the Ethics and Compliance Management as an independent department or office. This study has been made with an observation that exploring this strategy of creating and implementing the Ethics and Compliance Management function would provide an opportunity to explain the relationship between the firms’ antecedents and complexity of its institutional environment.

Though a firm’s behavior is the function of its socially constructed framework, rules, and norms; the firm’s different responses to the same or similar stimuli at different instances needs to be explored further (Meyer and Rowan 1977, DiMaggio and Powell 1983; Heugens and Lander 2009). Greenwood et. al. (2011) posited their observation to the fact that there remains much to learn about the detail of how firms interact with the complex forces in the institutional environment. “Contextually dramatic happenings that focus sustained public attention and invite the collective definition or redefinition of social problems” put forward by Hoffman and Ocasio (2001, p. 414) entails the perspective of the firm’s behavioral responses under the pressure of the critical and impactful social events in the firm’s institutional environment. They also confirmed that the firm’s institutional environment comprise multiple events characterized by relatively higher or lower level of prominence. The criticality of these events determines their social impact over time. They in turn begin to influence and build pressure on the way the firms function, compliance with the routine and non-routine disclosure mechanisms, and managing the emergent crisis from time to time. A befitting lineage of such phenomena can be carefully observed and monitored through the position that individual firms adopt for ethics and compliance function from time to time. Individual firms feel the greatest need to act when the pressures from their institutional environment are at the most intense forms (Park et al. 2011; Okhmatovskiy and David 2012;
Chandler, 2015). This study aims at capturing the essence of the “fragmented institutional environment” (D’Aunno et al. 1991) in analyzing the effects of the ethics and compliance adoption and implementation by the firm.

The act of adoption by individual firms serves as a signal to its institutional stakeholders and is subject to external scrutiny through better visibility (Okhmatovskiy and David 2012; Marquis and Qian 2014; Chandler, 2015). In general, the decision to adopt is governed by the criticality of the events and the influence on the population of firms across industries. Whereas, the implementation is less visible to the external scrutiny and is mostly determined by the organizational internal factors (structure, culture, leadership, code of conduct etc.). Therefore, it becomes self-explanatory that even for the critical events emanating from the same source in the institutional environment can impact different firms in the field with the same magnitude or individual firms in the field in varying capacities. In view of this proposition, this study attempts to theorize that the organizational adoptions are influenced by the field wide events in wavelike patterns in the sense that the institutional pressure goes up and down with the event criticality being higher and lower respectively. In response to this field wide fluctuations, individual firms are prone to adopt at the peaks of the waves than in the troughs. Moreover, the institutional environment sets the broad context in which the firms operate; whereas the resource planning and subsequent commitments in the implementation phase is decided in line with the specific pressure exerted by the critical events on individual organizations. Under the broad spectrum of the interface theory between the firm and its institutional environment, this study identifies different types of critical events and the associated pressure thereof on individual firms to adopt and implement as an effective response mechanism to external scrutiny and visibility.

Although the firm’s ethical and social responsibility has received considerable attention from organizational scholars, the academic inquiries behind the adoption and implementation of the Ethics and Compliance Management as a separate full-fledged function inside the firms has been grossly inadequate. This observation is not withstanding the fact that the institutional pressure (regulatory and professional compliance, institutional stakeholders, society and community) on individual firms is continually increasing for ethical and socially responsible behaviors (Donaldson 2003; Margolis and Walsh 2003; Sullivan et al. 2007; Greve et al. 2010). This study positions itself to address the gap of the firm’s response mechanisms by exploring the institutional antecedents of the adoption and implementation of
the Ethics and Compliance Management function. This study is driven by the argument that the firm’s decision to adopt is influenced by the field wide events of its institutional environment, whereas implementation is controlled by firm specific factors.

**ECM Adoption by Individual Firms**

Survival, growth, and sustainability of organizations is a complex process of co-evolution based on the actions and interactions of the firm specific incidents with its institutional environment (Barley 2010; Greenwood et al. 2011; Chandler, 2015). Given the globally felt significance of business ethics and socially responsible behavior on the part of large corporations as well as localized industrial firms, it can be safely argued that the dynamics of social expectations influence a lot the institutional environment of the firms. As argued in the earlier part of this paper that such socially influenced institutional field events create pressure on the operating firms in wavelike patterns characterized by peak (advancement) and trough (retreatment) depending on the intensified or attenuated force of the social expectation respectively. At the highest intensity of such social forces and institutional events, the firms might feel the compulsion to adopt and implement the ethics and compliance function inside the firms. Such phenomena are referred to as the concept of institutional waves in the modern organization theory (Hoffman and Ocasio 2001). For instance, the collapse of organizations like Enron, Worldcom, Lehman Brothers, etc. exposed corporate malfeasance and generated the outmost pressure on the firms for regulatory compliance and ethical conduct. Previous studies have confirmed that the fleeting nature of social attention fails to sustain the institutional pressure on the firms on a long run basis (Friedland and Alford 1991; Abrahamson and Fairchild 1999; Kennedy 2008; Greenwood et al. 2011; Chandler, 2014; 2015). Though the social attention may be short lived, the scale and gravity of the specific events determine the long-lasting impacts and elevated responses for the firms across fields and industries. Gross unethical behavior on the part of a group of firms affecting the industry or the economy as a whole, or a big corporate scam shaking the industry may well invite the passing of specific legislation and specifying measures as part of the compulsory disclosure by the concerned regulatory authority.

This study is grounded in the foundation that the social pressure emanating from the institutional field events ebbs and flows over time, and compels the firms to adopt and implement measures at the peak of the exerted pressure point. There are evidences available that early 2000 onwards a number of corporate scandals and associated malpractices were
reported in different parts of the world shook the economy and society heavily. For example, Enron (USA, 2001); Tyco (USA, 2002); Bernie Madoff’s Ponzi scheme (USA, 2008); Satyam (India, 2009); Subprime mortgage crisis (USA, 2009); Olympus (Japan, 2011); Libor rigging (UK, 2012); Tesco (UK, 2014); Petrobras (Brazil, 2015) epitomized the peaks of the institutional waves when the attention and expectation of the society on the business firms was of paramount significance. It is during this period of time only the regulatory authority in different countries took a strong position against the erring firms by passing appropriate legislations as a deterrent (Sarbanes–Oxley Act in the USA); prosecuting the executives under trial; addressing the investors’ protection; and ensuring robust corporate governance system for necessary compliance and transparency of operations. The author contends that against this backdrop of institutional field-critical events augmented by social momentum the firms are forced to adopt and implement the ethics and compliance function as an integral part of its corporate management practices. They pave the roads for the firms across fields and industries to streamline its business plans and activities, stakeholder relationships, and social responsibilities in the course of an ethical orientation (LeClair et al. 1998; Weaver et al. 1999a, b; Boatright 2003; Weber and Fortun 2005). As for firm specific instances, these critical field developments prepared the ground for individual firms to implement comprehensive ethics and compliance audit program along side creating an ethical ambience inside the firm. Following the intense field pressure from the emerged events in the institutional environment, firms individually as well as collectively, adopt effective coping mechanisms to attain the state of punctuated equilibrium. This status quo is maintained unless and until challenged by the next set of critical field events in the form of institutional waves. On the basis of these arguments and field based evidences, it is proposed that the gradual development of the field wide critical events in the institutional environment calls for elevated responses of individual firms by adopting and implementing the ethics and compliance function.

**Hypothesis 1 (H1):** Development of fieldwide critical events having deep social repercussions coupled with the ever increasing institutional pressure compels the firms to adopt the ethics and compliance function as part of its corporate management group.

**Institutional Environment and ECM Implementation**

The role of boundary spanners as a facilitative interface between internal and external stakeholders of the organizations is well recognized in the domain of institutional theory. Firms enhance organizational legitimacy by creating formal positions and assigning managers
specific responsibilities so as to handle the externalities with due care and attention (Deephouse and Suchman, 2008). At the same time the institutional theory has been criticized on the premise that although it promotes the practice of adoption of the boundary spanners (Ethics and Compliance Officer in this case) for individual firms, the impact or effectiveness of implementation of such practices is not clearly spelled out (Park et al. 2011). The implementation is as important as the adoption in terms of the resource commitment, organizational support, alignment of the function/position with major organizational verticals, and the gradual institutionalization over time. Ambiguity in the institutional environment provides firms the flexibility to decide and implement the compliance mechanisms in alignment with the stakeholders’ expectations (Goodrick and Salancik, 1996; George et al., 2006). It also enables the firms to exercise agency in the process of decision making. Task uncertainty associated with complex institutional environments defines critical events, and also prepares the firms to adopt agency in decision making. Therefore, the salience of the critical events and their impact on firms’ behavioral responses needs to be explored in great detail to advance the theory of organization and institutional environment (Stice, 1991; Pache and Santos 2010). Moreover, Park et al. (2011) expositioned that the conformity in implementation of the firm actions is conditioned by the specificity or vagueness of the stakeholders’ expectations.

The relationship between the firm’s adoption and implementation of ethics and compliance function and institutional environment is an interactive dynamic process. High level of environmental ambiguity and task uncertainty create pressure on the firm to the strong focus of implementation (Marquis and Qian, 2014; Chandler, 2015). With the robust implementation in place, the firms gradually move over to the ethics and compliance transgressions. Once this transgression phase is reached, individual firms make themselves available for additional external scrutiny and close institutional monitoring. This generates further pressure on the firms for institutional compliance of social expectations, and thus sets the boundary of the firm’s operational and strategic activities in terms of the fit between the firm and its institutional environment. This boundary again keeps on shifting depending on the changing stakeholder expectations and institutional pressure (Okhmatovskiy and David 2012).

**Firm Specific Factors and ECM Implementation**

Given this theoretical background, this paper aims at exploring the adoption and
implementation of business ethics and compliance as an essential component for the smooth functioning of the firms. Although by observation and experience it can be ascertained that the firms maintain a steady legal department for required regulatory compliances, the adoption and implementation of ethics and compliance function enables the firms to build up a robust ethical ambience inside the firm. This happens by undertaking a whole gamut of activities under the umbrella of ethics and compliance function like developing and executing a code of conduct, ethics training and audit programs, reporting to the Board of Directors, ethics helpline, appointment of ethics and compliance officer and so forth. A strong implementation of these measures would in turn support and ensure the compliance of regulatory provisions of the institutional environment that the firms are subject to. It also has a special significance as it can sensitize and motivate the employees of the firm for voluntary compliance as much as it can ensure the legitimacy in the firm’s activities through complying with the regulatory environment. This way the ethics and compliance function can actually act as a boundary spanner of individual firms.

This study is based on the premise that while the adoption of the ethics and compliance function remains as a basic response of the firm to the field wide critical events; the effective implementation of the same fetches much more sincerity, commitment, and reliability of the firm in the views of the institutional stakeholders. It is also a concern that unlike other organizational core functions, ethics and compliance is a relatively new function which is undertaken by the firms in a voluntary fashion with the pasture of a positive reputation. Therefore, given this observation the ethics and compliance function represents a considerable amount of ambiguity and uncertainty in the context of the adoption and implementation by the firms. The ambiguity component is involved with the evolving social expectations in the institutional environment, whereas task uncertainty encompasses the voluntary nature of the ethics and compliance function.

**Media Reports and ECM Implementation**

National print media play a significant role in projecting the appropriateness of firm behaviors in the context of evolving social expectations (Miller, 2006; Greve et al., 2010). The influence of the reported events in the print media on firm behavior has been analyzed by a number of previous scholars. Haunschild and Rhee (2004) explicated that the strength of the report decides to a large extent the impact on the firm specific reputation or damage. Sullivan et al. (2007) and Rhee and Valdez (2009) reiterated that depending on the degree of
severity of the report, individual firms decide its response by way of undertaking calculative risk in terms of resource commitments made during a planning horizon. A critical field event emanating from the institutional environment, having high impact on ethics and compliance can be termed as a formative event. Such formative events can be leveraged by the key stakeholders in the greater ethical and social interests of the firm (Weaver et al. 1999a; Miller 2006). Firms with reported as well as repeated transgressions would recourse to effective corrective actions in order to avoid further reputational damage.

The level of external scrutiny and visibility of the firm’s corrective actions would help to determine whether the nature formative events are field wide or firm specific. As the resource commitment is a phenomenon internal to the firm, firms are in a position to exercise judgement and flexibility. Although the environmental ambiguity and task uncertainty may at times help the firm to exercise judgement and flexibility in implementation, inadequate resource commitments and lack of sincerity can also expose the firm to the greater scrutiny and reputational vulnerability. Severe or repeated ethics and compliance transgressions reported in the print media put the firms in tight situations in terms of stringent implementation of the ethics and compliance management. The issue needs to be understood and explained here is that post ECM adoption, why do some firms commit a higher or lower level of resources to ECM implementation than others. To answer this question, it is contended that while the ECM adoption is largely driven by the strong institutional pressure, variance in implementation across organizations can be explained by the influence of the firm specific factors. Based on the review of the above scholastic discussion, the second hypothesis of this study was developed.

**Hypothesis 2 (H2):** The greater the number of firm specific critical events associated with ongoing institutional pressure, the more likely the firm is to implement its response to the institutional pressure more substantively.

**Methods**

The sample for this study was drawn from the population of 144 organizations that were listed in the Forbes (March 2014) as “The World’s Most Ethical Companies 2014” based on the annual survey conducted by The Ethisphere Institute. For understanding the linkage between the ECM literature and real time practices in the firms, in-depth skype interviews were conducted with the ethics and compliance officers of five organizations from the list published in the Forbes. As part of this interview series, intensive information was collected
about the functioning of the ethics and compliance management (ECM) system. This helped to understand the antecedents and outcomes associated with the adoption and implementation of ECM. Based on these inputs and the supportive findings from the previous studies about the adoption and implementation of ECM in the firm context, a survey instrument was developed and pre-tested with 15 ethics and compliance officers as the key responsibility holders of ECM in their respective organizations. Based on the feedback and responses obtained from the pre-test, the survey instrument was further refined to strengthen the construct validity. The final survey instrument was then administered online with 212 organizations in the population list during the middle of 2014 to early 2015. A total of 109 (51.41%) responses were obtained back out of which 106 (50%) was found valid for analysis.

**Institutional Waves and Timing of ECM Adoption**

At the initial level of analysis, Hypothesis 1 (H1) facilitated to explore the relationship, if any, between the fieldwide institutional critical events (formative events) and the adoption and implementation of the ECM by the firms within and across industries. Both in the practice literature (LeClair et al. 1998; Weaver et al. 1999b; Weber and Fortun 2005) and preliminary interviews conducted as part of this study, it was observed that the adoption and implementation of ECM by firms was highly influenced by the regulatory provisions and penal guidelines of the respective countries in which the firms were operating. Interestingly, it was also confirmed that during the trial if the firm could corroborate that it made a genuine and sincere effort to adopt and implement ECM prior to any ethical transgression, were subject to less penalty. With the gradual adoption and implementation of ECM, ethics and compliance officer (ECO) position to head the ECM function became a widely accepted practice among the firms. The responses obtained through the survey question “in which year did your organization develop the ECM function for the first time” provided the basis for ECM adoption by the firms in the survey population. This variable was coded as 0 in the years prior to adoption and 1 in the year of adoption. Post ECM adoption the firm was excluded from the data set as no longer at risk of adoption.

**Fieldwide Critical Events, Ethics Transgressions, and ECM Implementation**

The fieldwide critical events in the institutional environment during early 2000 till 2014 influenced the firms for the adoption and implementation of ECM. Some scholars have also labelled them as formative events in the existing literature (LeClair et al. 1998; Weaver et al. 1999a, b; Boatright 2003; Weber and Fortun 2005; Chandler, 2015). These variables were
coded as 0 in the years leading up to the event, and 1 in the year of the event. These variables retained a coding of 1 in the years after each event in order to test their continued influence over time. Hypothesis 2 (H2) explored the relationship between firm specific print media reports of ethics and compliance transgressions and the extent of an ECM implementation by respective firms.

**Extent of ECM Implementation**

Availability and access to resources by the functional custodian have been connected to the likelihood of success or failure of a particular office or function (Sparrowe and Liden 1997; Lounsbury, 2001). The extant literature also indicated that the resources committed by the firms would also depend on whether the function or portfolio have been newly created or additionally charged to an already existing function or portfolio. By extending this argument to the ECM, it can be concluded that the firm can establish its commitment to the ECM function by ensuring access to the required resources by the individual process owner or the custodian (ECO in this case).

During the interviews with the ethics and compliance officers, they were unanimous that the aspects like availability of budget, support from the top management, board of directors, the orientation of the CEO, availability of support staff, and overall support from different functionaries and business heads in implementation of ECM were crucial for the success of ECM. These aspects also represented how the ECM implementation construct could be assessed in terms of operational measures. An exploratory factor analysis (EFA) with a principal component factor extraction method and promax oblique rotation was conducted to examine the linkage of these components with the construct of resource commitments to the ECM. As a result of this EFA, two distinct factors with eigenvalues greater than 1 came up and were named as financial support (FS) and top management support (TMS). The Kaiser–Guttman rule of retaining factors with eigenvalues greater than 1 ensures that each factor has a variance at least as large as one of the standardized original variables, and factor loadings of 0.5 and above ensure a clear factor structure (Weaver et al. 1999a). An oblique rotation was used because of the interrelated nature of the different components of the implementation data.
Table 1: Factor Solutions for the Implementation of ECM

<table>
<thead>
<tr>
<th>Rotated factor solution</th>
<th>Factor 1: Financial support</th>
<th>Factor 2: Top management support</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECM budget</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td>Full time ECO position</td>
<td>0.72</td>
<td></td>
</tr>
<tr>
<td>Part time ECO position</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Full time ECM staff</td>
<td>0.69</td>
<td></td>
</tr>
<tr>
<td>Part time ECM staff</td>
<td>0.61</td>
<td>0.76</td>
</tr>
<tr>
<td>Meeting with the Board</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting with the CEO</td>
<td></td>
<td>0.73</td>
</tr>
<tr>
<td>Support from the CEO</td>
<td></td>
<td>0.75</td>
</tr>
<tr>
<td>Support from other heads</td>
<td></td>
<td>0.70</td>
</tr>
</tbody>
</table>

**Firm-Specific Critical Events**

Factiva database was used to identify articles that reported the firms’ ethics and compliance transgressions. All the articles spanning over the period of 2000-2014 were collected for each of the firms that had participated in the survey. As a result, 144397 articles were found and out of which only those articles were used where the specific firm appeared in the headline or prime news section. This refinement reduced the data set to 73453 articles.

In the next phase, the ethics transgression reports were identified from within these articles for each firm in two years prior to its ECM adoption. An objective list of organizational actions was prepared that would qualify to be included under the category of unethical actions. Then 32 ethics and compliance officers (ECO) were surveyed for assessing the severity of each action in the list on a 5 point scale (1 = the least severe and 5 = the most severe). The complete list of actions and their relative severity is presented in Table 2. The relatively low standard deviations in Table 2 indicate the extent of expert agreement on the severity of each action. Bribery, for example, whether in the United States or overseas, had the lowest standard deviation (0.56) and therefore the greatest consensus among ECOs that it is the most severe form of ethics transgression a firm can commit. As such, the variable that was entered into the regression models captures the cumulative influence of the media reported transgressions (events) for each firm in the three years prior to ECM adoption. Hypothesis 2 was tested using a measure of the total articles about each transgression as a check of robustness. Because of their exponential distribution, the log of these variables was
considered.

Table 2: Organizational Ethics Transgressions (n = 32)

<table>
<thead>
<tr>
<th>Events</th>
<th>Rank</th>
<th>Severity</th>
<th>s.d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribery</td>
<td>1</td>
<td>4.43</td>
<td>0.56</td>
</tr>
<tr>
<td>Manipulation in earnings</td>
<td>2</td>
<td>4.38</td>
<td>0.64</td>
</tr>
<tr>
<td>Violation of trade regulatory provisions</td>
<td>3</td>
<td>4.31</td>
<td>1.02</td>
</tr>
<tr>
<td>Money laundering violation</td>
<td>3</td>
<td>4.31</td>
<td>0.93</td>
</tr>
<tr>
<td>Retaliation against whistle blowers</td>
<td>5</td>
<td>4.26</td>
<td>1.11</td>
</tr>
<tr>
<td>Sexual harassment</td>
<td>6</td>
<td>4.21</td>
<td>0.87</td>
</tr>
<tr>
<td>Tax evasion</td>
<td>7</td>
<td>4.15</td>
<td>0.65</td>
</tr>
<tr>
<td>Insider trading</td>
<td>7</td>
<td>4.15</td>
<td>0.76</td>
</tr>
<tr>
<td>Procurement malpractices</td>
<td>9</td>
<td>4.02</td>
<td>1.18</td>
</tr>
<tr>
<td>Theft and embezzlement of fund</td>
<td>10</td>
<td>3.98</td>
<td>0.48</td>
</tr>
<tr>
<td>Employee discrimination</td>
<td>11</td>
<td>3.89</td>
<td>1.02</td>
</tr>
<tr>
<td>Product safety and compliance</td>
<td>12</td>
<td>3.86</td>
<td>0.94</td>
</tr>
<tr>
<td>IPR violation</td>
<td>13</td>
<td>3.78</td>
<td>0.78</td>
</tr>
<tr>
<td>Business data protection</td>
<td>14</td>
<td>3.55</td>
<td>0.96</td>
</tr>
<tr>
<td>Employee privacy</td>
<td>15</td>
<td>3.23</td>
<td>1.29</td>
</tr>
<tr>
<td>Non-compliance with company policy</td>
<td>16</td>
<td>3.06</td>
<td>1.08</td>
</tr>
<tr>
<td>(accepting gifts, coupons etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental degradation</td>
<td>17</td>
<td>3.04</td>
<td>0.82</td>
</tr>
</tbody>
</table>

**Control Variables**

The following factors were controlled in this study to rule out their effect on the findings obtained from this study.

*Mimetic effect*

The adoption and implementation of ECM across the industries would have been set as a practice followed by the action of the select major firms in the industry. This subsequent adoption and implementation by the follower firms comes under the purview of mimetic isomorphism (Davis, 1991; Haunschild 1993). The extent to which mimetic pressures for greater ethical behavior are present in the institutional environment was controlled by searching in the Factiva database for all newspaper articles in a given year published in the Wall Street Journal, Financial Times, BusinessWeek, Fortune, and Forbes that contained either of the word stems ethic or unethic. This article count was included as a proportion of total articles in each year.

*Industry type*

The type of industry the firm belongs to represents an important determinant of ECM adoption and implementation. Firms that operate in industries that are subject to greater...
political influence (Basu et al. 1999) or regulatory oversight (Baron et al. 1986), or that experience greater legal ambiguity (Edelman 1992), for example, may face increased pressures to respond to institutional forces. To preserve statistical power, a set of dummies was used to identify each firm’s industry at one digit standard industrial classification (SIC) level, with industry 9 as the omitted category.

**Nature of ownership**

Large firms registered as the public limited corporations with shares listed and traded on leading stock exchanges (globally and/or regionally) are subject to more public scrutiny and visibility than the private firms whose shares are not listed and traded on the major stock exchanges. Including a dummy variable that accounts for whether a firm is public (coded 1) or private (coded 0) controls for this potential explanation in my analyses.

**Size**

The larger the organization, for example, the more susceptible it is to institutional pressures (Baron et al. 1986; Scott, 2003). A common measure of size is the number of employees. The reported number of employees for each organization was collected using the Mergent Online database. This variable was entered into the regressions as the log of employees.

**Age**

In addition to size, the age of the organization is a predictor of various outcomes. An important body of work has shown that organizations age in stages, from newness to adolescence to obsolescence, and that they act in different ways depending on their stage of development (Stinchcombe 1965, Henderson 1999). Similar to firm size, data were collected on each firm’s reported age by identifying the year of founding or incorporation in the Mergent Online database and logged this variable.

**Slack Resources**

Slack is a variable of interest for organization scholars because it buffers the firm from sudden changes in its environment (Thompson 1967). Firms with more slack may be more willing to support the ECM implementation. A qualitative survey question was created as a proxy for the availability of slack resources at the department level, which the Ethics and Compliance Officer (ECO) as head of the department, was well placed to answer. A dummy was coded as 1 for responses of “highly likely” or “likely” and 0 for responses of “unsure,” “unlikely,” or “highly unlikely.” In addition to slack, this variable helps control for financial performance, which prior research has shown is a predictor of subsequent ethical and socially responsible behavior (Margolis et al. 2007). It is inferred from this research that superior prior firm performance will result in greater access to slack resources, which constitute
greater available capital to invest in projects with higher risk attached and/or lower projected returns.

**Perceived significance of ECM**

The status and significance being attached to the ECM function by individual firms indicate their level of commitment for adoption and implementation. Accordingly, more prominence can be created for this particular function by enjoining their portfolio with top management teams (CEO, senior vice president, and vice president) or management teams (senior manager, manager). These survey data were used to create a dummy variable, coding responses of ECM association with top management team as 1 and with management team as 0.

**Media Coverage**

To construct the media coverage variable in this study, extensive searches for articles was conducted on each of the firms in the data set that appeared in five prominent business newspapers: the Wall Street Journal, Financial Times, BusinessWeek, Fortune, and Forbes. To control for factors that determine the total amount of press coverage a firm receives, such as celebrity (Rindova et al. 2006), as well as changes in the amount of coverage over time, an annual word count was included of all the articles gathered for each firm from Factiva.

**Fieldwide and Firm-Specific Critical Events**

Central theoretical proposition of this paper is that, although it is field wide events that predict when firms adopt, it is firm-specific events that predict the extent to which they implement. To demonstrate this empirically, it is important to include a variable that controls for each firm’s reported transgressions (the independent variable in H2) in testing H1 and a variable in testing H2 that captures whether a firm adopted in proximity to one of the field wide critical ethics events that form the independent variables in H1. It was possible by using the longitudinal data set for H1, whereas the cross-sectional data set was used to test H2. An ethics transgressions control for H1 was created by using the longitudinal data collected to construct the ethics transgressions independent variable in H2. Including these control variables allowed to test the theory about the different antecedents of the firm’s ECM adoption and implementation behavior.

**Statistical Analyses**

**Dependent Variables**

There are two dependent variables explained by research hypotheses namely, ECM adoption (dichotomous variable) and extent of ECM implementation (continuous variable).
ECM adoption

Hypothesis 1 predicted a curvilinear relationship between field wide critical ethics events and the adoption of ECM function by a firm. It also controlled for the firm specific events that predicted ECM implementation in Hypothesis 2. It was hypothesized that the phenomenon of ECM adoption would be increased following the occurrence of field wide critical ethics events. The binary logistic regression model using Stata provided support to both the discrete nature of collected data and continuous nature of the adoption process.

Extent of ECM implementation

Research hypothesis 2 serves two objectives. First, it predicts a positive relationship between a firm’s media report on ethics transgressions and its implementation of ECM function. Second, it controls the effects of field wide critical events that predict adoption of ECM in research hypothesis 1. Severe ethics transgressions by the firm reported in the media would compel them to substantive resource commitments for ECM implementation in order to minimize the damage (Rindova et al., 2006; Kennedy, 2008). Given the nature of complexity between media coverage and firm specific action, it is imperative to control for the effect of endogeneity in modelling hypothesis 2.

Ethics transgressions being antecedent to the firm’s adoption and implementation of ECM significantly reduced the concern of reverse causality. Ordinary least squares (OLS) estimation was used to account for the cross-sectional nature of organizational data and continuous nature of the dependent variable ECM implementation. To control for the possible effect of heteroscedasticity, proc surveyreg in the SAS statistical package was used.

Results

The descriptive statistics and pairwise correlation coefficients for all the dependent, predictor, and control variables are presented in Tables 3 (for hypothesis 1) and 4 (for hypothesis 2).
### Table 3: Descriptive Statistics and Pearson Correlation Coefficients (H1)

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<td></td>
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<td></td>
</tr>
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</tr>
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<td>0.03</td>
<td>0.04</td>
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<td>0.03</td>
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<td>0.01</td>
<td>0.01</td>
<td>0.08</td>
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<td>0.00</td>
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<td></td>
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</table>

FS = financial support; TMS = top management support;
Table 5: Effect of the Institutional Environment on ECM Adoption (106 Firms)

<table>
<thead>
<tr>
<th>ECM adoption</th>
<th>Coef.</th>
<th>Std. Error</th>
<th>z</th>
</tr>
</thead>
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<td>0.32</td>
<td>8.01</td>
</tr>
<tr>
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<td>0.11</td>
<td>2.78</td>
</tr>
<tr>
<td>Ownership</td>
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<td>0.09</td>
<td>5.36</td>
</tr>
<tr>
<td>Size</td>
<td>0.09</td>
<td>0.16</td>
<td>7.71</td>
</tr>
<tr>
<td>Age</td>
<td>0.02</td>
<td>0.13</td>
<td>2.12</td>
</tr>
<tr>
<td>Slack resources</td>
<td>0.01</td>
<td>0.27</td>
<td>1.08</td>
</tr>
<tr>
<td>ECM significance</td>
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<td>0.21</td>
<td>2.69</td>
</tr>
<tr>
<td>Media coverage</td>
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<td>0.26</td>
<td>9.51</td>
</tr>
<tr>
<td>Field events</td>
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<td>0.17</td>
<td>11.32</td>
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<tr>
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<td>13.46</td>
</tr>
<tr>
<td>Constant</td>
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<td>-10.46</td>
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</tbody>
</table>

Logistic regression chi square (4) = 147.21; Probability > chi square = 0.00; Pseudo R² = 0.09; Log likelihood = -740.92. p < 0.05; p < 0.01; p < 0.001.

To test for the possibility of multicollinearity among predictor variables, condition indices for all models were calculated and no cause for concern was found. The models in Tables 5 and 6 constituted the fully specified models for drawing inferences regarding hypotheses 1 and 2 respectively. For Table 5 related to the testing of hypothesis 1, log likelihoods were generated and chi square and pseudo r square were used to indicate the value added by the model. For Table 6 related to the testing of hypothesis 2, the ordinary least square (OLS) regression model was conducted by generating r square where the change in fit was measured by the change in r square. The results reported in Table 5 provided strong support in favor of the hypothesis 1 which stated that the development of field wide critical events having deep social repercussions coupled with the ever increasing institutional pressure compels the firms to adopt the ethics and compliance function as part of its corporate management group. The results reported in Table 6 provided support in favor of the argument developed in hypothesis 2 such that the ECM implementation is more dependent on the firm specific factors than the aggregate influence of field wide events in the institutional environment. It is evident that the reported ethics transgressions predict both financial and top management support to the ECM implementation of the firms.
Table 6: Effect of Ethics Transgressions on ECM Implementation

<table>
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<tr>
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<td>Independent Variables</td>
<td>Controls</td>
<td>Independent Variables</td>
</tr>
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<td>Age</td>
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<tr>
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Two tailed tests were conducted for all control and hypothesized variables. $p < 0.05; p < 0.01; p < 0.001.$

**Discussion and Contributions**

The response patterns of firm behaviors to the institutional pressures for change is well evident in the previous scholarly works available in this domain of diffusion (Rogers 1995; Strang and Soule 1998; Zorn, 2004). As most of these studies explored the background and reasons behind the adoption of new practices by the firm, not adequate material is still available about the period of adoption and the extent of implementation in the post adoption period (Lounsbury, 2001, 2007; Love and Cebon, 2008; Kennedy and Fiss, 2009). A number of scholars in the field expressed that studying adoption and implementation as two separate phenomena in the single study would allow to better understand their antecedents and the firm’s response to them (Okhmatovskiy and David 2012; Marquis and Qian 2014; Chandler, 2015). Also one clear reason could be attributed to the fact that implementation is an insider
activity internal to the firm, and hence both availability and collection of data are extremely difficult (Suddaby 2010; Park et al. 2011). As a counter effect of this problem, qualitative attempts have been made to understand the firm’s version of the implementation of new practices as supplements to the large scale firm wide aggregate empirical studies (Zbaracki 1998; Zilber 2002; Love and Cebon 2008).

Although the implementation activity as a firm wide symbolic conformity is largely driven by the institutional pressure, there have been inter-firm differences in terms of intention, capability, and resource commitments (Heugens and Scherer 2010; Chandler 2014). In a way, it also reflects individual firm’s shared values and cultural orientation as a vehicle to meet up the social expectations emanating from its institutional environment (Chandler 2015). The adoption and implementation of a new function or portfolio (ECM in this case) certainly diffuses a strong signal of compliance to the institutional stakeholders independent of the extent of implementation by individual firms (Okhmatovskiy and David 2012; Marquis and Qian 2014; Chandler, 2015).

The complexity of the firm’s institutional environment is a significant determinant of its adoption and implementation behavior (Kraatz and Block 2008; Greenwood et al. 2011). The structure of the institutional environment, the influence of key stakeholders, the extent of criticality and timing of fieldwide events, and their impact on the firm’s decision to adopt and implement become the important constituents of making such a decision (Okhmatovskiy and David, 2012; Marquis and Qian, 2014; Chandler, 2015). However, the fact remains that both firm adoption and implementation behavior need to be studied for a comprehensive understanding of the firm’s response mechanisms to the institutional pressure of change. Moreover, by identifying the social influence and concerns associated with various types of institutional field events this paper demonstrates the pattern recognition behavior of the firms under institutional pressure for change. This paper also contended that although adoption comes as the firm’s initial spontaneous response to the institutional fieldwide critical events, implementation commitment would depend to a large extent on firm specific factors (top management, resource deployment, image and reputation etc.) and scrutiny of institutional actors (media, judiciary, regulatory agency etc.). Firms, which have been exposed with severe ethics transgressions would stretch out to commit more resources in implementation than others who did not do any such act or did but not exposed. This called for demonstrating greater ethical behavior on the part of the firms by sufficiently engaging them
in the design, creation, and execution of the ethics and compliance management (ECM) function. The response mechanisms adopted by the firms from time to time is also subject to the cyclicality of the institutional waves as they form, advance, retreat, and reform (Pierson, 2004; Weber et al., 2009; Ansari et al., 2010; Shipilov et al. 2010; Greenwood et al. 2011; Fiss et al., 2012).

This study contributed by explaining firm adoption and implementation behavior in response to the institutional fieldwide critical events as an antecedent of firms’ commitment to the ECM. This study has also advanced the literature stating the nature of the relationship between the firm and its institutional environment by conceptualizing and modelling the impact of field level critical events on the firm’s adoption and implementation behavior. This study has also detailed out the procedure to identify and operationalize the ethics transgressions by the firms for potential future researches to be undertaken in this domain.

**Conclusion**

The previous studies have broadly been segregated into two major mutually exclusive compartments. First, the adoption of ECM by the firm was explained by the institutional field level antecedents. Second, implementation of ECM by the firm was explained by the firm specific antecedents. This present study theorized the combined aspects of both ECM adoption and implementation in the context of the firm’s pressure coping responses emanating from its institutional environment. Understanding and modelling the firm behaviors to the critical field events and institutional waves would allow the scholars and practitioners to appreciate the dynamism and complexity involved with the relationship between the firms and its institutional environment (Kraatz and Block 2008; Greenwood et al. 2011; Okhmatovskiy and David 2012; Marquis and Qian 2014; Chandler, 2014; 2015). The operating firms have to respond to the demanding ethics and compliance expectations of multiple constituents in the institutional environment on a continual basis. This is the new learning challenge as well as opportunity lies with the firms for their survival, growth, and success.
References


AN ENTREPRENEURIAL APPROACH TO INTERNATIONALIZATION

ABSTRACT

Entrepreneurial firms seek to innovate their product offerings and business practices in order to gain an advantage over rivals; firms seeking to diversify internationally enter different countries in order to access new markets and resources. In today’s dynamic and global economy many firms are engaging in both practices to great success. As such, scholars have made an effort to combine research on entrepreneurship and internationalization, but less research considers how managers might go about internationalizing in an entrepreneurial manner. Drawing on the literature on entrepreneurial orientation (EO), this study investigates the benefits realized by firms when their executives expand operations internationally in a meaningful and entrepreneurial way. To do so, we conceptualize the dimensions of EO in terms of the task of international diversification and tie these activities to firm performance.
AN ENTREPRENEURIAL APPROACH TO INTERNATIONALIZATION

This focus of this study is the entrepreneurial orientation (EO) of a firm’s CEO in terms of international new market entry. We identify five international EO dimensions that serve as a proxy for the five dimensions of EO. In the context of internationalization, these dimensions take on a substantially different meaning from the EO construct defined by previous scholars (Covin & Slevin, 1991; Miller, 1983; Lumpkin & Dess, 1996). Specifically, the desired outcome changes from new market entry in general to new international market entry. A CEO’s EO can be linked to traditional outcomes of internationalization such as overall firm performance, social learning, technological learning, operational efficiency, and market growth. Stated simply, our research question is as follows: what are the implications of internationalizing in an entrepreneurial way?

This is an important extension of the EO construct because international diversification has become an increasingly important means of competition in today’s dynamic and global economy (Ireland, Covin, & Kuratko, 2009; Hitt, Tihanyi, Miller, & Connelly, 2006). Proponents of international diversification argue that firm expansion outside of their home market allows for growth and positive returns through exploitation in an increasingly global economy (Lu & Beamish, 2004). Executives in many large organizations today are compelled through competitive pressures to move from a domestic focus to adopt international strategies. However, in some cases, firms are intentional about the process, whereas in other cases it simply evolves over time in a piecemeal approach. This process typically begins by exporting to a number of countries in which competitors are active and then ceasing sales in the least profitable or unprofitable nations (Adler, 2002). While these actions represent a shift from a domestically
oriented strategy to an international one, the firm does not purposefully move toward a multinational or global strategic orientation. As such, the firm does not fully realize the major benefits associated with international diversification.

In other organizations, executives diversify internationally in strategically clever ways with a focus on the big picture. Instead of evaluating internationalization opportunities on a case-by-case basis with a focus on industry norms and pressures, these CEOs consider international diversification an entrepreneurial endeavor that constitutes an important growth function within their firm’s overall strategy. This focus on the big picture and strategic growth through entrepreneurial new market entry constitutes an important difference that can be consequential to performance. With this more intentional approach, executives engage in meaningful strategic objectives when expanding internationally, allowing them to find and recognize opportunities that would otherwise never show up on their radar.

By combining the two areas of research, entrepreneurship and international diversification, scholars have been able to link entrepreneurial activity in foreign markets to superior firm performance (Zahra & Garvis; 2000). Researchers have found that a firm’s entrepreneurial characteristics allow for the application of firm capabilities in foreign markets (Yiu, Lau, Bruton, 2007). However, few studies examine the entrepreneurial properties of the international new entry itself. Toward that end, in this study we seek to contribute theoretically by linking entrepreneurial aspects of international diversification initiatives to superior firm performance. This provides a distinction between firms that act passively in their foreign market expansion strategies and firms that enter foreign markets in innovative, creative, and even risky ways. As stated by Zahra and George (2002: 262), “Firms that internationalize their operations in innovative and creative ways stand to achieve significant gains that go beyond superior financial
performance.” This manuscript identifies entrepreneurial properties of internationalization strategies that could affect overall firm performance.

To categorize the entrepreneurial characteristics of internationalization initiatives, we draw on entrepreneurial orientation (EO) theory (EOT) (Covin & Slevin, 1991; Miller, 1983). An EO refers to processes, practices, and decision-making mechanisms that precede new entry (Lumpkin & Dess, 1996). In contrast to previous works, the new entry discussed in this study is international new entry. We leverage the five key dimensions of EO — autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness (Lumpkin & Dess, 1996) — to distinguish the entrepreneurial nature of a firm’s foreign market entry strategy.

**CONCEPTUAL DEVELOPMENT**

Internationalization is the process of entering and establishing a line of business within a foreign country (Hitt, Ireland, Hoskisson, 2012). Multinational enterprises (MNEs) seek to enter new markets by crossing borders. The amount of international involvement as a component of the MNEs complete business portfolio determines their level of international diversification (Tihanyi, Griffith, Russell, 2005). Internationalization research includes various topic areas including entry mode decisions, international joint ventures (IJVs), foreign direct investment (FDI), and international exchange (Werner, 2002).

The specific areas of internationalization research that apply to the current research include the firm ownership’s relationship with international diversification (Tihanyi, Johnson, Hoskisson, & Hitt, 2003); entry mode decisions (Brouthers, Brouthers, & Werner, 2003); the concept of distance between home and host country (Morosini, Shane, & Singh, 1998); international first mover advantages (Frynas, Mellahi, & Pigman, 2006); and a firm’s level of international diversification compared to rivals. Also, positive outcomes associated with these
areas of research include overall firm performance, international performance, social learning, technological learning, operational efficiency, and market growth (Werner, 2002).

**Proactiveness**

An emphasis on first-mover advantages as a superior strategy for capitalizing on opportunities characterizes proactiveness (Lieberman & Montgomery, 1988). According to this logic, first-movers are able to secure unusually high returns and establish brand recognition by exploiting asymmetries in the marketplace. In the context of internationalization, firms that anticipate and engage in new international opportunities realize higher performance. In essence, proactive firms change the international landscape of their industry in order to gain an edge over competitors.

Firms that do not prioritize first-mover advantage in their industry and do not focus on internationalizing to their industry’s lead nations have been shown to have lower levels of proactiveness (Dimitratos, Plakoyiannaki, Pitsoulaki, and Tüselmann, 2010). Appropriately, Zhang et al. (2012) found that international proactiveness was strongly related to performance in SMEs. This suggests that firms which enter a target nation before competitors may benefit from a first-mover advantage.

Specifically, Frynas et al. (2006) found that non-market mechanisms such as political resources have led to sustainable first mover advantages. These political resources include establishing lasting relationships with government officials and early government action to create competitive asymmetry among new entrants. Therefore, it is likely that if a firm is frequently the first-mover of its industry into a target nation, then it will realize greater performance compared to its competitors. These arguments lead us to propose the following:

*Proposition 1: The extent to which firms are the first in their industry to enter target countries is positively associated with firm performance.*
Competitive Aggressiveness

CEOs considered to be competitively aggressive are those that challenge competitors in order to gain new entry or improve their competitive position within the industry. Competitively aggressive firms place value in outperforming industry rivals in the market place (Lumpkin & Dess, 1996). In contrast to proactiveness, which refers to how a firm relates to new and previously unidentified opportunities, competitive aggressiveness refers to how a firm relates to its industry rivals. Lumpkin & Dess state (1996: 147), “proactiveness has more to do with meeting demand, whereas competitive aggressiveness is about competing for demand.” In the context of internationalization, firms that have international operations in numerous foreign countries are likely to be competing for international demand and competitively aggressive.

The phenomenon that the amount of international diversification is positively related to performance has been widely studied by internationalization scholars (Delios & Beamish, 1999; Nachum, 2004; Lu & Beamish, 2004). However, the simple amount of international diversification does not capture the competitive nature of the firm. In order to understand a firm’s international competitive posture, we must understand how a firm relates to its industry rivals. Therefore, a firm’s international presence in relation to its industry rivals is more closely aligned with the firm’s international competitive aggressiveness.

It is important to note that firms engaging in more internationalization than competitors are likely seeking to compete for more international demand; however, competitively aggressive firms are not necessarily the first in the industry to enter a target country. Instead, firms that react to competitor’s international new entries would also be considered competitively aggressive. Therefore, when investigating competitive aggressiveness it is imperative to account for international presence in which firms are accompanied and unaccompanied by competitors.
Accordingly, a firm may be considered competitively aggressive when it has a similar or increased global presence to that of its industry rivals. Therefore, we propose the following:

Proposition 2: Positive deviation of a firm’s total amount of internationalization from the average total amount of internationalization of its industry rivals is positively associated with firm performance.

Innovativeness

Innovative individuals are those seeking out new ideas that have the potential to change the manner in which they operate (Lumpkin & Dess, 1996). Entrepreneurial CEOs engaging in international diversification can be innovative through their implementation mechanism for their new international operation. Scholars have normally classified entry mode choices based on the amount of equity invested. Equity entries include wholly-owned-subordinates (WOS), joint ventures (JVs), and acquisitions. Non-equity entries include exporting, licensing, and cooperative ventures.

The range of entry mode choices is fairly extensive (Brouthers, Brouthers, & Werner 2003). In all, sixteen modes of international new entry have been identified. Brouthers and Hennart (2007: 420) categorize them as “wholly owned (variously identified as 80%, 95%, 100% equity) equity joint venture, non-equity joint venture, level of equity ownership, contract, license, agent, majority joint venture, minority joint venture, export, equity, nonequity, management contract, franchise, cooperative (nonequity) ventures, and distributor.”

At least four major theoretical perspectives have been utilized in order to explain entry mode choice and its effect on performance: transaction cost economics, resource based view, institutional theory, and Dunning’s eclectic framework (Brouthers & Hennart, 2007). However, application of EOT to entry mode choice offers a different perspective as to how entry mode choice may affect performance. According to EOT, executives that engage in novel and
distinctive (i.e., innovative) modes of entry when compared with their competitors will enjoy superior performance.

Why might firms that choose new and unique entry modes perform better? If a firm’s competitor is engaged in exporting a product to a target country, then it is possible that the firm to introduce a WOS to produce a similar product in that target country and gain an advantage. Conversely, if a firm’s competitor arranges a WOS in a target country, then the firm may simply export and achieve cost savings. In essence, when a firm engages in a similar entry mode to that of its competitor, the competition that ensues will leave both firms with no form of advantage. Therefore, when CEOs engage in unique and innovative entry modes compared to that of their competitors, they place their firm in a position to experience and realize opportunities that their competitors cannot. Based on these arguments, we put forward the following proposition:

*Proposition 3: Engaging in international entry modes that deviate from the norm international entry mode of competitors is positively associated with firm performance.*

**Risk Taking**

Risk taking executives are those that “venture into the unknown” (Baird & Thomas, 1985: 231). Miller and Friesen, defined risk taking in financial terms as “the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures” (1978: 923). International diversification generally involves venturing into the unknown with substantial resource allocations and a reasonable chance of costly failure; therefore, establishing an international operation already classifies as firm-level risk taking. However, the degree of risk associated with a particular venture may vary according to four forms of distance which separate the firm’s home and target countries including cultural, administrative, geographic, and economic (i.e. CAGE distance).
The CAGE distance framework developed by Ghemawat (2001) outlines a process for identifying differences in the forms of distance between two countries. Each of these forms of distance have different influences. Cultural distance represents differences in religious beliefs, social norms, and language. Administrative distance denotes colony-colonizer links, common currency, and trade arrangements. Geographic distance is the physical distance between the two countries as well as differences in size, access to waterways, internal topography, and infrastructure. Finally, economic distance signifies dissimilarities in the counties’ wealth and economic systems.

Internationalization researchers have studied forms of each CAGE factor individually. Hofstede (1980) created an index in order to measure cultural distance between two countries. Also, a recent meta-analysis indicated the various effects of cultural distance on internationalization related activities and outcomes (Tihanyi et al., 2005). Acs, Morck, Shaver, and Yeung (1997) theorized that regulations and property rights in the target country play an important role in the case of small- and medium sized firms seeking to internationalize (i.e. administrative factors). Yu and Canella (2007) measured geographic distance between home and target countries in order to study its relationship with response speed to a rival’s competitive action. Lastly, Mascarenhas (1992) and Wan (2005) concentrated on the effect of economic institutions and found that firms are likely to first enter nations with liberalized market economies (i.e. economic factors).

In order to fully understand risk within a decision to internationalize to a certain country, all of the CAGE factors should be taken into account. According to EOT, greater amounts of risk taken are related to improved performance. This thinking follows the findings of Doukas and Travalos (1988) who found that shareholders experience larger positive abnormal returns when
U.S. firms expand into new international markets – particularly those less developed and unrelated to the U.S. economy. This leads us to propose the following:

Proposition 4: The average CAGE distance between a firm’s home country and the target countries to which it has diversified internationally is positively associated with firm performance.

Autonomy

In order for a CEO to be autonomous, the firm must grant him/her the ability and will to be self-directed in the pursuit of new opportunities (Quinn, 1979; Lumpkin & Dess, 1996). In an internationalization context autonomy refers to the ability of the CEO to act independently, make key decisions and proceed with international new entry. Managerial autonomy is widely considered a valuable firm characteristic because it allows for those actively engaged in a firm’s operations to quickly respond to problems and opportunities in an effective way. In much the same way, managerial autonomy increases the ability of the CEO to implement internationalization initiatives that align with the strategy and overall vision of the firm itself.

When CEOs lose autonomy it is usually due to investor activism and/or increased governance. Large institutional investors wield varying amounts of power over the managers of the organizations in which they invest. Many of these activist investors pressure CEOs to take actions that result in short-term profitability of the firm (Falkenstein, 1996; O’Barr & Conley 1992). This type of pressure, of course, decreases managerial autonomy and the CEOs ability to make decisions in the best long-term interest of the firm.

As discussed above, executives that strategically enact internationalization initiatives a part of the big picture vision of the firm increase firm performance greater than those who evaluate internationalization alternatives on a case-by-case basis. This is only possible, however, if CEOs have the managerial autonomy necessary to carry out these strategic initiatives. Thus,
the components of EO listed above and their relationships with firm performance are contingent upon the manager’s autonomy to engage in entrepreneurial internationalization. These arguments lead us to our final proposition, as follows:

*Proposition 5: Managerial autonomy moderates the relationship between dimensions of EO (proactiveness, competitive aggressiveness, innovativeness, and risk taking) and firm performance; when autonomy is high the relationships are strengthened.*

**DISCUSSION**

The proposed relationships above focus on the entrepreneurial aspects of international new market entry, yielding a model as shown in Figure 1. We propose that these entrepreneurial aspects of a CEO’s international diversification strategy increase the firm’s overall performance. Each dimension is purported to have a unique effect, as their internationalization based operationalizations capture distinctive properties of an executive’s international diversification strategy. To summarize, proactiveness is related to first mover advantages in host nations; competitive aggressiveness is a function of a firm’s total amount of internationalization when compared to industry rivals; innovativeness is connected to the type of entry mode strategies utilized; risk taking is associated with the CAGE distance between home and host countries; autonomy is related to the firm’s amount of high quality ownership.

---INSERT FIGURE 1 ABOUT HERE---

The proposed model contributes to the literature by framing internationalization in terms of entrepreneurial market entry. This contribution resolves a problem pointed out by Covin and Miller (2014) in their review. In essence, this study clarifies what it means to be entrepreneurial when diversifying internationally. Managers may then ask themselves, “Are we
internationalizing in an innovative and creative fashion or using tired techniques? And, does either method provide advantage?"

This study is geared toward both a scholarly and an international business audience, and as such aims to provide a fresh perspective and direction to the field. The proposed model may help to shed light on many theoretical and empirical puzzles experienced by international diversification. For instance, in the discussion of their findings Zahra et al. (2000) made the argument that international diversification could be the result of managerial opportunism as they seek to increase company size and their compensation. Concededly, firms that internationalize into countries which are similar to their host country or already successfully accessed by a competitor are likely to grow in size, but they are not taking a large risk or being proactive. Thus, examining the entrepreneurial characteristics of the internationalization process provides added insight into the manager’s motivations for diversifying internationally. As these motivations are more thoroughly understood, agency problems will become easier to contract against.

**Future Research Directions**

As a general research implication, the propositions in this study would benefit from empirical support. The theoretical development of the propositions largely follows previously established theory, of which much has received empirical support. However, the relationships proposed could be tested using readily available data through secondary databases. Annual ownership and subsidiary location data are available on COMPUSTAT. This data makes testing the relationships between autonomy, proactiveness, competitive aggressiveness with performance a fairly easy task. A CAGE distance calculator created by Ghemawat is available online through subscription on Ghemawat.com. Thus, risk taking’s relationship with performance could be easily measured. However, no source for entry mode data is readily
available; therefore, measurement of a firm’s innovativeness may pose a challenge. In all, internationalization research stands to greatly benefit from the empirical testing of these propositions and as a result this analysis should be supplied.

Establishing firm performance as an outcome of entrepreneurially oriented internationalization is a necessary first step for the development of this new paradigm; however other important outcomes are also likely impacted. Overall firm performance is indicative of a firm’s financial bottom line and is likely the most important decision making criteria when considering new strategies. Other, non-accounting, firm outcomes are also of interest to managers when considering international diversification. Market performance may also result from entrepreneurial international diversification. For instance, proactive firms expanding into new markets may be able to capture more of the global market share by growing the total market. Another performance-related outcome is firm growth. As firms expand internationally they are likely to grow their asset or employment base. Competitively aggressive firms, in particular, may grow their assets at a substantially faster pace as they seek to enter more countries than their competitors.

Non-performance related outcomes such as process and organizational related outcomes may also prove fruitful future research directions. First, organizational learning represents the knowledge that a firm has built up over time and through past experiences. Firms have been shown to learn from and achieve greater success with sequential foreign entry through their previous successes and mistakes (Chang, 1995). Innovative firms may, particularly, gain substantive depth and breadth of knowledge concerning entry mode decisions. Also, internationally diverse firms have been shown to greater knowledge of technology which then led to product innovation and differentiation (Zahra et al., 2000a). This result may be
exceptionally strong among proactive firms that enter new markets and learn about new technology before competitors. Likewise, social learning is typified by creating a larger social network with government officials, entrepreneurs, suppliers, and distributors in foreign countries (Yeoh, 2004). Competitively aggressive firms are likely to generate more social knowledge as they seek to increase their overall amount of international diversification.

Interactions among the dimensions may also have an effect on the various firm outcomes discussed above. For instance, firm risk taking may interact with firm proactiveness to effect various forms of organizational learning. When firms enter a country that is substantially different from their home country, more learning opportunity exists. When this firm is also the first in its industry to enter, the knowledge cannot have been previously accessed by other rival firms. Thus, the learning potential is greater when both conditions are met.

Additionally, proactiveness and competitive aggressiveness may interact to effect market growth. Competitively aggressive firms seek to enter more countries than their average competitor. This, by itself, may increase their global market share. However, if these competitively aggressive firms are also proactive then they are exploring new markets uninhabited by competitors. These firms then are capturing more of the current market share while growing the market as a whole. In turn, their market growth should increase at a greater rate.

Also, proactiveness and innovativeness should interact to effect overall firm performance. Proactive firms are entering countries that have not yet been accessed by competitors. Innovative firms are seeking to gain an advantage over competitors currently operating in a country by entering that country in a substantially different way. However, if the firm is the first to enter
there is no advantage to be gained. Therefore, proactiveness should flatten out innovativeness’s effect on overall performance.

Future research may also look into moderating variables or contingency relationships among various other endogenous and exogenous factors. Top management team characteristics and experience may moderate each of the dimensions’ relationship with performance; however, it is most likely to moderate the autonomy-performance relationship. Top management teams with international heritage or experiences will likely positively moderate autonomy’s relationship with performance as these managers may have unique insights into where and how best results will be achieved. Also, when sensitive intellectual property is involved some relationships may flatten out or turn negative. For instance, when risk taking is high, it is possible that a firm is venturing into countries with different intellectual property protections than those of the firm’s home country. If intellectual property that contributes to a firm’s competitive advantage is stolen, then long-term overall firm performance will likely decrease. The firm’s institutional environment may also have a moderating role. Of course, countless other moderating relationships may exist when the other outcomes described above are under examination.

CONCLUSION

Exploring how managers might internationalize in an entrepreneurial manner is timely given the increased pressure faced by today’s firms to both globalize and innovate. Our goal has been to build on prior theory and research concerning EO, extending internationalization and EO in order to develop a distinct construct which focuses on entrepreneurial aspects of a firm’s internationalization strategy. We encourage future research directed at better understanding the relationships between the dimensions and various organizational outcomes. Also, we encourage
future study of the interactions and contingency relationships that might affect the dimensions’ relationships with different outcomes. Such efforts will contribute to further theoretical development in both internationalization and entrepreneurship fields. Research to refine measures and explore the underlying processes associated with entrepreneurial internationalization will also enhance our understanding of EO and its relationship with organizational performance.
REFERENCES


Figure 1. An Entrepreneurial Approach to Internationalization

- Proactive Internationalization
- Competitively Aggressive Internationalization
- Innovative Internationalization
- Risky Internationalization

CEO Autonomy

Firm Performance
MUNICIPAL EMPLOYEE VOLUNTEERISM

INTRODUCTION

“The test of a civilization is how it cares for its helpless members.”

Pearl S. Buck

Volunteerism is an important dimension of corporate social responsibility that bridge those with needs to those with the resources to help fulfill the needs. However one chooses to phrase it, volunteerism is a vital component of and for society. The compassionate efforts of countless volunteers provide benefits and assistance to social causes throughout the world. Some have suggested volunteerism is truly a win, win, win arrangement such that multiple stakeholders such as society, the volunteers and the sponsoring corporations all benefit (Geroy, Wright & Jacoby, 2000; Peloza & Hassay, 2006). Society benefits directly from charitable actions satisfying community needs. At the same time the volunteering efforts have been shown to reward the volunteer in the form of pride (Peloza & Hassay, 2006; Peloza, Hudson & Hassay, 2009; Veleva, Parker, Lee & Pinney, 2012). Yim & Fock, 2013) camaraderie experiences, and networking opportunities (Peloza & Hassay, 2006; Peloza, Hudson & Hassay, 2009).

Additionally, when volunteer efforts are corporately sponsored, the firm may benefit in the form of increased positive reputation within the community (Peloza & Hassay, 2006) in recruiting and retention of employees (Aguinis & Glavas, 2012; Bolton, Kim, & Gorman, 2011; Greening & Turban, 2000; Jones, 2010; Pfeffer, 2010) and increased sales (Jones, 2010; Pfeffer, 2010; Sarkissian, 2015). Project meaningfulness, social support and skill development have been found to be outcomes of “high quality” volunteer practices, which may enhance the volunteer’s knowledge, attitudes, and behaviors; which in turn influences positive outcomes for multiple stakeholders (Caligiuri, Mencin & Jiang, 2013).
Employee volunteerism is also known as corporate volunteerism, when the corporation enthusiastically supports volunteerism and provides resources to enable employees to participate in volunteer activities. The corporation could be the initiator of the activities or as is the case with our study, the activities could be employee inspired. To define volunteering we embrace one put forth by Wilson (2000, p.215). “Volunteering means any activity in which time is given freely to benefit another person, group, or organization.”

Previous research has demonstrated the benefits associated with corporate volunteerism, but to our knowledge, little research examined volunteer activities in other types of organizations, specifically social responsibility activities in government agencies and more specifically government agencies’ involvement with employee volunteer activities. We suggest this to be a limitation in the research and our understanding of CSR. Additionally, Aguinis and Glavas (2012), who reviewed 588 CSR articles, found only 4% of those articles were focused on the individual level of analysis. Less is known about the reasons individuals, especially employees participate in volunteer activities, leading to a call for researchers to focus on studies that measure CSR at the individual level. The research reported here addresses these gaps by exploring volunteer efforts of employees in a municipal context. This study investigates how many city employees are volunteering, in which types of volunteer activities are they most likely to engage, and measures employees’ attitudes regarding social responsibility and volunteerism.

LITERATURE REVIEW

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has gained popularity in recent years and yet it remains to be clearly defined. In 1953, Bowen defined it in his seminal book as the responsibilities of businessmen to “pursue those policies, to make those decisions or to follow
those lines of action which are desirable in terms of the objectives and values of our society” (2013). Dahlsrud (2008) identified thirty-seven variations of the definition for the construct. John Elkington who founded SustainAbility, coined the phrase, triple bottom line in 1994 in his discussion of CSR. The triple bottom line (TBL) embodies a company’s profit, planet and people accounts. Profit, is the first bottom line, representing an organization’s traditional financial profit. The second is the planet, which specifies how environmentally conscious the organization has been. The third bottom line represents the effect of CSR on people (Elkington, 1998). This indicator measures the impact of the organization’s social responsibility on people both inside (employees) and outside the organization (community).

The inclusion of other types of organizations in addition to the corporation requires the expansion of CSR to a more encompassing title, thus Organizational Social Responsibility (OSR) has been coined for this purpose. Going forward references to corporate social responsibility in a governmental context will be referenced as organizational social responsibility (OSR) to account for this difference. The CSR definition put forth by Aguinis and Kelley (2014) is embraced for OSR and further expanded by acknowledging social responsibility extends beyond the corporate for-profit realm to encompass all types of organizations, including non-profits and governments. CSR is defined as “caring for the well-being of others and the environment with the purpose of also creating value for the business” (Aguinis & Kelley, 2014, p.171). They further expand on CSR as typically being established in strategies and operating procedures an organization develops, which influences the well-being of all of its key stakeholders and the natural environment.

The value and importance of employees was acknowledged in the 1970s when the term human resources management replaced personnel management. Employers began to recognize
employees as a true resource and asset, instead of impersonal staff to be managed through compensation and benefits (Porter & Schneider, 2014). Pfeffer (2010) suggests a socially responsible business should be concerned with protecting their human resources just as they are with protecting the environment. He proposes employees have received less attention because environmental damages can actually be seen; “You can see icebergs melting, polar bears stranded, forests cut down and mountaintops reshaped by mining and experience firsthand the dirty air and water that can come from company economic activities that pose externalities. Reduced life expectancy and poorer physical and mental health status are more hidden from view” (Pfeffer, 2010, p. 41). Pfeffer strongly advocates treating employees as resources or investments because this approach pays high returns. The Great Place to Work Institute, in conjunction with Fortune, publishes a list of the best places to work each year. The businesses are recognized for providing good working conditions and benefits, including vacations, sick days, health insurance, training, and jobs that provide people autonomy and challenge (Jones, 2010). Such working conditions and benefits are helpful in recruiting and retaining human resources.

Studies have demonstrated that employee retention improves as an outcome from OSR (Jones, 2010; Aguinis & Glavas, 2012). Starbuck’s low employee turnover rate is attributed to its socially responsible practices (Aguilera, et al. 2007). Employees have been found to be more highly satisfied with and loyal to companies that have a proven commitment to OSR. As a result OSR could be used as an effective strategy to recruit and retain top talent (Aguinis & Glavas, 2012; Bolton, Kim, & Gorman, 2011; Greening & Turban, 2000; Jones, 2010; Pfeffer, 2010). The OSR culture could be a reason some employee feel drawn to an organization perhaps founded on the importance of OSR to increasing employees’ personal identification (Glavas &
Godwin, 2013; Bansal & Roth, 2000). An organizational culture of OSR may lead to a competitive advantage as organizations have the ability to attract high-quality applicants.

Scholars have found individuals select certain settings because of the support they anticipate receiving from the role partners they interact with. This is related to their identity and values based on their contributed work effort (Gottleib, Maitland & Shea, 2013). The OSR culture could be a reason some employees feel drawn to an organization perhaps based on the importance of OSR to the employees’ personal identification (Glavas & Godwin, 2013; Bansal & Roth, 2000).

**Employees and Volunteerism**

Another domain of “people” related social responsibility refers to performing good deeds for those outside the firm (i.e. volunteer efforts). Corporate volunteerism programs are essential to providing care and compassion to causes and communities in need (Grant, 2012).

Organizations might also implement OSR to access the positive employee outcomes previously found to be associated with CSR initiatives. Jones (2010) found employees’ favorable attitudes regarding company volunteerism promotes organizational identity in part due to the greater pride the employees have in organizational membership. Additionally, studies have shown OSR increases employee engagement (Glavas & Piderit, 2009; Aguinis & Glavas, 2012), improves employee relations and employee creative involvement (Glavas & Piderit, 2009), in-role performance (Jones, 2010; Aguinis & Glavas, 2012), organizational citizenship behavior (Jones, 2010; Glavas & Piderit, 2009; Aguinis & Glavas, 2012), increases quality of work life (Singhapakdi, Lee, Sirgy & Senasu, 2015), and job satisfaction (Glavas & Kelley, 2014). The employees’ favorable attitudes and participation translate positively for the employees and the community. When employees are involved in corporate volunteer programs, they identify more
strongly with their employer, strengthening employees’ sense of affective commitment (Grant, Dutton & Rosso, 2008).

Employers also benefit as volunteerism provides opportunities for employees to develop professional skills at a lower cost to the employer (Deloitte, 2007). Action learning is a method of problem-focused learning. When employees use their professional experiences and knowledge to help non-profit organizations, frequently they are engaging in action learning and subsequently increasing their knowledge, skills, and leadership abilities (Deloitte, 2007). Employers benefit from employees’ increased expertise.

Organizations may choose to implement OSR initiatives such as volunteerism for various reasons. One of those reasons could ultimately be financial gain. Pfeffer (2010) suggests goodwill and customer loyalty can be enhanced when a firm is involved in community volunteer activities. Organizational goodwill and customer loyalty can increase the economic bottom line for the organization and justify any costs associated with a volunteerism program (Jones, 2010). A company that incorporates social responsibility into its operations could be in a better position than competitors. For example, a business that purchases its supplies locally, offers discounts to senior citizens and volunteers for social causes could be viewed in a favorable light with the community. This could translate into customer loyalty and thus profitability (Sarkissian, 2015).

Although previous research has focused on the businesses’ social responsibility efforts, it is important to realize that government entities are “big” businesses. Government agencies are large employers purchasing equipment, supplies, furnishings and buildings from businesses. Government agencies also serve “customers”; because they exist to provide requisite services to the constituents they serve. Participating in OSR initiatives is likely to enhance constituents’ views of agency and to demonstrate a commitment of the agency to environmental issues.
Additionally, governmental employees who actively volunteer in their communities are likely to improve citizen’s views of the governmental entity and increase stakeholders’ satisfaction (Aguinis & Kelley, 2014).

**Employee Motivation to Volunteer**

Understanding why employees are drawn to volunteerism is essential. On average, employees will volunteer 45% more hours per year when their employing company supports this effort by approving time off, modifying work schedules and allowing the use of resources (Booth, Park, & Glomb, 2009). Employees’ personal values and concern for the environment can lead to increased motivation and willingness to care for the environment (Bansal & Roth, 2000). Engaging in volunteerism can also enhance an employee’s self-integrity (Brockner, Senior & Welch, 2014).

The theory of reasoned action proposes people ponder their actions before they choose to take part in a behavior. Behavior is channeled by the intention to behave in a particular way and is predicated by attitude (Ajzen, 2012). Peloza et al (2009) found strong statistical support for this claim, specifically examining employees’ attitudes toward participating in workplace volunteer programs and whether they actually volunteered. Their study also examined if their attitude carried over to independent volunteer participation outside of the workplace. They found corporate volunteering did not cause employees to reduce the total amount of volunteer time they were willing to invest even though they already “giving at the office.” Thus, suggesting volunteerism is context specific and that all forms of volunteerism (workplace sponsored or independent of work) are not equivalent and employees volunteer for different reasons (Peloza et al, 2009). The motives and rewards for work sponsored volunteerism and outside of work volunteerism seem to be different for volunteers. Some employees are satisfied
and able to sustain multiple volunteer relationships both work-sponsored and independent of work (Peloza, 2009).

According to Pajo and Lee (2011) there could be more than one reason each individual employee chooses to volunteer, suggesting a variety of motives could be satisfied by each unique opportunity. Some of the motives found by Pajo and Lee include: altruism, meaningfulness, role variety, creating relationships, and networking, which are consistent with the three motives for participating in CSR identified by Aguilera et al., (2007) instrumental, relational, and moral motives. Instrumental motives are found when employees view their organization as one that is concerned about all people and believe if the organization has a general concern for fairness (e.g. concern for the environment and working conditions) then conditions will also be fair for them. Relational motives suggest CSR initiatives require employees and managers to work together toward a greater good, thus employees will judge both managers’ social concerns and quality of the relationship. This stresses the importance of managers actively participating in CSR initiatives alongside the employees (e.g. volunteering). Moral motives arise when employees desire to be involved with causes they feel are just and relevant to a moral community (Aguilera et al., 2007).

Peloza et al (2009) also found volunteer opportunities that satisfy egoistic motives are successful. Egoistic motives are motives that focus on helping oneself. Such as social interactions which allow volunteers to meet and interact with other people, specifically others within the organization, to spend time with friends or to learn new things. These egoistic reasons may explain why millennials who are entering the workplace now are volunteering in higher numbers than non-millennials (McGlone, Spain & McGlone, 2011). Their study found many millennials volunteer for self-enhancement reasons such as resume building and the value of
being a part of a team, as well as to satisfy social obligations required by organizations to which they belong. Additionally millennials volunteer to help their employers to accomplish their OSR goals. McGlone et al. (2011) concluded millennials have embraced the need to help make the world better and choose to help by giving through their volunteerism efforts.

Employees’ personal values and concern for the environment can lead to increased motivation and willingness to care for the environment (Bansal & Roth, 2000). We examined agreeableness, community citizenship behavior and moral identity as possible predictors of employee volunteer behavior. Volunteer activities can bring meaning to the lives of employees (Geroy et al, 2000; Yim & Fock, 2012; Rodell, 2013) including amplifying morale levels, which in turn can benefit the employer (Geroy et al, 2000; Veleva et al, 2012). The Geroy et al. study also found that employees felt that volunteering “energized” them to take on challenges at work. The authors also cited making contacts and learning additional skills as positive outcomes of volunteering from the employee’s point of view.

Employees want to get involved with volunteer efforts while applying minimal effort (Peloza & Hassay, 2006). It was found employees consider the workplace to be a convenient option as opposed to searching outside the organization for volunteer opportunities. This endorses the need for organizations to facilitate employee involvement in volunteer opportunities. Flexible scheduling for volunteerism was also found to be important to employees (Peloza & Hassay, 2006). Cisco Systems, encourages employees to use their professional skills to volunteer. They utilize an intranet to notify employees of various opportunities and needs charities have posted. The company advises the best way to engage employees in volunteer efforts is to make it easy to get involved and to provide the right opportunities for employees (Wallace, 2004).
As a first step in understanding why government workers volunteer, this study examines agreeableness, community citizenship behavior and moral identity as possible predictors of employee volunteer behavior.

**Agreeableness**

Agreeableness is one of the Big Five personality traits. This trait is considered relatively stable over time and reveals an individual's differences in concern for "social harmony" or basically getting along with others (Goldberg, 1992). Typically these people are considered warm, kind, cooperative, unselfish, agreeable, trustful and generous. Persons who are described by others as "kind" are also described as considerate and warm. Agreeable people seem to have a positive view of human nature. It has been shown that one's agreeableness positively correlates with the quality of relationships with one's team members. Writers have observed the importance of agreeableness in social relationships from ancient times (Graziano and Tobin, 2009). According to Costa, McCrae and Dye (1991, p. 888), "Agreeableness also influences the self-image and help to shape social attitudes and philosophy." Two facets of agreeableness identified by Costa et al. (1991) are altruism and tender-mindedness, which are vital traits influencing individuals to involve with others with selflessness and encourages self-sacrifice. While tender-mindedness suggests behavior guided by feelings, particularly sympathy for others, and motivates agreeable people to become involved activities in socially responsible ways (Rubin, Munz & Bommer, 2005). Therefore, research suggests that the trait of agreeableness could be a plausible contender for predicting employee volunteerism behavior, leading to our first hypothesis.
H1: (A) Employees who volunteer will have higher scores on an agreeableness than employees who do not volunteer. (B) Employees who are more agreeable will volunteer more hours than those who are less agreeable.

Community Citizenship Behavior

Peloza and Hassay (2006) examined employee motivation to volunteer in the form of extra-organization and inter-organization and intra-organization. Extra-organization volunteerism refers to volunteer activities an employee selects and participates in outside of work. Inter-organization relates to volunteer activities that are supported by the organization but not strategically aligned with it. An example would be employees giving volunteer time on the weekend to any charitable organization and earning some time off for the future. Intra-organization, which was the main focus of their study, occurs when volunteer efforts can be thought of as employer sanctioned, when the employer strategically develops the volunteer program by selecting the cause and/or the organization for employee involvement. Several types of intra-organizational volunteerism were examined, one of which was organizational citizenship behavior (to be a good soldier).

The desire to represent the company well and be a "good soldier" in volunteer efforts was found to be a predictor of corporate volunteerism and as a result employees felt proud of their employer. This was magnified if wearing company T-shirts or hats as identification badges. Some employees reported they felt it was "their duty" to support their employer in these activities. The authors also found that once employees were introduced to a charitable organization they began to identify with it, developed commitment toward the charitable organization and continued to support it in various ways such as with financial donations or continued volunteerism (Peloza & Hassay, 2006).
Organ (1988) defined organizational citizenship behavior (OCB) as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate it promotes the effective functioning of the organization. OCBs are thought of as discretionary, voluntary or optional behaviors. This means they are not considered a part of the job description, and when enacted are completed by employees as a result of personal choice. They typically go beyond requirements of the job. OCBs also contribute positively to overall organizational effectiveness. Organ (1988) lists behaviors such as helping team members, volunteering for extra job activities, avoiding unnecessary conflicts, internalizing rules and regulations and tolerating occasional work-related impositions. OCB has been found to be an outcome associated with CSR initiatives (Jones, 2010; Glavas & Piderit, 2009; Pajo & Lee, 2011; Aguinis & Glavas, 2012). One of those social responsibility initiatives could be volunteerism.

Easterly and Miesing (2008) build on OCB and suggest community citizenship behavior (CCB) is also discretionary as it is neither assigned nor obligatory, and it does stimulate effective functioning of society. Many social responsibility opportunities and initiatives are available for employees in the municipality in which this study is set. We propose when employees participate in these initiatives they will do so to aid the community, and this is essentially community citizenship behavior. Linden et al. (2008) developed a scale to measure perceptions of community citizenship behavior; this scale measures individual beliefs and behaviors regarding the importance of community service, volunteer activities and importance of OSR. We hypothesize that individuals with higher CCB scores are more likely to volunteer.
H2: (A) Individuals with higher scores on CCB are more likely to engage in volunteer activities, while individuals with lower skills are less likely to volunteer, and (B) those with higher CCB scores will invest more hours in volunteer activities.

**Moral Identity**

Thomas (1997) suggests moral identity is the degree to which a person identifies himself as a moral person. To define moral identity we take on Aquino and Reed’s (2002) definition as an element of social identity that represents one’s self-conception structured around a set of moral traits. It is this identity which helps to explain why people behave in an ethical manner and what may cause them to participate in activities like social responsibility initiatives such as volunteerism, serving the interests of a group, organization or society (Zhu, Riggio, Avolio, & Sosik, 2011). Moral identity is thought of as the merging of moral ideals with one’s personal identity or the extent to which commitment to moral values is instilled into a person’s self-concept (Suad & Kirshner, 2003).

Moral action is defined as social responsiveness to the needs of others (Aquino & Reed, 2002). Aquino & Reed found moral identity predicted the frequency people engaged in volunteer efforts to help others. Psychological reactions to these activities were influenced by the volunteer’s self-importance of their moral identity. Those high in moral identity reported a more robust sense of having “freely chosen” to participate in the volunteer activities.

Previous research has found individuals with a strong moral identity: (a) commit to higher moral ideals or principles, (b) are more determined to behave consistently with their moral ideals or principles, (c) are more willing to take risks in order to be loyal to their moral values, (d) have a greater tendency to inspire others to think and behave ethically, and (e) place the collective interest over their own ego and interests (Bergman, 2002).
Scholarly findings indicate employees with intrinsic motives are more likely to volunteer their time (Cappellari, & Turati, 2004). The intrinsic motivation to engage in a behavior arises from within the individual because it is then intrinsically rewarding. Thus, the behavior could be based on moral and ethical considerations. It is very likely then employees may participate in volunteer activities in response to their own moral identity compass. Which leads us to posit moral identity could be a predictor of employee participation in volunteerism.

H3: (A) Employees with higher moral identity are more likely to volunteer than employees with lower moral identity. (B) Employees with higher moral identity will volunteer more hours than employees with lower moral identity.

The opportunity to investigate the extent to which city employees engage in volunteerism and study the factors that may motivate volunteerism is unique, because we are not aware of any studies on volunteerism in a municipal context. This study also addresses the call of Aguinis & Glavas (2012) to investigate CSR at the individual level.

**METHODS**

**Sample**

The study was conducted in a city with a population of about 55,000, in the Southeastern United States. The city employs 582 employees, of which 498 are full-time, 22 part-time and 62 contract workers. The city’s Mayor approved the study in exchange for a summary report describing employee volunteer activities. IRB approval was obtained. The data were collected by means of an online survey on Survey Monkey; the link to the survey was sent to employee emails. Employees without work email addresses had the opportunity to complete a paper survey on the job. A college student, who was unknown to the employees and trained in survey administration, administered the paper surveys. Employees completing the paper survey placed
their responses in a sealed box; researchers manually added the responses to the response file for inclusion in the analysis. Completion of the survey voluntary and responses are anonymous.

Forty-six percent of employees (n = 268) responded to the survey. Of the 268 responses 43 completed paper surveys and 225 responses were collected online. The sample was comprised of 77% male. Distribution of education shows 27% of respondents earned a GED or high school diploma, 48% have some college, technical school, or an associate’s degree, 17% have a bachelor’s degree, and 8% have post-graduate education. The four areas of employment comprising the largest response groups are Engineering, public work, sanitation, streets, and garage department (21%), parks and recreation department (21%) police department (20%), and fire and rescue (16%). Tenure with the city ranged from 3 months to 38 years, with 51% with less than 10 years tenure, 19% with 10 to 15 years, 23% with 16 or more years of service. Thirteen percent of respondents were in their 20’s, respondents in the 30’s, 40’s and 50’s were almost equally represented in the sample respectively at 28%, 27% and 26%, while 6% were over age 60.

Questionnaire

The questionnaire collected employee demographic data including: age, gender, tenure with the city, education, and work unit, and additionally asked employees to indicate if they were able to volunteer during work time and if they volunteered on their own time. Respondents were asked to estimate how many hours they volunteer each year, how frequently they volunteer, and to identify all the volunteer activities in which they participate. To develop a list of volunteer opportunities, the researchers discussed volunteer activities with the Mayor and requested city department managers to provide lists of the volunteer activities and not-for-profit organizations in which their employees participate. Manager feedback resulted in a list of 29 volunteer
activities and respondents were asked to list additional activities and organizations on the survey if their volunteer activities were not included in the survey list.

Scales measuring constructs that may be predictive of employee volunteerism included the community citizenship behavior, moral identity, and agreeableness. The community citizenship behavior scale is a seven-item scale developed by Linden et al. (2008) to measure individual beliefs and behaviors regarding the importance of community service, volunteer activities and importance of OSR.

Previous research has found that moral identity provides a basis for moral actions (Zhu et al., 2011). Aquino and Reed (2002) defined moral identity as the extent to which individuals self-assign importance to “positive moral traits, such as being caring, compassionate, fair, friendly, generous, helpful, hardworking, honest” (p. 1424). As early as 1984, Blasi proposed that moral identity is the motivational source that drives one to consistent moral behavior (Blasi, 1984). As discussed above moral identity predicts the frequency in which one engages in moral actions to help others; volunteerism is such a type of moral action. The survey included the five-item moral identity scale developed by Zhu et al. (2011), which includes items to measure one’s commitment to the principles and behaviors associated with one’s moral values.

Agreeableness, one of the personality dimensions of the Big Five, was assessed using five items utilized by Rubin, Munz, and Bommer (2005), which were adapted from Goldberg’s (1999) warmth scale, a preliminary measure of agreeableness. This scale has been used in numerous studies of corporate social responsibility and leadership. The items measure the extent to which people have empathy and make others feel at ease. The items used in each scale are reported in Appendix A.

Methods

The analysis began by generating descriptive statistics to determine the extent to which employees in the sample volunteered, how many hours were volunteered and the types of
volunteer activities in which employees are engaged. The second step was to conduct factor analyses to confirm the scales items are summarizing the latent construct underlying the observed variables and to calculate Cronbach’s Alpha for each scale. Next, multivariate two-group discriminant analysis was employed to identify variables that discriminate between employees who volunteer and those who do not volunteer. Included in the discriminant analysis were demographic characteristics of age, tenure, and education, as well as the three constructs of interest: moral identity, agreeableness and community citizenship behavior. The final step of the analysis was a regression analysis to determine if moral identity, agreeableness, or community citizenship behavior predict the number of hours employees are engaged in volunteering.

FINDINGS

Responses indicate that 155 employees (58%) volunteer for non-profit organizations and special causes during the employees’ time off from work, 46 employees (17%) are volunteering during working hours, and 39 employees (15%) volunteer during work hours and during their personal time. The percentages of men and women are equivalent in both categories of volunteers: 64% of men and women volunteer during off hours, and approximately 19% of women and men volunteer during working hours. So there is no difference in the participation of men and women in volunteer activities. Of the employees who volunteer, 49% have no more than 10 years of service with the city, and 65% of the employees with less than 10 years of service volunteer. Of employees with 11 to 20 years of tenure, 61% volunteer during time away from work, as do 66% of employees with at least 21 years of service. The age group with the
The lowest rate of volunteering is employees between 20 and 29 at 54.8%. Employees in their 30’s, 40’s, 50’s and 60’s are volunteering at the rates of 66%, 65%, 60%, and 64% respectively. These findings are contradictory to other studies that have found that millennials volunteer in higher numbers than other age groups (McGlone, et al. 2011).

At least two employees participated in each of the volunteer activities listed on the questionnaire with the highest numbers participating in providing Christmas gifts for needy families, participating in food drives, clothing drives, and fund raisers for fellow employees. The number of respondents participating in each activity is listed in Table 1. The activities identified by those volunteering during work time included: United Way, blood drives, Special Olympics, community meetings involving police, and toy drives.

Respondents provided estimates of how frequently they volunteer and how many hours a year they volunteer. Reportedly 53% of employees reported volunteering occasionally; however, 9% volunteer monthly, and 18% volunteer weekly. About 26% of the sample volunteer up to 16 hours per year. Over 30% of the respondents, who volunteer on their own time, volunteer between 17 and 50 hours per year, while 12% volunteer over 200 hours per year. Most of the respondents who report they volunteer each week also report they volunteer more than 100 hours per year, some estimating they volunteer 200, 300 or 400 hours annually.

To ensure the items measuring the latent constructs, scale items were subjected to factor analysis and internal consistency reliability coefficients were calculated. All items loaded on the scales as expected except the reversed scored item on the agreeableness scale “I am not
interested in other people’s problems,” so that item was removed from the scale. The means, standard deviations, and correlations of the study scales and variables are included in Table 2.

The Cronbach’s Alpha for the community citizenship behavior scale is $\alpha = .76$, for moral identity is $\alpha = .69$, and for agreeableness is $\alpha = .71$

To determine if perceptions values, attitudes, or demographic variables distinguish between employee who volunteer and those who do not, a discriminant analysis was conducted using responses to the item, “I volunteer for non-profit organizations and special causes during my time off from work,” as the dependent categorical variable and independent variables included community citizenship behavior, agreeableness, and moral identity, and demographic variables include tenure, age, and education. Due to missing values, the sample size upon which the discriminant solution is based is small, $n = 30$ and $n = 48$ for non-volunteers and volunteers respectively. The step-wise discriminant analysis shows only community citizenship behavior discriminates between those who volunteer and those who do not. The discriminant analysis model summary is provided in Table 3. Comparison of the means between the two groups shows that volunteers’ average score $\bar{x} = 5.69$ on the community citizenship behavior scale, and non-volunteers’ average score is $\bar{x} = 4.95$; these are statistically different at $p < .001$. This finding shows that respondents who believe their employer has a responsibility to the community, are involved in service activities and encourage others to participate are more likely to engage in volunteer activities. This finding supports hypothesis H2(A), but does not support hypotheses H1(A) or H3(A).
Respondents also reported the number of hours they volunteer each year. To determine if community citizenship behavior, moral identify, or agreeableness predicts the number of hours volunteered, a multiple regression analysis was conducted. The demographic variables of age, tenure, and education and the three attitude variables were entered into the regression equation. Community citizenship behavior was the only statistically significant predictor; however, age approached significance, suggesting that older employees are less likely to volunteer. The results of the multiple regression analysis are presented in Table 4. This findings show support for hypothesis H2(B), but to not support hypotheses H1(B) or H3(B).

DISCUSSION AND MANAGEMENT IMPLICATIONS

This study demonstrates that city employees are actively volunteering in their community. The most frequently reported activities were focused on providing support for the less fortunate in the community, helping them to meet essential needs, e.g., Christmas gifts for needy families, food and clothing drives, and fund raising for other employees. Employees who score higher on the community citizenship behavior scale are more likely to volunteer and are more likely to commit more hours annually to volunteer efforts. Aguilera et al., (2007) suggested employees desire to be involved with causes they feel are just and relevant to a moral
community, this helps us understand the emphasis on volunteer efforts focused on the less fortunate in the community.

Research has indicated working in the public and in smaller organizations increases the likelihood of participating in volunteerism (Ariza-Montes, Roldán-Salgueiro, & Leal-Rodríguez, 2015). In this sample, 60% of employees volunteer on their own time and on the job. Employees in a municipal government might be encouraged to participate in OSR initiatives such as volunteerism but, typically they are not compelled to participate by a formal directive from upper management. Therefore, most OSR initiatives in a municipal context are likely to be department specific and driven by the employees themselves. This is the case with most of the employee volunteer efforts in which the city’s employees are engaging.

Contradictory to other studies, in this sample, millennials report slightly lower rates of volunteerism than other age groups. One study reported that millennials volunteer for self-enhancement reasons, this is likely due to the emphasis colleges and universities place on community service as a way to enhance one’s career. The majority of millennials in this sample has attended college or earned an associate’s degree, but has not earned a bachelor’s degree, so their exposure to OSR may be limited. This conclusion is consistent with other studies that have suggested “educated people are more likely to be asked to volunteer” (Wilson, 2000, p. 220). This study’s findings support Wilson’s conclusion. In this sample, 90% of respondents with some graduate work report volunteering, 75% of those with a graduate degree volunteer, and 70% of those in the sample with a bachelor’s degree volunteer. Although rarely discussed in the literature, it is likely those with more education have more disposable income to participate more freely in volunteer activities.
Ideally, organizations should select OSR issues to which they may already own part of the solution (McElhaney, 2009) such as the garment industry providing support to upgrade factories in under-developed countries where their goods are manufactured. In this study, city employees are allowed to volunteer during working hours. Most of these opportunities are related to services the city provides, such as working with the United Way, supporting blood drives, and police officers meeting in the community. These activities support the citizens of the community and are likely to enhance citizen’s impressions of city employees and the services the city provides. According to Kilcrease (2007) organizations can benefit from implementing volunteerism despite the costs of allowing employees to volunteer during work hours. She identifies three main costs related to volunteerism as worker productivity loss, employee compensation and organizing the volunteer effort. She challenges organizations to search for ways to reduce these costs in order for society to reap the benefits associated with volunteerism.

This study, one of the first to investigate volunteerism among city employees, found that employees in this mid-sized city are actively involved in volunteer efforts in a wide variety of causes. Other studies should investigate whether this pattern holds in other mid-sized cities, and investigate if the same levels of volunteerism are found in smaller and larger cities.

Limitations and Future Research

The self-reporting cross-section design of the survey is a limitation of this study. We examined volunteerism only from the employee’s viewpoint, so this study did not identify supervisors and managers to examine differences in attitudes and opinions. It would be interesting to explore the manager’s view as well to discern managers’ level of interest and importance assigned to volunteer activities. Comparisons among department could be made based on managers’ views. Another limitation is the omission of questionnaire items related to the
level of organizational support provided for volunteering. The literature suggest organizational and supervisory support is an important determinate in employees’ decision to volunteer. One limitation is the inclusion of only one municipal organization in Southeast United States. Future researchers could examine other municipalities to measure levels of employee volunteerism and also examine employee volunteerism in other types of organizations, such as educational facilities, larger government organizations and not-for-profit organizations.

CONCLUSION

The topic of OSR and employee volunteerism is not likely to lose interest in the near future. Perhaps in part due to powerful appeals from people like Bill Gates, who spoke at the 2008 World Economic Forum advocating for an approach whereby government, nonprofits and business work together for the betterment of humanity. Underscoring the importance of OSR initiatives such as volunteering is the many known positive outcomes attained by society, organizations and employees alike. Much has been reported on the positive outcomes associated within corporate environments. As such government and other organizations are often overlooked, perhaps suggesting their numbers are not related to “business.” However, we argue that government, educational facilities, not-for-profits and the like are “in the business” of providing product and services to millions of people. Billions of dollars are routed through their coffers annually and millions of employees report to work for them. These numbers have a tremendous impact on the global economy and as such that impact should be considered when business topics are being discussed or examined. Any of those organizations (i.e. government, etc.) should also be interested in receiving the same positive results from employee volunteerism as corporations, positive results such as organizational identification and employee engagement and positive effects on society and the environment. This study confirms many employees
apparently do want to volunteer and are following through by actually participating in those activities, mostly on their own. Perhaps a more focused volunteerism program should be put into place even in municipal organizations to maximize the highly desired outcomes.
REFERENCES


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Table 1. List of City Employee Voluntary Activities

<table>
<thead>
<tr>
<th>Volunteering Activities On &amp; Off Work Time</th>
<th>Volunteer Activities During Work Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christmas gifts for needy families</td>
<td>United Way</td>
</tr>
<tr>
<td>Food drives</td>
<td>Blood drives</td>
</tr>
<tr>
<td>Clothing drives</td>
<td>Community meetings (police)</td>
</tr>
<tr>
<td>Fund raisers for fellow employees</td>
<td>Toy drives</td>
</tr>
<tr>
<td>Blood drives</td>
<td>Youth Services</td>
</tr>
<tr>
<td>Other</td>
<td>At Risk Youth Activities</td>
</tr>
<tr>
<td>United Way</td>
<td>Special Olympics</td>
</tr>
<tr>
<td>Recycling</td>
<td>Recycling</td>
</tr>
<tr>
<td>Downtown Events</td>
<td>Citizens Police Academy</td>
</tr>
<tr>
<td>Toy drives</td>
<td>Bicycles for Youth drive</td>
</tr>
<tr>
<td>Holiday fundraisers</td>
<td>Habitat for Humanity</td>
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<tr>
<td>Community meetings</td>
<td>Mentoring</td>
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<tr>
<td>Youth Services</td>
<td>Reading for Schools</td>
</tr>
<tr>
<td>Special Olympics</td>
<td>Coffee with a COP</td>
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<tr>
<td>PTA related activities</td>
<td></td>
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<tr>
<td>Mentoring</td>
<td></td>
</tr>
<tr>
<td>At Risk Youth Activities</td>
<td></td>
</tr>
<tr>
<td>Pet Adoption</td>
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<tr>
<td>Habitat for Humanity</td>
<td></td>
</tr>
<tr>
<td>Latino Soccer Tournament</td>
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<tr>
<td>Bicycles for Youth drive</td>
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<tr>
<td>Reading for Schools</td>
<td></td>
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<tr>
<td>Citizens Police Academy</td>
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<td>Arts activities</td>
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<td>Parenting Programs</td>
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<tr>
<td>Coffee with a COP</td>
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<tr>
<td>Orchestra - Sul Pontecillo</td>
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<tr>
<td>Free2teach</td>
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<td>GED Prep</td>
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Table 2. Means, Standard Deviations, and Correlations

<table>
<thead>
<tr>
<th>Community</th>
<th>Moral Identity</th>
<th>Agreeableness</th>
<th>Community Citizenship Behavior</th>
<th>Volunteer Hours</th>
<th>Tenure</th>
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</thead>
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<td>Moral Identity</td>
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<td>.452</td>
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<td></td>
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<td>Agreeableness</td>
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<td>1.260</td>
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<td></td>
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<tr>
<td>Community</td>
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<td>1.847</td>
<td>.420</td>
<td>.155</td>
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<td>Citizenship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Behavior</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Volunteer Hours</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>38.4</td>
<td>11.28</td>
<td>.055</td>
<td>.087</td>
<td>.45*</td>
</tr>
<tr>
<td>Volunteer Hours</td>
<td>66.40</td>
<td>108.22</td>
<td>.102</td>
<td>-.135</td>
<td>.331*</td>
</tr>
<tr>
<td>Tenure</td>
<td>12.17</td>
<td>11.64</td>
<td>-.045</td>
<td>-.123</td>
<td>.503**</td>
</tr>
<tr>
<td>Education</td>
<td>4.40</td>
<td>1.46</td>
<td>.176</td>
<td>.001</td>
<td>.117</td>
</tr>
</tbody>
</table>

*p < .05; **p < 0.01
Table 3. Discriminant analysis results

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<th>Mode</th>
<th>R</th>
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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
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<tr>
<td>1</td>
<td>.291</td>
<td>.085</td>
<td>.069</td>
<td>126.274</td>
<td>.085</td>
<td>5.462</td>
<td>1</td>
<td>59</td>
<td>.023</td>
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a. Predictors: (Constant), Community Citizenship Behavior
Table 4. Regression analysis

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<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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</thead>
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<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<tr>
<td>1</td>
<td>(Constant)</td>
<td>10.782</td>
<td>221.827</td>
<td></td>
</tr>
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<td></td>
<td>Age</td>
<td>-31.406</td>
<td>16.501</td>
<td>-.276</td>
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<td></td>
<td>Tenure</td>
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<td>2.159</td>
<td>.009</td>
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<td></td>
<td>Education</td>
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<td>12.384</td>
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<td>Agreeableness</td>
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<td>Moral Identity</td>
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<td></td>
<td>Community Citizenship</td>
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<td></td>
<td>Behavior</td>
<td>57.040</td>
<td>19.940</td>
<td>.369</td>
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a. Dependent Variable: Volunteer Hours
APPENDIX A

Scale Items

Agreeableness Scale (Rubin, Munz, & Bommer, 2005)
1. I have a soft heart.
2. I take time out for others.
3. I feel others’ emotions.
4. I am not interested in other people’s problems.
5. I make people feel at ease.

Moral Identity (Zhu, Weichun, Riggio, Avolio & Sosik, 2011)
1. I view being an ethical person as an important part of who I am.
2. I am committed to my moral principles.
3. I am determined to behave consistent with my moral ideals or principles.
4. I am willing to make a sacrifice to be loyal to my moral values.
5. I am willing to place the collective interest over my own personal ego and interest.

Community Citizenship Behavior Scale (Liden, Wayne, Zhao, Henderson, 2008)
1. I am involved in community service and volunteer activities outside of work.
2. I believe it is important to give back to the community.
3. I take into consideration the effects of decisions I make in my job on the overall community.
4. I believe that our company has the responsibility to improve the community in which it operates.
5. I encourage others in the company to volunteer in the community.
6. When possible, I try and get my organization involved in community projects that I am involved in.
7. I believe that an organization is obligated to serve the community in which it operates.
AUTHENTIC LEADERSHIP:
AN EXAMINATION OF BOUNDARY CONDITIONS

Leaders who stay true to their core values and beliefs while remaining truthful, transparent, and developmental in their dealings with others are said to be engaging in authentic leadership (Avolio & Gardner, 2005). The construct of authentic leadership has been more formally defined as a pattern of leader behavior characterized by self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008). Over the last decade, the topic of authentic leadership has received considerable theoretical and empirical interest (Gardner & Carlson, 2015; Gardner, Cogliser, Davis, & Dickens, 2011). To date, research has documented a positive relationship between authentic leadership and a host of favorable work outcomes, including employee job satisfaction (Jensen & Luthans, 2006), organizational commitment and organizational citizenship behaviors (Walumbwa et al., 2008), work role performance (Leroy, Anseel, Gardner, & Sels, 2015), and firm level performance (Clapp-Smith, Vogelgesang, & Avey, 2009). While these findings contribute to the advancement of the study of authentic leadership, the development of theory and research in this area is in its infancy.

The recent surge of interest in authentic leadership has created much excitement in the field for further theory development and testing (Avolio & Walumbwa, 2014). While this fervor constitutes a positive quality for the field, the continued advancement of the authentic leadership literature requires greater exposure of underlying assumptions and boundary conditions (Bacharach, 1989). We argue that one of these underlying assumptions is that the development of authentic leadership and its characteristic authentic relationships are possible in any setting. This assumption that authentic leadership is achievable, regardless of context, is both unsubstantiated,
and questionable, as barriers to authentic relationships not only persist, but persist at varying levels (Erickson, 1995).

Barriers to the development of authentic relationships could include more macro-level variables, such as misalignment between national cultures, economic conditions, or temporal restrictions (Johns, 2006). Additionally, these barriers could include intrapersonal factors that could range from temporary affective displays (e.g., emotional labor; Gardner, Fischer, & Hunt, 2009) to more permanent hindrances such as stable personality traits (e.g., narcissism, Machiavellianism, psychopathy; O’Boyle, Forsyth, Banks, & McDaniel, 2012). Despite preliminary empirical support for the predictions of authentic leadership theory (Banks, McCaulley, Gardner & Guler, 2016; Gardner, Avolio, Luthans, May, & Walumbwa, 2005; Gardner et al., 2011), there is a dearth of literature that examines the potential barriers to authentic leadership and authentic relationship development. This gap will not only expose authentic leadership theory criticism, but it is also likely to hinder its further development (Bacharach, 1989).

The purpose of this article is to make the implicit assumption that authentic leadership and authentic relationships are achievable in any setting explicit, while simultaneously questioning the soundness of this assumption by proposing several boundary conditions that are likely to serve as barriers to authentic leadership development. To do so, we consider the following question: Under what circumstances will individuals be unwilling or unable to develop authentic leader-follower relationships? To provide a preliminary conceptual answer this question, we first present an overview of how authentic leader-follower relationships are formed, followed by a brief discussion of the contextual factors that may serve to erect such barriers. We proceed to develop and present theoretical propositions to explicate the relationships between the
proposed boundary conditions and authentic leader-follower development. It should be noted this paper’s aim is not to provide an exhaustive examination of all boundary conditions, but to highlight the potential limitations of authentic leader-follower relationship development. It is our intention to lay the groundwork for future empirical testing of boundary conditions and further development of the authentic leadership theory.

**FORMATION OF AUTHENTIC LEADER-FOLLOWER RELATIONSHIPS**

In order to adequately discuss and identify boundary conditions for authentic leadership, we must consider the process whereby authentic leader-follower relationships are posited to develop over time. To do so, we discuss one major theoretical perspective of authentic leadership (Avolio & Gardner, 2005; Gardner et al., 2005) and its evolution (Gardner et al., 2011) to gain insight into the current status of the field and the need for elucidation of boundary conditions.

As noted previously, authentic leadership encompasses the four components of self-awareness, internalized moral perspective, balanced processing of information, and relational transparency (Gardner et al., 2005; Ilies, Morgeson, & Nahrgang, 2005; Walumbwa et al., 2008). To be true to oneself, one must first know oneself. Thus, self-awareness provides a foundation upon which authentic leadership can be built. Possessing an internalized moral perspective involves remaining true to one’s internal standards, while resisting temptation and pressure to compromise one’s values and convictions. Balanced processing of information is the ability and practice of accepting both positive and negative forms of information, in a non-defensive manner, and incorporating that information into the decision-making process. Relational transparency involves being open and forthcoming in conveying information about the self and associated entities to close others. While no one is completely authentic or inauthentic across all
situations (Erickson, 1995), the extent to which a leader possesses and exhibits varying degrees of these components determines the degree to which he or she achieves authenticity.

As is the case for other theories of leadership (Gardner & Avolio, 1998; Graen & Uhl-Bien, 1995; Greenleaf, 1977), authentic leadership focuses on the relationship between leaders and followers. Kernis and Goldman (2006, p. 300) characterize this relational orientation as, “valuing and striving for openness, sincerity, and truthfulness in one’s close relationships”; it serves as the basis for the relational transparency component of authentic leadership. Relational transparency emphasizes the presentation of a true, authentic self, as opposed to a fake or distorted self, to others (Gardner et al., 2005; Walumbwa et al., 2008). Despite this relational focus, the role that the follower plays in leader-follower relationship development has only recently been explored (Leroy et al., 2015). Leroy and colleagues (2015) demonstrate that the interplay between authentic leadership and authentic followers serves to promote follower need satisfaction and performance. Another recent conceptual article suggests that the development of various psychological attachment styles over time has differential outcomes on the formation of authentic leadership and relationships (Hinojosa, McCauley, Randolph-Seng, & Gardner, 2014).

The iterative interactions that characterize the leader-follower relationship are impacted by individual attributes and the personal identities of leaders and followers. In addition to the individual identities of each party, it has been suggested that the interpersonal identity, formed jointly over time, is equally important (DeRue & Ashford, 2010). This perspective posits that leader and follower identities are claimed and granted through repeated interactions. According to this perspective, a social actor initially exhibits a behavior that represents a claim to a leader identity. If this claim is accepted, the target of this claim grants a leader identity to the actor. Moreover, the target may in turn exhibit a behavior that represents a claim to a follower identity.
If this claim is accepted, the leader grants the desired follower identity. As this process iterates over time, and these identities are continually claimed and granted, the leader and follower internalize these identities and cement the leader-follower relationship.

DeRue and Ashford’s (2010) model provides insights into the interpersonal processes that are operative in forming authentic leader-follower relationships. While authentic leadership theory suggests that authentic interactions will promote awareness and clarity regarding leader and follower identities, the critical elements of “openness, transparency, loyalty, and trust” (Gardner et al., 2005) embodied in authentic leader-follower relationships reveal inherent limits to their formation. For example, while other leaders selectively disclose, and may at times misrepresent, personal information in claiming a leader identity, authentic leaders, by definition, provide an open, honest and balanced self-appraisal in conveying their identities. Thus, while a commitment to authenticity constrains the identities that leaders and followers can claim, the absence of such a commitment expands the identity claims that are possible, but at the price of an authentic leader-follower relationship. As such, potential inter- and intra-personal barriers become evident: the formation of authentic leader-follower relationships requires both the ability and willingness to achieve authenticity on the part of both parties.

As the process of leader and follower identity claiming and granting unfolds, each party attempts to ascertain the extent to which the other party actually possess the claimed identity. We refer to this process as verification. We posit that this relational “authenticating” process of verification grows out of individual self-verification (Swann, 1983). Self-verification assumes that “stable self-views provide people with a crucial source of coherence and continuity,” which is useful as individuals engage in social interaction processes to define their identity (Swann & Buhrmester, 2012, p. 407). Some self-verification is undertaken to create self-confirmatory
scenarios as individuals prefer interaction partners that confirm their own self-views (Swann & Buhrmester, 2012). However, individuals’ self-views may not be accurate, and hence they may not be fully aware of who they are and how they appear to others.

Although verification does not require all self-views that are confirmed to be accurate, self-awareness will heighten the probability that they will be. As noted previously, leaders select self-verifying situations. So, leaders who possess a high degree of self-awareness, as authentic leaders do, will select self-verifying situations and interaction partners that reinforce a relatively accurate self-view. As leaders exhibit the components of authentic leadership (self-awareness, internalized moral code, balanced processing, and relational transparency), the interaction partner develops a perception of coherence between who the leader is and the behaviors exhibited. If the leader exhibits these behaviors and followers detect consistency between these actions and the individual, over time followers are more likely grant the leader an “authentic” identity. We suggest this continuance of claiming and granting of behaviors that contribute to the identification of the leader as “authentic” is the point where authentic leadership is enacted.

Because it is our intention to examine authentic leadership, not just authentic relationships in general, we refer to authentic leadership as arising when the leader-follower relationship has been constructed, and also verified. The verification process is illustrated in Figure 1. While Figure 1 does not reflect the various contextual influences discussed below, the development of authentic leader-follower relationships does require a context that allows for the identification of leader and follower, as well as the verification of authenticity. It is our intention to explicate various contexts that impact this process. However, we first discuss the role of boundary conditions and the contextual framework employed to facilitate this theoretical refinement.
BOUNDARY CONDITIONS

Calls for the further examination of boundary conditions are common in the field of organizational behavior (Liden & Antonakis, 2009; Walter, Cole, van der Vegte, Rubin, & Bommer, 2012; Yammarino & Dubinsky, 1994). To facilitate our discussion of potential boundary conditions, we draw from Samuel Bacharach’s (1989) influential discussion of theory building. Bacharach (1989, p. 496) defines theory as “a statement of relations among concepts within a set of boundary assumptions and constraints.” These boundary conditions “set the limitations in applying the theory” (p. 498).

A theory’s boundaries are based on the theorist’s assumptions regarding values, time, and space. Assumptions regarding values influence the types of research questions that are selected, examined, and interpreted. Unfortunately, theorists rarely state their value assumptions and this leads to unresolved debates due to the implicit nature of this type of boundary. Boundary conditions regarding time limit generalizability based on the assumption that certain phenomena occur in a specific time period. Assumptions based on time are often made more explicit than those of values. An example of a time-based boundary might include theory that is based on a production economy, that does not generalize to a more knowledge-based economy. The final assumption that creates theoretical boundaries, and often overlaps with time-based assumptions, pertains to spatial boundaries. Spatial boundaries restrict the application of theory to a specific unit of analysis, such as specific types of organizations. Like time-based assumptions, spatial assumptions are often made more explicit than those based on values.
As noted above, temporal and spatial based assumptions are made explicit more often than value based assumptions. However, it is not uncommon for theorists to fail to make any of these types of assumptions explicit. Bacharach (1989) notes that the under-articulation of theoretical assumptions can lead to dire consequences, such as the application and testing of theory in settings or contexts that are not consistent with the original theory. This, in turn, could result in misinterpretations of results and a field attempting to build upon a foundation that is no longer theoretically or empirically sound. There is also potential for stagnation of a field based on misapplication of the theory; the theory may be over-generalized, resulting in a subsequent decrease in rigor in the peer-review and critical thought process. Thus, making explicit the assumptions and boundaries of a theory and its application is imperative to the continued development of the associated field of study.

It is important to note that we do not believe the authentic leadership literature necessarily suffers from any of these adverse outcomes. Nor do we believe the field is traveling a path that is strewn with trivial findings destined for scientific gridlock. We do, however, observe that sound science demands that authentic leadership researchers make the assumptions and boundaries of the theory explicit to remove potential obstacles to the development and maturation of the authentic leadership literature.

In this paper, we seek to make explicit the assumption that authenticity in leader-follower relationships is always achievable. Additionally, we develop propositions that clarify the assumptions and specific boundary conditions of authentic leadership. Although our goal is to illuminate the boundary conditions under which authentic leadership is constrained, it is important to note that we believe authentic leadership is achievable across many contexts,
especially given that it is viewed as a “root construct” (Avolio & Gardner, 2005) for other positive forms of leadership.

**BOUNDARIES OF AUTHENTIC LEADERSHIP**

We now identify and discuss potential boundaries to authentic leadership. Each boundary identified is posited to have an impact on authentic leadership and the development of authentic leader-follower relationships. We anticipate that these boundaries will not only impact the development of authentic leadership, but also the positive outcomes that have been linked to authentic leadership (e.g., job satisfaction, organizational commitment and organizational citizenship behaviors, work role performance, and firm level performance; Banks et al, 2016; Gardner et al., 2011).

To facilitate the discussion of contextual boundaries, we draw upon Gary Johns’ (2006) framework of contextual factors that influence organizational behavior. Johns identifies two distinct levels of context. The *omnibus* context refers to the broadly considered context that comprises many features and particulars (e.g., who, where, when and why). The *discrete* context refers to the particular, more specific variables that shape behavior or attitudes (e.g., task characteristics, social environment, and physical environment). The discrete context should be thought of as being nested within the omnibus context, such that the omnibus context is mediated by the discrete context, similar to Rousseau and Fried’s (2001) model of context.

**Omnibus Context**

Within the omnibus context, we suggest that the boundary conditions of time, physical distance, and cultural friction will have an impact on authentic leadership and the ability to develop authentic leader-follower relationships.
Temporal boundaries: Insufficient time. Time is an important contextual variable because it “affects the web of social and economic relationships that surrounds any aspect of organizational behavior” (Johns, 2006, p. 392). We argue that a discussion of the role of time and its implications for authentic leadership is important to understanding the temporal requirements for authentic leader-member relationships to emerge. In particular, time requirements and constraints have implications for the proposed model of verification of authentic leader and follower identities and the development of authentic leader-follower relationships.

With regard to the development of authentic leader-follower identities and relationships, we assert that the process of verification relies on the knowledge gained over time about the coherence and consistency of the interaction partner’s identity. The verification process requires time for a sufficient number of iterative personal interactions between a leader and follower to unfold for attributions of authenticity to be made. Temporal restrictions (i.e., inadequate time) that prevent the compilation of enough interactions to develop a sense of coherence and consistency will undermine the formation of an authentic relationship.

As the model depicted in Figure 1 indicates, both the process of claiming and granting identities, as well as the verification process, require repeated interactions. So, even in situations that may otherwise be conducive to the development of authentic leader-follower relationships, insufficient time for the requisite number of repeated interactions will prevent the formation of an authentic leader-follower relationship. Accordingly, we advance:

Proposition 1. The shorter the duration of the leader-follower relationship, the greater the likelihood that insufficient time has passed for forming authentic relationships.

Physical distance. Physical distance is the first of three, distinctly different forms of distance that we propose as boundaries to authentic leadership. Antonakis and Atwater (2002, p.
define physical distance as “how far or how close followers are located from their leader.” This is identified as an omnibus contextual boundary because it helps to address the question of where, which is an important part of the story a theory should to tell (Johns, 2006) and certainly constitutes as a spatial boundary (Bacharach, 1989). We assert that a discussion of physical distance has important implications for the proposed model of the verification of an authentic leadership and the formation of authentic leader-follower relationships.

To develop authentic leader-follower relationships, the process of claiming and granting leader and follower identities, and verification beyond these claims, requires repeated interactions. As previously noted, authentic relationships generally require more time to develop than the claiming and granting of more general leader-follower identities. If followers are physically located at a distance from their leaders, there is a reduction in exposure of the parties to one another. As such, it may not only be difficult to grant authenticity, it may also be difficult for leaders and followers to make such claims in the first place. Even in situations where it may be favorable for the development of authentic relationships, if the physical distance is great enough, it will become impossible to form the desired authentic relationship. Thus, we suggest:

Proposition 2: The greater the physical distance between a leader and follower, the more likely too few interactions have transpired to form an authentic relationship.

Cultural friction. Authentic leadership is considered to be a “root” construct underlying many different positive forms of leadership (Avolio & Gardner, 2005). This characterization as a root construct implies authentic leadership possesses extensive generalizability, such that its application is not limited to a small number of cultures. In fact, extensive research has been completed using samples from around the world, including Kenya, China, and the United States, to provide evidence for the validity of the authentic leader construct and its most commonly used
measure (the ALQ measure) (Walumbwa et al., 2008). Additionally, self-concordance, a construct that is fundamental to the notion of authenticity, has been found to be important to well-being in numerous cultures (Sheldon et al., 2004). Despite these preliminary findings, it has been suggested that the manifestation of authenticity, and authentic leadership in particular, may be influenced by national culture, as different cultures contain different display rules that mandate emotional labor in certain situations (Gardner et al., 2009). This example illustrates the importance of the role that culture, particularly cultural friction, can play in the application of authentic leadership and the development of authentic relationships.

Cultural friction (Shenkar, 2001; Shenkar, Luo, & Yeheskel, 2008) is a metaphor that is based on the encounter of cultural systems that are not in harmonious agreement. This metaphor has received increasing attention given the globalization of business and extensive interaction of cultures (Chen, Kirkman, Kim, Farh, & Tangirala, 2010). In Johns’ (2006, p. 388) discussion of context, he states that “being an individualist in an individualistic culture might engender different attitudes and behavior than being an individualist in a collectivist culture.” In general, research has shown that Eastern cultures (e.g., China, Japan, Korea, India) are more collectivistic than Western cultures (e.g., United States, Canada, United Kingdom) (Barkema, Chen, George, Luo, & Tsui, 2015). Additionally, Eastern cultures have differing communication styles, attitudes towards the treatment of out-group members, and views on the distance reflected in vertical relationships than do Western cultures (Barkema et al., 2015). These contextual differences, which are very broad compared to more specific forms of sub-cultures, are important to authentic leadership research because culture helps define the self (Erickson, 1995; Mead, 1934)

One particular situation where the importance of cultural awareness can be clearly seen is that of expatriate leadership. Typically, expatriates who occupy administrative roles are provided
with an opportunity to claim a particular identity, such as those associated with leadership and authenticity. However, if such claims are not recognized by the recipient, or worse, the behavior whereby the claim is made is inconsistent with cultural norms, they will not be granted and the identity the expatriate seeks will be denied. An example of this would be an American expatriate in China who strives to lead in a way that is congruent with his/her concept of individualistic culture. While this may be successful in a Western country, such as the United States, it will likely not achieve the desired result in China, which embraces Eastern cultural values. Indeed, in China’s highly collectivistic culture, the word “self” has a negative connotation that does not exist in individualistic cultures (House, Hanges, Javidan, Dorfman, & Gupta, 2004). Clearly, such ethnocentric and culturally insensitive behavior on the part of the expatriate would make it difficult to form authentic leader-follower relationships. Thus, we expect that in situations characterized by high cultural friction, leader claiming behavior is less likely to be recognized and subsequently granted, halting the process required to claim, grant, and verify identities and develop authentic leader-follower relationships.

Proposition 3: The higher the level of cultural friction between two interaction partners, the less likely leader identity claims will be recognized and granted and authentic leader-follower relationships will ensue.

Discrete Context

Within the discrete context, we suggest that the boundary conditions of perceived social distance, perceived frequency of leader-follower interaction, narcissistic interaction partners, Machiavellian personalities, and psychopathic personalities will serve to impede the development of authentic leader-follower relationships.
Perceived social distance. The second form of distance, as outlined by Antonakis and Atwater (2002), is that of perceived social distance which was originally described by Park (1924, p. 339) as the degree of “understanding and intimacy which characterize personal and social relations.” There have since been many refinements to the definition of this construct. Here, we adopt Antonakis and Atwater’s (2002, p. 682) definition of social distance in the leadership domain as “the perceived differences in status, rank, authority, social standing, and power, which affect the degree of intimacy and social contact that develop between followers.”

Bogardus (1927) was the first scholar to apply the idea of social distance to the leadership domain. He speculated that social distance developed as a result of a follower’s recognition of the leader’s outstanding achievements. Bogardus (1927) also notes that if leadership is solely propped up based on excessive recognition and prestige, it may be knocked down by a reduction in this social distance. Indeed, as social distance is reduced, the leader, and all of his/her strengths and weaknesses, become more visible. In contrast to Bogardus’s (1927) account of the vulnerability of the leader-follower relationship as it relates to reductions in social distance, Yagil (1998) views such reductions as being beneficial because they grant the leader an opportunity to communicate with followers in an individualized manner. Such customized communication affords the leader an opportunity to tailor the content and delivery of information to meet the needs of an individual, as opposed to attempting to meet the many, often conflicting, needs of the collective group. Additionally, Yagil (1998), in accordance with Aronson, Willerman, and Floyd (1966), argued that a reduction in social distance may make the leader appear vulnerable, human, and fallible. This humanization, she argues, provides support for the identification process.
We argue that a decrease in social distance demystifies leadership and provides followers with a more realistic, and humanistic understanding of the leader. As discussed previously, more as opposed to less authentic leaders are more likely to select into self-verifying situations that reinforce accurate self-views. A reduction in social distance may provide followers a clearer understanding of these self-views. Additionally, as argued by Yagil (1998), the vulnerability of the leader will aid the claiming and granting process whereby leader-follower identities, as well as authentic identities, are established. In terms of boundary conditions, this discussion suggests that increases in social distance between the leader and follower will have the opposite effect; that is, they will serve to impede the process of forming authentic leader-follower relationships. Accordingly, we advance the following:

Proposition 4: As the perceived social distance increases, the leader’s self-views, even when accurate, become less visible, thereby impeding the process where claims of authenticity are made and granted, and hence the development of authentic leader-follower relationships.

Perceived frequency of leader-follower interaction. The final form of distance, as presented by Antonakis and Atwater (2002, p. 686), involves “the perceived degree to which leaders interact with their followers.” While this definition does not reflect the traditional conception of “distance,” it is distinctively different from the previously discussed forms of distance. Moreover, it is necessary to understand how psychologically close or distant a leader may be from followers. This necessity becomes apparent when considering that a leader who is physically located in close proximity to followers, but does not frequently interact with them, is not close with them. Conversely, a leader who is physically distant, but interacts frequently with followers, is thus, relatively close to them. The same type of distinction can be made with regard
to perceptions of social distance. Perhaps a leader’s status and rank are distantly removed from followers, such that the relationships lack intimacy and social contact, but interactions occur frequently, and in a strictly “business-like” manner. This would indicate a socially distant relationship characterized by a high frequency of interactions. On the other hand, perhaps the social distance between the leader and follower is small, but the quality of the interactions between them far exceeds the quantity. This would suggest a socially close relationship characterized by a low frequency of interactions.

Frequency of interaction could be influenced by any number of factors. Ashford and Cummings (1985) note that increases in leader-follower interactions could be a result of role ambiguity or inexperienced employees. This demonstrates the impact that followers could have on the frequency of interactions with leaders. However, Antonakis and Atwater (2002) propose that leaders who possess a high achievement orientation may be susceptible to not only high frequency of contact with followers, but also an increased susceptibility to micromanagement. These examples illustrate the roles that both the leader and the follower play in the determining the frequency of interaction.

As noted previously, the development of an authentic relationship requires not only time, but repeated interactions. It is through these iterative interactions that leaders and followers come to grant and claim identities, and authentic leader-follower relationships develop. As such, relationships characterized by infrequent interactions would operate to impede the development of such relationships and make it less likely that a leader will be verified as authentic. Accordingly, we advance:

Proposition 5: As the frequency of leader-follower interactions declines, the propensity to form authentic leader-follower relationship decreases.
Interaction partners with “dark triad” personalities. Of the offensive but non-pathological personalities, three that are known as the “dark triad” have gained the most attention in the literature: narcissism, Machiavellianism, and psychopathy (Paulhus & Williams, 2002). Each of these personality types involve, to varying degrees, “a socially malevolent character with behavior tendencies towards self-promotion, emotional coldness, duplicity, and aggressiveness” (Paulhus & Williams, 2002, p. 557). While each of these personality types share similar characteristics and conceptual overlap, each is considered to be its own distinct construct, as has been repeatedly shown in the literature. For example, Jones and Paulhus (2011) demonstrate that narcissism and psychopathy are positively associated with impulsivity, while Machiavellianism is not. In a similar fashion, Jonason and Tost (2010) found that psychopathy and Machiavellianism are correlated with low self-control, but narcissism is not. Consistent with their treatment in the extant literature, each of these personality types and their potential impact on authentic relationship development are discussed separately.

The first personality trait included in the dark triad that may negate the relationships posited by authentic leadership theory is narcissism. Judge, LePine and Rich (2006, p. 762) reference the APA’s Diagnostic and Statistical Manual of Mental Disorders in describing narcissists as individuals who are “preoccupied with fantasies of unlimited success, believe they are special and unique, require excessive admiration, have a sense of entitlement, are interpersonally exploitative, lack empathy, and are arrogant and haughty.” Research on leaders who possess narcissistic personalities indicates they are more likely to engage in abusive leadership (Tepper, 2007). Despite these apparent deficiencies, some research suggests that there are positive aspects of narcissism that may enhance leadership effectiveness, provided the leader can suppress more negative aspects this trait (Paunonen, Lönnqvist, Verkasalo, Leikas, &
Nissinen, 2006). Despite the slight potential for positive outcomes, “even at their best, narcissistic leaders are bound to leave damaged … relationships in their wake” (Rosenthal & Pittinsky, 2006, p. 619). Indeed, even when placed in contexts with high ethical standards, narcissistic leaders tend to be perceived as ineffective and unethical (Hoffman et al., 2013).

Most of the attention devoted to narcissism within the leadership literature focuses on the influence of this trait on leader behavior; the influence of narcissism as a trait of the leader and/or follower, on leader-follower relationships has received less attention. As noted previously, narcissists tend to be preoccupied with fantasies of unlimited success and entitlement, and they are interpersonally exploitative. These characterizations suggest that narcissists form relationships to take advantage of others and use them for achieving the unlimited success they believe they deserve. So, while narcissists may be able to successfully form relationships in the short-term, the quality of these relationships tends to erode over time (Campbell, Foster, & Finkel, 2002).

While narcissists face major challenges within interpersonal relationships, particularly long-term relationships, perhaps the intrapersonal relationship with the self is most challenging. This is because they have a difficult time reconciling the differences between their inflated and idealized self-views and their actual selves (Rosenthal & Pittinsky, 2006). Such distorted self-views reflect a lack of self-awareness and balanced processing, which are core components of authentic leadership. Together, their warped sense of reality and inaccurate self-views thwart the development of authentic relationships. As such, we advance:

**Proposition 6a.** Narcissistic interaction partners are less likely to engage in the verification or granting of authentic leader and follower identities to others.
Proposition 6b. Highly narcissistic individuals are less likely to be granted authentic leader identities by others, because they are: a) less likely to be perceived as authentic, and b) less likely to seek authentic leader and follower identities.

The second personality trait included in the dark triad that may negate the relationships posited by authentic leadership theory is Machiavellianism. While Machiavellianism shares some commonalities with narcissism (e.g., self-promotion), these two constructs are distinct (Paulhus & Williams, 2002). Machiavellianism is widely considered to be an especially manipulative personality trait; it reflects a social strategy where the actor treats others entirely as a means to an end.

Similar to narcissism, the study of Machiavellianism within the leadership literature has focused primarily on the leader (Den Hartog & Belschak, 2012; Furnham, Richards, & Paulhus, 2013); the role Machiavellianism plays within the leader-follower relationship has received less attention. Machiavellianism has been associated with a desire to excel at the expense of others (Stewart & Stewart, 2006) and it is negatively related to agreeableness (Paulhus & Williams, 2002). These findings suggest that Machiavellian individuals simply seek to use individuals to achieve their desired goals, which is not conducive to forming relationships, let alone an authentic relationship. To the contrary, the extant findings suggest that Machiavellianism personalities will impede the development of authentic relationships. Due to the manipulative tendencies associated with this trait, we propose that the relational transparency component of authentic leadership will be neglected because being open and forthcoming with information provides others with material that could potentially be used for personal gain at the leader’s expense. This lack of openness will, in turn, provide few opportunities for the verification of authentic leader and follower identities. Accordingly, we propose:
Proposition 7a. *Machiavellian interaction partners are less likely to engage in verification or grant authentic leader and follower identities to others.*

Proposition 7b. *Machiavellian interaction partners are less likely to be granted authentic leader and follower identities by others.*

The final dark triad personality trait that may impede the development of authentic leader-follower relationships is psychopathy. While psychopathy encompasses qualities that are shared by narcissism (e.g., impulsivity) or Machiavellianism (e.g., low self-control), it is a distinct construct that is characterized by low empathy and anxiety (Paulhus & Williams, 2002).

It is important to note the delineation between clinical and non-clinical psychopathy. The relevant literature for our interests here pertains to non-clinical (as opposed to clinically diagnosed), and emergent, psychopathy. While psychopathy theory is at an early stage of development, there are already important implications of this trait for leader-follower relationships. Empirical research has demonstrated that psychopathy is associated with a hostile and dominant interpersonal style (Blackburn, 1998). This dominant interpersonal style, coupled with a lack of empathy, reflects a very individualistic perspective that is not conducive to forming and sustaining relationships.

These findings suggest that psychopathy on the part of leaders and/or followers will inhibit the development of authentic relationships. Given the lack of empathy, we posit that the persons who possess this trait will be unable to engage in balanced processing due to an inability to take multiple perspectives into account when making decisions. Moreover, when highly biased information processing is paired with the dominant interpersonal style that characterizes psychopathy, we anticipate the granting and claiming process of verification that is required for the formation of authentic leader-follower relationships will be impaired. Thus, we advance:
Proposition 8a: Psychopathic interaction partners are less likely to engage in verification or grant authentic leader and/or follower identities to others.

Proposition 8b: Psychopathic interaction partners are less likely to be granted authentic leader and/or follower identities by others.

DISCUSSION AND FUTURE RESEARCH

Recent reviews of the authentic leadership literature suggest that in order to advance the field and sustain the interest of researchers and practitioners, theoretical refinements and more rigorous empirical research is needed (Banks et al., 2016; Gardner et al., 2011). To do so, further explication of the boundary conditions of the theory is required. While this paper constitutes a step in that direction, it is important to recognize other efforts in this regard. Hinojosa and colleagues (2014), for example, examined boundary conditions at the individual level as suggested by various attachment styles, as well as at the organizational level in the form of organizational culture. Gardner and colleagues (2009) likewise incorporated several contextual elements in their examination of authentic leadership and emotional labor. More recently, we see an initial examination of the role of Machiavellianism as a boundary condition for the development of leader morality (Sendjaya, Pekerti, Härtel, Hirst, & Butarbutar, 2016). While results of this study are consistent with our propositions regarding the Machiavellianism, further research is needed to flesh out the impact of this and the other traits that make up the dark triad on authentic leadership.

It is our intention to build upon and expand these initial considerations of boundary conditions to further advance authentic leadership theory. By making the boundary conditions for the theory more explicit, we seek to replace the implicit assumption that authentic leadership is achievable in any context, with greater recognition of the limits of this form of leadership.
Ignoring these limits and perpetuating this unrealistic assumption could retard the development of authentic leadership theory. As noted previously, under-articulated assumptions and boundary conditions can lead to the over-application of theory, lack of critical review, and a field that is strewn with inconsequential findings (Bacharach, 1989). While we do not consider this to yet be the case for authentic leadership research, making the boundary conditions known may help scholars avoid potential impediments to the theory’s maturation.

To this point, the processes whereby authentic leader-follower relationships develop has not been fully explicated. Building upon DeRue and Ashford’s (2010) model of claiming and granting behaviors that produce leader and follower identities, we have attempted to further clarify these relational processes. Nevertheless, this is a preliminary effort and hence more work in this direction is needed, as several questions about such processes remain unanswered. For example, as is the case for DeRue and Ashford’s (2010) model, our model is dyadic in nature. Is an expanded model of claiming and granting behaviors for leader and follower identities that reflects interactions among multiple parties (e.g., groups) needed for more complex work settings? If so, how would this process unfold in comparison to the dyadic process we described? Is the leader verified in the same way and over the same timeline as in a dyadic relationship? And how does this process change when developing an authentic leader-follower relationship and not just a leader-follower relationship? Given the number of unanswered questions, it is clear that future refinements and extensions of the proposed model are necessary.

Future research on authentic relationships should continue to focus on both the roles of the leader and follower (Hernandez, Eberly, Avolio, & Johnson, 2011). Throughout much of our discussion, an implicit assumption is made that the leader makes an initial claim to a leader identity that is then granted by the follower. Further examination of the initial steps in this
process, as well as the process whereby leaders grant follower identities, is required. Additionally, how are follower behaviors selected to claim certain identities within the authentic relationship? For example, Carsten, Uhl-Bien, West, Patera, and McGregor (2010) found that the identities of followers and the behaviors they exhibit are socially constructed and depend heavily on contextual factors. Similar insights into the processes whereby authentic followership (Gardner et al., 2005) develops is merited.

Another potentially fruitful area to consider in order to explicate boundary conditions for authentic leadership may be the ethical context. Perhaps the pressures that accrue from certain ethical contexts influence the activation of the leader’s internalized moral perspective, and thereby serve to either aid or impede the development of authentic relationships. Clearly, the explication of additional boundary conditions and extension of our model is critical for the further development of the authentic leadership literature. Moreover, to expand the nomological net of authentic leadership, we suggest the implications of other dyadic leadership theories, such as leader-member exchange (Cogliser, Schriesheim, Scandura, & Gardner, 2009; Dulebohn, Bommer, Liden, Brouer, & Ferris, 2012; Graen & Uhl-Bien, 1995; Schriesheim, Castro, & Cogliser, 1999), be pursued.

CONCLUSION

Well-developed theories make it a point to make their assumptions explicit (Bacharach, 1989). By providing some preliminary articulation of the boundary conditions of authentic leadership, we believe research in this area can avoid the traps of over-application, less rigorous peer review processes, and other missteps that impair the maturation of theory. We hope future researchers will build upon the initial work presented here to systematically advance authentic
leadership theory and promote rigorous empirical investigations. Doing so would constitute a significant step toward the realizing the considerable promise of authentic leadership theory.
REFERENCES


FIGURE 1
Authentic Leader-Follower Relationship Verification

Time = 0

Selection of self-verifying situation (e.g., as leader or follower)

Time = 1

Interactions commence

Time = 2 . . . n

High perceived coherence, high verification of A

Low perceived coherence, low verification of A
Examining Competing Explanations of Acquisition Divestment

Abstract

This paper examines the applicability of three major perspectives—prior mistake, indigestion, and financial constraint—in explaining the performance implications of the divestment of prior acquisitions. Our results suggest that a negative stigma surrounding divestments is largely unwarranted, and that acquisitions and divestitures are complementary corporate restructuring tools. Still, acquisition characteristics can help predict market reactions to subsequent divestment announcements. From a sample of 69 U.S. high technology acquisitions between 2003 and 2008 that were later divested by 2015, we find mixed support for the correction of the prior mistake viewpoint. Contrary to expectations, we find a positive relationship between acquisition and divestment announcement market returns. However, in support of divestments correcting a prior mistake, we find the divestment of acquisitions that were paid for with stock (vs. cash) are associated with significantly lower divestment returns. The implication is that investors do not treat all information signals at divestment equally, but that existing explanations of divestment display shortcomings. We anticipate a mix of acquisition and divestiture as part of corporate restructuring may lead to higher corporate performance. Additional implications for management practice and research are identified.

Keywords: Merger and acquisition, divestment, corporate restructuring, correction of mistake, indigestion, financial constraints
INTRODUCTION

Corporate restructuring is essential for firms to survive intense competition and rapid technological change (Danneels, 2002; Jas & Skelcher, 2005), and both divestitures and acquisitions represent corporate restructuring tools (Brauer, 2006; Capron, Mitchell, & Swaminathan, 2001; Dranikoff, Koller & Schneider, 2002). While different, acquisition and divestment decisions are often related. For example, Weston (1989) reports that 35 to 45 percent of acquisitions involve divestitures of former acquisitions, and other studies point to the high likelihood of post-acquisition divestiture (e.g., Kaplan & Weisbach, 1992; Porter, 1987; Ravenscraft & Scherer, 2011). This has led to suggestions that divestitures are an integral part of post-acquisition integration (Barkema & Schijven, 2008). Still, literature on divestitures is broadly overshadowed by research on acquisitions (Brauer, 2006; Xia & Li, 2013).

The impact of a divestiture on shareholders’ wealth has been studied by a number of perspectives, including correction of mistake, indigestion, a response to financial constraints or regulatory concerns, and tax benefits (e.g., Borisova & Brown, 2013; Brauer, 2006; Gaddis, 1987; Kaplan & Weisbach, 1992; Porter, 1987). While most explanations for divestment are associated with negative reasons, research consistently finds a positive market reaction to divestment announcement (e.g. Brauer & Wiersmeam, 2012; Jain, 1985; Moschieri & Mair, 2008). The result is a lack of consensus between different perspectives and the underlying reasons for divestment performance changes; therefore, it is essential to further investigate the role and performance implications of divestiture in the context of strategic change (Brauer, 2006; Buchholtz, Lubatkin, & O’Neill, 1999; Villalonga & McGahan, 2005).

The goal of the current paper is to meet this need by summarizing and empirically testing different explanations of divestment following acquisition. Beginning with Porter’s (1987)
correction of a mistake argument, we examine the ability of different divestment perspectives to predict abnormal returns for the full or partial divestiture of an acquired unit among public U.S. high technology firms. We explore how prior acquisition properties and a variety of subsequent factors (e.g., acquisition announcement return, method of payment, relative size, and acquirer profitability prior to divestment), as well as control variables, influence the market reaction to the subsequent divestment of a formerly acquired business. Event studies that capture stock market abnormal returns to the announcement of a divestiture over short time windows exhibit conflicting results with research reporting positive (e.g., Lee & Madhavan, 2010; Markides, 1992) and negative (e.g., Schill & Zhou, 2001) abnormal returns. Our primary contribution involves empirically testing different explanations for divestiture. In the next section, we summarize explanations for divestment and their performance implications.

DIVESTMENT PERSPECTIVES

Generally viewed as the opposite of acquisitions, divestitures have been insufficiently studied in corporate restructuring literature (Brauer, 2006; Buchholtz et al., 1999). While related, acquisitions and divestitures differ in multiple respects. First, divestitures may involve only a partial selloff of either tangible or intangible assets of a business unit or segment as opposed to acquiring a complete entity in acquisitions (Clubb & Stouraitis, 2002). Divestitures also tend to be less public, or have less liquid markets than acquisitions (Datta, Datta, & Raman, 2003; Laamanen, Brauer, & Junna, 2014). One reason is that asset selloffs are associated with firms’ or their managers’ negative prior performance (Markides & Singh, 1997). Therefore, managers usually look for one or two buyers privately. Additionally, there are less market disclosure regulations on divestment than for acquisitions. This suggests a need for a distinctive research focus on divestitures that recognizes they are not mirror image of acquisitions (Brauer, 2006).
Divestitures also come in multiple forms, including spin-off, equity carve-out, or unit sell-off (Mulherin & Boone, 2000). The result is that there are multiple perspectives of divestment and divestment performance that require reconciliation. In comparing explanations, we focus on correction of mistake, indigestion, and financial constraints (see Table 1).

----- Insert Table 1 about here -----

Correction of Mistake

*Negative acquisition announcement.* After observing that more than half of the acquisitions were subsequently divested, Porter (1987) argues that divestitures involve corrective actions to fix acquisition mistakes. For example, Kaplan and Wesibach (1992) in a review of the success of acquisitions find about half of divestments signal acquisition failure, and that acquisition announcement returns are lower for unsuccessful divestments. Additionally, Allen, Lummer, McConnell, and Reed (1995) argue that divestment abnormal returns are inversely related to the abnormal returns of the prior acquisition announcement. In other words, investors more positively react to the divestments of units that, when they were acquired, were perceived negatively or displayed a negative acquisition announcement abnormal return. With a sample of 40 divestments (spin-offs) between 1962 and 1991 resulting from an acquisition, Allen and colleagues (1995) find a significantly negative relationship between divestment and a prior acquisition’s announcement returns. Therefore, we predict:

*Hypothesis 1: The acquisition announcement abnormal return is negatively associated with a subsequent abnormal return for the divestment of an acquired unit.*

*Method of payment.* An acquiring firm can pay for an acquisition using cash, stock, or a mix of both. Generally, cash payment for an acquisition signals that the acquirer’s management considers an acquisition to be more promising. While research suggests that managers pay for acquisitions with stock when an acquirer’s shares are overvalued, a direct effect of the method of
payment has been found to not have a significant direct effect on an acquisition’s performance (King, Dalton, Daily & Covin, 2004). An alternate explanation for the method of payment that may impact divestment performance relates to the method of payment for an acquisition reflects uncertainty surrounding the benefits of an acquisition (Hansen, 1987; Martin, 1996).

If stock payment reflects uncertainty surrounding an acquisition’s benefits, then paying for an acquisition with stock can help to align target firm managers interests with those of an acquirer. However, if an acquisition financed with stock is later divested, then aligning a target firm’s managers with the interest of an acquirer was not necessary and it would unnecessarily dilute the ownership of an acquiring firm’s shareholders. In other words, the divestment of a firm acquired with stock likely signals a mistake. Consistent with this idea, in an examination of investor responses to abandoned acquisitions, Chang and Suk (1998) find acquisitions financed with stock experienced a positive abnormal return when it was announced an acquisition was abandoned, and a negative return if the offer involved cash. Therefore, we predict:

*Hypothesis 2: Acquisitions that were paid for with stock and are later divested are associated with a negative divestment abnormal return.*

**Indigestion**

Gaddis (1987) suggests that divestment can result from indigestion, or an acquirer making an acquisition of a target firm that is larger than it can effectively integrate, and it is consistent with views that acquisition difficulties increase the likelihood of divestment (e.g., Hitt et al., 2012). Everything else equal, larger acquisitions are more difficult to integrate making the relative size between a target and its acquirer relevant. The relative size between an acquirer and its target is analogous to a cookie jar problem (King, 2016). If a target firm is too large, it can exceed an acquiring firm’s ability to integrate it (i.e., present a problem of acquiring firm managers being unable to remove their hand). Once an acquisition that was too large has been
completed, full or partial divestiture may offer the only way to reduce integration demands to manageable levels. For example, Schipper and Smith (1983) recognize that divestment may follow acquisitions and reflect attempts to reduce firm size. However, the benefits anticipated from an acquisition are not possible if a target is not effectively integrated (Paruchuri, Nerkar, & Hambrick, 2006). This suggests that divestment of larger targets may signal difficulty in achieving the benefits from an acquisition and result in a negative market reaction. Therefore, we predict:

_Hypothesis 3: The relative size of an acquisition that is later divested is negatively associated with divestment abnormal returns._

Financial Constraints

Another perspective of divestments suggests that they result from seller’s financial distress. Asset selloffs have long been associated with firm or manager poor performance (Markides & Singh, 1997), as it increases pressure on managers to change a firm’s corporate portfolio (Berry, 2013). Several researchers contend that firms pursue divestment following poor performance (e.g., Bergh, 1997; Borisova & Brown, 2013; Dranikoff, Koller, & Schneider, 2002; Hoskisson, Johnson, & Moesel, 1994; Jain, 1985; Laamanen et al., 2014; Lockett & Wild, 2013; Montgomery & Thomas 1988). Firms can use cash proceeds from a divestment to repay debt, pay dividends to their shareholders (Bowman, Singh, Useem, & Bhadury, 1999), or fund continued operations. In contrast, the dominant explanation for making an acquisition is that it will increase a firm’s performance (e.g., King et al., 2004). If a divestment results from an acquirer’s financial distress, then selling a previously acquired unit that was intended to improve an acquirer’s performance will likely be perceived negatively. Therefore, we predict:

_Hypothesis 4: An acquirer’s financial performance prior to a divestment is negatively related to the abnormal return to a divestiture announcement._
Moderator

The premium paid for an acquisition is consistently considered important in acquisition research (e.g., Sirower, 1997); however, its direct effect has not been found to be significant in a meta-analysis (King et al., 2004). While paying a premium is required to gain control of a firm (Wright, Renneboog, Simons, & Scholes, 2006), assuming investors properly value a target firm’s stock price, the higher the premium paid by an acquirer, the more difficult it will be to create value (Schijven & Hitt, 2012). However, a higher premium alone does not drive negative acquisition performance (Campbell, Sirmon, Schijven, Forthcoming; Laamanen, 2007). This suggests the significance of the premium paid for a target firm may depend on its interaction with other variables.

The amount of premium paid for a target can be viewed as a sign of the decision quality of an acquiring firm’s managers in making an acquisition with higher premiums representing a worse decision (Beckman & Haunschild, 2002; Schijven & Hitt, 2012). This is consistent with a higher premium being associated with increased pressure on managers to increase performance (Krishnan, Hitt, & Park, 2007). Additionally, premiums are higher in hostile acquisitions and competing bids, or conditions reflecting a winner’s curse (Goldberg & Goodwin, 2001; Varaiya & Ferris, 1987). If the amount of premium signals the quality of an acquisition, then the premium paid for a prior acquisition that is later divested will confirm negative sentiments. As a result, we anticipate that acquisition premium will negatively moderate predictions by other perspectives; therefore, we predict:

_Hypothesis 5a_: Acquisition premium will negatively moderate the relationship between acquisition announcement abnormal return and divestment abnormal return.

_Hypothesis 5b_: Acquisition premium will negatively moderate the relationship between stock as a method payment and divestment abnormal return.

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Hypothesis 5c: Acquisition premium will negatively moderate the relationship between the relative size of an acquisition and divestment abnormal return.

Hypothesis 5d: Acquisition premium will negatively moderate the relationship between an acquirer’s financial performance prior to a divestment and divestment abnormal return.

METHODS

Sample and Data Collection

Thomson’s SDC Platinum database was used to identify U.S. acquisitions taking place among public companies within high technology industries between January 2003 to June 2008 that were later divested through 2015. Following prior research, high technology industries were identified using two-digit SIC codes, or acquiring firm membership in chemicals (28), computer equipment (35), electronics (36), aerospace (transportation: 37), instruments (38), communications (48), or software (business services: 73) industries (Certo, Covin, Daily, & Dalton, 2001; King, Slotegraaf, & Kesner, 2008; Ranft & Lord, 2002). A total of 370 acquisitions were identified, and two steps were used to identify divestment of an acquired unit. First, LexisNexis Academic and Bloomberg online sources were reviewed for each acquirer to identify divestiture activity following an acquisition. A total of 166 divestments were identified for acquiring firms. Next, company SEC filings (10Ks and 8Ks) from the Edgar database were used to link a divestiture to a prior acquisition by a firm in the identified time period. This resulted in a final sample of 69 acquisitions that were subsequently partially or fully divested.

Dependent Variable

We used cumulative abnormal return (CAR) as a proxy for divestiture performance. Event study is commonly applied by studies to measure CARs over an event window around the announcement date of acquisitions and divestitures (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Moschieri & Mair, 2008). Accordingly, we use event study to measure the
divestiture performance as reflected in cumulative abnormal return on firms’ stock market price surrounding the dates of divestment announcement. Our dependent variable \( \text{CAR}_{\text{div.11}} \) represents cumulative abnormal return over a three day window \((-1, +1)\) around the divestiture announcement date, with announcement date regarded as \((t=0)\).

We calculated \( \text{CAR}_{\text{div.11}} \) by adding abnormal daily returns over a period of three days spanning from one day prior to one day after the divestiture announcement date. Following prior research (e.g., Brown & Warner, 1985; Gaur, Malhotra, & Zhu, 2013), daily abnormal return was measured using the standard market model: \( \text{AR}_{j,t} = \text{R}_{j,t} - (\alpha + \beta \times \text{Rm}) \). Where \( \text{AR}_{j,t} \), \( \text{R}_{j,t} \), and \( \text{Rm} \) represent abnormal return, firm j’s daily return, and market return, respectively, and \( \alpha \) and \( \beta \) are parameters representing the constant and systematic risk of firm j. Following (Brauer & Wiersema, 2012), parameters were calculated over an estimation period of 365 days (250 trading days) ending 45 days before the event date to leave a gap between the estimation period and the event date. Market adjusted returns were used with the S&P 500 Index used as the market portfolio.

Independent Variables

*Acquisition announcement return. \( \text{CAR}_{\text{acq.11}} \),* represents cumulative abnormal return over a period of three days from one day prior to one day after \((-1, +1)\) the acquisition announcement date. It is calculated the same as divestment abnormal return above.

*Method of payment. \( \text{MthdPmt} \),* represents a categorical variable used to measure if an acquisition was paid with cash = 0, a mix of cash and stock = 1, or only with stock = 2.

*Relative size. \( \text{TgtAcq.Tass.} \),* represents the ratio of a target’s total asset to acquirer’s total assets as reflected in the latest financial statements of the firms prior to the initial acquisition (Ellis, Reus, Lamont, & Ranft, 2011).
Acquirer performance prior to divestment. IndAdjNM(divst) represents the financial performance of the parent firm (former acquirer) one year prior to the divestment announcement measured through industry adjusted return on sales (net margin) as reflected on the latest financial statements of the firms prior to the divestiture announcement date. The calculation of the industry adjusted net margin (NM) involved three steps. First, the net margin for each firm making a divestment was identified from Compustat for the prior year. Second, the net margin for that firm’s industry, defined by the four digit primary SIC codes, was calculated as total net income (NI) of the focal industry divided by its annual total sales. Finally, the industry NM was subtracted from that of the firm to obtain the industry adjusted NM.

Moderator

Acquisition Premium. Prem1wk represents the percentage premium offered by acquirer at the time of acquisition announcement over the target shares’ market price one week prior to the acquisition announcement. Prem1wk is calculated as the acquisition price offered by the acquirer at acquisition announcement ($P_0$) divided by target stocks’ market closing price one week prior to the acquisition announcement ($P_{t-1}$), and subtracting one from the outcome as:

$$Prem1wk = \frac{P_0}{P_{t-1}} - 1.$$ Data on acquisition premium is obtained from SDC Platinum database.

Control Variables

Acquisition experience enables firms to capitalize the inter-firm diversities to develop their post-merger integration process (Dikova, Sahib, & Witteloostuijn, 2010). Therefore, we control for AcqexprCorp measured as the total number of acquisition performed by acquirer at the corporate level for the 5 years before the focal acquisitions. This excludes any acquisitions...
done by any legal entity other than the focal acquirer, such as subsidiaries or international affiliates.

The *time interval* between acquisition and divestiture could influence the abnormal return at the time of divestiture, as it may signal whether a divestment was planned or not. Therefore, we control for *DayIntvl* measured as the number of days elapsed between acquisition and divestment announcement dates.

*Acquirer’s leverage*, defined as level of debt in its capital structure is argued to affect the abnormal return at the time of acquisition announcement as it has implications regarding the level of acquirer’s slack resources (Haleblian & Finkelstein, 1999) or financial constraint (Hubbard and Palia, 1999). Therefore, we control for *TDTC* measured as the ratio of total debt to total capital with data from Compustat.

An *Acquirer’s financial performance* prior to the acquisition could impact the abnormal return to acquirers at the time of acquisition announcement (e.g., Servaes, 1991). Therefore, we control for *IndAdjNM* as the difference between firms’ and industries’ average return on sales calculated for the year prior to acquisition using the same procedure as *IndAdjNMdivst* described above.

The *size* of an acquirer may reflect codification of routines and an acquisition capability. Therefore, we control for *LnSales* calculated as the natural logarithm of the acquirer’s total net sales in the latest fiscal year prior to the acquisition announcement (Brauer & Schimmer, 2010).

*Relatedness*, or the amount of fit between an acquirer and target, is the most studied variable in acquisition research (Hitt et al., 2012). Therefore, we control for *FitDisc* measured as a dummy variable taking the value of one if there is any same four digit SIC code shared between target and acquirer, and zero otherwise (Haleblian & Finkelstein, 1999).
Divestment experience may be positively related to stock returns (Markides, 1992). Therefore, we control for $DvstexprCorp$ measured as a count measure representing the number of divestitures (e.g., Brauer & Schimmer, 2010; Haleblian & Finkelstein, 1999) over the 3 years before divestiture or the acquisition-divestiture interval (whichever longer). However, our measure is distinguished from that of prior studies as it only accounts for divestitures within a corporation and excludes divestments by subsidiaries and international affiliates.

Analysis

We investigate whether observed wealth gains from the divestment of formerly acquired units are associated with the value destroyed at the time of the prior acquisition using hierarchical regression to examine the relationship between the dependent variable, control variables, independent variables, and interaction terms. We examined residual plots to check for the linearity and homoscedasticity assumptions in our models, and the plots do not indicate an evident curvature or violation of linearity assumption. Additionally, the homoscedasticity assumption is met in all models, as we didn’t observe any sign of megaphones or deviation from the constant variance in residual plots. We also graphed Q-Q plots to verify the normal distribution of the sample residuals in our models. Even though there are slight deviations from the normal line at two ends of normal quantiles, deviations are negligible and the normality assumption was met in all our models.

RESULTS

Table 2 illustrates the correlation matrix, means, and standard deviations for all our variables. There is no clear sign of multicollinearity as all the correlation coefficients are within an acceptable range ($< 0.65$). Additionally, we separately calculated the variance inflation factor (VIF) for each model, and used a threshold of 5, a lower level than is used in prior studies (e.g.,
Brauer & Wiersema, 2012). Several variable values and relationships also deserve comment. First, while not significantly different from zero, our measure of divestiture performance (CARdiv.11) has a positive mean of 1.3 percent. This is in line with prior divestiture studies’ findings (e.g., Jain, 1985; Brauer & Wiersema, 2012). Additionally, consistent with prior acquisition research (e.g., King et al., 2004) our acquisition announcement abnormal return (CARacq.11) is not significantly different from zero. However, inconsistent with expectations the cumulative abnormal return (CAR) at acquisition announcement has a positive and significant correlation with the CARs at the time of divestiture. This provides preliminary evidence against an explanation of divestment as a correction of a mistake (H1). Second, our measure of relatedness (FitDisc) has a mean of 0.797 out of 1, indicating that a considerable proportion of the acquisitions took place between firms operating in similar industries. Further, a related acquisition is positively and significantly related to acquisition performance (CARacq.11), suggesting that investors prefer related deals. Third, an acquiring firm’s debt at the time of acquisition (TDTC) has a significant and negative correlation with the CARs at the time divestment (CARdiv.11). This is consistent with higher leverage at the point of acquisition being associated with unplanned divestment. Fourth, the method of payment (MthdPmt) reflects stock payment is associated with negative and positive relations with CARs at the time of divestiture (CARdiv.11) and acquisition (CARacq.11), respectively. Finally, the average interval (DayIntvl) between the time of acquisition and divestment is 971 days. This suggests that on average divestments occur more than 2.5 years after an acquisition, supporting observations that integration can take up to three years to complete (e.g., Ingham, Kran, & Lovestam, 1992; Lubatkin, Schulze, Mainkar, & Cotterill, 2001).
Table 3 presents our seven regression models illustrating the impact of our explanatory variables on the CAR at the time of divestment announcement as our response variable with coefficients and standard errors (in parentheses) reported. Model 1 contains only control variables, and the model is not a significant predictor of divestment performance. Hypothesized variables are added in Model 2, and it is statistically significant at the significance level of (p<0.01). The coefficient for acquisition return (CARacq.11) is significant and positive (p<.01) an opposite finding than was predicted in H1. This suggests that contrary to a correction of a mistake more capable acquirers are rewarded for making divestments. Meanwhile, paying for an acquisition with stock (MthdPmtDum3) performs significantly worse than cash payment alone (p<0.05). This supports H2 and that divesting an acquisition paid for with stock is interpreted as a correction of a mistake. In reconciling conflicting results for H1 and H2, it appears that investors use multiple signals for what constitutes a divestment correcting an acquisition mistake. Hypothesis 3 that the acquisition of larger targets (TgtAcq.Tass) is associated with lower performance is not supported. While not significant, the coefficient is in the opposite direction (positive). In evaluation of H4, an acquiring firm’s financial performance prior to divestment (IndAdjNMdivst) is not a significant predictor of divestment performance.

----- Insert Table 3 about here ----- 

The moderator acquisition premium (Prem1lwk) is added in Model 3 and Model 4-7 report the interactions between premium and our hypothesized effects. However, all of the models explain less variance than Model 2, and none of the hypothesized interactions are statistically significant. While the direct effect of premium is negative, only the interactions with acquisition announcement (CARacq.11), relative size (TgtAcq.Tass), and acquirer financial performance prior to divestment (IndAdjNMdivst) are negative. This suggests that, while
perceived negatively, the premium paid at acquisition is not a significant investor consideration at divestment. However, the non-support for a negative impact of acquisition premium also may result from our focus on high technology industries that involve higher premium (Laamanen, 2007). Even though they are not all statistically significant, the consistent results over all models are interesting as the direction and significance of our hypothesized variables (H1-H4) largely remain stable. Finally, a larger sample size may result in additional significant findings. For example, the interaction between premium paid ($Prem_{Iwk}$) and financial performance prior to divestiture ($IndAdj_{NMdivst}$) is marginally significant ($p = 0.112$) in Model 7.

**DISCUSSION**

We examine the abnormal return of the divestment of a prior acquisition to compare explanations for divestment. Existing explanations of divestment largely focus on negative explanations. However, our results only show mixed support for the examined explanations. Interestingly, the first explanation of divestment as a correction of an acquisition mistake (negative relationship with acquisition announcement returns; Porter, 1987) and the majority view that divestments result from financial constraints (see Table 1) are not supported. Instead, we find a statistically significant and positive relationship between acquisition announcement and divestment announcement abnormal returns. This suggests that more capable acquirers are rewarded for making later divestments. This is consistent with better firm performance resulting from balancing acquisitions and divestment (e.g., Dranikoff, Koller, & Schneider, 2002; Mulherin & Boone, 2000). Our findings have additional implications for management research and practice.
Research Implications

Researchers largely view divestment negatively; however, evidence supports divestment can be positive. A clear implication is to shift from viewing divestment as a passive strategy, such as the correction of a prior strategic mistake (Porter, 1987), response to over diversification (Hoskisson et al., 1994) or poor financial performance (Lockett & Wild, 2013), needs to be balanced with more proactive views of divestment. For example, Capron et al. (2001) argues for the resource redeployment in the aftermath of acquisitions as the source of value creation by enabling a new business reconfiguration and raising efficiency through disposal of redundant assets. Divestitures can enhance competitive position through improving corporate focus (Khoroshilov, 2005), improving the efficiency of business unit management (Rose & Ito, 2005), and/or achieving higher profitability and performance (Haynes, Thompson, & Wright, 2002). For example, Brauer and Schimmele (2010) report higher stock market returns for divestiture programs than a stand-alone divestiture. Overall, the persistence of negative views of divestment in the face of evidence that they consistently result in positive investor reactions (e.g., Moschieri & Mair, 2008) is somewhat puzzling, and it suggests the need for additional theory development.¹

Our results support improved firm performance can result from a combination of both acquisitions and divestitures. This suggests that a separate examination of acquisitions and divestments as part of corporate restructuring will result in only partial insights into this phenomenon. Further, since acquisition research greatly overshadows research on divestment and we find many explanations of divestment are not supported, there is a clear need for both theoretical and empirical research to advance our understanding of divestment. For example,

¹To underscore this observation, divestment imposed by external regulations is consistently linked to poor performance (Hite & Owes, 1983; Wright & Ferris, 1997).
consistent with correcting a mistake, we find that divestments of acquisitions financed with stock do perform significantly worse than those financed with cash. This suggests that investors use multiple indicators that an acquisition was a mistake and that not all potential indicators of a ‘mistake’ are treated equally. However, existing research is a poor guide to identifying predictors of divestment performance.

Implications for Practice

The primary managerial implication of our research is that divestments are undeserving of the negative stigma that largely surrounds them. For example, General Electric (GE) has a history of making divestments, and Jack Welch divested 20 percent of GE’s assets in his first four years as CEO (Dranikoff et al., 2002). Continued corporate restructuring that included both acquisitions and divestment could go a long way in explaining why GE is the only firm remaining in the Dow Jones Industrial Average from the original 1896 list (Richards & Gladwin, 1999). Further, consistent with this concept we find that the acquisition announcement abnormal return is positively related to divestment announcement abnormal returns, suggesting more capable acquirers are rewarded for divestment. As a result, managers with a sound history of efficient acquisition decision making can expect positive reactions to divestment decisions with the caveat that managers that better communicate the strategic motivation behind their divestiture practices benefit a larger announcement return than those who do not (Vijh, 2002).

Meanwhile, managers should avoid considering our findings as fully endorsing manager discretion. While we disprove early explanations of divestment as a correction of a prior mistake (e.g., Porter, 1987), we do find that paying for stock for an acquisition that is later divested results in a significantly negative investor reaction. This underscores skepticism for why managers use stock to pay for acquisitions (e.g., King et al., 2004), suggesting managers need to
carefully assess when they acquire firms using stock. While stock payment can represent positive conditions, such as aligning target firm manager interests for uncertainty surrounding acquisitions, these explanations are inconsistent with later divestment of that same acquisition. We also suggest caution in interpreting our not finding a significant impact of acquisition premium, as indicating that acquisition premiums do not matter. This finding may result from our rather small sample size and focus on high technology industries.

Additionally, we provide managers with better insight on divestments and potential signals they send to investors. First, our findings show an average time interval over 2.5 years between acquisition and subsequent divestment. This is in line with prior studies’ findings that post acquisition integration process takes up to three years, and that even two years may not allow enough time for firm operations to stabilize (Colman & Lunnan, 2011; Saxton & Dollinger, 2004). The likely implication is that unexpected divestments that follow acquisition completion will likely be viewed negatively. Second, our findings show that in majority of acquisitions a target and acquirer operate in similar industries, and that these related acquisitions are positively correlated to acquisition announcement abnormal returns. Related target and acquirer businesses may signal that managers have a better understanding over the target business and industry with the implication they make better acquisition and integration decisions (Laamanen et al., 2014). This is also consistent with Kaplan and Weisbach (1992) finding that unrelated acquisitions are four times more likely to be divested.

Limitations and Future Research

Like all studies, our research exhibits multiple limitations. First, we only examine U.S. high technology industries. While high technology acquisitions represent a significant share of observed activity (Inkpen, Sundaram, & Rockwood, 2000), high technology acquisitions have
also been recognized as a distinct type of acquisition (Bower, 2001). We also do not control for different industries within the high technology sector. While some prior research focus a specific sector (e.g., Anand & Singh, 1997), our approach enables greater generalization of our findings. However, our sample is relatively small, though it compares favorably to other research in this area (e.g., Allen et al., 1995). We also do not separately examine the impact of different modes of divestitures (e.g., spin-offs, management buy-outs, equity curve outs or spin-offs), as they were either absent in our sample or were negligible in size. For example, our sample included only one spin-off. Another limitation is that we don’t examine the divested business unit’s performance prior to the divestiture, as in many cases, following the acquisition, those units were not autonomous units and their financial statements weren’t reported independent from their parent firms. However, research indicates that business unit financial performance prior to the divestment is an important factor influencing the divestiture practice and announcement return (e.g., Duhaime & Grant, 1984).

Additional limitations represent clear opportunities for additional research. While we find support that divestitures are part of a firm’s strategic choices, we do not explicitly examine portfolio explanations for divestiture. For example, Dawley, Hofmann, and Lamont (2002) argue that post divestiture accounting performance is substantially driven by firms’ strategic choices, resources, and external environment. We also do not account for the divestiture process factors including the management of divestiture procedure or the governance structure included in prior research (Johnson, Hoskisson, & Hitt, 1993), and future research should examine the influence of divestiture processes. Another shortcoming is that we only examine the market return over a short term window around the announcement date; however, the actual performance implications of divestiture will take time to be realized. Future research can apply long term measures of
performance, such as accounting returns or long term stock market measures used in acquisition research (i.e., Cording, Christmann, & Weigelt, 2010). Future research may also examine the impact of industry characteristics (i.e., industry growth rate) on divestiture performance.

However, our results offer several contributions. Overall, we discount several existing explanations for the divestiture of acquisitions and conclude that continued theoretical and empirical research on divestment and corporate restructuring is needed.
REFERENCES


## Table 1 Summary of Explanations for Acquisition Investment

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<th>Perspective</th>
<th>Acquisition Announcement</th>
<th>Post-Acquisition Completion</th>
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<td>Correction of Mistake</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Market reaction signals</td>
<td>Allen, Lummer, McConnell &amp; Reed (1995)</td>
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<td>acquisition was a mistake</td>
<td>Porter (1987)</td>
<td></td>
</tr>
<tr>
<td>• Method of Payment (stock)</td>
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<td>Indigestion</td>
<td>Chang &amp; Suk (1998)*</td>
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<tr>
<td>Financial Constraints</td>
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<td></td>
</tr>
<tr>
<td>• Acquirer has difficulty</td>
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<td>Bergh (1997)</td>
</tr>
<tr>
<td>integrating target (relative size)</td>
<td></td>
<td>Beny (2013)</td>
</tr>
<tr>
<td>• Acquirer experiences lower</td>
<td></td>
<td>Borisova &amp; Brown (2013)</td>
</tr>
<tr>
<td>performance prior to divestment,</td>
<td></td>
<td>Dranikoff, Koller &amp; Schneider (2002)</td>
</tr>
<tr>
<td>or needs to raise cash</td>
<td></td>
<td>Duhaime &amp; Grant (1984)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hoskisson, Johnson &amp; Moesel (1994)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jain (1985)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Laamanen, Brauer, &amp; Junna (2014)</td>
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<td></td>
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<td>Lockett &amp; Wild (2013)</td>
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<td>Markides &amp; Singh, (1997)</td>
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<td>Montgomery &amp; Thomas (1988)</td>
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* Examine acquisition abandonment versus divestment

26
### Table 2. Variable correlations, mean and standard deviation

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<th>2.</th>
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Note: * p<.05; ** p<.01
Table 3. Regression results for divestment abnormal return

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Note 1: *, **, and *** represent significance at 0.1, 0.05, and 0.01 levels, respectively.
Note 2: Values below the slope and Y-intercept in parenthesis are the standard errors from the t-tests for each partial coefficient.
Note 3: ΔF-Statistic reflects the difference in statistical significance between models, where Model 2 is compared to Model 1, Model 3 is compared to Model 2, and Models 4-7 are compared to Model 3.
FINANCE OR PHILANTHROPY?
IMPACT INVESTING IN THE SOCIAL ENTREPRENEURSHIP SECTOR

ABSTRACT

The growing prevalence of social entrepreneurship has been coupled with an increasing number of so-called “impact investors.” However, much remains to be learned about this nascent class of investors. In this partially inductive study based on semi-structured interviews and ethnographic observation, we explore this new phenomenon by focusing on how impact investors’ differ from other classes of investors in their motivations and the unique criteria they use to evaluate early-stage ventures seeking investment. Our empirical findings have theoretical implications for several literatures including research on social entrepreneurship and institutional logics. We also generate concrete insights valuable for practicing impact investors and social entrepreneurs.

Keywords: impact investing; social entrepreneurship; social enterprise; entrepreneurial resource acquisition; new venture financing; new venture creation
FINANCE OR PHILANTHROPY?
IMPACT INVESTING IN THE SOCIAL ENTREPRENEURSHIP SECTOR

INTRODUCTION

‘While the dominant model remains a compartmentalized world where venture capitalists aim to make as much money as they can in the shortest possible time and philanthropists give money to donation-dependent nonprofits, forward-looking funders are taking an approach that crosses conventional boundaries.’
Don Shaffer, CEO, RSF Social Finance

‘Rule #1: Never lose money. Rule #2: Never forget Rule #1.’
Warren Buffet

Impact investing is experiencing exponential growth in attention and capital (Clark, Emerson, Thornley, 2014; Ormiston, Charlton, Donald, & Seymour, 2015). Although there is not a widely-agreed upon academic definition of the phenomenon, practitioners typically include some combination of the following features: the goal of creating financial returns, the goal of generating measurable social or environmental benefits, and a focus on investing in early-stage ventures (e.g., Global Impact Investing Network (GIIN), 2016). As a reflection of the aim to receive two types of investment returns, impact investing is said to combine “philanthropic objectives with mainstream financial decision making” (Höchstädter & Scheck, 2015). It is viewed as an “emerging paradigm shift” (Bell, 2013) in both venture financing and philanthropy and as a way to provide the capital needed to found and scale organizations addressing some of the most pressing societal problems in the transitioning and developed world, such as homelessness, lack of access to clean water or medical care, and human trafficking.

Impact investment represents a class of investors that can operate as individuals (e.g., Pierre Omidyar, the founder of eBay), as groups of investors (e.g., The Impact Angel Network), or as institutional, venture capital funds (e.g., Gray Ghost Ventures). For instance, Investors’ Circle is a U.S.-based network of nearly 200 individual and institutional impact investors. It has
invested US $185 million in early-stage, for-profit ventures that use “creative, sustainable, and scalable business models” to alleviate poverty and address problems in education, health, and the environment (Investors’ Circle, 2016).

The market for impact investments is rapidly coalescing (Bugg-Levine & Emerson, 2011). The pool of capital devoted to such investments has increased at a rate of 20% per year – one of the fastest growing investment classes – and there is now US $60 billion in impact investments (GIIN, 2016; LeClair, 2014). By 2025, it is estimated that such investments could surpass US $2 trillion (GIIN, 2016). These projections have spurred seemingly audacious claims, such as “impact investing will be the next venture capital” (Cohen & Sahlman, 2013).

However, despite the growth of the impact investing market and the eruption of interest by practitioners, policy-makers, and the popular press, entrepreneurship and finance scholars have only scratched the surface of the phenomenon. For instance, Höchstädter and Scheck (2015) argue that “despite all of the activity [in impact investing] conceptual clarity remains an issue,” that there are “critical issues that need to be clarified to advance the field and increase its credibility,” and that “peer-reviewed contributions by independent academic researchers are rare” (2-3). Indeed, it has been argued that “as the momentum of impact investing builds, the field attracts new participants that believe in its potential as a powerful tool for good […] [however] the lack of a proper taxonomy—or classification—poses a significant risk to the movement, especially given recent growth” (Goldman & Booker, 2015).

Thus, several foundational topics associated with impact investment remain to be examined. Most notably, it is not clear if and how impact investors differ from other investor classes, such as angel investment and venture capital, and if and how they are unique from traditional philanthropy. More specifically, it is not known what motivates individuals to become
impact investors. Nor is it clear what criteria they use to evaluate ventures (or entrepreneurs) when making investments. These issues represent important omissions in both management and entrepreneurship literatures because without a firm understanding of what is unique about this category of investor, and how and why they invest, it is not clear if impact investors represent a new type of market actor and what role they play in the society. It is also difficult to discern the extent to which prior theorizing and findings derived from the study of either traditional investors or philanthropists can be used to understand the behaviors, and potentially performance, of impact investors. Moreover, without a deeper understanding of the phenomenon, concrete recommendations cannot be made to practicing impact investors, policy-makers seeking to encourage impact investment, or to entrepreneurs seeking resources from such investors.

Using an exploratory, partially inductive (cf. Miles & Huberman, 1994) study of 31 impact and non-impact investors across investor classes and a supplemental analysis of 10 entrepreneurs receiving investment, we begin to address the lack of scholarly attention to impact investing. We find that impact investors differ from other types of investors along several dimensions, foremost of which is that, unlike traditional investors and philanthropists who primarily seek either financial or social returns, impact investors seek both financial and social returns on their investments. They achieve these dual returns by investing in organizations that generate both financial and social value. In addition, findings reveal that impact investors are motivated by several factors and that they base their decisions on criteria that are different than other types of investors. Exploring these issues produces theoretical implications for work in social entrepreneurship and institutional logics. Our findings also reveal practical insights for investors and entrepreneurs seeking resources.
The remainder of the paper proceeds as follows. First, we describe our research design and methods. We then present our findings. We conclude by discussing the implications for several literatures and for practicing impact investors, the limitations of our study, and directions for future research.

METHODS

Research Design

Because there is a dearth of existing theory on impact investing (Höchstädt & Scheck, 2015), we utilized a partially-inductive, “blended” (Graebner, Martin, & Roundy, 2012) methodology aimed at uncovering novel empirical insights that can be used to develop new theory. An inductive approach is appropriate because, as studies of related phenomena such as social entrepreneurship (e.g. Roundy, 2014a) have demonstrated, it is unwise to assume that theory developed in seemingly related contexts (such as studies of traditional investors) can necessarily be applied in a one-to-one fashion to new phenomena such as impact investors. For instance, as our findings reveal, impact and traditional investors are driven by very different motivations.

Our inductive approach relies on qualitative data including semi-structured interviews and ethnographic observation, for two reasons. First, such data allow us to uncover and gather the subjective perceptions and interpretations of impact investors (Graebner et al., 2012). In addition, the study is primarily focused on the process through which impact investors internally evaluate prospective investments, rather than on measuring variance-related factors associated with investment performance; qualitative data is particularly well suited for process-based research, especially when the processes are complex and exist largely in the minds of informants (Graebner et al., 2012).
Data Collection

At the outset of the study, a specific (“target”) number of interviews was not chosen. Instead, interviews were conducted until a point of empirical “saturation” was reached (Yin, 2003). That is, additional study participants were sought until the majority of the insights provided by further informants were no longer unique and “recurrent patterns of responses and perceptions” emerged (Barraquier, 2013: 49). Ultimately, interviews were conducted with 31 investors, which agrees with recommendations in the literature (Reay, 2014), and from which the responses were triangulated using 10 additional interviews with investees (i.e., entrepreneurs). The rationale for the latter step in the data collection is described below. Descriptions of informants are provided in Table 1.

--- Insert Table 1 here ---

Investors were sampled based on theoretical and pragmatic considerations (Eisenhardt, 1989; Yin, 1984). Most notably, both impact and non-impact investors were selected to gain comparative perspectives from the two types of investors. Beyond the simple “impact / non-impact” distinction, to increase the generalizability of the findings, informants were chosen to represent a wide range of investor-perspectives (e.g., impact investors, angels, venture capitalists, philanthropists). Both institutional (e.g., venture capital) and individual (e.g., angels) impact and traditional investors were selected. Also, attempts were made to identify individuals that could not only provide perspectives about their own investment activities but who were also in a position to make more general assessments about the traditional and impact investment sectors (e.g., informants who were not only angel investors but also served as executive directors of angel groups).
Impact investors were identified by searching media articles and websites for phrases such as “impact investor,” and “impact investing.” This method was used because it was “hands-off” in the sense that it relied on individuals self-identifying as impact investors rather than the authors classifying individuals as impact investors. Self-identification was preferred because there is no widely agreed upon definition of “impact investing” that could be used to identify such investors and, perhaps more importantly, to avoid tautological concerns (i.e., finding that differences between impact investors and other investors simply aligned with the criteria used to identify and select impact investors).

Traditional investors were identified through the first author’s contacts in the entrepreneurship community. Subsequent investors were identified through “snowball” sampling methods (Noy, 2008) based on recommendations and introductions made by other investors. The final sample was comprised of investors representing multiple states and regions (e.g. Northeast; Southwest; Southeast; West Coast) in the United States.

To avoid “priming” participants’ responses, during interviews, informants were provided a general description of the topic of the study (e.g. “understanding venture investment decisions”). Separate interview guides were constructed for impact and traditional investors. Questions like, “why did you start investing?” and “how do you evaluate prospective investments?” were asked instead of more pointed-questions, such as “how is impact investing different than traditional investing?” If an investor created a distinction between impact investing and traditional investing then subsequent, probing questions were asked. Informants were offered confidentiality and the option for pseudonyms to be used to ensure their anonymity and the anonymity of their ventures. Informants were assured that the information they provided would not be communicated between interviews to other informants. In total, 32 interviews were
conducted with investors, consisting of 18 impact investors, 14 traditional investors (angels, VCs, philanthropists). Interviews contained both closed- and open-ended questions and lasted approximately 30 to 90 minutes. All interviews were digitally recorded and then transcribed, producing approximately 600 single-spaced pages of text. Secondary sources of data (e.g., media reports; websites) were used to resolve any points that were not clear (Hockerts & Moir, 2004).

As a supplement to the primary data collection focusing on investors, and to improve the triangulation and external validity of findings, additional interviews were conducted with recipients of the investments (i.e., with entrepreneurs of ventures receiving investment). Although entrepreneurs’ experiences receiving impact and traditional investment were not the focus of our study, this supplemental step was performed for several reasons. First, if only investors were interviewed, then insights generated from their statements would have been based on data that was entirely subjective and without any form of verification (e.g., an investor could claim that he or she bases decisions only on a venture’s potential financial return, but in practice this might not be true). Interviewing a sample of entrepreneurs that were evaluated by the investors provided a degree of triangulation to the investors’ responses, which helped to determine if, for instance, investors actually evaluated prospective investments in the way that they claimed. Such interviews helped to verify if investors’ discourse matched their behaviors. This is important because a degree of social-desirability bias (Presser & Stinson, 1998) may be present, particularly in traditional investors, regarding the types of factors that they admit to considering when making investments.

Finally, to complement the interview data and further immerse the researchers in the phenomenon ethnographic participant observation (Delamont, 2004) was also conducted at a practitioner conference targeted at impact investors, at a board meeting of an impact investment
fund, and at a pitch given by an entrepreneur to a group of impact and traditional investors. Conversations among investors and investment evaluations were also observed. These observations provided supplementary in situ evidence of investors interacting with one another and evaluating investments.

**Data Analysis**

After completing the data collection, the first step in analysis was coding transcripts using common procedures for inductive theory-building research (e.g., Miles & Huberman, 1994). Examples of the multi-level coding structure are included in Table 2.

--- Insert Table 2 here ---

As common themes began to emerge within- and across-informant analyses were conducted. The goal of within-informant analysis was to understand the perceptions of each investor and to begin to develop generalized codes and themes. In contrast, across-informant analysis was used to “triangulate and substantiate” emerging findings (Ravasi & Phillips, 2011). Each interview served to either confirm or disconfirm insights gained from other investors. Emerging patterns and themes were examined to determine if they were present across multiple informants (Miles & Huberman, 1994). The insights that emerged were refined using the replication logic (Yin, 1984); that is, each informant was treated as a separate “test” that either confirmed or disconfirmed the generalizability of the insights of other informants. The data from each investor was used to challenge or extend the working theory (e.g. Strauss & Corbin, 1998; Baker & Nelson, 2005). ATLAS.ti, a qualitative data analysis program, was used to increase the ease of organizing, sorting, and retrieving the data; it was not, however, used for analysis per se. Data analysis produced the empirical results described in the Findings section below.

**FINDINGS**

**A Comparison of Impact and Other Capital Providers**
Before exploring the motivations of impact investors and the criteria they use to evaluate investments, it is important to establish if they in fact differ from other classes of investors and resource providers, such as angels, venture capitalists, and philanthropists. It may be the case that practitioners have simply created the category “impact investor,” but it is not conceptually unique. Identifying and expounding on such differences can create clarity regarding what is (or is not) unique about impact investment as a phenomenon. Thus, a starting point was the question, “What is impact investment?”

The investors interviewed reveal that the key distinction between impact and other forms of for profit- and nonprofit-oriented investments is that impact investors seek both financial and social returns on their investment (ROI). Indeed, Michael\(^1\), an impact investor who was previously a founding partner of a venture capital fund and who now operates as a private impact investor asserts that, in his opinion, one cannot be considered an “impact investor” if he or she does not seek some degree of social and financial return on investment. He states that giving money to an organization without an expectation of a financial return is not an impact investment regardless of how entrepreneurial the organization is or how much social impact it produces.

[With a donation], there’s no expectation of a financial return which, to me, an investment has to have (original emphasis). Whatever the financial expectation is [with an investment], it’s something, it’s not zero. (Michael; individual impact investor)

In contrast, he explains that with impact investing, “every investment decision is a blended value decision based on our financial rate of return and […] the impact we’re making.” Thus, impact investors seek a “blended” return that consists of generating both a financial return on investment (ROI) and a social return on investment (SROI). The latter is produced when the organization generates social value (i.e., “social good”) for a group of stakeholders. Another investor describes impact investing in a similar manner, as a “blending between philanthropy […] and a

\(^1\) All names of individuals and organizations are pseudonyms.
market return” (James; individual investor). As will be discussed, philanthropic giving has traditionally focused exclusively on SROI whereas market-oriented investments have usually focused on financial ROI. Impact investors simultaneously seek both types of returns.

There was debate, however, among informants regarding the degree of balance sought between the two types of returns. For instance, David, a partner at an impact investing venture capital fund describes an impact investor as, “an asset class of investor that’s willing to sacrifice some return because they want to see [a] product or service have some kind of social impact” (emphasis added). He elaborates on this point.

I want financial returns, but I want my money to have an impact. And I want to see that [impact] in terms of, is this going to be good for the environment, is it going to be good for the community? So I’m willing to accept a lower [financial return] (David; social VC).

The investor also describes impact investment from the complementary perspective of the entrepreneur.

[As a social entrepreneur] when I’m putting my business plan together I already know, the IRR [investment rate of return] is not 60% or whatever, it’s only 18% - so what am I looking for [in an investor]? I’m looking for someone who it’s an emotional investment, someone that wants to ‘do good’ and make some money (David; social VC).

As this statement illustrates, social entrepreneurs might see themselves as candidates for impact investment if they are “doing good” but cannot generate a market-competitive return. Aaron, the executive director of a private foundation that makes impact investments would seem to disagree with David’s statement emphasizing the importance of appealing to investors emotions because he does not see emotion as playing as large a role in impact investing.

Whereas I think the [impact investing] side of philanthropy is trying to separate that and say, ‘no, no, no […] I spent all of this effort making this money and I was so rigorous about how I did it that I don’t want to just say, well this sounds like a good cause (original emphasis). I’m going to hold [the social entrepreneurs] accountable. I want just as much out of my investment in these social funds as I want in my investments from my personal portfolio.’ Yes the emotion is there, but check it at the door. Bring your hard-nosed market analysis to this (Aaron; private foundation manager).
Sarah, the co-founder of a social venture capital fund describes what she views as a more “sophisticated” approach to impact investing and the rate of return issue, which goes beyond the strict above- or below-market returns dichotomy.

If you go to the more sophisticated impact investing audiences, the language or the discussion right now is around creating a balanced portfolio of impact investments. [...] A balanced portfolio means that you are going to have a mixture of investments that generate below market return [...] investments of market returns, and above market returns. And the way you assess those investments may be very different (Sarah; social VC)

To summarize, despite the disagreements among impact investors about how much financial return, if any, can be sacrificed and still be considered an impact investment, there is very little debate among impact investors that seeking some degree of financial ROI, alongside the social value produced by investing, is a defining characteristic of impact investing.

**The Motivations of Impact Investors**

Findings indicate that the motivations of impact investors are complex and do not fit into the clean boundaries of existing typologies. Specifically, impact investors are motivated by making investments that align with their personal values and, particularly, values that prioritize societal change and the creation of social good. If they were not driven by such values then they would invest in asset classes that focused on producing solely financial returns. David, the founder and manager of an impact investing fund that invests in socially-conscious businesses located along the Texas-Mexico border, explains how his (and the other investors’) motivations to create economic development in this region makes his investments different than purely financial-focused investments.

The reason I don’t say I’m going to provide [returns necessarily as high as other investments] is if someone was giving me money to invest and I had no constraints about geography, about where I’d deploy this money, if I had no constraints as to the fact that I’m targeting under-represented founders who are less sophisticated and less prepared in many cases, then my risks would be a lot lower. I probably wouldn’t deploy any money in the border in south Texas. So I feel that if I was running my fund like a conventional fund, I wouldn’t run it the same way that I run the impact fund. [...] I’d rather be upfront with investors and say, ‘we’re targeting to get as high [a return] as we can, but we’re not talking apples to apples – if you want to see economic development at the border, if you want to see economic development in south Texas, then I’m going to have to take higher risks’ (David; social VC)
As this quotation illustrates, the fund manager and his investors value creating economic development in impoverished areas, which influences the types of companies they are willing to invest in and the types of financial returns expected. Impact investors’ values may align with numerous causes. For example, Joshua, the director of an impact investment fund, describes some of the causes that his investors value.

[Our] investors care about job creation in rural areas, that’s what they care about and are really passionate about. They are looking to invest in those companies that are going to have their operations in rural areas of their region. They may more heavily weight that over financial return. [Other investors’] focus is clean technologies and they really want to move away from oil and gas […] whether or not the company may have a lower return than some other alternative asset class, they may invest in it anyway because they care about the underlying focus. (Joshua; social VC)

Related to their personal values, investors also explain that they are motivated to make impact investments for emotional reasons. The co-founder of a social venture capital fund describes the role played by emotion in choosing the investments in her fund.

Impact investment portfolios are built completely differently than traditional portfolios because the very first question you have to ask the investor is, ‘what do you care about?’ Because they say, ‘I’d like to have an investment in Africa,’ or ‘I’d like to have an investment in something that’s benefitting women and girls’ or ‘I’m really passionate about animals.’ Whatever it is, it starts from that point in the conversation and then you figure out how you can find the investments with the rate of return that you need to build the balanced portfolio. (Sarah; social VC)

Furthermore, she explains that impact investors do not view all causes as “equal” and are generally not content to earn just any type of social returns; instead, they target generating social value for a specific group.

“[W]hat investors care about, the values that they come with, is based on their life experiences. They’re not actually indifferent, in a detached way, putting together a list of social enterprises and looking at some ‘universal social impact measure’ and saying, ‘give me the top three. [Instead], they’re saying, ‘I care about [investing in] Columbia because that’s where my aunt is from,’ ‘I care about women and girls because I have daughters,’ ‘I care about the environment because I’ve been hiking since I was a kid.’ (Sarah; social venture capitalist)

Impact investors can also be motivated by the powerful stories associated with the social value that is produced. For instance, Diana, a manager at an organization responsible for evaluating the impact created by impact investing funds and social ventures states that “a lot of [investors] are
driven by the idea of impact investing because of the stories behind it – because of what you can talk about in terms of the impact that’s been created […] the kind of stories that have grasped people’s attention to start focusing on this area.”

Another motivation for engaging in impact investing over traditional philanthropy is that the financial return on impact investments allows investors to re-deploy their capital to generate further social returns (unlike pure philanthropy, which does not generate a financial return for the donor). The manager of a social impact fund describes this motivation.

“[D]o I give this money to charity and not see it back, or do I make an investment that has social good and then the money comes back to me and I can deploy it again, and I can deploy it again, and the money comes back… […] It’s very attractive to many philanthropists because they enjoy being philanthropists and this form [of investment] has more sustainability. [As an investor] you can make a choice: do I want to put [my investment] towards something that is going to give me money back so that I can give it out again in five years or do I just give it to homelessness or to feed the hungry. And the truth is, society needs both. In the social justice sense, you have to have both […] you have to have the charitable piece and the social investment piece.” (David; social VC)

Building on this point, the motivation to engage in impact investments is often driven by a belief that market-based solutions, in part because they are geared towards producing a return on investment, can be effective in addressing social problems. For example, an impact investor asserts his belief that, “if you can move things towards the market, to where the market supports them, then they can become scalable and sustainable” (James; impact investor). Since market-based solutions are funded primarily through consumer purchases rather than donations, impact investors often find such revenue sources more sustainable than philanthropy-driven solutions.

Impact investors’ perceptions of scalability and sustainability are often based on an organization’s ability to generate earned income (which is what produces a financial return). If sufficient earned income is created, organizations can operate autonomously from philanthropic donors.

Impact investors are also motivated by the belief that, in contrast to traditional donations (e.g., grants from private foundations), their investments are more likely to help ventures scale
because impact investments are more flexible than grants, which generally have very tight controls on how they can be spent. The co-founder of a socially-oriented venture capital fund describes the benefits of the impact investing approach to investing compared to the approach of traditional philanthropy.

It’s the same way that a VC works. When a VC invests in you, someone may sit on your board and make sure you’re not doing anything completely ludicrous, but they’re not giving you a contract that makes you sign for the money that has a budget in it. They’re saying, ‘we believe in the enterprise. Most importantly, we believe in the entrepreneur. We think our goals are aligned.’ Because entrepreneurship at scale at its core is about iterative innovation. And if you cannot iterate and fix what’s wrong, you’re not going to be able to scale and then you’re not going to succeed.” (Sarah; social VC)

The executive director of a private foundation echoes the criticism that traditional philanthropy is often too rigid and does not provide an organization with sufficient flexibility to use investments as they see fit.

Unrestricted dollars are so hard to get in large chunks that it’s very difficult for managers of nonprofits to invest money into what they really need, which is back-office infrastructure and a sustainable revenue stream. [...] the way philanthropy is set-up, it’s like, ‘[the philanthropist] is giving you this money, [they] want it to go towards XYZ program’ and you have no choice. (Aaron; traditional philanthropist)

This type of funding creates a “starvation cycle” that leaves organizations “hungry” for the basic infrastructure needed to function. However, impact investors are motivated by providing funding that can help organizations be sustainable and scale.

Finally, impact investors claim that they are motivated by taking a “slow money” (Tasch, 2010) approach to investment. Slow money represents an investment approach that differs from traditional angel or venture capital investment in not emphasizing a short run (e.g., 3-5 year) timeframe for getting a return on investment. Instead, slow money impact investors are willing to take a longer “view” in making investments because they are motivated by helping develop products and services that will be beneficial to society but require a longer time horizon to develop than is generally acceptable by traditional investors. Joel describes how his impact investment fund incorporates this approach.
You see a lot of [traditional] private equity mega funds that will have a defined holding period for any investment they go into, be it three years or something like that. And no matter if it’s a suitable approach for a company to exit at the end of that holding period or not, most private equity firms out there will force that exit just to protect the financial interest of their financial stakeholder. And so, we kind of take the [long] view and we actually have specific features of our fund which allow us to take a long-term perspective. We’re just going to keep it [an investment] until it makes sense for not only us and our financial stakeholders but, also, the company and the company’s stakeholders as well. (Joel; social VC)

Another impact investor describes this approach as “patient capital” (Joshua; social venture capitalist). Michael, an impact investor, states that the benefit of this “slow money” approach is that it promotes sustainability and encourages the ventures he invests in to behave in a sustainable way. He describes the inter-relationship between slow money and sustainability in the context of agriculture.

Slow money is trying to grab this whole area of sustainable agriculture. If you think about agriculture, [the] term we use is ‘food, fiber, and forestry.’ So the ‘three Fs’, if you think about it, you know, look around the room you’re sitting in, and you think, ‘Well, gee, building materials, lumber.’ That’s all agriculture. Is it based on growing trees in a sustainable way? The fiber, the clothing you’re wearing, what is the source of the natural fibers in that? And the other fibers that are not natural fibers are all petroleum based. And so those are hydro carbons, basically, that have been turned into plastics. And so is that a sustainable activity? And then the fibers, most of it is genetically modified cotton that is modified to have a BT toxin so it doesn’t get eaten by boll weevils. So is that sustainable? So you start to look at food, fiber, and forestry comprehensibly, and you’re talking just in the U.S. alone well over a trillion dollars in retail business activity. The vast majority, which is done with no regard whatsoever to sustainability. It’s completely in the extraction model. And so that’s kind of the comprehensive space that slow money is attempting to address. (Michael; impact investor)

Overall, impact investors report that they are motivated by several specific aims – from being able to re-deploy their capital to taking a “patient” approach. However, all of these motivations revolve around their underlying desire to receive both financial and social returns on their investments. As described in the next section, to achieve their aim of producing financial and social value, impact investors use several different criteria for evaluating investments.

The Criterion of Impact Investors

Prior research on impact investment has not examined the criteria impact investors use; thus, it is unclear how they evaluate potential investments. Our findings indicate that, similar to traditional investors, individual impact investors and impact investment funds have financial targets, in terms of both the size of ventures and their stage of development, that determine if
they invest. For instance, the manager of an impact investment fund explains, “our basic investment mandate is for businesses that fall between $3 and $10 million in annual cash flows. (Joel, social venture capitalist). Another impact fund manager provides a more detailed description of the size of the firms in which his fund seeks to invest.

The stage [of venture] at which we would be looking at is the early stage of private equity and the late stage of venture capital. And if not cash flow positive, about to become cash flow positive. All this can be summarized in growth capital. That’s what we’re looking to invest in is growth capital. (Jacob; social VC)

Other impact investors explain that they do not have a specific venture size in mind, but rather use criteria based on the amount of capital the firm is seeking. For instance, Nathan, the vice president of investments of a social venture capital fund, explains his fund’s criterion.

We’re generally not startup financing. […] our sweet spot for us are groups that have done a pretty good job and are looking for at least $500,000 of new capital […] they’re looking for that level of growth capital. We’re looking at organizations and the criteria we say of what we’d like to see is at least two or three years of audited financials […] they have some track record that we can underwrite and understand their management team, their [business] plan, how they’re capitalized, as well as the impact they’re able to create.

Some impact investors (although they were in the minority) claimed to have a specific cut-off in terms of their desired financial return on investment. For instance, one impact investor explains his minimum desired return.

I’d be looking at [a] minimum of six or seven percent annualized compounded [return] as the very bottom and I’m really looking for more than that. […] In the realm of market returns, I would definitely go towards the bottom, so the lower end of that range if it’s a social enterprise, but it has to get a return. I’m not in the market for zero returns. (James; independent impact investor)

The investor’s statements once again highlight the distinction that impact investors draw between themselves and “pure” philanthropists that do not seek a return on their donations. Most impact investors, however, claimed not to have a specific minimum financial rate of return in mind. Finally, impact investors explained that in evaluating the financial potential of a venture they relied on some of the same criteria as traditional investors, such as evaluating the strength of the management team and the ventures’ ability to growth potential (i.e., potential for scale). For instance, one fund manager describes how his impact fund evaluates prospective investments.
One of our criteria is scale – scalability. If a company can scale, our investors would value that over companies that have a great social mission, but can’t scale. Because, the way they look at it is, if the company is successful and can scale, the impact is being multiplied. So growth, scalability, we consider heavily. […] Looking at scalability, management team, the traction they have to date. What’s the size of the market? What kind of market penetration could they have? All the things you traditionally look at with a review of a business […] and really the only additional thing we look at is, “What is the [social] impact of this deal? (Thomas; director of impact angel network)

As this quotation highlights, in contrast to traditional investors, what makes impact investors unique is that in addition to evaluating the financial strengths (i.e., the ‘business case’ for a venture), they also evaluate organizations using social value oriented criteria. These assessments can be conducted with varying levels of specificity. For example, Joel, the manager of an impact fund describes the fund’s process for evaluating business investments and how it assesses a venture’s social impact along several dimensions.

I think it’s up to about 200 questions. We have a proprietary sustainability model that we’ve built. So we have 30-40-50 questions on each stakeholder within the stakeholder chain – so employees, customers, investors, suppliers, community, environment. And we ask [the entrepreneurs] a number of questions. You know it’s not just, lick your thumb and stick it up in the air and then call it sustainable or not. We actually have to hit a certain threshold on the sustainability checklist […] in order to move forward.

Another impact fund manager, Stephen, describes using a metric developed by the “B-lab,” a nonprofit organization that certifies socially conscious companies as “Benefit Corporations” and then evaluates their social performance on a yearly basis.

We are also using the work the B-lab uses to certify B-Corporations. So all of our borrowers complete that [B-lab survey] on an annual basis together with some internal tools that [we] have developed. With regard to the social businesses that we support, we are looking at the product. We are looking at how their production works. We are looking at the [value] chain, the whole thing with respect to how those businesses carry out their work – looking at the environment, the human resources, each aspect that’s the most sustainable.

The director of the fund explains that in addition to evaluating ventures based on a set of metrics, they focus on a specific set of social issues.

[We] have three main focus areas, which are food and agriculture, education and the arts, and ecological stewardship. These focus areas go through all our offerings, whether lending, investing, or giving. […] So we’re looking for projects that are really on the deep end of the pond, in terms of deep green. So that in other words in the very essence of the projects, if there is a social component, there is an environmental component, that their mission addresses one of our main missions [and] they have a really sustainable approach to every aspect of their work: how they treat their work force [and] the capital structure. (Stephen; impact investment fund)
Although several impact investors describe a trend towards increased rigor and a growing quantitative emphasis in measuring and evaluating potential investments, the manager of a social venture capital fund cautions about over-reliance on such measures. Instead, she emphasizes evaluating the extent to which the founders of the venture seem to be aligned with the venture’s social mission.

So you may have a venture that has all of these really great quantitative measures of social impact, but if you can feel that the spirit of the founder is not aligned with that mission, it’s not a good investment. Especially when you’re balancing mission and money, which is very precarious, so much of that balance comes down to the CEO and to the founder and so I think that is much more important in early stage ventures to make sure that the founder’s spirit, mission, objective are aligned. (Sarah; social VC)

One impact investor describes a novel approach to evaluating ventures: rather than seek companies already engaging in activities that produce social value, he explains that his fund seeks prospective investments that are willing to adopt social-good producing activities as a contingency for receiving the investment.

One of the things we’re promoting in our funds is called ‘shared prosperity,’ which basically means that we’re going to ask the companies that we invest in to adopt from a menu of items, either employee stock ownership plans or profit share plans or some kind of mechanism that shares the company’s wealth with employees or with community. (David; social VC)

In sum, impact investors use several criteria for evaluating businesses. Some criteria, such as evaluating the strength of the management team or the scalability of the venture, overlap with those used by traditional investors. However, other criteria, such as evaluating a venture’s potential for producing social returns on investment, are unique to impact investment.

**DISCUSSION**

Despite the growing practitioner and media attention to impact investing, several foundational issues have not been examined, including delineating how impact investors differ from other major types of investors, identifying the varied motivations of impact investors, and detailing the criteria they use to evaluate investments. An inductive study was used to address these gaps in our understanding. Specifically, informants revealed that impact investors differ
from traditional investors along several dimensions, foremost of which is that they seek both financial and social returns on their investment by investing in organizations that create both financial and social value. Moreover, impact investors are motivated to make investments for a variety of reasons, such as alignment with their personal values and emotions, a belief in market-based solutions to social problems, the sustainability associated with taking a “slow money” investment approach, and because the financial return from impact investments allows for the re-deployment of capital. Finally, impact investors claim to base their decisions on several criteria, including characteristics of ventures associated with the social and financial value produced by their investments. These findings have implications for work in other literatures described in the next section.

Implications for Theory

**Implication for social entrepreneurship.** Impact investing has grown in tandem with the explosion of interest in social entrepreneurship; yet, the funding side of social entrepreneurship is only beginning to receive academic attention (e.g., Roundy, 2014a). Indeed, despite the increasing amount of impact investments made in social ventures, much remains to be learned about the individuals and groups that choose to invest in such ventures. This study revealed that unlike traditional entrepreneurs, entrepreneurs founding social ventures can access a wider range of funding sources. Depending on the stage of their venture, a traditional entrepreneur will generally pursue investment from family and friends, equity investors (e.g., angels and venture capitalists) and sources of debt (e.g., commercial lenders). In contrast, social entrepreneurs can pursue investment from all of these sources and from a new and growing class of investors that are unique to social entrepreneurship: impact investors. This suggests not only an additional way in which social and traditional entrepreneurs differ (e.g., Austin, Stevenson,
Wei-Skillern, 2006), but also that scholars examining social entrepreneurs’ resource acquisition attempts must consider not only how social entrepreneurs pursue resources from traditional sources of funding, but must also understand what is unique about resource-seeking activities of entrepreneurs pursuing investment from impact investors. For instance, findings suggest that, in the same way that social entrepreneurs will generally not be successful with traditional investors if they only communicate to investors the social value they produce, they may be equally unsuccessful with impact investors if they cannot communicate about both their ability to create social and financial value.

Implications for institutional logics. Institutional logics are “socially constructed, historical pattern[s] of material practices, assumptions, values, beliefs, and rules by which individuals […] provide meaning to their social reality” (Thornton, 2004: 69). Logics shape decision-making and serve as a lens through which individuals and groups make sense of their world (Thornton & Ocasio, 1999). Impact investors are a unique type of investor in that their actions are based on two logics: an economic logic that is associated with a desire to achieve a financial return on investment and a social welfare (or communitarian) logic based on the desire to receive a return of social value on investment (Pache & Santos, 2012; Nicholls, 2010). One of the reasons that there is debate within the impact investing community regarding how much financial (and social) return is “enough” is because the community has not settled which of the two institutional logics – economic or social welfare – will be given primacy. Not only is the relationship between the two governing logics of impact investing unclear at the community- (i.e., or investor-class) level, but each individual impact investor manages the tension between the two logics differently and places a different weight on them. Impact investing provides a unique context for scholars examining the interplay between different logics of action to explore
how such issues play out in situ and in a community of professionals that is currently wrestling with the issue. In addition, most of the research on institutional logics has focused on how organizations must internally balance conflicting logics (e.g., Greenwood, Diaz, Li, & Lorente, 2010). Impact investing represents a unique context in which scholars can explore how logics operate at the individual level.

Implications for Practice

Implications for social entrepreneurs. Although impact investing represents an exponentially growing source of investment, social entrepreneurs should be mindful of the fact that, relative to traditional forms of investment (e.g., angels, venture capital), impact investors are fewer in number. Thus, social entrepreneurs that target their entire fundraising activities at raising capital from impact investors may face an insufficient number of investors. However, social entrepreneurs should also recognize that impact investors represent a source of capital that may be more closely aligned with the dual-focus missions of their organizations. Indeed, because of impact investors’ concern for the social value produced through their investments, social ventures taking on such investments may be less likely to experience the “mission drift” (Jones, 2007) that social entrepreneurs often fear will occur when accepting investment from traditional, for-profit investors. Indeed, a common belief is that if a social venture receives investment from an investor focused strictly on financial returns that, depending on the amount of equity the investor receives, they may be in a position to pressure the entrepreneur to reduce the venture’s emphasis on its social mission in an attempt to increase financial returns. In contrast, impact investors, because they value both the social and business missions of the ventures in which they invest, should be less likely to try to dilute a venture’s mission. Thus, impact investors’ goals and motivations may be more closely aligned with those of social entrepreneurs.
Our study’s findings also have implications for how social entrepreneurs pitch their ventures to resource providers and communicate about their economic and social impact. Specifically, if entrepreneurs want to appeal to traditional or impact investors then they must communicate that they have a strong business and elucidate how they will generate a financial return on investment (i.e., they must communicate the “business case” for their ventures). If they do not do this, then they will fail to attract both traditional investors and (most) impact investors. Communicating with impact investors requires social entrepreneurs also develop a compelling message that describes the social impact they are producing and the social return that investors can expect. If entrepreneurs under-invest in developing their social or business pitches, or fail to develop business models that can produce strong financial and social returns, then their ability to attract investment will be compromised. This is an important reminder for social entrepreneurs who, as prior work has indicated (Roundy, 2014b), can be intensely focused on their social mission, often to the exclusion of the business “side” of their ventures.

Implications for impact investors. One implication of this study’s findings for practicing investors is that most of the impact investors interviewed desired some level of financial returns and did not consider it an impact “investment” if no financial returns were expected. Thus, an individual entering this space should consider if his or her goal is to be a philanthropist (associated with not requiring a return on their donation) or an investor. Neither role is necessarily superior; however, they represent two distinct types of societal actors.

Statements of impact investors also suggested that there is insufficient capital available at all levels of venture need. Thus, if impact investors desire to rival traditional angel or venture capital investment in terms of their size and influence as an investor class, then they need to not
only increase the pool of money available as impact investments, but be strategic about the creation of funds that can support ventures at all stages of the entrepreneurial life-cycle.

**Limitations and Directions for Future Research**

This study contains limitations, which serve as directions for future research on impact investing. First, this study focused on exploring issues foundational to understanding impact investing as a new investment phenomenon. However, in doing so, the design of the study was process- rather than variance-focused. That is, the focus was answering questions related to why individuals become impact investors and how they invest, rather than whether impact investing out- or under-performs other types of investment. But there are important, unanswered questions about the performance outcomes of impact investing. It is not known how impact investing performs financially relative to traditional financial investing (e.g., angel investing, venture capital) or socially relative to traditional philanthropy. For example, one impact investor that participated in the study asserts that, “there is a business case – a financial case for running a business in a sustainable fashion and so, if you do this, you actually will outperform the market over time” (Joel, social venture capitalist). These perspectives suggest that future work, and particularly large-scale, longitudinal and quantitative studies that compare the returns from impact and non-impact investments, are needed to understand the relative performance of impact investments.

Finally, impact investing has emerged as a vibrant and unique class of investors. Yet, scholars’ attention to impact investing has lagged that of practitioners and the popular press, which has resulted in very little rigorous work on impact investing. This study represents an attempt to shed light on this new phenomenon and to understand its place in the realm of early-stage entrepreneurship.
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Table 1: Description of Informants

<table>
<thead>
<tr>
<th>Informant</th>
<th>Impact or Traditional Investor Type</th>
<th>Position</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon</td>
<td>Traditional Angel group</td>
<td>Investor; Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Silas</td>
<td>Traditional Venture capital fund</td>
<td>VC</td>
<td>East Coast</td>
</tr>
<tr>
<td>Andrew</td>
<td>Traditional Angel group</td>
<td>Investor; Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Thad</td>
<td>Traditional Independent angel</td>
<td>Investor</td>
<td>Southwest</td>
</tr>
<tr>
<td>Luke</td>
<td>Traditional Independent angel</td>
<td>Investor</td>
<td>Midwest</td>
</tr>
<tr>
<td>Adam</td>
<td>Traditional Angel group</td>
<td>Investor; Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Abigail</td>
<td>Traditional Philanthropy; Private foundation</td>
<td>Executive Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Daniel</td>
<td>Traditional Venture capital fund</td>
<td>VC</td>
<td>Southwest</td>
</tr>
<tr>
<td>Elisabeth</td>
<td>Traditional Philanthropy; Private foundation</td>
<td>Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Ben</td>
<td>Traditional Angel group</td>
<td>Investor</td>
<td>Southwest</td>
</tr>
<tr>
<td>Matthew</td>
<td>Traditional Angel group</td>
<td>Investor; Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Timothy</td>
<td>Traditional Angel group</td>
<td>Investor; Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Seth</td>
<td>Traditional Angel group</td>
<td>Investor</td>
<td>Southwest</td>
</tr>
<tr>
<td>Aaron</td>
<td>Traditional Philanthropy; Private foundation</td>
<td>Executive Director</td>
<td>Southwest</td>
</tr>
<tr>
<td>Gabriel</td>
<td>Impact Venture capital fund</td>
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<tr>
<td>Jacob</td>
<td>Impact Social venture capital fund</td>
<td>VC</td>
<td>East Coast</td>
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<td>Nathan</td>
<td>Impact Impact investment fund</td>
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<td>East Coast</td>
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<td>Thomas</td>
<td>Impact Impact angel network</td>
<td>Director of investments</td>
<td>East Coast</td>
</tr>
<tr>
<td>Stephen</td>
<td>Impact Impact investment fund</td>
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<td>Anna</td>
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<td>Julia</td>
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<td>Kenan</td>
<td>Impact Impact investment fund (nonprofit)</td>
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<td>East Coast</td>
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<tr>
<td>Diana</td>
<td>Impact Impact fund evaluation</td>
<td>Manager</td>
<td>East Coast</td>
</tr>
<tr>
<td>Joanna</td>
<td>Impact Impact investing consultant</td>
<td>Consultant</td>
<td>Southwest</td>
</tr>
</tbody>
</table>
Table 2: Examples of Coding Structure

<table>
<thead>
<tr>
<th>First-order code</th>
<th>Second-order code</th>
<th>Third-order code</th>
<th>Illustrative quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment criteria</td>
<td>Criteria: business metric</td>
<td>Business metric: scale</td>
<td>“One of our criteria is scale – scalability. If a company can scale, our investors would value that over companies that have a great social mission, but can’t scale.” (Thomas; director; impact angel network)</td>
</tr>
<tr>
<td>Investment motivation</td>
<td>Motivation: traditional angel</td>
<td>Angel motivation: multiple</td>
<td>“Now the standard line for angels is, their goals are to ‘make a little money, have a little fun, and do a little good.’ So they take all three things normally into consideration.” (Matthew; investor; angel group).</td>
</tr>
</tbody>
</table>
INTERNATIONAL LGBT WORKPLACE EXPERIENCES:
A MULTI-FACETED VIEW ON PERCEIVED DISCRIMINATION

Even though lesbian, gay, bisexual, and transgender (LGBT) persons have become more visible in organizational contexts during the past decades, research and organizations have just begun to address their specific perceptions and challenges (Anteby & Anderson, 2014). According to McPherson and Clise (2012), 5 to 10% of the working population define themselves as LGBT in the US, and “companies neglecting to promote an inclusive culture will likely miss out on the opportunity to attract top talent from this segment of the workforce” (p. 10). Many talented LGBT professionals are looking for prospective employers that are LGBT-inclusive organizations. Research in the US shows that 75% of LGBT professionals prefer an employer with LGBT equality policies and practices when evaluating potential career moves, and 40% said that they would only accept a job offer from an organization where they can be “out” and treated equally (Out & Equal, 2013).

The importance of an LGBT-inclusive organization in a global context is also significant. LGBT professionals are unlikely to seek employment in countries where the LGBT community is oppressed, preferring countries in which the LGBT community is accepted and welcomed. The legal status of LGBT individuals in same-sex relationships depends on where they live. Across the world, there is a spectrum of LGBT rights ranging from same-sex marriage rights being equal to that of heterosexual couples, to being punished with the death penalty for being a sexual minority. Disclosing one’s LGBT identity in areas where homosexuality is illegal presents greater challenges than for those living in areas with anti-discrimination laws and legal gay marriage. The International Labour Organization (ILO, 2011) reported that LGBT people experienced human rights violations such as discrimination, harassment and prejudice in the workplace, especially in countries where homosexuality is criminalized. Thus, it is essential for a multinational organization to ensure
they have LGBT-inclusive workplace policies to attract and retain talented LGBT professionals from around the world.

Additionally, there are business and ethical reasons consistent with employment of LGBT employees. Konrad (2003) makes three points supporting the business case for employing a diverse workforce. First, global competition for the best talent requires utilizing an increasingly diverse labor market; a diverse workforce better meets the needs of a diverse clientele; and a diverse workforce increases an organization’s competitiveness by increased problem solving and innovation. Although the US is one of the most LGBT friendly countries, acceptance is far from universal. Recent anti-LGBT legislation in several southern US states (Guo, 2016) have led to business and economic consequences such as PayPal’s decision not to locate a new facility in Charlotte, North Carolina (Berman, 2016). Jayne and Dipboye (2004) add that in an increasingly multicultural society, it is just ethical for an organization to recruit and hire a more diverse workforce.

**Prevalence of LGBT Discrimination and its Effects**

A review of nine early studies on LGBT employees (Croutear, 1996) concluded discrimination in the workplace is pervasive: 25 to 66% of respondents reported discrimination with those who were open reporting higher levels. More recently, the Williams Institute on Sexual Orientation Law and Public Policy at the University of California Los Angeles (UCLA) reported that in the US in 2011, approximately 15% to 43% of gay, lesbian and bisexual employees experienced some kind of discrimination and harassment in the workplace; and 8% to 17% were not hired or were fired because of their sexual orientation (Gates, 2012). Another report found that in 2011, approximately 58% of LGBT employees in the US reported that a co-worker made derogatory remarks about LGBT employees from time to time (Catalyst, 2012). The report also stated that 67% of LGBT employees did not report discriminatory remarks to management.
Despite the fact that 85% of Fortune 500 companies have sexual orientation protective policies, 48% of surveyed LGBT employees still do not disclose at work, and many consider their sexual orientation a hindrance on the job (Hawlett & Sumberg, 2011). Discrimination affects employees' morale and confidence in the workplace. A study conducted in the US in 2011 found that LGBT employees who have not disclosed experienced less career advancement (Donovan, 2013). The study also suggested that homosexual men are less likely to hold a professional position when compared to equally or less qualified heterosexual employees because of their sexual orientation. Consequently, the decision to disclose at work is complex and influenced by individual and situational factors and many LGBT employees are careful to whom and to what extent they disclose (King, Reilly & Hebl, 2008; Ragins, 2008). Sampling the members of three LGBT associations in the US, Ragins, Singh, and Cornwell (2007) found employees varied in the degree of disclosure, i.e. 12% had not disclosed and 27% had completely disclosed, while the majority (62%) disclosed to some or most others at work.

Self-verification theory would suggest that LGBT employees are internally driven to disclose their sexual orientation due to a psychological need to create a social identity consistent with their public and private identities (Swann, 1987). Although Goffman (1974) 3 categorizes being LGBT as a concealable “stigma,” Cain (1991) contends sexual identity disclosure is associated with psychological well-being because it removes the strain resulting from hiding parts of the self (Goffman, 1974). For example, Day and Schoenrade (1997) found homosexual employees who disclosed showed “higher affective commitment, higher job satisfaction, higher perceived top management support, lower role ambiguity, and lower role conflict” (p. 157) than employees who had not disclosed.

Anteby and Anderson (2014) summarize the literature contending that not disclosing in countries where homosexuality is legal has a net negative effect on sexual minorities and
that those who conceal their sexual identity experience negative consequences. Some evidence suggests not disclosing at work is associated with health problems (Cole, Kemeny, Taylor, & Visscher, 1996), stress, low job satisfaction, and organizational commitment (Clair, Beatty, & MacLean, 2005; Day & Schoenrade, 1997; Day & Schoenrade, 2000; Driscoll, Kelly, & Fassinger, 1996; Ragins et al., 2007). LGBT employees who have not disclosed tend not to engage in small talk about their private life that builds rapport, trust, and a sense of community in the workplace among co-workers (Hawlett & Sumberg, 2011). On the other hand, many LGBT employees do not disclose their sexual identity for fear of career consequences (Lucas & Kaplan, 1994; Powers, 1993). Ragins et al. (2007) found that LGBT employees who feared the consequences of full disclosure, experienced more symptoms of physical strain, more negative job and career attitudes, and received fewer promotions. Interestingly, perceptions of past experience with sexual orientation discrimination were related to increased fears but also to greater disclosure.

Although research discussed above finds that disclosure at work tends to have positive psychological effects, LGBT employees in some countries face significant barriers and dangers to disclosing. Specifically, LGBT employees are less likely to disclose in Asia, Africa, and the Middle East where homosexual behavior is often criminalized than those in North America, Europe, Australia, and New Zealand with more liberal laws. In one of the few studies to examine the effect of protective legislation, Ragins and Cornwell (2001) found the presence of protective legislation in the U. S. was important for both disclosure and perceived discrimination.
Research Question 1: Do LGBT employees perceive discrimination and which factors contribute to perceptions of discrimination?

The first research question of this multi-national study examines perceptions of LGBT employees’ discrimination at work. Earlier studies (Croutéau, 1996) focused primarily on prevalence of discrimination and fear of disclosure; however, most studies were conducted in the US and five of the nine studies reviewed sampled only lesbians. More recent research such as Ragins and Cornwell (2001), Ragins, Singh and Cornwell (2007) and Rabelo and Cortina (2014) has explored many other antecedents and outcomes beyond perceived discrimination and disclosure such as protective legislation, organization policies, co-worker orientation, perceived discrimination, disclosure, job satisfaction, turnover intentions, and others (Ragins & Cornwell, 2001). They found that while protective legislation was an important factor, a supportive workplace culture was the best predictor of less workplace discrimination. Rabelo and Cortina (2014) found discrimination and harassment were lower where there was organizational and supervisory support resulting in lower levels of job stress and burnout.

Examining LGBT employees’ perceptions of discrimination and career limitations is important because it not only affects their sense of identity and well-being, but these feelings translate into work behaviors important to their employers, i.e., job satisfaction, organization commitment, turnover, and performance. If employees perceive discrimination whether due to gender, race, or sexual orientation, it will affect their work performance so that both employees and employers will experience negative outcomes. This study is one of the first to examine perceived discrimination in a multi-national study that includes some countries in which homosexual behavior is illegal and, in one country, even punishable by death.

While most LGBT studies focus on sexual orientation discrimination, few examine both gender and sexual discrimination. One recent exception is Rabelo and Cortina’s (2014)
study in which 66% of the respondents experienced both gender and harassment associated with sexual orientation and this harassment was associated with significantly higher job stress, burnout and low job satisfaction than non-harassed employees. Similarly, it may well be that female or racial minority LGBT workers experience “double discrimination” compared to LGBT employees of the majority group race and/or sex. In this study, we examine perceived discrimination due to sexual orientation, gender and racial minority status.

Extant research discussed above supports the finding that the presence or absence of a supportive work environment with inclusive policies and practices has a major impact on LGBT employees’ perceptions of discrimination. A supportive work environment is important because employees have higher work engagement when they are in a psychologically safe environment (Kahn, 1990). Psychological safety is defined as “feeling able to show and employ one’s self without fear of negative consequences to self-image, status, or career” (Kahn, 1990, p. 708). Tejeda (2006) found gay men employed in organizations with non-discrimination policies had higher job satisfaction, quality supervisor relationships (LMX) and reported more organizational citizenship behaviors. Ragins and Cornwell’s (2001) study showed that organizational policies leading to a supportive environment were the most important factor determining perceived workplace discrimination. Consistent with extant research, we expect perceptions of a supportive work environment will be significantly associated with lower levels of perceived LGBT discrimination.

Minority group members often face negative feedback with an ambiguous cause in that it could be attributed to either discrimination based on minority status (external locus of control) or lack of personal deservingness (internal locus of control). The theory of attributional ambiguity can be used to explain why some minority group members perceive discrimination due to their minority status, while others minimize this potential discrimination and attribute negative feedback to their performance. Crocker and Major
(1989) argued that attributing negative feedback to discrimination based on minority status protects the individual’s self-esteem, while minimizing discrimination helps minority group members to maintain perceived control over personal outcomes. By minimizing personal discrimination in an achievement context, minority group members perceive themselves as the cause for negative feedback and the belief in their control of personal outcomes may be retained. Minimizing discrimination is thought to be more psychologically beneficial as a minority group member is able to maintain perceived control over events in his or her life, while attributing negative feedback or outcomes to discrimination based on minority status protects self-esteem in an achievement context (Ruggiero & Taylor, 1997).

**Research Question 2: What factors predict disclosure at work?**

More research and theory have been devoted to disclosure at work than most any other LGBT issue. One reason for this is disclosing one’s sexuality at work is a complex interaction of situational and individual factors (King et al., 2008; Ragins, 2008). Ragins’ (2008) model of disclosure includes three components: 1. internal psychological factors such as the centrality of identity; 2. the anticipated consequences of disclosure; and 3. environmental factors such as social support.

The major antecedent identified within research associated with disclosure of LGBT status at work is company support in terms of policies, co-workers, and supervisors (Day & Schoenrade, 1997; King et al., 2008; Ragins & Cornwell, 2001; Ragins et al., 2007; Tejeda, 2006). The Ragins and Cornwell (2001) study was one of the few to explicitly examine the effect of LGBT protective legislation on disclosure at work. They found that LGBT employees were more likely to disclose when they had gay co-workers, supportive organization policies and practices, and were covered by protective legislation. Because the variation in laws across nations is larger than the Ragins and Cornwell multi-state sample, we expect few, if any, respondents in countries where homosexuality is illegal to disclose. We
also expect respondents in non-Western countries to be less likely to disclose compared to Western countries.

With the exception of demographic variables such as age, education and race, few individual variables have been examined in LGBT disclosure at work research, and theoretical bases for relationships between demographic variables and disclosure have been absent in these studies. The legal status of LGBT individuals in same-sex relationships depends on where they live. Across the world, there is a spectrum of LGBT rights ranging from same-sex marriage rights being equal to that of heterosexual couples, to being punished with the death penalty for being a sexual minority. Those living in areas where homosexuality is illegal potentially face a greater hurdle of disclosing their orientation than those in areas that have anti-discrimination laws and legal gay marriage. Hollander’s idiosyncrasy credits theory (Hollander, 1958; Stone & Cooper, 2009) contends that when one builds credit by attaining status and demonstrating loyalty and good performance over time, group members will allow deviation from group norms. Also, ascribed status (Hollander, 1958), race and gender may be a sources of idiosyncrasy credits. Using Hollander’s idiosyncrasy credits theory (Hollander, 1958; Stone & Cooper, 2009), we contend age, tenure and job level as demographic variables as well as geographic location may be associated with disclosure at work.

Research Question 3: Do LGBT employees have a specific work perspective and do they perceive it to be appreciated?

Research Question 3 examined whether LGBT employees feel their sexual orientation provides them with a different perspective and whether their company appreciates this perspective. While the bulk of the LGBT literature tends to focus on the negative aspects of being gay, little research has examined the positive side of being gay. That is, some LGBT individuals have not only accepted that they are different from non-LGBT individuals, but
think that their difference gives them a different perspective that in some work contexts provides an advantage. One exception is the Lesbian, Gay, and Bisexual Identity Scale (LGBIS) developed by Mohr and Kendra (2011) which assesses identity superiority and identity centrality with two subscales. Examples of items include: “I feel that LGB people are superior to heterosexuals,” “I look down on heterosexuals,” “To understand who I am as a person you have to know that I’m LGB,” and “Being an LGB person is a very important aspect of my life.” Mohr and Kendra (2011) found identity superiority was, as predicted, negatively correlated with a desire to interact with heterosexuals and highly (r = .52), correlated with identity centrality. Therefore, to the degree an LGBT employee feels they bring a different, “superior” perspective to their work, their expectations and reactions to company policies and practices may be different from those without this perspective.

Organizations that appreciate the perspective of minorities, in our case LGBT employees, are likely to attract and retain the best talent from this population. To our knowledge, these questions have not been previously investigated with an international sample.

METHOD

Sample

A convenience, purposive sample (Kumar, 2005) of 150 lesbian, gay, bisexual, and transgender (LGBT) employees, managers, executives, and entrepreneurs was administered an online survey. Participants were solicited through direct email, postings on LGBT organizations’ websites, and Facebook group messages. This population has been described as challenging to survey because they are “hard to reach” (Price, 2011, p.14).

The largest representative sample came from Australia and New Zealand at 49% (74) followed by Asia 19% (28), Western Europe 12% (17), and North America 11% (17) with the remainder from the Middle East, Africa and other areas. Sixteen percent of participants
(n = 24) live in countries where being LGBT is illegal and punishable by law. From this subsample, participants from Bangladesh, Egypt, India, Lebanon, Morocco, and Pakistan (n = 23) can be imprisoned for being LGBT and in Saudi Arabia sentenced to the death penalty (n = 1). We coded location into three categories: Western countries (North America, Western Europe, Australia, and New Zealand; n = 108); other countries (South Africa, Thailand, Jordan, Indonesia, and Philippines; n = 18) where homosexuality is not illegal but discrimination is not uncommon, and countries where being LGBT is illegal. Due to our international sample and because race is an ascribed status factor, usually a function of population minority vs. majority status, we recoded race as minority status according to respondents’ race and their geographic location.

In terms of gender, a majority of the respondents were male at 56% (85), 38% (57) were female, 3% (4) were transgender male-to-female, and 3% (4) were transgender female-to-male. Gender was dichotomized into male/female with transgender respondents being coded into their current gender resulting in 60% (89) male and 40% (61) female. In terms of sexual orientation 86% (130) were gay and lesbian, 11% (16) were bisexual, and 3% (4) were straight (transgender).

Seventy percent (105) of our sample had disclosed their sexual orientation; 30% (45) had not disclosed; however, 17 of those who had not disclosed lived in countries where LGBT status is illegal. Interestingly, six respondents indicated disclosing despite the illegal status. In terms of racial distribution, 63% (95) defined themselves as Caucasian, 23% (35) Asian, 3% Hispanic, 8% (12) were of mixed race, and 3% (3) were of African, Pacific Islanders and North American Indians. Sixteen percent of our sample had racial minority status (n = 24) while 84% (n=126) were a member of the racial majority in their area.
Survey

The first part of the questionnaire assessed demographic data including age, gender, sexual orientation, region where they live, race, level of education, industry, employment status, work level in the organization, and tenure. The second part of the questionnaire captured workplace experiences and perceptions of LGBT employees on the issues of discrimination and career advancement with seven items. Using a five-point Likert scale ranging from 1 (disagree) to 5 (agree), participants assessed whether being LGBT had advantages compared to heterosexual workers, if perceived discrimination and career limitations existed due to religious beliefs of co-workers and/or higher management, and if their organization supports and appreciates the LGBT perspective (see Table 1). After each question, respondents had the opportunity to expand on their answer and provide qualitative comments.

ANALYSIS & RESULTS

Exploratory factor analysis of the seven LGBT perspective and perceived discrimination items was conducted and results revealed a 3-factor structure. The first factor discrimination contained three items (LGBT discrimination, religious discrimination, and career limitations due to being LGBT) and explained 31.76% of the variance. Internal consistency was good with Cronbach \( \alpha = .83 \). Internal consistency of the other factors was unsatisfactory with \( \alpha = .42 \) for the second factor and \( \alpha = .23 \) for the third factor so that the remaining four items were analyzed as single-item scales.

To better understand our respondents’ perceptions, the survey provided opportunities for comments. Half of the respondents used the opportunity to explain their perceptions in more detail with 677 comments in total (range: 0-12; median: 4); the question ‘Being LGBT has no effect on the way I do my job, it is just part of who I am’ received the highest number of responses \( n = 80; 53\% \). The number of comments and perceived discrimination were
correlated \( r = .21, p = .01 \); however, a median split did not reveal differences between those making four or fewer comments \( n = 77, M = 2.41, SD = 1.19 \) compared to those making five or more comments \( n = 73, M = 2.76, SD = 1.24 \), Cohen’s \( d = -0.288; t (148) = -1.74, p = .083 \) in terms of discrimination. In the following, quantitative results will be presented first and representative responses will be used to exemplify the wide range of respondents’ views, thus trying to provide a multi-faceted view on being LGBT and its effects in the workplace.

Research question 1 assessed whether employees felt discriminated against and which factors contributed to perceived discrimination. As seen in Table 2, on average, respondents did not feel discriminated against \( M = 2.58, SD = 1.24 \), and only 26% of LGBT respondents agreed or tended to agree they were discriminated against in the workplace. However, in their qualitative responses respondents describe examples of discrimination that vary in their severity and range from rather harmless: “I don't think it's malicious. I think these guys just believe that to be heterosexual they have to prove they're not homosexual by being lightly derisive and poking fun at the gay guy…” (Out, Gay, Media Art Lead, Caucasian, Australia) to overt bullying, “I often hear other staff making offensive jokes about LGBT people” (Closeted, Lesbian, Assistant Nurse, Caucasian, Australia) to very severe consequences, such as:

They found out I am mtf transgender and trying to get me fired for the last 4 years anything I do I get warnings while others are left alone. People refuse to work with me cause they don't like who I am and my way of living. (Out, Lesbian, Transgender MtF, Security Tactical Intervention Officer, Mixed Race/White, South Africa)

Geographic area was significantly correlated to perceived discrimination \( r = .23, p < .01 \). Respondents in countries where being LGBT is illegal felt significantly more discriminated against \( M = 3.32, SD = 1.23 \) compared to those living in either Western \( M = \)
2.45, $SD = 1.21$, Cohen’s $d = -0.717$) or other countries ($M = 2.37, SD = 1.18$, Cohen’s $d = -0.786$; $F(2,147) = 5.37, p = .006$): “It’s not legal to be Gay here and if you say so you may be fired” (Closeted, Gay, Engineer, Caucasian, Egypt), but respondents also noted differences even among Western countries in terms of discrimination: “I am an American that now lives in Australia. I experienced plenty of blatant discrimination in the USA. I do not experience it in my day-to-day life in Australia” (Closeted, Lesbian, Customer Service Specialist, Caucasian, Australia).

Racial minority status had no influence on perceived discrimination ($r = .03, ns$; non-minority: $M = 2.57, SD = 1.22$; minority: $M = 2.67, SD = 1.40$, Cohen’s $d = 0.08$; $F(1,148) = 0.13, ns$), even though some of the qualitative remarks indicate the reverse: “It’s more than SOME people. It’s called ‘getting knocked out of the running for the job in the first place the minute they see you after reading your application and/or resume and/or Yale and Johns Hopkins transcripts.....” (Closeted, Bisexual, Female, Substitute Teacher, American Indian/Alaskan Native, US). However, while some respondents think Caucasians cannot be discriminated against: “I am white. There is no way to discriminate against a white person. Hence white privilege” (Out, Lesbian, Travel Consultant, Caucasian, Australia), others disagree: “In Australia many people are racist. I am Caucasian, but I have worked in Call centers and often people have refused to be served by me and asked to be put through to a real Australian” (Out, Gay, Finance Administration Officer, Caucasian, Australia).

There was no significant correlation between gender and perceived discrimination ($r = .06, ns$). LGBT women, as a double-minority, did not feel more discriminated against compared to men (women: $M = 2.67, SD = 1.15$; men: $M = 2.52, SD = 1.31$; $t(148) = -0.69, ns$, Cohen’s $d = -0.12$). However, there were exceptions as well: “The issue is big when you are a strong personality, very knowledgeable dyke. Perhaps if I were a lipstick lesbian things
could be different” (Out, Lesbian, Resident Property Manager, Mixed Race/Jewish Latin, US).

Perceived discrimination did not correlate with age \((r = .01, ns)\), education \((r = .01, ns)\), and tenure \((r = -.05, ns)\). On the other hand, lesser discrimination was reported by those who have higher job levels \((r = .28, p < .01)\) and who indicated that sexual orientations have no effect on work \((r = -.19, p < .05)\): “My sexuality does not have a bearing on how I perform my work; my qualifications and experience does” (Out, Gay, Government Economist, Asian, Australia). Lesser discrimination was reported by those who feel supported by their company \((r = -.39, p < .01)\) but, interestingly, almost half of the respondents (48%) stated that their company did not offer any support, and only 25% said there was support while 27% were not sure.

In summary, on average respondents do not feel discriminated against except those living in countries where LGBT is criminalized, while higher job level and perceived company support are correlated with less discrimination. No other demographic variable (e.g. gender, minority status, education, and age) was significantly associated with feelings of discrimination, so we did not find support for a double minority hypothesis (gender, minority status). Qualitative responses, however, reveal widely varying perspectives of respondents’ LGBT status and the effects as well as the desired level of support from their organizations.

To identify which factors contribute to perceived discrimination, we conducted stepwise multiple linear regression analyses with perceived discrimination as the dependent variable and demographic and attitudinal variables as predictor variables (see Table 3). In the first step, we included geographic location, minority status, and age and gender into the equation. The resulting model explained an adjusted \(R^2\) of .04 \((F(4, 145) = 2.61, p = .038)\) with geographic location as the only significant predictor \((\beta = .26, t = 3.12, p = .002)\). In the next step, we included education, tenure, and job level. The resulting model explained an
additional 7% of the outcome variance and produced an adjusted $R^2$ of .12 ($F(7, 142) = 3.85, p = .001$). Significant predictor variables were geographic location ($\beta = .27, t = 3.34, p = .001$) and job level ($\beta = -.32, t = -3.81, p = .001$), indicating that higher professional status was associated with lesser perceptions of discrimination; age had a marginal effect ($\beta = .20, t = 1.95, p = .054$) with older respondents feeling more discriminated against.

In the third and final step, we included perceived company support, LGBT employees providing a different perspective, being LGBT having no effect on work, the company appreciates LGBT employee’s perspective, and perceived career advantages by being LGBT. The resulting model explained an additional 18% of the outcome variance and produced an adjusted $R^2$ of .29 ($F(12, 137) = 6.12, p = .001$). Significant predictor variables were age ($\beta = .21, t = 2.24, p = .027$), geographic location ($\beta = .25, t = 3.24, p = .002$), and job level ($\beta = -.29, t = -3.74, p = .001$), as well as company support ($\beta = -.31, t = -4.18, p < .001$) and being LGBT offers a different perspective ($\beta = .18, t = 2.34, p = .021$). The strongest predictor was company support with respondents feeling more discriminated against if their company does not offer this support. Those who feel they offer a different perspective also feel more discriminated against.

**Research Question 2** examined disclosure at work. We were unable to conduct regression analysis with disclosure as the dependent variable due to the small number of respondents who had not disclosed. However, the pattern of zero order correlations is consistent with past research examining factors related to disclosure at work (Day & Schoenrade, 1997; King et al., 2008; Ragins et al., 2007), i.e., disclosure correlated significantly with company support ($r = .25, p < .01$) and negatively with perceived discrimination ($r = -.29, p < .01$). Additionally, disclosure at work was associated with several factors of Hollander’s idiosyncrasy credits theory (Hollander, 1958; Stone & Cooper, 2009), i.e., age ($r = .17, p < .05$), tenure ($r = .17, p < .05$), and job level ($r = .15, p < .05$). The
strongest relationship \( (r = -.39, p < .01) \) was the association with geographic area showing that there are very few respondents who had disclosed in Middle Eastern, Far Eastern and African countries where homosexuality is illegal and the majority of respondents who had disclosed were in more Western culture countries.

Research Question 3 examined whether LGBT employees feel their sexual orientation provides them with a different perspective and whether their company appreciates this perspective. Slightly more than half of the respondents, 55% (82), agreed or tended to agree that being LGBT offers a different perspective compared to heterosexual workers. Conversely, 23% (34) of the respondents disagreed or tended to disagree with the statement \( (M = 3.49, SD = 1.32) \), while 23% (34) were not sure. Comparison of the agree vs. disagree subgroups (see Table 4) shows that those who believe LGBT employees have a different perspective are significantly more educated, feel being LGBT affects their work, believe that being LGBT gives them career advantages compared to heterosexual coworkers, and feel more discriminated against compared to those who do not believe they have a different perspective; however, both subgroups do not differ in terms of age, tenure, job level, perceived company support, appreciation of their perspective by the company, or career limitations due to race.

Some respondents feel this different perspective makes LGBTs more creative: “In my opinion most of LGBT people have some sort of an artistic view to life or have a different view of life...” (Out, Gay, Architect, Mixed Race/Arab, Lebanon), and open minded: “most of the times, straight people only think within the stereotypical confines... very much similar to narrow mindedness” while LGBT employees “have a more broad vision and thinking and tend to accept (or at least consider) various aspects of everything” (Closeted, Gay, Medical Student, Asian, India). Some respondents believe their different perspective gives them a better understanding of problems faced by other LGBT employees: “My sexual orientation is
relevant to my work: prevention HIV among men who have sex with men” (Out, Gay, NGO/Grassroots Consultant, Mixed race/Arab), as well as for other minorities, as participants described being more aware of “power dynamics” and the “potential to marginalize individuals or groups” (Out, Transgender FtM, Principal, Caucasian, Australia) and being “more well-acquainted” with discrimination enabling one to “be more empathetic” towards coworkers facing discrimination (Closeted, Lesbian, Programmer Analyst, Asian, India). Another participant stated she had “developed an open and accepting way of dealing with people many straight colleagues do not possess” despite being “pressed to hide” who she is and “being verbally abused” (Out, Lesbian, Peer Support Worker, Caucasian, Australia).

On average, however, respondents do not think their companies appreciate this LGBT specific perspective ($M = 2.54, SD = 1.11$) as stated in these responses: “The companies and people I work for are generally tolerant and even pleased to have diverse employees, including gay/lesbian, but in my job area I don't think they prefer the employee to be gay or straight” (Out, Gay, Engineer, Caucasian, UK); “My company tend to homogenise all employees and disregards all identity variations whether they be sexual identity or otherwise” (Closeted, Bisexual, Female, Customer Service Agent, Caucasian, Australia). One exception was an organization “creating policies and procedures that create internal equity” such as “domestic partner policies” including “health insurance, before the legalization of gay marriage in Massachusetts,” “a gender expression policy for over 15 years,” and “protocols for protecting transgender individuals in the emergency shelters run by our organization” (Out, Gay, Organizational Development and Training Manager at a municipal government agency, Hispanic, US).

When asked how their company shows its appreciation for the LGBT perspective, qualitative answers varied from: “No specific support that caters to the needs of LGBT
employees” (Out, Lesbian, Research Associate, Asian, Philippines), to having the same privileges as heterosexual employees: “It could be better but we get cultural leave for LGBT events, parental leave if we become parents, and we have a growing Proud at Work type” (Out, Gay, Lawyer, Mixed Race, Australia), to specific support for LGBT issues: “Fully supportive of anyone and their sexuality/gender identity. Holds meetings for people who want to make suggestions of how culture and workplace relations could improve against LGBT” (Out, Gay, Customer Experience Specialist, Caucasian, Australia).

However, when asked what kind of support companies should offer, answers varied considerably from no LGBT specific support wanted to extensive changes in legal protection and public awareness: “I would like my company NOT to provide any support – as in a proper equality society – gay people are accepted and treated as valuable citizens and workers regardless of how I choose to live my life” (Out, Gay, Senior Communications Officer in Law Enforcement, Caucasian, Australia), versus: “1. Provide the basic rights like right to express our views; 2. Legal protection from any discrimination based on sexuality or any other factor; 3. Create public awareness and sensitivity among the working population towards the issue of alternate sexuality” (Closeted, Gay, Medical Student, Asian, India).

Other respondents reported that an inclusive organization should encompass “a GLBTI network, a mentoring program, a corporate training program to improve GLBTI issue awareness in the workplace culture” (Out, Gay, Director/Freelancer, Caucasian, Australia) and provide “sessions to educate employees about the LGBT” as well as “support groups to help LGBT employees to cope with mental pressure that they face due to discrimination” which in turn will “create a healthy working environment where the employees can be free and open about their sexuality and not be forced to be in a closet” (Closeted, Lesbian, Program Analyst, Asian, India).
The more LGBT respondents agree that they have a different perspective, the more they think it should provide career advantages \( r = .25, p < .01 \); however, they also feel more discriminated against \( r = .18, p < .05 \). This finding is consistent with a high score on Mohr and Kendra’s (2011) LGBIS identity superiority subscale. A possible explanation for this finding is that those who feel they have a different perspective may be more sensitive to discrimination as one respondent believes the LGBT perspective improves compassion and sensitivity for ethical issues while also stating: “In the negative I think that I am sensitive to prejudice regarding my sexuality” because “I carry baggage of past prejudices” which consequentially “makes me more sensitive to actions or behaviours that are reflections of past experience” (Out, Gay, Automotive Director, Caucasian, Australia). Similarly, another respondent stated: “Being part of a minority demographic does add a level of sensitivity to how ones own and other minorities are treated in the workplace” (Out, Lesbian, Human Resources Manager, Caucasian, Australia). On the other hand, not everybody agrees that their sexual orientation affects the job: respondents overwhelmingly stated that being LGBT should have no effect on their work \( M = 4.25, SD = 1.21 \): “Being gay is just being gay. If you’re straight does that affect your job? No, I didn’t think so. Being gay is the same thing” (Out, Gay, Retail Sales Associate, Caucasian, US), or even state: “What I prefer in bed can never affect my work. Do straight people get their work defined by their choice in bed?” (Closeted, Gay, IT Quality Analyst, Asian, India).

Other responses provide explanations for negative effects on career advantages, such as stress: “Being closeted is a stressful experience and distracts from a constructive focus” (Closeted, Gay, Pharmacist/Training Doctor, Asian, Australia); appearance: “I believe that my appearance, being quite stereotypically lesbian and ‘masculine’ whatever that means, it tends on the contrary to give me a disadvantage in finding a job” (Out, Lesbian, Retail Assistant, Caucasian, UK), or social pressures: “By being gay one is subject to much more
social pressure and that definitely has an impact on performance” (Closeted, Gay, Higher Education Media Freelancer, Caucasian, UK).

One respondent claims that an open mind and acceptance of others makes LGBTs better managers: “I think LGBTQ people tend to be more open and accepting of others and this in turn makes them good managers and leaders within a workplace” (Closeted, Lesbian, Accounts Clerk, Caucasian, Australia). Finally, even the lack of the traditional family model is seen as being an advantage: “Because I am more career driven then most of my co-workers they all have family's and young children” (Out, Lesbian, Environment Land and Rehab, Caucasian, Australia), as well as a hindrance for a career: “The perceived lack of stability in not having the wife, kids and mortgage limits progression through management ranks in certain organisations” (Closeted, Gay, Development Engineer, Caucasian, New Zealand).

The qualitative responses also suggest that some industry sectors are a better fit for LGBT employees, e.g., social services: “I think it has made me more sensitive to other’s difficulties and also allows me to counsel the LGBT clients better” (Out, Gay, Crisis Counseling Clinician/Consultant, Caucasian), or entertainment: “Being in the arts and entertainment industry in the US/UK being gay is well accepted” (Out, Gay, Music Engineer, Caucasian, UK).

In summary, while the majority agrees that being LGBT offers a different perspective compared to heterosexual co-workers, most agree that being LGBT has no effect on the way they do their job and it is just part of who they are. Half of the respondents are not sure whether their company appreciates the LGBT perspective, and, consequently, respondents do not believe being LGBT gives them career advantages compared to heterosexual co-workers. Qualitative statements reveal differences between respondents in terms of the effects of how central being LGBT is to their identity.
DISCUSSION

This international study examined LGBT workers’ experiences and perceptions of their workplaces. Specifically, three research questions were examined:

1. *Do employees feel discriminated against and which factors contribute LGBT employees’ perceptions of discrimination?*

2. *What factors are associated with disclosing vs. not disclosing?*

3. *Do LGBT employees provide a unique perspective and do they perceive it to be appreciated?*

Research question 1 examined perceived discrimination and career limitations due to their sexual orientation and the factors contributing to these perceptions. Overall, only a minority of our sample perceived LGBT discrimination and career limitations. Respondents in our sample perceive less discrimination than found in other studies: however, most research was conducted in the US and results vary considerably: e.g., The Williams Institute on Sexual Orientation Law and Public Policy at UCLA reported percentages between 15% to 43% of gay, lesbian and bisexual employees who have experienced some kind of discrimination and harassment in the workplace (HRCF, 2012). Another potential explanation is the self-selection nature of this sample. While our sample suggests discrimination against LGBT employees is not the norm, our study revealed the feelings of some experiencing discrimination, their fears of disclosure, and career limitations.

According to Seba (2011), LGBT people of color and ethnicity find it hard to reconcile sexual orientation and racial or ethnic identity, especially if their culture teaches strongly against homosexuality, leading many to choose not to disclose. Even though our quantitative results do not confirm that double minorities based on gender or minority status perceived more discrimination, qualitative remarks illustrate that the challenges faced by LGBT people of color and ethnic groups, as victims of double discrimination, are daunting
according to some respondents; in some cases, Caucasians can also be victims of discrimination based on race.

Multiple stepwise regression analyses identified factors contributing to LGBTs’ perception of discrimination. The final model revealed living in a country where being LGBT is illegal, (higher) age, and LGBT employees providing a different perspective increased feelings of discrimination, whereas higher job levels and perceived company support were associated with less perceived discrimination. Explaining about 29% of the outcome variance, the final model identified perceived company support as the strongest predictor with respondents feeling more discriminated against if their company does not offer this support. Additionally, those who feel they offer a different perspective also feel more discriminated against. Both variables are correlated, and respondents who feel the LGBT perspective is appreciated also feel more supported by their organization \((r = .33, p < .05)\). Since nearly half (48%) of our sample perceive no support from their employer and only 12% feel their LGBT perspective is appreciated in their organization, the finding that only a minority of LGBTs (26%) feel discriminated against is surprising. However, 76% of our sample believe their sexual orientation has no effect on their job, so respondents may have been unsure about support for LGBT employees and may have felt the opportunity to offer a different perspective was not relevant or available for many jobs.

For research question 2, we were unable to conduct regression analysis with disclosure as the dependent variable due to the small number of respondents that had not disclosed and the fact that many of them worked in countries where homosexuality is criminalized. Zero order correlations indicated that disclosing correlated positively with company support, age, tenure, and job level, and negatively with perceived discrimination. Geographic area correlated with disclosing, such that the majority of respondents who
disclosed were in more Western culture countries as opposed to Middle Eastern, Far Eastern, or African countries.

Our results are consistent with prior studies, e.g., Ragins et al.’s (2007) finding that when the work group was perceived as supportive, LGBT workers reported more disclosure and less fear, Day and Schoenrade (1997) identifying the role of supportive top management, and King et al. (2008) showing a supportive organizational climate to be positively correlated with positive disclosure experiences. Such climates provide the psychological safety allowing LGBT employees to be themselves “without fear of negative consequences to self-image, status, or career” (Kahn, 1990, p. 708).

For research question 3, one fourth (23%) of respondents disagreed or tended to disagree that LGBTs have a different perspective and one half (54%) agreed or tended to agree that they have a different perspective. Those who felt they have a different perspective were more educated, believed they have more career advantages due to being LGBT, and felt more discriminated against. Qualitative responses revealed that participants differ in the levels of support they want from their employers, ranging from an inclusive culture or concrete policies and procedures to no support at all. The latter was typically supported with the claim that for LGBT employees to be treated equally, they should not have special policies or resources at work because they are the same as any other employee.

A possible explanation for our varying results on ideal company support is the theory of attributional ambiguity (Crocker & Major, 1989). Participants who feel that their company should not provide any additional support for LGBT employees may attribute their success and failure to their own behavior and believe they can control desired outcomes. Attributional ambiguity might also explain why those who have a different perspective can be more sensitive to discrimination, as the theory contends that some minority group members perceive negative feedback due to their minority status.
Practical and Theoretical Implications and Limitations

Our study has at least two limitations: 1. use of single-item measures as predictor variables, and 2. the self-selected sample. The single-item measure deficiency may have been partially alleviated by the rich open-ended responses many respondents provided. Although our sample is uniquely international, it is small and respondents may not be representative of the international LGBT population. Additionally, because this study was exploratory and the sampling was a purposive and self-selected convenience sample, the results may have limited generalizability.

While much of LGBT research has measured disclosing vs. not disclosing as a dichotomous variable, Ragins et al.’s (2007) approach of measuring the degree to which someone disclosed should be encouraged in future research. It is quite likely that such a measure captures reality more accurately. Future research should investigate if support from family and friends compensates for lack of support in organizational settings and vice versa. It is possible that those who receive support from family and friends are less affected and are able to cope with lack of support from their employing organization.

The practical implications of this study as well as prior research are clear: An LGBT supportive workplace is beneficial for both LGBT employees and the organization. However, our open-ended responses show employees considerable variation in their definition of what support means. While some LGBT employees prefer specific policies and procedures for their protection, others want an inclusive work climate or even no support at all. This suggests that while an inclusive and actively supportive work environment may be desired by many LGBT workers, employers should consider other perspectives too as they develop policies and programs.
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<th>Survey Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discrimination</td>
<td>I feel that I am discriminated against in my workplace due to being LGBT.</td>
</tr>
<tr>
<td></td>
<td>I believe that the reason I experience some discrimination or career limitation is because of the religious beliefs of my coworkers and higher management.</td>
</tr>
<tr>
<td></td>
<td>I believe that because I am LGBT my career advancement is limited to a certain level.</td>
</tr>
<tr>
<td>Different perspective</td>
<td>I feel being LGBT I offer different perspectives compared to straight coworkers.</td>
</tr>
<tr>
<td>No effect on work</td>
<td>Being LGBT has no effect on the way I do my job, it is just a part of who I am.</td>
</tr>
<tr>
<td>Company appreciates</td>
<td>My company appreciates that LGBTs offer different perspectives compared to straight employees.</td>
</tr>
<tr>
<td>Career advantages</td>
<td>I believe being LGBT gives me career advantages compared to straight coworkers.</td>
</tr>
<tr>
<td>Company support</td>
<td>Does your company offer any support for LGBT employees?</td>
</tr>
<tr>
<td>Career limitation race</td>
<td>I believe that the reason I experience some discrimination or career limitation is because of my race.</td>
</tr>
</tbody>
</table>
# Table 2

## Means, Standard Deviations and Correlations

| Variable               | Scale | \( M \) | \( SD \) | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    | 11    | 12    | 13    |
|------------------------|-------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. Age                 | 1-5   | 2.09    | 1.03    |       |       |       |       |       |       |       |       |       |       |       |       |
| 2. Area                | 0-2   | 0.44    | 0.76    | -.18  |       |       |       |       |       |       |       |       |       |       |       |
| 3. Minority            | 0-1   | 0.16    | 0.48    | .09   | -.04  |       |       |       |       |       |       |       |       |       |       |
| 4. Gender              | 0-1   | 0.41    | 0.49    | .00   | -.20  | -.14  |       |       |       |       |       |       |       |       |       |
| 5. Education           | 1-5   | 2.77    | 1.12    | .30   | .15   | .07   | -.04  |       |       |       |       |       |       |       |       |
| 6. Tenure              | 1-5   | 2.53    | 1.40    | .53   | -.05  | -.09  | -.03  | .06   |       |       |       |       |       |       |       |       |
| 7. Discrimination      | 1-5   | 2.58    | 1.24    | .01   | .23   | .03   | .06   | .01   | -.05  | (.83) |       |       |       |       |       |       |
| 8. Different perspective| 1-5  | 3.49    | 1.32    | .13   | -.01  | .03   | -.08  | .18   | .17   | .18   |       |       |       |       |       |       |
| 9. No effect on work   | 1-5   | 4.25    | 1.21    | -.06  | -.11  | -.06  | .07   | -.21  | .07   | -.19  | -.22  |       |       |       |       |       |
| 10. Company appreciates| 1-5   | 2.54    | 1.12    | .01   | -.09  | .15   | -.16  | .02   | -.12  | -.25  | .05   | -.04  |       |       |       |       |
| 11. Career advantages  | 1-5   | 2.17    | 1.16    | -.14  | .25   | -.06  | -.10  | .08   | -.10  | .00   | .25   | -.12  | .21   |       |       |       |
| 12. Company support    | 1-3   | 1.79    | 0.83    | .11   | -.13  | .09   | -.03  | .02   | .03   | -.39  | -.09  | .07   | .33   | -.09  |       |       |
| 13. Job level          | 1-6   | 3.69    | 1.41    | .35   | -.02  | .07   | -.16  | .15   | .28   | -.28  | .03   | .03   | .10   | -.10  | .09   |       |
| 14. Out                | 0-1   | 0.70    | 0.46    | .17   | -.39  | -.03  | .04   | -.07  | .17   | -.29  | .04   | .03   | .11   | -.12  | .25   | .15   |

\( N=150; \ M=\text{mean}; \ SD=\text{standard deviation}; \ \text{Cronbach's alpha}\ \text{appears in parentheses}; \ \text{Area:} 0=\text{Western countries}; 1=\text{other}; 2=\text{countries LGBT illegal. Minority:} 0=\text{majority. Gender:} 0=\text{male. Out:} 0=\text{closed. Age} 1=18-25, 2=26-35, 3=36-45, 4=46-55, 5=56 & older. \)

\( p < .05 \)

\( p < .01 \)
### Table 3

**Multiple Linear Regression**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>ΔR²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>SE(B)</td>
<td>t</td>
<td>B</td>
</tr>
<tr>
<td>Age</td>
<td>.062</td>
<td>.099</td>
<td>.632</td>
<td>.239</td>
</tr>
<tr>
<td>Gender</td>
<td>.289</td>
<td>.209</td>
<td>.384</td>
<td>.165</td>
</tr>
<tr>
<td>Minority</td>
<td>.172</td>
<td>.275</td>
<td>.626</td>
<td>.179</td>
</tr>
<tr>
<td>Education</td>
<td>-</td>
<td>.040</td>
<td>.092</td>
<td>-</td>
</tr>
<tr>
<td>Tenure</td>
<td>-</td>
<td>.036</td>
<td>.083</td>
<td>-</td>
</tr>
<tr>
<td>Job level</td>
<td>-</td>
<td>.281</td>
<td>.074</td>
<td>-</td>
</tr>
<tr>
<td>Company support</td>
<td>-</td>
<td>.468</td>
<td>.112</td>
<td>-4.177</td>
</tr>
<tr>
<td>Different</td>
<td>.167</td>
<td>.071</td>
<td>2.343</td>
<td></td>
</tr>
<tr>
<td>perspective</td>
<td>-</td>
<td>.118</td>
<td>.075</td>
<td>-1.582</td>
</tr>
<tr>
<td>No effect on</td>
<td>-</td>
<td>.114</td>
<td>.088</td>
<td>-1.289</td>
</tr>
<tr>
<td>work</td>
<td>-</td>
<td>.127</td>
<td>.084</td>
<td>-1.512</td>
</tr>
<tr>
<td>Company</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>appreciates</td>
<td>-</td>
<td>.172</td>
<td>.275</td>
<td>.626</td>
</tr>
<tr>
<td>Career</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>advantages</td>
<td>-</td>
<td>.127</td>
<td>.084</td>
<td>-1.512</td>
</tr>
</tbody>
</table>

\(N=150\); Dependent Variable: perceived discrimination. \(R^2=.292\). Area: 0=Western countries; 1=other; 2=countries LGBT illegal. Gender: 0=male. Minority: 0=majority.

\(p < .05\)

\(p < .01\)

\(p < .001\)
Table 4

Agree/Tend to Agree vs. Disagree/Tend to Disagree LGBTs Have Different Perspective

<table>
<thead>
<tr>
<th>Variable</th>
<th>Disagree/tend to disagree</th>
<th>Agree/tend to agree</th>
<th>t</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>M 2.00 SD .98</td>
<td>M 2.22 SD 1.04</td>
<td>-1.07</td>
<td>0.215</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>M 2.44 SD 1.24</td>
<td>M 2.94 SD 1.01</td>
<td>-2.08</td>
<td>0.462</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>M 2.24 SD 1.42</td>
<td>M 2.76 SD 1.49</td>
<td>-1.78</td>
<td>0.354</td>
</tr>
<tr>
<td><strong>Job level</strong></td>
<td>M 3.68 SD 1.45</td>
<td>M 3.68 SD 1.43</td>
<td>-.02</td>
<td>0</td>
</tr>
<tr>
<td><strong>Company support</strong></td>
<td>M 1.91 SD .79</td>
<td>M 1.74 SD .86</td>
<td>1.01</td>
<td>-0.202</td>
</tr>
<tr>
<td><strong>No effect on work</strong></td>
<td>M 4.59 SD .89</td>
<td>M 4.04 SD 1.38</td>
<td>2.55</td>
<td>-0.437</td>
</tr>
<tr>
<td><strong>Company appreciates</strong></td>
<td>M 2.47 SD .96</td>
<td>M 2.55 SD 1.21</td>
<td>-.37</td>
<td>0.07</td>
</tr>
<tr>
<td><strong>Career advantages</strong></td>
<td>M 1.59 SD .74</td>
<td>M 2.33 SD 1.27</td>
<td>-3.91</td>
<td>0.648</td>
</tr>
<tr>
<td><strong>Career limitation race</strong></td>
<td>M 1.53 SD 1.05</td>
<td>M 1.79 SD 1.34</td>
<td>-1.13</td>
<td>0.206</td>
</tr>
<tr>
<td><strong>Discrimination</strong></td>
<td>M 2.21 SD 1.20</td>
<td>M 2.78 SD 1.19</td>
<td>-2.36</td>
<td>0.478</td>
</tr>
</tbody>
</table>

\(^c\) Disagree/tend to disagree, n=34; Agree/tend to agree, n=82.

\(p < .05\)

\(p < .01\)

\(p < .001\)
Investigating Antecedents of Task Commitment and Task Attraction in a Service Learning Classroom Environment

ABSTRACT

Management educators have long recognized the importance of team-based learning that incorporates applied and interactive educational experiences. Including service-learning as a component of this education helps to emphasize for student teams the applicability of key course concepts to community engagement and sustained social impact. This study investigates the antecedents of team cohesiveness in a service-learning classroom environment. Focusing on task commitment and task attraction as key dependent variables representing cohesiveness, and task interdependence as the primary independent variable, we position three important task action phase processes as mediators in the analyses. These processes include 1) coordination activities, 2) monitoring progress toward goals, and 3) team monitoring and backup responses. Overall, results provide strong support for the hypothesized relationships. Task interdependence in student teams significantly influences task cohesiveness through these action phase processes. We discuss these findings in terms of their implications for faculty who are interested in how to best structure student teams, particularly when the course project has a service-learning component, and we highlight potential directions for future research.

Keywords: team interdependence; cohesiveness; group projects
INTRODUCTION

Management education offers students ample opportunity to apply their skill sets in various experiential applications across the curriculum. Case studies, simulation exercises, internships, and team projects offer multiple avenues for examining theoretical and practical concepts in realistic and relevant settings. Key benefits of experiential learning include enabling students to apply classroom theory and concepts to real-world problems in a relatively safe classroom environment, and encouraging enhanced engagement in the educational process (Barnes, Christensen, & Hansen, 1994; Schaffer, Parsons & Cole, 2014).

The goal of this paper is to examine student team cohesiveness in the context of a semester-long project oriented around community engagement and service learning. While the literature has provided compelling evidence for the link between team cohesiveness and potential team performance, less is known about the primary influences of team cohesiveness in a course project setting. Furthermore, in a service learning environment, we argue that understanding such processes becomes paramount because student teams are developing actual partnerships with community agencies and organizations and there is a real need to recognize factors that are intricately linked to their potential performance. We believe cohesiveness is one of these factors and we position it as an outcome variable in our model. Effective team functioning is critical in any team project; however, beyond delivering a classroom presentation and/or earning a certain grade in a course, the projects described herein involve a dependency relationship between students and their community partners centered on expectations that the projects’ goals will be fulfilled and even sustainable beyond the semester-long time frame. In this sense, faculty’s interest in understanding the influences of cohesiveness becomes linked to their continued objective of providing educational experiences that go beyond the classroom; experiences that
carry important levels of community engagement with significant and sustainable impact. In this study we employ a longitudinal analysis to examine these processes.

Figure 1 presents the theoretical model to be tested. Our dependent variable is team cohesiveness and is made up of two subscales, task commitment and task attraction. In looking at structural features that are indicative of team member relations, we position task interdependence as the independent variable. Higher levels of task interdependence are expected to yield greater team cohesiveness. Furthermore, the mechanisms by which interdependence leads to cohesiveness are thought to be explained by specific team action phase processes. These processes involve team members monitoring goal progress, assisting fellow teammates, and coordinating activities. These action phase activities represent important intervening variables between interdependence and cohesiveness.

This study makes an important contribution to the field of management education by providing a longitudinal, empirical examination of the influences of team cohesiveness in a service-learning classroom environment. The following sections describe the study's contextual boundary, further specify the model’s theoretical relationships, and offer testable hypotheses. Our methodology, results and analyses are followed by both practical and theoretical implications.

**THEORETICAL BOUNDARY AND THE COURSE, TEAM & GROUP PROCESSES**

This paper examines the potential influences of cohesiveness in team-based service learning projects within multiple sections of the same Management course, *Team and Group*
Processes. Based on Bringle and Hatcher’s (1996) definition, service learning in this context refers to course-based educational experiences in which teams of students engage with community partners to create sustainable service activities that focus on meaningful issues or community needs (see also Poon, Chan & Zhou, 2011; Snell, Chan, Ma & Chan, 2015; Wilczenski & Coomey, 2007). The project is expected to blend course concepts with applied experience to provide students with real-world understanding of how the power of teamwork can be used to address pressing social needs. Identifying this contextual boundary is necessary so that results and discussion can be framed appropriately within the proper scope (Bacharach, 1989). While findings may very well have relevant implications for team functioning in a variety of organizational work settings, the boundary used herein is particularly important for faculty who are trying to understand how best to work with student teams.

Team & Group Processes is an introductory course that focuses on the theory and practice of team dynamics and effective team functioning. Students engage in experiential explorations of the variables related to effective and social interaction. A large component of the course is the service-learning experience. At the beginning of the semester, teams are formed and are charged with identifying a meaningful community need by partnering with a local non-profit, not-for-profit, or government agency through direct and indirect service, advocacy, and community outreach. Teams collaborate with their agency/organization to develop and complete a significant service learning project. At the end of the term, each team participates in an open-forum, poster-format presentation. Students are expected to use skill sets taught in the course, along with discipline-specific knowledge, to bring about change through their project objectives.

Recent research has shown that the incorporation of service-learning in higher education is a high impact practice that increases content knowledge, higher-order thinking skills, civic
responsibility, and academic engagement (Furco, 2011). The nature of service learning projects requires student teams to develop close collaborative relationships among members so that the team can function effectively to meet the demands of multiple stakeholders. Students must learn to establish norms and patterns of behavior quickly within their teams to be in a position to respond to the needs of their community partners, faculty, University administration, and other individuals with a vested interest in the success of the project. Such demands in this type of project are often higher and more frequent than what might be experienced in a more traditional team project in a typical course.

Furthermore, experiential learning theory (Kolb, 1998) suggests that one of the best ways to facilitate success in service-learning projects is to empower students to pursue unique and important issues and, in doing so, help them develop self-efficacy and relationship-building skills (see Snell et al., 2015; Eyler, Giles, Stentson, & Gray, 2001). Through service-learning, student teams learn and develop through active participation in thoughtfully organized service experiences that meet actual community needs. The process tends to be reciprocal. Both the server and those being served are teaching and learning during their interaction. Service-learning is also academic in the sense that the experience translates abstract classroom concepts into concrete form and provides meaningful opportunities to test and refine theories, while also helping to meet basic community needs (e.g. Markus, Howard, & King, 1993).

For all of the reasons highlighted above, there is a real need to understand how student teams working in service-learning contexts develop processes that influence their own success. Such an understanding has real implications for faculty in terms of developing coordinated action strategies with student teams to deliver exemplary projects for community partners. The
development of our hypotheses below suggest that structures and processes related to cohesiveness are intricately linked to this potential success.

**TEAM COHESIVENESS**

Work team cohesiveness has been studied in a variety of contexts and the construct is generally thought to be an important indicator of group viability, sustainability, and performance. Levi (2017) suggests that cohesiveness is multidimensional and can refer to a number of concepts that relate to processes linked to ‘holding the team together’. For example, cohesiveness may, in some ways, be similar to a shared identity among team members. Individuals in a team may feel a close affiliation to each other due to the team membership itself. However, team cohesiveness can also increase when the nature of the attraction is rooted in the team’s task and the associated requirements of having to work together (Lott & Lott, 1965; Guzzo & Dickson, 1996; Levi, 2017). The shared dependency associated with required communication, coordination, and goal completion, creates additional bonding and relationship-building that serve to draw members closer to one another. Therefore, team cohesion can be conceptualized as social cohesion, or an attraction to the individuals in a team, and task cohesion, or an attraction to the team’s work or tasks (e.g. Mullen & Copper, 1994).

For this study, we have defined our theoretical boundary as building cohesive teams through classroom-based team projects. Therefore, we are particularly interested in studying the development of task cohesion, or what motivates team members to achieve the team’s goals and objectives (Widmeyer, Brawley, & Carron, 1985: 17). Understanding this motivation may inform future team assignments that help build team cohesion. In contrast, social cohesion is a more organic process that is somewhat difficult to control in a classroom setting (e.g. if an instructor requires social time for groups, this can quickly become another “task” for the students.
to complete). Widmeyer et al. (1985) described two types of task cohesion. First, task cohesion includes individual team member perceptions about accomplishing the task, which we refer to as task commitment. Second, task cohesion encompasses individual team member feelings, or affect, about their involvement in the tasks of the group (Widmeyer et al., 1985; Loughery & Tosi, 2008). We refer to this type of cohesion as task attraction.

In the Team and Groups Processes course, measuring team cohesiveness is thought to be important, because there is a clear link between cohesiveness and the team’s potential performance. This is relevant because the course utilizes autonomous student-teams that are expected to produce key deliverables for community partners who have a vested interest in developing relationships with students, while also expecting these students to provide a sustainable project that will continue to address a real and meaningful issue. These expected outcomes and attached expectations suggest that achieved performance on these projects goes far beyond earning a grade on an in-class presentation or a paper submitted to the instructor. Our real concern with performance lies in the overall quality of the team projects and the ability of those projects to meet the needs of our stakeholders. As such, it is crucial to identify key variables that can perhaps be observed and measured in class, that are directly and clearly linked to a team’s ultimate performance. The research suggests that team cohesion is one of these variables.

We expect cohesiveness to be an important variable for a number of reasons. First, the teams for our service learning projects are generally small, each including four or five students. Especially for smaller teams such as this, cohesiveness is more likely to be positively correlated with higher team performance (Mullen & Cooper, 1994). Research has shown that smaller teams can unite more easily around shared objectives and can navigate through potential roadblocks.
more smoothly when cohesiveness is needed to smooth out conflicts and disagreements about how to proceed. Importantly, we recognize that smaller teams (and more cohesive teams) may also be subject to certain pitfalls, including groupthink and potential limited information sharing. 

However, given the nature of the course (*Team and Group Processes*), and the role of the faculty (acting as team facilitators), students are continuously made aware of these potential limitations in both their coursework and in their team activities throughout the semester. Therefore, we expect performance benefits (not deficiencies) from observed high levels of cohesiveness. Students who are part of cohesive teams are expected to be more satisfied with their work (Hackman, 1992) and are expected to enjoy better social interactions, which should have positive impacts on decision-making processes and resulting performance (Levi, 2017).

Furthermore, in this course, faculty spend a great deal of time (even before teams are formed) stressing the importance and necessity of service learning. Students select their own projects, their own community partners, and their own ‘meaningful issues’ to address. In addition, their evaluations come not just from the instructor, but from external judges at their final project presentation, and from their partner organizations. For all of these reasons, we expect that a great deal of resulting cohesiveness may be based on commitment to the task. While all of these sources are important, cohesion that includes a strong component based on task commitment is expected to have a particularly large and favorable impact on performance (Levi, 2017).

Given that cohesiveness is such an important factor for potential performance, especially in this service-learning team project environment, it becomes imperative to be able to identify those variables which have the strongest potential influences on cohesiveness. We suspect that team interdependence is one of these variables.
TEAM TASK INTERDEPENDENCE AND COHESIVENESS

Task interdependence is a critical part of the defining structure inherent in the working relationships between team members. When members find a high need to share information, expertise, and resources, the team is characterized by high task interdependence (see Van der Vegt, Emans & Van de Vliert, 2001; Cummings, 1978; Susman, 1976). Instructors for the Team and Group Processes course initiate this type of structure, to a certain extent, at the beginning of the semester. For example, team leaders (or faculty themselves) stress the need for continued interaction among team members and make sure that each student is aware of his or her team members’ contributions. In addition, as teams are formed, members must discuss goals, identify individual member strengths and weaknesses, and assign roles that align with different task requirements. These processes are meant to create functional dependencies among team members that guide their work process throughout the term. To varying degrees, teams achieve certain levels of task interdependence as they go through stages of maturity. It is this variation itself that allows us to examine task interdependence as a key predictor or potential influence of team cohesion.

Why the link between task interdependence and cohesiveness? Some research has suggested that high task interdependence would be related to more positive affective team outcomes, including collective job satisfaction (see Campion, Papper & Medsker, 1996), and we would expect the same to be true for team cohesiveness. As teams form, they do so with some level of interdependence between members. Guzzo and Shea (1992) suggest that individuals will rely on each other in various ways as a means for satisfying superordinate goals and completing meaningful work. Our service learning project is designed to emphasize the higher order
significance of each team’s output through the identification of meaningful issues and the requirement for teams to assess the degree to which they reached such superordinate objectives. Furthermore, the presence of task interdependence provides structural team features that contain important motivational properties, consistent with job characteristics theory (Hackman & Oldham, 1980; Van der Vegt, Emans & Van de Vliert, 1998; Levi, 2017). In addition to designing projects that are significant and have requisite levels of autonomy, identity, and skill variety, we hope to instill in students that, by working in teams, there is a notable shift from individual responsibility to experienced team responsibility for outcomes (Levi, 2017). When team members experience felt responsibility for both their own work and the work of the other team members, they are more likely to work cooperatively and experience higher levels of cohesiveness. Such efforts should yield more favorable perceptions of team unity and both commitment and attraction to the team’s task.

_Hypothesis 1a: Team interdependence is positively related to task commitment._

_Hypothesis 1b: Team interdependence is positively related to task attraction._

**INTERVENING MECHANISMS/PROCESSES**

Action phases refer to those time periods when members initiate activities that directly relate to the team’s ability to achieve its stated goals (Marks, Mathieu & Zaccaro, 2001). During classroom-based projects, the following process dimensions have relevance:

1) Coordination activities

2) Monitoring progress toward goals

3) Team monitoring and backup

We suggest that these team action phase processes will help to explain the observed relationship between task interdependence and team cohesiveness. Each of these will be described below.
Such processes naturally occur as teams undertake interdependent tasks and they are thought to directly contribute to team members’ task commitment and task attraction. For instance, team action phase processes all contribute to the development of positive and functional team norms linked to the completion of goals and the successful delivery of the project. Norms related to coordination, monitoring, assistance, and communication, all facilitate members’ collective understanding of how the team should function as it works toward project completion. Norms guide behavior, impact team member interaction, and influence the effectiveness of group decision-making (Chatman & Flynn, 2001). Additionally, there is some evidence linking team action processes to task cohesiveness. Zaccaro (1991) found a significant correlation (.37, p < .01) between group performance processes, which included coordination, planning, and the exchange of information, and task cohesion. Accordingly, as we develop explanations below for how task interdependence is expected to increase each of these team action processes, there is a corresponding expectation that each action phase process will be positively related to cohesiveness as well.

**Coordination Activities**

Coordination activities occur when team members are involved in “orchestrating the sequence and timing of interdependent actions” (Marks et al., 2001; 367-368). In service-learning projects, team members must continuously manage multiple activities involving stakeholders within and outside the University. Examples include securing meeting times and locations with community partners and establishing appropriate timelines with target agencies and faculty members. Communication of information is critical as the sequence of activities and team member contributions must be coordinated to assure successful completion of the project (Marks et al., 2001). This particular team action phase is directly related to the structure of the
team. As task interdependencies increase, coordination becomes essential for effective team functioning.

\[ H2a: \text{The relationship between team interdependence and task commitment is mediated by coordination activities.} \]

\[ H2b: \text{The relationship between team interdependence and task attraction is mediated by coordination activities.} \]

**Monitoring Progress toward Goals**

This action phase process is largely about keeping team members up to date with goal progress and obtaining and disseminating relevant information about the tasks that need to be accomplished for successful project completion (Marks et al., 2001). When team roles are established and task assignments are interdependent, team members have a heightened understanding of the need to keep members on track with important updates and with effective communication. In this phase, self-regulation, team planning, and periodic progress reports are all essential so that members are able to assess the degree to which the team is meeting its stated goals by the end of the semester.

In the *Team and Group Processes* course, there are concrete deadlines built into the project deliverables, making this action phase particularly important. Throughout the semester, teams are encouraged to reflect on their work and on their progress, and are advised to adjust their action plans accordingly to stay on track with their timelines. Progress reports, for both the faculty and for community partners, are an essential part of the deliverables. Throughout the life of the project, teams that establish functional interdependencies among members are better equipped to understand the connections among different project tasks and are thus better able to support and monitor progress toward goal accomplishment.
**H3a:** The relationship between team interdependence and task commitment is mediated by monitoring progress towards goals.

**H3b:** The relationship between team interdependence and task attraction is mediated by monitoring progress towards goals.

**Team Monitoring and Backup**

Team monitoring and backup is tied to the team’s ability to have systems in place whereby members have access to feedback and coaching, task-related assistance, and support systems through norms that specify appropriate team helping and assistance behaviors (Marks et al., 2001). The quality of feedback or coaching among team members is, in many ways, related to the extent to which members understand each other’s tasks and responsibilities. The same can be said for the types of assistance and support available. Members can provide guidance and assistance on key deliverables when they understand how each individual is contributing to the overall project. As Marks et al. (2001) suggest, “for team monitoring and backup to occur effectively, teammates need to be informed of others’ role assignments in order to identify what type of assistance is required at a particular time” (p. 12). Early in the semester, The *Teams and Group Processes* course focuses on role and task assignments. Thus, the structure of task interdependencies yields roles that are complimentary and dependent on each other, which is directly related to the team’s likelihood of engaging in action processes related to monitoring and backup.

**H4a:** The relationship between team interdependence and task commitment is mediated by team monitoring and backup responses.

**H4b:** The relationship between team interdependence and task attraction is mediated by team monitoring and backup responses.
METHOD

Sample and Procedure

The Team and Group Processes courses have adopted an online peer evaluation system called the Comprehensive Assessment of Team Member Effectiveness (CATME; www.CATME.org). The CATME system was developed by Loughry, Ohland, and Moore (2007), and is a research-based instrument that is free for use in college classrooms. It includes various measures that are based on current research on team processes, and it also allows the instructor the option to add customized survey questions. CATME uses a web-based interface that allows for the confidential collection of data and easy dissemination of feedback, which is informative for effective teamwork in a classroom environment (Ohland et al. 2012).

For this study, students completed the CATME instrument twice over the course of a 15 week semester, with a month between data collection points. We collected team task interdependence and team action processes during Time 1, and collected the two measures for team cohesion during Time 2. The initial sample size was 115, but participants were required to complete surveys at both Time 1 and Time 2 to remain in the study. After removing respondents that did not complete both time periods, the final sample size was 95. The majority of participants were declared management majors (83%), and 59% were male. Forty-five percent were seniors (fourth-year students), 51% were juniors (third year students), and 4% were sophomores (second-year students).

We built several research design features into the study to reduce common method bias concerns (cf. Podsakoff, MacKenzie, Lee, and Podsakoff, 2003). First, to reduce social desirability, we promoted anonymity of the participants’ responses to questions about their teammates and team functioning by having students respond to the online CATME surveys.
outside of class time. Only a summarization of the feedback was provided to each student. Second, we collected our data across two separate timeframes, with a month of separation between the collection points.

**Measures**

**Team Task Interdependence.** For this measure, we adopted the task interdependence scale from Van der Vegt, Emans, Van de Vuert (2001), with minor modifications to reflect a team environment. A Likert-type scale, the measure was rated from 1, “strongly disagree” to 5, “strongly agree”. Sample items included “I have to work closely with my teammates to do my work properly,” and “I depend on my teammates for the completion of my work” ($\alpha = .70$).

**Team Cohesiveness.** Since the team projects were based on a classroom environment, we were particularly interested in capturing the development of cohesion through assigned tasks. *Task commitment* was adopted from Carless and de Paola (2000), and measured individual perceptions about the team’s ability to accomplish their tasks. Sample items included, “Our team is united in trying to reach its goals for performance,” and “Our team members have conflicting aspirations for the team’s performance (scale reversed)” ($\alpha = .69$). *Task attraction* was adopted from Loughry and Tosi (2008), and modified to fit the team-based nature of the study. This measure captured individual perceptions of the team’s affect, or feelings, about group tasks. Sample items included, “Team members like the work that the group does,” and “Being part of the team allows team members to do enjoyable work.” ($\alpha = .87$). The response format for both scales was a 5-point Likert-type scale, ranging from “strongly disagree” to “strongly agree”.

**Team Action Phase Processes.** We measured three team action phase processes with CATME scales that were developed from Marks, Mathieu, and Zaccaro (2001). The scales were rated on a 1, “not at all” to 5, “to a very great extent” format. The items for *monitoring progress*
towards goals measured the ability of team members to track and communicate progress toward successful goal completion. Sample items included, “Regularly monitor how well we are meeting our team goals,” and “Know whether we are on pace for meeting our goals.” (α = .85). *Team monitoring and backup responses* measured the level of team support by considering the extent to which team members assisted one another with tasks (through both coaching and behavior). Sample items included “Inform team members if their work does not meet standards,” and “Balance the workload among our team members.” (α = .87). *Coordination activities* captured the ability of the team to effectively communicate and manage simultaneous tasks. Sample items included, “Communicate well with each other,” and “Coordinate our activities with one another.” (α = .88).

**Control variables.** Across the sample, participants were members of 23 unique teams, and students in three separate class sections. We expect that some teams may have been more cohesive than others. Also, factors from class (e.g. different instructors, time of day, the amount of allotted in-class group time, etc.) could also impact levels of team cohesion. Therefore, we controlled for *team membership* and *class section* in our analyses.

**RESULTS**

Means, standard deviations, and correlations for study variables are provided in *Table 1.*

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Insert Table 1 about here

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First, we ran a confirmatory factor analysis (CFA) to establish the validity of our measures. To begin, we ran a six-factor model that specified all items to load on the respective hypothesized factors. This model had an acceptable fit to the data ($\chi^2(284) = 419.55, \text{CFI} = 0.90,$
TLI = 0.88, RMSEA = 0.07, and SRMR = 0.08). To test the discriminant validity of our predictor and mediating variables, we tested three alternative five factor nested models that combined the predictor variable with one of the mediating variables into one factor (alt. model 1 combined task interdependence and monitoring progress towards goals; alt. model 2 combined task interdependence and monitoring and backup responses; alt. model 3 combined task interdependence and coordination activities). A comparison of fit between the six-factor model and the alternative models supported the original six-factor model as best fitting the data (alt. model 1: \( \Delta \chi^2(5) = 115.94, p < .01 \); alt. model 2: \( \Delta \chi^2(5) = 107.29, p < .01 \); alt. model 3: \( \Delta \chi^2(5) = 106.49, p < .01 \)).

In addition, since the predictor and mediating variables were both measured during Time 1 from a single source, we conducted latent variable analysis to assess the impact of common method bias (or CMV) on our results. We used the marker variable approach (Williams, Hartman, & Cavazotte, 2010) by including five items collected from Time 1 from a scale that assesses the willingness of respondents to report social loafers to the instructor (Loughry & Tosi, 2008). We chose this construct for the marker variable because (1) there is not a theoretical basis for why it should be related to our variables of interest, and (2) post hoc, it had the smallest observed correlation with the study variables (Lindell & Whitney, 2001). To conduct the analysis, we compared a baseline model (six factors from our hypothesized model plus the method factor) to an alternative model (loaded all items onto the method factor, i.e. the report social loafers scale). The alternative model did not have a significantly better fit to the data (\( \Delta \chi^2(26) = 22.37, p = .67 \)), and the average proportion of variance associated with the six factors from our hypothesized model was higher (50%) than the variance related to method effects (1%). These results provide evidence that CMV is not substantially impacting our study results.
Hypothesis Tests

Hypotheses 1a and 1b predict a positive relationship between team task interdependence and task commitment and task attraction, respectively. We ran hierarchal regression models to test these hypotheses, by first entering the control variables and then the predictor variable into a regression model, which allows for the calculation of a change in $R^2$. The results of these analyses are provided in Table 2. For Hypothesis 1a, the covariates produced an $R^2$ of .003 ($p > .05$). Table 2 shows a significant relationship between team task interdependence and task commitment ($b = .32, p < .01$). Adding task interdependence to the hierarchal regression model resulted in a significant change in $R^2$ of .08 ($p < .01$), supporting Hypothesis 1a. Similarly, for Hypotheses 1b, the controls produced an $R^2$ of .01 ($p > .05$). As Table 2 indicates, team task interdependence predicts task attraction ($b = .38, p < .01$). When task attraction was added to the hierarchal regression model, a significant change in $R^2$ (.12; $p < .01$) was found. Thus, Hypothesis 2b is supported.

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Insert Table 2 about here

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Hypotheses 2, 3, and 4 propose that the relationships between team task interdependence and (a) task commitment and (b) task attraction are mediated by team action phase processes. To test for mediation, we used an empirical bootstrap approach that tests the significance of the indirect effects (e.g. Preacher, Rucker, & Hayes, 2007) and generates bias-corrected confidence intervals (e.g. Efron, 1987). Table 3 provides the results of the mediation analyses.

Hypothesis 2a predicts an indirect effect of team task interdependence on task commitment via coordination activities. The results in Table 3 indicate significant mediation
(indirect effect = .126; CIs = .0247 to .3162, p < .05), offering support for this hypothesis.

Hypothesis 2b proposes that coordination activities mediate the relationship of team task interdependence on task attraction. The results show support for this hypothesis, as there is evidence of significant mediation (indirect effect = .143; CIs = .0324 to .4316, p < .05).

Hypothesis 3a suggests an indirect effect of team task interdependence on task commitment through monitoring progress towards goals. Since zero is contained within the confidence interval, this hypothesis was not supported (indirect effect = .081; CIs = -.0010 to .1859, p > .05). Hypothesis 3b says that monitoring progress towards goals will mediate the relationship of team task interdependence on task attraction, and the results support this hypothesis (indirect effect = .107; CIs = .0207 to .2481, p < .05).

Hypothesis 4a predicts an indirect effect of team task interdependence on task commitment through team monitoring and backup responses. The results in Table 3 provide support for this hypothesis (indirect effect = .118; CIs = .0210 to .2910, p < .05). Finally, Hypothesis 4b considers whether team monitoring and backup responses serve as a mediator in the relationship of team task interdependence on individual attraction to the group. As Table 3 reveals, this hypothesis was also supported (indirect effect = .132; CIs = .0375 to .2701, p < .05).

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TABLE 3

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DISCUSSION

This study examined the relationship between team task interdependence and resulting cohesiveness. In the current context, we believe a heightened understanding of this relationship will allow faculty to design and structure service-learning based team projects in ways that will
Task Interdependence and team cohesion

yield more successful and impactful projects for community partners (and for students). It has been suggested that a number of key structural team features and processes have the potential to impact cohesiveness. Our analyses have revealed a rather robust link between task interdependence and cohesiveness, indicating an important structural component to team design. In student teams, when structures allow for the sharing of information and the understanding of key dependencies among task roles, cohesiveness among members is likely to increase. Furthermore, our results suggest that cohesiveness itself is multi-dimensional and that interdependence has the potential to impact both task commitment and task attraction. Thus, this structural team feature influences both motivational and affective perceptions related to team members’ approach to their work and to the vested interests in the quality of their projects. The primary contribution of this study, however, is the identification of key intervening process variables that help explain the interdependence-cohesiveness relationship. Our results showed that team action phase processes acted as important mediators in the analyses. Coordination activities and effective goal/performance monitoring each operated as explanatory links between interdependence and both task commitment and task attraction. Processes related to team member support and assistance acted as a strong mediator between interdependence and task attraction.

These findings have important practical implications for faculty members. In designing student team projects, it is important to recognize the potential impact of structural design on resulting team process and cohesiveness. When roles are established and when team members understand the intricacies of their task dependency, there is a stronger likelihood that members will engage in behaviors that provide support for each other, that set up mechanisms for assessing and monitoring the team’s progress, and that establish functional levels of coordination.
and communication among members. Faculty who understand this can create teachable moments with direct and purposeful exercises that require students to think about team structure and design. Based on our results, such activities have the potential to create teams that are bonded by both a commitment and attraction to team tasks. Such teams thus become more motivated and better prepared to deliver on their service-learning projects (Levi, 2017; Hackman, 1992).

There are also important research implications from this study. Prior studies have not thoroughly investigated team process variables that provide explanations between structure and cohesiveness. Our results suggest that team action phase processes are important in this link and should be given high consideration in future conceptualizations of team design. Future studies should seek to replicate our findings in other organizational settings that utilize autonomous work teams. While our context was relatively narrow, student teams working on service-learning projects, we believe there is great potential for providing more support for our confirmed relationships between task interdependency and cohesiveness, and for the mediating role of team action phase processes.

Limitations and Directions for Future Research

This empirical investigation has several strengths. We tested our hypotheses using methodologically rigorous techniques (e.g. Preacher, Rucker, & Hayes, 2007). We also utilized both research design methods and empirical analysis to minimize and assess some of the risks associated with self-report data. For example, we collected data at two points in time, with a month of separation between the time periods. Survey responses and feedback to students were kept confidential in an attempt to reduce social desirability. In addition, the results of confirmatory factor analyses (including a marker variable technique) support the idea that our findings reflect meaningful relationships, rather than common method bias.
Of course, our study is not without limitations. Our final sample size was less than 100, and this lack of power may have impacted our results, especially in relation Hypothesis 3a, which was not supported. That said, we did find support for the majority of our hypotheses, despite the small sample size. This lends support to the substantive nature of the relationships. We measured our independent variable and mediators at the same time, and even though we took precautions, we cannot rule out the possibility of common method bias completely. Also, while we included some relevant covariates that could impact perceptions of team cohesiveness, such as team membership and class section, we failed to include others, such as personality traits and demographic variables. We encourage researchers to consider additional controls in future cohesiveness studies.

In this study, we chose to define our theoretical boundary within the classroom environment. This could limit the generalizability of results in relation to a business setting. However, teambuilding skills that are developed in an educational environment are applied to the real world after students matriculate, so research that informs effective classroom techniques has an inherent value to practitioners as well as educators. We chose to focus our study on task cohesion, rather than social cohesion, because tasks and assignments are easier to manipulate in an educational setting. However, it would be interesting for future research to consider how the social aspects of teambuilding influence the link between interdependence and cohesion. In this study we concentrated on process variables that help explain why interdependence may lead to cohesion. We did not, however, consider how moderating variables may impact these relationships. For example, future research could examine the impact of task and relationship conflict on the strength of team cohesion in a classroom environment. Finally, we measured team processes at the individual level. To truly capture the nature of team dynamics, research
analysis should take into account the reciprocal nature of the relationships. Echoing the call of previous researchers (e.g. Krasikova & LeBreton, 2012), we encourage future research to utilize analytic techniques that help align the level of theory and method (e.g. one-with-many models could be a promising approach for teams research).

CONCLUSION

The use of team-based design continues to represent a common trend in organizational structure (Richter, Dawson & West, 2011). Furthermore, today’s jobs increasingly require employees to establish and maintain effective relationships with a variety of stakeholders, including those external to the organization. Management educators have thus recognized the importance of developing projects that will prepare students for future work situations characterized by highly interdependent team environments. Furthermore, service-learning team-based projects require students to interact and network with various stakeholders beyond the classroom, including community partners and University administration. As such, it is vital to investigate student team design in such contexts in order to identify factors that contribute to effective team functioning and success. The results of our study support this aim, highlighting the importance of task interdependency and the means through which it influences task cohesiveness. We hope our findings assist faculty, students, and researchers who have vested interests in further understanding team attraction and performance.
REFERENCES


Task Interdependence and team cohesion


FIGURE 1
Theoretical Model

Team Interdependence

Team Action Phase Processes
- Monitoring Progress towards Goals
- Team Monitoring & Backup Responses
- Coordination Activities

Team Cohesiveness
- Task Commitment
- Task Attraction
### TABLE 1

Means, Standard Deviations, and Correlations among Study Variables

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<thead>
<tr>
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<th>M</th>
<th>SD</th>
<th>1</th>
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<th>3</th>
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<td>.46</td>
<td>.52</td>
<td>.61</td>
<td>(.87)</td>
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Note. N = 95. Coefficient alphas are reported in parentheses. The M and SD for Team Membership are for the average number of team members per group across 23 total groups.

\( p < .01, \ p < .05 \)
### TABLE 2

**Team Task Interdependence and Measures of Cohesion**

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<th>b</th>
<th>SE</th>
<th>R²</th>
<th>ΔR²</th>
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*Note. p < .01, p < .05*
### TABLE 3
Mediation Regression Results

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<th>Task Attraction</th>
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<td>.20 (11)</td>
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<td>CoordinationActivities</td>
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<td>( R^2 )</td>
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<th>UL 95% CI</th>
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<td>.24 (10)</td>
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<td>TeamMonitoring &amp; Backup Responses</td>
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<td>.41 (.10)</td>
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<td>( R^2 )</td>
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<td>.27</td>
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<td>.07</td>
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<td>Task Attraction</td>
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<td>.06</td>
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*Note. Unstandardized regression coefficients are reported with standard errors in parentheses. Bootstrap sample = 1,000. LL = lower limit, CI = confidence interval, UL = upper limit.*

\( p < .01, \ p < .05 \)
NEGATIVE ENVIRONMENTS, MORAL DISENGAGEMENT AND OUTCOMES

ABSTRACT

Based on a theoretical framework that incorporates moral disengagement theory (Bandura, 1986, 1999) as a mediating mechanism, the purpose of this research was to investigate the relationship between individual perceptions of negative organizational environments on moral disengagement and subsequent outcomes. Specifically, we examined the indirect relationship of abusive supervision and perceptions of organizational politics on the outcomes organizational deviance behavior and unethical pro-organizational behavior through the influence of moral disengagement. We collected data in two separate surveys from 206 individuals working fulltime; the data collections were separated by 6 weeks. Results indicate that moral disengagement mediates the relationship between abusive supervision and deviant organizational behavior/unethical pro-organizational behavior. No mediating effect was observed for moral disengagement in the path from perceptions of politics to outcomes. Implications for research and practice are offered.
In an ideal world, we would all work for capable and supportive bosses, and with complementary and dedicated co-workers. In the real world, however, we sometimes experience abusive supervisors who use hostile speech and nonverbal behaviors to berate and demean us, and back-stabbing, duplicitous co-workers who seek to gain political advantage at our expense. These experiences exact a high cost. Tepper (2000, 2007) found that individuals who experienced abusive supervision were more likely to quit their jobs, and that those who stayed experienced lower job and life satisfaction, lower normative and affective commitment, greater work/family conflict and higher stress. In environments characterized by extensive political maneuvering, reviews and meta-analytic studies continue to support perceptions of politics-negative outcomes relationships (Ferris, & Treadway, 2012; Miller, Rutherford, & Kolodinsky, 2008). Interestingly, many who experience abusive supervision or substantively political environments often feel powerless to change their situation (Tepper, 2000; Hochwarter, 2012). Tepper (2000) found that individuals who experienced abusive supervision exhibited higher levels of continuance commitment, indicating the belief that their need to stay in their present job was often greater than their desire to stay; in effect, these individuals often feel stuck in negative environments and will not, or cannot, exit them (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001).

Scholars characterize both abusive supervision and organizational politics generally as hindrance stressors (Chang, Rosen, & Levy, 2009), capable of causing and heightening strain reactions (Rosen, Harris, & Kacmar, 2009). When considering job strain in the workplace, contemporary theorists urge us to recognize the various cognitive and behavioral reactions to perceived stressors (Lazarus, 1984). As such, this research extends theory by developing a
model which incorporates cognitive considerations and subsequent behavioral reactions to abusive supervision and perceptions of politics. More specifically, we incorporate a mediating variable, moral disengagement, as a cognitive linking mechanism between the experience of abusive supervision and organizational politics and behavioral outcomes.

Integrating moral disengagement theory (MDT) (Bandura, 1986, 1999) as our linking mechanism provides a strong theoretical framework from which to base our investigation of the abusive supervision/perceptions of politics-outcomes relationships. Consistent with Bandura’s moral disengagement theory, our theoretical model places cognitions (about moral disengagement) at the center of the abusive supervision/perceptions of politics-outcomes relationship. Given the generally negative relationship between abusive supervision/perceptions of politics and outcomes, we were interested in the degree to which these hindrance stressors affected individual cognitions (see Figure 1) about ethical behavior and the impact that such cognitions have in influencing subsequent behaviors such as organizational deviance and unethical pro-organizational behavior.

This work stands to contribute to the existing literature in several ways. Although prior research has linked moral disengagement to some forms of unethical behavior (Barsky, 2011; Christian & Ellis, 2014; Moore, 2008), this study extends existing theory by investigating organizational deviance behaviors and unethical pro-organizational behaviors in light of a theoretically-driven potential mediation effect. Additionally, our model incorporates a cognitive linking mechanism preceding the incidence of unethical behavior, advancing findings in the job
strain area. A more nuanced understanding of these relationships may enable researchers and organizational leaders to better identify intervention opportunities that may decrease the incidence of unethical behavior in the workplace. Finally, our rigorous, time-lagged approach to data collection and data analytic techniques strengthen our findings.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Abusive Supervision

Tepper defines abusive supervision as “subordinates’ perceptions of the extent to which supervisors engage in the sustained display of hostile verbal and nonverbal behaviors, excluding physical contact” (2000: 178). At the extreme, such influencing behavior can have dramatic negative consequences for the individual(s) affected (Tepper, 2007). Abusive influence behaviors, then, are proposed as a class of influence behaviors which have the effect of creating negative conditions within the supervisor-subordinate dyad. These conditions are proposed to lead to negative affective and behavioral outcomes (Tepper, 2000; Tepper, Duffy, Henle, & Lambert, 2006).

Tepper’s (2000) justice-based model of subordinate responses to abusive supervision incorporates a cognitive linking mechanism (mediator), justice perceptions, in his investigation of the abusive supervision-outcomes relationship. The perceived injustices associated with abusive supervision are believed to cause individuals to translate the experience of workplace abuse into negative affective and behavioral outcomes. Among the outcomes relevant to the present study, Mitchell and Ambrose (2007) found that abusive supervision was associated with supervisor-directed deviance, organizational deviance and interpersonal deviance. Tepper et al. (2009) also found that abusive supervision was associated with supervisor-directed deviance and organizational deviance. In short, the link between abusive supervision and workplace deviance
has been established and supported (Detert, Trevino, Burris, & Andiappan, 2007; Inness, Barling, & Turner, 2005; Mitchell & Ambrose, 2007; Tepper, Henle, Lambert, Giacalone, & Duffy, 2008), though more exploration of the cognitive processes by which these outcomes occur is warranted.

**Organizational Politics**

For over thirty years, researchers have investigated the antecedents and consequences of a political perspective of organizational functioning (Atinc, Darrat, Fuller, & Parker, 2010; Gandz & Murray, 1980; Miller et al., 2008; Porter, Allen & Angle, 1981). The Perceptions of Politics (POP) model (Ferris, Russ, & Fandt, 1989) has become the focal theory guiding much subsequent empirical research (e.g, Ferris & Kacmar, 1992; Ferris, Frink, Galang, Zhou, Kacmar, & Howard, 1996; Kacmar, Bozeman, Carlson, & Anthony, 1999). The model was the first to propose a comprehensive theory suggesting that organizations operate in less-than rational, political ways (Atinc et al., 2010; Ferris & Treadway, 2012; Miller et al., 2008). And while there have been modest attempts to develop the perspective that organizational politics operates as an adaptive mechanism which serves to restore organizational justice, fill information gaps, and generate positive social capital (Hochwarter, 2012), there is wide consensus that political perceptions and subsequent behaviors manifest the “dark side” of organizational behavior (Griffin, & O’Leary-Kelly, 2004; Hall, Hochwarter, Ferris, & Bowen, 2004).

The preponderance of studies investigating politics perceptions have found negative associations with personal and work-related outcomes (Buchanan, 2008; Ferris & Hochwarter, 2011; Kane-Frieder, Hochwarter, Hampton, & Ferris, 2014; Meisler, & Vigoda-Gadot, 2014; Miller et al., 2008; Vigoda, 2000), such as job satisfaction (Hochwarter, & Treadway, 2003), stress (Ferris et al., 1996; Kane-Frieder, Hochwarter, & Ferris, 2014), absenteeism (Gilmore,
Ferris, Dulebohn, & Harrell-Cook, 1996), and turnover (Vigoda, 2000). Increased perceptions of organizational politics have been found to trigger renewed calculations of the nature of employee-organization relationships (Chang, Rosen, Siemieniec, & Johnson, 2012), similar to the effects discovered by Tepper (2007) in his investigation of the consequences of the perceived injustice associated with abusive supervision. The negative relationships describe the effects associated with the individual’s understanding that the injustices associated with organizational politics, like abusive supervision, will result in more dissatisfaction, more stress, and more difficult relationships with supervisors and co-workers. However, the linking mechanisms between politics and various outcomes are not well understood.

**Moral Disengagement and Outcomes**

Because the underlying processes that link hindrance stressors such as abusive supervision and organizational politics with behavioral outcomes are not well understood, we turned to MDT (Bandura, 1986, 1999) to better understand these relationships. MDT suggests that people operating within the negative environments associated with abusive supervision and organizational politics may shift their cognitions about what constitutes proper behavior over time. Bandura (1990) proposed that under normal circumstances individual self-regulatory mechanisms activate to keep individuals operating within accepted social and societal norms. However, MDT also explains that the “psychological processes by which moral reactions can be disengaged from inhumane conduct” can also be activated by exposure to negative environments. This process of moral disengagement occurs for the purpose of allowing the individual to engage in behavior that would otherwise violate his or her moral standard (Bandura, 1990: 161). The working theory among ethics researchers is that MDT allows an individual to engage in unethical behavior by rationalizing the act and diminishing or eliminating
the negative emotions associated with violating one’s moral standard (e.g., Beu & Buckley, 2004; Detert, Treviño, & Weitzer, 2008; Hymel, Locke-Henderson, & Bonnano, 2005; Moore, 2008; Moore, Detert, Treviño, Baker, & Mayer, 2012). There are many individual difference and social context factors that are believed to lead to an individual’s decision to engage in ethical or unethical behavior (Caruso & Gino, 2011; Chugh, Bazerman, & Banaji, 2005; Gino, Schweitzer, Mead, & Ariely, 2011; Kish-Gephart, Harrison, & Treviño, 2010; Tenbrunsel & Messick, 2004; Treviño & Youngblood, 1990). One such factor may be the negative environment. For example, it is possible that extensive exposure to abusive supervisors and/or political environments may cause individuals to cognitively disengage these self-regulatory mechanisms, and it is increasingly possible in those circumstances that subsequent behaviors might be enacted which are inappropriate, unethical or deviant. Therefore, this research looks at behavioral reactions as a result of cognitive assessments while operating in abusive/political environments.

If moral disengagement allows individuals to engage in behaviors that go against their personal moral code without self-sanctions, we propose that individuals who work in negative environments characterized by abusive supervision and/or organizational politics may morally disengage prior to committing unethical acts. We believe that the mediating mechanism, moral disengagement, operates like a mental switch; once moral self-regulation is switched off, individuals are more likely to engage in unethical behavior.

We investigate this postulated effect of moral disengagement by examining two forms of unethical behavior: organizational deviance and unethical pro-organizational behavior (UPB). Research on organizational deviance behaviors has classified the behaviors into two areas, interpersonal deviance and organizational deviance (Bennett and Robinson, 2000; Robinson & Bennett, 1997). Interpersonal deviance behaviors are acts directed toward another individual,
either a supervisor or co-worker. Organizational deviance behaviors include acts directed toward the organization, ranging from minor infractions such as taking work supplies to serious behaviors such as theft or sabotage (Bennett and Robinson, 2000, 2003). In this study, we focus on the incidence of relatively minor organizational deviance behaviors (e.g., coming in late to work without permission, littering the work environment, neglecting to follow the boss’s instructions).

UPB (Umpress, Bingham, & Mitchell, 2010) differs from organizational deviance in that it is unethical behavior conducted for the benefit of the organization. We believe that constant exposure to the negative environments associated with abusive supervision and organizational politics will cause individuals to morally disengage and subsequently behave unethically. We focus on UPB as one possible class of unethical behavior because employees who feel stuck in abusive and political organizational environments and are either unable or unwilling to quit (Hochwarter, 2012; Mitchell, et al., 2001; Tepper, 2000) may behave unethically at work but be careful to do so in a manner which preserves their job. In other words, theft or sabotage in response to abuse or politics may jeopardize their livelihood, and rather than suffer job loss and involuntary dislocation, individuals may channel their behavior, even their unethical behavior, toward activities which still allow them to maintain their employment.

Therefore, based on our description of and support for the model in Figure 1, we hypothesize the following:

*Hypothesis 1: Moral disengagement will positively mediate the relationship between abusive supervision and deviant organizational behaviors.*

*Hypothesis 2: Moral disengagement will positively mediate the relationship between abusive supervision and UPB.*
Hypothesis 3: Moral disengagement will positively mediate the relationship between perceptions of politics and deviant organizational behaviors.

Hypothesis 4: Moral disengagement will positively mediate the relationship between perceptions of politics and UPB.

METHOD

Sample and Procedure

We employed uSamp, an online survey company that maintains a database of interested and vetted survey participants to secure our data. uSamp sent a solicitation email that included an embedded link to our survey hosted on Survey Monkey to potential respondents. In order to reduce common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), we administered our surveys at two time periods six weeks apart. Our goal was to secure 200 responses. Based upon the recommendations of uSamp, we contracted for 800 individuals to complete our first survey. These 800 individuals served as the respondent pool for our second survey. However, as soon as 200 quality responses to the second survey were received, the survey was closed.

We examined each record to ensure the integrity of the data. Flawed responses were purged from the dataset. For instance, respondents who self-reported an age of less than 21 years and hours of work per week as less than 35 hours were eliminated. We also removed respondents who provided the same response (e.g., all 3s) across 65% or more of the survey. Based on pretesting, we determined that the survey should take at least 6 minutes to complete. Any respondents who took less than 6 minutes were dropped. Finally, we included several quality control questions (e.g., “The answer to this question is strongly disagree.”) to confirm that the participants were actually reading the questions. We removed all cases in which the
respondents did not correctly answer these questions. A total of 1173 participants completed the initial survey, and we eliminated 342 of these surveys (71% response rate). Of the 208 participants who completed the second survey, 2 records were rejected. Only the 206 individuals who completed both surveys and passed our quality control checks were included in the final sample. There were no significant differences between the individuals who completed both surveys and those who were rejected (quality control).

The gender composition of our sample was evenly split with 104 men (51%) and 102 women (49%). The majority of the sample (172 83%) indicated their race as Caucasian. The respondents’ average age was 45 years and they worked an average of 42 hours a week. Our respondents averaged 22 years of work experience, reported an average organizational tenure of had 10 years, and an average supervisor tenure of 5 years.

Measures

Unless otherwise noted, responses were made using a 5-point Likert scale. The anchor for the high end of the scale was "strongly agree" while the anchor for the low end was "strongly disagree." All survey items were coded so that higher scores reflect higher agreement.

Measures Collected at Time 1

Abusive supervision. We measured abusive supervision with six items from Tepper’s (2000) measure. We asked three experts in the area to examine the content of the items and point out the ones that best captured the full range of abusive supervisory behaviors. The items selected include “My supervisor makes negative comments about me to others,” “My supervisor gives me the silent treatment,” “My supervisor expresses anger at me when he/she is mad for another reason,” “My supervisor is rude to me,” “My supervisor breaks promises he/she makes,” and “My supervisor puts me down in front of others.” To establish the validity of our shortened
scale, using the data from Tepper's (2000) article\(^1\), we correlated the full 15-item scale with our
6-item scale. The correlation between the two scales was .96 suggesting that the items we
selected for use map well to the full scale. The Cronbach alpha for these items was .93.

**Perceptions of organizational politics.** We used the first two factors from Kacmar and
Carlson's (1999) perceptions of organizational politics scale. We elected not to use the third
factor, pay policies and promotion policies, because the respondents did not work for the same
organization. A sample item is "People in this organization attempt to build themselves up by
tearing others down." The Cronbach alpha for this scale was .87.

**Moral disengagement.** We used the 8-item scale developed and validated by Moore,
Detert, Trevino, Baker, & Mayer (2012) to capture moral disengagement. A sample item is "It is
okay to spread rumors to defend those you care about." The Cronbach alpha for this scale was .84.

**Measures Collected at Time 2**

**Deviant behavior.** We used Bennett and Robinson's (2000) 12-item measure of deviant
behavior. A sample item is "Spent too much time fantasizing or dreaming instead of working."
Respondents were asked to indicate the extent to which they had engaged in each behavior on a
scale from "never" (1) to "daily" (5). The Cronbach alpha for these items was .75.

**Unethical pro-organizational behavior.** We used Umphress, Bingham, and Mitchell's
(2010) 6-item measure of unethical pro-organizational behavior. A sample item is "If it would
help my organization, I would misrepresent the truth to make my organization look good." The
Cronbach alpha for this scale was .91.

**Analyses**

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\(^1\) We wish to thank Ben Tepper for allowing us to use his original data for this correlation.
We used structural equation modeling (SEM) via LISREL 8.80 to conduct our analyses. Our first analysis was a confirmatory factor analysis (CFA). Specifically, we estimated a five-factor measurement model to ensure that our items mapped to the constructs in the manner we expected. We then added paths to the measurement model to estimate the fully mediated model shown in Figure 1. To confirm that our hypothesized model was the best representation of our data, we also estimated a partially mediated model which we compared to our hypothesized model via a chi-square difference test. We used the results from the best fitting model to test our hypotheses.

RESULTS

Initial Results

Table 1 presents the means, standard deviations, and correlations among the variables of interest in our research. As can be seen there, our independent variables, abusive supervision and perceptions of politics were positive and significantly related to one another as were our dependent variables, deviant behavior and unethical pro-organizational behavior. As can be seen in Table 1, one of our correlations exceeded .50 which may call into question the discriminant validity of our scales. To explore this we followed the procedure outlined by Fornell and Larcker (1981) and calculated the square root of the average variance explained (AVE) for each of the variables in our study. These values are shown on the diagonal in Table 1. The goal of Fornell and Larcker’s discrimination test is to demonstrate that the square root of the AVEs exceeds all correlations found in the same row and column. Achieving this goal establishes discriminant validity by showing that the relationship between the scales is less than the variance explained by the items in the scale. The results from these comparisons illustrate that this condition is met for all of the variables in our study.
Before testing our hypothesized relationships, we conducted a series of confirmatory factor analyses (CFA) on the variables of interest using LISREL 8.80. We took this step to further establish that our variables discriminate from one another and to ensure that the expected factor structure could be produced. The measurement model consisted of five factors, one for each scale. The fit indices for this model ($\chi^2 (730) = 1263$, CFI = .93, NNFI = .93, RMSEA = .06) established that the five-factor measurement model fit the data. Since our data were collected at two points in time, we created a two factor model by loading all of the items collected at time 1 on one factor and the items collected at time 2 on a second factor. The two-factor model did not fit as well as the measurement model and the chi-square different test between these two models was significant ($\chi^2 (739) = 2209$, CFI = .81, NNFI = .80, RMSEA = .13, $\chi^2_{\text{diff}} (9) = 946, p < .001$). Due to the high correlation between the scales, we also estimated a four-factor model in which the two independent variables (abusive supervision and perceptions of politics) were collapsed into one factor. This model also did not fit as well as the five-factor model and the chi-square difference test was once again significant ($\chi^2 (734) = 1523$, CFI = .90, NNFI = .89, $\chi^2_{\text{diff}} (4) = 260, p < .001$). Based on the alternative model test results, we submit that the five-factor measurement model offered the best representation of the data and further validates the distinctness of our scale.

Although we designed our data collection in a manner that addresses common method variance (CMV), some of the relationships tested in our model involve data from the same time period. To empirically test for CMV in our data, we added an uncorrelated method factor to the
hypothesized measurement model (Williams, Cote, & Buckley, 1989). If the fit of the measurement model is substantially improved by adding an uncorrelated method factor, CMV may be a concern. The fit statistics of the hypothesized measurement model ($\chi^2 (730) = 1263, \text{CFI} = .93, \text{NNFI} = .93, \text{RMSEA} = .06$) improved slightly from those of the measurement model with an uncorrelated method factor included ($\chi^2 (690) = 1131, \text{CFI} = .94, \text{NNFI} = .93, \text{RMSEA} = .05$). However, the chi-square difference test between the two models ($\chi^2 \text{diff} (40) = 132, p < .001$) was significant suggesting that adding an uncorrelated method factor significantly improved the measurement model. To determine the extent of the influence of CMV, we next calculated the average variance explained by the method factor. The method factor explained only 18% of the variance, which is less than the 25% found by Williams et al (1989). We submit that while our measurement model does benefit from the addition of an uncorrelated method factor, that factor accounts for little variation in the data and the gain in fit is small which suggests that the steps we took to reduce CMV were successful.

**Tests of Hypotheses**

To test our hypotheses we added paths to the measurement model to estimate the hypothesized model shown in Figure 1. Results indicate that the data fit the model ($\chi^2 (735) = 1267, \text{CFI} = .93, \text{NNFI} = .93, \text{RMSEA} = .06$). However, prior to accepting this model as the best fitting, we also estimated a partially mediating model which allowed both POP and abusive supervision to link to the two dependent variables, UPB and deviant behavior. Results indicate that the partially mediated model fit the same as the hypothesized model ($\chi^2 (731) = 1263, \text{CFI} = .93, \text{NNFI} = .93, \text{RMSEA} = .06$), and the chi-square difference test between these two models was not significant ($\chi^2 \text{diff} (4) = 4, \text{ns}$). Given these findings from the alternative model tests, we
used the results from the hypothesized model to test our hypotheses which can be found in Figure 2.

Hypothesis 1 predicted that moral disengagement would mediate the relationship between abusive supervision and deviant behavior. This hypothesis was supported as the indirect effect for this relationship was significant (.08, p < .05). Hypothesis 2 predicted that moral disengagement would mediate the relationship between abusive supervision and unethical pro-organizational behavior. This hypothesis also was supported as the indirect effect for this relationship was significant (.12, p < .05).

Hypothesis 3 predicted that moral disengagement would mediate the relationship between POP and deviant behavior. This hypothesis was not supported as the indirect effect for this relationship was not significant (-.05, p > .05). Hypothesis 4 predicted that moral disengagement would mediate the relationship between POP and unethical pro-organizational behavior. This hypothesis also was not supported as the indirect effect for this relationship was not significant (-.07, p > .05).

**DISCUSSION**

This research extends theory and research in the abusive supervision/organizational politics literature by integrating MDT (Bandura, 1986, 1999), which lead us to consider the role of moral disengagement on time-lagged negative environment-outcomes relationships. Empirical results were mixed. Specifically, our analyses confirmed that individual moral disengagement mediates the relationship between abusive supervision and subsequent unethical
behaviors (Hypotheses 1 and 2). We found no mediating effect for moral disengagement between POP and outcomes.

These results enhance prior work in abusive supervision insofar as they suggest that abusive supervision drives subsequent changes in individual cognitive formulations concerning ethical behavior, and that this renewed cognitive formulation increases the chances that the individual will behave unethically. The link between moral cognitions and ethical behavior found in previous research (e.g., Barksy, 2011) is thus empirically supported and theoretically extended by this research. We envision the process of moral disengagement as a cognitive “pause” between stimuli and reaction, such that individuals, over the course of time, form renewed response sets or schema with regard to negative organizational environments.

There are a number of strengths of this research that bear mentioning. First, this research advances theory in a meaningful way by integrating MDT (Bandura, 1986; 1999) to better explain the relationship between abusive supervision and unethical behavior. By confirming a full mediation of abusive supervision on unethical behavior through the influence of moral disengagement, we offer support for MDT (Bandura, 1986; 1999). Like Tepper’s (2000) justice-based model of subordinate responses to abusive supervision, our model incorporates a cognitive linking mechanism preceding the incidence of unethical behavior. Therefore, our empirical results encourage us to extend our thinking in the area of moral disengagement within negative environments and argue that the new moral outlook may enable employees to make relative peace with environments they find negative or harmful. We also believe that the data analytic approaches undertaken by this research provided greater confidence in our results and conclusions. We took steps to control for CMV with our data collection approach and with
subsequent post hoc analyses. We investigated the validity of our measurement instruments, and analyzed the relational structure of our model and the factor structure of our measurement scales.

Among the limitations of our research is the fact that we failed to find a mediation of the POP-ethical behavior relationship. It may be, as Hochwarter (2012) suggests, that not everyone finds political environments negative. Some individuals may find the operation of organizational politics to be adaptive and capable of restoring organizational justice to those who feel aggrieved by organizational processes. Given such a view, it is quite likely that we would fail to find that the requisite moral disengagement had occurred, and without that disengagement, unethical behavior would be less likely. Another limitation is that our data came from a convenience sampling technique. Thus, our data may suffer from sampling bias and our results may be of limited external validity. However, our sample was sufficiently diverse and, we believe, sufficiently representative of “working adults” in the United States to warrant inclusion in the body of literature. Additionally, this data collection approach has been successfully utilized in a number of studies published in the management literature (e.g., Grant and Mayer, 2009).

The implications for managerial practice and subsequent research which flow from this research are many. This research confirms the negative relationship between abusive supervision and outcomes. Once again, managers and leaders are cautioned to monitor the relationships between those in authority and those tasked with carrying out the work of the organization. Managers also should be on the lookout for changes in behavior which would indicate changing cognitions about ethical behavior in the workplace. The incidence of minor organizational deviance may presage an increase in more destructive deviance behaviors directed at both the organization and its people. Additionally, when workers feel “stuck” in negative environments, environments that are distasteful and unpleasant to them, they may feel that they
are justified in reciprocating with negative behaviors. With regard to future research, it would seem that the cognitive linking mechanism employed in this research, moral disengagement, would be appropriate as a linking mechanism in other studies seeking to find a relationship between antecedents and ethical behaviors. The nature of political environments also bears investigating. They may not be, as presumed, a totally negative experience for all involved. It would be interesting to explore the nature of “positive politics” in relation to ethical behavior to see if there exist some renewed cognitive formulations concerning appropriate behavior when enacting political influence in organizations. It may be that there is a dark side and a lighter side to politics in organizations. With abusive supervision, however, no such light side appears to exist.
REFERENCES


Tepper, B. J., Duffy, M. K., Henle, C. A., & Lambert, L. S. 2006. Procedural injustice, victim-


Table 1 Correlations, Means, and Standard Deviations

<table>
<thead>
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<th>Variable</th>
<th>Mean</th>
<th>SD</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<td>1. Perceptions of Politics</td>
<td>2.93</td>
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<td>0.67</td>
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<td>2. Abusive Supervision</td>
<td>1.95</td>
<td>0.95</td>
<td>0.58</td>
<td>0.84</td>
<td></td>
<td></td>
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<tr>
<td>3. Unethical Pro-organizational Behavior</td>
<td>1.95</td>
<td>0.77</td>
<td>-0.03</td>
<td>0.05</td>
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<td>4. Moral Disengagement</td>
<td>1.80</td>
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<td>5. Deviance</td>
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N=206.

p < .01

p < .001.
Figure 1  Hypothesized Model

Abusive Supervision \rightarrow Moral Disengagement

Perceptions of Organizational Politics \rightarrow Moral Disengagement

Moral Disengagement \rightarrow Deviant Behavior

Moral Disengagement \rightarrow Unethical Pro-Organizational Behavior
Figure 2 Standardized Path Loadings

- Abusive Supervision (Time 1) -> Moral Disengagement (Time 1) = 0.23
- Perceptions of Organizational Politics (Time 1) -> Moral Disengagement (Time 1) = -0.13
- Moral Disengagement (Time 1) -> Deviant Behavior (Time 2) = 0.43
- Moral Disengagement (Time 1) -> Unethical Pro-Organizational Behavior (Time 2) = 0.58
OVERQUALIFICATION PHENOMENON: CAN OVERQUALIFIED EMPLOYEE BE GOOD FOR AN ORGANIZATION?

Abstract

Small but growing overqualification literature gained importance due changes in global workforce. I review overqualification literature and propose definition of overqualification, defining it as meeting all minimum education, skills and ability requirements of the job and possessing either formal education, skills or abilities higher than required for a given job. I also develop a theoretical model and propositions that generate insights into how overqualified employees respond to being overqualified. I use stress literature, identity and self-efficacy theory to explore individual and organizational consequences of overqualification perception by employee and its implications for theory and practice.

Key words: objective overqualification, perceived overqualification, perceived self-efficacy, psychological strain, work identity salience, perceived organizational support
Introduction

The world-wide recession of 2008-2009 and structural changes in global economy have produced an abundance of talent, who may be overqualified for the jobs that are available (Erdogan, Bauer, Peiro & Truxillo, 2011; Feldman, 1996; Liu & Wang, 2012). Even in countries, where unemployment is low, there is a risk that there will be more overqualified applicants than jobs that can match their qualifications (The Economist Intelligence Unit, 2014). The Bureau of Labor Statistics (BLS) of the United States suggests that only 27 percent of jobs in the U.S. economy currently require a college degree, whereas 47 percent of workers have an associate degree or higher (PBS, 2014). The BLS projections suggest that the number of overqualified and underemployed college graduates will only get worse (PBS, 2014).

Despite the abundance of talent, who are overqualified, the studies demonstrate that managers prefer not to hire overqualified employees (Bashshur, Hernández & Peiró, 2011). Many applicants are screened out because they are considered “overqualified or bringing too much education, skills or experience to the job” (Erdogan et al, 2011: 215). In a prominent court hearing on September 9, 1999, Robert Jordan was denied an opportunity to interview for a police job because he scored high on intellectual test. The ruling set the justification that employers may reject overqualified job applicants on the grounds that they are too smart for the job (New York Times, 1999).

Not hiring a person who has the better set of skills for the job at first might look counterintuitive (Erdogan et al, 2011). Overqualified employees by definition have more knowledge, skills and abilities to do the job (Bashshur et al, 2011). After all, an organization is acquiring a talent, who has better skills, knowledge and abilities demanded by the job at a lower cost. Indeed, growing literature suggests that employees, who are overqualified, perform better
than their less qualified colleagues (Fine & Nevo, 2008; Erdogan & Bauer, 2009; Erdogan et al, 2011).

Nevertheless, conventional thinking is that overqualified employees are considered to have high turnover intentions and lower performance due to low morale and potential boredom at the job (Erdogan et al, 2011; Erdogan, & Bauer, 2009). The research shows that overqualification leads to negative job attitudes such as poor job satisfaction and organizational commitment (Johnson, Morrow, & Johnson, 2002; Maynard, Joseph, & Maynard, 2006). In addition, other studies have provided compelling evidence for significant negative relationship between perceived overqualification and psychological well-being, counter-productive work behavior (CWB) and turnover intentions (Johnson & Johnson, 1996; Luksyte, Spitzmueller & Maynard, 2011; Maynard & Parfyonova, 2013). Given these findings, it is not surprising to observe that most recruiters think that overqualified individuals will perform poorly and start looking for better job from the first day they join an organization (Erdogan et al, 2011).

These conflicting findings point at an important unresolved question in overqualification literature. Overqualified employees have better knowledge, skills or abilities to do the job, “yet the belief persists that they are poor employees” (Bashur et al, 2011:193). At the first fundamental level, there is a lack of theoretical consensus whether and when overqualified employees are good for organizational performance. Although few attempts have been made to define, delineate and decipher the overqualification construct, overqualification literature lacks a unifying theoretical framework that would explain experiences of overqualified employees. Furthermore, few theories such as Equity and Relative Deprivation that have been used to explain the overqualification phenomenon fail to shed light on conditions when overqualified individuals perform well despite having a perception of being overqualified for the job they are
employed in (Feldman, 2002; Liu & Wang, 2012). Finally, not much is known on how overqualified employees form perceptions of being overqualified and how these perceptions are associated with critical employee outcomes such as task performance, health and well-being and turnover intentions.

Literature differentiates between two overlapping but distinct constructs: objective overqualification and subjective overqualification (“perceived overqualification”) (Feldman, 1996; Maltarich et al., 2011). The key differentiating element between objective and subjective or perceived overqualification is that the former is measured by an observer, whereas the latter is in the mind of the beholder (Maltarich, Reilly & Nyberg, 2011). The goal of this research paper is to propose a comprehensive theoretical model that explains how and when objectively overqualified employees form perceptions of overqualification and when and why it has either positive or negative consequences.

In building the theoretical model, I find it useful to emphasize the theories from stress literature, such as Job Demands Resources (JD-R) Model, Conservation of Resources (COR) theory and Transactional theory of stress (Hobfoll, 1989; Demerouti, Bakker, Nachreiner & Schaufeli, 2001; Lazarus & Folkman, 1987). These theories add theoretical richness and clarity to understanding the process of transition from objective overqualification, when others think one is overqualified, to perceived overqualification, when one thinks of himself or herself as overqualified for the job. Moreover, they are useful in understanding the experiences of individuals, who are resource rich to do better, but has no opportunity to utilize those resources. Although the use of the resource perspective seem ubiquitous in management literature, I believe it is valuable in the overqualification context because it provides insight into how one moves
from being objectively overqualified (resource rich to perform well) to perceiving being overqualified for the job and psychological strain (resource deprived to perform well).

Specifically, I note several ways research from stress literature assists in addressing limitations of current theoretical explanations of overqualification. First, there is no overarching theory “unpacking” the experience of overqualified employee, who is considered overqualified by his or her organization. In conceptualizing how objective overqualification leads to formulation of perceived overqualification (subjective measure), I will draw and reconcile dispersed research across person-job fit, relative deprivation and equity theory to consider the role of perceived self-efficacy that might affect the formation or inhibition of perception of overqualification when an employee is objectively overqualified for the job (Kristof-Brown, Zimmerman, & Johnson, 2005; Liu & Wang, 2012; Bandura, 1977). I will further contribute to overqualification literature by incorporating theories of stress and coping to suggest that maintenance of “resources” for effective job performance is an important indicator of whether an employee with perceived overqualification will have negative job attitudes and negative impact on task performance (Hobfoll, 1989; Demerouti et al, 2001; Lazarus & Folkman, 1987).

Second, current research treats the process of overqualification as a one-way process: all individuals who are objectively overqualified will eventually form a perception of being overqualified (Liu & Wang, 2012). I argue that not all overqualified individuals form a perception of being overqualified for their job. For example, if an individual is considered overqualified for the job, though he does not perceive himself as overqualified, due to his better knowledge, skills and ability, he may have positive impact on organizational performance. By incorporating key mediating variable, such as perceived self-efficacy, in the relationship between objective overqualification and perceived overqualification, I suggest that individuals may
indeed be overqualified for their job but have no perception of being overqualified, which may result in positive outcome for task performance, health and well-being and turnover intentions.

Third, drawing from Identity theory and JD-R model, I will theorize that perception of overqualification may have different outcomes depending on the moderating role of two broad and widespread factors such as work identity salience and perceived organizational support (Ashforth, Harrison & Corley, 2008; Petriglieri, 2011; George, Reed, Ballard, Colin, & Fielding, 1993). I theorize that work identity salience and perceived organizational support will moderate the relationship between perceived overqualification and psychological strain, limiting negative impact on task performance, health and well-being and turnover intentions.

**Defining objective overqualification and perceived overqualification**

Previous research indicates that overqualification is a type of person-job misfit, where a person’s qualifications are above the requirements of the job (Kristof-Brown, Zimmerman, & Johnson, 2005). According to P-J literature, misfit with the job requirements will lead to negative performance and job attitudes (Kristof-Brown et al, 2005). However, P-J literature does not distinguish between employees, who are overqualified and underqualified for their job (Kristof-Brown et al, 2005). Consequently, there is no consensus whether the predictions of P-J fit literature will apply for overqualified employees (Erdogan et al, 2011).

Person-environment literature posits that discrepancy between characteristics of the job and individual characteristics results in person-job misfit (Johnson et al, 1996). Edwards (1991) initially defined person-job fit as a fit between “the abilities of a person and the demands of a job (i.e. demand-abilities) or the desires of a person and attributes of a job (need-supplies)” (293-294). The former indicates that employee’s knowledge, skills and abilities are in line with the demands of the job, whereas the latter means that employee’s needs or preferences are met by
what a job offers (Kristof-Brown et al., 2005). The literature recognizes overqualification as a type of directional misfit between the job and the person, such that one’s ability and experience exceeds the demands of the job (Kristof-Brown et al., 2005; Maynard et al., 2006).

To understand the experiences of overqualified employees, it is critical to explicitly distinguish and define overqualification. In a seminal work in overqualification literature, Feldman (1996) differentiated five different dimensions of underemployment: 1. Possession of more formal education than job requires, 2. Involuntary employment in the field outside of area of formal education, 3. Involuntary engagement in temporary or part-time work, 4. Possession of higher-level work skills and more extensive work experience than the job requires and 5. Receipt of 20% less pay as a salary than in previous job. Overqualification may fall within criteria 1 and 4 of underemployment, respectively.

Because scholars in overqualification literature defined overqualification in multiple ways, I aim to delineate clearly what I mean by the term overqualification. Objective overqualification is defined through comparison of “ability, skills and knowledge to the requirements of the job (Maltarich, Reilly & Nyberg, 2011). An employee is objectively overqualified if he or she has extra knowledge, skills, experience and other qualifications that are not required by the job (Erdogan et al., 2011; Bashshur et al., 2011). Based on that I define objective overqualification as meeting all minimum education, skills and ability requirements of the job and possessing either formal education, skills or abilities higher than required for a given job.

For example, a taxi driver, who has a college degree, may not be considered overqualified for his or her job if he does not have minimum skills required of a taxi driver. He or she may be considered underemployed individual, who is working outside of area of his or her
formal education. In fact, he or she may be even underqualified for the position, if he or she does not possess the minimum required qualifications for the job. Although, extant research has studied objective overqualification in the realm of over-education only, overqualification can include over-experience or over-competence or both (Liu & Wang, 2012).

The mismatch between the requirements of a job and the qualifications of an employee is viewed by a third party: a recruiter or an employer (Erdogan et al, 2011). Different segments of the workforce may be categorized as objectively overqualified: laid off employees, rehired at lower paying jobs, young people straight out of college, immigrants, whose previous qualifications are not recognized in their new host countries or older workers laid off from declining industries or firms (Erdogan et al, 2011; Feldman, 1996). A basic assumption is that the assessment by a third party that a person is overqualified for the job reflects that the employee possesses an actual advanced set of capabilities such as knowledge, skills, and abilities to succeed in the job he or she is applying for or commencing. However, because a person is identified as objectively overqualified does not necessarily mean he or she perceives himself or herself as overqualified for the job.

Working from the definition of objective overqualification given above, I now develop a theoretical model, depicted in Figure 1, of how objectively overqualified individuals respond to their situation. The model suggests a series of propositions (P.1-P.12) that explain the conditions under which individuals pursue specific responses to objective overqualification.

**Objective Overqualification and Self-Efficacy**

Lewin (1936) posits that individuals tend to respond to their perceptions of situations rather than to objective state of reality (as cited in Rosen et al, 2014). Following this logic, I theorize that perceptions of overqualified employees are determinants of emotional and
behavioral responses that ultimately affect individual and organizational outcomes. I theorize that, due to better knowledge, skills or abilities, objectively overqualified employee is expected to form perceived high self-efficacy in his or her job. Bandura (1977) argues that expectations of personal efficacy are based on four sources of information: enactive mastery, vicarious experience, verbal persuasion and physiological states. He further suggests that past successes raise mastery expectations (Bandura, 1977). In addition, repeated successes foster strong efficacy expectations and reduce negative impact of occasional failures on individual's sense of confidence. While enactive mastery is an important tool to raise self-efficacy, in some cases negative mastery experiences (failures) may decrease self-efficacy (Gist, 1987). A person with a terminal degree, who has taught a certain discipline in university, will have higher confidence in
his or her performance accomplishment if he or she were to teach at high school fundamentals of the same discipline. However, if he or she is in the field, where knowledge and skill advance fast, knowledge or skill obsolescence, due to even short absence from an academia, might prevent him or her from forming mastery expectations on the job. Similarly, a college student, who is just out of academia may have advanced formal degree and be evaluated by a recruiter as possessing required skills for the job and objectively overqualified. However, he or she may not have mastery expectations to build self-efficacy mainly due to lack of necessary past accomplishments.

Second influential source of information for forming perceived self-efficacy is a vicarious experience (Gist, 1987). Individual may rely on vicarious experience as the source of information about his or her level of self-efficacy as a complement to enactive mastery (Bandura, 1977). Seeing other individuals, who are performing similar job activities and performing well, with lesser qualification, overqualified employee can generate a strong confidence that he or she will succeed even more if more effort is put in. He or she infers that if others are able to do the job with less qualification then he or she may form strong expectation of mastery of the subject, meaning high confidence to succeed in the job. However, if he or she observes that his or her colleagues have the same qualifications as he or she does, it may signal to objectively overqualified employee that he or she may not enjoy advantage in performance and negatively impact establishment of high perceived self-efficacy.

Verbal persuasion may not be as effective as performance accomplishments and vicarious experience in inducing efficacy expectations (Bandura, 1977). However, it may influence the pace at which objectively overqualified individual will establish high efficacy expectations. Social persuasion, from employer, family or colleagues is likely to strengthen efficacy
expectations in an overqualified employee that he or she has more than enough capabilities to master the job. However, if other individuals in the environment of the objectively overqualified employee do not recognize him or her as overqualified for the job, it may potentially have negative impact on establishment of high efficacy expectations. For example, an employee, who is considered overqualified for the job by his or her employer, may not be recognized as so by his or her coworkers due to the reason that he or she is not able to demonstrate his or her better knowledge, skills or abilities to them. Social persuasion actually may inhibit development of efficacy expectations in this situation.

Finally, stressful and taxing situations usually elicit emotional arousal that might be informative of a personal competency (Bandura, 1977). Thus, an emotional arousal is another source of information that impacts efficacy expectations. Bandura (1977) argues that individuals rely on their state of physiological arousal in evaluating their anxiety and vulnerability. Because, high anxiety inhibits performance, overqualified employees are more likely to expect success if they do not have high emotional arousal in their workplace. Thus, an overqualified employee due to high competence in functional requirements of a job is less likely to experience anxiety and fear of incompetence. Similarly, objectively overqualified individual may display high level of anxiety and vulnerability in performing tasks, which would hinder development of high perceived self-efficacy.

Together all four sources of information will lead to elevated efficacy expectations. Objectively overqualified employees are individuals, who have gained relevant education and experience, and have mastered certain skills based on past success either on their schooling, past occupation or training and possess some knowledge, skill or ability that is above the requirements of the job. I argue that presence of those sources of information will lead to
development of perception of high self-efficacy in the job. But, lack of those sources may inhibit actual development of perceived self-efficacy.

Perceived self-efficacy is defined as a personal perception of “how well one can execute courses of action required to deal with prospective situations” (Stajkovic & Luthans, 1998: 240). It is not only belief of how well one can execute courses of action required to deal with prospective situations but also is a proximal determinant of how people behave, think, and emotionally react to demanding situations (Bandura, 1982). Individual assessments of self-efficacy also affect how much effort they put into work and how persistent they are at achieving objectives (Bandura, 1982). Individuals who perceive themselves as highly efficacious utilize sufficient effort towards task performance that, if executed accordingly, achieve successful outcome, whereas those, who perceive low self-efficacy are likely to cease their effort prematurely (Stajkovic & Luthans, 1998). Overqualified employees, who are expected to have high self-efficacy, put greater effort to task performance. They display greater emotional stability, thus effectively use their attentiveness and effort to get the job done. I theorize that objectively overqualified individuals with high self-efficacy will put in greater effort in performing well, because they consider not performing well a humiliation due to their confidence in their knowledge, skills and abilities, driven by past performance accomplishments and persuasion of people around them that they have more than enough skills to succeed in the job. Employees, who think that they can perform well, usually do better than those, who think they fail (Gist & Mitchell, 1992). Gist & Mitchell (1992) posit that generally, differences in self-efficacy level reflect differences in skill level. Thus, I expect that overqualified employees with high self-efficacy will perform well and even may be better than their coworkers.

**Proposition 1:** Objective overqualification is positively related to perceived self-efficacy.
Proposition 2: Perceived self-efficacy mediates the positive relationship between objective overqualification and task performance.

Proposition 3: Perceived self-efficacy is positively related to task performance.

Self-efficacy and perceived overqualification

Equity theory explains well how objectively overqualified employees with high perceived self-efficacy might develop perception of being overqualified for their job. The theory suggests that individuals compare their outcome and input (e.g. education, skills, and experience) ratio to the output (e.g. recognition, pay, responsibility) income ratio of others, colleagues, friends, neighbors, etc (Liu & Wang, 2012). Inequity perception emerges when an individual thinks that there is a discrepancy in the ratio of input to output in comparison to others (Huseman, Hatfield, & Miles, 1987). The mastery expectations in the job for overqualified employee will cause realization of inconsistency in input output ratio versus others in the environment.

I theorize that when overqualified employees with high self-efficacy compare their ratio of input, such as knowledge, skills, and abilities to output, such as performance, benefits, and career opportunities, are more likely to experience workplace inequity. Workplace inequity may elicit sense of deprivation of an opportunity to perform in line with higher knowledge, skills, and abilities an overqualified employee with high self-efficacy thinks he or she has (Liu & Wang, 2012). Deprivation of an opportunity to perform will elicit deservingness in employee for a better position that will fit his or her qualifications and will recognize his or her need for extra opportunity to realize potential. Deservingness is a core aspect of beliefs about justice and fairness (Feather, 1999). The definition of deserve is “to acquire or earn a rightful claim, by virtue of actions or qualities… to become entitled to or worthy of (reward or punishment)” (Feather, 1999:87).
When an employee perceives he or she has more qualifications than needed for the job he or she is employed in, it is considered as a subjective measure of overqualification (Johnson et al, 1996). Thus, perceived overqualification can be seen as “an individual attribute, consistent with the person-environment fit model, or as a characteristic of the demands or limitations of the job” (Johnson et al. 1996: 436). As a type of P-E fit perceptions, perceived overqualification is both “assessment of the fit with the job and of opportunity to perform” (Liu & Wang, 2012: 3). Perceived overqualification is not only an assessment of misfit between a person and a job, but it is also a feeling that one deserves better opportunities and of being deprived from an opportunity to use knowledge, skills and abilities (Liu & Wang, 2012). Perceived overqualification is not merely the objective function of one’s actual condition, but a sense of feeling that one is deprived of opportunity to perform that he or she deserves. A high self-efficacy is a key pre-condition for perceived overqualification. An objectively overqualified individual is more likely to feel deprived of opportunity to use his knowledge, skills, and abilities (have perceived overqualification) if he or she believes that he or she has mastery over current job.

Although perceived overqualification may elicit a feeling of unfairness in overqualified employees, perceived overqualification is not a construct that overlaps with other justice perceptions such as distributive justice, procedural justice or interpersonal justice (Liu & Wang, 2012). The latter constructs address fairness issues within the current workplace paradigm, whereas feelings of unfairness in employees with perceived overqualification might be directed not necessarily towards current employer. In fact, his or her organization could be offering fair resources for employee’s input and treating him or her fairly and with respect (Johnson, Morrow & Johnson, 2002; Liu & Wang, 2012).
Distributive justice is concerned whether individual’s rewards are commensurate to his or her contribution (Liu & Wang, 2012; Feldman, Leana, Bolino, 2002). In an organization, an overqualified employee may be given an assignment, which is below his or her qualifications. In that situation, he or she may experience perceived unfairness or injustice. However, those feelings will not be the result of unfairness in distribution of rewards. In fact, an overqualified individual may be rewarded proportionally to the input that is demanded of employees commensurate to that job’s qualifications. Unfairness is experienced as the result of being deprived of an opportunity to have a job commensurate to his or her advanced skills.

Perceived overqualification is also different from procedural justice or interactional justice. Procedural justice refers “to fairness of the processes that lead to decision outcomes”, whereas interactional justice refers to whether organizational members treat employee fairly (Liu & Wang, 2012:5). Thus, an employee may perceive that organizational processes are fair and the organizational members treat him or her fairly and with respect, but still may experience injustice with his or her current situation.

**Proposition 4:** *Perceived self-efficacy mediates the relationship between objective overqualification and perceived overqualification.*

**Proposition 5:** *Perceived self-efficacy is positively related to perceived overqualification.*

**Stress based effects of perceived overqualification**

Research has shown that perceived overqualification is a strong source of stress and dissatisfaction (Johnson, 1996). Unable to satisfy his or her needs and use his or her qualifications on the job, an employee with perceived overqualification may display emotions such as anger, distress, and frustration (Erdogan et al, 2011; Liu & Wang, 2012). Furthermore, in addition to discrete emotions, employees with perceived overqualification may feel negative
affective reactions towards their work (Liu & Wang, 2012). Employees may view that their current job position is limiting their development goals, thus inhibiting their personal growth (Liu & Wang, 2012). Perceived overqualification instills a feeling of not being able to utilize all opportunities an employee has and instills a feeling of his or her resources being wasted by the organization (Liu & Wang, 2012). In sum, perceived overqualification as a type of P-E misfit results in psychological strain that affects employee well-being, turnover intentions and task performance (Edwards, 1996; Johnson et al, 2002).

Lazarus and Folkman (1984) posit that stress is a “particular relationship between the person and the environment that is appraised by the person as taxing or exceeding his or her resources” (as cited in Hobfoll, 1989:515). Resources are “objects, personal characteristics, conditions, or energies that are valued by an individual or that serve as a means for attainment of these objects, personal characteristics, conditions, or energies” (Hobfoll, 1989:516). COR theory and JD-R model refer to those resources as physical, psychological, social, or organizational aspects of the job that may be essential in achieving task performance objectives, reducing physiological and psychological costs of the job and stimulating growth and development (Demerouti et al, 2001). Examples of those resources are mastery, self-efficacy, sense of control, social abilities and support and etc. (Rosen et al, 2014; Hobfoll, 1989).

COR and JD-R model argue the same message: individuals are happy when they have a good set of balance between demand and supply of resources (Hobfoll, 1989, Demerouti et al, 2001). According to JD-R model, individuals use performance-protection strategy to cope with environmental stressors (Demerouti et al, 2001). The greater the effort spent on these strategies, the greater is the psychological costs to the individual. The effect of such a compensatory strategy may be a depletion of an individual’s energy and exhaustion (Demerouti et al, 2001).
Following this logic, I argue that psychological strain experienced as the result of perceived overqualification requires additional coping efforts, which are taken away from resources that could have been used for positive job performance and job attitudes. When the external environment lacks resources, individuals cannot cope with the negative influences of environmental demands (like high workload), and they cannot obtain their goals (Demerouti et al, 2001).

In line with the arguments of JD-R model, COR theory posits that “to maximize hedonic pleasure and success, individuals seek to maintain resources, the absence of which produces an aversive, stressful state (i.e., strain)” (Rosen et al, 2014:1028). I argue that psychological strain as the result of perceived overqualification triggers an appraisal that the job-qualification misfit is threatening to “his or her resources and endangering his or her well-being” through strong feeling (Rosen et al, 2014:1028). Employees who perceive themselves as overqualified for their job may think that their current job is threatening to their desired condition in the future such as achieving tenure, career growth, compromising their well-being. Thus, they may experience increased psychological strain. I theorize that psychological strain at the workplace due to perceived overqualification will trigger emotional coping mechanism outlined by Lazarus and Folkman (1987). The emotional coping mechanism will consume significant resources that will divert resources from other important job functions such as job performance, job attitudes, negatively impacts employee health and well-being and eventually drives employees to search for less stressful work environments.

I believe that the extent to which an individual with perceived overqualification realizes he or she can not use his or her talent negatively impacts individuals’ sense of self-efficacy as well. An individual, who thinks that he or she is deprived of an opportunity to perform to his or
her fullest potential, if unable to change his or her situation, will start developing a doubt on his or her ability to change his or her current situation. This elevated feeling of inability to change a situation will deplete enactment of mastery, a main source of self-efficacy as outlined by Bandura (1977). In sum, emotional coping significantly depletes the psychological resources and causes psychological strain, which may decrease employee’s perceived self-efficacy.

**Proposition 6:** Perceived overqualification has a positive relationship with psychological strain.

**Proposition 7:** Psychological strain mediates the negative relationship between perceived overqualification and task performance, health and well-being and perceived self-efficacy.

**Proposition 8:** Psychological strain is negatively related to task performance, health and well-being and perceived self-efficacy.

**Proposition 9:** Psychological strain mediates the positive relationship between perceived overqualification and turnover intentions.

**Proposition 10:** Psychological strain is positively related to turnover intentions.

Apparent question arises whether and how external factors may strengthen or weaken psychological strain experienced as the result of perceived overqualification (thus strengthen or weaken the relationships posited in Proposition 6-10). I think this question is vital to understanding the experiences of employee with perceived overqualification and is worth consideration. Numerous factors might be at play that may potentially influence the degree to which psychological strain is caused. A comprehensive description of those factors is beyond the scope of my paper. However, I will outline two broad and widespread moderators: work identity salience and perceived organizational support. I believe these two moderators deserve special attention not only due to them being widespread factors that might influence the way employees
perceive overqualification, but also due to their strong relevance in alleviating psychological stress and reducing psychological strain, experienced as the result of perceived overqualification.

**Work identity salience**

Transactional stress model of Lazarus and Folkman (1984) suggests that the impact of any stressor depends on the way it is appraised by an individual, who is exposed to stress (as cited in Lazarus & Folkman, 1987). Specifically, primary appraisal involves individual assessing the degree of threat from stressor to self (Lazarus & Folkman, 1987). I argue that the degree of threat of perceived overqualification to work identity will determine the degree of psychological strain one experiences as the result of feeling deprived of an opportunity to realize full potential.

Identity refers to “a person’s unique sense of self, the gestalt of idiosyncratic attributes, such as traits, abilities, and interests” (Ashforth, Harrison & Corley, 2008: 327). Social identity theory and identity theory stipulate that individuals’ identities are based both on membership in certain groups and execution of particular roles (Petriglieri, 2011). Identities of individuals are valued and are considered as means for sustaining self-worth (Petriglieri, 2011). Identity theory posits that an individual can have multiple identities in society and each identity has a different set of meanings to an individual (Petriglieri, 2011). One way in which identities differ from one another is in their level of importance to individual’s well-being (Petriglieri, 2011). The more important the identity is to one’s self-worth, the more likely the person is to try to maintain that identity (Ashforth et al, 2008). I theorize that the more central the work identity is to the individual’s self-worth, the more psychological strain he or she is likely to experience as a result of feeling a misfit in his or her job.

First of all, for some individuals their occupational identity is more important among the multiple identities they hold and means to them more than financial reward, whereas for others
intrinsic motivation is not as important (Wanberg et al, 2010). For example, when a cook of a small town restaurant may assess his or her status in comparison to a chef of a five star restaurant, who has similar knowledge, skills and ability, he or she may feel overqualified for his or her job. However, he or she may not feel high psychological strain if identity of a professional is not of high importance in his or her identity hierarchy.

A cook may feel that the identity of a good parent and a family member is more important to his identity than the identity of a professional. Working in a small town restaurant, he or she may be close to his or her family and have more time to spend with his or her kids and extended family. Because, he or she is maintaining other identities, which are central to his or her self-worth, I argue that an experience of psychological strain will be less debilitating than for someone to whom the identity of a professional is central to his or her self-worth.

When appraising a potential stressor, such as perceived overqualification, an employee decides whether resolving misfit is important to his or her future well-being (Meister, Jehn, & Thatcher, 2014). When job is central to work identity, resolving misfit in employment is “a necessity rather than a relaxed pursuit” and the lack of progress is more likely to strengthen psychological strain (Wanberg, Zhu, & Van Hooft, 2010:791). Assessment of misfit as the result of perceived overqualification can be similar to the development of a loss narrative as a result of work related identity loss highlighted by Conroy and O’Leary-Kelly (2014). Conroy and O’Leary-Kelly (2014) posit that a valid loss narrative can settle negative emotions that result from work identity loss. Similarly, valid narrative of assessment of perceived overqualification, by an individuals for whom work identity is no longer salient, may allow the individual to move forward with the perceived misfit and be helpful for “meaning making” of his or her current state (Conroy, & O’Leary-Kelly, 2014: 72).
An individual, for whom work has been important to his self-worth for many years, may feel less psychological strain from perceived overqualification in his late career stage, if work identity has moved down in his identity hierarchy. He or she may actually understand his or her current situation as an opportunity to spend more time for activities he or she deems necessary. “I have worked at full competence all my life. Now, it is time for family and friends” could be one of many meaning making cues of a loss narrative that employee with perceived overqualification develops to settle negative emotions from perceived overqualification to his or her job.

**Proposition 11:** *Work identity salience moderates the relationship between perceived overqualification and psychological strain.*

**Perceived Organizational Support**

According to JD-R, organizational support is considered an important resource that can alleviate strain (Bakker & Demerouti, 2007). Resources are valued more if they are received based on discretionary action rather than mandatory obligation as part of an exchange (Rhoades & Eisenberger, 2002). Incremental voluntary resources shape the perception in an individual that he or she is valued member of the organization and increase the value of those resources to an individual (Rhoades & Eisenberger, 2002). COR theory posits that absence of a category resources defined as “personal characteristics”, which include feeling of being supported causes strain (Rosen et al, 2014: 1029). In line with those statements, I argue that perceived organizational support may be a discretionary resource that can assist in alleviating negative consequences of perceived overqualification and lessening psychological strain. Perceived organizational support is defined as an employee’s belief and conviction how much his or her
organization cares about him or her, values his or her contribution, expects to treat him or her fairly and respects his or her values and goals (George, Reed, Ballard, Colin, & Fielding, 1993).

George et al (1993) outlined four functions of support that can be of help in mitigating negative effects of work-related stress. First, perceived organizational support may counter depletion of emotional resources due to perceived overqualification by inflow of additional psychological resources through employee perception that he or she is valued by an organization, his or her work is being recognized, and he or she is acquiring some additional resources that are discretionarily invested in him or her (George et al, 1993). For example, if an overqualified employee is learning any new skills that may not be part of his or her job requirement but may be of interest to him or her, he or she is more likely to feel less strain from his or her perceptions of overqualification. Moreover, when an employee with perceived overqualification thinks that he or she has control over the outcomes of his or her work and he or she has impact on work environment, he or she may feel that organization recognizes his or her status. In sum, discretionary organizational factors may serve as an additional inflow of psychological resources that may alleviate strain. In fact, research by Erdogan and Bauer (2009) has demonstrated that empowerment, which could be considered as a form of perceived organizational support, is a powerful tool in alleviating negative consequences of perceived overqualification.

Second, perceived organizational support may be a source of information to effectively cope with a stressor, thus counter resource depletion (George et al, 1993). Perceived organizational support might be interpreted by an employee with perceived overqualification that the organization values his or her contribution to organization, treats him or her fairly and given his or her better skills may offer him or her opportunity in the future fit to his or her qualifications. Indeed, a cue that organization counts on employee and might offer him or her a
career growth path in the future may serve as a powerful resource that alleviates psychological strain.

Third, perceived organizational support may satisfy basic psychological needs of an individual that replenish the individual resources depleted as the result of stress (George et al, 1993). Self-determination theory posits that human beings have three basic psychological needs such as need for autonomy, relatedness and competency (Greguras, & Diefendorff, 2009). If these three needs are met, individual is expected to develop to his or her fullest potential (Greguras, & Diefendorff, 2009). In line with those arguments stress literature suggests that satisfaction of basic psychological needs affect the way individual experiences strain (Rosen et al, 2014). An individual with an advance degree in engineering, who works as a technician in a remote rural area for an electric power company may feel overqualified for his or her job but may not experience much psychological strain and negative impact on his job performance if he or she is meeting his or her basic psychological needs through the resources of hi or her job. The feeling of respect and recognition by employer and local community may satisfy his or her need for relatedness. The recognition by employer and community of his or her sense of expertise in supplying reliable electric power may satisfy his or her need for competence. The control he or she has over his or her work due to being quite far from his direct bosses may satisfy his or her need for autonomy.

Lastly, perceived organizational support may supply individuals with tangible resources that may counter the sources of stress (George at al, 1993). In line with predictions of JD-R model, extra tangible resources, that an employee with perceived overqualification acquires, may supplement resources depleted as the result of psychological strain due to perceiving being overqualified (Demerouti et al, 2001). A person, who has a degree in philosophy, may feel
overqualified for a job as a welder, which requires only a high school degree and a minimum set of other skills that a person with a degree in philosophy may have. If organization provides some discretionary strong incentive for being a welder, he or she may perceive that his organization cares about his well-being, which will cause inflow of psychological resources that may mitigate the depletion of resources from perceived overqualification.

**Proposition 12:** *Perceived organizational support moderates the relationship between perceived overqualification and psychological strain.*

**Discussion**

The concept of overqualification is obtaining importance in management literature as the result of changes in global workforce that has produced abundance of talent that may be overqualified for the jobs available. Although the insights of this paper into this topic is not new, the model proposed in this paper aims to better define what overqualification is and theorize in what way overqualified individual may respond to it, along with consequences of his or her response. The definition and model presented in this paper contribute to overqualification literature by integrating stress literature (JD-R model, Transactional theory and COR theory) and offering a theoretical process model with testable propositions that might advance empirical research in overqualification literature. The model offers insights into how and why overqualified employees respond to objective overqualification. The process model of how overqualified individuals respond to objective overqualification assists in understanding organizational impacts of this phenomenon.

A key strength of the model presented is that it clearly outlines conditions under which overqualification may be good for task performance and alleviate negative impact on turnover intentions and health and well-being that it is usually identified with. In order to understand how
an individual may respond to being objectively overqualified. I explore the self-efficacy theory to suggest that self efficacy mediates the relationship between objective and subjective overqualification (perceived overqualification). Perceived overqualification is a subjective experience, which elicits a psychological strain driven by misfit for the job and inability to use opportunities one has. I explore how two important moderators (work identity and perceived organizational support) influence the resource depletion process that may impact the intensity and direction of its outcomes.

I suggest that employee overqualification may have both negative and positive outcomes for individual and organizational performance. Under certain conditions an overqualification phenomenon indeed may lead to positive outcomes for individual and organization. Previous studies exploring overqualification have treated overqualification primarily as negative and undesirable phenomenon for organization. Drawing on theories of stress literature, I, thus, deepen our understanding of overqualification phenomenon and its consequences for individual and organization.

**Practical Implications**

The question whether overqualified employees are good for organization gains even more prominence as the global changes in workforce make organizations face with an increased pool of talent, who might be overqualified for jobs that are available. My theoretical research suggests insights that have several practical implications.

Overqualification is a complex phenomenon that might have different outcomes based on overqualified employees’ experience on the job. If an overqualified employee forms strong confidence in his or her abilities to get the job done, he or she may perform well and start developing a perception of being overqualified for the job, which may have negative outcomes
for job attitude and performance. Thus, managers need to constantly challenge employees, whom they consider objectively overqualified, offering them a challenging tasks and opportunity to learn something new on the job. Constantly upgrading goals may be another tool to keep overqualified employees from developing high sense of self-efficacy.

Moreover, if work identity salience is low in individual’s identity hierarchy, employee, who forms a perception of being overqualified for the job may not have negative impact on his or her performance and job attitudes. This important research finding suggests that some employees do not consider work as a top priority in their life. If the work is satisfying their basic needs, they may have other salient activities in their life that are more important to them. It may especially be true for individuals, who are at a later stage of their career or for individuals, when employees may want to devote more time to activities besides work. Moreover, some individuals may want to spend more time for activities they deem priority, and for them work may be a means to pay their bills and satisfy their basic psychological needs. Because, by definition overqualified employees have better qualifications for their job, these individuals may be a talent that brings new and better approach, innovation to the work they are employed in. By not hiring these individuals, organizations may be missing an opportunity to acquire extra knowledge, skills or abilities for less cost.

Moreover, my research has demonstrated that perceived organizational support is critical in alleviating negative impact of perception of being overqualified for job attitude and performance. Thus, managers need to ensure that organizational support mechanism such as recognition, investment in employee development and organizational opportunities for development and growth are in place for employees with perceived overqualification. Since, perceived organizational support is a powerful signal to employees with perceived
overqualification that they are valued and counted on. Moreover, it is an effective tool to alleviate psychological strain that is experienced as the result of feeling overqualified for the job.

**Conclusion**

In sum, overqualified employees have the potential to be beneficial and productive workers or be a detrimental burden to organization, who wants to leave at earliest opportunity. The model proposed in this paper provides an insight for understanding and predicting these outcomes. I hope this research offered a new way of looking at complex phenomenon of overqualification that may encourage further explorations on potential benefits of overqualification for organizations.
References:


Prevailing to Their Peers’ Detriment: Organizational Constraints Activate Machiavellian Undermining

Abstract

Since Christie and Geis’s (1970) seminal research suggested that Machiavellians manipulate more, win more, and are persuaded less (e.g., leadership attainment and personal success in negotiation), researchers have debated the merits of Machiavellianism in organizational life. More recent findings suggest that competition over resources might lead Machiavellians to take actions that result in the approval of their superiors, thus promoting their career advancement. However, the strategies that Machiavellians use when they perceive their work environment as competitive have yet to be identified. To identify these strategies, we draw on trait activation theory as our theoretical framework. We argue that perceptions of resource constraints motivate Machiavellians to undermine their coworkers. Others have argued that, over time, social undermining would make it difficult for targets, such as coworkers to maintain effective working relationships while promoting a perpetrators own welfare (Duffy et al., 2006). Thus, social undermining might explain why Machiavellians are able to obtain favorable impressions from supervisors. Furthermore, with increased effort devoted toward undermining one’s peers Machiavellians should be distracted from performing their core duties resulting in increased production deviance. Using data collected from 170 employees, we found that when Machiavellians faced resource constraints, they more frequently undermined their peers and shirked their duties. Our research addresses a gap in the Machiavellianism literature by identifying how Machiavellians navigate resource constrained work environments. We conclude with recommendations for managers who supervise Machiavellians.

Keywords: Machiavellianism, counterproductive work behavior, organizational deviance, social undermining, organizational constraints, situational constraints.
Prevailing to Their Peers’ Detriment: Organizational Constraints Activate Machiavellian Undermining

How praiseworthy it is for a prince to keep his word and to live with integrity and not by cunning, everyone knows. Nevertheless, one sees from experience in our times that the princes who have accomplished great deeds are those who have thought little about keeping faith and who have known how cunningly to manipulate men’s minds; and in the end they have surpassed those who laid their foundations upon sincerity.

Niccolo Machiavelli

Introduction

As evinced by Niccolo Machiavelli’s writing, there is a longstanding interest in influencing others to attain and retain power or status in organizational life. His writings have provided inklings into the psychology of influencing others to ascend status hierarchies, preceding the development of a broad literature that carries his namesake. Beginning with Christie and Geis (1970), who pioneered the scholarship of Machiavellianism, they noted that Machiavellians (those high in Machiavellian tendencies) manipulate more, win more, and are persuaded less by others. More recently, Machiavellianism has been reconceptualized as a multidimensional higher order personality construct described by a desire for status, a distrust of others, the desire for control over others, and a distinct willingness to manipulate others to satisfy such desires (Dahling, Whitaker, & Levy, 2009). This dark characterization of Machiavellianism has drawn scholarly attention from multiple disciplines, including neuroscience (Bagoszi et al., 2013), management (Dahling et al., 2009; Kuyumcu & Dahling, 2014; Zagenczyk, Restubog, Kiewitz, Kiazad, & Tang, 2014), behavioral ethics (Effelsberg, Solga, & Gurt, 2014; Greenbaum, Hill, Mawritz, & Quade, 2014), evolutionary psychology (Wilson et al., 1996), and
of course personality psychology (Jonason, Slomski, & Partyka, 2012; Paulhus & Williams, 2002). Though somewhat dated, Christie and Geis’s (1970) initial claims still seem to hold up today, as recently Spurk, Keller, and Hirschi (2016) found that early career Machiavellians were more likely to be both in a position of leadership and satisfied with their careers.

Machiavellians seem uniquely able to ascend social and organizational hierarchies, but what are the circumstances that facilitate their career advancement and, more importantly, what strategies do Machiavellians use to ascend hierarchies? Answering these questions should help determine if Machiavellians can add value and, therefore, deserve greater responsibility over others (Dahling, Kuyumcu, & Librizzi, 2012). Kuyumcu and Dahling (2014) observed that Machiavellians received positive task performance appraisals from their supervisors when they were forced to compete with others for status and recognition. This suggests that Machiavellians differentiate themselves from their peers in some way, either by working more efficiently or through less legitimate means. Similarly, in a meta-analysis of the personality–job performance literature Judge and Zapata (2015) observed that disagreeable workers, who are commonly described as having Machiavellian tendencies (Guenole, 2014; O’Boyle, Forsyth, Banks, Story, & White, 2015), were viewed as productive in occupations described by high levels of competition (e.g., being a coach or sports scout, being a financial manager). These findings point to circumstances, specifically the presence of competition, where Machiavellians might gain the approval of their supervisors and get ahead in the workplace. However, with the wealth of evidence linking Machiavellianism to both counterproductive and unethical workplace behavior (Kish-Gephart, Harrison, & Treviño, 2010; O’Boyle et al., 2012), it seems likely that these circumstances would motivate Machiavellians to use illegitimate strategies that facilitate their own career advancement to the detriment of their peers and organization. Using theory to predict
which strategies Machiavellians use in these conditions might help practitioners to manage Machiavellians more effectively and reward legitimate performance-enhancing behavior.

Here, we use person-situation interactionist theory to identify strategies that competitive conditions motivate Machiavellians to employ, answering calls for more integrative research in the literature (Kish-Gephart et al., 2010; E. O’Boyle et al., 2012). This approach views Machiavellians’ strategic behavior as a function of interacting personal tendencies and situational features (Hattrup & Jackson, 1996). Drawing on trait activation theory (Tett & Burnett, 2003), we argue that competitive work conditions, such as those created by a lack of resources for doing one’s work (see Kuyumcu & Dahling, 2014), activate Machiavellianism in the workplace, or motivate Machiavellians to use strategies that would increase their chances of attaining higher status and control over others, which are outcomes that Machiavellians desire (Dahling et al., 2009). In the next sections, we advance these arguments further, beginning first with our theoretical framework and the evidence supporting it.

**Theoretical Overview**

Trait activation theory (TAT; Tett & Burnett, 2003) is a person-situation interactionist model of job performance that links personality traits to job performance outcomes, such as positive appraisals from supervisors, objective indicators of performance, citizenship, or counterproductive behavior. Like many personality trait theories (e.g., DeYoung, 2015; Costa & McCrae, 2008), TAT assumes that personality traits reflect responses to specific situational features that have existed throughout evolutionary history (e.g., acquiring resources, navigating social hierarchies) but focuses on how trait relevant organizational features motivate trait-relevant organizational behaviors. Tett and Burnett (2003) describe this trait activation process as “the process by which individuals express their traits when presented with trait-relevant
situational cues” (p. 502). To clarify which traits are relevant for a particular work situation, Tett and Guterman (2000) coined the phrase situation trait relevance to explain how individuals with different tendencies respond to situations. TAT proposes that work situations vary in their trait relevance, or the degree to which they provide cues motivating individuals to express certain trait-relevant behaviors (Tett & Guterman, 2000). To illustrate this process, suppose a situation arises at work where an individual needs assistance. This is an opportunity to exercise compassion, which is a behavior that compassionate individuals find either easy to perform, rewarding to do, or possibly both. In these situations, the opportunity to help others would motivate compassionate individuals to offer assistance. Conversely, an individual lacking compassion would be unlikely to help (all things being equal). Extending this idea to whole occupations, compassion would become activated in those occupations providing more opportunities to help others, resulting in higher productivity for compassionate individuals and, presumably, organizations selecting for person-job fit. Thus, occupations described by situation trait relevance would motivate individuals with relevant tendencies to engage in behaviors they are inclined to perform.

Trait activation theory has been strongly supported in recent research. Using both meta-analytic and publicly available data (i.e., the Occupational Information Network’s data descriptors; see N. G. Peterson et al., 2001), Judge and Zapata (2015) applied the concept of situation trait relevance to identify occupational characteristics that hold trait relevance for the commonly studied Big Five personality traits, which in turn were used to determine the criterion validity of traits for an occupational category. For instance, data from O*NET suggests that occupations with high social skills requirements (e.g., clergy, counseling psychologist), low levels of competition requirements (e.g., postal service clerk, historian), and requirements for
dealing with unpleasant or angry people (e.g., composer, craft artist) were trait relevant for individuals with social traits, as these individuals were more likely to attain higher job performance ratings. In other words, scores on social traits of the Big Five (i.e., extraversion, agreeableness, and emotional stability) predicted performance in these occupations.

Though Judge and Zapata (2015) did not include dark personality traits in their meta-analysis on situation trait relevance, research by O’Boyle and colleagues (in press), which links Machiavellianism to the Big Five, allows us to identify situations that are trait relevant for Machiavellianism. O’Boyle et al. (in press) used meta-analysis to link Machiavellianism to the Big Five, finding, as argued elsewhere (Guenole, 2014; Paulhus & Williams, 2002), that Machiavellianism could be profiled by Big Five traits and narrow facets. However, a relative importance analysis demonstrated that agreeableness was by far the most important explanatory factor. Thus, occupations that seem relevant for disagreeableness should also be relevant for Machiavellianism. Judge and Zapata found that in occupations with a high level of competition requirements (e.g., sports scout, financial manager), disagreeable individuals received higher performance appraisals. Applying their findings to Machiavellianism suggests that competitive work environments activate Machiavellianism, or motivate Machiavellians to express their tendencies. However, whether or not these trait expressions are legitimate deserves attention.

In the following section, we explain the construct of Machiavellianism, focus on the strategies that Machiavellians use to differentiate themselves from others, and use TAT to explain how perceived competition might motivate Machiavellians to differentiate themselves in ways that might facilitate their career success.

Machiavellianism
Considered to be an early political scientist (De Grazia, 1989), Niccolo Machiavelli called leaders to employ ruthlessly pragmatic strategies for acquiring and sustaining power in organizational life. As scholars examined Machiavelli’s beliefs espoused in his writings, most notably *The Prince*, Machiavellianism emerged as a personality trait profile. Indeed, scores on an older inventory measuring Machiavellianism showed substantial heritability in a recent behavioral genetics investigation (Vernon, Villani, Vickers, & Harris, 2008), supporting the claim that Machiavellianism is to some extent an enduring trait profile. More recently, scholars have conceptualized Machiavellianism as a higher order, reflective, multidimensional personality construct defined by four dimensions: (a) the amoral manipulation of others, (b) distrust in others’ intentions, (c) desire for control over others, and (d) a strong desire to status and extrinsic career success (Dahling et al., 2009). In this study, we adopt this four factor model of Machiavellianism given its superior psychometric properties relative to measures that were produced earlier (Miller, Smart, & Rechner, 2015).

Research suggests that Machiavellianism is a potent predictor of unethical and counterproductive workplace behavior (Kish-Gephart et al., 2010; O’Boyle et al., 2012). To attain higher status and control over others, Machiavellians might deceive, charm, threaten, ingratiate, or use other strategies involving impression management or interpersonal manipulation (Bolino & Turnley, 2003; Greenbaum et al., 2014; McGoskey, Worzel, & Szyarto, 1998; Nelson & Gilbertson, 1991). Thus, in TAT terms, Machiavellians would employ these strategies in situations that provide opportunities for them to attain status and exercise control over others. We now turn to situations that should provide opportunity for Machiavellians to use these strategies effectively.

**The Moderating Role of Competition Over Resources**
Lacking the necessary resources, equipment, or cooperation to translate effort and ability into valuable outputs is a theme that has long described organizational life (see Kuyumcu & Dahling, 2014; Trist & Bamforth, 1951). Viewed from a sociotechnical systems perspective, organizational resource constraints “represent situations or things that prevent employees from translating ability and effort into high levels of job performance” (Spector & Jex, 1998, p. 357). Peters et al. (1980) identified several constraints such as a lack of job-relevant information, tools and equipment, raw material or supplies, financial support, help from peers, training, or time to do one’s work. Legitimate performers need such resources to perform well and so lacking these resources makes it difficult to be productive (Chang, Rosen, & Levy, 2009; Villanova & Roman, 1993). In such contexts, competition over resources can be intense (Spector & Jex, 1998).

While organizational resource constraints are commonly viewed as impeding performance (Trist & Bamforth, 1951; Villanova & Roman, 1993), they have also been viewed as motivating opportunistic behavior that advances one’s social standing (Kuyumcu & Dahling, 2014). In other words, resource constraints appear to provide opportunities for Machiavellian employees to attain status and control over others by harming the ability of their coworkers to maintain effective working relationships. In support of this argument, Greenbaum and colleagues (2014) found that abusive supervisors motivated Machiavellians to engage in more frequent coworker-directed social undermining. Abusive supervisors, unsupportive coworkers, and other constraints may create a competitive work environment that motivates Machiavellians to view their coworkers as threats to their standing in a status hierarchy, making egregious status-enhancing behaviors seem personally rewarding. However, simply because resource-constrained work settings may provide opportunities to engage in egregious status-enhancing behavior, it does not follow that all individuals will be willing to engage in these behaviors. Rather,
Machiavellians will find these behaviors easier to perform because they are willing to harm others if it would help them to satisfy their goals.

Taking this analysis further using TAT (Tett & Burnett, 2003), perceptions of resource constraints should motivate Machiavellians to use egregious status-enhancing strategies because competition over resources provide opportunities to gain status by marginalizing the competition, which can be done by undermining the competition (i.e., one’s coworkers). Social undermining behavior refers to strategic behavior that hinders, over time, the ability of one’s coworkers to establish or maintain effective interpersonal relationships, work-related success, or a favorable reputation with one’s peers (Duffy, Ganster, & Pagon, 2002). Overtime, a Machiavellian who engages in social undermining behavior might appear more favorable in comparison to their undermined coworkers. We expect Machiavellians to engage in social undermining for two reasons. First, it is well-established that Machiavellians by their vary nature are willing to do what it takes to satisfy career goals (Dahling et al., 2009; Kuyumcu & Dahling, 2014). Second, as argued elsewhere (Duffy, Shaw, Scott, & Tepper, 2006; Greenbaum et al., 2014), social undermining behaviors may help perpetrators gain higher relative status. For example, Machiavellians may make their peers look like poor performers by delaying their peers’ work, deliberately slow them down by feeding them misleading information, or spreading rumors, because these behaviors would be viewed as instrumental in marginalizing the competition. For these reasons, we argue that when Machiavellians perceive organizational constraints, they would be motivated to undermine their coworkers whom they distrust and view as threats to their relative status in the workplace. Given that constraints should motivate Machiavellians to marginalize their coworkers, we expect Machiavellians to become distracted from performing their core duties. In other words, by motivating them to marginalize their coworkers, resource
competition would indirectly lead Machiavellians to shirk their duties, rather than do more with less. In other words, the Machiavellianism and organizational constraints interact directly resulting in higher social undermining, but indirectly (through social undermining) resulting in higher production deviance.

To summarize, we predict that perceptions of organizational constraints on performance motivate Machiavellians to undermine their coworkers with a by-product of this trait activation process being less effort devoted to one’s duties, or production deviance. The full model depicting the hypothesized relationships is provided by Figure 1.

Hypothesis 1: Organizational constraints moderate the Machiavellianism–coworker-directed social undermining relationship such that when organizational constraints are high, this relationship becomes stronger.

Hypothesis 2: Organizational constraints moderate the Machiavellianism–production deviance relationship such that when organizational constraints are high, this relationship becomes stronger.

Hypothesis 3: The indirect relationship between Machiavellianism and production deviance via social undermining is moderated by organizational constraints. Specifically, Machiavellianism will only have a positive indirect effect on production deviance when organizational constraints are high.

Method

Sample and Procedure
Participating in this study were 170 employees conveniently sampled using Amazon’s Mechanical Turk (MTurk) who were paid $1.44 to participate in this study. MTurk is an internet marketplace where members of the general population who are willing to perform tasks requiring a human intelligence can do so in exchange for a small fee. Participants obtained through MTurk view task details, which include a short description, estimated time investment and payment, completing those that are of interest to them. This marketplace allows researchers to access diverse samples (Behrend, Sharek, Meade, & Wiebe, 2011), which is important for establishing the generalizability of claims (Lakes, 2013) as well as addressing omitted variables (thus improving internal validity) and other issues related to biased participation (Aguinis & Lawal, 2012). This is important for social undermining and production deviance research as organizational decision makers may refuse to have such research conducted in their organizations (Spector & Rodopman, 2010).

Following advice regarding the use of MTurk (Mason & Suri, 2012), a panel of participants was developed in order to select employed workers who would provide adequate effort in our study. To develop this panel, an online survey was hosted through MTurk. Only workers from the United States with an approval rating greater than 98% were granted access to this survey (see Peer, Vosgerau, & Acquisiti, 2014), which contained questions regarding demographics, employment status, three personality synonyms (e.g., brave, courageous), and three personality antonyms (e.g., talkative, silent) (1 = strongly disagree; 5 = strongly agree) (Goldberg & Kilkowski, 1985). This was used to screen for inattentive responding (Meade & Craig, 2012). Seven hundred and eighty-three individuals completed this panel survey; 540 (or 68.97%) of which reported working full- or part-time and were also attentive responders. We then sent an email invitation to these 540 participants inviting them to participate in two separate
surveys. We used one survey to measure Machiavellianism and a separate survey to measure the moderator (resource constraints) and outcome variables (coworker-directed social undermining and production deviance). In each survey we used a cover story suggesting that separate research teams conducted the two investigations independently. We also assured response anonymity to reduce any evaluation apprehension biases and also presented items and scales randomly (Fowler, 1993; Ong & Weiss, 2000; R. A. Peterson, 2000). We took these steps to reduce the role assumed by proximal causes of common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). From the set of 540 individuals who were invited to participate in these two surveys, 172 completed both the predictor and criteria surveys for an overall response rate of 31.85%. Lastly, we removed two more cases due to inattentive responding (Meade & Craig, 2012), resulting in 170 individuals who comprised the sample that we subjected to analyses.

The descriptives for the analyzed participants are as follows. We observed an average tenure of 4.24 years with their current organization. Sample job types include education, training, and library services (14.0%), sales (13.5%), and office and administrative support (11.8%). In regard to general demographics, the average age was 32.39 years, 80.6% reported at least some college experience; 78.8% self-identified as Caucasian, and 54.7% self-identified as males. All regions of the US (e.g., Midwest, South, and Northeast) were represented.

**Measures**

**Machiavellianism.** Dahling et al.’s (2009) 16-item Machiavellian personality scale was used, which measures four dimensions of Machiavellianism: amoral behavior, desire for control over others, desire for status, and distrust of others. We used a 5-point agreement scale (1 = strongly disagree; 5 = strongly agree). Example items include “I am willing to be unethical if I believe it will help me succeed” (amoral manipulation), “I enjoy being able to control the
situation” (desire for control over others), “I dislike committing to groups because I don’t trust others” (distrust of others), and “People are only motivated by personal gain” (desire for status). The full 16-item scale was used (α = 0.89) to examine aggregate Machiavellianism, consistent with prior research (e.g., Kuyumcu & Dahling, 2014). Each of the facets also exhibited acceptable levels of internal consistency (αs from .81 – .86).

**Resource Constraints.** Constraints were measured using Spector and Jex’s (1998) 11-item Organizational Constraints Scale (OCS; α = 0.90). Measures began with the prompt: “How often do you find it difficult or impossible to do your job because of…” and were followed by statements regarding a lack of recourses. Example items include, “Poor equipment and supplies?” and “Other employees?” Responses were made on a 5-point scale (1 = less than once per month or never; 5 = several times per day).

**Coworker-Directed Social Undermining.** We modified Duffy et al.’s (2002) 13-item measure of coworker undermining, which originally captures undermining behaviors from the targets’ perspective, in order to reflect undermining from the perpetrators’ perspective (α = 0.91). Participants were asked, “How frequently did you…” followed by the items. Example items include “Compete with any of your coworkers for status and recognition?” and “Belittle any of your coworkers or their ideas?”. Responses were made using a 6-point frequency scale (1 = never; 6 = everyday).

**Production Deviance.** We used Spector et al.’s (2006) 3-item measure of production deviance (α = 0.76). Participants were asked to report their behavior (e.g., “Purposely did your work incorrectly”) on their present job using a 5-point response format (1 = never; 5 = everyday).

**Control variables.** Research suggests that certain demographic characteristics (age, gender, and tenure) are associated with Machiavellianism (see Wilson et al., 1996), unethical
behavior, and counterproductive work behavior (for summary, see Ones & Dilchert, 2013). As such, we controlled for tenure with organization (in years), age (in years), and gender (1 = male, 2 = female). We also directly assessed impression management bias (Paulhus, 1984).

Analytical Approach

We conducted a series of confirmatory factor analyses (CFA) to provide confidence in our measures. We employed an item parceling strategy to reduce our item/parameter ratio relative to the sample size for all constructs except production deviance (as there are only three items) (Hall, Snell, & Foust, 1999). Following guidance by Hall et al. (1999) we used exploratory factor analysis to form parcels for organizational constraints and coworker directed social undermining (Hall et al., 1999). Afterward, a series of CFAs were conducted using maximum likelihood estimation with robust standard errors and Sattora-Bentler scaled chi-squares (S-B$\chi^2$) for model comparison purposes (Jöreskog & Sörbom, 2006). To address concerns over common method variance due to impression management bias (Podsakoff, et al., 2003), we used the CFA marker technique (Williams, Hartman, & Cavazotte, 2010). Once the construct validity of our measurement model was established, we tested hypotheses 1 and 2 using moderated multiple regression analyses and mean centered predictor and moderating variables (Aiken & West, 1991). Lastly, we used Preacher et al.’s (2007) PROCESS macro to test hypothesis 3, which tests the significance of indirect effects at different levels of a moderator variable.

Results

Confirmatory Factor Analyses

Descriptive statistics for study variables are provided in Table 1. The initial CFA model, which contained a latent impression management bias factor, indicated unacceptable fit [S-B$\chi^2$(82)
= 176.30, \( p < 0.001 \); CFI = 0.88; SRMR = 0.076]. However, this is common when testing for method effects (Williams et al., 2010). Nevertheless, subsequent testing for method effects due to impression management bias failed to improve model fit. If impression management bias were present, then appropriately modeling this causal influence would improve fit (Williams et al., 2010). As this did not occur with subsequent tests of method variance, we omitted the impression management bias factor and tested the fit of our substantive measurement model, which was acceptable [S-B\( \chi^2 (71) = 146.12, p < 0.001 \); CFI = 0.90; SRMR = 0.06]. In sum, impression management bias does not seem to be a concern and we proceeded to test our hypotheses using regression and moderated multiple regression analysis but omitted impression management from our analyses.

**Hypothesis Testing**

Hypothesis 1 predicted that constraints would moderate the relationship between Machiavellianism and coworker-directed social undermining such that the relationship would become stronger when constraints were high rather than low. Following procedures recommended by Aiken and West (1991), we regressed coworker-directed social undermining on the centered main effects of our control variables (gender, age, and tenure) in step 1. We then regressed coworker-directed social undermining on centered organizational constraints and Machiavellianism scores in step 2 to control for the influence of these focal variables. The interaction term (computed from mean-centered Machiavellianism and organizational constraints scores) was entered as a predictor in step 3. An examination of Table 2, Model 3, reveals that a significant amount of incremental variance was explained by the interaction term (\( \Delta R^2 = 0.06, p < .001 \)), indicating a significant interaction effect linking Machiavellianism and organizational constraints on performance to coworker-directed social undermining (\( B = 0.22, p < 0.001 \)).
Figure 2 shows the shape of this interaction. Following the convention from Aiken and West (1991), “high” and “low” levels of organizational constraints on performance were set at +1 and –1 SD around the mean. In support of Hypothesis 1, the relationship between Machiavellianism and coworker-directed social undermining was stronger when constraints were high (0.52; simple slopes $t = 6.669, p < 0.001$) compared to low (0.08; $t = 1.04, p = .30$).

Hypothesis 2 predicted that organizational constraints would moderate the relationship between Machiavellianism and production deviance such that the relationship would be stronger when constraints were high rather than low. The results of this analysis, which are available in Table 3, reveal the predicted interaction effect. As predicted, the incremental variance explained by the interaction term was significant ($\Delta R^2 = 0.045, p < .001$) indicating a significant interaction effect linking Machiavellianism and organizational constraints to production deviance ($B = 0.21, p = 0.014$). Figure 3 shows the shape of this interaction. Supporting Hypothesis 2, the relationship between Machiavellianism and production deviance is stronger when constraints are high (0.37; simple slopes $t = 4.117, p < 0.001$) compared to low ($-.04; t = .44, p = .66$).

Hypothesis 3 predicted that the indirect relationship between Machiavellianism and production deviance via social undermining is moderated by organizational constraints. Specifically, Machiavellianism will only have a positive indirect effect on production deviance when organizational constraints are high. To determine if social undermining mediated this effect, we used Model 8 of the PROCESS macro designed by Preacher et al. (2007), which gives us 95% bootstrap confidence intervals on the conditional indirect effect linking Machiavellianism to production deviance via social undermining at different values of organizational constraints (+1 and -1 SDs from the mean). We included the control variables as covariates. In support of hypothesis 3, Machiavellianism had a stronger indirect effect on
production deviance via social undermining when organizational constraints were high \((indirect\ effect = .15, 95\%CI: .05, .34)\) compared to both moderate \((indirect\ effect = .10, 95\%CI: .03, .21)\) and low \((indirect\ effect = .04, 95\%CI: .01, .11)\).

**Discussion**

In using a person-situation interactionist approach to examine dispositional and situational drivers of unethical and counterproductive behavior, our study addresses calls for more precisely predicting these important behaviors (Kish-Gephart et al., 2010; O’Boyle et al., 2012). Relying on trait activation theory (Tett & Burnett, 2003), we argued that organizational constraints motivate Machiavellians to view their coworkers as threats to be marginalized, which further supports TAT as a theoretical frame for researchers and practitioners to adopt. Focusing on Machiavellians’ perceptions of resource constraints, we successfully demonstrated that constraints motivate Machiavellians to increasingly undermine their coworkers resulting in reduced production deviance. By undermining their peers in a context that promotes competition, Machiavellians might achieve higher relative status (Duffy, Shaw, et al., 2006) while also harming organizational wellbeing (Dahling et al., 2012; O’Boyle et al., 2012). Additionally, when Machiavellians perceived low resource constraints, they did not engage in social undermining and were no more counterproductive. By suggesting it is in competitive contexts that Machiavellians use social undermining which further leads them to shirk their duties, our study provides strong support for person-situation interactionist perspectives such as TAT.

These findings, along with a growing body of literature on workplace Machiavellianism (e.g., Belschak et al., 2013; Gustafson, 2000), call for more nuance regarding claims that Machiavellianism can, in certain contexts, be an organizational asset. While research clearly shows that Machiavellianism can come with self-serving benefits (e.g., ascending to leadership
positions and higher career satisfaction; see Spurk et al., 2015), our research suggests that there may be contexts in which Machiavellians use strategies that help them stand out but detract from organizational functioning (see also Kuyumcu & Dahling, 2014). Thus, by improving our ability to predict these important outcomes (Judge & LePine, 2007), our study brings clarity and nuance to understanding the value of workplace Machiavellianism.

**Theoretical Implications**

Our findings are in line with the literature on social influence processes (Levy et al., 1998) and workplace Machiavellianism (Dahling et al., 2012; Furnham, Richards, & Paulhus, 2013; Greenbaum et al., 2014; Jonason et al., 2012; Kish-Gephart et al., 2010; O'Boyle et al., 2012), which largely views Machiavellians as individuals with questionable reciprocity styles (Grant, 2013). However, our study fills a gap by identifying coworker-directed social undermining behavior as a strategy that insufficient organizational resources motivate Machiavellians to employ. An important contribution of this study is the joint examination of Machiavellianism and organizational constraints, which prior research has linked to positive task performance appraisals by supervisors (Kuyumcu & Dahling, 2014). Here, we demonstrated that when Machiavellians perceived constraints such as conflicting job demands, inadequate help from others, or not knowing how to do their work, they gave coworkers misleading information, belittled their ideas, and competed with them for status and recognition. This led Machiavellians to do their own work incorrectly or work slowly when things need to get done.

By signifying that certain individuals may use illegitimate strategies (e.g., social undermining) to achieve career success, our findings add nuance to the notion that trait-relevant situations will predict which traits are likely to generate value for an occupational setting (see Judge & Zapata, 2015). A key assumption guiding prior research has been that individuals
harboring relevant traits for a given situation use strategies that benefit key stakeholders because trait relevant situations motivate some individuals to work harder than others. However, we have suggested the trait relevant situations may motivate some individuals, specifically Machiavellians, to use harmful or counterproductive strategies that harm their peers’ success while furthering their own. The perceptions of a competitive work environment seem to motivate Machiavellians to undermine their peers, distracting them from their core duties. Victims of social undermining experience poorer work attitudes, feel less able to voice concerns, are more likely to be absent from work, hold desires to leave their work setting, and work less effectively with others (Duffy, Ganster, Shaw, Johnson, & Pagon, 2006; Frazier & Bowler, 2015). Thus, it seems highly unlikely that Machiavellians would be an asset in competitive work situations. Furthermore, resource competitions may motivate promote a vicious cycle where undermined employees view their coworkers as unsupportive, leading a proportion of these individuals to continue undermining others. Though not hypothesized a priori, we did find that constraints motivated a proportion of non-Machiavellians to engage in social undermining and production deviance, which is consistent with our suggestion of a vicious cycle. Future research investigating this possibility may also look into how resource constraints foster paranoid cognition in the workplace (Chan & McAllister, 2014), leading employees to believe, rightly, that at least some of their coworkers are plotting against them. Thus, by suggesting that situation trait relevance does not consistently identify valuable personality traits, our findings offer interesting avenues for future research. Specifically, there seems to be fertile ground for considering how social influence, social comparison, social exchange, and multiple stakeholder theories might complement trait activation theory in studying career success.
Practical Implications

The weight of research on workplace Machiavellianism suggests that Machiavellians can create a toxic and dysfunctional work environment where they prevail to the detriment of their peers. Thus, when evaluating employees, managers should consider gathering relevant evidence for substantiating job performance ratings (Folger, Konovsky, & Cropanzano, 1992). Applying the concept of due process to performance appraisal (e.g., Folger et al., 1992) should promote judgments based on agreed-upon relevant evidence, which might reduce the chances that Machiavellians are rewarded for any unethical or counterproductive behavior. To gather evidence for substantiating these ratings, supervisors may consider using peer reports to inform their judgments, which can be valuable for substantiating performance and evaluating potential leadership success (Norton, 1992; Spurk et al., 2015). Of course, managers should first develop a dialogue with their subordinates and agree to this practice as a fair standard of evaluating performance (Mannix, Neale, & Northcraft, 1995). Having gained buy-in, supervisors could then obtain reports as to whether a specific employee has intentionally helped or harmed another coworkers’ success. By using peer reports to make judgments, due process performance appraisals might create a work environment where workers feel safe voicing concerns, making social undermining an ineffective strategy for gaining higher relative status (Kuyumcu & Grandey, 2014). Evidence supporting this idea comes from a quasi-experiment by Taylor, Tracy, Renard, Harrison, and Carroll (1995), which found that employees treated to a due process performance appraisal, though receiving lower evaluations, had more favorable reactions (e.g., believing the system was fair, resulted in accurate evaluations, and wanting to stay with the organization). Taylor et al. also found that, compared to managers who did not work with a due process performance appraisal system, managers who did use due process performance
appraisals reported a greater ability to resolve work problems, higher satisfaction with the system, higher job satisfaction, and more accurately described performance. Indeed, with this relatively simple remedy, due process performance appraisal may help managers curb undermining with the added benefits of promoting a work environment where employees develop a functional kind of pronoia, or the feeling that their coworkers conspire to promote their career success (Goldner, 1982).

**Limitations**

Our findings should be appreciated with regard to key limitations. First, our study was correlational and limited by the use of self-reports, so future research employing the use of longitudinal multisource designs drawing on objective data would more rigorously evaluate the claim that constraints motivate Machiavellians to undermine their peers, shirk their duties, while also facilitating their career success. Such a study might also potentially advance our own by exploring the processes through which Machiavellians select targets to undermine. As Machiavellians seem particularly attuned to negative emotions (Bagozzi et al., 2013), widespread resource constraints, which would be quite frustrating (Jensen, Patel, & Raver, 2014), might lead Machiavellians to target and undermine peers who are having negative reactions, such as individuals with low organization-based self-esteem (Kiazad, Restubog, Zagenczyk, Kiewitz, & Tang, 2010). Alternatively, Machiavellians may select higher-status coworkers to undermine because they are envious (Vecchio, 2005). Whether any of these strategies help Machiavellians achieve higher relative status and facilitate their career success has yet to be demonstrated. In short, more research is needed to determine if resource constraints motivate Machiavellians to undermine their peers, obtain higher status and control over others (e.g., attaining leadership
positions), and other undesirable organizational outcomes (e.g., reduced work unit well-being, higher absenteeism, turnover, and productivity).

Similarly, an alternative hypothesis that went untested is that constraints motivate Machiavellians to charm and flatter their superiors, which is another social influence strategy that might facilitate higher performance appraisal ratings. However, we chose not to investigate this hypothesis as prior research suggests that Machiavellians, who indiscriminately engage in impression management strategies, are unlikely to effectively charm their supervisors (see Bolino & Turnley, 2003). Thus, we did not see this as a fruitful avenue to pursue. Another interesting hypothesis is that certain organizational cultures deliberately create competitive work environments by constraining resources, promoting and rewarding direct competition with one’s coworkers (e.g., Enron). While we could not test this proposition in our study, it is important to note that this is not inconsistent with our claim that constraints motivate Machiavellians to undermine their peers. In fact, our study suggests that such organizations, by emphasizing the egregious pursuit of self-interest, will likely undermine their own long-term interest, and so we call for more research on these networked and long-term effects and impact.

**Conclusion**

Machiavellianism is a trait profile that, while counterproductive, seems to be instrumental in furthering a careerist agenda. We found that organizational constraints motivate Machiavellians to undermine their coworkers and shirk their duties, the former of which may help Machiavellians attain status while the latter will harm organizational productivity. Our results support the notion that Machiavellians increasingly act in ways that simultaneously further their own self-interests while undermining the wellbeing of their organization. In other words, Machiavellians prevail to the detriment of their peers and the organization. Managers
witnessing a resource crunch in their organization should be especially vigilant, taking evidence-based steps to mitigate such dysfunctional organizational behavior, such as using due process performance appraisals.
References


doi:10.5465/AMJ.2009.43670894


Table 1

| Correlations and Descriptive Statistics for Study Variables. |
|---------------------------------|---|---|---|---|---|---|---|---|
|                                | M  | SD | 1  | 2  | 3  | 4  | 5  | 6  | 7  |
| 1. Gender                      | 1.45 | 0.50 | -- |    |    |    |    |    |    |
| 2. Age                         | 32.39 | 9.86 | -- |    |    |    |    |    |    |
| 3. Tenure                      | 4.24 | 3.98 | -- | 0.57** | -- |    |    |    |    |
| 4. Machiavellianism            | 2.56 | 0.66 | -0.18* | -0.22** | -0.25** | (.89)|    |    |    |
| 5. Organizational Constraints  | 1.95 | 0.75 | -0.09 | -0.11 | -0.08 | 0.41** | (0.90)|    |    |
| 6. Coworker-Directed Social Undermining | 1.44 | 0.55 | -0.17* | -0.13 | -0.09 | 0.52** | 0.53** | (0.91)|    |
| 7. Production Deviance         | 1.34 | 0.60 | -0.10 | -0.12 | -0.13 | 0.37** | 0.50** | 0.54** | (0.76) |

*Note: N = 170.*

* p < .05

** p < .01
## Results for Regression Analyses on Coworker-Directed Social Undermining

<table>
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<tr>
<th></th>
<th>Model 1</th>
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<td><strong>F</strong></td>
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*Variables were mean-centered prior to analyses; standard errors in parentheses; \( n = 170 \).

* \( p < 0.05 \), ** \( p < 0.01 \), *** \( p < 0.001 \).
Table 3

Results for Regression Analyses on Production Deviance

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<td>(0.05)</td>
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*a* Variables were mean-centered prior to analyses; standard errors in parentheses; *n* = 170.

* p < 0.05, ** p < 0.01, *** p < 0.001.
Hypothesized mediated moderation model linking Machiavellianism and organizational constraints to coworker-directed social undermining and production deviance.
Interaction of Machiavellianism and organizational constraints on coworker-directed social undermining.
SENSITIVITY ANALYSIS OF EXTRA CREDIT ASSIGNMENTS

ABSTRACT

Have you ever wondered how many extra credit points you should award students for completing your extra credit assignments? You no longer have to wonder. Although extra credit assignments (ECAs) abound on college campuses, we found that the literature lacks general guidelines on how to use ECAs in the most effective way to facilitate students’ learning. To address this gap, the study examines the relationship between the number of extra credit points and the effort needed for assignments by employing a modified Van Westendorp’s sensitivity analysis based on data collected from 102 college students. Our results indicate that there is a non-linear relationship between effort and expected credit points, and this effect is varied by difficulty of course. We also calculate recommended point ranges for faculty to use for given ECAs. We conclude with important observations and suggestions for future research.

Keywords: extra credit assignment, business education, sensitivity analysis
SENSITIVITY ANALYSIS OF EXTRA CREDIT ASSIGNMENTS

Have you ever wondered how many extra credit points you should award students for completing your extra credit assignment? You no longer have to wonder.

Extra credit assignments (ECAs) are optional assignments that students can complete in order to earn additional points towards their course grade (Padilla-Walker, 2006). A large number of college students prefer extra credit education model and believe that ECAs or make-up assignments should always be available to improve their grades (Hasse and Lourey, 2005; Miller, 2006). This trend of students’ expectation of ECAs can be attributed in part to the current “consumerist” orientation in the marketplace and its effect on students, who now demand and expect bonuses and extras on a daily basis. Today, more ECAs are being used as a means to assist students to successfully complete a course. Therefore, it is imperative to determine systematically how ECAs can be used in the most effective way to impact student learning (Miller, 2006).

Many faculty spend significant amount of time designing, administering, and grading ECAs without sufficient and precise knowledge of how this effort justifies the outcome or if it does so at all. There is little research on general guidelines and theoretical frameworks that support ECAs as a pedagogical tool in college, especially in business education. It is also largely unknown to what extent and in what capacity college faculty and students rely on ECAs.

This paper explores ECAs first by conducting an extensive literature review to identify a major gap. Then, it attempts to fill the gap by exploring the relationship between extra credit points and students’ effort on ECAs grounded in equity theory. Relying on price sensitivity analysis of Van Westendorp and adapting it to the extra credit context, we gain a better understanding of students’ expectations of ECAs and share our findings and observations for faculty’s use in their classrooms.
Lastly, we conclude with key observations and suggestions for faculty and future research to advance systematic and evidence-based inquiry of ECAs.

**LITERATURE REVIEW**

To date, we found the literature to be clustered around three major themes related to the role of ECAs in college education: (1) faculty perception of ECAs, (2) ECA outcomes (i.e., the effects of ECAs on student learning, satisfaction, and experience), and (3) student motivation and willingness to participate in ECAs. The details of the literature review can be found in Appendices A, B and C.

The literature review suggests, that to date, research has focused primarily on faculty’s perception (positive or negative) of ECAs, measurable and anecdotal ECA outcomes, and students’ preference for ECAs. We did not find any typology that would classify various kinds of extra credit assignments that are offered in schools today (e.g., surveys, essays, attending events). There is also limited research focused on uncovering and measuring explicit and implicit faculty motives for offering ECAs (such as empathy, prior experience). With the exception of the Oley’s (1992) study, a four-year college setting has dominated the published work, no other two-year colleges were mentioned. Besides psychology, hospitality, and general science, many academic fields such as business administration, have not been strongly represented in studies. Most importantly, our review failed to find any overarching guidelines on how to institute an effective ECA in secondary-level education.

As a result, faculty today predominately rely on their intuitive knowledge and scant scientific evidence for designing and administering ECAs for their courses. Moreover, it is still unclear as to how to select the optimum amount of extra credit points for assignments in the most effective and efficient manner to benefit student learning outcome. Therefore, our main research question addresses this issue.
RQ: How many extra credit points should faculty assign for a particular assignment? In other words, how much each assignment is worth to the students and what is the fair value of the assignment to have the largest impact on learning?

In order to address the research question and help faculty in their pedagogical endeavors with ECAs, we conduct a sensitivity analysis based on survey data that help uncover the quantifiable relationship between extra credit and effort.

**STUDY DESIGN**

The study was designed as a cross-sectional online survey aimed at college-level student body. It focuses on quantifying students’ expectations of points for given assignments.

**Theoretical Background**

Driven by the basic premise of equity theory (Adams, 1963), we theorize that assessing the worth of ECAs is influenced by the ratio of expected inputs and outputs. People seek a fair balance between what they put into a task (inputs) and what they get out of it (outputs). Inputs can include effort, loyalty, hard work, commitment, or skill. Outputs can be both quantifiable rewards, such as pay, bonus, or grades and intangible rewards such as recognition and praise. The perceptions of what constitute a fair balance or trade of inputs and outputs is influenced by situational context and one’s social network. We contextualize the concept of inputs and outputs to the extra credit setting of our study. Inputs are operationalized as the amount of time and cognitive effort students take to complete an assignment, whereas the output is the amount of extra credit points the students will be awarded for completing the assignment.

This innovative approach for collecting and analyzing ECA data is grounded in the Van Westendorp (1976) price sensitivity meter method that has been extensively used throughout the market research industry. We see clear parallels of purchasing goods and estimating prices to
participating in ECAs and estimating their worth in terms of credit points. The Van Westendorp’s sensitivity analysis is one type of a direct technique to research pricing, where people need to have an understanding of the worth of the product. It is well suited for adapting to the ECA setting because students are highly experienced about ECAs and can be explicitly asked about them. The Van Westendorp method uses a series of four survey questions to identify key psychological price points. After giving respondents an introduction to a product description, the method measures a distribution of perceptions about an acceptable price range for the product.

Survey Design

Following the Van Westendorp’s sensitivity analysis we mapped each of his questions to the extra credit point context (see Table 1 in the Appendix). Based on findings from our literature review and our own academic experience with ECAs, we identified 4 different types of ECAs that replace Van Westendorp’ product descriptions. We also divided the survey into two sections: difficult and easy courses; forming eight different ECA scenarios (see Table 2 in the Appendix). A typical term paper or exam in today’s academic environment can comprise 20% of a final grade. Therefore, to make the survey reflect a current academic setting, we ask students about the number of extra credits for a given assignment that would go towards 20% of their final grade in the course. For the more details about the survey layout, see Table 3 in the Appendix.

Participants

The survey was conducted online in Qualtrics. The participants were 102 college students studying Business in Northeast US. For participating in the survey, students enrolled in either management, marketing, or finance courses received an extra credit in Spring 2016 with a 95% response rate. The average age of the participants was 21.4 years. 59% identified as White, 20% Asian, 14% Hispanics, and 8% other races. 23% of the participants were Accounting majors, 22%
Business Administration, 20% Marketing, 20% Finance, and 15% were other majors. 68% of the students reported to have a GPA from 3.0 to 3.8; 19% in the range of 2.5-3.0; 6% in the range from 3.9-4.0, and 6% below 2.5. Females represented 59% of the respondents. Sophomores accounted for 56%, juniors 24%, seniors 17%, and those pursuing graduate studies accounted for 4%.

**DATA ANALYSIS**

We followed data analysis procedures specifically developed for the Van Westendorp’s sensitivity method. We organized the data for the Van Westendorp-type questions in a logical order from: too little, great deal, questionable, and too much for each ECA. Only validated responses were considered in the analysis. Responses that did not meet the ascending order criteria (i.e., “too little” <= “great deal”, “great deal” <= questionable”, “questionable” <= “too much”) were excluded from the analysis. We also averaged the data to show the cumulative point spread between the questions for each ECA (see Table 4 in the Appendix).

**Findings**

We first constructed histograms by plotting cumulative distributions for the “questionable” and “too much” questions and by plotting the inverse cumulative distributions for “too little” and “great deal” questions. All lines are displayed in one graph (see Figures 1-8 in the Appendix). The graphs offer a lot of information. In Figure 2, for example, 80% of students believe that 6 points are too little for attending a 2-hour event. In Figure 4, for example, 55% of students think 20 points are a great deal to get for a 4-hour essay assignment in an easy course. In spite of the fact that optimal number of credits can be easily identified by the intersection of “too much” and “too little” lines, we refrain from using it in our analysis, because this interpretation is scrutinized for its static and unrealistic perfection.
Overall, an acceptable range of point values is the most useful. It is easily interpreted and calculated by measuring the distance between the intersection of “too little” and “great deal” lines (lower bound) and the intersection of “questionable” and “too much” lines (upper bound). The range is represented by the black arrows in Figures 1-8 in the Appendix. Data summary of acceptable point ranges for each ECAs are presented in Table 5 of the Appendix.

CONCLUSION

We conclude with a few important and novel insights for faculty and researchers of ECAs. In Table 5, an expected point range for a 2-hour essay is between 10 and 14 points in an easy course. It means that in order to get the most buy in from students, faculty should assign between 10 and 14 credit points for completing a similar assignment for students who consider the course easy. Oftentimes, faculty underestimates or overestimates the number of points for ECA. This tends to make ECAs less effective.

Our findings in Table 5 show that difficult courses command more points for the same ECAs than easy courses. Overall, 18% more extra credit points are expected from courses that require considerably more effort (time and cognitive processing) than from relatively easy courses. Faculty typically know how their courses are perceived by students, thus in instances of a moderately difficult course, faculty can take the midpoint from the two ranges.

Students do not use linear relationship between the time to complete the assignment and credit points in their equity analysis. For instance, in Table 5 the point difference between 2 hour essay and 4 hour essay was only 21% increase for an easy course and 18% increase for a difficult course. It means that faculty can get more out of the students when assigning more complex and lengthy ECAs while comfortably awarding less points. This practice would make ECAs more effective.
In a similar fashion, simple and shorter assignments command higher output/input ratios. More points are needed per time period to entice students for more complex assignments. The simple and short ECAs require “higher startup costs” before engaging in ECAs. Therefore, assigning short and simple ECAs may not be the most effective way to enhance students’ learning.

Cognitive effort is worth between 21% - 31% of points on average for the same time of assignments. The difference between a 2-hour event and 2-hour essay was 21% more points in easy courses and 31% higher in difficult courses. Students seem to be valuing their time more than their active cognitive functioning when attributing fairness in extra credit points. If they valued their effort equally as time, the likely increase would have been 100% in points between the two ECAs.

**Future Research**

The Van Westendorp-type questions did not provide information about students’ willingness to participate in ECAs. Therefore, in future studies we will also ask their intention to engage in the ECAs. We will capture participation intent rates in short, simple, and complex assignments. We will also introduce a moderate level of course difficulty. Further, we would like to examine whether participation in these simple versus complex assignments are more motivated by students’ GPA and individual characteristics than the number of points. There is a strong need to understand the motivation for students’ participation in ECAs. We are just at the brink of entangling the complex world of ECAs. Many aspects of ECAs antecedents, processes and outcomes still need to be scientifically measured to develop evidence-based models that all faculty can use.

Although the study explores only one aspect of ECAs and requires more refinement in future replications, it is the first and important step towards quantifying and solidifying our general knowledge of the intricacies and potential of ECAs in college education.
REFERENCES


APPENDIX

APPENDIX A: Literature Review
Faculty Orientation toward ECAs

Many articles covered debates about the appropriateness of the use of extra credit in post-secondary education (Groves 2003; Corsun, 2000) with two polarized perspectives concerning the use of extra credit among college-level faculty across disciplines (i.e., Hill, Palladino, & Eison, 1993; Weimer, 2011). While one perspective views ECAs as a way of students’ bargaining for a higher grade, the other end of the continuum sees it as a beneficial activity that motivates students beyond normal classroom expectations (Groves, 2003).

Negative perception toward ECA has been voiced by many. Norcross, Horrocks, and Stevenson (1989) reported that faculty have a negative perception of ECAs because they encouraged lax and irresponsible behavior among students and led to diminished work effort. Pynes (2014) argued that ECAs involve unnecessary extra work on the part of student and faculty and contribute to grade inflation. Wilson (2012) attributed disadvantages and negative effects of ECAs to moral code by raising the issue of ethical pedagogy. LaLopa (2000) argued that appropriately designed courses should not require the offering of extra credit to motivate learners. Corsun (2000) examined the concept of extra credit from philosophical and practical standpoint, leading to the conclusion that, although faculty may be motivated to offer ECAs fueled by sincere intentions, offering ECAs to students may lead to unexpected outcomes. Some faculty have expressed their personal stance and adamantly raised voices against ECAs (e.g., Slay, 2005). The reason for faculty’s negative impression of ECAs may stem from poorly designed ECAs and their non-ethical use to solely improve student grades (Fuad & Jones, 2012).

In support of the pro-ECA orientation, significant number of faculty justified ECAs as an alternative means of evaluation and using them to motivate students by providing them with a second chance at improving their academic performance (Norcross, Dooley & Stevenson, 1993). Based on his research findings, Miller (2006) provided some practical guidance as to the appropriate use of extra credit to improve student learning in hospitality management education. Some suggested making ECAs more effective by assigning the extra credit at the beginning of the semester rather than at the end (Mays & Bower, 2005). Empathy for students, fondness to see students succeed, and a genuine desire to encourage better work ethic have been viewed as the most important characteristics of faculty supporting ECAs (Lehman, 2012). Although the ECA controversy has not diminished in academic circles, there has been a strong and salient evidence of the wide usage of ECAs in college classrooms since the 1980’s (Norcross, Horrocks, & Stevenson, 1989; Hill, Palladino, & Eison, 1993). Our literature search failed to find more recent aggregate information about the aggregate utilization of ECAs in college.
APPENDIX B: Literature Review

ECA Outcomes

Several studies have measured various positive outcomes of ECAs, which exemplify the undercurrent trend and acceptance of this pedagogical tool. Across disciplines, various types of ECA outcomes have been reported, ranging from enhanced learning, improved exam performance, better grades, higher student retention, and increased student engagement, excitement and attendance.

Many studies on ECA were based in psychology (Junn, 1995; Oley, 1992; Padilla-Walker, 2006; Padilla-Walker, Zamboanga, Thompson, & Schmersal, 2005). Extra credit opportunities have also been found to increase student engagement and attendance in psychology (Wilder, Flood, & Stromsnes, 2001). In a 1993 study (Hill, Palladino, & Eison) ECAs were rated by psychology faculty on three dimensions: its educational value, usage rate, and access—the likelihood that all students would be able to complete the assignment. Significant positive correlations were obtained between rated educational value and ECA usage and between usage and access. Thorne (2000) offered extra credit quizzes with an impact of four percent of the final grade. He concluded that these ECAs in psychology motivated the students, encouraged class attendance, and prepared them for exams. ECAs in psychology, have also offered the opportunity for students to experience taking part in academic research on campus thus expanding their knowledge beyond the core curriculum (Henley & Savage, 1993).

A study in computer science education, showed that by relieving students from the mental pressure of regular test assessments and by making some tests as extra credit, students performed better in solving harder problems and learned more of the core curriculum (Fuad & Jones, 2012). ECAs significantly enhanced subject matter knowledge, higher motivation for learning, and improved perceptions of the instructor (Mays & Bower, 2005). ECAs in science education have also been noted to evoke positive attitude and bring excitement to students’ learning (Burns, 1993).

Hospitality and tourism faculty also found positive attributes of ECAs by extending knowledge beyond the classroom (Groves, 2000). Analysis of the effect of ECA in an introductory management course had also a positive impact on student learning as measured by course exams (Miller, 2006). Maurer (2006) investigated the role of ECAs in family development courses and found that they were significantly correlated with the average exam score in the course. Interestingly, few insignificant findings have also been reported in the literature. Henley and Savage (1994) showed no significant relationship between the amount of extra credit earned and semester test scores among 242 introductory psychology students.
APPENDIX C: Literature Review
Student Perception & Motivation

In contrast to some faculty’s concern with the use of ECAs, Norcross, Horrocks, and Stevenson (1989) found that students widely endorsed the use of ECAs and advocated they should be offered routinely to all. Based on perceived fairness and student evaluation analyses, student perception of ECA considerably varied from those of faculty. Harrison, Meister, and Lefevre (2011) reported students’ response to extra credit was more positive than that of faculty’s. Students desire the opportunity to earn extra credit in pursuit of higher grades (Pynes, 2014). Students often believe an ECA will transform them from a nonexistent to a substantive entity in the mind of the faculty member. This belief coexists with their other view of ECA as a safety net to ensure a satisfactory grade in a course.

One hundred thirty four students from hotel and restaurant management classes at a major Midwestern university were surveyed to comment on past uses of ECAs, their forms, and perceptions (Groves, 2003). Not surprisingly, students strongly supported the use of ECAs.

The research by Harrison, Meister, and Lefevre (2011) sought to examine whether the students who need the extra credit, in fact complete the assignments. They reported that only 37.8% of students chose to complete the ECAs. Their findings revealed that students who had higher grade point averages than their peers were more likely to complete the assignments. Interestingly, their study found that students enrolled in courses with higher enrollment were more likely to exercise the option of extra credit; yet students enrolled in smaller and more difficult classes (e.g., statistics, research methods) were less likely to complete ECAs. Students interact more frequently with faculty in small classrooms and therefore may choose not to take the advantage of ECAs, which would otherwise help them to stand out in the faculty’s eyes.

Moreover, Hardy (2002), Silva and Gross (2004), and Maurer (2006) showed that the better students were more likely to complete ECAs. Female students were more likely than male students to complete ECAs (Harrison et al., 2011; Miller, 2006). In addition, students with the hospitality major took significantly more advantage of the extra credit opportunities than non-majors. Students explained a number of reasons for completing ECAs (Lei, 2013). The list ranges from academic (e.g., not interested in the topic) to personal reasons (e.g., illness). Many students are eager for extra work. In fact, in some cases students were more motivated to perform the ECA than the original required assignment (Weimer, 2011).
<table>
<thead>
<tr>
<th>Series of Van Westendorp Questions</th>
<th>ECA Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. At what price would you begin to think product is <strong>too expensive</strong> to consider?</td>
<td>At what point would you begin to think the number of credit points awarded for the assignment would be... <strong>too little</strong> for the amount of effort (i.e., time invested and engagement in task)?</td>
</tr>
<tr>
<td>2. At what price would you begin to think product is <strong>getting expensive</strong>, but you still might consider it?</td>
<td>At what point would you begin to think the number of extra credit points awarded for the assignment would be... <strong>questionable</strong> for the amount of effort (i.e., time invested and engagement in task), but you still might consider it?</td>
</tr>
<tr>
<td>3. At what price would you think product is a bargain – a <strong>great buy</strong> for the money</td>
<td>At what point would you begin to think the number of extra credit points awarded for the assignment would be... <strong>a great deal</strong> for the amount of effort (i.e., time invested and engagement in task)?</td>
</tr>
<tr>
<td>4. At what price would you begin to think product is <strong>so inexpensive</strong> that you would question the quality and not consider it?</td>
<td>At what point would you begin to think the number of extra credit points awarded for the assignment would be... <strong>too much</strong> for the amount of effort (i.e., time invested and engagement in task) that you would question the quality of the assignment?</td>
</tr>
</tbody>
</table>
Table 2
Selection of 8 ECAs Scenarios for Students to Determine Expected Credit Points

<table>
<thead>
<tr>
<th>Categorization of Assignments</th>
<th>Course Difficult: Demanding</th>
<th>Course Easy: Less Demanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 min Survey</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy Short (Low stakes)</td>
<td></td>
<td>I. 30 min Survey</td>
</tr>
<tr>
<td>Passive Effort – Points for participation</td>
<td></td>
<td>V. 30 min Survey</td>
</tr>
<tr>
<td>Expected duration: 30 min</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related indirectly to course material (e.g., completing survey)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-hour Event</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy Long (Low stakes)</td>
<td></td>
<td>II. 2-hour Event</td>
</tr>
<tr>
<td>Passive Effort – Points for participation</td>
<td></td>
<td>VI. 2-hour Event</td>
</tr>
<tr>
<td>Expected duration: 2 hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related indirectly to course material (e.g., attending an event)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-hour Essay</td>
<td></td>
<td>III. 2-hour Essay</td>
</tr>
<tr>
<td>Difficult Short (High stakes)</td>
<td></td>
<td>VII. 2-hour Essay</td>
</tr>
<tr>
<td>Active Effort: Points for cognitive outcome</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected duration: 2 hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related directly to course material (e.g., writing an essay)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4-hour Essay</td>
<td>IV. 4-hour Essay</td>
<td>VIII. 4-hour Essay</td>
</tr>
<tr>
<td>Difficult Long (High stakes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Effort – Points for cognitive outcome</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected duration: 4 hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related directly to course material (e.g., writing essay)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3
Survey Questionnaire Layout

Suppose, you are enrolled in a DIFFICULT course, where you need to spend considerably more time and effort to fulfill course requirements than in other courses.

Your professor has offered your class an opportunity for each student to earn extra credit on final exam (which is worth 20% of the overall grade for the course). Based on this assumption please answer the following questions related to the 4 DIFFERENT scenarios:

I. Suppose, your professor assigned an extra credit assignment that awards points for participating in an online research survey that will take approximately 30 MINUTES to complete. Points earned will be based on completion of the survey rather than specific answers.

4 ECA questions (see Table 1)

II. Suppose, your professor assigned an extra credit assignment that gives you points for attending a school event lasting about 2 hours. You will get extra credit points for just ATTENDING THE EVENT. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

4 ECA questions (see Table 1)

III. Your professor assigned an extra credit assignment that gives you points for reading an article and writing an analytical essay that would take you approximately 2 HOURS. You will get extra credit points for the QUALITY OF ANALYSIS. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

4 ECA questions (see Table 1)

IV. Your professor assigned an extra credit assignment that gives you points for reading an article and writing an analytical essay that would take you approximately 4 HOURS. You will get extra credit points for the QUALITY OF ANALYSIS. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

4 ECA questions (see Table 1)
Suppose, you are now enrolled in an EASY course, where you need to spend considerably less time and effort to fulfill course requirements than in other courses.

Your professor has offered your class an opportunity for each student to earn extra credit on final exam (which is worth 20% of the overall grade for the course). Based on this assumption please answer the following questions related to the 4 DIFFERENT scenarios:

V. Suppose, your professor assigned an extra credit assignment that awards points for participating in an online research survey that will take approximately 30 MINUTES to complete. Points earned will be based on completion of the survey rather than specific answers.

*4 ECA questions (see Table 1)*

VI. Suppose, your professor assigned an extra credit assignment that gives you points for attending a school event lasting about 2 hours. You will get extra credit points for just ATTENDING THE EVENT. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

*4 ECA questions (see Table 1)*

VII. Your professor assigned an extra credit assignment that gives you points for reading an article and writing an analytical essay that would take you approximately 2 HOURS. You will get extra credit points for the QUALITY OF ANALYSIS. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

*4 ECA questions (see Table 1)*

VIII. Your professor assigned an extra credit assignment that gives you points for reading an article and writing an analytical essay that would take you approximately 4 HOURS. You will get extra credit points for the QUALITY OF ANALYSIS. The points would go toward your EXAM grade that is worth 20% of the overall grade for the course.

*4 ECA questions (see Table 1)*
Table 4
Overall Average of Points Attributed to Van Westendorp-type Questions

<table>
<thead>
<tr>
<th>EASY COURSE</th>
<th>30 min survey</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>too little</td>
<td>3</td>
<td>questionable</td>
<td>6</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>4</td>
<td>questionable</td>
<td>7</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>6</td>
<td>questionable</td>
<td>9</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>7</td>
<td>questionable</td>
<td>11</td>
<td>great deal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DIFFICULT COURSE</th>
<th>30 min survey</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>too little</td>
<td>3</td>
<td>questionable</td>
<td>7</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>4</td>
<td>questionable</td>
<td>8</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>8</td>
<td>questionable</td>
<td>12</td>
<td>great deal</td>
</tr>
<tr>
<td>too little</td>
<td>9</td>
<td>questionable</td>
<td>14</td>
<td>great deal</td>
</tr>
</tbody>
</table>
Table 5
Student Acceptable Ranges of Points for 8 ECAs
(numbers extracted from Figures 1-8)

<table>
<thead>
<tr>
<th>ECA</th>
<th>Range of acceptable points</th>
<th></th>
<th>Range of acceptable points</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MIN</td>
<td>MAX</td>
<td>Width</td>
<td>Increase in MAX</td>
</tr>
<tr>
<td>30 min survey</td>
<td>6</td>
<td>10</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>2-hour event</td>
<td>6</td>
<td>11</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>2-hour essay</td>
<td>10</td>
<td>14</td>
<td>4</td>
<td>21%</td>
</tr>
<tr>
<td>4-hour essay</td>
<td>13</td>
<td>17</td>
<td>4</td>
<td>21%</td>
</tr>
<tr>
<td>% Increase from Easy to Difficult Course</td>
<td></td>
<td></td>
<td>17%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Sensitivity Analysis: Acceptable Range of Points for ECAs

Figure 1

Easy Course
ECA: 30 min Survey

Figure 2

Easy Course
ECA: 2 HR Event
Sensitivity Analysis: Acceptable Range of Points for ECAs

Figure 3

EasyCourse
ECA: 2HR Essay

Figure 4

EasyCourse
ECA: 4HR Essay
Sensitivity Analysis: Acceptable Range of Points for ECAs

Figure 5

Difficult Course
ECA: 30 min Survey

Figure 6

Difficult Course
ECA: 2Hr Event
Sensitivity Analysis: Acceptable Range of Points for ECAs

Figure 7

Difficult Course
ECA: 2Hr Essay

Figure 8

Difficult Course
ECA: 4Hr Essay
ABSTRACT

This study investigates the impact of corporate social responsibility (CSR) on postacquisition performance. Using stakeholder theory and signaling theory, we explore entrepreneurial firms, family firms, and top managers’ ownership as potential moderators of this relationship. Further, we explore top management team retention and quality of target as mediators of the relationship between CSR and postacquisition performance. We find that corporate social performance is generally associated with higher postacquisition performance. The results provide support for the moderating effect of entrepreneurial firm status on the relationship between the acquirer’s corporate social performance and the quality of target. The results also provide support for the mediating effect of the quality of target on the relationship between CSR and organizational performance.

Keywords: Corporate social performance; corporate social responsibility; acquisitions; acquisition performance; stakeholder theory; signaling theory.
THE EFFECT OF CORPORATE SOCIAL
PERFORMANCE ON ACQUISITION PERFORMANCE

INTRODUCTION

Research interest in corporate social responsibility (CSR) continues to increase. Involvement in CSR is of strategic value to firms (Porter & Kramer, 2002; Saia, 2001) in part due to its capacity to improve stakeholder relations (McWilliams & Siegel, 2001). Researchers have searched for a link between CSR and various organizational outcomes, but results are equivocal (e.g., Barnett & Salomon, 2012; Julian & Ofori-dankwa, 2013; McWilliams & Siegel, 2000; Wang & Qian, 2011).

One organizational outcome that is especially consequential is acquisition performance. Merger and acquisition (M&A) activity has accelerated in the U.S. and the trend is poised to continue (Deloitte, 2014, 2015). But realized synergies from acquisitions are often less than anticipated, leading to poor postacquisition performance (e.g., Datta et al., 1992; King, Dalton, Daily, and Covin, J. G. (2004) et al., 2004), and the literature remains unclear as to why (e.g., Chatterjee, Lubatkin, Schweiger, & Weber, 1999; Datta, 1991; Haspeslagh & Jemison, 1991; Hitt, Hoskisson, Ireland, & Harrison, 1991; Roll, 1986. Despite the abundance of studies examining the effects of both CSR and acquisitions on corporate performance, important gaps still remain concerning CSR’s impact on M&As.

To our knowledge, the impact of CSR on acquisition performance has not been addressed. We integrate CSR and acquisition literature to explore the connection between acquirers’ CSR and acquisition performance using stakeholder theory and signaling theory. Stakeholder theory suggests that a firm’s stakeholders have the ability to affect or be affected by the strategic outcomes achieved by the firm (Freeman, 1984; Jones & Wicks, 1999).
Participation in CSR boosts reputational capital and can increase stakeholders’ provision of resources, often in ways that lower transaction costs (Choi & Shepherd, 2005). We argue that such benefits increase the likelihood of achieving potential synergies to the degree that an acquirer enjoys the reputation of being a socially responsible firm, thereby enhancing acquisition performance.

Signaling theory explains how, in the presence of information asymmetry, decision makers frequently rely on actions and symbols to judge a firm’s reputation and quality (Ferrier, 1997; Fombrun & Shanley, 1990; Miller & Triana, 2009; Spence, 1973). These actions and symbols can be capitalized upon to avail information to others and influence the public’s judgment of the firm (Ferrier, 1997; Mahon, 2002). Because CSR activities can build reputation and status among the public (Miller & Triana, 2009), a firm can signal multiple stakeholders about the quality and reliability of its products and services (Frooman, 1999). And by building a positive reputation, the firm is able to avoid signals of opportunism and present itself as trustworthy (Jones, 1995).

Quality acquisition targets are often more successful than their industry peers (Graebner & Eisenhardt, 2004; Ravenscraft & Scherer, 1987; Walsh & Kosnik, 1993), making them attractive to potential acquirers (Katila, Rosenberger, & Eisenhardt, 2008). Socially responsible acquirers may be more appealing to prospective targets as compared to less socially responsible counterparts. CSR activities can increase reputational capital and signal trustworthiness. As targets would likely prefer to be associated with reputable firms (Fombrun & Shanley, 1990), a quality target may opt to be acquired by a socially responsible firm and enjoy an immediate gain from the CSR firm’s reputation and established relationships. CSR firms’ acquisition of high quality targets may facilitate implementation of potential synergies (Graebner & Eisenhardt,
2004), performance of due diligence, and avoidance of reputational costs stemming from bad acquisitions. The socially responsible acquirer is therefore likely to acquire higher quality targets with a clean track record, minimizing the costs associated with bad acquisitions and boosting postacquisition performance.

We also expect particular target firm characteristics to moderate the influence of acquirers’ CSP on target quality. Top management team (TMT) ownership increases the level of influence managers have on the acquisition of their firm. Managers may be expected to evaluate the socially responsible acquirer as more desirable for the target influence the board and key investors toward endorsing their preference to be acquired by a CSR firm. Conversely, low ownership concentration among top managers causes them to be more susceptible to counsel and monitoring pressure from the board (Johnson, Hoskisson, & Hitt, 1993) and other key investors. TMTs with low ownership holdings may also be more likely to behave opportunistically (Dalton, Daily, Certo, & Roengpitya, 2003) as they would have an incentive to consume perquisites (Jensen & Meckling, 1976), reducing firm value (Berle & Means, 1933; Jensen & Meckling, 1976). Their preference to be acquired by CSR firms may therefore not prevail if it is overruled by dominant owners and the board because they may be suspicious of the top managers’ true intentions. In addition, high levels of target firm ownership may give executives leverage in securing their employment postacquisition (Demsetz, 1983; Fama & Jensen, 1983; Gibbs, 1993), which may lead to a higher level of TMT retention.

Family controlled firms pay more attention to nonfinancial “socioemotional” aspects that meet the family’s affective needs (Gomez-Mejia et al., 2007) than nonfamily firms. For a family target, socioemotional needs may include projecting and perpetuating a positive family image and reputation (Sharma & Manikutty, 2005; Westhead, Cowling, & Howorth, 2001), receiving
recognition for generous actions (Schulze, Lubatkin, & Dino, 2003), and accumulating social capital (Arregle, Hitt, Sirmon, & Very, 2007). Given that family firms tend to place more value on social legitimacy for its own sake independent of financial considerations (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010), quality family targets are likely attracted to socially responsible acquirers because the mere acquisition by a CSR firm may boost the family’s image and reputation among key constituents, meeting the family’s socioemotional needs. For a CSR acquirer, the acquisition of a quality family firm may again facilitate potential synergies (Graebner & Eisenhardt, 2004). And given that the family demands financial, career, and ‘altruistic’ benefits from the firm (Schulze, Lubatkin, Dino, & Buchholtz, 2001), the family may negotiate with the acquirer to maintain managerial positions and continue pursuing the family interests in the firm.

Entrepreneurial firms are young, often small firms, with high growth potential (Baker & Aldrich, 2000). Founders of such firms have a strong psychological attachment to their firms (Bruton, Fried, & Hisrich, 2000; Finkelstein & Boyd, 1998; Nelson, 2003), and would want the firm to be acquired by a reputable firm (Fombrun & Shanley, 1990) that promises future positive outcomes such as improved stakeholder relations and reputation (Hillman & Keim, 2001). As the socially responsible firm has already developed these among various stakeholders, an acquisition by a CSR firm may be more attractive because, on being acquired, the quality entrepreneurial target will enjoy these benefits ‘by extension’. An acquisition by a socially responsible firm may therefore assure the target’s owners that their firm is passing on to a ‘good firm’, which will likely perpetuate strategies that lead to the highest benefit for all stakeholders. The entrepreneurial firm may be more innovative compared to more established CSR firms (Freeman & Soete, 1997; Powell & Brantley, 1992; Shefer & Frenkel, 2005), and access to the target’s
innovative capacity may lead to higher postacquisition performance, giving the acquirer a competitive edge (Katila et al., 2008). In addition, TMT human capital is critical for the survival and growth of young entrepreneurial firms (Eisenhardt & Schoonhoven, 1990; Fischer & Pollock, 2004; Reed, Lubatkin, & Srinavasan, 2006), and such managers will likely be retained for their embedded knowledge of the firm, industry experience, and established relationships that are difficult to replicate quickly (Krug, Wright, & Kroll, 2014). Retention of the entrepreneurial firm’s TMT may also improve the acquirer’s reputation (Hall, 1992) among its own, and the target’s stakeholders.

This contributes to the acquisition performance literature (e.g., Cannella & Hambrick, 1993; Graebner, 2004) by exploring CSR as a determinant of acquisition success. Relatedly, it contributes to CSR literature by examining the influence of CSR on acquisition performance overlooked in prior studies. Further, it contributes to the literature on human capital (e.g., Cannella & Hambrick, 1993; Graebner, 2004) by highlighting the impact of CSR firms’ acquisitions on employee retention. Finally, this paper furthers our understanding of why some types of companies are acquired and the motives behind such acquisitions.

**Hypothesis Development**

Managerial interpretations of CSR issues as opportunities rather than threats can influence an organization’s CSR strategy (Sharma, Pablo, & Vredenburg, 1999). The greater the extent to which managers perceive environmental and social concerns as central to their company's identity, the more likely they will interpret these issues as opportunities (Sharma, 2000). Acquirers that hold CSR at the core of their corporate identity are likely to be actively engaged in CSR. As a result, these firms are likely to have excellent reputations which appeal to prospective business partners, employees and customers (Fischer & Reuber, 2007; Fombrun,
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2001; Fombrun & Shanley, 1990; Jones, 1995; Puncheva, 2008). Given that focal quality targets are normally more successful than their industry peers (Ravenscraft & Scherer, 1987; Walsh & Kosnik, 1993), these targets may also be attractive to other prospective acquirers (Katila et al., 2008). All else equal, the CSR firm’s continued engagement in CSR would have enabled it to build an excellent reputation over time, which may also have translated to excellent financial performance (Waddock & Graves, 1997; Wang & Qian, 2011). Compared to another acquirer lacking a CSR strategy, the CSR firm would be appealing to prospective quality targets because an acquisition by the firm may come with an implied promise of longer-term benefits in the form of attracting good business partners, employees, and customers (Fischer & Reuber, 2007; Fombrun, 2001; Fombrun & Shanley, 1990; Jones, 1995; Puncheva, 2008). The favorable reputational capital of the socially responsible acquirer would present the firm as a trustworthy partner (Jones, 1995) and would avail some advantage when bidding against other non CSR companies for a specific quality target. With the quality target’s prior excellent track record of good performance, the CSR acquirer may be able to derive synergies from the acquisition that would ultimately lead to greater acquisition performance.

To potential quality targets intent on being acquired by a reputable, trustworthy firm (Jones, 1995), the socially responsible firm would likely seem to be a good bet. This would be advantageous to the socially responsible acquirer, since it would likely have many prospective targets seeking to be bought by it. The socially responsible firm would therefore have a wider pool of potential targets to choose from, giving it a higher likelihood of choosing a target with high potential for future performance.

Organizational actions by the socially responsible firm that appear controversial to stakeholders may put the firm at risk of losing current and potential members, as well as outside
endorsement and support (Lange & Washburn, 2012). It is important that the CSR firm ensure that to external observers it is not seen as implicitly or explicitly supporting socially irresponsible behavior through its operations. In their study of 585 firms targeted by the SEC for financial misrepresentations from 1978 to 2002, Karpoff, Lee, & Martin (2008) concluded that while legal actions led to penalties of around $24 million, reputational costs were more than seven times higher. For the socially responsible acquirer, the best outcome would be to complete an acquisition leading to a synergistic combination (Graebner & Eisenhardt, 2004) with no resultant costs, reputational or otherwise. The acquirer will likely do better due diligence to ensure that the target firm it acquires is not currently involved in, or has not previously been involved in activities damaging to the acquirer’s reputation.

From the foregoing discussion we can conclude that reputational gains from corporate social performance will be favorably received by prospective quality targets. From an attribution theory perspective, prospective quality targets likely evaluate the focal socially responsible firm more favorably and are likely to prefer to be acquired by it. Therefore, socially responsible firms will likely tend to acquire high quality targets, leading to higher postacquisition performance. In line with the foregoing, we also argue that in the presence of a quality target, the relationship between corporate social performance and acquisition performance will be stronger.

Hypothesis 1. The acquirer’s corporate social performance is positively related to its acquisition performance.

Hypothesis 2. The quality of the target mediates the relationship between CSR and acquisition performance.

Researchers have supported the notion that ownership structures influence corporate decision making and the outcomes thereof (e.g., Baysinger, Kosnik, & Turk, 1991; Kochhar &
David, 1996). They maintain that TMT ownership positively affects corporate performance (e.g., McConnell & Servaes, 1990; Morck Shleifer & Vishny, 1988) through, for example, encouraging higher R&D spending (e.g., Hill & Snell, 1988, 1989; Francis & Smith, 1995), corporate attention to stakeholders (Zahra, Oviatt, & Minyard, 1993; Johnson & Greening, 1999), corporate entrepreneurship (Zahra, 1996), attention to product quality and innovation (Hansen & Hill, 1991), and managerial responses to changing environments (Finkelstein, 1992). These positive outcomes have been attributed to the fact that substantial ownership in the firm may represent a significant part of the executives’ personal wealth, incentivizing managers to work harder to increase firm value (Morck et al., 1988). In addition, since high levels of ownership cause the top managers’ wealth to vary directly with firm performance (Jensen & Murphy, 1990), managers will be more motivated to undertake value maximizing behavior (e.g., Amihud & Lev, 1981; Davis, 1991; Denis, Denis, & Sarin, 1997; Gedajlovic & Shapiro, 2002; Morck et al., 1988).

High ownership stakes endow managers with power in decisionmaking (Finkelstein, 1992; Oh, Chang, & Martynov, 2011) and give them leverage in the selection of directors more likely to endorse the managers’ decisions (Zajac & Westphal, 1996). The CEO allegiance hypothesis (Byrd, Cooperman, & Wolfe, 2010) suggests directors may shift their allegiance from shareholders to powerful executives to maintain their jobs, and are therefore less likely to oppose key decisions by executives. Indeed, top manager ownership proportion has often been used as a proxy for managerial power (e.g., Finkelstein, 1992; McEachern, 1975) and for the degree of incentive for insiders to protect the firm’s interests (Kassinis & Vafeas, 2002).

All else equal, top managers of the quality target will likely be attracted to an acquisition by a socially responsible acquirer, since such a firm would ensure longer-term stakeholder
support (Johnson & Greening, 1999), maximizing the long-term value of their firm. Since the managers are likely to have been heavily involved in getting the target firm to its current high levels of performance, they may be emotionally invested in the firm and have the interests of the organization at heart. An acquisition by a socially responsible firm may be viewed as an attractive strategic move because it would avail resources and technologies the target may have been lacking before. It follows that the managers at a quality target would likely exert their power and influence over the board and other investors in endorsing the firm’s acquisition by a socially responsible acquirer.

Low ownership concentration among the top managers causes them to be more susceptible to counsel and monitoring pressure from the board (Johnson et al., 1993) and other key investors. Thus, although such managers may find it beneficial for the firm to be acquired by a socially responsible firm, their preference for such an acquisition may be overruled by the dominant owners and the board. Principal-agent problems are also more likely to result in governance arrangements where managers with low ownership proportions fail to maximize shareholder wealth since they have an incentive to consume perquisites (Jensen & Meckling, 1976). Other negative outcomes from low managerial ownership holdings include a higher incidence of corporate crime (Alexander & Cohen, 1999), shirking behavior (Demsetz & Lehn 1985), excessive investments in pet projects (Jensen, 1986; Shleifer & Vishny, 1997), and engagement in short-term activities and other opportunistic behaviors that increase their personal wealth (Dalton et al., 2003; Malatesta & Walkling, 1988). Managers with low levels of ownership may therefore be less committed to long-term value-maximization of the firm. Therefore, they may not be as motivated to ensure that their firm is acquired by a ‘trustworthy partner’ that would ensure long-term success of the venture. To them, avenues to increase their
perquisites may be more attractive, and they may be open to sell to the highest bidder regardless of the intentions of the said acquirer.

In sum, managers with higher levels of ownership likely care more about their firm. Given that they have worked diligently in the past to ensure the success and quality of the venture, they would want their firm to pass on to a ‘good steward’, and will therefore exert their influence to ensure that their firm is acquired by a socially responsible firm that would assure long-term value creation. Conversely, managers with low ownership stakes may not be in a position to influence the dominant owners and the board to approve an acquisition by a socially responsible firm.

Hypothesis 3. The relationship between the acquirer's corporate social performance and the quality of the target is stronger when the target firm's TMT ownership is higher.

Entrepreneurial firms are young, often small firms, typified by a high potential for growth within their industries (Baker & Aldrich, 2000). These firms exhibit higher rates of innovation per dollar investment in R&D when compared to the established firms in similar industries (Kortum & Lerner, 2000; Powell & Brantley, 1992). This is especially true in the initial stages of major new technologies (Freeman & Soete, 1997; Powell & Brantley, 1992; Shefer & Frenkel, 2005). However, they are faced with liabilities of newness and smallness which manifest in the form of limited internal resources and external relations, a lack of legitimacy (Gartner, Bird, & Starr, 1992; Mudambi & Treichel, 2005), and a lack of political and market power (Katila et al., 2008).

The resource dependence theory perspective (Pfeffer & Salancik, 1978) suggests that entrepreneurial firms faced with challenges in accessing needed critical resources may seek to be acquired by more established, resource-rich firms in order to ensure their survival. Established
firms, on the other hand, may be willing to provide such resources to target entrepreneurial firms because of the targets’ ability to avail complementary resources such as access to technology (Mason & Rohner, 2002; Wadhwa & Kotha, 2006) and innovative capabilities that would be difficult to develop in-house (Cefis & Marsili, 2011; Coff, 1999; Cohen & Levinthal, 1990; Ranft & Lord, 2002). In addition, apart from resource acquisition motives, entrepreneurs may seek an acquisition of their firm for other reasons including the need to relieve personal pressures, to eliminate stressful managerial responsibilities, and to achieve financial independence (Graebner et al., 2010).

Regardless of the motives behind their intention to sell, entrepreneurs are likely to have a high affective attachment to their firms (Palmer & Barber, 2001). As a result, they will hold a strong desire to sell their company to a firm that would most likely operate with a high regard for their firm’s long-term success. Since potential socially responsible acquirers will have developed a high level of reputational capital through their CSR activity (Fombrun, Gardberg, & Barnett, 2000; Gardberg & Fombrun, 2006), they may be viewed as having a greater capacity to attend to the interests of the entrepreneurial firm’s present and future sets of multiple stakeholders (Preston & Sapienza, 1990). This may in turn give the entrepreneurs an assurance that their firm’s performance will be sustained in the long-term (Greenley & Foxall, 1997). In addition, engagement in CSR activity presents a potential acquirer as a trustworthy business partner, which eliminates the need for elaborate safeguards by the entrepreneurs to ensure that their firm’s interests will be looked after. However, potential acquirers that are less socially responsible may not be as highly reputed, and may even suffer negative consequences such as a loss of reputation and stakeholder support when they have been found to engage in a socially irresponsible manner (Lange & Washburn, 2012). All else equal, given that a good reputation is
appealing to potential business partners, employees, and customers (Fischer & Reuber, 2007; Fombrun, 2001; Fombrun & Shanley, 1990; Jones, 1995; Puncheva, 2008), the quality entrepreneurial firm may prefer to be acquired by a socially responsible firm.

Socially responsible acquirers, on the other hand, would essentially want to acquire a quality firm that maximizes the return on investment. In order to minimize potential negative performance and reputational outcomes arising from a ‘bad’ acquisition, they are likely to undertake more due diligence to ensure that the entrepreneurial target has not engaged in activity that may lead to negative performance effects. Indeed, studies show that engagement in socially irresponsible activities by organizations may lead to negative reputation, increases in the cost of capital, network partner loss, lawsuits, losses through sales declines and settlements, and market share deterioration (e.g., Baucus & Baucus, 1997; Davidson, Worrell, & Cheng, 1994; Haunschild, Sullivan, & Page, 2006; Karpoff et al., 2008; Lange & Washburn, 2012; Strachan, Smith, & Beedles, 1983). As a result of their thorough background checks, the socially responsible acquirers would likely end up acquiring quality entrepreneurial firms that guarantee future synergies, which would more likely translate to positive postacquisition performance.

From the foregoing discussion, it is proposed that:

Hypothesis 4. The relationship between the acquirer's corporate social performance and the quality of the target is stronger when the target firm is an entrepreneurial firm.

A family business can be defined as “…a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua, Chrisman, & Sharma, 1999: 25). Agency theory suggests that management by a dominant coalition of shareholders [a family in
this case] should be positively related to performance, since their interests should be more inclined toward increasing the value of the firm, which subsequently diminishes agency problems (Berle & Means, 1933; Jensen & Meckling, 1976). Given the controlling family’s demands for continued financial, career, and ‘altruistic’ benefits from the firm (Schulze et al., 2001), there is a high impetus for the family to maximize the long-term value of the firm (Morck, Wolfenzon & Yeung, 2005; Schulze et al., 2001). Indeed, a number of studies (e.g., Anderson & Reeb, 2003; Leach & Leahy, 1991; McConaughy, Walker, Henderson, & Mishra, 1998; Villalonga & Amit, 2006) conclude that family firms do better on market valuation and on return on assets when compared to other major corporations.

Family firms have been found to pay more attention to nonfinancial “socioemotional” aspects that meet the family’s affective needs independent of financial considerations (Berrone et al., 2010; Gomez-Mejia et al., 2007). For a family target, socioemotional needs may include projecting and perpetuating a positive family image and reputation (Sharma & Manikutty, 2005; Westhead et al., 2001), receiving recognition for generous actions (Schulze et al., 2003), and accumulation of social capital (Arregle et al., 2007). Since proactive socially responsible activities are associated with a deeper and broader coverage of stakeholders (Buysse & Verbeke, 2003), engagement in such activities by potential acquirers may be viewed favorably by quality family targets. This is because the favorable resultant reputation from the socially responsible firm would ‘spill over’ to the target, effectively boosting the family’s socioemotional wealth in the process. In addition, since favorable stakeholder evaluations are important for maintenance of the family’s socioemotional wealth, engagement in socially responsible activities by a potential acquirer expresses that acquirer’s deeper attention to stakeholders, which boosts the family’s preference to be acquired by such a firm. All else equal, a quality family target is likely to be
more attracted to a socially responsible acquirer because the mere acquisition by the socially responsible firm would boost the family firm’s image and reputation among its key stakeholders.

From the acquirer’s perspective, a family target may be more attractive for a number of reasons. First, a quality family target will likely be more successful than its industry peers (Ravenscraft & Scherer, 1987; Walsh & Kosnik, 1993). In addition, given that family firms hold non-financial motives in a higher regard as opposed to financial motives (Berrone et al., 2010), family firms’ values and strategies may be better aligned with those of the socially responsible firms. The value congruence between the family firm and the acquirer may therefore lead to an increased likelihood that the acquisition will lead to higher postacquisition performance. In sum, it is argued that the advantages stemming from being a socially responsible firm and those that emanate from being a well-performing family firm will reinforce each other and lead to synergistic fit between the firms (Graebner & Eisenhardt, 2004).

Hypothesis 5. The relationship between the acquirer’s corporate social performance and the quality of target is stronger when the target firm is a family business.

Extant research supports the notion that quality human capital is associated with superior organizational outcomes (e.g., Bosma, Van Praag, Thurik, & De Wit, 2004; Brueederl, Preisendorfer, & Ziegler, 1992; Cassar, 2006; Cooper, Gimeno-Gascon, & Woo 1994; Dyke, Fischer, & Reuber, 1992; Van der Sluis, Van Praag, & Vijverberg, 2005). Proponents for the retention of the targets’ TMT have argued that previous knowledge about their firm should intensify alertness to emerging opportunities (Westhead, Ucbasaran, & Wright 2005). Similarly, others (e.g., Ellis, Reus, Lamont, & Ranft, 2011; Krug et al., 2014) maintain that the target’s managers may have embedded knowledge of their firm, industry experience, and established relationships with stakeholders that the acquiring firm may find difficult to replicate quickly. In
addition, over the duration of their tenure, the target TMT is likely to have developed a rich body of organizational wisdom, which would be invaluable in providing a better understanding of various aspects of the acquisition. Examples include the traditions and history of the acquired company's culture; its long-term relationships with customers, vendors and suppliers; prior successes and failures of the firm; and the underlying structure of its political conflicts (Bergh, 2001; Buono, Bowditch, & Lewis, 1985; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986).

However, in a recent review, Krug et al. (2014) document that target companies lose an average of about 25% of their top managers within a year after being acquired; and within five years, they lose an average of 60% or more of their top managers. The turnover trend is especially pronounced following an acquisition by non-US firms (Furtado & Karan, 1990; Krug & Hegarty, 1997; Martin & McConnell, 1991; Walsh, 1988, 1989; Walsh & Ellwood, 1991). Two perspectives can help explain this. First, from the acquirer’s perspective, letting the target TMT leave may help to minimize resistance during the integration process (Cannella & Hambrick, 1993; Walsh, 1989) and may signal to target employees that the acquirer is in charge (Krug et al., 2014). Target TMT members may also become obsolete after an international acquirer repatriates the acquired technology (Krug & Hegarty, 1997). Second, from the executives’ perspective, the top managers may have a negative assessment of the long-term effects of the acquisition to their personal and professional lives (Krug & Hegarty, 2001), and they may perceive a loss of status (Hambrick & Cannella, 1993), diminished autonomy (Lubatkin et al., 1999), and stress following the acquisition (Schweiger & Denisi, 1991; Schweiger & Walsh, 1990), hence motivating them to leave.

Quality acquisition targets often outperform their competitors (Ravenscraft & Scherer, 1987; Walsh & Kosnik, 1993). Their good performance is likely to have attracted an audience
from various stakeholders, who constantly gauge how the target is doing based on the particular audience’s unique perspective. Prior to the acquisition, the target’s strategies and operations are likely to have been evaluated favorably by its various stakeholder audiences, which may have conferred legitimacy and enabled the target to access key resources (e.g., Parsons, 1960; Pfeffer & Salancik, 1978). Since firms are viewed as a reflection of their top managers (Hambrick & Mason, 1984), the audiences will likely view the top managers as a key ingredient to the success attained by the target. In order maintain these positive evaluations from the audiences and maintain a good reputation (Hall, 1992) and trust (Jones, 1995), the socially responsible acquirer will likely maintain the target’s TMT.

Research suggests that both voluntary and involuntary turnover undermine the stable social relationships that provide the basis for workplace trust and collaboration (Batt & Colvin, 2011; Leana & Van Buren, 1999). Efforts toward retention of the target TMT may minimize the impact of disruptions that come with an acquisition. That way, the socially responsible acquirer is able to show the target’s employees and other key resource providers that it has not come to destroy what they have built, but rather, that it is there to build a mutually beneficial partnership. A failure to keep the target managers in place on the other hand may invoke perceptions of mistrust from various constituents (Blois, 2003) since it may destabilize some existing relationships between the target firm and its stakeholders. In addition, the social networks that the target’s TMT may have relied on to provide key resources may be severed after the executives’ departure.

A firm’s social performance is frequently assessed in regard to local communities, women and minorities, employee relations, the natural environment, and the quality of products or services (Johnson & Greening, 1999; Mahoney & Thorne, 2005). Since a higher level of
employee motivation may lead to higher quality production (Schlesinger & Heskett, 1991), the socially responsible firm would be open to implementing measures meant either to maintain or increase the current level of motivation in the target to ensure quality in their processes. The target’s TMT is likely to have built allegiances from various employee groups, which may have led to an integration of values, leading to employee motivation that resembles intrinsic motivation and higher commitment to organizational goals (Ryan & Deci, 2000). The employees may have come to trust their top managers over time and may have reflected their loyalty through higher efforts towards making the firm successful. The attrition of the managers they had come to identify with may work to erode this loyalty, which may in turn lower motivation and subsequently lead to poorer organizational outcomes. In addition, TMT attrition may also negatively affect employees’ perceptions of job security, as they may feel that their own jobs may be at stake. The socially responsible firm may find it beneficial to maintain the target’s TMT as a motivation tool for the employees to continue providing high quality products or services to the customers. Target TMT departures, on the other hand, may undermine employee motivation through an erosion of employee allegiances and disruptions to the organization’s operational and shared functions (Dess & Shaw, 2001; Park & Shaw, 2013; Shaw, Duffy, Johnson, & Lockhart, 2005). This may in turn be reflected in the production of lower quality products or provision of lower quality services by the employees. With this reasoning, we propose that:

Hypothesis 6. The acquirer’s corporate social performance is positively related to the retention of the target firm's TMT human capital.

The foregoing discussion has established a motive behind the retention of the target TMTs by the acquirer. Various scholars (e.g., Baum, Locke, & Smith, 2001; Frese et al., 2007)
have argued that quality of human capital has a positive impact on a firm’s planning and venture strategy, which subsequently has a positive effect on the firm’s performance. In addition, the upper echelons perspective maintains that the top managers’ experiences, values, and personalities greatly influence their interpretations of the situations they face, which in turn affects their decision making (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick, 2007; Hambrick & Mason, 1984). Thus, characteristics such as education (Wiersema & Bantel, 1992), functional backgrounds (Kimberly & Evanisko, 1981), psychological dispositions (Miller & Droge, 1986), and age and tenure at the target firm (Finkelstein & Hambrick, 1990) have all contributed to the top managers’ ability to lead the target to its current success level. In order to maintain this high level of performance, the acquirer will be more inclined to retain the target executives, since they have proven themselves to be capable managers. In addition, given the disruptive nature of an acquisition to a firm’s processes, TMT departure may worsen the intensity of the disruptions following an acquisition (Cannella & Hambrick, 1993; Hambrick & Cannella, 1993; Krishnan, Miller, & Judge, 1997), negatively affecting postacquisition performance. The organizational wisdom gained by the target’s executives over their tenure places them in a unique position to provide invaluable counsel on important aspects of the target such as its culture, key relationships, and prior failures and successes, which may have important implications for future performance.

From a resource-based perspective (Barney, 1991; Conner, 1991; Wernerfelt, 1984), it could also be argued that since the target TMT’s tacit knowledge led to high performance, the best way to sustain the high performance into the future is through executive retention (Berman, Down, & Hill, 2002). The resource based view would also suggest that in order to ensure a sustained competitive advantage, retention of the target TMT is important as it ensures that the
unique organizational knowledge the TMT has attained over time is kept within the organization and is not acquired by competitors (Kiessling & Harvey, 2006). Further, Graebner (2004) argues that acquired firms’ managers can help realize expected and serendipitous value. Graebner maintains that ‘expected value’ can be achieved through mobilizing actions [i.e., providing internal pacing and accelerating interaction with the buyers] and mitigating actions [i.e., expediting resolution of employees’ concerns and through real-time communications].

Serendipitous value, on the other hand, is achieved by identifying opportunities for unexpected resource reconfiguration.

From the foregoing discussion, the socially responsible acquirer firm would likely find it important to retain the target’s top management team in order to continue gaining from their positive evaluations from various constituents, their tacit knowledge, and their established relationships with stakeholders. Consequently, their retention should subsequently lead to higher postacquisition performance. It is therefore proposed that:

Hypothesis 7. The relationship between the acquirer's corporate social performance and acquisition performance is mediated by the retention of the target firm's human capital.

**METHODOLOGY**

**Sample and Measures**

We extracted the list of all completed corporate acquisitions carried out by listed corporations between January 1, 2000 and December 31, 2010 from the M&A module of the Securities Data Corporation’s (SDC) database. Thus our data are fairly recent, making our findings more relevant in the CSR and acquisitions contexts. The sample was limited to deals worth at least USD100 million, representing economically significant events for the acquirers (Allatta & Singh, 2011). SDC acquisitions data were matched with KLD data to eliminate those
firms that did not have their acquirer’s corresponding social performance. For firms engaged in more than one acquisition, we only focused on the most recent acquisition (e.g., Ellis et al., 2011; Hayward, 2003). After eliminating firms with missing data, the final sample consisted of 354 firms. Performance data were collected from the Research Insight database. Any missing financial data were obtained or computed from Standard & Poor’s Capital IQ database.

Our dependent variable was postacquisition performance, measured as the third year, postacquisition return on assets (ROA). Our independent variable, CSP, was measured using the Kinder, Lydenberg, and Domini (KLD) database, widely used in prior studies investigating CSP (e.g., Barnett & Salomon, 2012; Graves & Waddock, 1994; Luo, Wang, Raithel, & Zheng, 2015; McWilliams & Siegel, 2000; Waddock & Graves, 1997). KLD’s experts carefully monitor and rate firm CSP along 13 social performance criteria - seven key stakeholder attributes (corporate governance, community relations, employee relations, product safety, diversity, human rights, and the environment), and six other attributes pertaining to whether the firm is engaged in controversial activities (i.e., the production, sale, or service of alcohol, gambling, firearms, military, nuclear power, and/or tobacco). The metrics utilized in the database classify firm social performance in terms of either ‘strengths’ represented by +1, ‘weaknesses/concerns’ represented by -1 or a neutral score represented by a 0 (zero) for each of the seven dimensions of social performance.

Our first moderating variable was TMT ownership, or the percentage of shares outstanding held by the top managers in the form of common stock, restricted stock, and in-the-money options reported in the proxy statement issued prior to the acquisition announcement (Walters, Kroll, & Wright, 2007). This allowed us to capture the influence of the TMT over the board in regard to setting the strategic direction of the target firm before the acquisition. Our
second moderating variable was entrepreneurial firm status. These are young, often small firms with high growth potential (Baker & Aldrich, 2000), operationalized as a dummy variable coded 1 if firms were ten years old or less, and 0 otherwise (e.g., Carpenter, Pollock, & Leary, 2003; Le, Kroll, & Walters, 2013). Our third moderating variable was family ownership, wherein the family controls 5% or more of the shares, with at least one of the family members sitting on the board, as determined by their family name (Gomez-Mejia et al., 2003; Sanchez-Bueno & Usero, 2014).

Our first mediating variable was the quality of the target firm, using Tobin’s q, reflecting investor expectations about firm value relative to asset replacement cost (Bowman & Helfat, 2001). Our second mediating variable was target TMT retention, beneficial to the acquirer because executive departures may worsen the intensity of postacquisition disruptions (Cannella & Hambrick, 1993; Hambrick & Cannella, 1993; Krishnan et al., 1997) and lead to a loss of organizational wisdom gained by the target’s executives over their tenure. To measure target TMT retention, top managers working for each target at the time of the acquisition were identified from the proxy statements. At the end of the third year the number of TMT members that still worked for the firm was determined and expressed as a percentage of the original number of top managers at the time of acquisition. Where such information was unavailable, especially for very large acquirers, an internet search for the specific individual executive was conducted.

We controlled for variables potentially affecting postacquisition performance. Year of acquisition was measured with dummy variables for each of the sampling years (Le, Park & Kroll, 2014). Industry effects were represented by the first two digits of the SIC code for the acquirer. Firm size was the log of total assets. Technological relatedness between acquirer and
target firms was controlled using a dummy variable coded 1 if the acquirer and the target fell within the same four-digit SIC classification, and 0 otherwise. We controlled for prior performance using average ROA for the three years prior to the acquisition. Post-acquisition slack resources were measured as the average cash and cash equivalents over the three-year postacquisition period (Le, Park & Kroll, 2014). We controlled for acquisition experience by counting the number of acquisitions made by an acquiring firm in the 3-year period immediately before the focal acquisition. Finally, as the type of bid can affect postacquisition outcomes, bid type was measured as a dummy variable coded 1 if the acquisition was friendly in nature and 0 otherwise.

Tests of mediation were conducted for Hypotheses 2 and 7 following Baron and Kenny (1986). Residual analysis indicated that distributions were reasonably normal. Baron and Kenny (1986) suggest that for mediation to be supported, the following conditions must be met; first, the independent variable should be significantly related to the mediator; second, the independent variable should be significantly related to the dependent variable; third, the mediator should be significantly related to the dependent variable; and fourth, in the presence of the mediator, the relationship between the independent and the dependent variable should become insignificant.

RESULTS

Table 1 presents the descriptive statistics and correlations of variables. Average return on assets (ROA) for the three years after an acquisition was 3.63. On average, top managers owned 7% in the target firms before they were acquired. For our quality measure the average Tobin's Q for the target firms was 2.23. ROA and CSR appear strongly positively correlated, providing initial support for our hypothesis that CSR is positively related to postacquisition performance.
In the third year, average TMT retention was 35 percent, so approximately 65 percent of the managers had left within the first three years, similar to prior findings (e.g., Furtado & Karan, 1990; Hambrick & Cannella, 1993; Krishnan et al., 1997; Krug & Hegarty, 1997; Martin & McConnell, 1991; Walsh, 1989; Walsh & Ellwood, 1991). The mean VIF was 1.14 and none of the resultant variance inflation factors was greater than 10, so multicollinearity should not be a serious issue (Chatterjee, Hadi, & Price, 2000; Hair, Anderson, Tatham, & Black, 1998).

Hypothesis 1 predicts that acquirer CSP is positively related to its acquisition performance. Table 2, model 2 presents this test using ROA as the performance measure. The relationship is positive and significant (b=0.09, p<0.05), supporting hypothesis 1.

Hypothesis 2 proposes that the quality of the target mediates the relationship between CSR and acquisition performance. Following Baron and Kenny’s (1986) procedure, we first established the relationship between the independent variable (CSR) and the mediator variable (quality of target). It was found to be positive and significant in Table 3, model four (b=0.02, p<0.1). Next, we ascertained whether CSR is significantly related to the ROA. The results presented in Table 2 model two show that CSR is significantly related to ROA (b=0.09, p<0.05). We then tested whether quality of target, represented by Tobin’s Q, was significantly related to ROA, the dependent variable. Table 4 model two reveals that this relationship was positive and
significant \( (p=0.72, p<0.01) \). Finally, we added the mediator to the model to investigate its overall effect on the CSR and ROA relationship. Table 5 model three and model four reveal that the strength of the relationship, although remaining significant, weakened with the addition of the mediator from \( (b=0.14, p<0.01) \) in model 3 to \( (b=0.12, p<0.01) \) in model four. Rucker, Preacher, Tormala, and Petty (2011) suggest that if there remains a significant direct effect between the independent and dependent variable even after the addition of the mediator, the typical practice is to report that the mediator only partially mediates the relationship. Consistent with this view, quality of target was found to partially mediate the relationship between CSR and organizational.

Hypothesis 3 proposes that the relationship between the acquirer's CSP and the quality of target is stronger when the target firm's TMT ownership is higher. This relationship was tested by investigating the interaction between CSR and TMT ownership. Table 6 model 4 reveals that the result of this hypothesis was negative and significant \( (b=-0.25, p<0.05) \), contrary to the initial hypothesis.
Hypothesis 4 predicts that the relationship between the acquirer's CSP and the quality of target is stronger when the target firm is an entrepreneurial firm. Table 6, model 4 reveals a positive and significant relationship between the interaction of CSR and entrepreneurial firm status and the quality of the target firm (b=0.13, p<0.01), supporting this hypothesis.

Hypothesis 5 proposes that the relationship between the acquirer's CSP and the quality of target is stronger when the target firm is a family business. This hypothesis was tested in Table 6, model 4, and was not supported.

--------------------------------------
Insert Table 6 about here
--------------------------------------

Hypothesis 6 predicts that the acquirer's CSP is positively related to the retention of the target firm's TMT human capital. Table 7 shows a negative and insignificant relationship between CSP and TMT retention, so hypothesis 6 was not supported.

--------------------------------------
Insert Table 7 about here
--------------------------------------

Hypothesis 7 suggests the relationship between acquirer CSP and acquisition performance is mediated by target firm TMT retention. This was again tested following Baron and Kenny’s (1986) procedure outlined earlier. In the first stage of the mediation analysis we established the relationship between the independent variable (CSR) and the mediator variable (TMT retention). This relationship was tested in Table 7 model two (hypothesis six) and was found to be negative and insignificant, meaning that the hypothesis fails this first test. Next, we tested whether CSR (independent variable) is significantly related to ROA (dependent variable).
The results presented in Table 8 model three show that CSR is significantly related to ROA (b=0.09, p<0.05). We then tested whether TMT retention (mediator) was significantly related to ROA (dependent variable). Table 8 model two reveals that this relationship was negative and insignificant, which meant that the mediation test failed another condition. Lastly, the mediator was added to see whether the relationship between CSR and ROA became insignificant. Table 8 model four reveals that this relationship remained insignificant (b=0.08, p<0.05). Overall, the results did not support hypothesis 7.

DISCUSSION

Using stakeholder and signaling theories, we investigated the impact of CSR engagement on postacquisition performance. The positive reputational outcomes arising from a prospective acquirer’s engagement in socially responsible activities may be attractive to quality target firms, increasing the likelihood that socially responsible firms would acquire targets with high potential and boosting postacquisition performance.

We found that corporate social performance is associated with higher postacquisition performance. We found a positive relationship between CSP and financial performance measured by ROA, consistent with other findings (e.g., Barnett & Salomon, 2012). The second major finding is that entrepreneurial firm status moderated the relationship between the acquirer’s corporate social performance and the quality of target. Acquisitions of entrepreneurial firms by socially responsible acquirers generally seem to be of higher quality, outperforming other targets in regard to quality. The third major finding is that the quality of target partially mediates the
relationship between CSR and acquisition performance. The association between CSR by acquirers and postacquisition performance seems to be strong with quality targets. Contrary to predictions, the tests of moderation indicate that top management team ownership negatively moderates the relationship between CSR and quality of target. In addition, family ownership does not have any significant moderating effect on the CSR-quality of target relationship.

We have extended prior CSR literature to the acquisitions context to show that CSR engagement is associated with financial performance (e.g., Barnett & Salomon, 2012), establishing a stronger theoretical foundation for the relationship between CSP and financial performance. We also answer the call by Connelly, Certo, Ireland, & Reutzel, (2011) to study the impact of signals on additional stakeholders, in this case targets. We also address the importance of acquirer CSP as a possible predictor of postacquisition performance. The reputational gains that the organization reaps from such engagement seem to be valued by prospective targets, enabling the acquirer to attract quality targets, eventually translating to higher postacquisition performance.

Prior M&A literature has primarily investigated performance phenomena from an acquirer’s perspective. We develop arguments from the target’s perspective, arguing that the targets are a primary recipient of signals from prospective acquirers and rely on information from such signals to make important decisions such as which acquirer would be most favorable in an acquisition deal. In addition,

By combining both stakeholder and signaling theories, we illustrate that greater insight can be drawn in the M&A and CSP literature when different phenomena are investigated under the lens of both theories. In doing so, we introduce a prior overlooked set of stakeholders - the prospective target firms.
In terms of practical applications, an acquirer intent on presenting itself as a good future business partner may consider that engagement in social responsibility can boost its image with prospective targets. The acquirer is able to present itself as likeable, competent, and morally worthy (Jones & Pittman, 1982) to prospective quality targets, increasing the likelihood of attaining desired outcomes and averting undesired outcomes (Schlenker, 1980).

For potential targets, organizational reputation can be used as a screening strategy to determine the true nature of potential partners (Weigelt & Camerer, 1988). Organizations can therefore establish reputations for trustworthiness in the market by avoiding opportunistic behaviors while doing business with others (Ring & Van de Ven, 1992). We find that when prospective quality targets are acquired by socially responsible firms, postacquisition performance is higher. This suggests managers at quality targets can increase the likelihood that their decision to be acquired will lead to positive outcomes by ensuring the acquiring firm has engaged in socially responsible activities.

Future research avenues in the exploration of TMT attrition and how it relates to postacquisition performance. Resource-based scholars maintain that TMT attrition diminishes postacquisition outcomes (e.g., Graebner, 2004). Our findings do not support this view. Krug and colleagues (2014) contend that in some instances, replacing executives may be an important source of value creation. To date, the contextual factors surrounding the decision for or against retention are largely unknown.

Relatedly, targets differ regarding their ownership structure and organizational life cycle stage. These factors may influence TMT turnover if the underlying variables affect managerial motivations differently. With family ownership, the dominant family may require that family members holding key positions be retained as a precondition of sale. Alternatively, acquirers of
entrepreneurial firms may retain executive in order to continue gaining from their expertise and knowledge of the business.

We found that the quality of target partially mediates the relationship between CSR and acquisition performance. Rucker et al. (2011) contend that partial mediation implies that other indirect effects could be examined and tested empirically. Future research could contribute to our understanding of these relationships.

This study primarily focused on domestic targets and acquirers. A possible avenue for future research would be an investigation of international acquisitions by socially responsible multinational corporations. An acquirer’s international experience may affect its opportunity seeking behavior and its capacity to profitably manage its foreign investments (Anand & Delios, 2002). Such an investigation would further clarify whether the outcomes found in the domestic context would be similar to those in the international context.

Our study is not without limitations. KLD was the single source for CSR data, and is only reported for large, publicly traded companies. Private firms and smaller public firms are effectively eliminated, limiting the generalizability of the findings. Also, in arriving at a CSR measure for each firm, we used a simple summation of strengths and weaknesses, but this may not effectively capture the full effect of CSP on financial performance. Information disclosed about different types of CSP actions may vary in relevance and diagnosticity, and may thus have an effect on financial performance (Jayachandran, Kalaiganam, & Eilert, 2013). Future research could investigate how different dimensions of CSR could affect postacquisition performance. Finally, our sample of publicly traded U.S. acquisitions worth more than 100 million USD between 2000 and 2010 represents only a subset of all acquisitions carried out during this time.
REFERENCES


Table 1

Descriptive statistics and correlations of variables.

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Table 2

Results of regression analyses examining the effect of CSR on three year average ROA.

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p<0.01
Table 3

Test of the relationship between CSR and quality of target.

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Table 4

Test of the relationship between quality of target and three year average ROA.

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R2                      | 0.415   | 0.433   |

\[\Delta R^2 \]            | 0.01    |

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p<0.05
p<0.01
Table 5

Test of the relationship between CSR and three year average ROA with the addition of the mediator, Tobin’s Q.

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</tr>
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</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
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</tr>
<tr>
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p<0.1
p<0.05
p<0.01
Table 6

Results of regression analyses examining the moderating effect of TMT ownership, entrepreneurial firm and family firm status on the relationship between CSR and quality of target relationship.

<table>
<thead>
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<th>Model 1</th>
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<td>β</td>
<td>s.e</td>
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<tr>
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<td>-0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Year effects</td>
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<td>0.03</td>
<td>-0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>Industry effects</td>
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<td>-0.01</td>
<td>0.00</td>
</tr>
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</tr>
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<tr>
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p<0.1
p<0.05
p<0.01
Table 7

Results of regression analyses examining the relationship between CSR and TMT retention.

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<th></th>
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</thead>
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<td></td>
<td>β</td>
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<td>β</td>
<td>s.e.</td>
</tr>
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<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Year effects</td>
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<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Industry effects</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
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<td>0.02</td>
<td>-0.03</td>
<td>0.02</td>
</tr>
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<td>0.09</td>
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<td>0.00</td>
<td>0.00</td>
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p<0.1
p<0.05
p<0.01
Table 8

Results of regression analyses examining the mediating effect of TMT retention on the relationship between CSR and three year average ROA.

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<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
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</tr>
</thead>
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<td>β</td>
<td>s.e</td>
<td>β</td>
<td>s.e</td>
</tr>
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<td></td>
<td>2.33</td>
<td>2.09</td>
<td>2.37</td>
<td>2.12</td>
</tr>
<tr>
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<td>0.02</td>
<td>0.34</td>
<td>0.02</td>
</tr>
<tr>
<td>Slack resources</td>
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<td>0.00</td>
</tr>
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<td>Industry effects</td>
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<td>0.01</td>
<td>-0.03</td>
<td>0.01</td>
</tr>
<tr>
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<td>0.32</td>
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<td>0.03</td>
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<tr>
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p<0.1
p<0.05
p<0.01
The Negative Effects of Organizational Citizenship Behavior on Employees

INTRODUCTION

Trust is considered as one of the vital ingredients in work and interpersonal relationships (Kramer, 1999). It is believed to enhance organizational relationships by increasing the ability of team\(^1\) members to work together (Mayer, Davis, & Schoorman, 1995; McAllister, 1995). Trust is an essential part of teamwork because team tasks require a high level of interdependence among members (Mach, Dolan, & Tzafrir, 2010) such that the mutual dependence generates synergy in the form of cooperation and interaction amongst team members (Fiore, Salas, & Cannon-Bowers, 2001). That is, based on the reasoning that trust serves as a precursor to productive interactions and effective social exchange relationships among team members (Jones & George, 1998) trust is believed to have a constructive effect on team performance.

Trust studies suggest that trust enhances in-role performance (Dirks & Ferrin, 2001, 2002; Lewick & Bunker, 1996; Rousseau, Sitkin, Burt, & Camerer, 1998); improves organizational citizenship behavior (OCB); reduces counterproductive work behavior such as intention to quit (Colquitt, Scott, & LePine, 2007; Dirks & Ferrin, 2002) and withdrawal (Colquitt, LePine, Zapata, & Wild, 2011); enhances job satisfaction (Dirks & Ferrin, 2002), organizational commitment (Dirks & Ferrin, 2002), and organizational identification (Edwards & Cable, 2009); improves decision making effectiveness (Alge, Wiethoff, & Klein, 2003); enhances creativity (Ford & Gioia, 2000); reduces transactional cost (Dyer & Chu, 2003); facilitates knowledge exchange (Andrews & Delahaye, 2000); and reduces uncertainty at work (Colquitt, LePine, Piccolo, Zapata, & Rich, 2012).

Despite a steady growth in the number of trust studies conducted at the team and organizational levels (e.g., De Jong & Elfring, 2010; Langfred, 2004; Serva, Fuller, & Mayer, 2011), the terms “team” and “group” are used interchangeably in this study.

---

\(^1\)The terms “team” and “group” are used interchangeably in this study.
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2005), extant trust research primarily has focused on trust at the individual level (e.g., Lewicki, Tomlinson, & Gillespie, 2006; Mayer et al., 1995; Rousseau et al., 1998). However, organizations are multilevel systems, and trust, like other constructs, operates at the individual, team, and organizational levels of analysis (Fulmer & Gelfand, 2012). Although the large body of trust research has uncovered important findings, a study that investigates the effects of team trust across the three levels of analyses (individual, team and organizational) in a multilevel lens has been lacking (Fulmer & Gelfand, 2012).

Even the small number of studies that address the effects of trust at the team and organizational levels (e.g., Langfred, 2007; Hodson, 2004) mainly focused on the effects of trust at their respective levels without giving consideration to the cross-level effects. That is, team trust studies haven’t explored the effects of team trust on individual, team and organizational outcomes. Nevertheless, a study that examines the effects of team trust on individual, team and organizational outcomes will help us better understand the dynamics of how team trust affects organizational outcomes. Cognizant of this fact, Mayer & Gavin (2005) called for a research that investigates the relationship between trust and outcomes at multiple levels employing both individual and organizational measures. Hence, a study that measures the effects of team trust on individuals, teams and organizations using individual, team, and organizational measures of outcomes is imperative.

Furthermore, limited past research attempted to examine the potential mechanism through which trust in teams influences team outcomes (e.g., De Jong & Dirks, 2012; De Jong & Elfring, 2010; Mach et al., 2010). That is, studies explored limited factors or team processes (e.g., team monitoring & team effort, De Jong & Elfring, 2010; team cohesion, Mach et al., 2010) as mediators of the team trust-team outcomes relationship. However, it is not clear whether these
mediators still work across levels. Thus, this study proposes examining whether or not these mediators hold while examining the effects of team trust on individual, team and organizational outcomes. Besides, team conflict, team reflexivity, and team psychological safety are proposed as mediators of the impact of team trust on individual, team and organizational outcomes.

Finally, research in organizational behavior show that context does matter. Specifically, Johns (2006) indicated the importance of context in organizational research and suggested that the influence of context is often unrecognized and that it could actually reverse the sign of relationships between variables. With few exceptions (e.g., De Jong & Dirks, 2012, team trust asymmetry and team monitoring dissensus; Yakovleva, Reilly, & Werko, 2010, team members’ colocation), extant research that examined the relationship between team trust and organizational outcomes has failed to address one of the important questions, the context under which trust in teams affect individual, team and organizational outcomes. Thus, the study proposes the moderating roles of trust climate and team potency in shaping the nature of relationship between team trust and organizational outcomes. We will use the social exchange theory (Blau, 1964) as the basis for the arguments in the study propositions.

In addressing the aforementioned gaps in the literature, this research attempts to identify the consequences, mediating mechanisms and moderators of team trust on individual, team, and organizational outcomes. By doing so, the current study strives to make the following contributions to the literature. First, previous studies examining trust have focused on studying the effect of trust at a single level at a time. That is, there has been little or no research that addresses the effect of trust at multiple levels. The team trust studies focus has been on the impacts of team trust on team level outcomes. Hence, this research adds to the literature on team
trust by proposing the examination of a neglected area in team trust research, the effects of team trust on individual, team, and organizational outcomes in a multilevel perspective.

Second, past research attempted to examine several sets of team processes as mechanism through which team trust influences organizational outcomes (De Jong & Elfring, 2010). To add to what looks like an impressive sets of mediators that have been empirically examined, this piece proposes investigating how three mediators (team conflict, team reflexivity, and team psychological safety) that are amenable for multilevel analysis transmit the effect of team trust to organizational outcomes.

That is, extant studies explored narrow sets of factors as mediators of the team trust-outcomes relationship. Thus, this study contributes to the existing team trust research by identifying three mechanisms (team conflict, team reflexivity, and team psychological safety) through which team trust influences individual, team and organizational outcomes.

Third, context is vital in organizational research. Its effect extends up to reversing the sign and direction of relationships among variables (Johns, 2006). Nevertheless, thus far, very little has been done on team trust moderators whose cross-level effects are explored (Fulmer & Gelfand, 2012). This study would contribute to the literature by suggesting examining team potency and trust climate, which are considered to be prime determinants of organizational outcomes (especially, performance; Brahm & Knuze, 2012; Gully, Incalcatera, Joshi, & Beaubien, 2002) as moderators that shape the effects of intrateam team trust on individual, team, and organizational outcomes. Finally, the longitudinal research design (if empirically tested) will address the shortcomings of prior studies and help us better establish a cause-effect relationship between team trust and organizational outcomes across the three levels.
THEORETICAL BACKGROUND AND PROPOSITIONS

Often due to the multitude of disciplines in which the concept has been studied, the term trust has been defined in different ways. In their seminal work, Mayer et al. (1995) define trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (p. 712). Thus, in organizational setting that involves interpersonal and social relationships, trust can be understood as the confidence that one party (the trustor) has in the other party (the trustee) to behave in a certain way such that the trustor willingly forsaes control over the actions performed by the trustee without fear of being taken advantage of (Lewicki, McAllister, & Bies, 1998; Mayer et al., 1995; Rousseau et al., 1998). Therefore, trust plays the role of behavioral deterrent of opportunistic behavior (Lado, Dant, & Tekleab, 2008). The confident expectation of the trustor and thereby the willingness exhibited to be vulnerable to the actions of the trustee are taken as vital components in the definition of trust (Rousseau et al., 1998). As correctly pinpointed by Lado et al (2008), since trust is used in the context of interpersonal and social relationships in organizations, it is considered as an element of exchange relationship, not a characteristic of a particular exchange party.

Team trust may be classified into two as intrateam trust and interteam trust. Intrateam trust is refers to “shared generalized perceptions of trust that team members have in their fellow teammates” (De Jong & Elfring, 2010, p. 536). Interteam trust, on the other hand, is defined as a collectively held belief by members of a given team about the trustworthiness of another team (Serva et al., 2005). Thus, while intrateam trust is concerned with the degree to which members of a given team develop confidence in their own team (Langfred, 2004), interteam trust focuses on the extent to which members of one team collectively trusts the members of another team.
The Negative Effects of Organizational Citizenship Behavior on Employees

(Mayer et al., 1995; Zaheer, McEvily, & Perrone, 1998). The focus of this piece is intrateam trust, shared confidence among teammates.

As highlighted above, extant research has mainly focused on examining the effects of trust on individual employees (e.g., Brower, Lester, Korsgaard, & Dineen, 2009; Dirks & Skarlicki, 2009) with minimal emphasis on its effect on teams and organizations. Those studies that address effects of trust at team and organizational levels mainly focused on the effects of trust at their respective levels without giving consideration to the cross-level effects (Fulmer & Gelfand, 2012). That is, team trust studies haven’t explored the effects of team trust on individual, team and organizational outcomes. In an effort to address this gap and respond to the call for studies of this type, this proposed work suggests examining the effects of team trust on organizational outcomes across individual, team and organizational levels.

1.1. Team Trust and Organizational Outcomes

It is generally understood that trust plays a crucial role in the smooth functioning of organizations. It is also vital in initiating, establishing, and maintaining relationships in social interactions and relationships (Balliet & Van Lange, 2013). It is considered as a glue that holds relationships together (Caldwell & Dixon, 2010). The contribution of team trust in organizations range from inducing individual employees to perform better and engage in other productive workplace behaviors (De Dreu, 2007; Dirks & Ferrin, 2002; Mayer & Gavin, 2005) to facilitating team productivity (De Jong, Dirks, & Gillespie, in press; Jiang & Probst, 2015) and ultimately facilitating fulfillment of organizational objectives (Davis, Schoorman, Mayer, & Tan, 2000; MacCurtain, Flood, Ramamoorthy, West, & Dawson, 2007).
We invoke the social exchange theory (Blau, 1964) to explain how and why team trust facilitates smooth functioning of organizations and help to establish and maintain relationships in social interactions. The social exchange theory suggests that when team members trust one another, they develop more favorable attitudes among themselves (Mayer & Gavin, 2005), put in extra effort and other resources to develop and maintain the relationship (Brower et al., 2009), become more likely to initiate and be engaged in exchange relations, which ultimately allow them to spend more time on required tasks (Konovsky & Pugh, 1994), and thereby become more productive (Dirks & Skarlicki, 2009). Moreover, the theory suggests that trusting teammates tend to view their working relationship and work environment as ‘predictable and dependable’ rather than ‘uncertain and unreliable’ (Rempel & Holmes, 1986). Thus, trust has a performance enhancing effect as team members will not be distracted by concerns about being taken advantage of by their untrustworthy teammates (Mayer & Gavin, 2005). That is, trust helps team mates suspend the uncertainty about the actions of other team mates (De Jong & Elfring, 2010; Lado et al., 2008).

In addition, when team members trust one another, they develop strong bonds which results in more efficient coordination of tasks (Blatt, 2009; Lado et al., 2008), flexibility to make changes to unforeseen circumstances (Lewicki & Bunker, 1996), cooperative problem solving (Hempel, Zhang, & Tjosvold, 2009; Ferrin, Bligh, & Kohles, 2008), open and collaborative communication, greater levels of commitment (McAllister, 1995), and high physical, psychological, and emotional investment (Lewicki & Bunker, 1996). These all lead to positive job-related organizational outcomes such as performance (Colquitt et al., 2007), affective commitment (Laschinger, Finegan, Shamian, & Casier, 2000), retention intentions (Aryee,
The Negative Effects of Organizational Citizenship Behavior on Employees


1.1.1. Team Trust and Individual Level Outcomes

Trust has been linked with several organizational outcomes. Extant research, at an individual level, indicates that trust enhances employee satisfaction (Edwards & Cable, 2009), performance (Colquitt et al., 2007), collaboration and teamwork (Sargent & Waters, 2004), leadership effectiveness (Dirks & Ferrin, 2002; Gillespie & Mann, 2004). This is because when team members trust one another, they develop more favorable attitudes among themselves (Mayer & Gavin, 2005), put in extra effort and other resources to develop and maintain the relationship (Brower et al., 2009), become more likely to initiate and be engaged in exchange relations, which ultimately allow them to spend more time on required tasks (Konovsky & Pugh, 1994), and thereby become more productive (Dirks & Skarlicki, 2009). Studies also indicate that trust is positively related to individual citizenship behavior (Mayer & Gavin, 2005), individual performance in unpredictable and dangerous environment (Colquitt et al., 2011). Colquitt et al. (2011) also reported a negative relationship between trust and individual withdrawal. This is because when teammates trust one another, they are less likely to consider quitting, because they will be confident with the decisions made and actions taken by other teammates (owing to perceptions of integrity, fairness, honesty, or competence of the teammates) and readily put themselves at risk. That is, believing that teammates are honest, does have integrity, and may not take advantage of a fellow teammates (Lado et al., 2008) is more likely to make a team member willing to commit to the goals set (Dirks & Ferrin, 2002).

Braun, Peus, Weisweiler, & Frey’s (2013) study also indicates a positive relationship between employees’ individual satisfaction and trust in the supervisor as well as between trust in
team and individual job satisfaction. This is because employees with high trust in their supervisor experience high levels of care and consideration from their leader owing to the reciprocation of supervisors for the confidence shown by subordinates. Similarly, when there is high trust amongst teammates, they develop similar trust-related schemas about the trustworthiness of the team and interpret trust-related events in similar ways (Dionne, Sayama, Hao, & Bush, 2010), develop a sense of belongingness to the team (Den Hartog, De Hoogh, & Keegan, 2007), and actively share resources amongst themselves (Dirks & Skarlicki, 2009). The shared mental model and sense of belongingness helps team members to be more satisfied with their jobs (Braun et al., 2013). Both of the above explanations are supported by the social exchange theory. Consequently, Based on the social exchange theory and the above literature, the following proposition is formulated:

Proposition 1: Team trust is a) positively related to team members’ individual performance, b) positively related to team members’ individual job satisfaction, and c) negatively related to team members’ individual turnover intentions

1.1.2. Team Trust and team Level Outcomes

Team trust has been linked to a wide range of team level outcomes such as team performance. Despite the multiplicity of the studies examining the relationship between team trust and team performance the results have been inconsistent at best, with some studies reporting a positive relationship (e.g., De Jong & Elfring, 2010; Hempel et al., 2009; Joshi, Pandey, & Han, 2009) while others suggesting a weak (e.g., Aubert & Kelsey, 2003) or indirect (e.g., Langfred, 2004) relationship. The recent meta-analyses by De Jong et al. (in press) found a significant positive relationship between intrateam trust and team performance. According to
social exchange theory (Blau, 1964), team trust helps members improve productivity by making them suspend uncertainty about and vulnerability towards their fellow teammates, thereby enabling them to work together more effectively and efficiently (Dirks, 1999) and allowing them to interact freely (De Jong & Elfring, 2010). Moreover, when team members perceive high trust within the team, they will be confident to rely on each other’s abilities to get the job done (Arnold, Barling, & Kelloway, 2001) and support each by sharing task-relevant information or resources (Dirks & Skarlicki, 2009). This mutual trust and thereby support in teams is particularly relevant when innovative and creative solutions are needed (Eisenbeiss, van Knippenberg, & Boerner, 2008). When team members lack trust, they lose sight of the team’s goals and interests and engage in defensive actions (McAllister, 1995) aimed at protecting themselves from possible harm by others (Joshi et al. 2009; Mayer & Gavin, 2005). The distractions created by this distrust can ultimately consume employees’ invaluable time and energy making them less productive (Colquitt et al., 2011).

Team trust has also been found to increase team-level satisfaction with the team (Chou, Wang, Wang, Huang, & Cheng, 2008; Costa, 2003). This is because the confidence that exists among team members enables them to openly communicate with one another and, it also protects team members from fears of being taken advantage of by opportunistic team members (Costa, Roe, & Taillieu, 2001; Smith & Barclay, 1997). Conversely, a lack of trust in management and other team members has been attributed as one of the top reasons for employees’ turnover (Jiang & Probst, 2015). This is because when employees lack trust in management or other team mates, they will feel psychologically stressed as they don’t have confidence that other people will understand, support, and not take advantage of them in times of need (Harvey, Kelloway, & Duncan-Leiper, 2003). Unable to bear the strain coming from work demands (Harvey et al.,
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2003) and fear of being taken advantage of opportunistic team members (Lado et al., 2008), they will ultimately develop the intention to leave (Dirks & Ferrin, 2002) and also experience burnout (Harvey et al., 2003). Moreover, studies indicate that trust in management improves employees’ affective commitment (Costa, 2003; Jiang & Probst, 2015), which is known to be a significant, albeit negative, predictor of both absenteeism and intent to leave (Gellatly, Meyer, & Luchak, 2006; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Based on the social exchange theory and the above literature, the following proposition is derived:

Proposition 2: Team trust is (a) positively related to team performance, (b) positively related to team members’ job satisfaction, and (c) negatively related to team members’ turnover intentions

1.1.3. Team Trust and Organizational Level Outcomes

Research on the importance of trust in organizations has grown rapidly and the role of trust in influencing organizational-level outcomes is being acknowledged (Fulmer & Gelfand, 2012). Particularly, researchers have sought to understand the relationship between trust and organizational performance, and few empirical studies (e.g., Chowdhury, 2005; Collins & Smith, 2006; Davis et al., 2000; Salamon & Robinson, 2008) have been conducted to this end. Davis et al. (2000) found that employees’ trust in the general manager of a given restaurant significantly affects the restaurant’s sales and net profits. This is due to the fact that when employees have high trust in their manager, they will be more committed to the causes of the firm and, thereby, work in more effective ways by facilitating their communication, problem-solving, and adaptivity, ultimately leading to better performance. In the same vein, Chowdhury (2005), and Collins and Smith (2006) argued that when employees trust the organization, they facilitate the firm’s capability to exchange and combine knowledge, which, is ultimately tied to increased firm
performance. Not only trusting others but also feeling trusted by others also affects organizational outcomes such as employees’ job performance (Baer, Dhensa-Kahlon, Colquitt, Rodell, Outlaw, & Long, 2015; Brower et al., 2009). Drawing on the appropriateness framework (March, 1994; Weber, Kopelman, & Messick, 2004), Salamon and Robinson (2008) argued and found support that when employees believe that they are trusted by management, they develop higher responsibility norms, which ultimately leads to a better organizational performance (as measured by sales and customer service). Taken together, these results suggest that trust leads to better organizational performance. Hence, it is reasonable to expect team trust to facilitate organizational level performance.

When team members develop trust within the team, they develop trust-related shared mental models (Dionne et al., 2010), a sense of belongingness to the team (Den Hartog et al., 2007), and actively share resources amongst themselves (Dirks & Skarlicki, 2009). The shared mental model and sense of belongingness helps team members to be more satisfied with their jobs (Braun et al., 2013). In their multilevel study, Braun et al. (2013) found a positive relationship between employees’ individual satisfaction and trust in the supervisor as well as between trust in team and individual job satisfaction. Hence, it is reasonable to expect employees who trust in their team and share their perceptions of trust with fellow team members to be more satisfied with their jobs and their employing organization. Therefore, based on the social exchange theory, appropriateness framework and the above empirical evidences, we derived the following proposition:

*Proposition 3: Team trust is a) positively related to organizational performance, b) positively related to team members’ satisfaction with the organization, and c) negatively related to overall turnover intention in the organization*
1.2. Mediators of Team Trust-Organizational Outcomes Relationship

1.2.1. Team Conflict

Conflict is a process that begins when one party perceives that another party has affected or is about to negatively affect its interest (Wall & Callister 1995; Robbins & Judge, 2016). Conflict can be classified into three types, namely, task, process and relationship conflict (Jehn, 1997). While task conflict refers to disagreements among team members about the content of the task to be performed, the goals to be achieved (Jehn, 1995), process conflict refers to disagreements on the methods and tools to be used, the processes and procedures to be followed to accomplish the task at hand (Robbins & Judge, 2016). On the other hand, relationship conflict refers to disagreements because of interpersonal incompatibilities, tension, and animosity toward one another (Jehn, 1995) that are not task-related (Jehn, Greer, Levine, & Szulanski, 2008).

Generally, relationship conflicts are considered as destructive (Yang & Mossholder, 2004; Gamero, González-Romá, & Peiró, 2008). This is because the interpersonal animosities and battles in relationship conflict exacerbate personality tension and distrust that ultimately hamper team performance (Colquitt, Lepine, & Wesson, 2013; De Dreu & Weingart, 2003). On the other hand, low to moderate levels of task conflict are believed to be constructive or functional (Robbins & Judge, 2016). This is because low to moderate levels of task conflict stimulate conversation that result in the development and expression of new ideas that enhance creativity and innovation (De Dreu & West, 2001; de Wit, Greer, & Jehn, 2012), team performance (Jehn, 1997), collaborative problem solving (De Dreu, 2006), team decision quality and understanding (Olson, Parayitam, & Bao, 2007), task or decision commitment (Behfar, Mannix, Peterson, & Trochim, 2011; Olson et al., 2007), affective acceptance (Amason, 1996),
and team level organizational citizenship behavior (Choi & Sy, 2010). However, when task conflicts are high, the positive effects wither away and the effective functioning of the team suffers (Farh, Lee, & Farh, 2010; Shaw, Zhu, Duffy, Scott, Shih, & Susanto, 2011). The effect of process conflict on team functioning is generally considered as disruptive (De Dreu & Weingart, 2003; Robbins & Judge, 2016) as process conflict is believed to interfere with team effectiveness leading to “perceived inequities and process losses” (Behfar et al., 2011, p. 128).

Team trust affects conflict in at least three ways. First, team trust facilitates the formation of task conflict. This is because team trust enables team members to freely exchange ideas and challenge one another’s idea without feeling being attacked (Curseu & Schruijer, 2010). Second, team trust prevents task conflict from spilling into relationship conflict (Curseu & Schruijer, 2010) and thereby become dysfunctional (Panteli & Sockalingam, 2005; Peterson & Behfar, 2003; Simons & Peterson, 2000). This is because team trust enables team members to take the conflict positively, and it also encourages the conflicting parties to focus on the task at hand and ignore the interpersonal hostilities (Curseu & Schruijer, 2010). Furthermore, team trust has the potential to help teams contain task conflicts at bay as mutual trust enables team members perceive that the other party’s actions are not malicious or done in good faith for the good of the team and the organization. Third, team trust prevents the formation of relationship conflict. This is because the mutual confidence persuades team members to take the disagreement as a challenge to be met and not a personal battle to be won thereby eliminating or reducing the possibility of relationship conflict. In short, team trust does not eliminate conflict in a team; it rather affects the nature and consequence of conflict (Curseu & Schruijer, 2010).

Based on the above logic, it is argued here that team trust creates a favorable climate for the formation of constructive, performance enhancing conflict, which in turn make the
environment less monotonous, augmenting the dynamism and vibrancy of the team and organization ultimately enhancing the creativity, engagement, and performance of employees while reducing turnover and withdrawal. However, when team trust is low, team members tend to personalize even minor disagreements. Therefore, based on the above literature, the following proposition is derived:

*Proposition 4a: Team trust has a positive relationship with task conflict*

*Proposition 4b: Team trust has a negative relationship with process and relationship conflict*

*Proposition 4c: Team task conflict mediates the relationship between team trust and a) performance, b) job satisfaction, and c) turnover intention at individual, team and organizational levels.***

1.2.2. **Team Reflexivity**

Team reflexivity refers to the “extent to which team members collectively reflect upon the team’s objectives, strategies and processes as well as their wider organizations and environments, and adapt them accordingly” (West, 1996, p. 559). It involves openly reflecting up on team’s goals, strategies, and work methods and modifying them as desired to current or anticipated conditions (Carter & West, 1998; De Dreu, 2002; West & Hirst, 2005). Team reflexivity involves questioning, reviewing, evaluating, debating and adapting (Bollinger & Stanton, 2014) and, hence, it provides team members with the opportunity to learn from past experiences, both successes and failures, and consider alternative viewpoints that may facilitate future performance (Ellis, Carette, Anseel, & Lievens, 2014; Schippers, Edmondson, & West, 2014). The systematic reflection enables team members to develop mutual understandings of
each other’s strengths and weaknesses (Vashdi, Bamberger, & Erez, 2013), have a clear view of the objectives to be pursued and strategies to be employed (Schippers, Den Hartog, Koopman, & van Knippenberg, 2008).

Team reflexivity has two empirically validated dimensions: task reflexivity and social reflexivity (Carter & West, 1998; De Dreu, 2007). Social reflexivity refers to the degree to which “the team reflects upon the ways in which it provides support to members, resolves conflict, and promotes the well-being of its members” (West, 2012: 6). Task reflexivity, on the other hand, involves actively monitoring and assessing a team’s objectives, strategies and regularly reviewing the objectives and the methods used to achieve them (West, 2012; West & Hirst, 2005). Social reflexivity contains several items related to team conflict (e.g., “when things are stressful, the team is not very supportive,” and “conflicts are constructively dealt with in this team”; Carter & West, 1998; West, 2012), which is separately used in this proposed work. So as to avoid the possibility of double-measuring similar concepts and because task reflexivity appears the more central construct, here reflexivity refers to task reflexivity not social reflexivity.

Team reflexivity requires openly revealing feelings and thoughts about team processes, objectives, strategies and outcomes. Doing so makes team members vulnerable and force them to take personal risk (Widmer, Schippers, & West, 2009). An environment filled with mutual trust enables team members to freely reflect about everything related to the team including mistakes and errors (Sankowska & Söderlund, 2015; MacCurtain et al., 2010; Edmondson, 1999) without worrying about being taken advantage of by other team members (Tekleab, Quigley, & Tesluk, 2009; Widmer et al., 2009) or without being seen as incompetent (Edmondson, 2004) or harming mutual relationship (Simons & Peterson, 2000). Team trust facilitates team reflexivity through increased exchange of ideas and shared communication among the team members (MacCurtain
et al., 2010). The confidence that team members have in each other and thereby the strong positive relationship created amongst themselves fosters the team members’ capacity to reflect on their experience (Tjosvold, Tang, & West, 2004), learn from past mistakes (MacCurtain et al., 2010), and drives team members to strive toward team goal attainment (De Jong & Elfring, 2010). Moreover, open team communication that is built on mutual trust forms the basis of effective team work by providing team members with information, ideas, and perspectives (Hirst, Mann, Pirola-Merlo, & Richver, 2004). Based on the above reasoning, we put forward the following propositions:

*Proposition 5a: Team trust has a positive relationship with task reflexivity*

*Proposition 5b: Team reflexivity mediates the relationship between team trust and a) performance, b) job satisfaction, and c) turnover intention at individual, team and organizational levels.*

### 1.2.3. Team Psychological safety

Team psychological safety refers to “a shared belief that the team is safe for interpersonal risk taking” (Edmondson, 1999, p. 354). The shared belief gives team members the confidence to freely share ideas in the team without the risk of being embarrassed, rejected, or punished (Kessel, Kratzer, & Schultz, 2011). This confidence to speak up one's mind arises from mutual support and trust among the team members (Edmondson, 1999). Psychological safety manifests itself in open communication, speaking up, and interpersonal risk taking (Baer & Frese, 2003; Walumbwa & Schaubroeck, 2009). The feeling of security encourages team members to admit mistakes, share a potentially inaccurate information with team mates (Siemsen, Roth, Balasubramanian, & Anand, 2009), to express concerns and self-doubts (Hirak, Peng, Carmeli,
& Schaubroeck, 2012), offer suggestions for organizational improvements (Liang, Farh, & Farh, 2012), take the initiative to develop new products and services (Baer & Frese 2003), and exchange divergent perspectives (Bradley, Postlethwaite, Klotz, Hamdani, & Brown, 2012).

The formation of team psychological safety requires the existence of mutual trust in the behavior and actions of team members (Edmondson, 1999; Madjar & Ortiz-Walters, 2009). That is, supportive and trustworthy working relationships among team mates creates feelings of safety (May, Gilson, & Harter, 2004). In a psychologically safe environment, team members can freely admit mistakes and discuss errors, contribute their personal ideas and viewpoints, share their skills and knowledge, and consider alternative views and thereby challenge the status quo (Kostopoulos & Bozionelos, 2011). As a result, there will be more ideas for deliberation, discussions will be richer, and more time would be spent on constructive problem solving and less time on mending interpersonal infractions (Bradley et al., 2012).

In addition to the arguments presented above, the social exchange theory explains how team trust makes teammates feel psychologically safe ultimately leading to the enhancement of desired outcomes and reduction of the undesired ones. The social exchange theory suggests that when team members trust one another, they develop more favorable attitudes among themselves (Mayer & Gavin, 2005) and they tend to view their working relationship and work environment as ‘predictable and dependable’ rather than ‘uncertain and unreliable’ (Rempel & Holmes, 1986). Moreover, the theory suggests that mutual trust cultivates the desire to care for and appreciate the involvement and contributions of other teammates (Harvey et al., 2003). Therefore, team members in a trustful working relationship are likely to feel safer and more positive about their work environment.
Besides, in a psychologically safe environment, team members do have the confidence to speak up and inquire about a failure without ramifications (Hirak et al., 2012). These all improve team members’ engagement at work ultimately leading to higher levels of team performance (Pearsall & Ellis, 2011; Schaubroeck, Lam, & Peng, 2011), learning (Edmondson, 1999), and challenging unethical behavior (Walumbwa & Schaubroeck, 2009). However, when psychological safety is low, team members would be cautious to contribute new ideas and envisage new approaches (Gilson & Shalley, 2004) as well as become less engaged in team tasks (Edmondson, 1999). Based on the social exchange theory, the above reasoning and empirical evidences, we put forward the following propositions:

Proposition 6a: Team trust has a positive relationship with team psychological safety

Proposition 6b: Team psychological safety mediates the relationship between team trust and a) performance, b) job satisfaction, and c) turnover intention at individual, team and organizational levels.

1.3. Moderators of Team Trust-Outcomes Relationship

1.3.1. Trust Climate

Trust climate refers to employees’ collective belief about the dependability and predictability of the organization and its members (Jiang & Probst, 2015). It reflects employees’ collective judgment about the overall trustworthiness of the entire workplace in which employees perform their duties (Brahm & Knuze, 2012; Costigan, Ilter, & Berman, 1998). It captures people’s general willingness to take risks and be vulnerable to the general organizational
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environment without fear of reprisal (Butler, 1999) or being taken advantage of (Schoorman, Mayer, & Davis, 2007). As a collective belief of many people inside and outside a given organization, trust climate is subject to how the behaviors of salient people such as managers are perceived and how the policies and procedures of the organization are viewed. That is, trust climate plays a critical role in shaping people’s belief and understanding about the organization and its constituents (Ning & Jin, 2009; Menges, Walter, Vogel, & Bruch, 2011). It also determines how people view past or present actions and interpret future actions of others (Dirks & Ferrin, 2001).

The existence of trustworthy organizational climate provides assurances to people in the organization that they will get the necessary support from all members of the organization above and beyond what they get from their own teammates (Menges et al., 2011). That is, the trustful working environment further boosts employees’ confidence about the availability of organizational support when they are in need. As a result, they will be more confident to openly reflect on issues of team or organizational concern (Carter & West, 1998; West & Hirst, 2005), without fear of being taken advantage of (Widmer et al., 2009) or without being seen as incompetent (Edmondson, 2004). They will feel protected, supported, secured and safe (Kessel, Kratzer, & Schultz, 2011). Similarly, employees who work in a dependable, predictable, and fair environment will be free to discuss and constructively handle disagreements caused by differences in what to do, how to do and interpersonal incompatibilities (Curseu & Schruĳer, 2010). In contrast, when the trust climate is low, open discussion of team or organization will be limited to the team members only, conflict will be suppressed or kept at low level, and beyond their team, employees will not feel safe. Therefore, based on the above logic, we propose the following proposition:
Proposition 7. Trust climate moderates the relationship between team trust and team processes such that the positive influence of team trust on team processes will be stronger when there is high trust climate than low trust climate.

1.3.2. Team Potency

Team potency refers to team members’ shared belief in the ability of their team to succeed across tasks and contexts (Boies & Howell, 2006; Gully et al., 2002). That is, team potency captures team members’ confidence in the ability of their team to succeed across tasks and situations (Guzzo, Yost, Campbell, & Shea, 1993). Along with a similar construct team efficacy, which is defined as team’s “collective capability to organize and execute courses of action required to produce given levels of goal attainment” (Kozlowski & Ilgen, 2006, p. 90), team potency is an essential indicator of capabilities of teams (Mathieu, Maynard, Rapp, & Gilson, 2008) and determinant of team performance (Gully et al., 2002; van Emmerik, Jawahar, Schreurs, & De Cuyper, 2011). This is because team members with a mutual confidence that they can be successful in their endeavors do have a greater responsibility to and higher chance of actually succeeding (Arnold et al., 2001) as their efficacious beliefs about their capabilities should make them more willing to work hard and to persist in the face of challenge and adversity believing that their efforts will eventually pay off (Schaubroeck, Lam, & Cha, 2007) in the form of superior performance (Gully et al., 2002) and other related outcomes.

As team potency is one of the essential determinants of team outcomes (Gully et al., 2002), the extent to which team trust (via the team processes; team conflict, team psychological safety, and team reflexivity) enables team members to achieve, experience or fulfil the organizational outcomes at multiple levels depends on the degree of belief team members have in
their capabilities to be successful. Thus, teams with high team potency (vs. low) will be able to obtain desired organizational outcomes because high team potency means that members see their capabilities and strategies as being very strong, and this enhances members’ motivation because it creates a high expectancy that exerting extra effort will result in higher performance (Schaubroeck, Lam, & Peng, 2011). Moreover, teams that have higher (vs. lower) levels of potency are expected to believe that what they are doing within their team is the “right” approach or direction which may give them contentment, and encourage them to stay in the organization (Sivasubramaniam, Murry, Avolio, & Jung, 2002). Thus,

*Proposition 8: Team potency moderates the relationship between team processes and organizational outcomes. Specifically, the higher the team potency, the better will be the effect of team trust on outcomes via the team processes.*

**DISCUSSION**

The purpose of this study is extending earlier works done on the effect of team trust, specifically intrateam trust, on organizational outcomes at individual, team and organizational levels using individual, team and organizational measures. Using the social exchange theory (Blau, 1964) as a basis, the study proposes that that team trust enables team members openly reflect on the objectives, processes, strategies as well as their experience without being taken advantage of (team reflexivity) ultimately leading better performance and satisfaction, and reduced intention to leave across multiple levels. Similarly, the study posits that team trust protects team members protected from psychological anxiety (team psychological safety), and helps team members involve in constructive conflicts while discouraging the harmful types (team conflict) eventually leading to better performance, better satisfaction on the job and reduced
intention to leave. Also, this study proposes that team potency and trust climate has a role of amplifying the effects of team trust on organizational outcomes.

CONCLUSION

Trust is considered as one of the vital ingredients in work and interpersonal relationships. It is considered as vital in initiating, establishing, and maintaining relationships in social interactions and relationships. Studies suggest that team trust has a multitude of benefits ranging from inducing individual employees to perform better and engage in other productive workplace behaviors to facilitating team productivity and ultimately facilitating fulfillment of organizational objectives. The purpose of this study is extending earlier works done on the effect of team trust, specifically intrateam trust, on organizational outcomes at individual, team and organizational levels using individual, team and organizational measures. It focuses on highlighting the mechanism through which team trust leads to organizational outcomes. The study proposes that team trust enables teammates to openly reflect on their experience, buffers them from psychological anxiety, and helps them handle conflict constructively, which in turn leads to desirable organizational outcomes. Moreover, the study proposes that team potency and trust climate moderate the degree to which team trust elicits the organizational outcomes. The social exchange theory is used to posit the proposed relationships.
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APPENDICES

Appendix A

*Figure 1: Theoretical (Research) Model*
“Well, I have a family”:
An exploration of socioemotional wealth and community goals in SMEs

ABSTRACT

Businesses can direct their efforts towards the fulfillment of multiple, high-level objectives including financial wealth, socioemotional wealth (SEW) and community goals. Among family firms, the pursuit of SEW has been upheld as a key strategic idiosyncrasy. However, the pursuit of SEW is not constrained to family firms, nor is SEW the only non-economic goal salient in family-owned and non-family firms. In this paper, we examine the pursuit of SEW and Community Goals in both family-owned and non-family small and medium-sized firms (SMEs). We argue that conflict and complementarity between different goals are affected by family ownership. We find that the pursuit of different non-economic goals interacts with family ownership to yield important financial outcomes.

Note:
The data used in this paper were collected within the National Science Centre project, No. 2012/07/B/HS4/00455, “Corporate governance, ownership structure and other financial issues of family enterprises in Poland and Austria - a comparative analysis.”
INTRODUCTION

The tendency for family firms to direct resources in pursuit of non-economic goals, primarily the dominant family’s socioemotional wealth (SEW), is a key strategic idiosyncrasy differentiating them from non-family firms. The pursuit of SEW, or affective endowments derived from a firm (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) alongside, or at times superseding traditional economic objectives has been applied to explain family firms’ tendencies, motivations, and outcomes (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Miller & Breton-Miller, 2014). Extant research provides substantial support, illustrating the strategic influence of SEW in family firms across industrial, geographic, and institutional contexts (Berrone, Cruz, & Gomez-Mejia, 2012). The pursuit of SEW is not, however, unique to family firms (Miller, Breton-Miller, & Lester, 2011), and SEW does not encompass the entirety of non-economic goals pursued by family and non-family firms (Tagiuri & Davis, 1992; Margolis & Walsh, 2003). In this research, we explore SEW’s particular qualities on the landscape of non-economic goals, illuminating how the influence of SEW and Community Goals on firm financial performance is affected by family ownership.

Organizational scholars have long recognized that strategy is shaped by plural objectives. The non-economic motivations of firm owners and these motivations’ impact on firm financial performance are core topics of study in research areas including family business (Chrisman et al., 2012), social entrepreneurship (Stevens, Moray, Bruneel, & Clarysse, 2014), cross-cultural management studies (Zahra, Rawhouser, Bhave, Neubaum, & Hayton, 2008), and corporate social responsibility (Tang, Hull, & Rothenberg, 2012). However, despite significant conceptual overlap, family business research rarely intersects with these other discourses. An independent SEW construct, disentangled from family ownership, will enable a fuller understanding of different organizational goals.
In this study, we contribute to research on *Family SEW* and *Community Goals* in the SME context by clarifying how the salience of these non-economic goals influences financial performance individually and in combination in firms with varying degrees of family ownership. To do so, we elaborate on the institutional logics that distinguish non-economic goal sets across firms (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Miller & Breton-Miller, 2014; Pache & Santos, 2010; Thornton, Ocasio, & Lounsbury, 2012). Whereas Family SEW directly concerns the affective interests of the owners’ family, Community Goals serve the direct interests of other non-economic stakeholders in a firm’s community. In exploring the pursuit of different types of non-economic goals across both family and non-family firms, we separate family ownership from the salience of Family SEW and Community Goals. In particular, we examine how the salience of these goals interacts with each other and family ownership in shaping financial outcomes. Our findings suggest that while both family-owned and non-family firms consider these non-economic objectives, the resulting impact on financial performance can be substantially affected by family ownership.

**NON-ECONOMIC GOALS, INSTITUTIONAL LOGICS AND FIRM OWNERSHIP**

Family SEW and Community Goals are among the most studied non-economic organizational goals. The SEW meta-construct has become a pervasive concept in family business research as it, in establishing a construct for affective family-oriented motivations, classifies an important strategic consideration (Berrone, Cruz, & Gomez-Mejia, 2012). Family business scholars define Family SEW as the “non-financial aspects of the firm that meet the family’s affective needs” (p 106; Gómez-Mejía et al., 2007). Consistent with extant family business research that has embraced institutional logics as a meta-theory explaining family-firms’ behaviors (Peng & Jiang, 2010), we view the family as an institution, a “...symbolic
system by which individuals and organizations produce and reproduce their material lives and render their experiences meaningful” (p 101; Thornton & Ocasio, 2008). Scholars have documented families’ pervasive influence on social interaction and its institutionalization across numerous national and societal contexts (Friedland & Alford, 1991). Derived from the behavioral agency model, Family SEW influences distinct preferences for risk-taking and loss aversion (Chrisman & Patel, 2012; Gómez-Mejía et al., 2007; Sanders & Carpenter, 2003). In pursuit of Family SEW, family firms prioritize firm reputation (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013), adopt particular methods of managing stakeholders (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012; Mitchell, Agle, Chrisman, & Spence, 2011), and implement a long-term strategic time horizon to facilitate transgenerational ownership (Zellweger, Kellermanns, Chrisman, & Chua, 2012).

While extant research provides substantial evidence that family firms dedicate resources towards Family SEW, the nature of the construct itself remains a topic of conflict. Scholars cite concerns regarding SEW’s multidimensionality (Berrone et al., 2012; Zientara, 2015), contradictory implications for firm outcomes (Cruz, Justo, & De Castro, 2012; Kellermanns, Eddleston, & Zellweger, 2012; Nakli, Cennamo, Corbetta, & Gómez-Mejía, 2013), and imprecise measurement instruments (Miller & Breton-Miller, 2014). Family SEW is broadly construed, intersecting with the community-oriented practices encompassed under Community Goals. This intersection results from the tendency of family systems to be more thoroughly embedded within their communities relative to other organizational forms (Hung, 2005; Greenwood et al., 2010). Pursuing Family SEW, family firms engage in practices that directly benefit the broader community, thereby building Family SEW (Feliu & Botero, 2015; Berrone et al., 2010). Under these conditions, there is synergy between family and community logics.
However, the theoretical convergence among Community Goals and Family SEW results in a lack of clarity on the nature of Family SEW. Family SEW encompasses the direct concerns of the owners’ family in accordance with a family logic. Practices associated with Family SEW serve the narrow family-specific affective interests of firm owners’ family members, addressing family members’ employment, values, family sustainability, and social status. Community Goals, on the other hand, serve the interests of other non-family stakeholders, in accordance with a logic of collective well-being. These stakeholders can include employees, local interest groups, government, and the environment (e.g. Marquis, Glynn, & Davis, 2007; Marquis & Lounsbury, 2007). While a family may derive SEW indirectly through the enhancement of community relationships (Berrone, Surroca, & Tribó, 2007), the pursuit of these goals is not necessarily contingent on the affective requirements of firm leaders and their family members. The pursuit of collective well-being, while at times related to the pursuit of Family SEW, may also result from distinct Community Goals that are wholly non-familial and thus separate from the Family SEW construct regardless of the presence, or degree, of family ownership. As such, family-owned firms may pursue multiple non-economic goal sets that complement or, at times, contradict one another. The frequent conflation of these practices under Family SEW has limited understanding and application of the construct. To explore this dynamic, we elaborate on extant work to distinguish between classifications of non-economic organizational goals, namely Family SEW and Community Goals (e.g. Miller & Breton-Miller, 2014).

While the pursuit of Community Goals has been explored in both family and non-family business contexts, there is scant recognition that the decisions of non-family firms can be informed by owners’ family-related affective endowments. Maintaining the definition of Family SEW above does not exclude Family SEW as a meaningful force across firms regardless of
family ownership. Indeed the affective interests of family members are an oft used motivation in executive decision-making in firms with diverse ownership and no discernable owning “family.” Prior research reveals variance in the salience of Family SEW motivations in both family and non-family firms (Lee & Rogoff, 1996) and Family SEW objectives informs practices and decision-making in firms that are not family-owned (Borzaga & Defourny, 2004; Healy & Wahlen, 1999; Miller & Breton-Miller, 2014; Miller et al., 2011). This body of evidence suggests that the leaders of non-family firms may still incorporate the interests of their families, and the families of other organizational members in firm objectives, acting to build and maintain Family SEW. In other words, while family ownership strongly suggests the pursuit of Family SEW, the societal family institution can inform non-family firms’ practices as well.

We posit that many of the behavioral and strategic manifestations of Family SEW motivations may emerge across firms regardless of family ownership - examples can then include motivation to prioritize the work-life balance of organizational executives (White, Hill, McGovern, Mills, & Smeaton, 2003), nepotism being granted to the children of firm executives in employment decisions (Lin & Hu, 2007), and the expropriation of organizational funds directed towards the pursuit of family interests (Newman, Patterson, & Smith, 2005). Such cases illustrate that the pursuit of family SEW is not purely a strategic idiosyncrasy of family firms but the outcome of a societal institutional logic that permeates, and potentially alters, organizational decisions. Thus, to suggest that Family SEW is only relevant to firms with homogenous family ownership is not only counterintuitive based on the definition and nature of the construct, but also disregards substantial evidence on the power of the family institution on organizational behavior and outcomes.
Following our above arguments, Family SEW is not theoretically or empirically intertwined with family ownership, but instead indicative of a family logic which influences firm strategy and decisions across family-owned and non-family firms (Fairclough & Micelotta, 2013). Thus, we seek to explore the nature of Family SEW in organizations distinct from family ownership. To do so, we argue that Family SEW may be more effectively studied using a phenomenological schema in which motivations and outcomes are studied discretely from family ownership in such a way that is more aligned with the conceptual development of SEW as a latent construct, as opposed the inductive logics common in extant research that study motivations and outcomes of family firms and then apply the Family SEW moniker as a result of the research context. However, we recognize that the consequences of both Family SEW and Community Goals, separately and in conjunction, are likely to be quite different with varying degrees of family ownership. In the following sections we examine the influence of these non-economic goals on financial performance.

**Family SEW**

Family SEW, as discussed above, concerns the direct affective interests of firm leaders and their family members. Building and maintaining Family SEW may involve providing job security or access to business resources for immediate family members (Miller & Breton-Miller, 2014), and engaging in altruistic behaviors that benefit family members, even at the expense of firm productivity or performance (Schulze, Lubatkin, & Dino, 2003). Family SEW also accounts for the proliferation of family values and the maintenance of family traditions. While most commonly discussed in family business research contexts, these goals are in no way the sole domain of family businesses and can be salient in firms regardless of any dominant family
ownership structure or the long-term strategic time horizon commonly ascribed to family firms (Chrisman & Patel, 2012; Zellweger, Nason, & Nordqvist, 2012).

The pursuit of Family SEW, though not inherently linked to economic interests, is positively related to firm financial performance, particularly when a long-term performance perspective is taken (Berrone et al., 2012; Stockmans, Lybaert, & Voordekers, 2010). Several practices or mechanisms appear to account for this effect. Family work structures are associated with increased well-being of organizational members, which in turn drives positive organizational outcomes including increased employee motivation, innovation, and reduced turnover (Delaney & Huselid, 1996; Perry-Smith & Blum, 2000; Van De Voorde, Paauwe, & Van Veldhoven, 2012). Family SEW also drives performance by providing additional avenues to avoid agency costs, fostering a stewardship mentality, determining resource allocation and directing capability development (Miller & Breton-Miller, 2006).

However the mechanisms through which Family SEW influences performance, while arguably more salient and recognizable in family firms, are not inherently tied to family ownership. We posit that a firm's pursuit of Family SEW will foster financial performance in both family-owned and non-family firms. Most research on the relationship between Family SEW and financial performance comes from studies of family-owned firms, which may possess distinctive strategic, behavioral, and resource idiosyncrasies leading to distinct performance outcomes outside of motivations falling under the scope of Family SEW (e.g. Anderson & Reeb, 2003; Martínez, Stöhr, & Quiroga, 2007). We concur with prior research which attributes the broad tendency of family-owned firms to outperform non-family firms to higher average levels of Family SEW. However, while some practices are arguably more common in family firms and extant work regarding Family SEW is understandably embedded in the family business context,
many practices associated with Family SEW, such as the employment of family members, do not depend on family ownership (Cruz, Justo, & Castro, 2012). An organizational leader may hire a family member even if the firm itself is not family owned. Thus, we expect to find that owing to a variety of organizational practices informed by a family logic, the salience of Family SEW across both family-owned and non-family firms is positively associated with firm-level financial performance.

**Hypothesis 1: Family SEW is positively related to financial performance.**

While we expect all firms to translate Family SEW into financial performance, we posit that family ownership will considerably impact this relationship. Family SEW and family ownership represents the convergence of the family logic with a firm’s decision-making structure. Family ownership suggests a degree of control to direct resources away from performance-enhancing strategies and towards wholly family-oriented outcomes. We posit that the performance-enhancing mechanisms of Family SEW – usually tied to affective family interests – result from mechanisms that can manifest in firms regardless of family ownership. However, the performance-diminishing mechanisms of Family SEW are more directly tied to family ownership, governance, and control, such as wealth expropriation (Fernando, Schneible, & Suh, 2013), nepotism and adverse selection (Zientara, 2015), and reduced engagement among non-family stakeholders (Kellermanns et al., 2012). Hence, while Family SEW may be present in firms regardless of family ownership, the manifestation of those motivations may lead to distinct outcomes depending on the level of family ownership present in a firm.

While Family SEW may be more common in firms with greater degrees of family ownership, family ownership may influence the adoption of particular practices associated with Family SEW and moderate its influence on performance. For instance, though employing family
members may contribute to Family SEW across firms, prior research has shown that factors, such as leader gender, moderate the relationship between family employment and financial performance (Cruz et al., 2012). However, whereas women-led firms exhibit improved performance with family employment related to male-led firms, a larger degree of family ownership may negatively moderate the relationship between Family SEW and financial performance. As family ownership increases, nepotism through the hiring, retention and promotion of unqualified family members will increasingly and negatively impact financial performance (Chrisman, Memili, & Misra, 2014; Schulze et al., 2003). While the leader of a firm with no family ownership may still prefer to hire family members or to otherwise allocate resources in the service of that leader’s Family SEW, distributed governance can serve as a barrier to nepotism. That is, senior managers, directors and influential owners not belonging to the same family, can oppose the exploitation of firm resources for Family SEW (Miller & Breton-Miller, 2006) while still benefiting from positive Family SEW effects on financial performance. Additionally, while Family SEW may have long-term effects on the longevity and sustainability of family firms, owing to their long-term strategic time horizon, non-family firms would not necessarily have these same long-term motivations and, as such, would prioritize relatively more immediate financial performance outcomes. Thus, we posit that family ownership serves as a barrier, constraining firms’ capacity to translate Family SEW goals into financial performance gains.

_Hypothesis 1a: Family ownership moderates the relationship between Family SEW and financial performance in that the positive relationship weakens as family ownership increases._
Community Goals

Community Goals address the interests of stakeholders in a firm’s community including non-profit organizations, the environment, and employees. In general, the salience of these goals directs the allocation of firm resources towards the creation of value which is captured more by these community stakeholders than firms’ owners (Santos, 2012). When firms are motivated to benefit community stakeholders, they engage in activities such as pursuing environmental certifications for their operations (Stites & Michael, 2011; Tencati, Perrini, & Pogutz, 2004), making local philanthropic donations (Wang, Choi, & Li, 2008), and ensuring the safety and social well-being of employees (Elayan, Li, Liu, Meyer, & Felton; Zacharatos, Barling, & Iverson, 2005). Though these practices serve the community, the underlying motivations for these goals are varied and include moral, instrumental and relational justifications (Aguilera et al., 2007). That is, these practices, are not necessarily economically motivated, nor are they necessarily motivated by a taken-for-granted community logic, even if they are perceived or marketed to be community-directed. An important theme in recent work is that financial performance is not the only, nor necessarily the most important, outcome when examining the salience of Community Goals and the relationship between different organizational outcomes (Margolis & Walsh, 2003). Indeed, though instrumental motives may underlie practices related to Community Goals, relational and moral motivations likely direct organizational efforts away from financial performance.

Nonetheless, the financial implications of Community Goals have been the subject of numerous studies attempting to unpack the implications of plural organizational objectives, even if those objectives are not inherently interdependent. Many initiatives enacted in support of Community Goals incur substantial short-term investments, investments which are directed away
from other business interests. For example, charitable contributions reduce returns and sustainability programs often entail significant outlays. However, despite these costs, the practices associated with Community Goals foster positive firm reputation and legitimacy (Gardberg & Fombrun, 2006; Matten & Crane, 2005), engender positive employee attitudes and elevated employee performance (Rupp et al., 2006; Flammer, 2015), and increase firms’ access to capital (Cheng, Ioannou, & Serafeim, 2014). Despite up-front costs, practices associated with Community Goals may positively influence financial performance through these mediating mechanisms. Indeed, recent meta-analytic evidence suggests that corporate social performance is positively, though weakly, related to financial performance (Orlitzky, Schmidt & Rynes, 2003; Margolis, Elfenbein, & Walsh, 2007).

The relationship between the pursuit of Community Goals and financial performance may be strengthened for SMEs. These firms tend to be highly embedded in their local communities (Jamali, Zanhour, & Keshishian, 2008) and deeply embedded firms seek legitimacy by investing in Community Goals (Marquis, Glynn, and Davis 2007). Thus, firms that do not pursue Community Goals risk being perceived as illegitimate. Further, firms that pursue Community Goals are more able to influence stakeholders (Barnett, 2007). Once firms accrue this influence, they are better able to financially benefit from the pursuit of Community Goals (Barnett, 2007; Barnett & Salomon, 2012). While there is much debate regarding the impact of Community Goals on financial performance, we argue that SMEs will benefit financially from their pursuit of Community Goals.

**Hypothesis 2: Community Goals are positively related to financial performance.**

Family ownership facilitates the successful integration of Community Goals and financial performance outcomes. Family-ownership entails consolidated decision-making power
Family-owned firms, as we argued with regards to Family SEW, are capable of integrating a wide range of practices because senior leaders have the latitude to make decisions that leaders of firms with more distributed governance structures cannot. That is, in addition to the pursuit of Family SEW and associated practices, family-ownership enables the pursuit of practices linked with the pursuit of community goals. Firms that are deeply embedded in local communities tend to act in accordance with a community logic (Marquis et al., 2007). Even within a sample of embedded firms, family-owned firms, in particular, tend to be deeply enmeshed within the overarching community (Fairclough & Micelotta, 2013; Greenwood, Díaz, Li, & Lorente, 2010; Hung, 2005).

Higher levels of family ownership, controlling for Family SEW, facilitate financial performance through better integration of Community Goals with financial objectives. Prior research has argued that female leaders fostered the simultaneous pursuit of multiple goals by reducing conflict (Cruz et al., 2012). Firm features, such as status and identity, promote structural hybridity (Smets, Morris & Greenwood, 2012). Similarly, we argue that the dense intra-firm ties that characterize family firms enable the hybridization of community and financial logics into mutually reinforcing structures. Higher levels of family ownership endows leaders with the control and capacity to integrate goals within hybrid organizational structures. Higher levels of family control also reduces the opportunity for destructive conflict because the power structure is more unified (Pache & Santos, 2010). At lower levels of family ownership, firm leaders lack sufficient control to integrate Community Goals and financial aims and resulting structural differentiation by the different objectives may preclude synergy between them and create conflict between different organizational units (Simsek, 2009). As a result, the relationship
between the salience of Community Goals and financial performance will be enhanced under higher levels of family ownership.

_Hypothesis 2a: Family ownership moderates the relationship between Community Goals and financial performance in that the hypothesized relationship becomes stronger as family ownership increases._

**Family SEW & Community Goals**

Up to this point, our arguments illustrate that modern conceptualizations of Family SEW are, while related to, conceptually distinct from both family ownership and Community Goals. As such, we posit that teasing out dimensional attributes of Family SEW and Community Goals from family ownership will assist in the continued refinement of these constructs and their ability to contribute to on-going family business and social enterprise research. Further, we have developed arguments regarding the independent effects of these constructs on firm performance. This approach, however, is limited because it fails to consider the paired effects that can result from the simultaneous pursuit of both Family SEW and Community Goals, which may lead to even further distinct performance outcomes and can, here again, vary across firms by degree of family ownership. These paired effects may be significant as salient Family SEW and Community Goals may possess varying degrees of complementarity across ownership structures.

The consolidated governance of family-owned firms allows leaders to navigate the tradeoffs between different objectives. As discussed above, these capabilities, when the targeted benefactors are familial, may have negative implications on firm performance due to such factors as nepotism and wealth expropriation. However, when motivations are targeted externally to the family, such as with firm financial or Community Goals, the familial association of firm principals in family firms allows for more effective processes. Specifically, the often informal
monitoring activities of family ownership may deter corruption and wealth expropriation, at least when pursuing Family SEW outcomes (ala stewardship; Anderson & Reeb, 2004; Chrisman, Chua, Kellermanns, & Chang, 2007; Miller & Breton-Miller, 2006). While such activity may create rifts among shareholders who desire rapid growth (Vilaseca, 2002), family firms tend to develop more socially and community conscious long-term community strategies and implement them more efficiently than non-family firms.

We have argued that family-owned firms, in pursuit of Family SEW, adopt a number of practices that undermine the firms’ financial performance. Relative to non-family firms, family-owned firms benefit less, financially, with more salient Family SEW motivations. We have also argued that family-owned firms have a superior capacity to financially benefit from the pursuit of Community Goals. Following extant research, we posit that Community Goals can be convergent with Family SEW motivations (e.g. Berrone et al., 2010), thus constraining the value limiting tendencies associated with salient Family SEW in family-owned firms while enhancing the affective returns that translate to superior financial performance. Specifically, the risks associated with Family SEW in family-owned firms, such as nepotism and adverse selection (Chrisman et al., 2014; Kellermanns et al., 2012; Schulze et al., 2003), may diminish as Community Goals become a more salient target of non-family affective returns. Concurrently, salient Family SEW creates an additional pathway through which firm leaders benefit from salient Community Goals. In other words, the allocation of resources towards community value creation may serve as a vehicle through which the family may reinforce its SEW, such as through reputational gains, without the risks to performance associated with purely intra-family SEW outcomes, which are more likely to involve wealth expropriation.
However, the affective gain to a particular family is clearer in family firms where community-oriented practices, the firm, and the family are closely linked (e.g., the family name is the name of the firm), allowing the family to benefit from elevated firm reputation (Deephouse & Jaskiewicz, 2013). Substantial evidence suggests that family firms are not only more willing to dedicate resources to community endeavors but that they are also more capable of benefiting from these resource allocation decisions (Berrone et al., 2010; Niehm, Swinney, & Miller, 2008; Sharma & Sharma, 2011). This synergy in family-owned firms allows for a more efficient allocation of resources towards both family SEW and Community Goals. This efficiency may also reduce the impulse, in family-owned firms, to invest in Community Goals beyond what is financially beneficial so that economic value is returned to the controlling family.

The salience of a family institutional logic, through Family SEW, within a family-owned firm may present numerous opportunities for goal synergy between family and community SEW goals set in family-owned firms, not available to non-family firms. As a result, while the paired effects of Family SEW and Community goals may benefit all firms regardless of ownership, family-owned firms possess more opportunities to derive greater value from the paired effects of Family SEW and Community Goals, which we posit will translate to superior financial performance.

_Hypothesis 3: The interaction between Family SEW and Community Goals is positively related to financial performance._

_Hypothesis 3a: Family ownership moderates the relationship between the interaction of Family SEW and Community Goals, and financial performance in that the hypothesized relationship becomes stronger as family ownership increases._
METHODS

Sample

Data were collected from a primary survey of private business owners in Eastern Europe. Responses were received from the principal manager of 758 enterprises. In order to effectively test our hypotheses, we excluded responses with missing data and responses with ambiguous responses regarding ownership structure. After implementing these restrictions, the final sample size for our analyses was 343 firms. A-priori power analyses of the hypothesized model suggest that this sample size is adequate for testing the predicted effects (Cohen, 2013).

Our data collection solicited responses from firms across sectors. Within our final sample 45.1% were manufacturing firms, 20.4% were in the retail industry, and 31.5% were primarily in services. Family ownership was measured as a percentage of equity and of all investigated firms, 54.6% have at least 50% family ownership businesses, and 44.2% of firms were wholly owned by a single family. While surveys were solicited by firms regardless of family ownership, the large degree of family firms in our sample is likely owed to the context of the data collection being Eastern European SMEs and family ownership may be disproportionately more popular in this region than in other research contexts (Gugler, Ivanova, & Zechner, 2014).

Our sample predominantly includes small firms, with 75% of responding firms having 20 or fewer employees. Additionally, the firms in the sample were generally young and in their first generation of ownership. Approximately half of the surveyed firms (50.4%) were established within 20 years of administering the survey and only 3.3% were over 50 years old.

Independent Variables

Family SEW is measured using a two-item scale developed by means of common metrics for SEW across the family business literature that emphasize the presence of family influence
without the necessity of family ownership or control. As such, this two item scale measures the tendency and importance of the firm to provide employment opportunities for the owners’ family members and the popularization of values of the founder’s family and its traditions (α .703).

*Community Goals* is measured using a five-item scale adapted from metrics used in CSR and social enterprise studies and included items relating to environmental protection and certification, employee care and safety, and community specific philanthropic activity (α .807).

**Moderating Variable**

*Family Ownership* is measured as a percentage of ownership held by members of the founding family.

**Dependent Variable**

*Firm Performance* is measured as the firm’s relative profitability compared to the industry in which the firm operated and its previous performance. Responses were on a 5-point Likert-type scale (α .795). Relative performance is preferable in our study as it encapsulates the competitiveness of small businesses more effectively than strictly revenue based metrics, which may be more biased towards size differentials among SMEs (Drnevich & Kriauciunas, 2011).

**Statistical Procedures**

Survey items were tested to ensure their appropriateness for further evaluation. Table 1 provides an anonymized listing of our scale items, their component loadings, and overall reliability. Data were analyzed using structural equation modeling (Mplus 7; Muthén & Muthén, 2012) to evaluate the fit of our measurement and structural models. The measurement model was evaluated using CFA procedures which suggested that the data fit the model adequately ($\chi^2[74]=230.71$, RMSEA = .082, CFI = 0.948; TLI = 0.936). The measurement model presented no concern for the discriminant validity of items and possessed superior fit when compared to
alternative null models. As such the data were used in their entirety to test the above hypotheses in structural models. Descriptive statistics and correlations are presented in Table 1.

Insert Table 1 about here

Results

Hypotheses 1 & 2 were tested by modeling Family SEW and Community Goals as predictors of performance. The results are summarized in Figure 1. This initial model possessed adequate fit, marginally superior to the CFA ($\chi^2[61]=142.74$, RMSEA = .065, CFI = 0.97; TLI = 0.96) with Family SEW approaching significance in predicting performance (.102; $p < .1$) and Community Goals significantly and positively predicting performance (.269; $p < .001$). While Community Goals seems to have a considerably stronger effect on model fit, both the superior model fit and significant path coefficients suggest that both Family SEW and Community Goals are positively associated with firm performance in support of Hypotheses 1 and 2.

Insert Figure 1 about here

Hypotheses 1a and 2a address the moderating effect of family ownership. When family ownership is entered into the model, overall structural fit increases significantly ($\chi^2[68]=93.69$, RMSEA = .034, CFI = 0.991; TLI = 0.988). The results are summarized in Figure 2. Interestingly, while our findings show positive moderation between family ownership and Community Goals (.165; $p < .05$) the positive relationship between Family SEW and performance is non-significant (.003; $p ns$). A post-hoc indirect effects model suggests that the non-significant moderation may be driven by the significant, strong, positive and direct relationship between family ownership and performance (.338; $p < .001$). In other words, as
family ownership increases, Community Goals became more strongly associated with performance, supporting Hypothesis 2a, but Family SEW becomes unhinged from firm financial performance and failed to support Hypothesis 1a.

Insert Figure 2 about here

Hypotheses 3 and 3a consider the interactions between Family SEW, Community Goals, and family ownership. Figure 3 summarizes the paired effects of Family SEW and Community Goals that exist in addition to their direct effects. While this model possesses adequate fit ($\chi^2[73]=231.47$, RMSEA = .083, CFI = 0.943; TLI = 0.929), there were no additional paired effects that predicted performance outside of the direct effects analyzed in the tests of Hypotheses 1 and 2. In fact, the path coefficient between the paired effects construct and firm performance was negative, though non-significant (-.079; ns). Thus, Hypothesis 3 is not supported. Hypothesis 3a considers the three-way interaction between Family SEW, Community Goals, and family ownership. In this final model not only does the structural fit increase substantially ($\chi^2[70]=110.67$, RMSEA = .043, CFI = 0.985; TLI = 0.981) but the paired effects construct also has a strong, positive effect on performance (.542; p < .001), even after accounting for the direct effects discussed above. In other words, the synergies between Family SEW and Community Goals in impacting firm financial performance become significant as family ownership increases, thus supporting Hypothesis 3a.

Insert Figures 3 & 4 about here
DISCUSSION

In extending the study of Family SEW to non-family firms, we contribute to clarity of the SEW construct among non-economic goals, its application, and our understanding of non-economic goals as they apply across both family and non-family firms. Our findings suggest that salient Family SEW and Community Goals combine with family-ownership to positively influence financial performance. Additionally, we provide evidence that Community Goals are more strongly predictive of financial performance in non-family firms.

Though we find evidence to support the contention that Family SEW and family ownership are distinct, and that Family SEW influences performance in non-Family firms, practical concerns will require family-ownership to serve as a proxy for Family SEW in many circumstances. This aspect may speak to our inability to find support for Hypothesis 1a. Namely, as family ownership increases the relationships between Family SEW and performance becomes non-significant, while the direct relationship between family ownership and performance increases. This result suggests that while Family SEW goals may emerge within firms regardless of family ownership, the nature of such goals and the outcomes of their pursuit may be fundamentally distinct between family and non-family firms. While not the original intention of the study, this finding does seem to partially validate the body of research which infers Family SEW from family ownership or control. At the same time, however, recognizing variance in Family SEW within and between firm types opens up numerous opportunities for further research on the influence of family across organizational forms.

Our findings regarding the paired effects of Family SEW, Community Goals, and family ownership holds several implications for our understanding of the relationship between non-economic goals and performance. Interestingly, while we found no significant paired effects on
financial performance between Family SEW and Community Goals, as family ownership interacts to positively impact financial performance. This finding provides additional context to recent findings regarding the ostensible alignment between Family SEW and Community Goals in family firms and presents an avenue for exploring truly distinctive capabilities of family ownership. Namely, while neither Family SEW nor Community Goals are solely the domain of family firms, our findings suggest that family ownership facilitates the simultaneous pursuit of these goals to the end of superior financial performance. In other words, while all firms, regardless of ownership structure may benefit from the pursuit of Family SEW or Community Goals, family firms appear to have the distinct capability to gain synergistic benefits from their salience. This aspect may be owed to the fact that in many family firms, performance towards Community Goals themselves generates a return to Family SEW endowments, something we would not expect in non-family firms in which the return to a particular family is less clear.

These findings contribute to multiple on-going discussions within the family business research domain as well as within broader literatures that study the role of Community Goals in organizations. Corporate Social Responsibility and social entrepreneurship scholars should attend to the nuance of family influence, even in non-family firms, in shaping particular community practices and the implications of these practices within and across different settings. Additionally, this study seeks to address calls for expanding the scope of the SEW construct to tease out its application from a purely family-business construct to better encapsulate its diverse and multi-dimensional nature (Miller & Breton-Miller, 2014). Finally, we contribute to the study of the process through which family involvement may impact firm performance by presenting evidence that the strategic idiosyncrasies of family firms may not be wholly owed to the presence of shared family ties among firm principals but may, in fact, also present a vehicle
through which the firms develop, pursue, and prioritize goals related to the community embeddedness of the family itself.

**Limitations**

While effort was given to ensure the validity of this study and its findings, we recognize several limitations. Methodologically our measure of performance is somewhat limited. Firm performance is multidimensional and though we address the implications of the different predictors for financial outcomes, we do not capture their effects as on other performance outcomes. This situation limits our ability to discuss the nuanced relationship between numerous financial and non-financial performance outcomes which may or may not relate specifically to family ownership (e.g. sustained transgenerational family ownership), and to the salience of different goals. It would be fruitful to explore the influence of Family SEW, Community Goals and family-ownership on social performance and the accumulation of Family SEW, alongside financial performance.

Since our tested population was made up of both family and non-family firms we wanted to ensure that we developed a generalizable performance metric. Doing so, however, may have limited its application. Specifically, while we present evidence that family firms achieve diverse performance outcomes in a variety of our models, we want to clarify that this is only with regard to the competitive-financial performance metrics that were measured. In other words, family firms may, and evidence suggests they do (Berrone et al., 2010), possess additional avenues for performance not accounted for in our performance construct that would make it difficult to compare firms across ownership contexts. This is a long-standing issue across scholarly discussions that consider non-financial outcomes and may be owed to the fact that the very nature of “performance” and these firms is wholly distinct from the construct measured. As a
result, we urge scholars to recognize the diversity of organizational performance as a proxy for owner goal fulfillment, and to understand that, particularly with regard to small private firms, the relatively narrow scope of performance metrics common in our research may not necessarily be the most effective measurements of pursued outcomes.

As is often the case, the data we drew on entails some particular limitations. Data were collected from primary firm decision makers. However, considering the broad conceptualization of the firm characteristics being studied, this may not necessarily provide the complete picture of the constructs being measured. Specifically, the Family SEW construct, which in this study we separated from family ownership, explicitly takes into account the possibility of Family SEW being pursued by organizational members that are not owners. Our data would not have been sensitive to this influence. The presence of multiple, separate, or closely linked family influences is an important topic for future scholarship. In addition, our data did not address the salience of Community Goals from multiple perspectives, leaving open the possibility that we missed heterogeneous views. Though leaders, particularly founders, have diffuse influence on organization goals, future research should explore the impact of variance in Community Goal salience. Finally, our sample firms were particularly embedded in the communities in which they were located. As we argued in hypothesis 1, this has particular implications for community practices. Future research should examine these effects in firms that are somewhat less integrated in their host communities. Considering the breadth of our sample, as well as the validity and reliability tests confirming the suitability of our data and subsequent structural models, we do not believe this fact substantially threatens our findings. Still, future research may benefit from a more thorough exploration of these dynamics by soliciting data from multiple organizational members at a variety of levels in the organization.
Conclusions

In this study, we develop arguments and provide evidence on the interaction between the salience of family ownership, Family SEW and Community Goals on firm financial performance. While both Family SEW and Community Goals are commonly referenced across multiple management research domains, our study attempts to provide a more nuanced and acute reflection of their emergence and implications. Our findings not only inform future research regarding the nature and role of these goal sets, as they emerge distinct from family ownership, but also provide insight into the ostensibly contradictory nature of extant findings regarding the relationship between the pursuit of Family SEW goals and performance. Our findings present evidence that the phenomena of interest in studying SEW among family firms may not entirely lie in the presence of non-economic goals themselves, but how those goals are pursued in relation to other firm priorities. The potential for studying coordinated and synergistic outcomes of multiple organizational goal sets presents a novel and compelling topic for future family business research, as well as presents an avenue for bridging recent findings in the family business literature to the broader study of non-economic goals and outcomes across numerous organizational contexts.
REFERENCES


**Figure 1: Direct Effects Model**

Family SEW \(\rightarrow\) Financial Performance: 0.102*

Community Goals \(\rightarrow\) Financial Performance: 0.269***

\(\chi^2[61]=142.74\), RMSEA = 0.065, CFI = 0.97; TLI = 0.96

**Figure 2: Moderated Effects Model**

Family SEW \(\rightarrow\) Financial Performance: 0.102*

Community Goals \(\rightarrow\) Financial Performance: 0.269***

Family Ownership \(\rightarrow\) Financial Performance: 0.338***

\(\chi^2[68]=93.69\), RMSEA = 0.034, CFI = 0.99; TLI = 0.98
Figure 3: Paired Effects Model

Family SEW

\[0.097^*\]

Community Goals

\[-0.079^{ns}\]

Financial Performance

\[(\chi^2[73]=231.47, \ RMSEA = 0.083, \ CFI = 0.943; \ TLI = 0.929)\]

Figure 4: Three-Way Effects Model

Family Ownership

Family SEW

\[0.097^*\]

Community Goals

\[0.501^{***}\]

Financial Performance

\[0.524^{***}\]

\[(\chi^2[70]=110.67, \ RMSEA = 0.043, \ CFI = 0.985; \ TLI = 0.981)\]
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p<.001; p<.01; p<.05