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A LONGITUDINAL EXAMINATION OF THE RELATIONSHIP BETWEEN CORPORATE
FINANCIAL PERFORMANCE AND THE CORPORATE PERSONA REVEALED IN THE
ANNUAL REPORT

by

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A DISSERTATION

Presented to the Faculty of
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Major: Business

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A LONGITUDINAL EXAMINATION OF THE RELATIONSHIP BETWEEN
CORPORATE FINANCIAL PERFORMANCE AND THE CORPORATE PERSONA
REVEALED IN THE ANNUAL REPORT

Samuel A. Nelson

University of Nebraska, 2011

Advisor: Lester Digman

This research examines the relationship between organizational financial performance and the levels of charisma and optimism revealed in the annual report. Hypotheses were developed based on the meta-theory of the organization as a social actor and previous empirical results regarding the relationship between organizational financial performance and the constructs of charisma and optimism. Based on previous research it was hypothesized that organizational financial performance would be positively related to charisma and optimism at the within-firm and between-firm levels of analysis. A content analysis of annual reports was performed and financial performance was collected for each company in the study for the years 2001-2010. The data was analyzed utilizing hierarchical linear modeling (HLM) in SAS 9.2 to test the hypotheses. The annual reports were analyzed utilizing the DICTION 5.0 software package and an optimism and charisma score were generated for each company. The sample for the study were all companies within the restaurant and petroleum industries traded on the New York Stock Exchange (NYSE) that had available data for the years 2001-2010. The control variables employed in the study were company size and research and development (R&D)

intensity. In addition, industry membership was treated as a moderating variable. The findings indicate that on average a firm will demonstrate higher levels of optimism when its financial performance is significantly higher than its baseline level of financial performance. In addition, on average, the restaurant industry demonstrated higher levels of charisma and optimism than the petroleum industry. The implications of these findings and the directions for future research regarding the organization as a social actor are discussed.

DEDICATION

I would like to dedicate this dissertation to those individuals who were instrumental in shaping me, but are now deceased: Clarence ‘Bud’ Albracht, Raymond ‘Fritz’ Nelson, Beverly Nelson, Eleanor Meier and John Meier. Each of them taught me the value of hard work, the importance of being kind and what it means to be a ‘family.’ In addition, through their various adventures in business ownership they fostered my love for free enterprise and the value it provides society.

I would also like to dedicate this dissertation to my parents business: Central Plains Millwork. The company was purchased in 1984 and will officially close in September of this year. The business provided a wonderful life for my family and instilled in me a passion for the business world. More importantly, Central Plains Millwork was a noble ‘social actor’ that provided gainful employment to many wonderful individuals during the past 27 years.

Lastly, I would like to dedicate this dissertation to my late dog ‘Jackson,’ who passed two days prior to the initial dissertation proposal. Long may you run Jackson!

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CHAPTER ONE

OVERVIEW OF THE STUDY

Introduction

During the past century, the corporation has been a central component in the development of the U.S economy. Furthermore, it has been a critical component in the trend towards greater economic globalization and deregulation (Lee & Olson, 2010). However, the many upsides offered by the corporation have also been accompanied by downsides. Popular press has frequently demonized the corporation for a variety of reasons. Corporations such as Enron, Tyco and MCI WorldCom became the subject of a great deal of public criticism for their unethical actions. There have been recent documentaries that have explored ‘who’ the corporation is (e.g. *The Corporation*, 2003). Our society continues to be obsessed over the performance of these corporations as evidenced by the constant reporting and subsequent discussions regarding earnings and stock price. The purpose of this dissertation is to leverage the two higher order constructs of organizational performance and organizational identity to explore the specific relationships between various dimensions of these constructs. Specifically, this study will evaluate the relationship between an organization’s financial performance and the charismatic and optimistic tone in which it writes the annual report.

Traditionally, organizational performance is studied as the outcome of managerial decisions (March & Sutton, 1997), in which performance is treated as the dependent variable. However this dissertation will utilize organizational performance as a criterion variable instead of an outcome variable. Specifically, it will be argued that an organization’s performance is a critical component of its identity and is most thoroughly

explained in its annual report. Therefore, the tone in which an organization communicates its annual financial performance, as well as its beliefs, values, goals and explanation for its actions should logically provide valuable insight to the corporation's identity or persona.

In a recent documentary entitled *The Corporation (2003)*, one of the scenes asked participants to describe various corporations as a person. A following is a list of the participants' descriptions:

- General Electric – “General Electric is a kind old man with lots of stories.”
- Nike – “Young (person 1) and energetic (person 2) ”
- Microsoft – “Aggressive”
- McDonalds – “Young, outgoing, enthusiastic”
- Monsanto – “Immaculately dressed”
- Disney – “Goofy”
- The Body Shop – “Deceptive”

In addition to the general public and popular press, scholars have also expressed interest in determining ‘who’ the corporation is. The recent increase in scholarly articles addressing organizational identity and the organization as a social actor highlight the increased attention regarding this phenomenon (Gioia, Price, Hamilton, & Thomas, 2010; King, Felin, & Whetten, 2010; Livengood & Reger, 2010; Miller & Wesley II, 2010). The present study aims to advance the discussion of this phenomenon by being one of the first studies to evaluate financial performance and aspects of identity at the organizational level by utilizing a longitudinal design. This approach is unique and addresses two current gaps in the literature: (1) The majority of studies linking organizational

performance with various aspects of identity measured identity at the individual or team level (i.e. Chief Executive Officer (CEO), and members of the Top Management Team (TMT) (e.g. Buyl, Boone, Hendriks, & Matthyssens, 2011; Datta & Rajagopalan, 1998; Nelson, 2005; Rajagopalan & Datfa, 1996; Roth, 1995; Wang, Tsui, & Xin, 2011) and (2) the majority of studies regarding organizational identity utilize a cross-sectional design (e.g. Dukerich, Golden, & Shortell, 2002; Milliken, 1990). Therefore, to advance the study of the organization as a social actor it is necessary to utilize measures of the organization's identity, instead of measures of individuals within the organization, when relating it to organizational performance. In order to adequately measure a firm's identity, which has been asserted to be distinctive characteristics consistent over time, it is necessary to measure a firm at different points in time to determine if the characteristics remain consistent. The purpose of this research is to address the two aforementioned gaps within the literature.

Currently, there are very few empirical studies that have evaluated organizational identity and corporate persona. However, the concept of corporate persona has been in existence since the time at which the corporation was conceived. It was primarily the focus of legal scholars who attempted to understand the potential unintended consequences of granting the corporation legal status as a person (e.g. Dewey, 1926; Maitland, 1904; Radin, 1932). Subsequently, the notion of corporate personality or corporate persona was utilized to capture the similarities in the eyes of the law between the corporation and the person. In addition, the past decade has provided a variety of theoretical articles arguing for better treatment of the organization as a social actor (e.g. King, et al., 2010; Whetten & Mackey, 2002). These articles were critical in developing

a robust meta-theory of the organization as a social actor. However, in order to advance this discussion further it is necessary to take the existing theory and begin testing it.

In simplest terms, the meta-theory of the organization as a social actor posits that organizations act similar to human beings in regards to how they interact and impact their society. Subsequently, the theory asserts that it is appropriate to apply various concepts traditionally reserved to explain human traits and behaviors to the organization. One of the concepts deemed appropriate to apply at the organization level is the notion of ‘identity’. Albert and Whetten (1985) were two of the first scholars to apply the notion of identity to the organization. Since their initial article, many scholars have theorized and argued about exactly what constitutes an organization’s identity (e.g. Barnett, Jermier, & Lafferty, 2006; Brickson, 2005; Corley et al., 2006; Cornelissen, Haslam, & Balmer, 2007; Hsu & Hannan, 2005; Melewar & Jenkins, 2002; Scott & Lane, 2000; van Rekom, Corley, & Ravasi, 2008; Whetten & Mackey, 2002). However, very few scholars have empirically tested the various assertions regarding identity. Testing all of the components asserted to be part of organizational identity is beyond the scope of this research. However, by focusing on a small component of identity and actually performing an empirical analysis will help advance the discussion. The specific component of organization identity that this study is focused on is corporate persona. Corporate persona is a rhetorical notion in which a corporation communicates ‘who’ it is (Courtright & Smudde, 2009).

Charisma and optimism are the two aspects of corporate persona that this research will be focused on. These two aspects of corporate persona were chosen because of the focus that management disciplines, such as strategy, leadership and organizational

behavior, have had regarding their relationship with organizational performance (Agle, Nagarajan, Sonnenfeld, & Srinivasan, 2006; Awamleh & Gardner, 1999; Bacha, 2010; de Hoogh et al., 2004; Green Jr, Medlin, & Whitten, 2004; James & Lahti, 2011; Luthans, Norman, Avolio, & Avey, 2008). Therefore, it provides a starting point for researchers to begin evaluating whether or not those relationships look similar when extracted to the level of the organization. For example, scholars have asserted and empirically demonstrated that there is a positive relationship between the CEO levels of charisma and the financial performance of their organizations (Agle, et al., 2006). Furthermore, it has also been asserted and empirically demonstrated that there is a positive relationship between the levels of managerial optimism and the financial performance of the organization (Heaton, 2002). However, these relationships have never been tested at the organization level. It will be asserted here that it is appropriate to apply the constructs of charisma and optimism to the organization and test the relationship they have with organizational performance. The following section will specifically highlight the primary research questions in this study.

The Primary Research Questions

The preceding discussion highlights the importance of organizational financial performance and organizational identity within academia and the greater social context in which these organizations operate. However, there has been little empirical work that has examined the relationship between an organization's financial performance and their identity. As noted before, examining all aspects of an organization's identity is beyond the scope of this research, which is only focused on the level of charisma and optimism

revealed in the annual report. The underlying logic of this research is that the annual report is the most comprehensive report that is released consistently that provides insight to the identity of the organization. However, little research has been performed to understand how financial performance is related to the identity revealed in the annual report. In addition, a key assumption that underpins this research is that the individuals responsible for writing and officially approving the annual report on behalf of the organization are aware of the financial results for the year in which the document is written. This leads to the first primary research question, *“Is a firm’s annual financial performance related to the level of optimism and charisma revealed in the annual report?”*

One of the critical aspects of an organization’s identity is that it includes characteristics that are enduring and remain fairly consistent over time (Albert & Whetten, 1985). In order for various aspects of an organization to be considered part of their identity, these aspects must consistently be demonstrated over time. The annual report is a consistent form of communication that occurs once per year, which provides access for researchers to determine which aspects of the corporation have stayed consistent over time. This leads to the second primary research question, *“Is the level of optimism and charisma revealed in the annual report consistent over time?”*

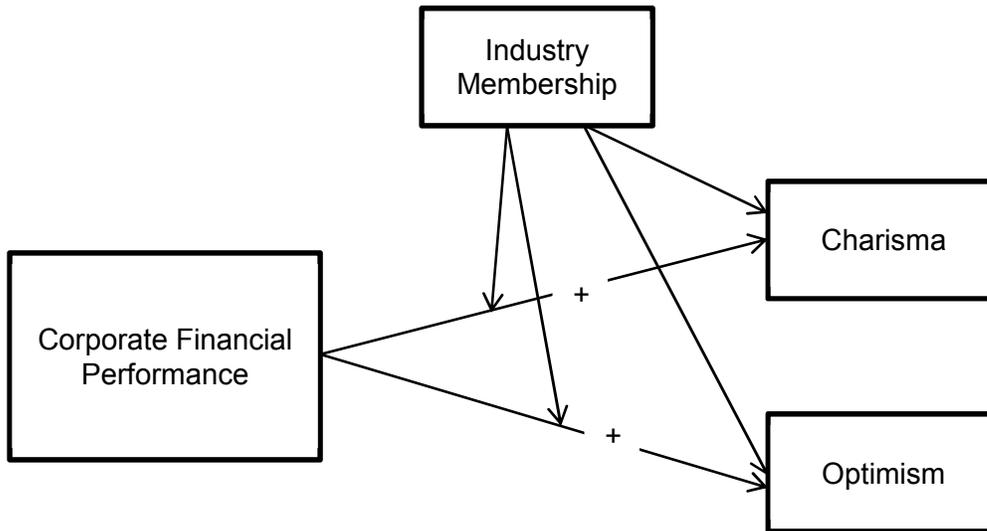
Many researchers have highlighted the different ways in which firms compete within a specific industry (Browning, Beyer, & Shetler, 1995; Miles, Snow, & Sharfman, 1993; Porter, 1980). In addition, we know that firms within the same industry vary in regards to financial performance. However, there are few empirical studies that have examined the potential variance regarding the tone in which companies write the annual

report. In addition, many researchers have highlighted the differences between industries in regards to competitive actions, collaboration, and other factors (e.g. Dyer, 1997; Gulati, 1995; Gulati, Nohria, & Zaheer, 2000). However, few empirical studies have examined the potential variance between industries regarding the tone of the annual report. This leads to the final primary research question, *“Do industries differ regarding the relationship between organizational financial performance and the level of optimism and charisma revealed in the annual report?”*

Proposed Research Model

It is proposed by this research model that a corporation’s annual financial performance will influence various aspects regarding the tone of its annual report. Specifically, it is posited that organizational financial performance will be positively related to the levels of charisma and optimism revealed in the annual report. In addition, it is proposed that this relationship will exist at the within-firm and between-firms levels. Lastly, it is hypothesized that industry membership will moderate the relationship between organizational financial performance and the levels of charisma and optimism revealed in the annual report. The research model is presented in Figure 1.1. Each of these relationships will be discussed and formal hypotheses will be developed in Chapter Two.

Figure 1.1



Methodology of the Study

In order to adequately study the phenomenon of interest, a longitudinal design was employed to evaluate corporations from two industries over a 10-year period. Due to the focus this research has on the persona of publicly traded companies, the sample was drawn from the population of publicly traded companies. The two industries studied were the petroleum and restaurant industries. Both industries have a variety of similarities and differences that will be expanded on in more detail in the methodology section. The key differences between the two industries is that the petroleum industry is characterized as being a more upstream, capital intensive and manufacturing oriented industry, whereas the restaurant industry is characterized as being a more downstream, people intensive and service oriented industry. Subsequently, the industries fulfill two very different roles in society and it is worth investigating any potential differences this might have on the corporate persona of the companies that comprise each industry.

As noted earlier, one of the defining aspects of organizational identity is that it consists of characteristics which stay consistent over time (Albert & Whetten, 1985). Therefore, a longitudinal model that captures identity characteristics at more than one point in time is a necessary condition for making empirical inferences regarding organizational identity. In addition, a longitudinal design enables the researcher to capture both within and between firm differences. In this study, the variables of return on assets (ROA), charisma and optimism were measured each year for each company from the years 2001-2010. In addition, industry was treated as a dichotomous variable and the research model evaluated how industry membership moderated the relationships between organizational financial performance and the level of charisma and optimism revealed in the annual report.

Organizational financial performance was captured by calculating each firm's annual return on assets (ROA) for each year included in the study. In addition, each firm was given a charisma and optimism score for each year included in the study. Compustat was utilized for all financial information and the DICTION 5.0 content analysis software was leveraged to evaluate the annual reports of each company along the dimensions of charisma and optimism. A hierarchical linear regression model (HLM) was utilized to test both direct effects and moderating effects for both dependent variables: charisma and optimism.

Importance of the Study

The following research is significant because it is one of the first studies to utilize a longitudinal design to empirically evaluate the organizational identity construct. As noted previously, this is problematic because part of the accepted definition of

organizational identity is that it remains consistent over time. Subsequently, a longitudinal design is a necessary condition. In addition, the study answers the call to put the organization back in organizational theories by treating the organization as a social actor within a particular environment. Specifically, this study aims to increase our understanding of the types of organizational actors that exist within two specific industries by evaluating their financial performance and the level of charisma and optimism revealed in the annual report. Lastly, the study applies the characteristics of charisma and optimism to the organizational level, both of which have been linked to organizational financial performance outcomes in both strategy and organizational behavior literature. However, this is one of the first studies to expand the use of these characteristics from the individual and team level unit of analysis to the organization level.

Structure of the Dissertation

The preceding paragraphs have presented the topic for this study, examined the importance of this research to the areas of strategy and organizational behavior, and highlighted the research questions that will be addressed by this study. The following chapter provides a more detailed review of the literature in the areas of organizational performance and organizational identity, specifically corporate persona. Formal hypotheses regarding the relationships outlined in the research model above are developed immediately following the literature review in Chapter Two. Chapter Three will focus on the research design, measures, sample, and methodology. The results of the data analysis and discussion of each hypothesis will be discussed in Chapter Four.

Lastly, Chapter Five includes a discussion of the study results, implications for researchers and practitioners, limitations of the study, and suggestions for future research.

Chapter Two

Literature Review and Hypotheses

The following literature review will cover the importance of organizational performance and why it is reasonable to leverage the measure of ROA to capture firm performance in this study. After the discussion of organizational financial performance, a thorough discussion of the organization as a social actor will be presented. This is the key component of this study because it lays the theoretical groundwork for applying concepts such as charisma and optimism to an organization. Following the discussion of the organization as a social actor, a discussion regarding genre theory and the importance of utilizing various communications to reveal an organization's identity to key stakeholders will be presented.

The study is exploratory in nature and one of the first to apply the concepts of charisma and optimism to an organization. Therefore, the literature review will focus on why it is reasonable to extract these constructs to the organization level. In addition, the empirical support for the hypotheses will pull heavily from empirical results linking individual levels of charisma and optimism to organizational performance. The chapter will end with a discussion of charisma and optimism and will provide formal hypotheses regarding the relationship between organizational financial performance and the constructs of charisma and optimism.

Organizational Performance

Organizations are commonly viewed as instruments of purpose that are coordinated by intentions and goals (March & Sutton, 1997). Furthermore, this shared purpose results from the voluntary association of productive assets, including human,

physical and capital resources (Alchian & Demsetz, 1972; Barney, 2002; Jensen & Meckling, 1976; Simon, 1976). However, organizational scholars have struggled to determine if an organization has a single purpose or if the multiple purposes are reliably consistent (March & Simon, 1993). Consequently, determining an organizations performance is inherently complex because it is reliant on its purpose, which has not been established as unitary or reliability consistent. Therefore, the concept of performance is contextual and is associated with the phenomenon of study (Hofer, 1983).

One dimension of organizational performance that has been central to the study of strategic management is financial performance. Carton and Hofer (2006) define organizational financial performance as “a measure of the change of the financial state of an organization, or the financial outcomes that result from management decisions and the execution of those decisions by members of the organization” (pg. 2). One of the key reasons that financial performance is central to the field of strategic management is because of the focus the discipline has on for-profit entities. The very nature of a for-profit entity and the role it fulfills in society calls for intense scrutiny of its financial performance. Carton and Hofer succinctly highlight one of the realities regarding a firm’s ability to create value through its financial performance:

“Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the

organization will continue to exist. Therefore, value creation, as defined by the resource provider, is the essential overall performance criterion for any organization” (Carton & Hofer, 2006, pg. 3).

The assertion made by Carton and Hofer is straight-forward, yet they point out four critical challenges to assessing value creation: (1) the situational nature of value creation (2) organizations perform on multiple dimensions, (3) interpretation of performance depends upon the observer’s perspective, (4) assumptions about future performance influence perceptions of present value (Carton & Hofer, 2006).

Furthermore, within the existing strategy literature there has been minimal justification provided for why existing performance measures have been selected (Capon, Farley, & Hoenig, 1990; Kaplan & Norton, 1992; Murphy, Trailer, & Hill, 1996; Steers, 1975).

Organizational performance has been studied utilizing a wide spectrum of variables and many of these do not correlate over time (Carton & Hofer, 2006).

In general, there is a lack of consistency regarding how to measure organizational performance, which is heavily dependent on the perspectives the of constituents interested in the performance of the firm. The plurality within the field is beneficial at times by allowing researchers to evaluate specific relationships of interest. However, determining organizational performance will be different depending on which constituent lens is being leveraged to evaluate the organization. Customers, shareholders, employees, suppliers and competitors are simply a few of the stakeholders whom leverage different metrics to gauge firm performance. In addition, utilizing a multi-constituency model poses challenges for the development of management theory, which

makes it critical to establish a single constituency view of performance (Carton & Hofer, 2006).

Many authors have argued that the common stockholder is the only stakeholder whose needs should be maximized (Carton & Hofer, 2006; Copeland, Koller, & Murrin, 2000; Rappaport, 1986). Satisfying stakeholders that provide critical resources to the firm is the overarching concern in the financial operations of the for-profit organization. The general assumption is that shareholders are considered residual claimants and will not receive a return until all other resource providers have been satisfied. Therefore, an adequate balance of satisfying and meeting the minimal requirements of key stakeholders is required to maximize the returns to shareholders. In return, shareholders attempt to maximize their own value by maximizing the value of other claimants (Copeland, Koller, & Murrin, 1996; Freeman, 1984; Stewart III, 1991). This complicates matters because common stockholders are constantly faced with balancing short-term satisfaction against long-term benefits (Carton & Hofer, 2006). The return on investment provided by a specific organization over a given period of time is a reflection of the changes in actual and expected payouts that resulted from management and market actions (Miller & Modigliani, 1961). As a result, those firms perceived to have greater opportunities for present and future payouts by investors will experience higher returns to common stockholders for the time frame being measured (Carton & Hofer, 2006). Shareholder value for a for-profit organization is referred to as the present and risk adjusted expectation of future cash flow (Carton & Hofer, 2006).

For the purposes of this study, the accounting based measure of ROA is utilized because organizational financial performance is being treated as the antecedent to the

tone of the annual report. This deviation from the normal treatment of organizational performance as a consequence of management decisions simplifies the treatment of organizational performance. The evaluation of how management decisions impact firm performance requires a holistic approach to determining a consistent measure of organizational performance that takes into account the multiple factors that represent firm performance. However, since this study is focused on understanding how the financial performance of the year in question impacts the manner in which the company reports these results. Therefore, it is not necessary, or logical, to include market based, survival based or image based measures. The logic of this study is that the firm is fully aware of how they performed financially at the time they report their results. However, the firm is not sure exactly how external constituents such as the stock markets on which they are traded will respond to these results. Therefore, it is not appropriate to include external based measures in this study. Furthermore, part of the theory leveraged in this research asserts that the annual report is an opportunity for the companies of interest to influence the perceptions of external stakeholders by explaining in more detail why it obtained the financial results that it did.

The Organization as a Social Actor

“Organizations are actors because society, not only legally but also practically and linguistically, grants them that status” (King et al., 2010, pg. 292).

In order to provide an adequate theoretical argument for the corporate persona concept it is necessary to provide an overview of the larger body of literature and theories upon which the concept of corporate persona stems from. Therefore, a discussion of the

organization as a social actor will be discussed, as well as organizational identity and corporate identity, or corporate persona as it will be referred to in this research.

However, before presenting the argument for the organization as a social actor, it is necessary to address the recent trends of convergence, collaboration and open systems being experienced by the global economy. Currently, the traditional boundaries of the organization are being challenged by a more collaborative and open systems approach that enables companies to exchange ideas and information in a manner that has never been experienced before in the global economy (Lee & Olson, 2010). Subsequently, it could be argued the assertion that organizations are unique social actors is in direct conflict with this trend. However, each organization still has legal boundaries and specific stakeholders that hold them accountable for their actions. Therefore, it will be argued in this research that understanding the unique characteristics of an organization is a fruitful area of research that could inform the research regarding open systems and convergence.

Overview of the Organization as a Social Actor. The notion that an organization is a distinct social entity has been present in a wide variety of disciplines over the course of the past century. It has been evident in the work of sociologists (Coleman, 1982, 1990; Perrow, 1972, 2002), economists (Galbraith, 1967; Williamson, 1975) and legal scholars (Dewey, 1926; Gierke & Maitland, 1922; Maitland, 1904). It has been noted that these organizations are distinct from cultural and market-like forces, purposefully established and capable of having a radical influence on the social environment (Coleman, 1990). In addition, these organizations are at the heart of much

market activity (Simon, 1991) and have emergent, path-dependent personalities and enduring qualities that make them unique (Selznick, 1949, 1957; Stinchcombe, 1965).

In addition to the theoretical reasons for highlighting the organization as a social actor, there are also practical and tautological benefits from gaining a better understanding of the attributes or labels assigned to various companies. It is very common in the classroom and popular press to articulate our interpretation of an organization's identity by making statements such as, "Blockbuster was complacent," "Enron was incredibly narcissistic" and "Google is innovative". However, as management scholars, our ability to empirically test these assertions has been lacking. We have focused a great deal on the process that leads to these assertions, and rightfully so. However, this focus on the process and the subsequent prescriptive research has resulted in the neglect of more descriptive research aimed at understanding the noun-like enduring qualities of organizations (King et al., 2010). Our research has been more centered on questions such as: What should a company do and what is the best process for strategic decisions? However, it is not clear in the literature that we have fully attempted to understand "What types of organizational actors actually exist?" Answering the later question in its entirety is beyond the scope of this research. However, this research aims to provide insight to some of the discussions currently occurring in the literature regarding the organization as a social actor.

The notion of the organization as a social actor draws upon two key assumptions: (1) external attribution and (2) intentionality. The assumption of external attribution asserts that in order for a social actor to exist they must be recognizable based on the perceptions and interpretations of other actors (King et al., 2010). The intentionality

assumption asserts that these actors maintain the capacity to make decisions and behave in a manner they deem necessary. Consequently, organizations are held accountable for their decisions and behaviors (King et al., 2010). The key take away is that the assumptions of intentionality and external attribution distinguish organizations from other entities in society, such as common objects or geographical areas, both of which can only be acted upon.

For example, Berkshire Hathaway's recent purchase of Burlington Northern Santa Fe Railroad (BNSF) provides a simple, yet complete example of organizations as social actors. BNSF railroad had successfully built a railroad infrastructure that provided them favorable access to critical resources in the form of clean coal located in the Powder River Basin of Wyoming. As a result, this made them an attractive purchase for Berkshire Hathaway, due to the anticipated demand for cleaner sources of energy over the next 50 years. In this specific example, both BNSF and Berkshire Hathaway were social actors in that they were recognizable based on others' perceptions and they were capable of making decisions they deemed necessary. However, the Powder River Basin in Wyoming was not an actor, but rather a common object within a geographical area that could only be acted upon.

The status obtained by organizations is derived from entities such as the state, members of the respective organization, and other key stakeholders and audiences that ultimately will hold them accountable for their actions (Bauman & May, 2001; Czarniawska, 1997; King et al., 2010). To hold these organizations responsible for their actions, yet not acknowledge them as social actors is a conceptual disconnect that must be remedied (King et al., 2010). Multiple scholars have highlighted the need to focus on

the organization when postulating or testing organizational theories (Coleman, 1990; Ingram & Clay, 2000; Whetten, 2006).

In order to apply characteristics such as charisma and optimism to the organization level, it is necessary to outline the details regarding each of the assumptions that underpin the organization as a social actor. The following research will be applying characteristics traditionally reserved for describing humans instead of organizations. Therefore, a thorough discussion on the theoretical justification for this research is required. The first assumption regarding the theory of the organization as a social actor is external attribution, which will be discussed in the following paragraphs.

External Attribution. External attribution is one of the key theoretical assumptions that underpins the notion of an organizational actor (King et al., 2010). The external attribution assumption asserts that other actors view the actor as capable of acting, which is of particular importance to primary stakeholders and other key audiences (King et al., 2010). For example, shareholders of a company view that company as being able to take action of their own volition. Furthermore, it is fair to assume that these shareholders assume that these actors are capable of acting in a manner that will yield a better return on their investment than other actors or its purpose is in closer alignment with the investor's interests than other actors. Otherwise, why would individuals invest in one particular actor over another? The academic work on external assumption stems from research in sociology regarding the emergence of self in the context of other social actors (Goffman, 1959). This logic was also central to the work of Coleman (1982) and Czarniawska (1997). King and associates (2010) provide a thorough overview of the structure of the external attribution assumption by highlighting the critical elements that

underlie the assumption: (1) sovereignty of the organization and (2) responsibility of the organization.

Organizational Sovereignty. The sovereignty of the organization stems from their ability to contract (Williamson, 1975), hire and fire (Baron, Hannan, & Burton, 1999), and induce contributions (March & Simon, 1958). In addition, it has been asserted that organizations also have sovereign powers in making decisions (Coleman, 1982). Each of these will be discussed in more detail in the following paragraphs.

Ability to establish member barriers and control behavior. The state considers the organization as a unitary actor and grants them authority to establish membership barriers and the ability to control behaviors within the organization (King et al., 2010). In the case of the corporation, organizational sovereignty provides two critical entitlements: (1) to act without the consent of their members, regardless of any potential negative consequences to their members and (2) to act on their environment by participating in negotiations with the state and other actors. Consequently, the organization ultimately determines their peers and competitors (Laumann & Knoke, 1987).

Members surrender various natural rights. Another key contributor to organizational sovereignty is the fact that members of the organization surrender various natural rights to the organizational actor (Coleman, 1982). Coleman (1982) asserted that “natural persons” surrender sovereignty to the organization and subsequently impose limitations on their personal autonomy, allowing organizations to behave as autonomous actors. An individual’s employment contract with an organization requires the employee to adhere to the bureaucratic constraints imposed by the organization that define desired behavior within their specific realm (Weber, 1947). It is reasonable to assume that

employees do not always perfectly comply with these guidelines and that a certain amount of informality exists, which disrupts bureaucracy. However, the majority of organizations are designed with a level of flexibility that allows for informalities to exist without disrupting the sovereignty of the organization.

Power. Another important concept central to organizational sovereignty is the notion of power. Organizations maintain the power to make decisions regarding membership, promotions and the ability to impose sanctions independent from each member. This source of power distinguishes it from solidarity models of collective action. The organization can admit and dismiss members, as well as control behavior through the use of rules, rewards and sanctions. Obviously, the organization is shaped by those who are attracted to it based on the self-selection process (Hirschman, 1970; Olson, 1965; Schneider, 1987). However, it also has the unique ability to shape those members that are a part of it and determines the roles of the individuals that comprise it, as well as how they should behave within those roles.

Focus on roles instead of individuals. The focus on roles instead of individuals is a critical component of an organizational perspective (King et al., 2010). As put forth by Whetten (2006), when an individual belongs to an organization they become member-agents in which they are thought of as members speaking on behalf of the organization. Subsequently, members are aware of when they are acting as agents and when they are acting on their own. This is a key component underlying this research because it will be assumed that all formal communications made by individuals on behalf of the organization, such as letters to shareholders, are more appropriately analyzed at the organization level because the individual is simply an agent of that organization.

Responsibility of the Organization. The second key component of the external attribution argument is responsibility of the organization. As noted by Perrow (2002), organizations have a unique position as societal power-holders and they are granted legal status as actors. Subsequently, these organizations are responsible for the choices they make (Bovens, 1998; Coleman, 1982). Furthermore, the law requires corporations to be liable for any damages or risks that result from their operations (King, et al., 2010). In addition to their legal responsibilities, scholars have highlighted that organizations have responsibilities to other key stakeholders, as evidenced by concepts such as image and reputation.

The notion that organizations should be held responsible for their actions also has a strong philosophical underpinning (Bovens, 1998). As noted by King and associates (2010), “organizations can be deemed responsible actors if organizations can act semi-autonomously from their members preferences: organization members’ actions are driven not by their preferences but by the members roles as agents of the organization.” The key point here is that certain forms of behaviors and choices should be attributed to the organization, because the mission, routines and practices, as well as the structure of the organization influence choices and behaviors more so than any of the individuals that comprise it (King, et al., 2010).

The preceding paragraphs summarized the external attribution assumption and the various components that comprise it. The next section will discuss the other key component of the organization as a social actor: intentionality.

Intentionality. Intentionality was officially proposed by King and associates (2010), and asserts that the behavior and decision making of an organization is driven by

an underlying intention to act in a certain way and that this action is derived from a view of the self that stems from a reflexive and subjective point of view. Furthermore, this view of the self directs behavior of organization members and influences the choices that the organization will ultimately make. The research in social psychology regarding action and motivation (Deci & Ryan, 1985), philosophy of the mind (Dennett, 1987) and organizational research on decision making (Gavetti, Levinthal, & Ocasio, 2007) are the key pieces of research that underpin the assumption of intentionality. The following paragraph will discuss the importance of delineating the goals of the organization from the goals of the individuals that comprise it.

Partial independence of organizational goals. Following the argument presented by King and associates (2010), it is also posited here that organizations have intentions that are “partially independent from the beliefs, values, preferences, and goals of their constituents.” Scholars have argued that actors, both individuals and organizations, possess a unique view of themselves (Burke, 1980; Markus, 1983; Whetten, 2006). This view has been referred to as self-view (Whetten, 2006), self-knowledge (Markus, 1983) or self-meaning (Burke, 1980). As a result, this view enables actors to acknowledge that they are capable of creating meaning as well as self-assessment (Burke, 1980; Mead, 1934). It is the ‘self’ component of an actor’s intentionality that distinguishes them from other entities (Dennett, 1987; Pettit, 2003; Tollefson, 2002). Subsequently, a social entity can be considered intentional when others are capable of identifying the organization based on a perspective of the organization that is reliably predictable (Dennett, 1987).

Scholars have argued that since organizations are designed and structured to carry out a specific point of view they are intentional. Furthermore, the organizations point of view is independent of the individuals that comprise it. The organizations point of view consists of the path dependent results of their history, which is built upon previous strategic and other related decisions. This chain of events provides inter-temporal coherence between past and future actions (Albert, 1977).

Critique of Intentionality. A potential critique of this argument is that the actual functions of intentionality within an organization are performed by the strong leadership of individuals. Therefore theorizing about the ‘actor’ beyond the individual is pointless. However, as argued by King and associates (2010), these leaders are highly involved in creating and maintaining the identity of the organization. This notion was first highlighted in the work of Weber (1947) when he proposed the routinization of charisma, also known as ‘office charisma’. Other organizational scholars have followed this notion by asserting that the encompassing authority of an organization’s founder must be re-established in the organization in order for it to survive (Ocasio, 1999). A practical example of this assertion is evident in Intel’s philosophy of ‘only the paranoid survive,’ which was a phrase coined by Intel founder and former CEO Andrew Grove. The philosophy still permeates the Intel culture a decade after Grove’s departure from the company.

The previous section discussed the meta-theory of the organization as a social actor and established the foundation for why it is reasonable to treat organizations as social actors. Subsequently, the next logical inference to make is how to identify actors. Similar to individuals, organizations have been deemed to have identities that make them

recognizable to other actors in society. Therefore, the following section will discuss the theoretical foundation regarding the concept of organizational identity and the various concepts that comprise it, specifically corporate persona.

As noted previously, there are very few empirical studies that provide a reference point to begin to evaluate an organization's identity. The scholarly debate appears to have only advanced to the point of noting that an organization is either similar to or different from other organizations with similar utility functions. For example, it might be reasonable to assert General Motors and Ford have different identities regardless of their similar contributions to society. Both companies are U.S based companies and their core business is to create long term shareholder value by manufacturing automobiles. However, on what dimensions do these two organizations differ? Why are they different? What type of reference point or continuum can scholars leverage to empirically demonstrate that these two organizations are fundamentally different in terms of identity and do these differences in identity have any consistent relationship with differences in their financial performance? How much of their identity is simply a result of their financial performance? In order to address these broad questions, as well as the specific research questions posed in this study a formal definition of organizational identity is necessary.

Organizational Identity

The concept of identity has been central to the study of human behavior for centuries (Corley et al., 2006). Many philosophers, including Aristotle, St. Thomas of Aquinas, and Descartes built the foundation for theory regarding the human condition by addressing the role of the self and its role within the social environment (Corley et al.,

2006). Albert and Whetten (1985) noted that self-referential meaning is also at the core of the concept of organizational identity and is captured by asking questions such as “Who am I” and “Who are we?” When applied at the organizational level, identity involves capturing meaning that goes beyond the individual members and can be tacit or explicit (Corley & Gioia, 2003; Corley et al., 2006). In addition to providing self-referential meaning for an organization, identity is comparative and exists within a specific context (Corley et al., 2006). It is that later function of identity that is central to the research presented here.

Overview of Organizational Identity. An organizations identity positions them within a social environment by labeling an organization as being either similar or different to other organizations (Glynn & Abzug, 1998, 2002; Glynn & Marquis, 2006; Porac, Thomas, & Baden-Fuller, 1989). As noted by Corley and associates (2006), “Locating organizations within classification structures at the level of the organizational field, industry, or nation-state involves an evaluation of a firm’s similarity to, and difference from, other organizations within its sphere of activities” (pg. 87).

Similar to individuals, an organization has a variety of components that comprise its identity. For example, an organizations company culture and its role in society are part of its identity. In addition, the organization’s logo and the manner in which they advertise its products and services is part of its identity. The component of organizational identity that is central to this study is corporate persona, which has been defined as a rhetorical notion that enables an organization to communicate who it is (Cheney, 1992; McMillan, 1987) to key stakeholders. The corporate persona component

of organizational identity is the focus of this study and the following paragraphs will define and discuss the construct in more detail.

Corporate Persona. Following the logic of Courtright and Smudde (2009) the term corporate persona will be leveraged instead of corporate identity. The primary reason for the preference for the term corporate persona stems from the the plurality of uses regarding the term corporate identity, which has also been used in reference to image. Image is a receiver based concept that captures how audiences perceive an organization (Moffitt, 1994), whereas corporate persona is clearly a rhetorical notion in which an organization communicates who it is (Cheney, 1992; McMillan, 1987). One of the key reasons that Courtright and Smudde (2009) prefer the use of persona is because organizations probably do not convey their entire corporate identity in each message they strategically deliver.

One of the key assumptions underlying this research is that formal messages are designed in an effect to create and maintain organizational culture and identity. Furthermore, these messages are designed to shape and maintain external image and reputation. As noted by Courtright and Smudde (2009), “Corporate identity is conveyed through message design in the form of a desired image, a corporate persona” (p. 252).

As stated above, corporate persona is a rhetorical notion that enables an organization to communicate who it is. Therefore, a thorough discussion of the various genres and the theory that supports the use of writing genres will better inform this research and the hypotheses generated. The following paragraphs will discuss genre theory and the various mechanisms that an organization can leverage to communicate its persona.

Overview of Genre Theory

The notion of various genres and writing conventions has been around since Aristotle. His foundational argument was that specific forms and types of argument were needed to address various situations. The more recent work on genre or speech types stems from the work of Bitzer (1968), in which he asserted that they were responses to constraints or situations in the environment. However, scholars criticized this notion for being one dimensional by treating rhetorical messages as simply the effect (Consigny, 1974; Vatz, 1973). The more accepted approach is that rhetoric actually serves two purposes: (1) to respond to situations and audience perceptions and (2) to influence situations and audience perceptions (Courtright & Smudde, 2009).

Corporations have leveraged rhetoric in a variety of communication genres to articulate their values, missions and goals, as well as to explain past performance. As noted by Courtright and Smudde (2009), “Corporate communicators select particular communication genres because the conventions for using them and using them will fit the purpose of the desired communication effort and enable effective framing of the message platform in light of that purpose and the balance of considerations for both the organization and its target audiences” (p. 250). Three of the genre types utilized by corporations that have been empirically evaluated are news releases, annual reports and websites (Courtright & Smudde, 2009). Since the focus of this study is the annual report it will be the only genre expanded upon in this dissertation.

The Annual Report. The annual report is an important element of a corporation’s persona. The majority of annual reports consist of information that falls into three categories: required, demanded and requested (Courtright & Smudde, 2009).

The required information is the information legally required by their respective nation's regulations. The demanded information is any information that is not required by law but demanded to be released by shareholders and other key stakeholders. The requested information is any information the corporation deems necessary to reveal as part of their public relation and marketing strategies (Courtright & Smudde, 2009).

Types of Information in the Annual Report. The three types of information in the annual report mentioned previously are revealed in two forms: (1) a narrative about the corporations business and (2) consolidated and summarized financial data. The narrative portion of the annual report is generally divided into sections and chapters and includes the chairman or CEOs letter. The financial data generally includes income statement, balance sheet, cash flow, footnotes and auditors letters assuring compliance with accounting standards.

The previous sections of this chapter addressed organizational financial performance and the theoretical justification for treating the organization as a social actor in a similar manner we treat human social actors. The following section will discuss the concepts of charisma and optimism and the hypothesized relationship that each construct has with financial performance. As noted previously, the empirical findings that informed the hypotheses being made was drawn from studies that evaluated the relationship between organizational performance and individual levels of charisma and optimism. The reasoning for this is that this is one of the first studies to measure charisma and optimism at the organizational level.

Organizational Attributes and Hypotheses

The remainder of this section will address the two organizational attributes of interest in this study: charisma and optimism. Due to the exploratory nature of this study, empirical results regarding organizational financial performance and the relationship it has with charisma and optimism is lacking. Therefore, a discussion of the empirical results linking organizational financial performance to individual attributes will be discussed first, which will be followed by a discussion on why it is appropriate to apply these concepts to the organizational level.

It is important to note that corporations communicate through written documents, specifically the annual report, and these documents might not necessarily be representative of how the organization actually behaves. However, this also holds true for individuals. Understanding the relationship regarding how an organization communicates and how they behave is beyond the scope of this research. However, it will be asserted here that developing a more thorough understanding of how a firm communicates is necessary to advance the empirical knowledge regarding the social actor. Furthermore, it will lay the foundation for scholars to start making other comparisons between organizational performance, communication and behavior.

Charisma. Charisma, specifically charismatic leadership, is a concept that has been linked to macro level performance outcomes for many decades by scholars in multiple disciplines. It started with the works of Weber (1947) and expanded to other disciplines such as political science (Burns, 1978; Willner, 1984) and sociology (Eisenstadt, 1986; Geertz, 1977; Shils, 1965). This concept has traditionally been applied at the individual unit level of analysis. The reason for this is that the initial concept of

charisma was postulated as an exceptional quality possessed by a select group of individuals. Weber argued that the charismatic leader was a super human individual with mystical and exceptional qualities that appeal and arouse individuals to follow them. However, Weber also discussed the routinization of charisma, which he referred to as 'office charisma'. Although Weber never explicitly stated it in his initial work, he alluded to the notion that office charisma existed at the organizational level (the church), as opposed to any particular individual within the organization (the priests). Utilizing this similar level of logic it will be argued that corporations also maintain a level of 'office charisma' that has similar relationships to organizational performance as those relationships which have been tested regarding individual levels of charisma and organizational performance.

In many recent empirical studies the measures utilized to capture an individual's level of charisma have leveraged written documents that could also be leveraged to measure an organization. For example, it is common to leverage letters to shareholders to capture a CEO's personality attributes such as charisma and aggressiveness (Short & Palmer, 2008). However, the letter to shareholders is technically an artifact of the organization and not the individuals it has been utilized to measure. The letter to shareholders is a formal document filed with the Securities and Exchange Commission (SEC) as part of the annual report on behalf of the organization, not the CEO. In any case, the findings of these studies have highlighted that these letters vary in regards to the attribute being measured. As a result, this raises an interesting question: is the variance in these letters simply due to variance in the CEOs personality or is it also representative of a difference between the organizations under which these documents were filed? The

purpose of this study is not to answer that question. However, the fact that there has not been conclusive evidence showing that these letters are specifically measuring CEO attributes instead of organizational attributes makes it reasonable to also leverage these letters as measures of organizational attributes, even if some of these attributes have not been applied at the organizational level. Furthermore, if we acknowledge the organization, the CEO, and any other individuals that take part in writing formal organizational documents as distinct and unique social actors, then it is reasonable to assume that the letter to shareholders and all other parts of the annual report most accurately represent the organization for which they were filed, as opposed to any of the individuals who actually drafted or signed the document.

Scholars from a variety of disciplines have studied the relationship between leadership and crisis management (House, Spangler, & Woycke, 1991; Hunt, Boal, & Dodge, 1999; Lord & Maher, 1991; Pillai, 1996; Pillai & Meindl, 1998; Stewart, 1967, 1976). However, few scholars have granted leadership status to organizations instead of individuals. Yet, we look to various organizations, regardless of the individual who is leading them, at certain points in time to understand how the organization will respond. In addition, these organizations will leverage language in the same manner as individuals to articulate their perspective on a given situation. Therefore, it will be asserted here that it is appropriate to apply the charisma construct to organizations in regards to the tone in which they communicate to other actors.

The original concept of charismatic leadership developed by Weber (1947) deemed that a leader's 'supernatural, superhuman, or at least specifically exceptional powers or qualities' (p. 358) elicits a devout following through a 'somewhat magical

process' (Bligh, Kohles, & Meindl, 2004). Over the years scholars have successfully advanced the concept of charismatic leadership (Beyer, 1999) and it has been linked to other important management constructs, such as organizational effectiveness and perceptions of leader effectiveness (Bass, 1990; Bryman, 1992; Fiol, Harris, & House, 1999; House, Woycke, & Fodor, 1988).

Bligh and associates (2004) noted that multiple scholars have argued that charismatic leadership is grounded in language (Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Conger & Kanungo, 1988; Conger, 1991; House & Shamir, 1993; Willner, 1984). Bass (1990) specifically highlighted the importance of articulating 'feelings of need among followers'. Therefore, it is also reasonable to assume that organizations can also possess charisma, since they frequently utilize language to influence the perceptions of stakeholders in a variety of written documents, which include annual reports, letters to shareholders, earnings announcement, press releases regarding product launches and press releases regarding crisis management. For example, Toyota was recently criticized for the manner in which they responded to safety concerns with its Prius vehicles. Much of the criticism was centered on how Toyota communicated with its primary stakeholders.

Yukl (2002) noted that the ability to publicly articulate and express various sentiments that are felt by followers who are unable or willing to share them is a critical component of charismatic leadership. In addition, Bass (1990) noted that the arousal and articulation of a feeling of need among followers is essential for charismatic leadership. The verbal communication of charismatic leaders has also been studied by scholars. Generally, the communication concept of charismatic leadership falls into two categories:

(1) content and (2) delivery or presentation (Bligh et al., 2004). The component central to this research will be the content. Some of the elements that have been determined to be underlying components of charismatic speech are: (1) capability to tailor speech to different audiences, (2) rhetorical devices (3) alliteration and repetition and (4) figurative language and imagery (Willner, 1984). Other scholars have argued that creating a message that will have a true impact is dependent on how the message is framed and the literary devices utilized such as, analogies, metaphors and stories. Once again, multiple organizations frequently utilize speech, and written communication to influence stakeholders' perceptions of the organization. Therefore, it will be argued in this study that formal documents presented by the organization provide insight to the level of charisma demonstrated by the organization.

Shamir and associates (1994), provided seven general propositions that are likely to result in charismatic effects among followers regarding speech content: (1) more references to collective history and to the continuity between past and present; (2) more references to the collective and collective identity, and fewer references to individual self-interest; (3) more positive references to follower' worth and efficacy as individuals and as a collective; (4) more references to a leaders similarity to followers and identification with followers; (5) more references to values and moral justifications, and fewer references to tangible outcomes and instrumental justifications; (6) more references to distal goals and the distant future and fewer references to proximal goals and the near future; and (7) more references to hope and faith.

As noted above, the empirical research regarding the relationship between financial performance and charisma has been exclusively focused on the relationship

between individual levels of charisma and organizational levels of firm performance. However, drawing upon the logic of Weber, this study investigates the relationship between organization levels of charisma. This application is theoretically in alignment with Weber's (1947) initial presentation of office charisma. A brief summary of the empirical results that informed the hypotheses of this exploratory study will be discussed and formal hypotheses provided.

The relationship between organizational financial performance and the level of charisma revealed in the annual report is one of the primary relationships of interest in this study. Furthermore, this study is interested in the multi-level nature of that relationship. Specifically, we are interested in both the within-firm relationship and between-firm relationship regarding organizational financial performance and the level of charisma in the annual report. Due to the exploratory nature of this study, the within-firm relationship has not been studied and subsequently the theoretical logic underpinning the hypotheses regarding the within-firm relationship is consistent with the between-firm relationship between these two variables. Nearly all of the published studies evaluating the relationship between organizational financial performance and charisma have studied it in a cross-sectional design. Therefore, empirical support for the within-firm relationship between these two variables is non-existent.

Specifically, we are interested in determining if different levels of corporate financial performance for a particular year result in different levels of charisma revealed in their annual report for the same year. Conventional wisdom would indicate that when a specific firm achieves better financial performance it provides an opportunity to leverage charismatic rhetoric in a manner that would increase their score regarding the

level of charisma revealed in the annual report. Maintaining the same logic that will be leveraged at the between group level, we hypothesize the following:

H1: Within-firm there is a positive relationship between corporate financial performance and the level of charisma in the annual report.

Optimism. Optimism as a rhetorical concept draws upon language that endorses a person, group, concept or event and stems from the work of Barber (1992). In his work *Presidential Character*, he highlighted the importance of the optimism dimension in developing an understanding of political personality. Optimism has also received considerable attention in the areas of strategy and organizational behavior as well. Strategy scholars have highlighted that optimism is associated with overconfidence and hubris for CEO's (Hayword, Rindova & Pollock, 2004). However, it has also been associated with higher levels of individual and organizational performance. A brief discussion of optimism as an individual construct will be discussed and then the application of that construct to the organization level will be presented.

Optimism receives a great deal of attention in popular press, but is the least understood of the psychological strengths (Luthans, Youssef, & Avolio, 2007). Luthans and associates (2007) leverage Seligman's definition of optimism which is "an explanatory style that attributes positive events to personal, permanent, and pervasive causes and interprets negative events in terms of external, temporary, and situation specific factors." In contrast pessimism is defined as the "intepretation of positive events with external, temporary, and situation-specific factors." Given this definitional framework, optimists will take credit for the positive events in their lives and they believe that these desirable events are within their power and control (Luthans et al., 2007). It is

proposed here that this similar level of logic applies to organizations. Organizations frequently comment on their circumstances through a variety of communication outlets, which include: annual reports, letters to shareholders, television and web-based advertisements, press releases regarding new product launches and press releases regarding potential crisis situations. Subsequently, organizations have a variety of opportunities to communicate in either an optimistic or pessimistic manner. The focus of this study will be researching the level of optimism in the annual report.

Optimists expect causes of their success will exist in the future and are useful in handling other situations in other domains of their life (Luthans, 2007). As noted by Luthans and associates (2007), this type of explanatory style enables them to positively view and internalize positive aspects of their life in the past, present and future. Since organizations are expected to provide some level of communication to key stakeholders regarding their performance for a given period of time, they also must choose an explanatory style to leverage when reporting these results. Therefore, applying the concept of optimism to the organization is a reasonable application.

In contrast, a pessimist will attribute positive events in their life to external factors and do not give themselves credit for their good fortune (Luthans, 2007). In addition, pessimists will “internalize the causes of unfortunate situations and negative events” (Luthans, 2007) and will often blame themselves for the negative aspect of their lives. As a result, pessimists continue to assume unfortunate events will occur and threaten their livelihood in multiple domains of their life (Luthans, Avolio, Avey, & Norman, 2007).

It is important to note the challenges of leveraging optimism as a construct that have been highlighted in psychological research. First, as noted by Luthans et al. (2007), critics of optimism have considered the construct to be: emotional, shallow, irrational, unrealistic and even a misleading illusion. Second, multiple studies have treated optimism as a dispositional personality trait as opposed to a state-like trait. Lastly, the unidimensionality of optimism and pessimism continues to be a topic of debate. It is assumed in this paper that optimism and pessimism are not unidimensional and are two separate factors. Therefore, we are only interested in an organization's level of optimism and not its level of pessimism.

Aside from the aforementioned concerns, optimism has been empirically demonstrated to positively relate to workplace performance (Luthans, Avolio, Avey, & Norman, 2006; Luthans, Avolio, Walumbwa, & Li, 2005; Seligman, 1998) when applied at the individual level. However, the strength of optimism must be *realistic* and *flexible* (Luthans et al., 2007). It must also represent "a strong lesson in self-discipline, analysis of past events, contingency planning and preventative care." The organizational benefit of having employees with high levels of optimism is that they: (1) are more likely to embrace changes (2) see the opportunities that the future holds (3) focus on capitalizing on those opportunities (Luthans et al., 2007). In addition, Seligman (1998) showed in a study of sales staff that over time optimistic employees out performed pessimistic employees. It will be asserted in this research that optimism at the organization level is also positively related to performance, specifically financial performance.

Similar to charisma, the within-firm relationship between financial performance and optimism has not been empirically studied. However, conventional wisdom would

also indicate that as a firm achieves higher financial performance respective to their baseline performance that they would subsequently leverage that opportunity to utilize more optimistic rhetoric in their annual report for that specific year. As a result, the following hypothesis is made:

H2: Within-firm there is a positive relationship between corporate financial performance and the level of optimism revealed in the annual report.

In addition to understanding the within firm relationships between organizational financial performance and the constructs of charisma and optimism, this research is also interested in the between-firm relationship. In fact, nearly all published studies evaluating the relationship of these constructs have only evaluated the between-firm relationship, so the bulk of the empirical work informing all of the hypotheses in this study are based on between-firm findings.

Previous literature suggests that the relationship between organizational financial performance and levels of charisma demonstrated by the organization is a positive relationship. However, it is important to note that in many of these studies the unit of analysis regarding charisma was the CEO and TMT. This is one of the first studies to apply the charisma construct to the organizational level of analysis. Agle and associates (2006) showed that a positive relationship existed between objective measures of financial performance and subsequent measures of perceived charisma of the CEO and TMT. However, they found no relationship between prior measures of perceived charisma of the CEO/TMT and subsequent objective measures of firm performance. This is important to note, because this study is also interested in the subsequent level of charisma demonstrated after the levels of organizational performance have been revealed.

As a result, the relationship of interest deviates from traditional strategy research models because it treats organizational financial performance as the predictor or independent variable and is interested in the relationship it has with the level of charisma revealed in the annual report. Following the findings of Agle and associates (2006), we hypothesize that those firms with higher levels of financial performance will demonstrate higher levels of charisma in their annual report. Therefore, we hypothesize the following:

H3: Between-firm there is a positive relationship between corporate financial performance and the level of charisma in the annual report.

As noted by Keaton (2002), there are two major finding regarding manager optimism and organizational financial performance. First, people are more optimistic regarding events perceived to be within their control. Subsequently, survey evidence from March and Shapira (1987) highlighted that managers underplay uncertainty due to their belief that they maintain large amounts of control over firm performance. As a result, when firms perform well relative to their peers they will report these results in a more optimistic manner than those firms with lower corporate financial performance. As a result, the following hypothesis is made:

H4: Between-firm there is a positive relationship between corporate financial performance and the level of optimism revealed in the annual report.

The preceding paragraphs have discussed the within firm and between firm relationships regarding organizational performance and the constructs of charisma and optimism. However, it is also important to understand how the industry in which a firm operates could potentially impact these relationships. Institutional theory is one of the key theories capable of providing insight to the impact an industry can have on

characteristics, as well as performance of firms. Although institutional theory is not in direct conflict with the above hypotheses, it does provide interesting insight to the extent that the institutional environment in which firms operate can impact the extent to which firms are similar and different within the same industry. Therefore, in order to make the existing research more complete it is necessary to address the insights from institutional theory, which will be discussed in the following section.

Institutional Theory

As noted previously, in order to properly address organizational identity it is necessary to consider the impact that other institutions have on organizational identity. It has long been postulated and supported that industries differ in regards to their social norms, laws and values. As a result, in order to understand an organization's identity it is necessary to acknowledge the industry environment in which they operate. Therefore, the following paragraphs will briefly describe the components of institutional theory, specifically legitimacy, and how they are relevant to this study and inform the hypotheses being made.

It has long been noted by scholars that one of the concepts central to organizational institutionalism is the notion of legitimacy (Deephouse & Suchman, 2008). Organizational theorists have utilized the term legitimacy since the birth of the field. Yet, the research has been fragmented across a variety of distinct social science literatures (Deephouse and Suchman, 2008). Furthermore, the research on legitimacy slowly developed until the mid-1990's, at which point the body of relevant scholarship grew rapidly in an assortment of directions that has led to its current state (Deephouse and Suchman, 2008).

Traditionally, scholars have given Weber credit for the introduction of legitimacy into sociological theory and subsequently the study of organizations (Johnson, Dowd, Ridgeway, Cook, & Massey, 2006; Ruef & Scott, 1998; Suchman, 1995). One of the primary contributions of his writings was his suggestion that conformity with general social norms and formal laws was of major importance in social practice (Deephouse and Suchman, 2008). Parsons (1956) leveraged Weber's ideas to construct his formulation of legitimacy which included the congruence of an organization with social laws, norms and values. Other organizational theorists also accepted this definition (Czarniawska-Joerges, 1989; Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978).

In the late 1970's a movement called New Institutional Theory began to develop with articles by Meyer and Rowan (1977) and Zucker (1977). Meyer and Rowan did not explicitly define legitimacy, but they conceptually set the stage for the mid 1990s, which was when the dimensions they discussed were formally defined.

The social entities, structures, actions and ideas being assessed for acceptability are referred to as the 'subjects of legitimation' and the possible types of these subjects are innumerable (Deephouse and Suchman, 2008). Company founders and TMTs are two subjects of legitimacy that have recently captured the attention of management scholars (Certo, 2003; Cohen & Dean, 2005; Deeds, Mang, & Frandsen, 2004; Deephouse & Suchman, 2008; Higgins & Gulati, 2003).

The audiences, both internal and external, who make legitimacy assessments based on the observations of organizations are referred to as 'sources of legitimacy' (Deephouse & Suchman, 2008; Ruef & Scott, 1998). Meyer and Scott (1983) were particularly interested in those sources of legitimacy that were capable of mobilizing and

confronting the organization and they identified two basic groups with this ability. The first, which is usually the State, possesses “...standing and license, derived from the organization legitimating account itself” (Deephouse & Suchman, 2008, p. 55). The second group consists of those individuals or organizations who “...have collective authority over what is acceptable theory” (Deephouse & Suchman, 2008, p. 55). It is important to note that these are not necessarily the only relevant sources of legitimacy and that the matter of determining an organization’s legitimacy is contingent upon determining whom has collective authority over an organization in a particular setting (Deephouse & Suchman, 2008). The key take away from these assertions is that the annual report is a mechanism that enables the corporation to influence sources of legitimacy. Furthermore, it is argued here that when financial performance is higher than the firm’s baseline performance or higher than the performance of its competitors that it will report these results in a more charismatic and optimistic manner.

An important aspect of gaining legitimacy is that it can also be gained through manipulating environments, instead of conforming to them (Suchman, 1995). This aspect is pertinent to this study because formal documents aimed at various stakeholders have been leveraged to gain legitimacy for some subjects, and to challenge the legitimacy of other subjects (Phillips, Lawrence, & Hardy, 2004). In an important study regarding organizational impression management, Elsbach (1994) demonstrated that firms capable of acknowledging their failings or referring to their institutional environment provided a superior account of their respective situation than those that denied responsibility and only referred to their technical environment.

Another important insight from institutional theory is that it recognizes that firms can differ within an industry regarding various characteristics and behaviors, but that to a certain extent, many of the companies within a particular industry are very similar. This is important, because it has been argued here that firms will differ in regards to their level of optimism and charisma revealed in the annual report. Therefore, lack of support for the previous hypotheses would strengthen the argument regarding firm similarities.

In addition, institutional theory highlights that industries will also differ from one another in regards to their institutional environment. Subsequently, it is hypothesized in this research that we will see a difference in the petroleum and restaurant industries in regards to the level of optimism and charisma revealed in the annual report. It is hypothesized that industry membership will impact the previous four hypotheses asserted in this study, resulting in the following four hypotheses:

H5: Industry membership will moderate the within-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.

H6: Industry membership will moderate the within-firm relationship between organizational financial performance and the level of optimism revealed in the annual report.

H7: Industry membership will moderate the between-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.

H8: Industry membership will moderate the between-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.

Summary

This chapter presented an overview of the key theories and the previous empirical studies related to this research. Hypotheses stating the predicted relationships between the variables of interest were also presented in tandem with the empirical studies that supported each hypothesis. As noted previously, this study is exploratory in nature and one of the first to apply the constructs of optimism and charisma to the organization level. As a result, the empirical literature leveraged to support the hypotheses was drawn from studies linking individual level characteristics to organizational levels of performance.

The following chapter presents an overview of the methodology leveraged to test these hypotheses. In addition, the sample, measures and statistical methods is provided. In Chapter 4 an overview of the findings and the test of each hypothesis is provided. The paper concludes with Chapter 5, which discusses the implications and limitations of the study as well as future avenues of research.

Chapter Three

Methodology

In order to empirically examine the hypotheses put forth in the previous chapter it is necessary to provide details on the methods employed in this study. This chapter begins with a general discussion of the methodology and why it was chosen to use in this study. In addition, this section will address the specifics of the sample, variables and data collection procedures utilized in this research. Lastly, the analysis methods will be discussed.

Due to the nature of the two concepts central to this dissertation a longitudinal design is necessary. As noted earlier in this study corporate persona is a component of organizational identity, which consists of the enduring and distinctive characteristics of the organization (Albert and Whetten, 1985). Therefore, by default any study claiming to empirically evaluate and assess components of organizational identity should be able to capture time as one of the key variables. A cross-sectional design is simply insufficient.

One of the key advantages of longitudinal models is that they allow a researcher to test hypotheses at multiple levels of analysis simultaneously. Specifically, it allows for both between-firm and within-firm analysis. This is particularly important in this research because it enables the researcher to evaluate the amount of change in corporate persona over time for each of the specific companies. Furthermore, it enables the researcher to capture differences between the organizations and between industries.

Few, if any studies, have leveraged a longitudinal design to explore the relationship between financial performance and corporate persona. Therefore, the

method employed in this research is one of the primary contributions this study makes to the greater body of management literature.

When dealing with variables that have the potential to change over time it is often beneficial to examine the within-firm relationship. However, this relationship can only be measured with a longitudinal design, in which the organization is measured more than once. The concept of within-firm refers to how a firm will vary over time from its baseline, which can be measured at a particular point in time or an average of the measures over time. Subsequently, the within-firm relationship refers to the variation relative to how a firm's baseline on one variable is related to variation relative to the firm's baseline on another variable. The key distinction is that there is a potential for a within-firm relationship if individuals do not provide the same exact value at each point in time they are measured. Lastly, one of the key principles of longitudinal research is that relationships observed at the within-firm level of analysis will not necessarily mirror the relationships measured at the between-firm level of analysis.

Sample

Due to the focus this research has on the persona of publicly traded corporations, it is necessary to draw our sample from the population of companies traded on public stock markets. Companies were selected from two separate industries that are traded on the New York Stock Exchange in an effort to understand any potential industry effects that might exist. Multiple scholars have articulated the importance of understanding how industry membership impacts a variety of phenomena within the strategic management domain (Browning, et al., 1995; McGahan & Porter, 1997). Furthermore, scholars have debated the amount of variance in performance that is attributed to the industry instead of

the organization. Some scholars have empirically demonstrated that the industry in which a firm operates accounts for a much larger portion of variance (McGahan & Porter, 1997; Schmalensee, 1985). However, other scholars have shown that business unit was the most important factor in performance variance. Recent research has demonstrated that industry is the dominant factor for average performers and that the only individual firm effects that were significant came from the best and worst performers in an industry (Hawawinis, 2003).

The first industry selected was the petroleum refinery industry (SIC code 2911). The second industry selected was eating establishments or restaurants (SIC code 5812). Both industries allow for a comparison to be drawn regarding potential differences in the relationship regarding financial performance and corporate persona between industries. The restaurant and petroleum industries are easily delineated from other industries due to their clear industry boundary conditions. Furthermore, the petroleum industry represents an upstream, capital intensive, manufacturing-oriented industry. In contrast, the restaurant industry represents a more downstream, people intensive, service-oriented industry. Furthermore, the industries have differences in regards to the number of competitors and the size of the companies within the industry. The restaurant industry is characterized by a larger number of competitors, whereas the size of the organizations in the restaurant industry is much smaller. In contrast, the oil industry is dominated by a few large companies in the industry. Therefore, it is reasonable to evaluate whether any of these differences in industries translates to differences in the relationship between organizational financial performance and the levels of charisma and optimism revealed in the annual report.

Variables

Financial Performance. This study leverages return on asset (ROA) as the measure of financial performance. Although it has been empirically demonstrated that firm performance is a multi-constituent and multi-dimensional construct (Carton & Hofer, 2006), it is also been deemed acceptable to utilize traditional accounting based measures of firm performance to capture firm performance in specific situations (Carton & Hofer, 2006). Since this research is interested in the relationship between financial performance and the levels of charisma and optimism in the annual report for the same year, firm performance is treated as the antecedent. Subsequently, the measure of firm performance in this study is aimed at capturing the financial information available to the individuals writing and approving the annual report. The following research assumes that those individuals rely primarily on accounting based measures of firm performance to assess performance. As a result, ROA provides the best measure of firm performance for the phenomenon of interest in this study. The financial information utilized for the ROA calculation was extracted from COMPUSTAT for the years 2001-2010.

Charisma. In order to measure the charisma construct, an adapted measure of the one utilized in multiple charismatic leadership articles will be utilized (e.g. Bligh et al., 2004; Bligh & Robinson, 2010). This is the most commonly utilized measure within the management journals for assessing charismatic rhetoric utilizing the Diction Software. Charisma will be a composite measure that consists of six constructs. The theoretical justification for each of these constructs and how they were measured will be discussed in the following paragraphs. At the end of the section a figure displaying exactly how the construct was calculated will be presented.

Collective Focus. The first construct is collective focus. It has been asserted that charismatic leaders will leverage speeches that contain more references to collectives and fewer references to individual self-interest than non-charismatic leaders (Shamir et al. 1994). It has been asserted that a charismatic leader is capable of making individual sacrifices and personal risks for the good of a greater community (House et al., 1988; House, Spangler & Woycke, 1991; Waldman & Uammarino, 1999). In addition, other research has empirically determined that collective focus is a key component of charismatic leadership (e.g. Pillai & Mendl, 1998). John F. Kennedy summarized the importance of collective focus when he stated, “Ask not what your country can do for you, ask what can you do for your country.” This variable will be calculated by taking the additive score on collectives and public references in the annual report and subtracting the score regarding self-reference in the annual report.

Temporal Orientation. The second construct is temporal orientation, which evaluates the communicators ability to make references to the continuity between past and present. Shamir and associates (1994) proposed this construct and asserted that charismatic leaders will make more references to the continuity between past and present. As noted by Bligh & Robinson (2010), “charismatic leaders frequently appeal to past-oriented themes such as tradition, shared experiences, and an emphasis on the intolerable nature of the past and present, while simultaneously evoking images of a more ideal future” (p. 846). This construct will be measured by using an additive index based on the firm’s references to both the present and the past.

Follower’s Worth. The third construct is follower’s worth. Scholars have argued that charismatic leaders bolster their followers’ collective sense of self-efficacy by

demonstrating confidence in their followers (e.g. House et al, 1991; Shamir et al., 1994). In addition, it has been demonstrated that the ability to encourage, be positive, build follower's confidence and motivate followers are universal attributes of charisma (Hartog et al., 1999). Following the logic of Bligh and associates the combination of the inspiration, praise, and satisfaction dictionaries within the DICTION 5.0 Software will be leveraged to calculate this variable. The inspiration dictionary consists of celebratory terms and words emphasizing desirable moral and personal qualities. The praise dictionary includes positive affirmations of a person, group, or abstract entity. The satisfaction dictionary includes terms that are associated with positive affective states and moments of joy and triumph.

Similarity to followers. The fourth construct is similarity to followers. This construct is designed to capture how charismatic leaders emphasize their identification with and similarity to followers. It has also been empirically demonstrated that that leaders capable of highlighting their similarity to followers appear more trustworthy, sincere, and compassionate increasing their levels of charisma (Hartog et al., 1999). Following Bligh and associates (2004), we will leverage a constructed variable that includes: leveling, familiarity, and human interest. The leveling dictionary includes words that reflect a communicator's ability to communicate on a common level as opposed to an elevated level. The human interest dictionary consists of words that specifically focus on human beings and their activities. Lastly, the familiarity dictionary consists of language used to ignore individual differences and build a sense of completeness.

Tangibility. The fifth construct is tangibility, which refers to the organization's preference for precise speech. Charismatic leaders will make more references to intangible future goals and fewer references to concrete tangible outcomes (Conger, 1991; Shamir et al., 1994; Willner, 1984). Subsequently, unlike the other measures, higher scores on this construct are theorized to be associated with lower levels of charisma. The variable is calculated by subtracting the organization's variety score from their concreteness score. The concreteness score captures language denoting tangibility and materiality. Whereas, the variety score captures the level of preciseness of the annual report. Subsequently, the lower the variety the higher the precision of the annual report.

Action. The sixth construct is action. Charismatic leaders are thought to possess a bold, purposeful vision, as well as the required confidence to attain that vision (Conger, 1991). Furthermore, they must be able to mobilize followers into action (Fiol et al., 1999; Shamir et al., 1993) and create a sense of excitement and adventure (Bass, 1990). The importance of action was highlighted by Gandhi when he stated to his followers "be the change that you want to see in the world." This construct is calculated by adding the aggression and accomplishments dictionaries and subtracting the passivity and ambivalent dictionaries.

The model presented in Figure 3.1 demonstrates the specific details on exactly how charisma was calculated in this model. The six constructs of interest were all added into a final composite score. Each of the constructs was calculated by adding or subtracting the values provided by the DICTION 5.0 software and then adding 50 to stay consistent with the normative scores provided in DICTION 5.0 for the master variables.

Figure 3.1

Calculation of Charisma Variable

Charisma = *Collective Focus + Temporal Orientation + Followers Worth + Similarity to Followers + Tangibility + Action + 50.*

Collective Focus: *Collectives – Self Reference*

Temporal Orientation: *Past + Present*

Followers Worth: *Praise + Satisfaction + Inspiration*

Similarity to Followers: *Leveling + Familiarity + Human Interest*

Tangibility: *Concreteness – Variety*

Action: *(Aggression + Accomplishment) – (Passivity + Ambivalence)*

Optimism. Optimism is one of the calculated variables included in the standard DICTION 5.0. Therefore, the standardized optimism score provided by DICTION was used as the measure.

Other Variables. Industry was the moderator in the research model and was treated as a dichotomous variable. The eatery industry was coded ‘0’ and the petroleum industry was coded ‘1’. The size of the organization and the level of research and development (R&D) intensity were treated as control variables. The size of the organization was calculated as the log value of the number of employees. The R&D intensity was calculated by dividing the amount of money spent on R&D divided by total annual sales. The industry, employee and R&D intensity information were extracted from the Compustat database.

Data Collection

Initially, a list of all companies with SIC code 2911 And SIC code 5812 was generated from Lexis-Nexis. From this list, all companies traded on the NYSE were selected and annual reports and financial results for the years 2000-2010 were collected. Many of the companies were missing annual reports for some of the years in question. After all missing data was removed from the dataset, only 36 companies remained that met the following criteria: (1) were either in the petroleum industry or restaurant industry, (2) traded on the NYSE (3) had an annual report for all years from 2001 to 2010 available for statistical analysis and (4) had financial data from 2001 to 2010. It is important to note that many of the companies were eliminated due to the inability to transpose their annual report into a format readable by the DICTION software. This downfall will be further discussed in the limitations section.

Use of DICTION 5.0 Software

Benefits of Diction 5.0. The use of content analysis has been prevalent in strategic management for many years. Due to the difficult nature of obtaining real-time primary data from organizations the use of secondary data has become a mainstream approach. Therefore, artifacts such as press releases, annual reports, mission statements and other forms of archival texts provide researchers an avenue to explore the statements, beliefs and cognitions of senior level executives (Morris, 1994). However, the analysis of text is very tedious and becomes more challenging with increased sample sizes. In addition, a great deal of attention must be utilized when coding to achieve inter-rater reliability (Short & Palmer, 2008). To address these concerns researchers have promoted

the use of computer-aided context analysis to code texts produced by organizations, such as annual reports and mission statements (Morris, 1994).

One of the text analyses software packages that has received a great deal of usage in the area of strategic management is DICTION 5.0. Diction was initially designed to analyze political speech and rhetoric. However, other researchers in accounting have leveraged DICTION to advance the research on image management and communicative action (Geppert & Lawrence, 2008; Rogers, Dillard, & Yuthas, 2005).

Content analysis is a qualitative research technique that uses a set of procedures to classify communicators (Weber, 1990) and is a method that has long been employed in the area of strategic management (Bowman, 1978, 1984; Fiol, 1989; Osborne, Stubbart, & Ramaprasad, 2001; M. Simon & Houghton, 2003; Yuri, Pollock, & Porac, 2004).

Short and Palmer (2008), highlight five major benefits to performing content analysis. First, it allows researchers to identify individual differences between communicators (Weber, 1990). Second, it is a less obtrusive technique for capturing managerial cognitions than other techniques (Phillips, 1994). Third, it helps eliminate recall biases (Barr, Stimpert, & Huff, 1992). Fourth, it allows for the collection of information that would otherwise be unavailable (Kabanoff, Waldersee, & Cohen, 1995; Short & Palmer, 2008). Lastly, gathering data from texts produced by organizations, such as letters to shareholders is encouraged because it allows greater reliability and replicability (Finkelstein & Hambrick, 1996).

Analysis Methods

All of the hypotheses were tested utilizing SAS PROC MIXED. SAS was utilized because it allowed the researcher to perform multi-level modeling. A hierarchical linear

regression (HLM) direct effects model was used to test Hypothesis 1 and 3 that evaluated the within and between firm relationship, respectively, between financial performance and the level of charisma revealed in the annual report. Hypothesis 2 and 4 evaluated the within and between firm relationship, respectively, between financial performance and the level of optimism revealed in the annual report and was tested in the same manner.

In order to test the potential interaction effect of industry membership. The dichotomous variable of industry was entered as an interaction term in the HLM model. Therefore, Hypothesis 5 and 7 were tested utilizing an HLM moderated effects model. Hypothesis 5 posited that the within firm relationship between firm performance and the level of charisma in the annual report would be moderated by industry membership. Therefore, the interaction of within firm ROA and industry membership was added to the model. Subsequently, Hypothesis 7 was tested by adding the interaction of between firm ROA and industry membership.

Hypotheses 6 and 8 were also modeled in a similar manner. For each of these hypotheses it was posited that industry membership would impact the within-firm and between firm relationship between financial performance and optimism. Subsequently, the interaction of industry membership and within-firm ROA was added to the model to test Hypothesis 6. Lastly, Hypothesis 8 was tested by adding the interaction of industry membership and between-firm ROA was added to test the relationship with optimism.

Summary

This chapter outlined the methodology for this research. The sample of the petroleum and oil refinery industries was explained, as well as the definitions and measures of the variables presented in the research model. In addition, the multi-level equations and explanation of the model were presented. The next chapter provides an overview of the findings and the results of the hypothesis tests.

Chapter 4

Results

This chapter presents the results of the analysis covered in Chapter Three. Sample descriptive statistics are presented in Table 4.1 and Table 4.2. This is followed by a presentation of the hypotheses tested.

Descriptive Statistics

The sample descriptive statistics of the entire sample in this study are presented in Table 4.1 below. In addition, the descriptive statistics separated out by industry are presented in Table 4.2.

Table 4.1 Descriptive Statistics for the Entire Sample

Variable	N	Mean	Std	Minimum	Maximum
Sales	366	22773.01	59468.7	30.756	425071
NI	366	1611.64	5673.25	-16998	45220
Liability	366	8730.04	21743.4	5.117	149831
Assets	366	16824.72	44207.3	13.665	302510
Employees	366	43.12	82.62	1.003	465

Table 4.2 Descriptive Statistics by Industry

Ind	Freq	Stat	Sales	Net Income	Liability	Assets	Employees
0	266	N	266	266	266	266	266
0	266	Min	30.756	-479.74	5.117	13.67	1.00
0	266	Max	24074.6	4946.3	17341	31975.2	465
0	266	Mean	2069.5	172.49	1159.66	1939.33	49.68
0	266	Std	4185.7	616.789	2867.50	5358.04	94.87
1	100	N	100	100	100	100	100
1	100	Min	3647	-16998	1760.94	2662.3	1.63
1	100	Max	425071	45220	149831	302510	92.5
1	100	Mean	77844.4	5439.78	28867.25	56419.85	25.67
1	100	Std	93683.8	9862.99	34021.41	70351.82	25.46

As demonstrated in Table 4.1, the total sample consisted of 36 firms with data for each firm for all 10 years studied. Subsequently, this research had 366 observations. The mean level of sales was 22.77 billion in U.S. dollars. The minimum amount of sales for the companies in the sample was 30.75 million and the maximum amount of sales was 425 billion in U.S. dollars. The standard deviation for the sales amount was 59.47 billion in U.S. dollars. The mean level of net income was 1.6 billion in U.S. dollars. The minimum amount of net income was recorded as a 17 million dollar loss and the maximum net income was recorded as a 42.5 billion dollar gain in U.S.dollars. The standard deviation for net income was 5.67 billion in U.S. dollars. The mean level of liabilities was recorded as 8.7 billion U. S. dollars. The minimum amount of liabilities

was 5.1 million and the maximum was 149.8 billion in U. S. dollars. The standard deviation for liabilities was 21.74 billion in U.S. dollars. The mean level of assets was 16.82 billion U.S. dollars. The maximum level of assets was recorded as 302.51 billion in U.S. dollars and the minimum level of assets was 13.67 million in U.S. dollars. The standard deviation of assets was 44.21 billion in U.S. dollars. As stated earlier the number of employees was calculated as a log transformation with a mean of 43.12. The maximum value was 465 and the minimum value was 1.00, with a standard deviation of 82.62.

As demonstrated by Table 4.2, there are differences between the restaurant and petroleum industries. First, the number of companies sampled for the restaurant industry was 26 and for the petroleum industry was 10. For each company, 10 years of data were gathered resulting in 266 observations for the restaurant industry and 100 observations for the petroleum industry. The mean level of sales for the restaurant companies in this sample was 2.07 billion in U.S. dollars compared to a mean level of sales of 77.84 billion in U.S. dollars for the petroleum industry. The minimum level of sales was 30.76 million and the maximum level of sales was 24.074 billion for the restaurant industry. In comparison, the minimum level of sales was 3.65 billion and the maximum was 425.07 billion for the petroleum industry. Lastly, the standard deviation for sales in the restaurant industry and petroleum industry was 4.19 billion in U.S. dollars and 93.68 billion in U. S. dollars, respectively.

In regards to net income, the mean level was 172 million in U.S. dollars for the restaurant industry and 5.44 billion in U.S. dollars for the petroleum industry. The minimum level of net income for the restaurant industry was reported as a 479.74 million

dollar loss and the maximum level was reported as a 4.95 billion dollar gain in U.S. dollars. The minimum level of net income for the petroleum industry was reported as a 16.70 dollar loss and the maximum was reported as a 45.22 billion dollar gain. Lastly, the standard deviations regarding net income for the restaurant and petroleum industries were 616.79 million and 9.86 billion in U.S. dollars, respectively.

The mean level of liabilities was 1.16 billion in U.S. dollars for the restaurant industry and 28.87 billion in U.S. dollars for the petroleum industry. The minimum level of liabilities reported in the restaurant level was 5.12 million and the maximum was 17.34 billion. In comparison, the minimum level of liabilities for the petroleum industry was 1.76 billion and the maximum was 149.83 billion in U.S. dollars. The standard deviation for the restaurant and petroleum industries in regards to liabilities was 2.87 billion and 34.02 billion in U.S. dollars, respectively. The mean level of assets was 1.94 billion in U.S. dollars for the restaurant industry and 56.42 billion in U.S. dollars for the petroleum industry. The minimum level of assets reported in the restaurant industry was 13.67 million in U.S. dollars and the maximum was 31.98 billion in U.S. dollars. In comparison, the minimum level of assets reported in the petroleum industry was 2.66 billion in U.S. dollars and the maximum was reported as 302.51 billion in U.S. dollars. Lastly, the standard deviation regarding assets in the restaurant and petroleum industries was 5.36 billion and 70.35 billion in U.S. dollars, respectively.

As noted previously, the number of employees was calculated as the log transformation of the actual number of employees. The mean value for employees was 49.68 for the restaurant industry and 25.67 for the petroleum industry. The minimum value for the restaurant industry was 1.00 and the maximum was 465. In comparison the

minimum value for the petroleum industry was 1.63 and the maximum was 92.5. Lastly, the standard deviation values regarding the number of employees for the restaurant and petroleum industries were 94.87 and 25.46, respectively.

These descriptive statistics confirm the assertions made earlier in this research regarding the characteristics of the restaurant and petroleum industries. The restaurant industry is more people intensive as highlighted by the number of employees. Whereas the petroleum industry is more capital intensive as highlighted by a much larger mean level of assets.

The Trend of the Dependent Variables in the Time Period Studied

The mean of both charisma and optimism were calculated for all 10 years included in the study. The trajectories for charisma and optimism of firms in our sample are presented in Figure 4.1 and Figure 4.2 respectively. As can be seen in the graphs, the variables of charisma and optimism both vary over time for each company in the sample. Therefore, they are treated as time-varying variables. In addition, the means for charisma and optimism at each year are presented in Table 4.3 and Table 4.4 respectively. After the means were calculated each mean was compared to the year 2010 for charisma and optimism. As you can see in Table 4.4, the only years that had a significant mean difference regarding charisma were years 2006 and 2010. Subsequently, there is no systematic change in the charisma variable over time, so time will not be included in the final HLM regression predicting charisma. In addition, as shown in Table 4.5, the only years that demonstrated a mean difference regarding optimism were 2009 and 2010. As a result, there is no systematic change in the optimism variable over time, so time will not be included in the final HLM regression predicting optimism. The observed and

predicted means for charisma and optimism can be seen in Figure 4.3 and Figure 4.4 respectively.

Table 4.3

Means of Charisma across Years

Effect	Time	Estimate	Standard Error	DF	t Value	p
Time	2001	48.8512	1.0757	352	45.41	<.0001
Time	2002	49.7058	1.0102	348	49.2	<.0001
Time	2003	50.6206	.9684	346	52.27	<.0001
Time	2004	48.557	.9557	344	50.81	<.0001
Time	2005	48.1729	.9557	344	50.41	<.0001
Time	2006	46.4645	.9314	343	49.89	<.0001
Time	2007	49.4019	.9088	341	54.36	<.0001
Time	2008	50.7034	.8979	342	56.47	<.0001
Time	2009	49.8452	.9087	342	54.85	<.0001
Time	2010	50.059	1.0407	351	48.1	<.0001

Table 4.4

Means of Optimism across Years

Effect	Time	Estimate	Error	DF	t Value	p Value
Time	2001	50.2560	.5584	270	90	<.0001
Time	2002	49.5809	.5308	249	93.41	<.0001
Time	2003	50.2453	.5132	234	97.91	<.0001
Time	2004	49.4701	.5080	229	97.38	<.0001
Time	2005	49.7983	.5079	229	98.04	<.0001
Time	2006	49.3551	.4976	220	99.19	<.0001
Time	2007	49.5924	.4876	212	101.7	<.0001
Time	2008	49.4982	.4822	210	102.65	<.0001
Time	2009	48.7826	.4873	213	100.1	<.0001
Time	2010	50.2134	.5427	260	92.53	<.0001

Table 4.5

Mean Comparison of Charisma to 2010

Effect	Time	Estimate	Error	DF	t Value	p
Time	2001	-1.2077	1.4560	334	-0.83	0.4074
Time	2002	-0.3531	1.4065	331	-0.25	0.8019
Time	2003	0.5616	1.3768	330	0.41	0.6836
Time	2004	-1.502	1.3661	328	-1.1	0.2724
Time	2005	-1.886	1.3661	328	-1.38	0.1683
Time	2006	-3.5944	1.3497	327	-2.66	0.0081
Time	2007	-0.657	1.3348	327	-0.49	0.6229
Time	2008	0.6444	1.3273	326	0.49	0.6276
Time	2009	-0.2138	1.331	322	-0.16	0.8725
Time	2010	0

Table 4.6

Mean Comparison of Optimism to 2010

Effect	Time	Estimate	Error	DF	t Value	p
Time	2001	0.0426	0.6776	324	0.06	0.9499
Time	2002	-0.6325	0.6534	323	-0.97	0.3338
Time	2003	0.03186	0.6393	322	0.05	0.9603
Time	2004	-0.7434	0.633	321	-1.17	0.2412
Time	2005	-0.4152	0.633	321	-0.66	0.5124
Time	2006	-0.8583	0.6253	321	-1.37	0.1708
Time	2007	-0.621	0.6184	321	-1	0.316
Time	2008	-0.7152	0.6148	321	-1.16	0.2456
Time	2009	-1.4308	0.6135	316	-2.33	0.0203
Time	2010	0

Figure 4.1

Firm Trajectories for Charisma

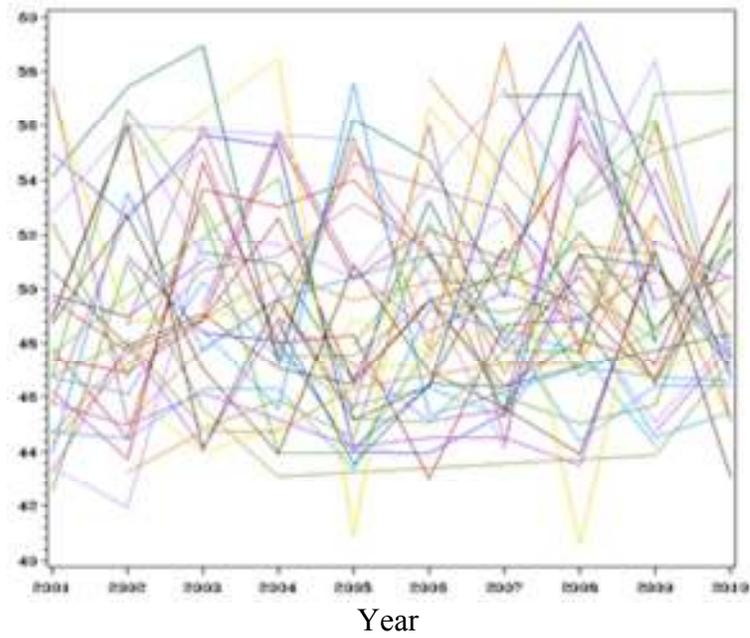


Figure 4.2

Firm Trajectories for Optimism

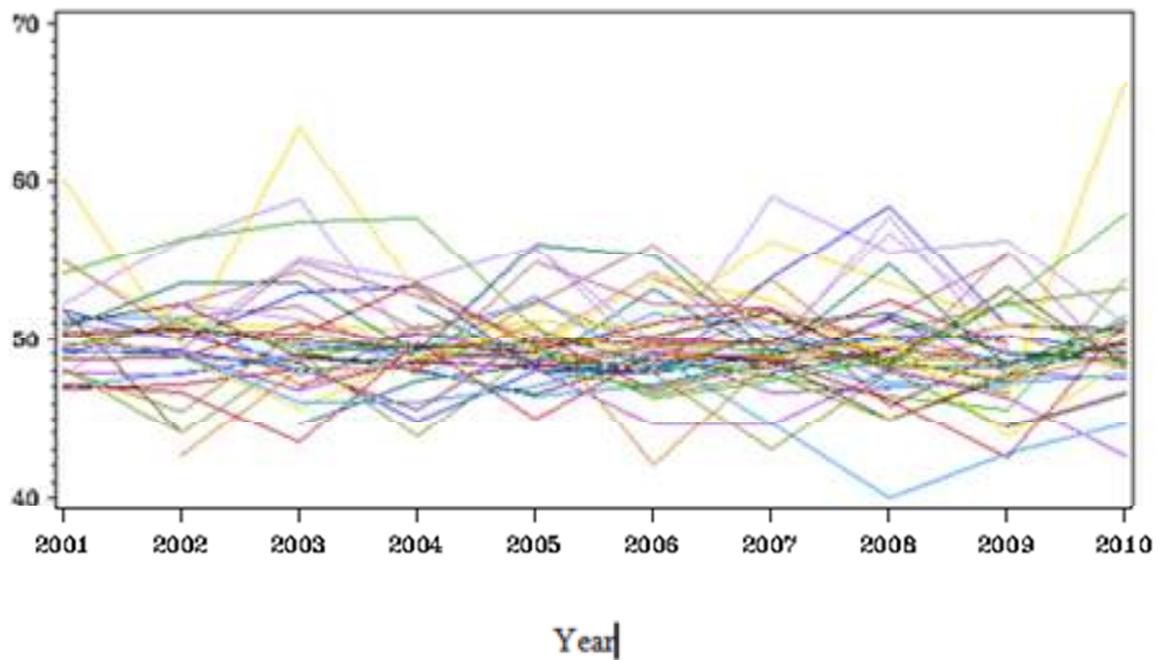


Figure 4.3

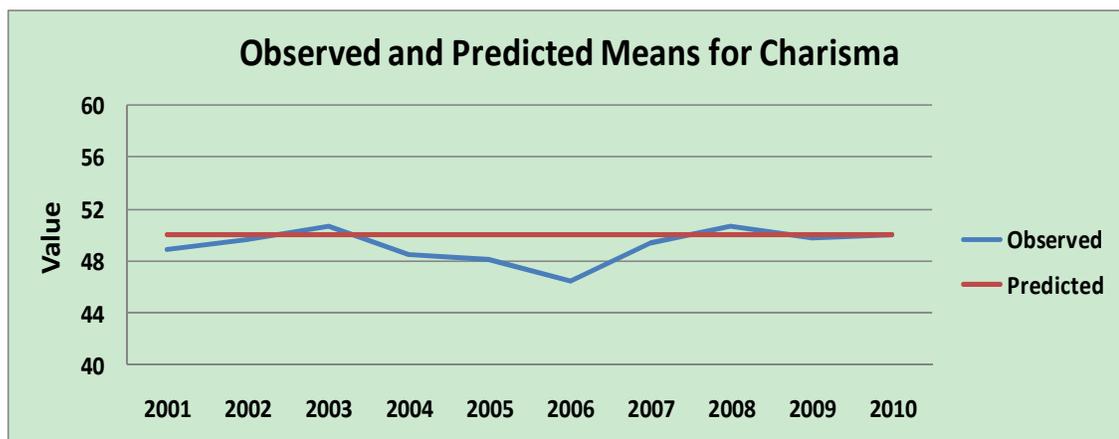
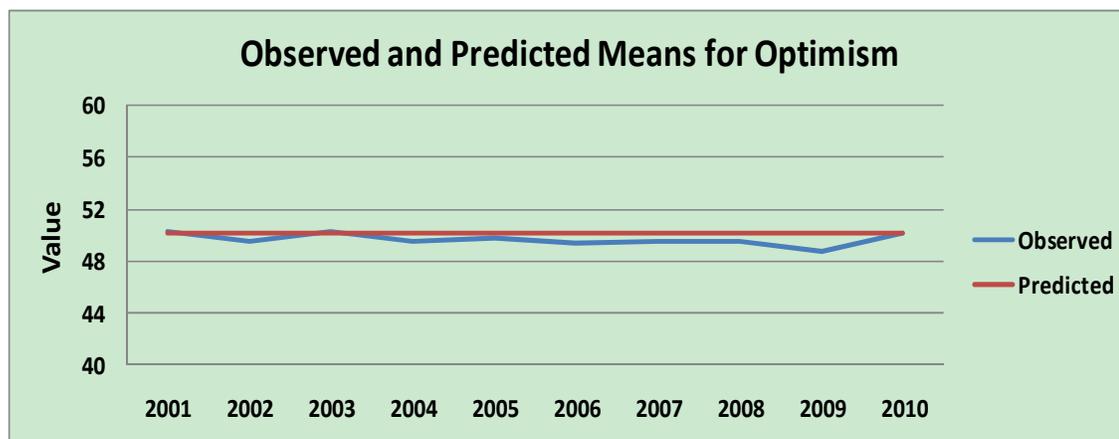


Figure 4.4



Partitioning of Variance within and between Firms

Before hypotheses were tested, it was necessary to inspect the results of the null models in HLM for each endogenous level 1 variable to establish whether there was any within variance to explain. Null models were run to separate the variance in each level 1 variable within and between organizations. Subsequently, the intercept represents the average level of each of the variables for the years in which data was collected as shown in Table 4.6. As you can see, the between-firm variance for charisma was only 8 percent and for optimism the between-firm variance was 34 percent. Subsequently, this study

demonstrated that firms will vary more on the dimension of optimism than on the dimension of charisma in regards to the between-firm relationship.

Table 4.6

Variable	Intercept	Within-firm Variance	Between-firm Variance	Percentage of between Firm Variance
ROA	0.0494	.0059	.0069	.54
Charisma	49.2211	31.9517	2.7327	.08
Optimism	49.6752	6.5917	3.3661	.34
R&D	0.0006	.0000038	.0000021	.85

Tests of Hypotheses

Within-firm hypotheses. Hypothesis 1 predicts that organizational financial performance is associated with increased within-firm levels of charisma. Hypothesis 2 predicts that organizational financial performance is associated with increased within-firm levels of optimism. Table 4.7 provides the results of the HLM regressions that tested these hypotheses. Organizational financial performance was not associated with charisma ($b = .826$, $p > .05$). However, organizational financial performance was associated with the amount of optimism revealed in the annual report ($b = 4.4675$, $p < .05$). In summary, we did not find support for hypothesis 1, but did find support for hypothesis 2.

Table 4.7

HLM Results Predicting Charisma and Optimism

Direct Effects Within-Firm Model

Predictor	Outcome: Charisma			Outcome: Optimism		
	B	s.e	T	B	s.e	T
Intercept	49.7921	.8805	56.55*	49.0786	.4715	104.09**
IRD	-50.563	241.32	-.21	-106.32	124.99	-.85
Lemp	.06458	.2723	.24	.5535	.1464	3.78
ROA	.826	4.1427	.2	4.4675*	1.876	2.38*
IND	-2.5987*	.8579	-3.03	-3.0796*	.4695	1.09**

*p<.05 **p<.001

Between-firm hypotheses. Hypothesis 3 predicts that organizational financial performance is associated with increased levels of charisma between firms. Hypothesis 4 predicts that organizational financial performance is associated with increased levels of optimism between firms. Table 4.8 provides the results of the HLM regressions that tested these hypotheses. Organizational performance was not associated with charisma ($b = 1.76, p > .05$). In addition, organizational performance was not associated with optimism ($b = 3.00, p > .05$). As a result, neither of the between-firm hypotheses were supported.

Table 4.8
HLM Results Predicting Charisma and Optimism
Direct Effects Between-Firm Model

Predictor	Outcome: Charisma			Outcome: Optimism		
	B	s.e	T	B	s.e	T
Intercept	49.7921	.8805	56.55*	49.0786	.4715	104.09**
IRD	-50.563	241.32	-.21	-106.32	124.99	-.85
Lemp	.06458	.2723	.24	.5535	.1464	3.78
ROA	1.7558	5.2263	.34	3.0008	2.7492	1.09
IND	-2.5987*	.8579	-3.03	-3.0796*	.4695	1.09**

*p<.05 **p<.001

Within-firm Moderation Hypotheses. Hypothesis 5 predicts that industry membership moderates the within firm relationship between corporate financial performance and the level of charisma in the annual report. Hypothesis 6 predicts that industry membership moderates the within firm relationship between corporate financial performance and the level of optimism in the annual report. Table 4.9 provides the results of the HLM regression that tested these hypotheses. Industry membership did not moderate the within firm relationship between corporate financial performance and the level of charisma in the annual report ($b = -5.53, p > .05$). In addition, industry membership did not moderate the within firm relationship between corporate financial performance and the level of optimism in the annual report ($b = 6.48, p > .05$). Subsequently, both hypotheses were not supported providing no evidence that industry

membership might impact the relationship between organizational financial performance and the levels of charisma and optimism revealed in the annual reports.

Hypothesis 7 predicts that industry membership moderates the between group relationship between corporate financial performance and the level of charisma in the annual report. Hypothesis 8 predicts that industry membership moderates the between group relationship between corporate financial performance and the level of optimism in the annual report. Table 4.10 provides the results of the HLM regression that tested these hypotheses. Industry membership did not moderate the between group relationship between corporate financial performance and the level of charisma in the annual report ($b = 11.13, p > .05$). In addition, industry membership did not moderate the between group relationship between corporate financial performance and the level of optimism in the annual report ($b = 8.71, p > .05$).

Although not specifically hypothesized an interesting finding regarding industry membership did emerge. As can be seen in Table 4.7 and Table 4.8 there is a significant difference between the petroleum and restaurant industries in the levels of charisma and optimism. As previously noted, industry was treated as a dichotomous variable, with the restaurant industry being coded '0' and petroleum '1'. As the table shows, for each one unit increase in industry, or as we move from the restaurant to the petroleum industry, there is decrease in the level of charisma ($b = -2.60, p < .05$). In addition, as we move from the restaurant to the petroleum industry, there is a decrease in the level of optimism ($b = -3.08, p < .05$).

Table 4.9

HLM Results Predicting Charisma and Optimism

Moderating Effects Within-firm Model

Predictor	Outcome: Charisma			Outcome: Optimism		
	B	s.e	T	B	s.e	T
Intercept	49.8191	.8895	56.01	49.0917	.4743	103.5**
IRD	-96.3654	253.45	-.38	-117.61	130.53	-.9
Lemp	.06024	.275	.22	.5479	.1472	3.72
ROA*IND	-5.5339	12.864	-.43	6.4791	5.8192	1.11

Table 4.10

HLM Results Predicting Charisma and Optimism

Moderating Effects Between-firm Model

Predictor	Outcome: Charisma			Outcome: Optimism		
	B	s.e	T	B	s.e	T
Intercept	49.8191	.8895	56.01	49.0917	.4743	103.5**
IRD	-96.3654	253.45	-.38	-117.61	130.53	-.9
Lemp	.06024	.275	.22	.5479	.1472	3.72
ROA*IND	11.1346	20.9223	.53	8.7095	11.3086	.77

Table 4.11
Summary of Hypotheses

Hypothesis	Supported
H1: Within-firm there is a positive relationship between corporate financial performance and the level of charisma in the annual report.	No
H2: Within-firm there is a positive relationship between corporate financial performance and the level of optimism revealed in the annual report.	Yes
H3: Between-firm there is a positive relationship between corporate financial performance and the level of charisma in the annual report.	No
H4: Between-firm there is a positive relationship between corporate financial performance and the level of optimism revealed in the annual report.	No
H5: Industry membership will moderate the within-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.	No
H6: Industry membership will moderate the within-firm relationship between organizational financial performance and the level of optimism revealed in the annual report.	No
H7: Industry membership will moderate the between-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.	No
H8: Industry membership will moderate the between-firm relationship between organizational financial performance and the level of charisma revealed in the annual report.	No

Summary

In summary, the only supported hypothesis was Hypothesis 2, which hypothesized a positive within-firm relationship between corporate financial performance and the level optimism revealed in the annual report. The other seven hypotheses were not significant.

The following chapter provides a discussion of these findings. The general findings will be discussed first and will be followed by a presentation of the implications of these findings. Lastly, the chapter concludes with a discussion of the limitations and potential avenues for future research.

Chapter 5

Conclusion

This chapter provides a discussion of the results presented in the previous chapter. In addition, the chapter addresses the potential implications of these results, as well as the limitations. Lastly, the possible future directions for research based on the findings in this study are presented. While only one of the eight hypotheses was supported the results provide interesting information regarding theories relevant to management scholarship, particularly institutional theory. In addition, several significant and interesting relationships were observed in this research.

General Discussion

The first hypothesis, which posited that the within-firm relationship between firm financial performance and the level charisma revealed in the annual report, was not supported. This suggests that having higher levels of financial performance relative to their baseline does not translate into higher levels of charisma revealed in their annual report. While prior research has suggested that a positive relationship exists between these two variables, this research did not find support for that assertion. However, it is important to note that the first hypothesis only tested for the within-firm relationship in which the comparison was made based on each firm's baseline score on each variable. Therefore, no between-firm inferences can be made from the results of this hypothesis.

One of the possible explanations for this finding is that the charisma component of a corporation's persona is a fairly stable construct and does not respond to changes in financial performance. One of the reasons this assertion is plausible is because,

regardless our research addressed the time-varying component of charisma and determined that no systematic change was present.

Our second hypothesis, which asserted a positive within firm relationship regarding financial performance and the level of optimism revealed in the annual report, was supported. These findings were consistent with other findings (e.g. Heaton, 2002). However, one of the key distinctions of our study was that the levels of charisma and optimism were measured at the organizational level instead of the individual or group level (i.e. CEO and other TMT members). Therefore, the findings are similar but not a direct translation or replication of previous findings. The findings suggest that higher levels of financial performance in comparison to their baseline financial performance is positively related with higher levels of optimism revealed in their annual report (relative to their baseline score). Furthermore, the results support the notion that corporations will leverage more optimistic language in the annual report when their annual performance exceeds their baseline level of performance.

Our third hypothesis, that posited a positive between firm relationship between corporate financial performance and the level of charisma revealed in the annual report, was not supported. This is contrary to other findings that examined the between-firm relationship regarding financial performance and charisma. However, as noted previously, a key distinction between this research and the empirical studies that provided the theoretical foundation for the hypotheses in this study is the unit of analysis regarding charisma and optimism. In this study, the constructs of charisma and optimism were measured at the organizational level, instead of at the individual or group level (i.e. CEO and other TMT members). Therefore, the lack of support for our third hypothesis is

likely to be attributed to a difference in the unit of analysis and how it was measured. Lastly, as noted previously, the reasoning for leveraging empirical studies as our theoretical framework that leveraged a different unit of analysis than the present study was simple: no studies that the researcher is aware of had measured charisma or optimism at the organizational level. This is one of the primary contributions of this study and the theoretical reasoning for doing so was discussed at great length in chapter two.

The final four hypotheses, that predicted industry membership would moderate the relationship between financial performance and the two dependent variables, were all not supported. Instead of addressing each one of the hypotheses individually, we will address the lack of support for all four hypotheses. The lack of support for these hypotheses is probably best attributed to elements of institutional theory that would assert that the organizations presented in this study are simply responding to requirements in their institutional operating environment. Writing the annual report is a routinized activity for all publicly traded companies and is designed to provide information to key stakeholders, primarily shareholders. Institutional theory argues that the response of organizations, specifically corporations, to the expectations of key stakeholders results in organizations that are similar in structure and behavior. The results of this study provide support for institutional theory in two ways.

First, it highlights that within the same industry, firms will demonstrate similar levels of charisma and optimism regardless of firm performance. In addition to their being no systematic change over time for optimism and charisma, industry membership does not change this relationship. Subsequently, these findings were not industry

dependent and could potentially be extracted to other industries as well. However, these findings are not surprising. We have journals (e.g. Corporate Communications) and private companies that specialize in researching and prescribing how corporations should communicate. Subsequently, it is reasonable to acknowledge that social norms have been established regarding how publicly traded companies interact with constituents.

Furthermore, the study provides support for the assertion that companies attempt to manipulate the perception key stakeholders have of their organization through the verbiage utilized in the annual report

The second finding in support of institutional theory was that regardless of industry all companies demonstrated fairly high levels of both optimism and charismatic rhetoric. Institutional theory would further argue that these high levels of optimism and charisma exist because key stakeholders, particularly shareholders, expect the annual report to be delivered in an optimistic and charismatic manner regardless of the financial performance of the year.

One notable finding that was not hypothesized was the difference in the levels of charisma and optimism between the two industries. The level of charisma and optimism demonstrated by the restaurant industry was higher on average than the levels of charisma and optimism demonstrated by the petroleum industries.

Implications for Research

The following section highlights a variety of implications for research based on the findings of this study. Some of these implications address the potential consequences as it relates to future research and will be discussed in further detail in section four of this chapter. There are also practical implications that will be addressed.

One of the key findings demonstrated in this research is the importance of leveraging a longitudinal study to analyze various aspects of organizational identity. As noted in the definition of organizational identity, the components that comprise an organizations identity are both distinctive and consistent over time. Any study that study that claims to investigate organizational identity in a cross-sectional design is incapable of empirically verifying if the component of organizational identity of interest is consistent over time. This is very problematic as we try to categorize and capture various aspects of organizational identity. In order to meet all necessary and sufficient conditions to make inferences regarding an organization's identity the variable of time must be considered. This study highlighted how different findings can be obtained when evaluating the organization in a longitudinal manner. For example, we obtained different results when evaluating the relationship between financial performance and optimism at the within-firm and between-firm level.

Another key finding of this study is that financial performance is not capable of predicting levels of charisma and optimism revealed in the annual report at the between-group level. In addition, all firms had relatively similar levels of charisma and optimism revealed in the annual report. One could infer that the results suggest that optimism and charisma are not necessarily components of organizational identity because they proved not to be distinctive in this study and by definition those qualities that are distinctive is a necessary component of organizational identity. However, this assertion would be premature because the amount of charisma and optimism revealed in the annual report was the only forms of communication studied in this research. Clearly, organizations

leverage a variety of communication mediums to interact with key stakeholders and none of those were utilized in this study.

It is also important to note that both industries have been under public scrutiny for the potential negative consequences associated with their operations, products and services. For example, the recent BP oil spill in the Gulf of Mexico brought attention to the entire industry. Furthermore, this study encompasses the time period in which the movie “Super-Size Me” and the book “Fast Food Nation” criticized the restaurant industry and the practices they utilized to market, produce and distribute their goods.

Implications for Practice

The application of the findings of this research has limited applications for practitioners. One of the reasons for this is the research did not evaluate the impact of managerial decisions on firm performance. Subsequently, there is not insight as to potentially what a manager should do based on the research presented here. This study was rooted in organizational theories, primary the organization as a social actor. It was descriptive and exploratory in nature and was designed to be a starting point for the empirical evaluation of the organization as a social actor. However, the findings are not completely void of practitioner applications. The study highlights the reality of institutional theory and more specifically legitimacy. As indicated by the results, firms utilize very similar rhetoric regarding charisma and optimism in their annual report that is most easily explained by a need to conform to social norms. For practitioners this means that it is still necessary for the individuals responsible for approving corporate communications to ensure that they adhere to the informal guidelines and social norms that have been established in the external environment.

Limitations of the Study and Directions for Future Research

This study provided an exploratory look into the relationship between corporate financial performance and the levels of charisma and optimism revealed in the annual report. This relationship represents a small component of the overall examination of organizations as social actors. Although this study only looked at the corporate persona component of the organization as a social actor it aimed to demonstrate the value of utilizing a longitudinal model to study the phenomenon. This study was able to demonstrate that the between-firm and within-firm analysis of the relationship between corporate financial performance and the level of charisma and optimism revealed in the annual report, highlighting the need to evaluate organizations over time. However, the research has several limitations. Therefore, the following paragraphs will present these limitations in tandem with directions for future research.

First, the nature of this study and the data collection performed did not allow for any causal inferences to be made. All of the data was archival, collected over a ten-year period and did not have a true manipulation performed. The study simply evaluated the extent to which the variables of interest were related to each other. Future research could continue to evaluate the relationship between other artifacts that represent elements of an organization's identity. This type of research will provide greater insight to the phenomenon of the organization as a social actor.

Second, the generalizability of this study is limited because it only evaluated publicly traded corporations. Furthermore, the measures of optimism and charisma were captured by evaluating the annual report, which generally only exists for publicly traded companies on a consistent basis. Subsequently, one of the key constituents of the annual

report that impacts the manner in which it is written is the shareholder. For companies that are not publicly traded, the pressure to respond to shareholders does not exist. As a result, the findings of this study are only relevant to publicly traded companies. Future research could evaluate other artifacts of privately held companies to understand how they reveal their persona to key stakeholders and the relationship this persona has with their financial performance.

Third, this study only evaluated two industries. Previous research shows that industries vary in regards to social norms within their industry environment. In order to fully understand the relationship that financial performance has on the level of charisma and optimism revealed in the annual report it is necessary to evaluate multiple industries that consist of publicly traded companies. Therefore, future studies should expand the study of this relationship to multiple industries. It would be valuable to see if the results found in this research would be replicated when multiple other industries are included in the analysis.

Fourth, this study only evaluated one small component of organizational identity. This study was focused on only the corporate persona component of organizational identity. In order for management scholarship to continue to advance the study of organizational identity, multiple other aspects of organizational identity should be evaluated in a longitudinal manner. Other aspects of identity that would be valuable to study are the mission, values and structure of the organization. In addition, capturing the various behaviors of an organization and comparing them with their stated vision and mission would also be valuable.

Fifth, the DICTION 5.0 software had issues handling the large amount of words in the annual report. There is a newer version currently being beta tested that can handle a greater amount of words than the existing version. The struggles to load a variety of companies annual reports into the existing version of software could be remedied by the new version, therefore it is suggested here that scholars leverage the newer version of the software if analyzing large documents such as the annual report.

Summary

The present study aimed to advance the discussion of the organization as a social actor by empirically testing the relationship between organizational financial performance and the levels of charisma and optimism in the annual report. The results in this study demonstrated that on average a firm will demonstrate more optimism in the annual report when its financial performance is significantly higher than its baseline level of financial performance. In addition, this study demonstrated that the restaurant industry is more charismatic and optimistic on average than the petroleum industry. This finding supports previous empirical findings that highlight the differences between various industries. Lastly, the longitudinal model utilized in this study highlighted the importance of studying the construct of organizational identity at various points in time, instead of in a cross-sectional design.

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