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Set up for a Fall: The Insidious Effects of Flattery and Opinion Conformity toward Corporate Leaders

Sun Hyun Park,[1] James D. Westphal,[2] and Ithai Stern[3]

Abstract

This study considers the potentially negative consequences for corporate leaders of being subjected to high levels of ingratiation in the form of flattery and opinion conformity from other managers and board members. Chief executive officers (CEOs) who have acquired positions of relatively high social status in the corporate elite tend to be attractive targets of flattery and opinion conformity from colleagues, which can have potentially negative consequences for CEOs and their firms. Our theory suggests how high levels of flattery and opinion conformity can increase CEOs' overconfidence in their strategic judgment and leadership capability, which results in biased strategic decision making. Specifically, we contend that heightened overconfidence from receiving high levels of such ingratiatory behavior reduces the likelihood that CEOs will initiate needed strategic change in response to poor firm performance. We tested and confirmed our hypotheses with a dataset that includes original survey data from a large sample of U.S. CEOs, other top managers, and board members in the period 2001–2007. Further analyses suggest that strategic persistence that results from high levels of flattery and opinion conformity directed at the CEO can result in the persistence of low firm performance and may ultimately increase the likelihood of the CEO's dismissal. Implications for theory and research on social influence, sources of overconfidence in decision making, and the dynamics of executive careers are discussed.

Keywords: corporate governance, top management, social influence, strategic change, overconfidence, self-enhancement

There has been longstanding interest in social influence tactics among scholars in a variety of social science disciplines, including organization studies, social

[1] University of Michigan
[2] University of Michigan
[3] Northwestern University

psychology, and political science. Contemporary theoretical perspectives on social influence can be traced to Jones' (1964) classic writings on ingratiation in the early 1960s, which characterized ingratiatory behavior as a fundamental mechanism by which individuals build and maintain social relationships, and thus a primary means of acquiring social influence. Ingratiation has typically been defined as a pattern of interpersonal influence behavior that serves to enhance one's interpersonal attractiveness or curry favor with another person (Jones, 1964; Tedeschi and Melburg, 1984; Cialdini, 2001; Treadway et al., 2007). Common forms of ingratiatory behavior include flattery and "opinion conformity," or verbal statements that validate the opinion held by another person (Pfeffer, 1981a; Liden and Mitchell, 1988; Gordon, 1996; Vonk, 2002). Such behavior is thought to engender social influence through two interrelated mechanisms: by increasing positive affect for the ingratiator and by invoking norms of reciprocity. Based on the principle of reciprocal attraction, "people find it hard not to like those who [appear to] think highly of them" (Jones, 1964: 24). Moreover, based on the norm of reciprocity, when someone is "paid a compliment," he or she will feel compelled to return the favor by supporting the interests of the ingratiator (Vonk, 1998; 2002; Cialdini and Goldstein, 2004). In effect, flattery is a means of initiating social exchange relationships with powerful people who control access to valued resources (Pfeffer, 1981a; Westphal, 1998). Opinion conformity is thought to engender positive affect by triggering similarity-attraction bias, given abundant evidence that similarity in espoused attitudes promotes mutual affect and liking (Yukl and Tracey, 1992; Ellis et al., 2002; Montoya and Horton, 2004). Opinion conformity is also an indirect form of flattery: in expressing agreement with another person's opinion, one validates his or her judgment (Stern and Westphal, 2010).

Whereas early research on ingratiation in social psychology was conducted primarily in laboratory settings, a large and growing body of field research has examined ingratiation in organizations. This combined literature has provided fairly consistent evidence that flattery and opinion conformity have positive effects on interpersonal attraction (i.e., liking) (for reviews, see Gordon, 1996; Vonk, 2002; Cialdini and Goldstein, 2004). Moreover, field studies have linked the use of ingratiation tactics in organizations to a variety of beneficial outcomes, including positive performance evaluations, higher compensation, and various indicators of career advancement (Kumar and Beyerlein, 1991; Gordon, 1996; Westphal, 1998; Higgins, Judge, and Ferris, 2003). Recent research has provided evidence that ingratiatory behavior may be an especially effective means of advancement in the corporate elite. In a series of studies, Westphal and Stern (2006, 2007; Stern and Westphal, 2010) showed that ingratiation by a manager or director toward the chief executive officer (CEO) of a large company has a strong, positive effect on the likelihood of receiving the CEO's recommendation for a board appointment at another firm where the CEO serves as director.

As this brief review suggests, the focus of this literature has been on identifying the beneficial outcomes of ingratiation for the focal actor (i.e., the person who engages in ingratiatory behavior). Similarly, the larger literature on social influence has been concerned primarily with the consequences of social influence tactics for the focal person or "influence agent." Somewhat surprisingly, there is little theory or research that considers the consequences of ingratiatory behavior (especially harmful ones) for the influence target (i.e., the person who is the target of ingratiatory behavior). The lack of attention to this issue is surprising given assertions in the corporate elites literature that executives are prone to "believing their own press" (Hayward and Hambrick, 1997: 108; Hayward, Rindova, and Pollock, 2004), as well as empirical evidence indicating that ingratiating managers and directors tend to exaggerate their opinions of CEOs' strategic judgment and leadership capability (Westphal and Stern, 2006). If executives are prone to believing positive assessments of their leadership by journalists, they may be especially persuaded by the praise of fellow corporate leaders. If such praise tends to be exaggerated, it raises the possibility that CEOs who receive high levels of flattery and opinion conformity from other managers and directors could become more overconfident in their strategic judgment and leadership capability, with potentially negative effects on their strategic decision making.

In the present study, we begin to address this gap in the literature. The first part of our theoretical framework examines the conditions under which CEOs tend to receive high levels of flattery and opinion conformity from their colleagues. We suggest that CEOs who have acquired relatively high social status in the corporate elite tend to be attractive targets of such ingratiatory behavior from other managers and directors. Then we address the potentially negative consequences of becoming the target of flattery and opinion conformity from colleagues by suggesting how high levels of such behavior directed at CEOs can increase CEOs' "self-enhancement" or overconfidence in their strategic judgment and leadership capability, which can result in biased strategic decision making. In particular, heightened overconfidence from high levels of flattery and opinion conformity can reduce the likelihood that CEOs will initiate needed strategic change in response to poor firm performance.[1] We also consider how strategic persistence that results from high levels of flattery and opinion conformity directed at the CEO may contribute to the persistence of low firm performance and ultimately increase the likelihood of the CEO's dismissal. Accordingly, our study suggests how high levels of ingratiation directed at a CEO due to the CEO's status in the corporate elite can increase the chances of a series of negative outcomes that would diminish the very social status that gave rise to high levels of ingratiation in the first place.

[1] There is debate in the social influence literature about how broadly ingratiation should be defined. Although flattery and opinion conformity are almost universally considered to be core dimensions of ingratiation among social psychologists and organizational behavior scholars, some studies have defined ingratiation more broadly to include favor rendering and/or self-promotion. Other prominent social influence theorists have suggested that self-promotion and favor rendering can be considered separate constructs from ingratiation. For example, Jones and colleagues maintained that ingratiation and self-promotion differ in their strategic goals and consequences, suggesting that whereas "the ingratiator wants to be liked; the self-promoter wants to be seen as competent" (Jones and Pittman, 1982; Godfrey, Jones, and Lord, 1986: 106). Jones and colleagues (e.g., Godfrey, Jones, and Lord, 1986: 106) found that flattery and opinion conformity tended to elicit liking, but self-promotion did not, which led them to conclude that "self-promotion is not ingratiating." Gordon (1996) found similar results in a meta-analysis of 69 studies. Thus, in the present study, we focus on flattery and opinion conformity as relevant dimensions of ingratiation and do not examine self-promotion or favor rendering, in part because flattery and opinion conformity are more consistently viewed as core components of ingratiation in the literature. In addition, while these behaviors could increase CEOs' overconfidence in their strategic judgment and leadership capability, it is less clear why self-promotion or favor rendering would increase their overconfidence on these dimensions.

Aside from contributing to the literatures on ingratiation and social influence tactics in organizations, this study has implications for the burgeoning literature in social psychology, organizational behavior, and strategic leadership on self-enhancement or overconfidence bias. Empirical research on this topic has focused mainly on individual differences in self-enhancing cognition and has devoted less attention to how variation in the social context can explain the extent to which corporate managers or other organizational members exhibit overconfidence. Our theory and findings suggest that the amount of flattery and opinion conformity directed at an individual by other social actors is one feature of the social context that can strongly influence the propensity toward self-enhancement, with potentially important consequences for strategic decision making, firm performance, and executive careers.

EFFECTS OF RECEIVED FLATTERY AND OPINION CONFORMITY

CEOs' Social Status in the Corporate Elite and Received Flattery and Opinion Conformity

The literature on social influence has provided considerable evidence that the subjective expected utility of a social influence tactic affects the likelihood and extent to which individuals use that tactic in their relations with others (Porter, Allen, and Angle, 1981; Jones and Pittman, 1982; Barry and Watson, 1996). Our theoretical argument suggests that the subjective expected utility of engaging in flattery and opinion conformity toward a CEO is greater to the extent that the CEO has relatively high social status in the corporate elite.

Status in the corporate elite is derived from prestigious social affiliations such as board appointments at large firms and nonprofit organizations, as well as elite educational credentials such as degrees from Ivy League schools or other prestigious universities (Finkelstein, 1992; D'Aveni and Kesner, 1993; Belliveau, O'Reilly, and Wade, 1996; Westphal and Khanna, 2003; Fiss, 2006). There is considerable evidence that leaders who have relatively high social status from such elite affiliations and credentials tend to exert a disproportionate influence over decision making on a range of policy issues that affect the personal and career interests of other managers. Qualitative and survey research on boards suggests that the input of high-status CEOs carries a disproportionate weight in board discussions about director candidates (Allen, 1974; Useem, 1984; Seidel and Westphal, 2004). Because of their social connections, high-status leaders are more likely to be asked to provide the names of viable director candidates, and their recommendations are likely to be particularly credible to other board members. Their input is also especially likely to be solicited in searches for top management positions (Graffin et al., 2008). Moreover, high-status CEOs are especially likely to be asked to recommend candidates for prestigious positions outside the corporate sphere, such as appointments to nonprofit boards and governmental advisory boards (Gersh, 1987; Useem, 1987; Scott, 1991; Davis, Yoo, and Baker, 2003). There is also evidence that recommendations from high-status CEOs are particularly valuable in gaining memberships at elite social clubs (Domhoff, 2002). In addition, high-status CEOs exert a disproportionate influence over compensation decisions for executives and directors (Belliveau, O'Reilly, and Wade, 1996; Finkelstein, Hambrick, and Cannella, 2008) and may be able to expand a firm's compensation pool and request additional compensation for subordinates (Graffin et al., 2008: 461). Moreover, support from a high-status CEO-director is likely to be especially valuable in gaining board approval for one's project proposal or policy initiative (Demb and Neubauer, 1992). The larger literature on status in group decision making suggests that support from a high-status group member can exert a disproportionate influence over group decisions even on issues that are far removed from the individual's primary area of expertise (Bales, 1950; Ridgeway, Berger, and Smith, 1985; Weisband, Schneider, and Connolly, 1995; Oldmeadow, Collett, and Little, 2008).

By engaging in flattery and opinion conformity toward CEOs who have high social status in the corporate elite, therefore, managers and directors can advance their personal and career interests in a variety of ways. Moreover, the social psychological literature further suggests that though status is an important determinant of social influence in decision making processes, there is a systematic tendency for individuals to presume that high-status actors have even greater influence over decision making than they actually have (Berger et al., 1977; Lee and Offshe, 1981). Accordingly, the subjective expected utility of engaging in ingratiation toward leaders with relatively high status in the corporate elite is likely to be especially high. Thus high-status CEOs are likely to be especially attractive targets for flattery and opinion conformity from other managers and directors.

Further, the subjective expected utility of engaging in such social influence behavior toward high-status CEOs may be particularly high for individuals who have relatively low status in the corporate elite themselves. The lower an individual's status relative to the CEO, the more the individual stands to gain from securing the CEO's favor. Moreover, there is evidence that low-status actors are especially likely to overestimate the influence of high-status others in decision making (Berger et al., 1977; Lee and Offshe, 1981). Accordingly, CEOs are especially likely to be targets for flattery and opinion conformity to the extent that they have high social status in the corporate elite relative to the other managers and directors with whom they interact. This line of argument leads to the following, initial hypothesis:

Hypothesis 1 (H1): The higher a CEO's social status in the corporate elite relative to that of other top managers and directors with whom he or she interacts (alters), the higher the level of flattery and opinion conformity directed at the CEO by those alters.

Effects on CEOs' Strategic Decision Making

Receiving high levels of flattery and opinion conformity may have an effect on CEOs' strategic decision making. In particular, receiving high levels of such behavior from other managers and directors may reduce the likelihood that a CEO will initiate strategic change in response to low firm performance. A premise of our theory is that CEOs tend to exert significant influence over firm strategy and performance. Studies in the strategic leadership literature have provided ample empirical evidence that CEOs tend to have significant effects on these outcomes. Studies have demonstrated effects of CEOs' demographic characteristics, management experience, and personality characteristics on firm strategy and/or performance (e.g., Carpenter, Sanders, and Gregersen, 2001; Barker and Mueller, 2002; Henderson, Miller, and Hambrick, 2006; Chatterjee and Hambrick, 2007; Geletkanycz and Boyd, 2011). Recent research indicates that the "CEO effect" on firm performance is quite strong. Crossland and Hambrick (2007) and Mackey (2008) found that the percentage of variance in firm profitability explained by CEOs ranged from 29 to 32 percent for U.S. firms, depending on the profitability measure. Moreover, our larger theoretical argument is that CEOs who have relatively high social status in the corporate elite receive higher levels of ingratiation from other managers and directors, which in turn reduces the likelihood of strategic change in response to low firm performance, and the strategic leadership literature indicates that high-status CEOs tend to have an especially strong influence over a range of corporate policies, including firm-level strategy (Bigley and Wiersema, 2002; Hayward, Rindova, and Pollock, 2004). Graffin et al. (2008: 459) reviewed evidence from the strategic leadership literature suggesting that high social status can be viewed as a "bargaining chip" that enables CEOs "to garner increased political clout within their firms" and that directors and other managers "will acquiesce to high-status CEOs by granting them greater power and discretion within the organization (Hayward, Rindova, and Pollock, 2004)." More generally, while the premise that CEOs are the principle architects of firm-level strategy is long-standing and pervasive in the strategic management literature (Gioia and Chittipeddi, 1991; Plambeck and Weber, 2009), this premise is especially supported for high-status CEOs.

The high levels of flattery and opinion conformity that high-status CEOs receive can foster self-enhancing cognitions that lead them to become overconfident in their strategic decisions and in their ability to correct performance problems with the current strategy. For the purposes of this study, self-enhancement and overconfidence are treated as essentially equivalent constructs. Although early theoretical perspectives did not necessarily conceive of self-enhancement as a bias, thus partially confounding self-enhancement with constructs such as self-esteem and confidence (vs. overconfidence), which are presumed to have mostly beneficial consequences for individuals, more recent theorizing has conceived of self-enhancement as a social psychological bias akin to overconfidence (e.g., Robins and Beer, 2001; Paulhus et al., 2003; Bonnano, Rennicke, and Dekel, 2005; Kwan et al., 2008). Self-enhancement is commonly defined by social psychologists as the overestimation of one's abilities (Paulhus, 1998; Robins and Beer, 2001; Kwan et al., 2008) and is routinely measured as a positive difference between self-assessed abilities and the assessment of one's abilities by others. In effect, individuals exhibit self-enhancement when they evaluate themselves more positively than others do (Allport, 1937; for a review, see Leary, 2007; Kwan et al., 2008). In the present context, CEOs exhibit self-enhancement to the extent that they assess their strategic judgment or leadership capabilities more positively than their peers do.

While early research on self-enhancement focused on enduring individual differences in self-enhancing cognitions, there is growing recognition that the tendency to exhibit self-enhancement may vary appreciably across social contexts. As Robins and Beer (2001: 348) asserted, "situational factors can greatly enhance or virtually obliterate [self-enhancement bias] . . . ; [such bias] can be particularly pronounced in some contexts and virtually absent in others" (see also Taylor and Armor, 1996; Taylor et al., 2003). The amount of received flattery and opinion conformity is one aspect of the social context that may help explain variation in self-enhancement. In the present context, flattery and opinion conformity from other managers and directors has the potential to increase CEOs' confidence in their strategic judgment and leadership capability.

We conducted preliminary interviews of approximately 15–35 minutes in length with 23 top managers and directors at large and mid-sized U.S. public companies. Interviewees were representative of managers and directors in the population in terms of indicators of social status, age, and top management experience. These preliminary interviews provided clear examples of flattering remarks by managers and directors about a CEO's strategic judgment. For instance, one manager recounted, "I just flat out told him [a CEO] 'you've got great judgment when it comes to strategy.' I could tell he appreciated it." Managers and directors may also praise CEOs' past strategic decisions, or express agreement with their past decisions. As one director whom we interviewed recalled, "I told him he made the right [strategic] move at that company [the CEO's prior employer]. He had gotten some criticism for that strategy and I was basically saying 'Hey, don't worry about the critics,' you did the right thing." CEOs may also receive praise for their leadership ability. As one manager recalled, "I recently [told a CEO] that he did a nice job leading his company through a rough patch. His strategy faltered at first but he appeared to pull them through the early problems. Of course industry conditions were improving at the same time, which could have been the main reason for the turnaround, but I didn't mention that." Given uncertainty about the extent to which firm performance can be attributed to the strategic decision making or leadership of CEOs (i.e., versus extraneous factors in the industry environment, macroeconomic conditions, or the actions of lower-level managers), such validation has the potential to bolster CEOs' confidence in their strategic judgment and leadership capability.

Although some social influence theorists contend that ingratiation need not represent a deliberate attempt to curry favor and can reflect an individual's "honest" opinion about an interlocutor (e.g., Leary, 2007), the present study focuses on forms of flattery in which managers and directors subtly exaggerate or overstate their opinion of the CEO's strategic judgment or leadership capability. Westphal and Stern (2006) found that such exaggeration was a common element of flattery and opinion conformity toward CEOs. For example, managers may overstate the extent to which they agree with the CEO's opinion on a strategic issue, or, more subtly, they may exaggerate their certainty about whether a firm's high performance can be attributed to the CEO's strategic wisdom. Social influence theorists have long suggested that ingratiation commonly involves exaggerated praise or subtle distortions of opinion (Kauffmann and Steiner, 1968; Jones and Pittman, 1982; Tedeschi and Melburg, 1984; Kumar and Beyerlein, 1991; Vonk, 2002). Jones (1964) proposed that flattery and opinion conformity are especially likely to be exaggerated when there is competition with other actors for the attention of an actor who controls access to valued resources. In the present context, managers and directors compete with each other for the attention of a relatively small number of high-status CEOs who control access to prestigious positions and otherwise exert a disproportionate influence over decisions that affect their professional outcomes. To make their flattering remarks stand out, individuals may be tempted to subtly exaggerate their opinion of the CEO's strategic judgment or leadership capability or conform to the CEO's opinion on a strategic issue in a way that subtly overstates their agreement with (or certitude about) the CEO's judgment. Thus high levels of flattery and opinion conformity directed at CEOs who occupy high-status positions in the corporate elite may have the effect of amplifying CEOs' overconfidence in their strategic judgment and leadership capability to the extent that it overstates other managers' opinions of the CEO's strategic judgment and leadership. In this way, high levels of received flattery and opinion conformity may contribute to self-enhancement among such high-status CEOs.

The social psychological processes by which flattery and opinion conformity amplify self-enhancement. The influence of flattery and opinion conformity on self-enhancement depends to some degree on whether CEOs tend to adopt a cynical interpretation of such behavior. If CEOs routinely reject complimentary remarks and expressions of agreement as self-interested attempts to curry favor, then such behavior is less likely to influence CEOs' confidence in their strategic judgment and leadership. But empirical research on ingratiation has shown that although people readily identify flattery and opinion conformity as ingratiation when it is directed at others, they are less likely to adopt a cynical interpretation of such behavior when it is directed at them (Jones, 1990; Vonk, 1998). Theory and research on persuasion suggests that people engage in systematically biased cognitive processing of messages that have the potential to maintain or enhance a positive conception of self (for a review, see Fiske and Taylor, 2008; Petty and Brinol, 2008). They not only engage in less critical scrutiny of messages that reflect well on the self, but they also tend to engage in a "positively biased cognitive elaboration" of such communications (Chen et al., 1992; Geers, Handley, and McLarney, 2003: 555; Liberman and Chaiken, 2003). In particular, when people determine that a persuasive message reflects well on the self, they reflexively engage in a "biased search through autobiographical memory" for information (e.g., past successes or similar statements made by other people) that validates the message content (Sanitioso, Kunda, and Fong, 1990: 229; Liberman and Chaiken, 2003). Given that flattery and opinion conformity have the potential to bolster or enhance a CEO's self-concept, the CEO may devote little cognitive effort to critically scrutinizing compliments or expressions of agreement or questioning the motivation for such behavior. Moreover, the CEO may engage in biased cognitive elaboration of flattering remarks, searching through memory for anecdotal information that validates the message, which in turn increases its believability and reduces the CEO's propensity to discount the compliments as insincere.

Recent research by Stern and Westphal (2010) suggests that top managers and directors are relatively sophisticated in their use of flattery and opinion conformity. According to their findings, corporate leaders frequently ingratiate their peers by engaging in subtle social influence tactics that reduce the likelihood that compliments and expressions of agreement will be interpreted cynically as attempts to curry favor. For example, their survey indicated that managers often begin ingratiation attempts by referencing shared group memberships or social affiliations held in common with the influence target (e.g., political parties or religious organizations). Stern and Westphal (2010) theorized that such statements reduce the likelihood of cynical interpretations of flattery and opinion conformity by triggering in-group bias. Research on intergroup relations suggests that increasing the salience of shared group memberships reduces cynical or otherwise negative interpretations of each other's behavior (Brewer, 1979; Chen and

Kenrick, 2002; Hewstone, Rubin, and Willis, 2002). Stern and Westphal (2010) identified several other subtle forms of flattery and opinion conformity used by top managers, such as framing flattery as advice seeking, that were similarly unlikely to elicit cynical attributions of motive by corporate leaders.

The social influence literature further suggests that people engage in less critical scrutiny of persuasive messages when they are articulated by credible experts (Chaiken and Maheswaran, 1994; Petty, Brinol, and Tormala, 2002; Petty and Brinol, 2008). According to the elaboration likelihood model of persuasion, people use the perceived expertise of the source as a "heuristic cue" in assessing the plausibility of a persuasive message (Ziegler et al., 2004: 353). In the present context, CEOs are likely to accept fellow top managers and outside directors of large companies as credible experts on matters of strategic decision making and leadership. Accordingly, CEOs should tend to accept flattering statements about their strategic judgment and leadership capability with less critical scrutiny when such statements are made by other top managers and directors of relatively large public companies. Moreover, there is evidence that flattery can exert some level of interpersonal influence even when the target recognizes or suspects that the compliments are insincere (e.g., see Chan and Sengupta, 2010).

The social influence literature further suggests that people rely on a "consensus heuristic" in processing persuasive messages, whereby they devote less critical scrutiny to messages that they have heard before from other sources (Harkins and Petty, 1981; Chaiken and Stangor, 1987: 599; Weisbuch, Mackie, and Garcia-Marques, 2003; for a review, see Fiske and Taylor, 2008). This is especially the case for persuasive messages that reflect well on the self (Weisbuch, Mackie, and Garcia-Marques, 2003; Fiske and Taylor, 2008). As noted above, when people are exposed to a self-enhancing message, they engage in a biased search through memory for confirming information, including similar statements made by others. To the extent they recall such validating statements, they are less likely to question the sincerity of the interlocutor. In using the consensus heuristic, moreover, people tend to systematically overestimate the extent to which the sampling of opinion that they have heard is representative (Nisbett and Ross, 1980; Demarzo, Vayanos, and Zwiebel, 2003), and again this is especially true for opinions that reflect well on the self (Fiske and Taylor, 2008). When CEOs hear compliments about their strategic judgment or leadership capability repeatedly from other managers and directors, they are especially unlikely to question the sincerity of the flattering remarks, and they should tend to overestimate the extent to which these positive sentiments are held more broadly among their peers. Hence, to the extent that such complimentary remarks toward a CEO subtly exaggerate the opinion of other managers and directors about the CEO's capabilities, as discussed above, the higher the frequency with which other managers and directors flatter the CEO, the greater the CEO's likelihood of exhibiting self-enhancement or overconfidence in his or her strategic judgment and leadership capability.

Effect of self-enhancement on strategic persistence. An established premise in the strategic change literature is that low organizational performance is a potential trigger for change in organizational strategy (Chandler, 1962; Rajagopalan and Spreitzer, 1997; Greve, 1998; Pettigrew, Woodman, and Cameron, 2001; McDonald and Westphal, 2003). CEOs who exhibit overconfidence in their strategic judgment and leadership capability as a result of receiving high levels of flattery and opinion conformity from other managers and directors will be less likely to initiate needed strategic change when their firms' financial performance is low in comparison with competitors. On one level, CEOs who are overconfident about their strategic judgment should be more likely to make biased attributions about current firm performance, wherein they underattribute performance problems to their prior strategic decisions and overattribute such problems to extraneous factors in the industry and macroeconomic environment or to mistakes made by lower-level managers in implementing their strategic decisions. CEOs who are overconfident in their leadership ability may also overestimate their ability to fix problems that they believe have resulted from mistakes in implementation. In addition, people who exhibit high levels of self-enhancement in regard to particular abilities are less prone to critically assessing their own past decisions and choices associated with those abilities (Baumeister, Heatherton, and Tice, 1993; Baumeister et al., 2003). Thus CEOs who exhibit self-enhancement regarding their strategic judgment and leadership capability may be less likely to recognize or acknowledge the role of their strategic decisions in creating performance problems. Our theoretical argument presumes that CEOs typically feel some degree of responsibility for (or ownership in) the current firm strategy. McDonald and Westphal (2003) noted that if new CEOs do not initiate strategic change soon after taking charge, then the current strategy for the firm effectively becomes "their strategy" in the eyes of external constituents and firm employees (see also Vancil, 1987). As a result, CEOs are likely to feel some degree of responsibility for the current strategy soon after taking charge of the firm. This premise is also supported by social psychological research on the so-called "endowment effect," which has revealed a surprisingly strong, non-conscious tendency for people to develop a sense of psychological ownership in virtually anything that is associated with them (Kahneman, Knetsch, and Thaler, 1990; Beggan, 1992; for a review, see Leary, 2007). As discussed below, this premise is also supported by our survey data.

The likelihood that CEOs who are overconfident in their strategic judgment due to high levels of flattery and opinion conformity will be biased about the viability of their strategies despite poor firm performance is further suggested by social psychological research on "implicit self-enhancement" (Leary, 2007: 321). This literature has documented a "[systematic] tendency for people's positive, self-enhancing evaluations of [their abilities] to spill over into their evaluations of objects, places, and people that are associated with [those abilities]" (Greenwald and Banaji, 1995; Pelham, Mirenberg, and Jones, 2002; for a review, see Leary, 2007). This tendency toward implicit self-enhancement is not only robust but typically occurs automatically and without conscious reflection. As a result, self-enhancement regarding CEOs' strategic judgment that results from high levels of received flattery and opinion conformity may automatically spill over to bias their evaluative assessments of their strategies.

CEOs who are overconfident in their strategic judgment and leadership capability due to receiving high levels of flattery and opinion conformity from other managers and directors should perceive less need to change their strategy for the firm in response to low firm performance. Accordingly, our theory leads to an additional hypothesis regarding the relationship between such social influence behavior directed at the CEO and strategic change in response to low firm performance. We expect that relatively high levels of flattery and opinion conformity directed at a CEO by other top managers and directors will be positively associated with the CEO's self-enhancement in regard to his or her strategic judgment and leadership capability and that self-enhancement resulting from such behavior will in turn be negatively associated with subsequent strategic change in response to low performance at the CEO's firm.

Hypothesis 2a (H2a): Higher levels of flattery and opinion conformity directed at a CEO by other top managers and directors will be positively associated with the CEO's self-enhancement in regard to his or her strategic judgment and leadership capability.

Hypothesis 2b (H2b): The self-enhancement that a CEO experiences as a result of flattery and opinion conformity directed toward him or her will be negatively associated with subsequent change in firm strategy in response to low performance at the CEO's firm.

METHOD

Sample and Data Collection

The survey sample frame for this study included CEOs at 1,350 firms randomly selected from public U.S. industrial and service firms with more than $100 million in sales, as listed in the Reference USA index, for which necessary archival data were available. Given that CEOs who had just assumed their position may not yet have developed a sense of ownership in their firms' strategy, as discussed above, CEOs who had held their position for less than a year were excluded from the sample frame. Surveys were distributed to the sampled CEOs in January of 2001. To assess the interrater reliability of our survey measure of received flattery and opinion conformity, we also surveyed a large sample of top managers and directors who could potentially ingratiate themselves with focal CEOs. Our preliminary interviews indicated that flattery and opinion conformity that could potentially influence CEOs' strategic judgment and leadership capability is likely to be provided mainly by directors at companies where the CEO serves on the board, top managers at competing firms or other, similarly sized companies, as well as top managers and directors of the CEO's firm. As discussed further below, this premise was supported by our survey data. Thus, separate surveys were also sent to all outside directors at firms where a responding CEO served on the board (including the focal CEO's firm) and to top managers with whom a responding CEO reported having communicated during the prior year, including top managers at the focal firm. This sample frame included a total of 7,683 individuals. Though potential ingratiators included top managers at the focal CEO's firm, subordinate top managers represented a small portion of all potential ingratiators for most CEOs in the sample. As discussed below, the results were robust to including or excluding subordinate top managers from the sample of potential ingratiators. To develop survey measures for a supplemental analysis of CEO dismissal discussed further below, we also sent questionnaires to all outside directors at firms with a responding CEO in each year for the following six years (2002–2007). In addition, we sent follow-up surveys to responding CEOs on an annual basis throughout the study period.

We took several steps to ensure the highest possible response rate for the surveys (Cycyota and Harrison, 2006). We conducted an in-depth, qualitative evaluation of the survey instruments through interviews with 23 top managers and directors at large and mid-sized U.S. public companies (cf. Stevens et al., 2005). Each interview was approximately 15–35 minutes in length. The interviews provided detailed feedback that was used to revise the survey questions and improve the format and instructions of the questionnaire, making it more succinct and easier to complete. The cover letter framed the survey as part of a larger program of research on corporate governance and strategy involving faculty at several leading business schools and highlighted that thousands of top managers had participated in prior surveys. The survey was endorsed by a well-known executive and by directors at a major consulting firm. Two subsequent waves of questionnaires were sent to nonrespondents. Five hundred and seventy-two CEOs responded, for a response rate of 42 percent. For us to test the hypothesized effects of flattery and opinion conformity with appropriate lag structures (discussed below), CEOs had to remain in their position for at least three years after the survey. Thus we excluded cases in which the CEO departed within three years of the survey. We also excluded cases without at least two outside director responses to questions about CEO turnover. This resulted in a final sample of 451 CEOs. The response rate for potential ingratiators (i.e., outside directors at firms where a responding CEO served on the board and top managers with whom a responding CEO reported having communicated) was 41 percent (N = 3,135).

We conducted a multivariate test for sample selection bias using Heckman selection models (Heckman and Borjas, 1980). The first-stage equation estimates the likelihood of responding to the survey, and parameter estimates from that equation are included in a second-stage equation that tests the hypothesized relationships. The selection equation included all the independent variables and controls measured with archival data, together with variables that describe the survey procedure (e.g., whether the questionnaire was in the first, second, or third wave of surveys) or variation in the survey responses (e.g., when the questionnaire was received). The selection parameter was not significant, and the hypothesized results were very similar to those presented below. Overall, it appears from this analysis that our results are not affected by sample selection bias due to survey non-response or other missing data. Further analysis also indicated that cases in which the CEO departed within three years of the survey date, and which were therefore dropped from the sample, were not significantly different from cases in the final sample with respect to any of the survey measures discussed below, including the level of received flattery and opinion conformity.

Our survey data confirmed that CEOs in our sample tend to feel some level of responsibility for the current firm strategy. In response to the question, "To what extent do you feel responsible for the current corporate strategy?," all but two responding CEOs indicated that they feel "somewhat responsible" or "very responsible" for the strategy. Moreover, in response to the question, "To what extent do you feel a sense of 'ownership' in the current corporate strategy?," again all but two indicated that they feel "some sense of ownership" or "a strong sense of ownership."

We obtained demographic and biographical data on CEOs and potential ingratiators from multiple sources that have been used in prior research on corporate elites, including *Standard and Poor's Register, Capital IQ, Dun and Bradstreet's Reference Book of Corporate Management, Marquis' Who's Who*, the *Social Register*, corporate proxies and annual reports (Useem and

Karabel, 1986; Broad, 1996; Palmer and Barber, 2001; Burris, 2002; Domhoff, 2002). We obtained archival data on board characteristics from Compact D and directly from corporate proxy statements. Data on firm performance, investment, product market diversification, and size came from COMPUSTAT, CRSP, and EDGAR Online, and data on geographic diversification were obtained from COMPUSTAT, Dun & Bradstreet, and Mergent Online. Data on the gender and ethnicity of CEOs were provided by a large management consulting firm. The executive surveys asked respondents to provide information about various dimensions of firm strategy, including the level of investment in R&D and advertising, and responses to these questions were used to supplement archival data in developing measures of business strategy. In further analysis, we controlled for whether survey data were used to supplement archival data in measuring these dimensions, and the hypothesized results were unchanged.

Measures

Flattery and opinion conformity directed at the CEO. Specific items in the survey scale were adapted from a measure developed by Westphal and Stern (2006) and are listed in Appendix A. We used feedback from the preliminary interviews to refine the scale used in Westphal and Stern (2006). We asked interviewees to identify questions that were ambiguous in any way or that might yield inconsistent responses. We also asked them to suggest possible refinements to the wording of each question and to suggest other questions that might be added to the scale. Appendix B provides evidence that refinements to the scale enhanced its validity. The survey items prompt respondents to indicate the number of times a particular type of behavior occurred, which is known to increase scale validity (DeVellis, 1991). Specific items are intended to capture instances of flattery and opinion conformity directed at CEOs by other top managers and directors. They also gauge the extent to which flattery and opinion conformity involve exaggerated praise or agreement, consistent with prior measures of ingratiation (e.g., Kumar and Beyerlein, 1991). For instance, one item asks potential ingratiators, "[Over the past twelve months:] How often have you complimented [the CEO] in a way that slightly exaggerates [his/her] insight on a strategic issue?" Another item asks, "In speaking with [the CEO over the past twelve months], on how many occasions did you point out opinions you have in common, even when you do not completely share [his/her] point of view?"[2]

In the primary analyses, we measured flattery and opinion conformity directed at the CEO as the average number of instances of each ingratiatory behavior toward the focal CEO in the prior 12 months (i.e., the average response to a particular survey item among potential ingratiators). The

[2] Our measurement of flattery and opinion conformity allows for a subtle kind of misleading behavior in which individuals make statements that are strictly speaking true or plausible as they see it but that give an exaggerated impression of their admiration or agreement or an exaggerated impression of how certain they are about the other person's abilities or opinions, for example, stating that they liked a particular aspect of the CEO's strategy or leadership, without noting another aspect of his or her strategy or leadership that they did not like. As discussed above, this is consistent with theory and research by Jones and colleagues, which suggests that flattery and opinion conformity "typically involve selective disclosures and omissions" that convey "the truth but not the whole truth" (Jones, 1964: 2; Jones and Pittman, 1982: 233).

hypothesized results were unchanged using the responses of CEOs. This approach essentially estimates the level of flattery and opinion conformity "per interlocutor." In further analyses, we measured flattery and opinion conformity as the total amount of such behavior directed at a CEO in the prior 12 months (i.e., the total number of instances of each ingratiatory behavior aggregated across potential ingratiators), and the hypothesized results were unchanged.

We expected that flattery and opinion conformity would load on a single factor because the mechanisms by which each behavior is theorized to enhance social influence are closely intertwined. As discussed further below, confirmatory factor analysis showed that the flattery and opinion conformity items loaded on a single factor as expected and did not load on other factors in the measurement model. Interitem reliability of the scale was acceptably high (α = .91), and as shown in Appendix A, standardized factor loadings (λ) for the scale items were also consistently high. There was also evidence for interrater agreement between CEOs and potential ingratiators about the level of specific behaviors. For instance, CEOs' reports about the number of times particular managers and directors "complimented [them] about [their] insight on a strategic issue" were highly correlated with the reports of potential ingratiators about the number of times they "complimented [the CEO] in a way that slightly exaggerates [his/her] insight on a strategic issue." Weighted kappa coefficients for the scale items ranged from .77 to .94, with an average value of .84, providing strong evidence for interrater agreement (Fleiss, 1981). Appendix B provides further evidence for the construct validity of our scale.

Social status in the corporate elite. We used five indicators of social status in the corporate elite: the number of corporate board appointments held, the number of nonprofit board appointments held, elite education, the average stock rating of firms where the individual served as outside director, and memberships in prestigious social clubs. We used Finkelstein's (1992) measure of elite education, which was adapted from an earlier measure developed by Useem and Karabel (1986), and we used Palmer and Barber's (2001) listing of prestigious social clubs (see also Useem and Karabel, 1986). The first four measures have been validated in multiple prior studies (D'Aveni, 1990; Finkelstein, 1992; Westphal and Khanna, 2003).[3] Several researchers have suggested that memberships in exclusive social clubs also reflect an individual's social status in the corporate elite (Galaskiewicz et al., 1985; Belliveau, O'Reilly, and Wade, 1996; Palmer and Barber, 2001; Domhoff, 2002), and there is evidence that such memberships are significantly correlated with other indicators of status (Palmer and Barber, 2001; Westphal and Stern, 2006). Each variable was measured in the year prior to the period for which flattery and opinion conformity were measured.

Confirmatory factor analysis showed that the five indicators loaded on a single factor as expected (standardized factor loadings were statistically significant at alpha = .001 and ranged from .74 to .86). In the primary analysis, we assessed the effect of relative status by interacting CEO status, standardized

[3] In further analyses, we used (1) profitability (return on assets), (2) total stock returns, and (3) firm size as indicators of the prestige of board appointments (Westphal and Khanna, 2003), and the results were unchanged. In another analysis, we included the number of memberships on board nominating committees as an additional indicator of status, and again the hypothesized results were unchanged.

for the population of CEOs (cf. Belliveau, O'Reilly, and Wade, 1996), with the average, standardized status of potential ingratiators, controlling for the "absolute" status of CEOs and potential ingratiators in the analysis (D'Aveni and Kesner, 1993; Belliveau, O'Reilly, and Wade, 1996). In separate tests of hypothesis 1, we measured relative status as the simple difference between CEO status and the average status of potential ingratiators (Fiss, 2006) and estimated the effect of relative status on received flattery and opinion conformity for the dyad-wise sample of CEOs and potential ingratiators. In each of these analyses, the hypothesized results were substantively unchanged from those presented below.

CEO self-enhancement in regard to strategic judgment and leadership capability. We followed the common approach of operationalizing self-enhancement as a positive difference between self-assessed abilities and the assessment of one's abilities by others (Windschitl, Kruger, and Simms, 2003; Leary, 2007; Kwan et al., 2008). The CEO survey included a five-item scale that prompted CEOs to assess their strategic judgment and leadership capability (e.g., "How would you assess your strategic judgment compared to other CEOs of large U.S. companies? Well below average . . . somewhat below average . . . about average . . . somewhat above average . . . well above average . . . perhaps the best)" (see Appendix A). The survey of potential ingratiators included a parallel set of questions about the CEO's strategic judgment and leadership capability (e.g., "How would you assess [the CEO's] strategic judgment compared to other CEOs of large U.S. companies? Well below average . . . somewhat below average . . . about average . . . somewhat above average . . . well above average . . . perhaps the best)." To measure self-enhancement, we calculated the difference between CEOs' self-assessment and the average assessment of potential ingratiators for each question and specified the difference scores as measures of self-enhancement in our structural equation model. The measures of self-enhancement loaded on one factor as expected, with acceptable inter-item reliability (alpha = .87). As shown in Appendix A, standardized factor loadings (λ) for the scale items were consistently high. There was a general tendency toward self-enhancement, consistent with much prior research in social psychology: CEOs rated their strategic judgment and leadership capability relative to peers significantly more positively than potential ingratiators did ($p < .01$). We provide supplemental evidence for the validity of this measure in Appendix B.

Change in firm strategy. Our measure of strategic change reflects changes in key dimensions of both business strategy and corporate strategy. We followed a number of prior studies in operationalizing business strategy according to resource allocations across the primary functional areas of the firm (Finkelstein and Hambrick, 1990; Geletkanycz and Hambrick, 1997; Chatterjee and Hambrick, 2007). The resource allocation variables include (1) advertising intensity (advertising expense/sales), (2) research and development intensity (R&D expense/sales), (3) plant and equipment spending (net plant and equipment/gross plant and equipment), (4) selling, general, and administrative (SGA) expenses/sales, and (5) financial leverage (total debt/equity). The first three variables indicate marketing, technology, and capacity expansion activities. SGA expense reflects the cost structure of the firm, while financial leverage reflects the firm's capital management. Together, these strategic dimensions are thought to capture a firm's "competitive profile" (Geletkanycz and Hambrick, 1997: 667), and there is evidence that they provide reliable indicators of business strategy in a range of industry environments (Finkelstein and Hambrick, 1990; Geletkanycz and Hambrick, 1997; Chatterjee and Hambrick, 2007). In the primary analyses, we measured change in these dimensions over the two-year period after the CEO survey (cf. Wiersema and Bantel, 1992). In further analyses, we measured change over one year and three years, and the hypothesized results were not substantively different from those presented below.[4] Consistent with prior research, we standardized and summed the five indicators into a composite measure of change in business strategy (Geletkanycz and Hambrick, 1997). We also examined change in product market diversification as a key dimension of corporate strategy. We used the entropy measure of diversification, which has been extensively validated in prior research by Hoskisson and colleagues (e.g. Hoskisson et al., 1993).[5]

In our structural equation model, we specified change in business strategy and corporate diversification as formative indicators of change in overall firm strategy (Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001). This essentially presumes that strategic change can be viewed as comprising change in these two dimensions of strategy. Although causal indicators of a construct need not be correlated (MacCallum and Browne, 1993), in this case there was a significant correlation between change in business strategy and change in product market diversification (r = .31). Moreover, in separate analyses, we specified the measures as reflective indicators, and the hypothesized results were unchanged. In other models, we measured strategic change as only change in business strategy and as only change in product market diversification, and again the hypothesized results were unchanged in both sets of models.

Firm performance. We used three measures of firm performance: market-to-book value of equity and total stock returns (as market-based measures) and return on assets (as an accounting-based measure). We defined low firm performance as performance that is low in comparison to competitors, given evidence that managers are most likely to respond to deviations in performance from some expected level, and performance expectations are routinely influenced by the performance of competitors (Cyert and March, 1963; Greve, 1998, 2001). Each measure was adjusted for industry differences by

[4] When change scores are used as dependent variables they can yield biased coefficients if the independent variables are correlated with the initial state of the change variable (e.g., x correlated with y_1 in the change score $y_2 - y_1$) (Edwards, 1995). But the correlations between ingratiation directed at the CEO and each dimension of strategy in the prior period were statistically nonsignificant. In addition, the population-level distribution of our strategy variables was stable over the period for which change was assessed (e.g., the standard deviation was stable). Under these circumstances, results using change scores can be less biased than results from the alternative, regressor-variable method for estimating change (regressing y_2 on y_1 and the independent variables) (Kenny and Cohen, 1979; Allison, 1990). Nevertheless, we estimated separate models using the regressor-variable method, and the hypothesized results were nearly identical.

[5] In separate analyses, we included change in the level of geographic diversification as an additional dimension of corporate strategy (Carpenter, Pollock, and Leary, 2003; Hitt et al., 2006). We used Sullivan's measure of geographic diversification, as refined by Sanders and Carpenter (1998). When archival data were unavailable, we used responses to separate survey questions about firms' international operations to develop this measure. In a separate analysis, we controlled for whether survey data were used to measure geographic diversification, and the hypothesized results were unchanged.

subtracting the average value for the firm's primary industry, defined at the two-digit SIC code level. Confirmatory factor analysis showed that market-to-book value, stock returns, and return on assets loaded on a single factor as expected (standardized factor loadings were statistically significant at alpha = .001, and ranged from .71 to .77). To test the effect of flattery and opinion conformity on strategic persistence in response to low firm performance, we measured performance relative to competitors in the year prior to the period for which strategic change was measured.

Control variables. There is evidence that friendship ties to high-status actors reduce the motivation to engage in ingratiation (Westphal and Stern, 2006). We controlled for the number of friendship ties between CEOs and potential ingratiators using a survey measure that asked respondents to identify other top managers and directors whom they considered to be personal friends. There was high interrater agreement between CEOs and potential ingratiators (91 percent), and results were robust to using a separate measure that gauges the average strength of CEOs' personal relationships with potential ingratiators.[6] We also controlled for CEO-initiated social interaction with relatively low-status alters, as well as non-CEO-initiated interaction, over the period for which flattery and opinion conformity was measured, using a multi-item scale developed by Westphal and Stern (2006). For example, we asked "How many times did you interact with [alter]? How many of those interactions did you initiate?"; "Approximately how much time did you spend in interactions with [alter] [that you initiated] (in minutes)?"; "On how many occasions did you initiate interactions with [alter]?" Though in the primary analysis we used a median split to designate alters as high vs. low status, results were robust to alternative cutoffs (the 25th percentile, 40th percentile, or 60th percentile). The indicators loaded on a single factor with acceptable inter-item and interrater reliability (α = .86, kappa = .84).[7] We also controlled for the level of CEO flattery and opinion conformity toward other managers and directors in estimating the level of such behavior directed at the focal CEO. In the primary analysis, we used the responses of focal CEOs to measure this construct, but results were unchanged using the responses of alters.

We controlled for whether CEOs were listed in the *Social Register* or attended an exclusive preparatory ("prep") school, which have been commonly used as indicators of upper-class status, with exclusive prep school designations taken from Useem and Karabel (1986) (see also Palmer and Barber, 2001). We also controlled for CEOs' top management experience, measured as the number of years the focal CEO had served as a top executive at firms in the sample frame. CEOs may also attract more ingratiation when they have achieved "celebrity" status (Hayward, Rindova, and Pollock, 2004), indicated by positive statements about their leadership in the business press. We measured the tenor of positive press coverage about CEOs using the content analysis procedure described by Pollock and Rindova (2003). We also controlled for this variable in estimating the effect of flattery and opinion conformity on change in

[6] The survey included separate questions about flattery and opinion conformity from external constituents, including journalists and security analysts. In further analyses, we controlled for these measures, and the hypothesized results were unchanged.

[7] In separate analyses, we controlled for CEO-initiated interaction with high-status alters as well as non-CEO-initiated interaction, and the hypothesized results were unchanged.

firm strategy. We controlled for the effects of firm size, measured as log of firm sales, in estimating flattery and opinion conformity and strategic change. We also controlled for firm performance in estimating flattery and opinion conformity directed at CEOs. CEOs who are members of an ethnic minority or women may tend to attract less flattery and opinion conformity, although there was very limited variance in these characteristics among CEOs in the population during the period of our study. Nevertheless, as a precaution, we included dummy variables that indicate whether the focal CEO is a member of an ethnic minority or a woman. We also controlled for CEO age and tenure in estimating the level of received flattery and opinion conformity. We conducted robustness checks that included controls for other CEO characteristics that have been examined in prior corporate governance research, and these are described in Appendix B.

There is some evidence that CEOs who solicit advice on strategic issues from other top managers outside their regular network of friends are more likely to initiate strategic change in response to poor performance (McDonald and Westphal, 2003). Thus, using survey measures of strategic advice-seeking developed and validated by McDonald and Westphal (2003), we created count variables that indicate the number of times in the year prior to the period for which strategic change was measured that focal CEOs sought strategic advice from top managers and directors who were not friends of the CEO and who had a different functional background from the CEO. These variables were included as controls in estimating the effects of flattery and opinion conformity on strategic change. We also controlled for Haleblian and Finkelstein's (1993) archival measure of managerial discretion in estimating strategic change. In separate analyses, we used Finkelstein and Boyd's (1998) measure, and the hypothesized results were unchanged.

We controlled for several indicators of board independence that have been widely used in the governance literature (Sundaramurthy, 1996; Chatterjee and Harrison, 2001; Pollock, Fischer, and Wade, 2002; Finkelstein, Hambrick, and Cannella, 2008): the portion of outside directors appointed after the CEO, separation of the CEO and board chair positions, average director stock ownership, relative CEO-board tenure (i.e., average director tenure divided by CEO tenure), and presence of the CEO on the board nominating committee. These measures were combined into a single index using principal components analysis (Jackson, 1991). In estimating strategic change, we also controlled for CEO tenure (Geletkanycz, 1997; Miller and Shamsie, 2001) and for the survey measure of potential ingratiators' perception of a focal CEO's strategic judgment and leadership ability (described above), to address the possibility that CEOs who receive high levels of flattery and opinion conformity are perceived by other managers and directors to be relatively lacking in strategic judgment and leadership ability. Controlling for the lagged dependent variable is an established approach to mitigating unobserved heterogeneity in panel datasets when the lagged variable is likely to be significantly associated with the current value (Achen, 1990; Powell, Koput, and Smith-Doerr, 1996; Wooldridge, 2002). Thus, given that the prior level of flattery and opinion conformity directed at the CEO is likely to be associated with the current level, we controlled for a survey measure of flattery and opinion conformity directed at the CEO in an earlier period to mitigate sources of unobserved heterogeneity not captured by our other controls. This measure is based on separate questions in the CEO survey about flattery and opinion conformity in the previous 12-month period. We specified this control as an instrumental variable in the structural equation model (Wooldridge, 2002). The hypothesized results were robust to including or excluding this control from the model. We also controlled for the prior level of the strategy variables in estimating strategic change. Except where noted above, time-varying control variables were measured in the year prior to the period for which the dependent variable was measured. We did not necessarily expect the level of stock ownership by institutional investors to predict strategic change after controlling for board independence, and separate analyses confirmed that the hypothesized results were unchanged when we included the level of ownership by pressure-resistant institutions (Ryan and Schneider, 2002). As discussed further below, in other analyses, we controlled for a survey measure of a priori CEO self-enhancement (i.e., self-enhancement prior to the period for which flattery and opinion conformity was measured), and we controlled for Chatterjee and Hambrick's (2007) archival measure of CEO narcissism. For time-varying variables such as firm performance that are included as controls in estimating multiple dependent variables, we updated the values appropriately in estimating each dependent variable. For example, in estimating flattery and opinion conformity directed at the CEO in 2000, we controlled for firm performance in 1999, while in estimating strategic change from 2001 to 2003, we controlled for firm performance in 2000.

Analysis

We tested the hypothesized relationships using structural equation modeling (SEM). We elected to use SEM primarily because our proposed theoretical model is a stage model in which constructs are linked sequentially, i.e., a dependent variable at one stage is included as an independent variable at the next stage. SEM is an appropriate methodology to test such path analytic, multistaged models (Bollen, 1989; Joreskog and Sobom, 1996) and has been used extensively in the management literature for this purpose (e.g., McGrath et al., 1996; Dukerich, Golden, and Shortell, 2002; Schilling and Steensma, 2002). We followed a two-stage approach to model fitting and assessment in which measurement properties of the model were assessed prior to testing structural relationships between constructs (Anderson and Gerbing, 1988; Bollen, 1996). We conducted confirmatory factor analysis on the survey items using Mplus 5.1, and we used the Generalized Least Square method to estimate parameters in the structural equation model to address any potential heteroskedasticity and autocorrelation in the error terms of the structural equations (Muthen and Muthen, 2007).

RESULTS

Descriptive statistics and bivariate correlations are provided in table 1. The data indicated that ingratiation toward the CEO was not a rare event in our sample. For example, the average potential ingratiator complimented the focal CEO in a way that slightly exaggerated his or her insight on a strategic issue 3.64 times during the prior 12-month period and expressed agreement with the focal CEO's viewpoint on a strategic issue (despite not completely sharing the CEO's opinion) 3.31 times during that period.

Table 1. Descriptive Statistics and Pearson Correlation Coefficients

Variable	Mean*	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13
1. CEO's social status in the corporate elite	.00	.95													
2. Social status of alters	.00	.39	.06												
3. Friendship ties to potential ingratiators	8.42	4.23	.08	.03											
4. Listing in *Social Register* / attendance at exclusive prep school	.14	.35	.17	.04	.04										
5. Log of sales	9.37	.88	.07	.05	.10	.07									
6. Prior firm performance	.00	.92	.05	.02	.01	−.02	−.04								
7. Top management experience	7.55	8.17	.07	.02	.12	.02	.23	.01							
8. Positive press coverage	9.70	21.72	.09	.04	.07	.04	.03	.18	.07						
9. Prior level of flattery and opinion conformity directed at CEO	.00	.95	.14	−.05	−.03	.13	.04	.05	.10	.20					
10. Woman CEO	.07	.26	−.06	−.02	−.14	−.01	.04	−.01	.10	.08	−.07				
11. CEO ethnic minority status	.04	.20	−.08	−.03	−.11	−.16	.06	−.02	.13	.04	−.09	.14			
12. Board independence	.00	1.37	−.05	.03	−.03	−.04	−.04	−.04	−.11	.12	−.06	.10	.12		
13. Level of CEO-initiated social interaction with low-status alters	.00	.97	−.08	−.09	.18	.03	.07	−.03	.13	−.02	−.03	−.09	−.12	−.01	
14. Level of non-CEO-initiated social inter. with low-status alters	.00	.96	.06	−.25	.16	.04	.09	−.02	.08	.06	−.04	−.08	−.10	−.05	.34
15. CEO flattery and opinion conformity toward alters	.00	.97	−.10	.13	−.17	−.08	.03	−.06	.05	−.04	.07	.05	.08	.14	−.03
16. Prior firm performance (estimating change in firm strategy)	.00	.91	.04	.02	.02	−.03	−.03	.38	.02	.09	.01	−.01	.00	−.03	−.02
17. Advice seeking from non-friends	5.14	5.22	−.05	.02	−.06	−.01	−.01	.14	.02	−.06	−.05	.04	.05	−.08	−.03
18. Advice seeking from others with dissimilar backgrounds	6.96	5.05	−.04	.04	−.04	−.03	−.03	.12	.01	−.09	−.06	.10	.14	−.06	−.04
19. CEO tenure	8.28	8.02	.05	.03	.08	.07	.15	−.07	.24	.14	.07	−.10	−.13	−.21	−.02
20. CEO age	54.89	7.77	.09	.07	.12	.06	.15	−.01	.00	.02	.13	.03	.07	−.04	−.04
21. Managerial discretion	.00	.92	.13	.05	.02	.03	.06	.05	.03	.04	.06	−.02	−.05	−.03	−.01
22. Prior firm performance (estimating subsequent firm performance)	.00	.90	−.04	.02	−.03	−.01	−.05	.32	.03	−.04	−.03	−.01	−.01	−.04	−.02
23. CEO flattery and opinion conformity toward outside directors	.00	.96	−.12	.04	−.15	−.06	.04	−.09	.07	−.05	.06	.06	.07	.22	−.02
24. Potential ingratiators' perception of focal CEO's strategic judgment and leadership ability	.00	.96	.19	.08	.07	.03	.04	.11	.07	.12	−.02	−.07	−.09	−.04	−.03
25. Flattery and opinion conformity directed at the CEO	.00	.97	.31	−.10	−.07	.16	.03	.06	.09	.21	.37	−.08	−.07	−.04	−.04
26. CEO self-enhancement	.00	.95	.19	−.07	.07	.05	.02	.18	.01	.22	.18	−.04	−.08	−.04	−.03
27. Change in firm strategy	.00	1.48	−.17	.05	−.08	−.06	−.08	−.14	−.03	−.16	−.15	.06	.04	.09	−.07

(*continued*)

Table 1. (continued)

Variable	14	15	16	17	18	19	20	21	22	23	24	25	26
15. CEO flattery and opinion conformity toward alters	–.04												
16. Prior firm performance (estimating change in firm strategy)	–.02	–.06											
17. Advice seeking from non-friends	–.03	–.06	.17										
18. Advice seeking from others with dissimilar backgrounds	–.02	–.05	.15	.27									
19. CEO tenure	.05	–.03	–.04	–.16	–.17								
20. CEO age	.07	–.05	–.05	–.06	–.09	.26							
21. Managerial discretion	–.01	–.02	.04	.08	.07	.04	.01						
22. Prior firm performance (estimating subsequent firm performance)	.00	–.04	.34	.15	.14	–.03	–.01	.05					
23. CEO flattery and opinion conformity toward outside directors	–.03	.34	–.08	–.05	–.05	–.02	–.01	–.04	–.10				
24. Potential ingratiators' perception of focal CEO's strategic judgment and leadership ability	.04	–.08	.12	.05	.06	.09	.03	.13	.14	–.07			
25. Flattery and opinion conformity directed at the CEO	–.06	.15	–.03	.01	–.01	.09	.04	.05	–.17	.07	–.03		
26. CEO self-enhancement	–.01	–.04	.05	–.08	–.07	.07	.01	.09	–.06	–.03	.04	.24	
27. Change in firm strategy	–.05	–.04	–.17	.20	.12	–.15	–.06	.12	.07	–.03	–.06	–.29	–.26

* *t*-tests and difference in proportion tests indicated no significant differences between the survey sample and the larger sample frame with respect to the means of archival indicators of constructs in the measurement model.

The results of our structural equation model are provided in table 2. As noted above, confirmatory factor analysis indicated that the measurement model fits the data well. The overall chi-square for the measurement model was not statistically significant ($p = .57$), and the values of three widely used fit indexes (GFI, CFI, and NFI) exceeded .90. As shown in the table, the theoretical model fits the data very well. The overall chi-square for the model was not statistically significant, the values of several fit indexes (GFI, NFI, and CFI) exceeded .90, and the standardized root mean square residual (RMR) was acceptably close to zero (Joreskog and Sorbom, 1996; Shook et al., 2004). Moreover, path coefficients from the structural model provide strong support for our hypotheses. As shown in table 2, and consistent with hypothesis 1, the CEO's social status in the corporate elite interacts with the status of potential ingratiators to predict the level of flattery and opinion conformity directed at the CEO: there is a positive association between the CEO's social status in the corporate elite and the level of received flattery and opinion conformity, and this relationship is especially strong to the extent that potential ingratiators have relatively low social status. Stated differently, the higher a CEO's social status in the corporate elite relative to the status of other top managers and directors with whom the CEO interacts, the higher the level of flattery and opinion conformity directed at the CEO.

Table 2. Parameter Estimates and Model Statistics (N = 451)*

Description of path	t
CEO's status in corporate elite X (Low) status of alters → Flattery and opinion conformity directed at CEO (H1)	7.937*** (.114)
Flattery and opinion conformity directed at CEO → CEO self-enhancement (H2a)	9.452*** (.049)
CEO self-enhancement X (Low) firm performance → Change in firm strategy (H2b)	–8.957*** (.071)
CEO's status in corporate elite → Flattery and opinion conformity directed at CEO	5.188*** (.047)
(Low) status of alters → Flattery and opinion conformity directed at CEO	1.753 (.106)
Friendship ties to potential ingratiators → Flattery and opinion conformity directed at CEO	–1.404 (.014)
Listing in Social Register/ attendance at exclusive prep school → Flattery and opinion conformity directed at CEO	2.110* (.119)
Log of sales → Flattery and opinion conformity directed at CEO	0.577 (.059)
Firm performance → Flattery and opinion conformity directed at CEO	1.519 (.025)
Top management experience → Flattery and opinion conformity directed at CEO	0.423 (.005)
Positive press coverage → Flattery and opinion conformity directed at CEO	1.542 (.002)
Prior level of flattery and opinion conformity directed at CEO → Flattery and opinion conformity directed at CEO	6.984*** (.047)
CEO tenure → Flattery and opinion conformity directed at CEO	1.570 (.005)
CEO age → Flattery and opinion conformity directed at CEO	0.709 (.006)
Woman CEO → Flattery and opinion conformity directed at CEO	–0.951 (.188)
CEO ethnic minority status → Flattery and opinion conformity directed at CEO	–1.415 (.242)
Board independence → Flattery and opinion conformity directed at CEO	–1.093 (.043)
Level of CEO-initiated social interaction with low-status alters → Flattery and opinion conformity directed at CEO	–0.846 (.047)
Level of non-CEO-initiated social interaction with low-status alters → Flattery and opinion conformity directed at CEO	–1.014 (.047)
CEO flattery and opinion conformity toward alters → Flattery and opinion conformity directed at CEO	2.411* (.046)
CEO self-enhancement → Change in firm strategy	–4.427*** (.087)
(Low) firm performance → Change in firm strategy	3.326*** (.046)
Log of sales → Change in firm strategy	–1.488 (.093)
Board independence → Change in firm strategy	1.309 (.063)
Positive press coverage → Change in firm strategy	–1.051 (.003)
Advice seeking from non-friends → Change in firm strategy	2.564** (.010)
Advice-seeking from others with dissimilar backgrounds → Change in firm strategy	2.782** (.009)
CEO tenure → Change in firm strategy	–2.050* (.010)
Level of CEO-initiated social interaction with low-status alters → Change in firm strategy	–1.162 (.081)
Managerial discretion → Change in firm strategy	2.776** (.085)

(continued)

Table 2. (continued)

Description of path	t
Potential ingratiators' perception of focal CEO's strategic judgment and leadership ability → Change in firm strategy	−0.941 (.092)
Prior level of corporate diversification → Change in firm strategy	2.033* (.165)
Prior business-level strategic investments → Change in firm strategy	1.703 (.081)
$\chi 2$ = 60.83, Normed fit index (NFI) = .97, Goodness of fit index (GFI) = .95	
Parameter Estimates from Supplemental Models†	
Change in firm strategy → Subsequent firm performance	4.943*** (.057)
Prior firm performance → Subsequent firm performance	11.655*** (.049)
Log of sales → Subsequent firm performance	−2.517** (.100)
Board independence → CEO dismissal	1.599 (.126)
Board independence X (Low) firm performance → CEO dismissal	1.461 (.081)
CEO flattery and opinion conformity toward outside directors → CEO dismissal	−1.439 (.181)
Potential ingratiators' perception of focal CEO's strategic judgment and leadership ability → CEO dismissal	−2.176* (.177)
(Low) subsequent firm performance → CEO dismissal	5.602*** (.128)
CEO's status in corporate elite → CEO dismissal	−2.163* (.201)
(Low) status in corporate elite X (Low) firm performance → CEO dismissal	2.304* (.147)
Flattery and opinion conformity directed at CEO → CEO self-enhancement X (Low) firm performance → Change in firm strategy → Subsequent firm performance	−2.717** (.049)
Flattery and opinion conformity directed at CEO → CEO self-enhancement X (Low) firm performance → Change in firm strategy → Subsequent firm performance → CEO dismissal	2.244* (.045)

* $p \leq .05$; ** $p \leq .01$; *** $p \leq .001$.

* Standard errors are in parentheses (tests are one-tailed for hypothesized effects, two tailed for controls).

† All the control paths in the main model are included.

The results in table 2 also provide support for hypothesis 2. Higher levels of flattery and opinion conformity directed at a CEO by other top managers and directors are positively associated with the CEO's self-enhancement in regard to his or her strategic judgment and leadership capability (H2a), and self-enhancement resulting from flattery and opinion conformity negatively interacts with low firm performance to predict subsequent change in firm strategy (H2b). These results indicate that CEO self-enhancement that results from received flattery and opinion conformity is negatively associated with subsequent strategic change in response to low firm performance. In further analyses, we controlled for the CEO's self-enhancement in the prior period (i.e., prior to the period for which flattery and opinion conformity was measured). We conducted this analysis for the sample of CEOs for whom complete responses to the self-enhancement scale were available in two consecutive years (N = 313), and the hypothesized results were substantively unchanged.

The effect of strategic persistence on firm performance. Our theoretical arguments would imply that strategic persistence resulting from high levels of flattery and opinion conformity directed at a CEO may compromise subsequent firm performance. Our theory suggested that CEOs who receive high levels of flattery and opinion conformity from other managers and directors should be especially likely to make biased attributions of firm performance, in which they underattribute performance problems to their strategies and overattribute such problems to temporary conditions in the industry and macroeconomic environment or to poor implementation of their strategies by lower-level managers. Such biased attributions, in turn, reduce the likelihood that CEOs will initiate needed strategic change in response to poor performance. To the extent that the failure to initiate strategic change results from biased attributions in which the CEO fails to adequately recognize the contribution of his or her strategy to low firm performance, such strategic persistence should in turn tend to contribute to the persistence of relatively low firm performance at the CEO's firm. Thus, in a supplemental structural equation model, we estimated the effect of strategic persistence on firm performance by adding a path in the primary model from change in firm strategy to subsequent firm performance. We measured performance relative to competitors two years after the period for which strategic change was measured (results were robust to different lag structures, e.g., one year and three years). We also controlled for firm size, measured as the log of total sales, and the prior level of firm performance, specified as an instrumental variable. The estimated effects of strategic persistence and relevant controls on firm performance are shown in table 2. The path between change in firm strategy and subsequent firm performance is strongly significant, indicating that strategic persistence resulting from high levels of flattery and opinion conformity directed at a CEO is negatively associated with subsequent firm performance.

As discussed above, our analysis controlled for potential ingratiators' perception of a focal CEO's strategic judgment and leadership ability. This measure is not significantly correlated with the level of flattery and opinion conformity received by a focal CEO. Thus our data indicate that CEOs who receive high levels of flattery and opinion conformity are not perceived by other managers and directors to be relatively lacking in strategic judgment and leadership ability.

It might be suggested that dispositional factors or poor performance could lead high-status CEOs to select or initiate interactions with relatively low-status alters who are especially likely to ingratiate themselves with CEOs. As discussed above, we addressed this possibility in part by controlling for the level of CEO-initiated social interaction with low-status alters over the period for which flattery and opinion conformity was measured and for the portion of outside (or inside) directors appointed during the CEO's tenure, which controls for CEOs' opportunity to select low-status alters for their boards. Moreover, CEOs' status was not positively associated with the level of CEO-initiated social interaction with low-status alters, the appointment of low-status alters during the CEO's tenure, measured by the average (inverted) status of director appointments, or with the average (inverted) status of other managers and directors at boards where the CEO served as director (at the time the CEO joined the board). This suggests that the hypothesized effect of flattery and opinion conformity directed at CEOs with relatively high social status on strategic persistence is not endogenously determined by a tendency for those high-status CEOs to surround themselves with low-status alters who are especially likely to flatter them (e.g., due to individual differences that might be associated with high status). These controls and supplemental analyses also rule out the possibility that threatening conditions (e.g., poor performance combined with a limited ability to initiate performance-enhancing changes in the short term) prompt CEOs to surround themselves with low-status alters who are especially likely to ingratiate themselves with CEOs. As noted above, moreover, we controlled for firm performance and managerial discretion in the analysis, and in further analysis, we controlled for the interaction between (low) firm performance and (low) managerial discretion and found that the hypothesized results were unchanged.

As noted above, in other analyses, we controlled for Chatterjee and Hambrick's (2007) archival measure of CEO narcissism in estimating received flattery and opinion conformity and strategic persistence. The hypothesized results were unchanged with this measure included in the model. In another model, we controlled for a survey measure of need for deference in estimating flattery and opinion conformity (Craig and Bivens, 2000), and again the results were unchanged.

The survey included a series of questions that prompted CEOs to indicate how many times over the previous 12-month period alters provided different types of information that have the potential to influence the perceived viability of the current firm strategy, including (1) positive, negative, or neutral information about firm/operational performance, (2) positive, negative or neutral information about the implementation of firm strategy, (3) information suggesting an increase or reduction in competitive threats, (4) information about other positive or negative changes in industry conditions, and (5) positive, negative or neutral information about stakeholders' assessments of firm leadership or strategy. Our preliminary interviews suggested that these categories covered a large majority of information provided to CEOs that potentially bears on the viability of the current firm strategy and that the majority of such information is provided by potential ingratiators. These assumptions were supported by responses to separate open-ended questions in the large-sample survey. Potential ingratiators responded to a parallel set of questions about information provided to focal CEOs, and interrater agreement between CEOs and alters was adequately high (weighted kappas ranged from .75 to .91). Using responses to these questions, we developed a series of count variables that indicate the number of times colleagues provided negative information of each type to the CEO over the relevant time period. Further analysis indicated that these count variables were not significantly correlated with the level of flattery and opinion conformity directed at the CEO. The variables that indicate the amount of positive or neutral information relayed to the CEO was also not correlated with the level of flattery and opinion conformity, and when these controls were included in the model estimating strategic change, the hypothesized effects of flattery and opinion conformity remained strongly significant. These analyses suggest that the hypothesized results do not reflect a tendency for ingratiated CEOs to receive limited information from their colleagues about performance problems or other organizational problems (or more positive information about performance, strategy implementation, industry conditions, or stakeholder relations) that has the potential to influence the perceived viability of the current firm strategy.

We did not expect a strong association between the demographic characteristics of top managers and the level of flattery and opinion conformity directed at the CEO, given that subordinate managers represent a small portion of all potential ingratiators for most CEOs in the sample. Accordingly, we did not expect top management team characteristics to confound the hypothesized effects of flattery and opinion conformity on strategic change. Nevertheless, in further analyses, we included controls for the top management team characteristics that were shown to influence strategic change in Wiersema and Bantel's (1992) study: mean team age, mean team organizational tenure, mean team executive tenure, mean team educational level, specialization in science and engineering, and educational specialization heterogeneity. In another model, we controlled for heterogeneity in functional background, age, organizational tenure, and executive tenure. We used Wiersema and Bantel's (1992) definition of the top management team (i.e., the two highest executive levels). The hypothesized effects of flattery and opinion conformity directed at the CEO remained strongly significant.

As discussed above, Stern and Westphal's (2010) study showed that top managers and directors tend to engage in relatively sophisticated forms of flattery and opinion conformity. They measured the sophistication of ingratiation separately from the level of ingratiation and found that higher levels of flattery and opinion conformity toward the CEO or a fellow board member increased the likelihood of gaining recommendations for board appointments at average levels of sophistication. This finding is consistent with our premise that ingratiation by top managers and directors should tend to be effective in engendering interpersonal influence over the CEO (i.e., at average levels of sophistication). They also found a positive interaction between the level and sophistication of ingratiation, such that higher levels of ingratiation were especially effective in gaining recommendations for board appointments to the extent that the focal individual engaged in relatively sophisticated forms of flattery and opinion conformity. Thus in a supplemental analysis, we examined whether the level of flattery and opinion conformity directed at the CEO interacted with the average sophistication of such behavior (using Stern and Westphal's survey measure) to predict strategic change for the subsample of firms with relatively low performance (based on a median split). The interaction was significant ($t = -3.39$), and the other hypothesized effects were supported as well.

Finally, as mentioned earlier, the hypothesized effects were robust to the inclusion or exclusion of flattery and opinion conformity from top managers at the focal CEO's firm. Moreover, hypothesis 1 was supported with flattery and opinion conformity measured for the subset of dyads that included subordinate top managers, the subset of dyads that included other (non-subordinate) managers and directors, or the full set of potential ingratiatiors. Subordinate top managers represent a small portion of all potential ingratiators for most CEOs, and thus the effects of flattery and opinion conformity depend primarily on the level of such behavior from top managers and directors at other firms.

DISCUSSION

Overall the findings provided strong support for our hypotheses. The first set of results showed that the CEO's relative social status in the corporate elite is positively associated with the level of flattery and opinion conformity directed at the CEO by other top managers and directors. This finding is consistent with our expectation that CEOs who have acquired positions of relatively high social status should become more attractive targets of flattery and opinion conformity from other managers and directors. A second set of results addressed the potentially negative consequences for CEOs of becoming the target of such ingratiatory behavior from colleagues. Our analyses confirmed that higher levels of flattery and opinion conformity directed at a CEO by other top managers and directors are positively associated with the CEO's self-enhancement in regard to his or her strategic judgment and leadership capability, and the CEO's self-enhancement that results from flattery and opinion conformity is negatively associated with subsequent strategic change in response to low firm performance. This finding is consistent with our theoretical expectation that heightened overconfidence from high levels of flattery and opinion conformity would reduce the likelihood that CEOs perceive the need to change their strategies in response to poor performance. Moreover, the results of supplemental structural equation analysis provided evidence that strategic persistence resulting from high levels of flattery and opinion conformity directed at a CEO ultimately contributed to the persistence of low firm performance.

Our theory and supportive findings make a significant contribution to the study of ingratiation and to the larger literature on social influence tactics in organizations. Despite longstanding interest in social influence tactics across a variety of social science disciplines, this literature has focused mainly on the potential benefits for the focal actor from engaging in ingratiation (e.g., Pfeffer, 1981a; Gordon, 1996; Westphal, 1998; Vonk, 2002; Higgins, Judge, and Ferris, 2003; Cialdini and Goldstein, 2004). Surprisingly little theory or research has addressed the consequences of such social influence tactics (especially harmful ones) for the influence target. We begin to fill this gap in the literature by revealing how high levels of flattery and opinion conformity increase CEOs' overconfidence in their strategic judgment and leadership capability, which then reduces the likelihood that they will initiate needed strategic change in response to poor firm performance.

Our study also contributes to the growing, multidisciplinary literature on self-enhancement or overconfidence bias, a topic that has received growing attention in the upper echelon literature. Empirical research on this topic has focused primarily on relatively enduring, individual differences in self-enhancing cognition, such as narcissistic tendencies (Taylor and Brown, 1988; Cannella and Monroe, 1997; Hiller and Hambrick, 2005; Chatterjee and Hambrick, 2007). Few empirical studies have examined how or why variation in the social context might explain the extent to which corporate leaders or other organizational members exhibit overconfidence. Our theory and findings suggest that the level of ingratiation directed at an individual by other social actors is one characteristic of the social context that can significantly affect the propensity toward self-enhancement.

Our study complements Hayward and Hambrick's (1997) investigation of CEO hubris and acquisition premiums. Whereas our theory and findings indicate how variation in CEOs' social context can explain overconfidence, Hayward and Hambrick's study identified firm-level determinants of CEO hubris such as firm performance. Our findings also complement Chatterjee and Hambrick's research on executive narcissism. In comparison to overconfidence or hubris, narcissism is a relatively enduring disposition or personality attribute.

It is also a complex construct that combines a constant need for affirmation with an inflated sense of self (Chatterjee and Hambrick, 2007). Though need for affirmation and overconfidence are negatively correlated in the general population (Taylor et al., 2003), in narcissists they are combined. Chatterjee and Hambrick (2007) found a positive relationship between their archival measure of CEO narcissism and "strategic dynamism," which is related to strategic change. They argued that narcissists' need for approval and attention led them pursue frequent and dramatic strategic changes. This assertion is not inconsistent with our finding that CEOs' self-enhancement from ingratiation is negatively associated with strategic change, since self-enhancement and need for affirmation are negatively correlated in the general population.

Supplemental analysis of CEO dismissal. To further examine whether high levels of flattery and opinion conformity have negative consequences for CEOs in their careers, we conducted further analyses that examined whether strategic persistence that results from high levels of flattery and opinion conformity directed at a CEO could ultimately increase the likelihood of the CEO's dismissal from the firm. There is abundant evidence from the literature on top management that low firm performance increases the likelihood of CEO dismissal (Boeker, 1992; Parrino, 1997; Huson, Malatesta, and Parrino, 2004). Social and psychological perspectives on corporate leadership indicate that a firm's constituents, including investors, financial intermediaries such as security analysts, journalists, and the general public, are predisposed to attribute disappointing firm-level outcomes to firm leaders and especially to the CEO as the most visible figurehead of the firm (Salancik and Meindl, 1984; Meindl, Ehrlich, and Dukerich, 1985; Hayward, Rindova, and Pollock, 2004). Consequently, boards tend to experience external pressure to scapegoat the CEO for poor firm performance (Grusky, 1963; Finkelstein, Hambrick, and Cannella, 2008). Further, constituents may be especially likely to call for the CEO's resignation when the CEO fails to initiate strategic change in response to poor performance and the performance problems persist (Fredrickson, Hambrick, and Baumrin, 1988). On one level, social and psychological theories of leadership, including perspectives rooted in the so-called "romance of leadership," suggest that constituents of U.S. firms are culturally predisposed to favor leaders who take action or initiate changes in response to low performance (March, 1981; Pfeffer, 1981b; Meindl, Ehrlich, and Dukerich, 1985). As March (1981: 573) indicated, "the ideology of good management. . . associates managers with the introduction of new ideas, new organizational forms, new technologies, new products, [or] new slogans," especially in response to performance problems. Accordingly, constituents may be especially likely to attribute persistent performance problems to weak leadership and thus exert pressure on boards to replace the CEO, to the extent that the CEO fails to initiate strategic changes in response to low performance.

Attribution theory would also suggest that constituents should tend to discount strategy as a cause of poor performance if the strategy is changed but performance problems remain (Kelley, 1972; Fiske and Taylor, 2008), such that strategic change should tend to reduce external pressure on the board to replace the CEO. If the CEO persists with his or her strategy and performance problems also persist, then the CEO's strategy becomes relatively salient to external observers as a cause of poor firm performance. Thus, to the extent that strategic persistence resulting from high levels of flattery and opinion conformity directed at the CEO is negatively associated with subsequent firm performance, as suggested above, the ultimate consequence to CEOs of receiving high levels of such ingratiatory behavior from other managers and directors may be an increased likelihood of dismissal. Supplemental analyses provided evidence for this supposition. As described in more detail in Appendix B, we measured CEO dismissal using multiple indicators, some drawn from survey data and one from archival sources. We estimated dismissal over the two-year period after firm performance was measured. As shown in table 2 above, there were significant paths linking strategic change to subsequent performance, and linking performance to subsequent dismissal. Moreover, performance interacted with a CEO's relative status, such that low firm performance resulting from strategic persistence significantly weakened the negative effect of a CEO's status on the likelihood of dismissal. Additional results indicated a significant, indirect path linking received flattery and opinion conformity to an increased likelihood of CEO dismissal, suggesting that strategic persistence resulting from high levels of ingratiatory behavior directed at a CEO reduces subsequent firm performance, which in turn increases the likelihood of dismissal. The size of this effect is substantial. For example, at relatively low levels of firm performance (e.g., one standard deviation below the mean and lower), an increase in received flattery and opinion conformity of one standard deviation (from the average level) ultimately increases the likelihood of a CEO's dismissal by 64 percent.

Together with our primary results, these supplemental findings suggest that flattery and opinion conformity directed at high-status CEOs contribute to a career dynamic in which individuals who have acquired positions of prominence in the corporate elite can ultimately lose some of their stature. This suggests how high levels of such ingratiatory behavior directed at a CEO due to the CEO's relatively high status in the corporate elite may eventually increase the chances of a negative career outcome that would diminish the very social status that led to high levels of flattery and opinion conformity in the first place. In effect, flattery and opinion conformity resulting from high social status contribute to a kind of "Icarus Paradox" (Miller, 1993) in the context of executive careers. As Connolly (1938: 109) observed in writing about his own rise and fall as a literary figure, "whom the gods wish to destroy they first call promising." Our results suggest a social and psychological mechanism by which such a career trajectory can occur in the context of corporate leadership. Accordingly, our theory and findings have implications for the dynamics of executive careers, a topic that has received relatively little scholarly research attention. Previous work on this subject has focused mainly on the relationship between executive tenure and cognition suggesting that top executives become increasingly rigid in their thinking and less willing to experiment with new strategies as they become more senior in their positions (e.g., Fredrickson, Hambrick, and Baumrin, 1988; Hambrick and Fukutomi, 1991; Miller and Shamsie, 2001). In addition, this literature has focused on the firm-level consequences of executive cognition and devoted little attention to consequences for executives themselves. In suggesting how specific kinds of social interactions (i.e., flattery and opinion conformity) experienced by CEOs when they acquire positions of relatively high social status can lead to biased self-perceptions that impair their strategic decision making, ultimately putting their position in the firm at risk, our theory and findings suggest a more social psychological perspective on the dynamics of executive careers that could be explored in future research.

Moreover, our theoretical perspective complements recent conjectures in the upper echelon literature about the consequences of CEOs' "celebrity." Hayward, Rindova, and Pollock (2004: 644) suggested that positive press coverage about CEOs could lead to hubris, as CEOs come to "believe their own press," with potentially negative consequences for firm leadership and performance. In comparison with positive press coverage, high levels of ingratiation from colleagues represents a more micro-level, interpersonal mechanism by which CEOs may become overconfident in their leadership capabilities. As noted above, we controlled for positive press coverage in our empirical analysis. Interestingly, positive press coverage about the CEO appeared to have an effect on strategic persistence that paralleled the effect of flattery and opinion conformity, but only when ingratiatory behavior was excluded from the model. When we added the level of received flattery and opinion conformity, the effect of positive press coverage became non-significant. Thus the relationship between positive press coverage and subsequent strategic decision making (as well as the ultimate effects on firm performance and CEO dismissal) appeared to be an artifact of higher levels of flattery and opinion conformity directed at CEOs who receive such coverage.

One reason why flattery and opinion conformity from colleagues could have more influence on CEOs' self-perceptions than positive press coverage is that CEOs typically have more respect for the opinions of fellow top managers and directors. Drawing from the literature on persuasion, we argued that CEOs are likely to accept fellow top managers and outside directors of similarly large companies as credible experts on matters of strategic decision making and leadership, and consequently they are likely to accept these peers' flattering statements about their strategic judgment and leadership capability with less critical scrutiny. CEOs are less likely to accept journalists as credible experts on firm strategy and leadership, and consequently positive statements about their leadership in the press may have less influence on their self-perceptions. Nevertheless, the relative influence of positive press coverage and ingratiation from colleagues on executives' self-perceptions and decision making remains an interesting topic for future research.

It might be suggested that self-disbelieved flattery would be less likely than sincere praise to influence the attitudes of CEOs. As discussed above, however, theory and empirical research on ingratiation indicates that though people often adopt a cynical stance toward flattery and opinion conformity directed at others, they tend to be less cynical about such behavior when it is directed at them (Jones, 1990; Vonk, 1998). As discussed above, moreover, research by Stern and Westphal (2010) indicates that top managers and directors frequently engage in sophisticated forms of flattery that are relatively unlikely to be interpreted cynically as self-disbelieved attempts to curry favor. Moreover, there is evidence that flattery can still have a non-trivial effect on the attitudes of an influence target even when the flatterer has ulterior motives and his or her compliments are perceived to be insincere (e.g., see Chan and Sengupta, 2010). Furthermore, flattery seems especially likely to promote self-enhancement in the absence of unambiguous, objective information about one's performance. Firm performance, social status, and press coverage provide relatively noisy signals about the CEO's strategic judgment and leadership capability. The attribution of firm performance to internal vs. external causes (e.g., the CEO's leadership vs. industry conditions or inherited problems and opportunities) is inherently complex and uncertain (Pfeffer, 1981b), the CEO's social status may be ascribed rather than earned (Weber, 1968; Jensen, Kim, and Kim, 2011), and CEOs often place little credence in journalists' assessments of their leadership, as discussed above. Moreover, our theory addresses the effects of flattery and opinion conformity in situations in which these signals at least partially conflict, e.g., the CEO's social status is high but firm performance is low. It is precisely when other signals of CEO quality conflict that flattery and opinion conformity is likely to have the strongest influence on CEOs' self-enhancement, especially because those other signals are relatively noisy in the first place.

A limitation of our study is that we only examined the determinants and consequences of received flattery and opinion conformity among CEOs of U.S. companies, and our theoretical arguments may not completely generalize to non-U.S. samples. There is currently much debate in social psychology about whether there are cultural differences in vulnerability to self-enhancement bias. Although some authors maintain that self-enhancement varies little across cultures, others argue that it is less pronounced in certain collectivistic cultures (e.g., China and Japan), and still others contend that self-enhancement is present in such cultures but is manifested differently; for example, individuals in East Asian cultures may exhibit self-enhancement on collectivistic traits such as cooperativeness (cf. Heine, 2005; Sedikides, Gaertner, and Vevea, 2005; Leary, 2007). If executives in collectivistic cultures are less vulnerable to self-enhancement, then our theory and findings may not fully generalize to such cultures. Alternatively, if self-enhancement in East Asian cultures is manifested as overconfidence about collectivistic vs. individual traits, then executives may still become targets of ingratiation to the extent that they gain social status, but flattery may take a different form, perhaps as compliments about collectivistic traits such as the ability to work with others and build consensus. By extension, high levels of received ingratiation toward top executives in East Asian cultures may still increase those executives' overconfidence in their leadership abilities as such abilities are normatively defined in collectivistic cultures. The generalizability of our theory to these and other cultures is an intriguing issue that awaits future research.

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APPENDIX A: Survey Scale Items

Measure of Flattery and Opinion Conformity Directed at CEO

(The response format for this scale was the number of times a particular type of behavior occurred)

Item	Lambdas*
1. [Over the past twelve months:] How often have you complimented [the CEO] in a way that slightly exaggerates [his/her] insight on a strategic issue?	0.94
2. In speaking with [the CEO] over the past twelve months, on how many occasions did you point out opinions you have in common, even when you did not completely share [his/her] point of view?	0.93
3. [Over the past twelve months:] How many times did you give [the CEO] a compliment that somewhat overstates how certain you were about the success of [his/her] past strategic decisions?	0.91
4. In speaking with [the CEO] over the past twelve months, on how many occasions did you praise [his/her] strategic judgment in a way that may somewhat overstate [his/her] actual ability?	0.95
5. In talking to [this individual] over the past twelve months, how many times did you express agreement with [the CEO's] viewpoint on a strategic issue, even when you did not completely share [his/her] opinion?	0.89
6. [Over the past twelve months:] how often have you complimented [the CEO] on [his/her] career success in a way that may exaggerate the extent to which [his/her] success was earned? †	1.00

Measure of CEO Self-Enhancement in Regard to Strategic Judgment and Leadership Capability

(The response format for this scale was "Well below average . . . somewhat below average . . . about average . . . somewhat above average . . . well above average . . . perhaps the best.")

Item	Lambdas*
1. [Focal CEO:] How would you assess your strategic judgment compared to other CEOs of large U.S. companies? [Alters:] How would you assess [the focal CEO's] strategic judgment compared to other CEOs of large U.S. companies?	0.84
2. [Focal CEO:] How would you assess your leadership capability compared to other CEOs of large U.S. companies? [Alters:] How would you assess [the focal CEO's] leadership capability compared to other CEOs of large U.S. companies?	0.89
3. [Focal CEO:] How do you think your strategic judgment compares to that of other CEOs at similarly large U.S. firms? [Alters:] How do you think [the focal CEO's] strategic judgment compares to that of other CEOs at similarly large U.S. firms?	0.85
4. [Focal CEO:] How do you think your leadership capability compares to that of other CEOs at similarly large U.S. firms? [Alters:] How do you think [the focal CEO's] leadership capability compares to that of other CEOs at similarly large U.S. firms?	0.88
5. [Focal CEO:] How would you compare your strategic judgment and leadership capability with that of other CEOs? [Alters:] How would you compare [the focal CEO's] strategic judgment and leadership capability with that of other CEOs? †	1.00

* Standardized factor loadings for confirmatory factor analysis.

† This item was used as the reference indicator in our primary analysis.

APPENDIX B: Supplemental Analyses

Supplemental Assessment of Construct Validity

We assessed the convergent validity of our measure of flattery and opinion conformity using data from a 2002 survey study of corporate leaders. The sample frame included 550 CEOs drawn from the same population of firms as the sample for the current study (i.e., public U.S. industrial and service firms with more than $100 million in sales). Two hundred and twenty-four CEOs participated in the study (41 percent of the sample frame). As in the current study, separate surveys were sent to all outside directors at firms where a responding CEO served on the board and to top managers with whom a responding CEO reported having communicated during the prior year. The response rate for this survey was 39 percent. Kolmogorov-Smirnov (K-S) two-sample tests confirmed that the survey sample was representative of the larger sample frame on independent and control variables measured with archival data. Using the responses of potential ingratiators (i.e., outside directors at firms where a responding CEO served on the board and top managers with whom a responding CEO reported having communicated), we examined the correlation between responses to items in our scale and responses to items in the scale used by Westphal and Stern (2006). The average Spearman's interitem correlation coefficient was .77.

We used feedback from the preliminary interviews to refine Westphal and Stern's (2006) ingratiation scale. Supplemental evidence suggests that refinements to the scale have enhanced its validity. Confirmatory factor analysis (CFA) of the 2002 survey data described above indicated that while standardized factor loadings (λ) for the current scale ranged from .89 to .95, with an average of .92, loadings for the earlier scale from Westphal and Stern (2006) ranged from .76 to .89 with an average of .83. While loadings for Westphal and Stern's (2006) scale are strong, loadings for the current scale generally improve upon those from the earlier scale.

We also assessed the predictive validity of our survey measure of potential ingratiators' assessment of the focal CEO's strategic judgment and leadership capability. We would expect that managers and directors who have a relatively positive assessment of a CEO's abilities should be more likely to recommend the CEO for a board appointment at another firm. Beginning in 2002, we surveyed members of board nominating committees in the sample-frame where potential ingratiators of a participating CEO served as director. Using these data, we found a positive and significant correlation ($p < .001$) between our measure of an individual manager/director's perception of a CEO's ability and the likelihood that the individual would recommend the CEO for a board appointment at another firm where he or she served on the board nominating committee during the subsequent two-year period (as reported by another member of the committee). We used Westphal and Stern's (2006) measure of recommendations for board appointments in this analysis.

Supplemental Analysis of CEO Dismissal

We measured CEO dismissal using multiple indicators, some drawn from survey data and one from archival sources. As noted above, we surveyed outside directors at firms where the CEO responded to our survey each year for six years after the CEO's initial response. In cases in which the CEO had left the firm in the interim, the director survey included questions about the reason for the CEO's departure, for example, "To what extent was [the CEO's] departure purely voluntary . . . more voluntary than forced . . . more forced than voluntary . . . purely forced?"; "The CEO's departure was forced: strongly disagree . . . mostly disagree . . . neither agree nor disagree . . . mostly agree . . . strongly agree." We also developed an archival measure of dismissal that has been widely used in the financial economics literature on CEO turnover. In particular, we followed the procedure advocated by Parrino and colleagues for coding CEO turnover as forced or voluntary based on information in press reports and the CEO's age at the time of succession (e.g., Parrino, 1997; Huson, Malatesta, and Parrino, 2004; for a review, see Chakraborty, Sheikh, and Subramanian, 2007). There was a high rate of interrater agreement between two independent coders using this procedure (96 percent). The literature shows slight variations in the procedure to code CEO turnover; for instance, Charkraborty, Sheikh, and Subramanian (2007) classified CEO departures following mergers and acquisitions as forced turnovers even in the case of "friendly" mergers, while Huson, Parrino, and Starks (2001) excluded departures resulting from change in firm control from the forced turnover category. The results were robust to both CEO turnover categorization schemes. Confirmatory factor analysis showed that the survey items and the archival indicator of dismissal loaded on the same construct as expected, providing evidence for the convergent and discriminant validity of the measures (standardized factor loadings were statistically significant at alpha = .001 and ranged from .72 to .80). We also examined the interrater reliability of the survey measures. We compared the responses of different directors to the survey items listed above (when more than two directors responded for the same turnover event, two sets of responses were randomly selected): weighted kappa coefficients for the survey items were .86 and .90, suggesting a high level of interrater reliability. In the primary analyses, we measured CEO dismissal for the two-year period subsequent to the period for which firm performance was measured. In separate analyses, we measured dismissal over longer and shorter time periods (e.g., one year and three years), and the hypothesized results were substantively unchanged.

We controlled for several indicators of board independence that have been widely used in the governance literature (Sundaramurthy, 1996; Chatterjee and Harrison, 2001; Pollock, Fischer, and Wade, 2002; Finkelstein, Hambrick, and Cannella, 2008): the portion of outside directors appointed after the CEO, separation of the CEO and board chair positions, average director stock ownership, relative CEO-board tenure (i.e., average director tenure divided by CEO tenure), and presence of the CEO on the board nominating committee. These measures were combined into a single index using principal components analysis (Jackson, 1991). In separate analyses, we also controlled for CEO stock ownership and board size, and the results were substantively unchanged. Although less independent boards may be more likely to resist external pressure from constituents to replace CEOs in response to low firm performance (Boeker, 1992), our theory suggests why there is likely to be especially strong pressure from constituents to dismiss the CEO for low firm performance that results from strategic persistence in response to previously low firm performance. Nevertheless, as a precaution, we controlled for the interaction between board independence and (low) firm performance in estimating CEO dismissal. We also controlled for the direct effect of a CEO's relative status on dismissal. We did not expect tenure to influence the likelihood of CEO dismissal after controlling for board independence, and separate analyses confirmed that including a control path from tenure to dismissal did not change the results. We also controlled for the survey measure of potential ingratiators' perception of a focal CEO's strategic judgment and leadership ability, to address the possibility that CEOs who receive high levels of flattery and opinion conformity are perceived by other managers and directors to be relatively lacking in strategic judgment and leadership ability. Moreover, we controlled for the level of CEO flattery and opinion conformity toward outside directors at the focal firm. This variable indicates the average level of such behavior over the year prior to the period over which dismissal was measured. In separate models, we controlled for the interaction between firm performance and CEO flattery and opinion conformity, and the results were unchanged.

Other Supplemental Analyses and Robustness Checks

We conducted a supplemental analysis to address the question of whether high-status CEOs are significantly busier than low-status CEOs, which might dampen their motivation or ability to favor ingratiating managers and directors. The 2002 survey described above included a multi-item scale that essentially gauged how busy CEOs were as a result of their various professional obligations, for example, "Approximately how many hours per week do you devote to your professional obligations?" "To what extent do you feel overburdened by your professional obligations?" [not at all . . . somewhat . . . very much so]; "Approximately how many hours per week do you devote to your management and board responsibilities?"; "To what extent do you feel overburdened by your management and board responsibilities?" [not at all . . . somewhat . . . very much so]; "Approximately how many hours per week do you devote to professional obligations other than your management and board responsibilities?" Factor analysis indicated that items in the scale loaded on a single factor with acceptably high reliability (α = .85). We measured CEOs' social status in the corporate elite using the same archival variables as in the current study. Analysis indicated that CEOs' social status in the corporate elite was not positively associated with how busy they were (or perceived themselves to be) because of their professional obligations ($p > .20$).

It might be suggested that opinion conformity could reflect a director's lack of knowledge or preparedness for strategic discussions. We examined the correlation between opinion conformity and a revised version of Carpenter and Westphal's (2001) measure of directors' perceived ability to contribute to board discussions of strategic issues, which included questions about directors' self-assessed knowledge and preparation to contribute to strategic decision making, for example, "To what extent do you have sufficient knowledge on relevant strategic issues to contribute to board discussions?"; "To what extent do you typically feel prepared to contribute to discussions about firm strategy?" (α = .89). This measure was not significantly associated with opinion conformity among responding directors who served on the focal CEO's board (r = –.03). Moreover, there was a modest, positive association between opinion conformity and attendance at board meetings among directors in this sample (r = .07), which also suggests that less prepared directors did not engage in more opinion conformity toward CEOs. When we controlled for directors' perceived ability to contribute to board discussions of strategic issues and attendance at board meetings in estimating received flattery and opinion conformity and strategic persistence, the hypothesized results were unchanged.

In separate analyses of received flattery and opinion conformity, we controlled for (1) the gender and ethnic minority status of potential ingratiators, (2) CEO-board relative tenure (separately from other indicators of board independence), (3) (absolute) CEO organizational tenure, (4) CEO organizational tenure relative to the organizational tenure of potential ingratiators, (5) the (absolute) position tenure of potential ingratiators, (6) the (absolute) organizational tenure of potential ingratiators, (7) prior CEO experience in the focal firm's primary industry, (8) prior CEO experience in the industry relative to the experience of potential ingratiators, (9) prior industry experience of potential ingratiators, and (10) reciprocal interlock ties in which the CEO and an alter-CEO serve on each other's boards. These variables did not independently predict the level of received flattery and opinion conformity, and in each model, the hypothesized results were unchanged. The results were also robust to controlling for the proportion of potential ingratiators who were CEOs and active vs. retired executives.

Authors' Biographies

Sun Hyun Park is a Ph.D. student at the Ross School of Business, University of Michigan. Ann Arbor, MI 48109-1234 (e-mail: sunpark@umich.edu). His current research interests include social structural and psychological approaches to strategic decision making, specifically in the area of corporate governance.

James D. Westphal is the Robert G. Rodkey Collegiate Professor of Business Administration and a professor of strategy at the Ross School of Business, University of Michigan, Ann Arbor, MI 48109-1234 (e-mail: westjd@umich.edu). His current research interests include corporate governance, symbolic and institutional processes, social influence, and corporate elites. Recent publications include "My Brother's Keeper? CEO Identification with the Corporate Elite, Social Support among CEOs, and Leader Effectiveness," with M. McDonald (*Academy of Management Journal*, 54: 661–693), "Misperceiving the Beliefs of Others: How Pluralistic Ignorance Contributes to the Persistence of Positive Security Analyst Reactions to the Adoption of Stock Repurchase Plans," with D. Zhu (*Organization Science*, 22: 869–886), "Avoiding Bad Press: Interpersonal Influence in Relations between CEOs and Journalists and the Consequences for Press Reporting about Firms and Their Leadership," with D. Deephouse (*Organization Science*, 22: 1061–1086), and "An Impression Management Perspective on Job Design: The Case of Corporate Directors" (*Journal of Organizational Behavior,* 31: 319–327). He received his Ph.D. in organization behavior from Northwestern University.

Ithai Stern is an assistant professor of management and organizations at the Kellogg School of Management, Northwestern University, Evanston, IL 60208 (email: i-stern@kellogg.northwestern.edu). His research focuses on factors that shape executives' strategic choices regarding their organization's evolution, corporate governance, and relationships with other organizations, and how, in turn, these choices affect their organization's ability to adapt, survive, and prosper in changing environments. He received his Ph.D. in strategic management from the University of Texas at Austin.

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