

BELIEVING ONE'S OWN PRESS: THE CAUSES AND CONSEQUENCES OF CEO CELEBRITY

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This theoretical article introduces the construct of CEO celebrity in order to explain how the tendency of journalists to attribute a firm's actions and outcomes to the volition of its CEO affects such firm. In the model developed here, journalists celebrate a CEO whose firm takes strategic actions that are distinctive and consistent by attributing such actions and performance to the firm's CEO. In so doing, journalists over-attribute a firm's actions and outcomes to the disposition of its CEO rather than to broader situational factors. A CEO who internalizes such celebrity will also tend to believe this over-attribution and become overconfident about the efficacy of her past actions and future abilities. Hubris arises when CEO overconfidence results in problematic firm decisions, including undue persistence with actions that produce celebrity.
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Welch has delivered extraordinary growth, increasing the market value of GE from just \$12 billion in 1981 to about \$280 billion today. No one, not Microsoft's William H. Gates III or Intel's Andrew S. Grove, not Walt Disney's Michael D. Eisner or Berkshire Hathaway's Warren E. Buffett, not even the late Coca-Cola chieftain Roberto C. Goizueta or the late Wal-Mart founder Sam Walton has created more shareholder value than Jack Welch. (*Business Week*, 1998)

The above quote exemplifies journalists' propensity to attribute a firm's outcomes, including its performance, to the actions of its CEO (Gitlin, 1981; Meindl, Ehrlich, and Dukerich, 1985; Tuchman, 1977). In addition to explaining General Electric's performance, this quote also highlights the manner in which journalists inform the public

about the legitimacy and effectiveness of firms and their leaders (Baum and Powell, 1995; Lamertz and Baum, 1998; Pollock and Rindova, 2003). In this context, research on the media shows that journalists play a powerful role in shaping the public's perceptions of issues and entities, effectively 'setting the agenda' for public discourse (Herman and Chomsky, 1988; McCombs and Shaw, 1972; Rogers, Dearing, and Bregman, 1993; Weaver *et al.*, 1981). Consistent with this view, the attributions that journalists make regarding firms' actions and outcomes can materially impact how these actions are perceived by firm managers and stakeholders. As a result, journalists' attributions may indirectly affect managers' propensity to persist with existing actions or adopt new ones (Clapham and Schwenk, 1991; Staw, McKechnie, and Puffer, 1983; Wagner and Gooding, 1997).

While journalists issue many different accounts of firms, our focus is on the form of attribution that is exemplified in the above quote—that a firm's outcomes arise from the strategic choices of

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its CEO. Such attributions are consistent with the more general attribution phenomenon, also known as 'the fundamental attribution error' or the tendency of observers to over-attribute actions and outcomes to dispositional characteristics of social actors rather than to situational factors (Jones and Nisbett, 1972; Meindl *et al.*, 1985; Nisbett and Ross, 1980; Ross and Nisbett, 1991). One of the reasons for this attributional bias is that people make attributions in order to 'predict the future and control events' (Fiske and Taylor, 1991: 23; Heider, 1944, 1958). Therefore, they seek to explain outcomes in terms of stable factors, such as the dispositions of an actor, rather than temporary ones, such as the characteristics of a situation (Jones and Davis, 1965). This reasoning suggests that actors, like journalists, tend to look for brief, simple, and appealing explanations of complex outcomes rather than search for more comprehensive explanations (Cyert and March, 1963; Weiner, 1986).

In this paper we examine the causes and consequences of journalists' attributions of a firm's performance and actions to its CEO, and the mechanisms by which journalists promote such attributions to the public. In their role as purveyors of news, journalists often need to explain a firm's actions, its performance, or both. Our model suggests that journalists' work demands cause them to magnify 'the fundamental attribution error' of over-attributing behavior to the actor's dispositional qualities (Heider, 1958; Ross, 1977). In the process of attributing a firm's actions and performance to its CEOs, journalists create 'celebrity CEOs.' Having created such celebrity, journalists can then change stakeholders' expectations about (a) who the CEO is and how she will act (Kelley, 1972), and (b) how to respond to CEO actions (e.g., Bem, 1972; Festinger, 1957; McArthur, 1972). Therefore, recognizing how attributions affect the behavior and interactions of social observers with celebrity CEOs might shed additional light on CEO roles in firms.

While other image generators (e.g., publicists, public relations staff) and information intermediaries (e.g., analysts) also contribute to CEO celebrity, we focus here on the role of journalists in determining CEO celebrity for three main reasons. First, as discussed, there is pervasive evidence that journalists, specifically, attribute a firm's performance to the actions of its CEO (Meindl *et al.*, 1985; Pfeffer, 1981a). Other evidence shows that journalists are the principal, even 'omnipresent',

agents for setting the agenda for public discourse and so are the primary actors in creating celebrity CEOs (McCombs and Shaw, 1972). Finally, while the statements of other image generators are also important, they often reach the general public when journalists incorporate them in the reports that they issue.

We develop the CEO celebrity construct as a step towards examining which CEOs attract more or less celebrity and thus become susceptible to the effects of celebrity. In tackling this question, we examine the social psychological mechanisms that predispose journalists to attribute responsibility for a firm's performance to its CEO, rather than to organizational or environmental constraints. Drawing on attribution theory, we propose that journalists are more likely to attribute the actions of the firm, and by implication its performance, to the firm's CEO when the firm's actions (a) differ from those of firms operating in similar conditions, and (b) are consistent with strategic actions taken by the same or other firms under the same CEO (Kelley, 1972).

Our second research question concerns the strategic implications of CEO celebrity for the future actions of the CEO and her firm. In answering this question we draw on social cognition and decision-making research to explore how celebrity affects the CEO's impression of who she is and what she can do (see Harvey and Weary, 1984, for a review; Weick, 1979; Weiner, 1986). If celebrity arises from the over-attribution of outcomes to dispositional versus situational factors, a CEO who believes her own press is likely to become more (a) overconfident about her ability and the accuracy of her judgment and (b) committed to the strategic choices that made her a celebrity. (Camerer and Lovallo, 1999). As a result, her firm may over-rely on the strategic actions that brought her celebrity, and thus become less adaptable to new competitive demands.

The article proceeds in four sections. Our point of departure is to outline the CEO celebrity construct and its antecedents in organizational research. The next section develops the conditions in which journalists are more likely to celebrate CEOs. The implications of celebrating CEOs for the CEO and her firm are then discussed. The final section synthesizes the implications of CEO celebrity for research on corporate leaders and strategy.

WHAT IS CEO CELEBRITY?

Celebrity arises when journalists broadcast the attribution that a firm's positive performance has been caused by its CEO's actions. In this definition, celebrity has three core components. First, journalists broadcast such attributions through the print and electronic mass media. For the reasons discussed in the introduction our attention centers on attributions that are delivered by journalists in the mass media to their audiences, even if other social commentators may also contribute to CEO celebrity. Therefore, our model of CEO celebrity presupposes that the journalists have selected the firm for coverage by the media outlets that they work for. Second, the attribution involves the causes of a firm's actions that lead to its positive performance.¹ Third, firm actions (and by implication, performance) are attributed to the CEO's volition.² That is, celebrity does not involve attributions to other factors such as luck, environmental conditions, or the actions of other individuals and teams in the firm. Thus, celebrity does not necessarily arise if performance is attributed to a CEO's action that is portrayed as lucky or dictated by the CEO's environment.

Consistent with this construct, Meindl *et al.*'s (1985) analysis of the *Wall Street Journal* over 10 years highlights that journalists pervasively attribute firm, and even industry, performance to CEOs. This research is provocative in light of the internal and external constraints that govern whom CEOs can interact with, what they can attend to, and so what they can do (Pfeffer, 1977; Pfeffer and Salancik, 1978). While Meindl and colleagues demonstrate the presence of such attribution errors with regard to corporate leadership, theory and research have not addressed the questions of (a) why and when journalists tend to make such attributions and (b) why these attributions may matter.

¹ Attribution theory suggests that attributions for actions with positive or negative outcomes reflect different processes (Shaver, 1975, 1985). To consider an actor responsible for a positive event, it is sufficient to establish that the actor caused the outcome. In contrast, attributions of blame tend to arise only when there is evidence that the actor intended to cause the outcome. Therefore, the attribution processes regarding negative organizational performance and outcomes may involve different theoretical dynamics that lie beyond the scope of our article.

² We use the term 'CEO volition' as a summary term referring to a CEO's personality, characteristics, preferences, choices, and actions that journalists allude to or put forth as explanations of firms' actions and performance.

Drawing on attribution theory, below we present a model to explain what factors lead journalists to attribute firm actions and performance to the CEO rather than to environmental constraints.³ Attribution theory focuses on determining the motivation (situational or dispositional) for an action, rather than the outcome of that action. Thus, we first develop the conditions in which firm actions are attributed to the CEO, and then turn to discussing why those actions are also linked to firm performance.

WHY AND HOW DO JOURNALISTS CREATE CELEBRITY CEOs?

Attribution theory proceeds from Heider's (1958) insight that social perceivers attribute actions to dispositional or situational factors, rather than luck, because they seek to use stable explanations to understand and control outcomes (Jones and Davis, 1965). While there are many strands of attribution theory, we adopt Kelley's (1967) influential model of the criteria that determine whether outcomes are attributed to dispositional or situational factors. We adopt Kelley's model for three main reasons. First, the model is applicable to cases where individuals, like journalists, have significant time constraints in explaining complex and uncertain phenomena like firm action. Second, the model explicitly considers the attribution of events to situational or dispositional factors, modeling the situation as well as the disposition. Third, there is strong evidence that people use Kelley's distinctiveness, consistency, and consensus criteria in making attributions (see Fiske and Taylor, 1991: 36, for a review).

Distinctiveness refers to the degree to which a given effect (action or performance) occurs in the presence or through the agency of a particular social actor, and not in the presence or through the agency of other social actors. Because certain

³ CEOs at larger firms are more likely to become celebrities than those at smaller firms. Naturally, larger organizations are of greater interest to the public, and thus are more likely to receive greater volumes of media coverage. Larger firms and firms that have strong market positions, such as being the top firms in their industries, are more likely to have such performance and to become the focus of journalists' attention. Equally, performance that deviates positively and significantly from industry norms is also more likely to be reported on by journalists, regardless of firm size (Meindl *et al.*, 1985). Thus, we expect that our arguments will hold after controlling for firm size and performance.

types of situations routinely yield certain types of actions (Heider, 1958), and social observers come to expect these actions, actions are viewed as distinctive if they differ from the expected and/or habitually occurring types of actions in a given situation. Overall, actions that diverge from expectations are more readily attributable to the actor than to the situation. The second criterion, consensus, refers to the extent to which the 'actor effect' is observed across different contexts and situations (Kelley, 1972). For example, if a CEO is shown to be risk-seeking, rather than risk-averse in some aspects of her personal life, the risk-seeking strategic actions of a firm are more likely to be attributed to the CEO. Finally, the consistency of actions refers to the degree to which the observed effects occur consistently over time in the presence of the actor. As Fiske and Taylor (1991: 31) note, 'having information about prior behavior or perceiving consistency in behavior or intentions over time can lead to a dispositional attribution.' Thus, when the behaviors of a focal actor are distinctive relative to others acting in the same context, and when the actor engages in similar behaviors over time and across situations, observers are more likely to make dispositional attributions (Kelley, 1972). We now turn to a discussion of how these characteristics apply to CEO actions.

Distinctive action

Social observers tend to develop expectations about the types of firm actions that will surface in particular situations. These expectations are generally driven by institutionalized norms regarding what are appropriate and feasible actions within the current context (Meyer and Rowan, 1977; Westphal, Gulati, and Shortell, 1997). Consider two principal contexts in which expectations regarding the set of feasible strategic actions may lead journalists to consider the actions of a firm distinctive, and to attribute these actions and the firm's performance to CEO volition. First, actions may be discrepant with those exhibited by peer firms that operate in similar industry environments. Industries exhibit dominant environmental requirements that become familiar to the managers in those industries (Lawrence and Lorsch, 1967). As a result of these dominant environmental concerns, firms tend to conform to industry-specific actions, including strategic profiles that attract legitimacy

from stakeholders (Westphal *et al.*, 1997). Firm actions that do not conform to the strong pressures and incentives set by other firms in similar contexts tend to be attributed to the CEO's volition rather than to situational factors. Moreover, actions that are distinctive from the actions of peers in similar environments are likely to be particularly salient to observers given that firm strategies tend to be homogeneous within certain industry environments (Meyer and Rowan, 1977).

Second, a firm's actions under the leadership of a new CEO may deviate from the past actions displayed by her predecessor, even though the organizational context and industry environment has remained relatively stable from the prior regime to the current regime. If the underlying situation facing the firm has not changed, actions taken under the new CEO that differ from actions taken under the prior regime become more readily attributable to the CEO and less attributable to organizational or industry constraints. Attributions to the CEO are particularly likely here because the firm's administrative heritage is a strong predictor of how its CEOs can and will act (Selznick, 1957; Hambrick, Geletkanycz, and Fredrickson, 1993; Zajac and Westphal, 1996). If significant change in CEO action across regimes is relatively rare in the absence of change in the organizational and industry environment, changes in a firm's actions that result from the strategic choices of the CEO become more distinctive and salient to observers.

The foregoing suggests that distinctive actions emerge in inter- and intra-organizational contexts that represent firm-level effects. While distinctive firm actions may lead to CEO celebrity, observers discount any one cause of an outcome to the extent that other causal explanations are also available (Kelley, 1972; Messick and Reeder, 1974; Fiske and Taylor, 1991). To establish whether an action is attributable to the CEO rather than the industry or firm contexts, journalists will also seek evidence about the consistency of the action.

Consistent action⁴

If a distinctive action occurs in an unusual situation, journalists may conclude that the CEO acted

⁴ Because consistency and consensus refer to a similar characteristic of an action—the degree to which it repeats itself over time and across contexts—we combine these two dimensions in a single 'consistency' dimension. This approach is consistent

'out of character' (Jones and McGillis, 1976; Kelley, 1967) and are more likely to attribute the action to the situation, rather than to the CEO's disposition. However, when distinctive actions are taken across different situations and over time, they provide journalists with evidence that the distinctive action reflects a stable property of the firm (Jones and McGillis, 1976; Kelley, 1972; McArthur, 1972). They are further likely to associate a firm's actions with the dispositional characteristics of its CEO when the action is consistent with the CEO's leadership history (e.g., a similar action has been observed under the leadership of the same CEO in different firms) but not with the firm's behavioral history (e.g., the same firm has taken different actions under a different CEO). In other words, when a CEO faces very different situations within or across firms, but leads the firm in taking actions of a similar type, the consistency of actions is likely to engender dispositional attributions about the CEO as the cause of these actions.

CEO-related consistency in firm actions can be seen when CEOs migrate between firms in different industries (Boeker, 1997; Kraatz and Moore, 2002). Attributing organizational actions to the CEO is logical to journalists when the firm previously led by this CEO took similar strategic actions in a different industry. For instance, 'Chainsaw' Al Dunlap implemented ruthless cost-cutting, including staff lay-offs, in settings that ranged from packaging (Scott Paper) to household appliances (Sunbeam) in order to improve earnings performance. Similarly, Lou Gerstner stepped into difficult situations and was credited with remaking the corporate cultures and revitalizing once powerful but declining brands at both Nabisco and IBM. Under such circumstances, the combination of consistent action across firms despite the diversity in those firms' environments makes the individual CEO relatively salient as a determinant of organizational action. At the same time, the differences in firm characteristics and environmental conditions lead observers to discount their influence as causal factors.

Based on the preceding arguments, we propose the following:

Proposition 1: The likelihood that distinctive organizational actions will lead to CEO celebrity is increased to the degree that the CEO is associated with similar organizational actions across multiple situations.

Whereas it is well documented that journalists tend to exaggerate the CEO's contribution to firm performance (Meindl *et al.*, 1985; Chen and Meindl, 1991), there is still limited understanding of why journalists celebrate CEOs. We turn to this issue to explain when CEO celebrity is more likely to arise.

Journalists' bias in assessing distinctiveness and consistency

Attribution theorists have conventionally conceived of individuals as relatively efficient, boundedly rational processors of evidence about actions (Heider, 1958; Kelley, 1972). For Kelley (1972), observers are intuitive, if naïve, scientists who seek information about how distinctive and consistent actions co-vary. More recent research suggests that, to varying degrees, observers lack the cognitive attention and information-processing capacity needed to apply consistency and distinctiveness criteria thoroughly and instead may be applying these criteria selectively (Hilton and Slugoski, 1986; Turnbull and Slugoski, 1988). These findings direct attention to the particular constraints faced by journalists as observers of social action.

The tendency to apply attribution criteria selectively is exacerbated in the case of journalists by the unique information and time constraints that they face in constructing accounts of organizational action and performance. Journalists work against time pressures to collect and process information about the many determinants of a firm's performance and the co-variation among them (Altheide, 1976; Tuchman, 1977). In trying to meet deadlines and work with editorial staff, journalists revert to familiar and relatively simple explanations of firm performance, rather than those that would require further data collection and an in-depth analysis of the CEO's situation (Shoemaker and Reese, 1996).

In addition, journalists are often asked by their editors to cover wide subject areas, ranging from Wall Street to technology (Kurtz, 2000; Reese, Gandy, and Grant, 2001). Therefore, they tend to possess generalist rather than specialist expertise (Gitlin, 1981), which may limit their ability

with evidence that social observers use consensus as an independent dimension of action less than the other two dimensions (Olson, Ellis and Zanna 1983).

to grasp the complexity of specialized contexts. Journalists who are unfamiliar with a complex subject area might also have more trouble grasping the various factors that account for firm actions. As a result, journalists consciously or subconsciously simplify their cognitive tasks. (Berscheid *et al.*, 1976) and, relative to those who witness CEO action first-hand, they may bolster the available evidence that a firm's actions are sufficiently distinctive and consistent to be attributed to its CEO (Taylor and Fiske, 1975).

To synthesize, we argue that journalists' motivational and information-processing constraints lead them to seek evidence that bolsters dispositional attributions. Such biased application of the attribution criteria is consistent with a more general model of cognitive evaluation that we call the 'strongest evidence model.'⁵ When multiple assessment criteria can be applied in evaluating performance, individuals who prefer a particular evaluation will focus on the one or few criteria that most strongly support that evaluation, and exclude or discredit information that provides disconfirming evidence (Cialdini, 1993). To illustrate, if there is a high degree of consistency between a firm's actions in the CEO's current situation and in the actions of other firms in different contexts that were also led by the focal CEO, journalists will tend to look for evidence that these behaviors are distinctive, and spend less effort establishing significant differences between the current organizational and industry environment and the environments in which the CEO previously served. For example, although Scott Paper and Sunbeam operate in very different industries, both industries are mature, require substantial investments in depreciating physical assets (i.e., production facilities), have unionized labor, and face intense foreign competition from low-cost competitors. The similarity in these situational characteristics could also have caused the strategic actions that have become associated with Dunlap's strategic 'style,' but consideration of these situational characteristics would have reduced the perceived distinctiveness of his actions.

Similarly, if journalists believe a CEO's actions are distinctive compared to those of other CEOs who face similar organizational and environmental constraints, they will then be more likely to search for evidence that confirms the consistency

criterion. Thus they can more readily attribute the strategic actions of the firm to the volition of the CEO, rather than continuing to search for information that confirms or disconfirms that the actions observed are in fact distinctive. In summary, the strongest evidence model suggests that journalists are psychologically motivated to make dispositional attributions by looking first for the strongest evidence that CEO actions are either distinctive or consistent, and then by searching for additional evidence that can be used to support the other criterion. In so doing, journalists devote less cognitive attention to identifying evidence that confirms or disconfirms the initial attribution that the actions are really distinctive or consistent.

Journalists' presentation of attributional accounts

The attribution literature is grounded in observations of first-hand interactions between people, wherein people make attributions about the performance of another person about whom they have first-hand knowledge (Kelley, 1972). Our theory complements this literature by examining how journalists provide attributional accounts for others.

Journalists' accounts reflect both their own cognitive constraints, and their need to appeal to audiences that attract the advertising revenues and allow media outlets to survive (Carroll, 1987; Carroll and Delacroix, 1982). Dispositional explanations of organizational performance may appeal to audiences because they use the same causal structure that people adopt in interpreting actions and events in their daily lives (Ross and Nisbett, 1991). Therefore, dispositional accounts are easier for audiences to understand, appreciate, and internalize. Put another way, 'people embrace leadership as a simple, vivid explanation for organizational actions rather than engage in the distressing task of trying to come to grips with the multitude of variables that shape organizations' (Staw and Sutton, 1992: 356). Further, attributing outcomes to the firm's situation downplays human efficacy and may be less appealing and compelling to audiences. Thus, journalists may also bolster dispositional attributions of firm action to the CEO (Metalsky and Abramson, 1981; Pfeffer and Salancik, 1978) in an effort to ensure that their reports appeal to audiences.

⁵ Thanks to Jim Westphal for suggesting this term to us.

As a result, such accounts exaggerate and romanticize the CEO's role in generating organizational action (Chen and Meindl, 1991). The language in the opening quote, for instance, glorifies Jack Welch by attributing General Electric's stellar stock price performance to his leadership. Such grandiose accounts of CEO efficacy are also often further embellished by commentary that ascribes CEOs with distinctive personality characteristics that can be linked to firm actions (Chen and Meindl, 1991; McArthur, 1972). Monikers like 'Neutron' Jack Welch and 'Chainsaw' Al Dunlap engage audiences in the protagonists' dispositions, even if gratuitously (Chen and Meindl, 1991; Hewstone, 1983). The following report on Richard Branson, the CEO of the Virgin Group, illustrates how even peripheral personal characteristics are used by journalists to celebrate CEOs:

Branson's products and services seemed almost an extension of his brash young persona—hip, fun stuff at a fair price. . . . Scattered or not, Virgin is still a reflection of its founder. Branson is personable but unpolished. During an interview in the Holland Park home in London that doubles as his office he sat curled in a club chair, shoeless and with his shirt mostly unbuttoned. He has difficulty making eye contact. He stammers. At times he seems almost scatterbrained . . . (Wells, 2000: 150)

It seems that in addition to looking for confirmatory evidence of the distinctiveness and consistency of action in a firm's behaviors, journalists also use information about a CEO's personality to bolster the attribution of organizational actions to the CEO. And, the more that the CEO displays idiosyncratic personal behaviors in public, the easier it is for journalists to provide accounts that bolster attributions of the firm's action to its CEO. Branson, for example, has increased his chances of being celebrated by journalists by engaging in visible, idiosyncratic acts that link him closely to the firm's strategic actions. For example, he wore a bridal gown for the launch of Virgin's bridal products, and dressed as a chauffeur driving in a limo the first recipient of Virgin's new ultra-luxurious class of transatlantic service.

Overall, our argument is that a combination of cognitive constraints and self-interested motivations renders journalists prone to issuing dispositional attributions as explanations of firms' actions and performance through the selective application of attribution criteria. Given their work demands,

journalists will tend to attribute strategic actions to the CEO by (a) invoking *at least one* of the distinctiveness or consistency attribution criteria that supports such an attribution, and (b) selectively seeking evidence of the other criterion, even if that evidence might seem tangential. In the process, journalists create celebrity CEOs. Put another way, journalists issue CEO celebrity by amplifying the fundamental attribution error (Ross and Nisbett, 1991) in which people over-attribute action and performance to dispositional vs. situational causes. Our theoretical argument is reflected in the following propositions:

Proposition 2: Journalists will attribute a firm's strategic action to the firm's CEO if the action is either distinctive or consistent, by attending to the strongest evidence among the consistency and distinctiveness criteria and selectively pursuing and presenting information that supports the other criterion.

Proposition 3: The greater the availability of information about a CEO's idiosyncratic personal behaviors, the greater the likelihood that journalists will attribute a firm's strategic action(s) to its CEO.

The foregoing examines the conditions in which journalists attribute a firm's strategic actions to its CEO. Considerable evidence exists that journalists also attribute a firm's performance to its CEO (Chen and Meindl, 1991; Meindl *et al.*, 1985; Meindl and Ehrlich, 1987). Social cognition research points to two attribution tendencies that suggest this additional linkage. First, attributions tend to follow a similarity principle (Kelley and Michela, 1980), insofar as a CEO who is represented as the cause of the firm's actions is also more readily available as the cause of the firm's performance. Journalists then are likely to seek out information that supports similar explanations for the causes of the firm's actions *and* performance. That is, they may extrapolate information about the distinctiveness and consistency of CEO action to explain firm performance (Zuckerman and Feldman, 1984). Further, as discussed, journalists face work pressures that lead them to accept simple and established explanations for material firm outcomes. Thus, rather than engage in the search for new causes of performance that potentially conflict with the causes of action, journalists will tend to

use simple and existing explanations of firm performance. Together these arguments suggest that the greater the extent to which the firm's actions are attributed to the CEO, the greater the extent to which the firm's performance is also attributed to the CEO.

Proposition 4: Attributions of strategic actions of a firm to its CEO are positively associated with attributions of the firm's performance to the CEO.

So far we have argued that journalists use the strongest available evidence that CEO actions are distinctive and consistent to create celebrity. CEO celebrity, however, has reciprocal effects on CEO choices and behavior. Celebrity matters because the underlying behavioral explanation affects recipients' expectations about future behaviors as well as their own likely responses (Weiner, 1986). In the following section we examine some of the effects of celebrity on the celebrated CEO and the stakeholders that surround her. We suggest that as an explanation of firm behavior broadcast by the media to large audiences, CEO celebrity becomes an important form of environmental feedback that such CEO will incorporate in subsequent decision making. In this way a celebrated CEO may come to believe her own press.

Because CEO celebrity is based on simplified and selective attributional accounts, this feedback tends to distort the celebrated CEO's perceptions of control over firm performance. It also leads to CEO overconfidence and commitment to the actions that yielded the celebrity. Similarly, as an explanation of firm actions and performance sanctioned by the media, CEO celebrity may lead stakeholders to believe that the firm's CEO indeed has great control over organizational actions and to grant her such control, thereby increasing the CEO's actual, as well as perceived influence. To the degree that these expectations and beliefs result from adopting a biased, and therefore inaccurate, causal chain of inference, CEO decisions are likely to reflect these biases.

Thus the next section draws on evidence from attribution theory, social information processing theory, and executive compensation research to propose that the celebrated CEO is likely to believe her celebrity rather than ignore or reject it.

WHAT ARE THE CONSEQUENCES OF CELEBRITY?

Believing one's own press: Internalization of celebrity by CEOs and stakeholders

A robust finding in attribution research is that whereas observers tend to perceive actors as a proximate or 'available' explanation for outcomes, actors themselves are more likely to see the opportunities and constraints presented by the situation (Nisbett and Ross, 1980: 122; Krull, 2001; Ross, 1977). According to Dutton, Dukerich, and Harquail (1994: 241), media accounts are central to the manner in which stakeholders make sense of the firm since 'as the media publicizes information about an organization, public impressions of the organization and of the organization's members become part of the currency through which members' self-concepts and identification are built or are eroded.'

However, the more that others provide an individual with attributional accounts (Hewstone and Jaspers, 1982), the more likely it is that the individual will adopt the view expressed by the others. In other words, CEOs, as well as other actors that surround them become less likely to attribute outcomes to their situation, as they receive more attributional accounts attributing the CEOs with the responsibility for the outcomes (Kiesler, Nisbett, and Zanna, 1969; Pryor and Kriss, 1977; Krull, 2001). This is true for the effect of attributional accounts on both CEOs and stakeholders.

The more a CEO interacts with others who also accept her celebrity, the more likely she will accept the celebrity attribution as true (Weiner, 1986). In the context that is analyzed here, by deferring to the celebrity CEO, stakeholders may expect greater access to the resources and opportunities that the celebrity CEO can provide (Cialdini, 1993). By deferring to the celebrity CEO, however, stakeholders also increase her actual control over the firm, thereby generating a self-fulfilling prophecy (Bettman and Weitz, 1983; Goode, 1978; Janis, 1972, 1989).

Perspectives on social information processing (Festinger, 1957; Pollock, Whitbred, and Contractor, 2000; Pfeffer and Salancik, 1978) also suggest that individuals rely on the perceptions and actions of others to infer their own attitudes and beliefs. Thus, as CEOs become more aware of their celebrity, the attributions underlying their celebrity

become more available to the CEO as an explanation for firm performance. In addition, the more frequently individuals are exposed to information, the more likely they are to rate this information as true (Hawkins and Hoch, 1992). Thus, the greater celebrity that a CEO attracts, the more difficult it is for her to reject the notion that she controls the firm's performance. Or, as Eric Schmidt, the celebrity CEO, of Google puts it, 'It's very easy to confuse the company with yourself and let your ego go out of control' (*Wall Street Journal*, European Edition, 1997).

A celebrated CEO also has reason and incentive to embrace her celebrity because of the enormous financial rewards that come from being a superstar (Rosen, 1981). A celebrity CEO can expect higher compensation relative to non-celebrity CEOs or other executives in the firm, reinforcing the notion that the CEO is responsible for firm performance (Hayward and Hambrick, 1997; Porac, Wade, and Pollock, 1999). By successfully cultivating her own celebrity, the celebrity CEO becomes better placed to generate such rewards.

These arguments suggest that a celebrity CEO is unlikely to ignore or reject the celebrity that the media confers on her. A more likely scenario is that the celebrity CEO will cultivate and internalize celebrity, thereby asserting greater control over her firm and increasing the likelihood that she will receive richer compensation packages. As CEO celebrity galvanizes this perceived cause-and-effect relationship, it increases the CEO's efficacy in the minds of stakeholders (Pfeffer, 1981a; Weick and Daft, 1983). Celebrity also helps the CEO garner the resources needed to implement their plans by increasing the commitment of employees, customers, suppliers, and other members of the firm's task environment to the CEOs' present and proposed actions (Pfeffer and Salancik, 1978). As a result, over time, CEO celebrity may not only enhance her own perceptions of responsibility for the past performance of her firm, but it may also increase the CEO's actual impact on the current and future performance of the firm. Thus, the greater a CEO's celebrity, the more likely a firm's stakeholders are to (a) make similar attributions regarding the CEO's responsibility for past performance, and (b) positively evaluate and respond to CEO actions.

To summarize, the greater a CEO's celebrity, the more likely the CEO will assume personal responsibility for the firm's performance, thereby

internalizing her celebrity, and the more likely stakeholders will grant the CEO greater control over organizational activities and decision processes. Stated more formally:

Proposition 5a: The greater a CEO's celebrity, the greater the CEO's perceived control over the present and future actions and performance of the firm.

Proposition 5b: The greater a CEO's celebrity, the greater stakeholders' perceptions of the CEO's control over the present actions and performance of the firm, and the greater the CEO's actual control over the future actions of the firm.

CEO celebrity, overconfidence and strategic inertia

Our argument thus far is that journalists create CEO celebrity by over-attributing a firm's actions and performance to its CEO. In addition, celebrity CEOs and stakeholders tend to believe their own press and internalize the CEO celebrity, increasing perceptions of the CEO's responsibility for past firm performance and enhancing the CEO's actual influence on future firm performance. In the process, a CEO is likely to become more overconfident about her own abilities and more committed to the strategies that made her a celebrity. Theory and evidence suggest that more overconfident actors pay higher premiums for acquisitions (Hayward and Hambrick, 1997), make excessive entry into new markets (Camerer and Lovo, 1999), develop riskier products (Simon and Houghton, 2003), and overestimate the likelihood of venture success (Hayward and Shepherd, 2004). Overconfidence refers to the exaggerated sense that one can predict or produce a desired future outcome (Camerer and Lovo, 1999; Griffin and Tversky, 1992). Behavioral decision theorists measure overconfidence in terms of the confidence that individuals express in their judgments relative to the accuracy of those judgments (Klayman *et al.*, 1999). Namely, overconfidence exists when the *ex ante* expected accuracy of judgments exceeds their *ex post* accuracy; conversely, underconfidence is a condition when individuals are more accurate than they think they will be.

The CEO who develops an exaggerated perception of her own influence over the actions and

performance of her firm will also tend to underestimate the impact of situational factors in the industry environment, especially the actions of competitors, on the firm's ability to realize its own strategies (Miller, 1993). That is, a celebrity CEO might become more likely to (a) underestimate the speed, intensity, and quality of competitors' responses to an initiative, and so (b) overestimate the expected returns from investing in new products or entering new markets (Camerer and Lovo, 1999). Similarly, as a CEO becomes more overconfident she will tend to underestimate the potential for other, external environmental factors (e.g., changing governmental regulations, technology, customer tastes) or internal features of their firm (e.g., bureaucracy or entrenched political interests) to lower the likelihood of successful execution of actions such as acquisitions, joint ventures, the introduction of new products or services, and so on (Camerer and Lovo, 1999; Kahneman and Lovo, 1993). The potential for such biases to negatively impact strategic decision making and firm performance is well documented in the strategy literature (e.g., Audia, Locke, and Smith, 2000; Hambrick, Cho, and Chen, 1996; Hayward and Hambrick, 1997; Zajac and Bazerman, 1991).

Finally, as a result of overconfidence, the celebrity CEO may escalate commitment to a given course of action as her firm experiences weaker performance. A more overconfident CEO may believe that she can reverse undesirable outcomes by allocating more resources and effort to the chosen strategy. Such responses are consistent with the manner in which individuals escalate their commitment to an existing course of action, particularly as the action becomes publicly known and associated with the CEO (see Staw, 1980, for a review; Sabini, Siepmann, and Stein, 2001).

Because celebrity provides an extrinsic endorsement and validation of these actions, it increases the likelihood that the CEO will regard these actions as being essential to the firm's success, even if this relationship is spurious (March, Sproull, and Tamuz, 1991). Adaptive learning theorists have pointed to the tendency of strategists to repeat actions that have made the firm successful in the past (Lant, Milliken, and Batra, 1992). For example, Audia *et al.* (2000: 837) show that some firms exhibit 'dysfunctional persistence ... due to greater satisfaction with past performance, more confidence in the correctness of current strategies, higher goals and self-efficacy, and

less seeking of information from critics.' CEO celebrity may exacerbate the chief executive's tendencies towards overconfidence, facilitating such distortions in decision making, and increasing her firm's susceptibility to dysfunctional persistence.

By acting consistently with her celebrity, the CEO can better meet the expectations of stakeholders who believe that she is a celebrity. Conversely, if she acts discrepantly from those expectations, stakeholders may dismiss such actions as 'out of character,' undermining her ability to establish actions as reliable and legitimate. Without this credibility, the CEO may be less able to attract the resources from customers, capital providers, and other constituents that are needed for the action to succeed (Hirschleifer, 1993). If adopting discrepant actions elicits a more uncertain reception from stakeholders, a celebrity CEO is more likely to favor actions that elicit known rewards (Goode, 1978; Katz and Dayan, 1986). All this suggests that the celebrity CEO will tend to reproduce the actions that led to her celebrity. As Daniel Vassella, CEO of Novartis, notes:

It is a pattern of celebration leading to belief, leading to distortion ... You are idealized by the outside world, and there is a natural tendency to believe that what is written is true. It isn't though—no CEO is as good (or as bad) as the media makes him or her out to be. Nevertheless many come to believe their own press. Then it becomes difficult if not impossible to change the course you and your company are on ... You must make the targets—must keep delivering record results at whatever cost to continue the celebration. (*Fortune*, 2002: 112)

Together these arguments suggest that a celebrity CEO will become less willing or able to consider strategic alternatives thoroughly, thereby increasing the degree of strategic inertia in the behavior of her firm. Proposition 6 summarizes these ideas:

Proposition 6: The greater a CEO's celebrity, the more a CEO will commit to continuing the actions that are associated with the celebrity and the greater the strategic inertia of the firm.

To synthesize the reasoning in this article, we have argued that a CEO will be celebrated by journalists who attribute highly distinctive and consistent actions of the firm to the volition of the CEO. We further argued that the celebrity CEO and the stakeholders that surround her will

accept such bias, resulting in CEO overconfidence and the desire to maintain celebrity. Coupled with increasing reliance on the CEO's strategic choices on behalf of stakeholders who also may tend to internalize the CEO's celebrity, these biases will lead the celebrity CEO to (a) overcommit to the actions that led to her celebrity and (b) underestimate environmental and competitive constraints. This model is summarized in Figure 1, and its implications are further developed in the discussion below.

DISCUSSION

Research implications of the construct of CEO celebrity

In developing this paper we sought to examine why journalists attribute firm actions and positive performance to the firm's CEO and why these journalistic attributions matter. We term this phenomenon 'CEO celebrity' and provide a model of its origins in the demands and constraints in journalistic work, and its consequences for CEOs and their stakeholders who internalize this celebrity. The paper reflects a growing interest in strategy research on the public portrayal of organizations and the influences these portrayals have on organizational constituents (Meyer and Rowan, 1977; Pfeffer, 1981a; Elsbach, 1994; Pollock and Rindova, 2003).

The concept of CEO celebrity is consistent with America's infatuation with celebrities and the empirical finding that journalists tend to overattribute organizational action and performance to its leader (Meindl *et al.*, 1985). Our study extends this latter idea further by modeling systematically (a) how journalists generate such biased accounts of organizational action and performance (by selectively applying attribution criteria), (b) which CEOs are likely to be featured in such accounts (those who are associated with consistent or distinctive firm actions), and (c) how CEO celebrity affects the celebrated CEOs and their stakeholders. We emphasize the powerful role that journalists play in creating celebrity by providing explanations of firm behavior through their credible and legitimate, if not authoritative, media outlets. Journalists who celebrate CEOs' triumphs and tribulations lead the public to equate the CEO with the firm, instead of a providing a richer potential set of explanations for firm performance

(Fukuyama, 1995; Putnam, 2000). By glorifying CEOs and exaggerating their efficacy, journalists direct the public's expectations, interactions, and aspirations towards CEOs and away from other people who also contribute their talent and efforts in deciding upon and implementing firm action (Reich, 1987).

In order to develop a research agenda for understanding the causes and consequences of CEO celebrity, empirical work could test the links between (a) distinctive and consistent firm action and CEO celebrity and (b) celebrity and CEO overconfidence. Future research might invoke an index or scale of celebrity that relates the nature and reach of media accounts that attribute firm actions and performance to its CEO. Celebrity might be operationalized as a continuous variable that co-varies with (a) the volume of media coverage dedicated to reporting the firm's actions and attributing them to the CEO, (b) the proportion of media coverage dedicated to the CEO rather than the firm as a whole, or (c) the extent of media coverage of a CEO's dispositional qualities. Content analysis procedures might show the boundary conditions under which journalists choose among the strongest evidence that actions are distinctive or consistent, and the degree to which they rely on personal characterizations of the CEO to establish the distinctiveness or consistency of the firm's strategic actions. Building on the literature on overconfidence, survey instruments could be used to relate a CEO's celebrity with overconfidence and then to manifestations of CEO overconfidence.

Potential extensions of the model

There are also a number of promising directions for theoretical extensions of our model. For instance, whereas our model focuses on journalists as agents issuing CEO celebrity, other information intermediaries (e.g., stock analysts or other industry commentators) may also influence the process—either by influencing journalists, or by influencing CEOs and the stakeholders they interact with directly. Because different information intermediaries may be influenced by different ideologies, institutional roles, and task constraints, they may also issue conflicting accounts of firm behavior, thus challenging the attributions made in the media. Therefore, future research should explore the effects on CEO

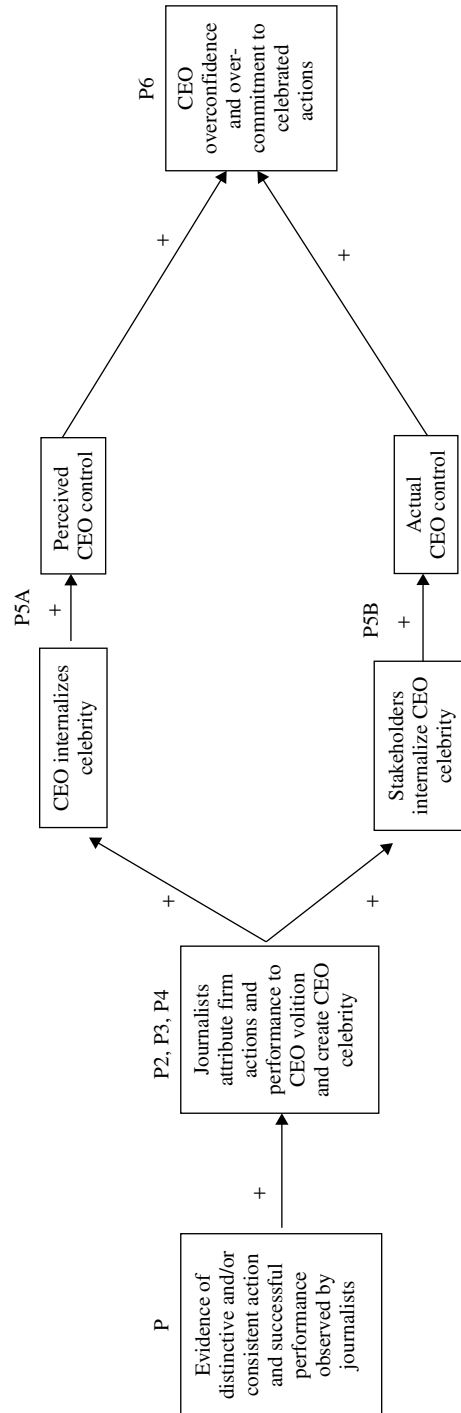


Figure 1. The causes and consequences of CEO celebrity

celebrity that may result from the accounts of firm activities issued by different information intermediaries.

Implications for theory on celebrity and hubris

Our model describes how journalists' accounts increase CEO overconfidence, thereby affecting CEO decisions. This follows evidence that CEOs who gain greater praise in the press become overconfident about their ability to extract greater acquisition returns and so pay higher acquisition premiums (Hayward and Hambrick, 1997). Such premiums reflect acquiring managers' confidence about how much more valuable an acquisition would be if it were managed by them rather than by incumbents. To understand the full effects of the media portrayal of CEOs, it is important to examine the process by which CEOs accept their celebrity. Future research may show that the extent to which CEOs believe their own press may well vary with (a) the nature of journalists' accounts, (b) qualities of the CEO's own disposition, including her need for control, and experience, and (c) qualities of the CEO's firm, including its perceived need for legitimacy and attention.

Our model also draws attention to CEO hubris as a means to explain and integrate the relationship between celebrity, overconfidence, and strategy formulation. Overconfidence is perhaps the most 'robust finding in the psychology of judgment' (DeBondt and Thaler, 1995: 389). Like optimism, overconfidence enables people to do things they would not have done otherwise (Taylor and Brown, 1988), which can lead to both startling successes and spectacular failures. Therefore, unrealistic optimism and self-evaluations are 'characteristic of normal human thought' and healthy emotional functioning (Taylor and Brown, 1988: 193). Overconfidence has been found to operate among the judgments of strategic actors, including negotiators (Neale and Bazerman, 1983) and senior managers (Hayward and Hambrick, 1997). An important task for research in strategy is to identify the conditions under which overconfidence may result in decision anomalies, like the ones we suggest arise from CEO celebrity. Our theory suggests an important new source of CEOs' overconfidence—that it arises from CEOs who believe their own press. As accounts of celebrity become more widely available, they become stronger inputs into how the CEO and the firm are perceived (Rindova

and Fombrun, 1999) and thus the strategy formulation process.

The model that we develop also has implications for understanding strategic persistence that resembles escalation of commitment to a course of action (see Staw, 1980, 1981, for summaries), but is distinct from it. In general, escalation of commitment deals specifically with situations where individuals continue to pursue a particular course of action even though the action has yielded negative results in the past and continues to yield negative results. In contrast, we argue that celebrity results from attributions that link the CEO's actions and decisions to predominantly *positive* prior performance. Although both escalation of commitment and overconfidence derived from celebrity can lead to similar patterns of behavior in the face of declining performance, these two theoretical perspectives differ somewhat in the psychological mechanisms posited to drive such behavior. Escalation of commitment has been argued to result from self-justification and the desire to reduce cognitive dissonance between what a decision-maker believes and the outcomes observed, as long as there is some hope that past losses can be recouped (Staw, 1981). In contrast, we suggest that celebrity leads to over-commitment because of overconfidence in the correctness and efficacy of the actions being taken. This overconfidence results primarily from external attributions that link these actions to prior successes. However, it appears that the processes of over-commitment due to hubris and celebrity may transform into an escalation of commitment process when performance declines. Since our model posits that this is the likely outcome, it may be the case that celebrity-induced overconfidence evolves into escalation of commitment over the long term. We suggest that future research and theorizing should explore when and how one process could lead to the other.

Future research should also examine how CEO celebrity affects the pattern of strategic actions of firms, as well the patterns of resource allocations and stakeholder support toward the decisions of celebrated CEOs. If key stakeholders also believe the press accounts about the effectiveness of the CEO, they are more likely to direct efforts and resources to their strategy, increasing the likelihood that it will initially succeed.⁶ However, as

⁶ We would like to thank one of our anonymous reviewers for drawing our attention to this point.

more resources are committed to this course of action, to the exclusion of other options, the risks associated with the strategy grow, jeopardizing the firm's longer-term performance (Rindova, Becerra, and Contrado, 2004).

Implications for attribution theory

In closing, we want to emphasize the implications of our model for attribution theory. Journalists need to process large amounts of information in short periods of time and present their reports in a manner that is credible, appealing, and simple. Our theory seeks to delineate how these motivations and work constraints cause journalists to systematically over-attribute firm performance to CEOs rather than their situation through the selective use of attribution criteria. In particular, we draw attention to the use of the strongest evidence model when social observers are pressed for time, and experience significant pressure to produce attributional accounts. The strongest evidence model therefore may offer a novel approach to understanding attribution processes in certain contexts, where the more complex models of co-variation of action along attribution dimensions may not be readily applicable (Kelley, 1967).

Whereas attribution theory is generally concerned with determining the situational or dispositional motivation for taking an action, our model directs attention to the outcomes that can result from these actions. In this paper we treated firm actions and performance as two types of outcomes that observers seek to understand, and apply the distinctiveness and consistency criteria selectively to attribute both types of outcomes to a single, highly salient causal agent—the firm's CEO. We did not distinguish between the attribution processes through which firm actions or firm performance may be differentially attributed to the CEO. Since much of attribution research concerns direct interactions between individuals, the causality between actions and outcomes tends to be more visible and therefore not in need of separate attributions. In a similar vein, it is possible that observers may simply attribute firm performance directly to the CEO when the CEO is salient, eliminating the intermediate steps of first attributing dispositional characteristics to actions, and then actions to outcomes, thereby collapsing the above causal chain. Applying attribution theory to organizational and market contexts will require future

researchers to focus more explicitly on the potential differences between these two sets of attributions.

A final conceptual challenge will be to conduct theoretical and empirical work that examines media attributions for negative organizational outcomes and the construction of CEO 'infamy.' As we noted earlier, attribution theory suggests that different processes underlie attributions for actions and events with positive and negative outcomes (Shaver, 1975). Moreover, journalists may be reluctant to produce CEO infamy if this risks (a) alienating the journalist and the journalist's employer from the infamous CEO and her firm and (b) jeopardizing the journalist's reputation if the attribution is shown to be erroneous.

Yet, the recent spate of corporate scandals provides anecdotal evidence that the media does attribute negative organizational outcomes to CEOs (e.g., *Fortune*, 2001a, 2001b). This underscores the promise of future research on how the dynamics that produce CEO infamy differ from those that produce celebrity. Systematic research along these lines will more fully surface the significant role that the media plays in affecting firm decisions, actions and, performance.

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