

RESPONDING TO BAD PRESS: HOW CEO TEMPORAL FOCUS INFLUENCES THE SENSITIVITY TO NEGATIVE MEDIA COVERAGE OF ACQUISITIONS

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Management scholars have demonstrated that CEOs look to cues provided from external stakeholders when determining the direction and timing of strategic action. Research has focused on “hard” forms of external performance feedback, primarily in the form of stock market reactions. To understand both whether and to what degree “soft” external performance feedback of strategic actions influences the subsequent strategic decisions of firms, we build our arguments from and contribute to upper echelons theory. We argue that negative media reactions to the announcement of a major acquisition will shape the degree to which the firm will engage in subsequent acquisition activity. However, our theory suggests that an important individual attribute, CEO temporal focus, will influence how sensitive CEOs are to media coverage. Using a sample of 747 large acquisitions made between 2006 and 2011, we find strong support for our hypotheses. Additionally, our supplemental analysis demonstrates an important difference between the influence of stock market and media reactions following an acquisition. While CEO temporal focus shapes which CEOs will be influenced by media reactions, it appears that CEOs’ propensity to be influenced by stock market reactions is not moderated by their temporal focus.

As CEOs undertake major strategic decisions that change the strategic direction and scope of the firm, they typically find that the decision process is challenging and that there is a high potential for failure (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Nutt, 1984, 1999). CEOs face challenges in identifying when to act (Haleblian, McNamara, Kolev, & Dykes, 2012; Iyer & Miller, 2008), the types of actions that will generate the best outcomes (Wang & Zajac, 2007), and how to balance the competing demands of different stakeholders (Reynolds, Schultz, & Hekman, 2006). Given the importance of these decisions to CEOs and their firms (e.g., Devers, Cannella, Reilly, & Yoder, 2007; Moeller, Schlingemann, & Stulz, 2005; Wiersema & Zhang, 2011), CEOs look to cues provided by external stakeholders in determining the timing and direction of corporate action.

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Feedback from external stakeholders can come in at least two distinct forms: “hard” and “soft” assessments. We define hard external performance feedback as those cues that are readily quantifiable and are clearly interpreted as positive or negative. For example, stock market reactions are quantifiably positive or negative and directly influence CEOs through their stock ownership (Devers et al., 2007). Similarly, external ratings such as corporate social responsibility scores are quantifiable and clearly positive or negative (Hubbard, Christensen, & Graffin, 2017). Soft external performance feedback can be defined as cues that are difficult to quantify and may simultaneously include both positive and negative feedback elements. For example, media reactions may contain both positive and negative assessments of the same event—even within the same article. Similarly, analyst recommendations are not quantitative and can include both positive and negative elements resulting in the potential for ambivalent assessments of the firm. Building out of the behavioral theory of the firm (Cyert & March, 1963), research has demonstrated that CEOs are influenced by hard performance feedback (e.g., Haleblian, Kim, & Rajagopalan, 2006). Neither

prior research nor the behavioral theory of the firm, however, offer clear insight on whether soft performance feedback from third-party entities influence firm behavior.

To understand whether and to what extent soft external performance feedback regarding strategic actions is likely to influence the subsequent strategic decisions CEOs make, we draw on upper echelons theory. Upper echelons theory argues that the degree to which environmental stimuli influence executive decisions are based on the executive's filtering process, which includes a limited field of vision, selective perception, and interpretation of the event (Finkelstein, Hambrick, & Cannella, 2009; Hambrick & Mason, 1984). The attributes of executives, therefore, influence their cognition by influencing what information they attend to (Cho & Hambrick, 2006) and the importance they attribute to environmental stimuli (Hambrick, 2007). As a result of these individual differences, different CEOs with the same information available to them may make different strategic choices (Hambrick & Mason, 1984). The upper echelons perspective thus points to two key questions for understanding the influence of soft performance feedback on firm decisions: (1) Do CEOs attend to soft performance feedback cues? and (2) What personal characteristics will influence their sensitivity to this information?

One central type of soft performance feedback cue is the media's assessment of the firm and its actions. While media reports include factual statements regarding firm actions, they also often are not entirely dispassionate, varying substantially in their evaluative tone. Media coverage is important in shaping public perceptions of a firm, giving CEOs an incentive to monitor this coverage (e.g., Bednar, 2012; Deephouse, 2000). To inform our understanding of the influence of media coverage on CEOs, we integrate upper echelons theory with the reciprocal effects of media influence model (Kepplinger, 2007, 2008). The reciprocal effects model argues that media evaluations are powerful signals because individuals are especially sensitive and attuned to negative news about themselves (Kepplinger & Glaab, 2007).

According to the upper echelons perspective, however, CEO individual differences are likely to shape how much they attend to external stimuli (Hambrick & Mason, 1984). To address our second research question, therefore, we explore the role of CEO temporal focus to understand when a CEO is likely to attend to, and be more or less influenced by, soft performance feedback. Tying our logic back to

upper echelons theory, we believe attributes that relate directly to the information fields to which individuals attend have the greatest potential to influence how much decision-makers are influenced by media evaluations. Temporal focus would appear to be a core attribute here, since it primarily works through influencing CEOs' information fields and what they choose to focus on (Shipp & Cole, 2015). Temporal focus is a disposition that reflects the degree to which individual attention is directed toward the past, present, and future (Bluedorn, 2002; Shipp, Edwards, & Lambert, 2009) and, as such, is likely to shape CEOs' field of vision, selective perception, and interpretation of the media coverage.

To examine how media reactions to strategic actions influence future firm actions, we study the influence of negative media reactions to acquisition announcements. We believe acquisitions provide an appropriate setting in which to examine these relationships, for two main reasons. First, acquisitions are large-scale strategic actions with uncertain prospects for firms (Haleblian et al., 2009). Thus, they are actions that garner significant attention from executives and scrutiny from external stakeholders. Second, learning from acquisitions is an important but difficult process (Haleblian & Finkelstein, 1999). As a result, CEOs are likely to look to the assessments of external parties as they strive to learn from their acquisition experiences. Our study, therefore, focuses on the influence of negative media coverage on subsequent acquisition spending. Further, we examine how CEO temporal focus moderates this relationship.

With this study, we make several contributions to management research. First, we extend our understanding of factors that influence CEO cognition and decision making when learning from specific experiences. We develop theory on the influence of soft performance feedback on CEO actions by examining whether media reactions to a specific event influence subsequent decisions. Prior research on how managers respond to feedback in their assessment of whether to replicate prior actions has primarily drawn on the behavioral theory of the firm and looked at hard evidence, such as stock market reactions (Kim, Finkelstein, & Haleblian, 2015). We demonstrate that managers also incorporate soft assessments, such as those made by the media. Thus, our study adds to upper echelons theory by broadening our understanding of the types of information that executives attend to as they learn from experiences. Additionally, unlike the findings for financial performance feedback, we draw on social

psychology research that finds negative feedback is more impactful than positive feedback (Peeters & Czapinski, 1990) and argue that CEOs are likely biased in how they attend to media coverage. More specifically, we demonstrate that CEOs are influenced by negative, but not positive, media evaluations of their decisions.

Further, drawing on upper echelons theory, we examine how an important CEO attribute—temporal focus—moderates the influence of media coverage. By studying CEO temporal focus, we look at a motivational attribute likely to shape executives' field of vision and selective perception of information, both of which will influence the nature of the choices they make in response to that coverage. As such, this research provides a nuanced theoretical model about when the media is likely to influence firm actions and how CEO characteristics influence firm strategy. Additionally, this allows us to extend research on CEO temporal focus. To date, research has largely focused on how CEO temporal focus influences decisions related to the development and introduction of new products (Nadkarni & Chen, 2014; Yadav, Prabhu, & Chandy, 2007). Our paper extends this line of research by using CEO past and future focus as moderators that are likely to shape the propensity of CEOs to be influenced by media reactions to a strategic announcement. Doing so brings temporal focus directly into the information filtering and processing mechanisms outlined in upper echelons theory (Hambrick & Mason, 1984).

THEORY AND HYPOTHESES

Upper echelons theory proposes that executives selectively attend to information when evaluating decisions and that the attributes of managers influence the information to which they attend (Hambrick & Mason, 1984). As part of this, CEOs are argued to attend to the feedback they receive about decisions they have undertaken as they plan out future firm actions. However, research to date has largely focused on whether managers respond to clear financial performance feedback of decisions they have made (Haleblian et al., 2006), what we refer to as "hard performance cues." However, corporate executives operate in an environment where they receive feedback from a range of actors, yet we have a limited understanding of whether and to what extent these "soft performance feedback cues" influence their decision making.

To examine whether and to what degree CEOs attend to soft external performance feedback on their

decisions, we draw on research on the reciprocal effect of media influence model and temporal focus. We build out of the reciprocal effects model since it argues that media assessments are an especially salient external feedback cue for individuals. To examine the applicability of this model to corporate leaders, we explore the relationship between negative media coverage surrounding an acquisition and subsequent acquisition activity. We draw on the temporal focus perspective to argue for a key moderator that is likely to influence how sensitive a CEO will be to media evaluations of their strategic actions.

Reciprocal Effects Model of Media Influence

Research in communications can be helpful in developing theory for whether and why CEOs are likely to be responsive to media coverage. The reciprocal effects of media influence model discusses how media coverage influences the targets of the coverage (Kepplinger, 2007, 2008). The reciprocal effects model views the relationship between the media and the subject of media coverage as having feedback, or reciprocal, effects. The initial mention of reciprocal effects in media is traced back to Lang and Lang (1953), who noted how the presence of a crowd attracted media coverage and the attitude of the crowd changed in response to the presence of the media. Building on this, Kepplinger and colleagues developed a model focused on the subjects of media coverage (such as business leaders and politicians) in order to explain the relationship between mass media and decision makers (Kepplinger, 2007, 2008; Kepplinger & Glaab, 2007; Kepplinger & Zerback, 2012).

The reciprocal effects model includes both direct and indirect effects. The central direct mechanisms suggest that the "behavior of media subjects stimulate media reports, which in turn directly influence the cognitions, appraisals, emotions, and behaviors of those subjects" (Kepplinger & Glaab, 2007: 338). Subjects of negative media coverage pay close attention to media assessments and tend to overestimate the influence of these reports (Kepplinger, 2008). Indirect effects come from the influence that the media has on the general public and other stakeholders who, in turn, influence the media subjects (Kepplinger, 2007). Finally, the effects of the media coverage shape the subjects' subsequent decisions and action (Korn & Einwiller, 2013).

The reciprocal effects model is particularly important for exploring the impact of negative media coverage (Kepplinger, 2007; Kepplinger & Zerback,

2012). The idea that negative media coverage is more impactful than positive media coverage is based on social psychology research on the “negativity effect.” The negativity effect suggests that negative information has a greater impact on people than equally intense positive information (Ito, Larsen, Smith, & Cacioppo, 1998; Peeters & Czapinski, 1990), or, in short, that “bad is stronger than good” (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001: 323). Bad news or negative feedback is more impactful than good information in part because bad information is processed more thoroughly. This is believed to be primarily a result of evolutionary processes, as bad news is more closely associated with survival threats (Baumeister et al., 2001). Importantly for the media context, negative information is likely to be more salient when both positive and negative information is available (Rozin & Royzman, 2001).

The reciprocal effects model has been used in the study of how media influences athletes (Birkner & Noelleke, 2016), judges, prosecutors, and defendants (Kepplinger & Zerback, 2012), and in helping to explain the effects of cyberbullying (Pieper & Pieper, 2017). Most prominently, this research suggests that the reciprocal effects of media coverage on politicians shape the agenda-setting for national governments (e.g., Meyen, Thieroff, & Strenger, 2014; Van Aelst, 2014; Van Aelst & Vliegenthart, 2014). Research on reciprocal effects in organizations has primarily explored how media coverage influences employees in general (Korn & Einwiller, 2013) and public relations staff in particular (Jacobs & Wonneberger, 2017; Strauß & Vliegenthart, 2017). We extend the reciprocal effects model and integrate it with upper echelons theory to argue that media coverage is likely to influence CEOs.

Media Coverage and Organizations

The media has become society’s dominant information provider and plays an important role in directing public attention (Carroll & McCombs, 2003; Petkova, 2012). Consistent with the reciprocal effects model, research on the role of media has demonstrated that organizations are influenced by media coverage, especially when that media coverage is negative. Firms value positive media coverage because it provides them with important legitimacy and reputational benefits (Deephouse, 2000; Pollock & Rindova, 2003). Negative media coverage, however, can lead to less favorable stakeholder perceptions of the firm resulting in reputational penalties

(Bednar, Love, & Kraatz, 2015; Deangelo, Deangelo, & Gilson, 1996).

It should not be surprising, therefore, that negative media coverage can be powerful at shaping firm decisions. In this light, Bednar, Boivie, and Prince (2013) demonstrated that general negative media coverage of a firm is positively associated with subsequent strategic change. Other research has found that negative media coverage of a stigmatized industry is positively associated with the divestment of business units in that industry (Durand & Vergne, 2015). Similarly, Bednar (2012) found that firms receiving negative media coverage were more likely to increase the level of board independence. Research has also shown that negative media coverage can have a widespread impact even in shaping employee morale (Korn & Einwiller, 2013). Perhaps recognizing this impact, CEOs work to influence journalists through the use of ingratiation tactics (Westphal & Deephouse, 2011), and have been known to distance themselves from journalists who provide negative coverage of the firm (Shani & Westphal, 2016).

Research to date, however, has focused almost exclusively on general effects caused by all media coverage of the firm (e.g., Bednar et al., 2013), or all media coverage surrounding a particular subject (e.g., executive compensation or governance; Bednar, 2012; Kuhnen & Niessen, 2012), and has largely neglected the influence of media responses to specific events. This research also tends to focus on responses of the firm as a whole, thus overlooking the role of the CEO in interpreting and processing media coverage. We extend research on the media, therefore, by focusing on the media responses to a specific event and emphasizing how CEO characteristics shape the degree to which this coverage influences organizational actions.

Media Reactions to Acquisitions

Building out of the reciprocal effects model (Kepplinger, 2008), we see four reasons that negative media reactions to an acquisition announcement will reduce the amount of subsequent acquisition spending. First, CEOs have a natural incentive to pay attention to media coverage as the media plays a significant role in shaping public perceptions about them and their firm. Subjects of news reports are typically more motivated to follow the media reports than are bystanders (Kepplinger, 2008; Kepplinger & Zerback, 2012). In fact, “media subjects systematically seek out as many articles as possible on the respective topic” (Kepplinger & Glaab, 2007: 339).

For example, a study of judges and prosecutors found that they paid more attention to articles about their own trials, including seeking out articles that they would not have normally seen and repeatedly reading some articles (Kepplinger & Zerback, 2012). For CEOs, this effect is likely exaggerated because they are frequently the focal point of media coverage about a firm. Meindl, Ehrlich, and Dukerich (1985) labeled this phenomenon “the romance of leadership,” suggesting that media coverage is obsessed with leadership and tends to overestimate the ability of leaders to determine the fate of their organization. CEOs also care about media coverage because it can influence their professional standing and establishes their reputation and celebrity (Graffin, Pfarrer, & Hill, 2012). Indeed, negative media coverage has the potential to bring substantial reputational penalties to CEOs (Bednar et al., 2013), can serve as a signal of his or her ability to current and future employers (Graffin et al., 2012), and is associated with an increased likelihood of CEO dismissal (Bednar, 2012; Farrell & Whidbee, 2002). As such, CEOs are highly motivated to pay attention to negative media coverage about themselves and the decisions that they make (Lange, Boivie, & Westphal, 2015).

Second, CEOs are likely to be affected by negative media coverage as it can lead to negative emotions and reduced confidence. In this way, negative media coverage serves as a form of negative indicator that leads CEOs to update their cognitions about the focal type of action. Subjects of negative media coverage tend to overestimate the influence of these reports (Kepplinger, 2008) and are likely to have emotional reactions to media coverage, with negative coverage frequently resulting in feelings of anger or annoyance and fear that the media coverage may influence their future career prospects (Kepplinger, 2007; Kepplinger & Glaab, 2007; Kepplinger & Zerback, 2012). CEOs are likely to feel strong emotions about media coverage that scrutinizes a decision that they made, such as negative media coverage following an acquisition. Relatedly, negative media coverage is likely to serve as a blow to a CEOs’ level of confidence—specifically, confidence related to the topic of the media coverage (e.g., confidence in the acquisition) (Devers, McNamara, Halebian, & Yoder, 2013). In this vein, even CEOs who are generally highly confident can become less confident in the type of action the negative media is covering. When negative reactions are centered on acquisition announcements, therefore, CEOs are likely to be less confident in future acquisitions, more cautious about pulling the trigger on those

deals, and make smaller acquisitions when they do acquire.

Third, negative media coverage is likely to lead to additional external pressures being placed on CEOs since the media has a significant indirect influence on its subjects (Kepplinger, 2007; Kepplinger & Glaab, 2007). For CEOs, the indirect effects of negative media coverage are likely to come through stakeholders such as the board of directors, analysts, investors, and employees. Information about the company that comes from external sources is often seen as more credible, giving these groups the impetus to pressure CEOs to make changes (Bednar et al., 2013; Menon & Pfeffer, 2003). Board members, for example, may use negative media coverage as a reason to pressure the CEO to be more cautious in subsequent acquisition decisions. Consistent with this understanding, Haunschild and Beckman (1998) found that the recent business press coverage about acquisitions increased the influence of director interlocks on firm acquisition strategy. Negative media reactions to an acquisition, therefore, are likely to lead firm stakeholders to place pressure on the CEO to be more careful when making further acquisitions.

Finally, the reciprocal effects model suggests that subjects of negative media coverage will take steps to minimize its effects (Kepplinger, 2008). Organizational researchers have argued that general negative media about a firm indicates that a firm’s current strategies are inadequate and can be a powerful force for precipitating organizational change (Bednar, 2012; Bednar et al., 2013; Dyck, Volchkova, & Zingales, 2008). Facing a negative media assessment of acquisitions, therefore, CEOs will act to minimize the effects of the negative coverage and to limit future negative coverage by engaging in less future acquisition spending.

In summary, when there is negative media coverage surrounding an acquisition, CEOs are likely to pay attention to the coverage, respond emotionally to the coverage, and feel additional external pressures. The natural response, therefore, is that CEOs will take steps to avoid additional negative coverage in the future—primarily by reducing their acquisition spending. More formally, we hypothesize:

Hypothesis 1. Negative media reactions to the announcement of an acquisition will be negatively related to subsequent acquisition spending.

Temporal Focus

We argue, however, that not all CEOs are likely to be equally affected by negative media reactions. In

particular, upper echelons theory argues that individual attributes of executives will lead to differences in their attention to and processing of information (Hambrick, 2007; Hambrick & Mason, 1984). How CEOs perceive time is likely to be particularly important as it determines the temporal direction of CEO attention (Shipp & Jansen, 2011). Theory on time perspectives is built on the concept that individuals have different perspectives on their own past, present, and future (Lewin, 1942). This view suggests a distinction between objective perspectives of time (clock time) and subject perspectives of time (psychological time) (Shipp & Fried, 2014; Shipp & Jansen, 2011). Recent research finds that psychological perspectives of time have important implications for how people behave and the decisions that they make (Nadkarni & Chen, 2014; Shipp & Cole, 2015).

One element of time perspective is “temporal focus” (sometimes referred to as “temporal orientation”).¹ Temporal focus is an individual disposition that reflects how people think about time, based on the extent to which individuals “characteristically direct their attention to the past, present, or future” (Shipp & Cole, 2015: 244). Temporal focus is made up of three distinct and independent constructs: “past focus,” “present focus” (also called current focus), and “future focus” (Shipp & Cole, 2015; Shipp et al., 2009). Individuals can be high or low on each focus independent of the others, reflecting the fact that “people can shift their attention among different time periods and that focusing on one period does not necessarily prevent thinking about the other two” (Shipp et al., 2009: 2). As such, an individual’s perceptions of the past, present, and future are independent and can lead to unique behavioral outcomes through distinct theoretical mechanisms. A past focus “is associated with reflection on the past and the repeated use of past memories in decision-making” (Nadkarni & Chen, 2014: 1812). An individual high in past focus, therefore, is shaped by events of the past well after that event has occurred (Shipp et al., 2009). A present focus reflects an orientation on what is happening “here and now” (Nadkarni & Chen, 2014: 1812). As such, an individual high in present focus

has the proclivity to act impulsively, move quickly with current opportunities, and consider current issues when making decisions (Shipp et al., 2009). A future focus is associated with thinking that is primarily concerned with future events, making long-term plans, and frequently considering what the future holds (Mohammed & Harrison, 2013; Nadkarni & Chen, 2014). An individual high in future focus is likely to procrastinate less and be willing to take action toward the future (Shipp et al., 2009).

An individual’s temporal focus disposition is generally stable by adulthood and is influenced by an array of developmental factors, including childhood experiences and parental temporal focus, socioeconomic status, and national culture (Guo, Ji, Spina, & Zhang, 2012; McGrath & Tschan, 2004; Shipp & Cole, 2015; Shipp et al., 2009). At the same time, individuals can experience “momentary fluctuations” in temporal focus (Shipp et al., 2009: 2). Temporal focus, therefore, can be primed in a laboratory or momentarily shifted as a result of some event or circumstances (Cojuharenco, Patient, & Bashshur, 2011; Shipp & Cole, 2015). In other words, just as a generally negative person can be positive at some points in time, someone low in future focus can still, in some situations, think about the future.

The psychological perspective that decision makers have toward time is vital to understanding the decisions that executives make (Das, 2004; Nadkarni & Chen, 2014). As such, scholars have begun to explore the influence of temporal focus in top executives. To date, this work has primarily examined the relationship between CEO temporal focus and new product development and introduction. This research has demonstrated that CEO future focus is positively associated with the ability to detect new technological opportunities, the speed of product development, and the deployment of resources in response to a technology change (Yadav et al., 2007). For example, Nadkarni and Chen (2014) found that CEO past, present, and future foci were all related to the rate of new product introductions in dynamic environments, but that these relationships changed substantially in stable environments.

CEO Temporal Focus and Media Reactions

Examining CEO temporal focus offers the opportunity to improve our understanding of why CEOs may be differentially influenced by negative media coverage. Central to the reciprocal effects model is the premise that awareness and cognitive appraisals influence the behavioral responses made by the

¹ While some prior work refers to this set of constructs as temporal orientation, temporal perspective, or even time personality, we follow recent research that uses the term temporal focus because “the term ‘temporal focus’ distinguishes a tendency to focus one’s attention on different periods of time from other temporal constructs” (Shipp & Cole, 2015: 244).

subjects of media reports (Kepplinger, 2007). Indeed, personality and other individual attributes are important in influencing the behavior of media subjects (Kepplinger, 2008). The importance of awareness, appraisal, and individual differences to the reciprocal effects model is strongly aligned with the mechanisms core to upper echelons theory, which suggests that executives selectively attend to information and that the filtering processes they use influences how they assess decisions (Finkelstein et al., 2009; Hambrick & Mason, 1984). Additionally, individual attributes of executives shape the degree to which they attend and the value they put on environmental stimuli, such as media reactions (Hambrick, 2007; Hambrick & Mason, 1984). Therefore, CEOs will differ in the degree to which they notice and evaluate a similar set of available information and, ultimately, shape their strategic choices (Hambrick & Mason, 1984; Steinbach, Gamache, & Johnson, 2018).

We draw on upper echelons theory, therefore, and argue that CEO temporal foci—in particular, CEO past focus and CEO future focus—are likely to play an important role in determining the degree to which CEOs are influenced by media reactions to an acquisition. CEO temporal focus should shape the CEO's field of vision, selective perception, and interpretation of information, and, as such, the degree to which the negative media coverage influences the subsequent behavior of the CEO. Importantly, because CEO past focus and CEO future focus are independent constructs (Nadkarni & Chen, 2014; Shipp et al., 2009), the moderating effects we propose for these constructs are independent of each other. As we discuss in the Method section, our empirical approach controls for the effect of the other foci. Thus, our proposed influence of CEO past focus is based on the assumption that CEO future focus is held constant, and vice versa.

CEO past focus. CEOs with a strong past focus are likely to be especially influenced by how the media responds to the focal acquisition when making decisions about subsequent acquisitions. Because our study explores subsequent acquisitions following the focal acquisition, the focal acquisition becomes part of the past experience set for CEOs making decisions about subsequent acquisition opportunities. We believe there are three important reasons why CEO past focus will strengthen the relationship between negative media reactions and subsequent acquisition spending, as follows.

First, people high in past focus (compared to people low in past focus) tend to direct their

attention toward past events (Shipp et al., 2009). As such, someone high in past focus is likely to spend significant time thinking about events that have already happened (Leroy, Shipp, Blount, & Licht, 2015), and may find themselves reliving past events (Shipp & Cole, 2015). CEOs with a high past focus, therefore, are more likely to direct their attention—field of vision and selective perception—toward past events. This effect may be even stronger when someone high in past focus experiences a negative event. Trauma research, for example, suggests people high in past focus may continue to ruminate on an event even long after it has happened, to the point where they become “stuck” in the past (Holman & Silver, 1998: 1146). Collectively, this research suggests that, when CEOs with a high past focus consider subsequent acquisitions, the negative media reactions from the previous acquisition are likely to remain fresh in their mind.

Second, for CEOs high in past focus, the negative media coverage will shape how CEOs interpret past acquisitions. People high in past focus analyze past actions for lessons they can apply in other situations; as they reflect on events of the past, they think about how and why things occurred as they did and use that to shape subsequent actions (Karniol & Ross, 1996; Shipp et al., 2009). Indeed, negative past experiences can leave people high in past focus with aversive feelings about the event (Mohammed & Harrison, 2013). When CEOs high in past focus, therefore, reflect on negative media coverage surrounding an acquisition, they are likely to develop negative interpretations of the acquisition itself. Negative media reactions, therefore, are likely to leave CEOs high in past focus with aversive feelings about acquisitions.

Third, for people high in past focus, the expectations for subsequent opportunities are shaped predominantly by their perceptions of past events (Leroy et al., 2015; Shipp & Jansen, 2011). A past focus is associated with an overgeneralization bias whereby “individuals overemphasize similarities and underemphasize differences between the past and current context,” and, as a result, end up “stuck in an existing mindset” (Nadkarni & Chen, 2014: 1812, 1815). CEOs high in past focus, therefore, will base expectations for subsequent events on past experiences. When these CEOs have experienced negative media reactions to an acquisition, their negative view of acquisitions is likely to taint their perspective on subsequent acquisition opportunities, leaving them more hesitant to invest heavily in acquisitions regardless of the similarities or

differences between the previous acquisition and new opportunities.

Taken together, CEOs high in past focus are likely to focus their attention on prior acquisitions, and are, therefore, likely to be exposed to any negative reactions from the media. Further, when the media reactions are negative, CEOs high in past focus are likely to interpret the prior acquisition negatively. Finally, because people high in past focus make decisions based on perceptions of past events, CEOs who are exposed to negative media reaction following an acquisition will be concerned about the potential for subsequent acquisitions to garner additional negative responses. As such, CEO past focus will strengthen the influence of negative media reactions on subsequent acquisition spending. Therefore, we hypothesize:

Hypothesis 2. The negative relationship between negative media reactions to acquisition announcements and subsequent acquisition spending will be moderated by CEO past focus such that the relationship will be stronger for CEOs with high past focus compared to CEOs low in past focus.

CEO future focus. CEOs with a high future focus are less likely to be influenced by negative media reactions to the focal acquisition when making decisions about subsequent acquisitions, for three important reasons. First, people high in future focus, compared to people low in future focus, tend to direct their attention toward the future and frequently think about long-term goals and future expectations (Mohammed & Harrison, 2013; Shipp & Jansen, 2011). CEOs with a high future focus, therefore, are more likely to direct their attention—field of vision and selective perception—toward future events. Indeed, research suggests that CEOs with a high future focus direct their limited attention to events and opportunities that address future strategic issues (Yadav et al., 2007). Thus, CEOs high in future focus are likely to be looking ahead at future events and opportunities rather than looking back at media reactions to a prior acquisition announcement. To the extent that CEOs continue to focus on acquisitions after they have been made, they are more likely to focus on future-oriented elements of the acquisition, such as efforts at integration or resource deployment.

Second, CEO future focus will shape how CEOs interpret previous acquisitions. A future focus is associated with striving for future goals and rewards and with less concern about current results (Gibson, Waller, Carpenter, & Conte, 2007). People high in future focus assess the current situation based on their anticipated future rather than short-term

reactions or past history (Shipp & Jansen, 2011). CEOs with a high future focus, therefore, are likely to be particularly concerned with long-term performance of an acquisition while being less interested in short-term reactions. These CEOs have long-term outcomes in mind when engaging in acquisitions, and are likely to continue to believe in the probability of successfully achieving those outcomes. Indeed, even if CEOs with a high future focus do become aware of negative media reactions, they will tend to discount the importance of those reactions relative to their own long-term objectives for the deal. As such, CEOs with a high future focus are less likely to modify their actions or expectations based on feedback received during prior decision periods.

Third, CEO future focus will shape CEOs' expectations for subsequent acquisition opportunities. For people high in future focus, expectations for the success of future opportunities are driven by the future potential of each individual event. Indeed, research suggests that people high in future focus engage in less feedback-based learning (Nadkarni & Chen, 2014). In this way, CEOs with a strong future focus will make subsequent acquisition decisions based on the assessments they make of the individual merits of each potential acquisition independent of past events. These CEOs will view the current situation based on their anticipated future rather than media reactions or other forms of feedback (Shipp & Jansen, 2011).

Taken together, CEOs high in future focus are likely to direct the focus of their attention toward future outcomes associated with an acquisition, making them less likely (than CEOs low in future focus) to pay attention to negative media reactions. Further, to the extent that CEOs high in future focus do become aware of negative media reactions, they are likely to discount their importance as they continue to focus on the long-term future value they expected when making the acquisition and the potential they see in new acquisition opportunities. As such, CEO future focus will weaken the influence of negative media reactions on subsequent acquisition spending. Therefore, we hypothesize:

Hypothesis 3. The negative relationship between negative media reactions to acquisition announcements and subsequent acquisition spending will be moderated by CEO future focus such that the relationship will be weaker for CEOs with high future focus compared to CEOs low in future focus.

CEO present focus. We should note that, although we control for CEO present focus in our study, we do

not develop hypotheses about present focus, since CEO present focus is likely to have a mixed effect on CEOs' attention and response to media evaluations. While CEOs high in present focus may pay attention to the media at the time of the focal acquisition announcement and interpret the media response to this action, this attention is unlikely to persist and their learning from this experience may not influence future decision making. Instead, when they make subsequent decisions, CEOs high in present focus are likely to focus primarily on current information tied to that particular decision (Shipp et al., 2009). In other words, while CEOs high in present focus will attend to the media reaction at the time of the acquisition announcement, when they consider a subsequent acquisition, the reactions to earlier acquisitions are now in the past and not likely part of their decision-making criteria. Thus, it is not clear to what extent prior media evaluations will influence CEOs high in present focus when considering subsequent acquisition investments.

METHOD

Sample

The sample for this study was the firms listed on the S&P 500 as of January 1, 2006. We captured media reactions for all large acquisitions (greater than \$100 million [Gamache, McNamara, Graffin, Kiley, Haleblan, & Devers, 2018; Graffin, Haleblan, & Kiley, 2016; Hayward & Hambrick, 1997]) announced by these firms from 2006 until the end of 2011. The \$100 million cutoff ensured that we focused on acquisitions that CEOs were likely to be highly involved in and that the acquisitions were likely to receive significant external attention (Graffin et al., 2016; Hayward & Hambrick, 1997). Data were gathered from several sources. First, CEO-level data were collected from the ExecuComp database. Firm- and industry-level controls were collected from Compustat and the Compustat Segments database. Acquisition data were collected from the SDC Mergers and Acquisitions database. CEO temporal focus was measured utilizing annual reports, which were primarily collected from two sources: Mergent and each company's corporate website. For reports not found through these sources, additional checks were made utilizing the Buckmaster database, ABI/Inform, and Google searches. Stock market reactions were captured from the Eventus database provided by the Center for Research in Securities Pricing and media

variables were captured through specific searches in Factiva.

Through this data collection, we identified 958 acquisition announcements during our sample period for which media coverage was found. Of these, 34 were removed because multiple acquisitions were announced by the same firm on the same day, making it difficult to clearly identify which acquisition the media was reacting to. One further acquisition was removed because the acquisition announcement occurred on the last day of the CEO's tenure. Next, we removed 89 acquisitions for which no annual reports were found and 87 additional acquisitions for which there were other missing data. The sample size for the final analyses was 747 acquisitions. In all of the cases described above, the acquisitions removed from the sample were still included in the calculations of the dependent variables for subsequent acquisition spending.

Dependent Variable

Subsequent acquisition spending. We measured subsequent acquisition spending as the total value of all large acquisitions announced during the 365 days following the focal acquisition. Focusing on large acquisitions ensures that we are studying acquisitions in which the CEO is likely to be highly involved in the decision to acquire and potentially concerned about negative reactions (Graffin et al., 2016). We focus on the year following an acquisition since, consistent with the reciprocal effects model, we expect negative media coverage to influence decision making quickly. Over longer periods of time, the CEO is likely to be influenced by other information and experiences. Further, there is a natural tendency for memories of an event to become less salient over time.² Our analysis, therefore, does not focus on a single subsequent acquisition decision, but, rather, on the multiple decisions about acquisition opportunities a CEO may need to make in the year following the focal acquisition. We envision that a CEO may face many such decisions in a given year and that the negative media coverage from a particular

² We conducted supplemental analyses testing both the 183 days (half year) and the 584 days (one and a half years) following the focal acquisition. We also tested all subsequent acquisition spending (including those with a value of less than \$100 million). In all of these tests, the findings were consistent with those reported in our primary analysis.

acquisition will influence the way they respond to the collective set of decisions.

Consistent with prior research (e.g., Sanders & Hambrick, 2007), we used acquisition spending as our dependent variable because it is a continuous variable that captures the nuance in the range of acquisitions that a firm can take. If negative media dampens a CEO's enthusiasm for acquisitions, it is likely to influence (a) their willingness to pursue further acquisitions, (b) the number of deals they will be in favor of, (c) the size of firms the CEO is willing to pursue, and (d) their aggressiveness in completing deals. Acquisition spending allows us to capture all of these effects. For example, a CEO may reduce the overall number of acquisitions or may feel that they can still take on smaller acquisitions without triggering as much media scrutiny. Thus, using acquisition spending as our dependent variable captures this nuance in a way that using number of acquisitions would not.³ We log-transformed this variable due to skewness.

Independent Variables

Negative media reactions. We captured media reactions based on mentions of the firm over a 21-day period surrounding the announcement of an acquisition starting three days before and going 17 days after the acquisition (−3, 17). This time frame includes more than a biweekly news cycle (including appropriate lead times) following the acquisition, which ensures that the weekly and biweekly periodicals sampled (e.g., *BusinessWeek*, *Forbes*) had an opportunity to publish stories about the acquisition. Further, this relatively short window ensures that the media is not responding to integration difficulties that may occur in the months following the acquisition announcement. We collected media mentions from four prominent national business daily and weekly news outlets: *Forbes*, *Wall Street Journal*, *Bloomberg BusinessWeek*, and *Barron's*. Further, we collected posts from three influential news services, because these represent posts that frequently receive significant coverage in local and national newspapers: Associated Press Newswires, Dow Jones Newswires, and Gannett News Service.

These data were collected using Factiva's "intelligent indexing," which classified articles into specific categories based on the content of the article (Bednar, 2012). A company search was performed with the categories "acquisitions/mergers," "mergers," and "acquisitions/mergers/divestments." In general, the data pulled from the Factiva searches returned a broad collection of articles, including articles not directly about the focal company and focal acquisition. As such, for each acquisition in the sample, we manually reviewed all the articles captured by the Factiva search and removed any articles not directly about the focal company and the focal acquisition. We also removed any duplicate articles and any articles that were an exact reprint of a company press release.⁴

The negative coverage of acquisitions included a wide range of topics. For example, following Pfizer's acquisition of King Pharmaceuticals in October 2010, negative media reactions included a focus on (a) the target company's recent struggles ("King has struggled in recent years as patents on several of its key drugs have expired or been thrown out. The company reported a 17% drop in sales in the second quarter of this year"), (b) the acquirer's own problems ("Investors now place virtually no value on Pfizer's pipeline of experimental drugs, and instead look to cost savings and cash flow from existing products as sources of Pfizer's strength in coming years"), and (c) disappointment with the acquisition relative to expected targets ("It's not a game-changer . . . and it's not a bold expansion into biotechnology-style drugs").

The media content was then analyzed using the Linguistic Inquiry and Word Count (LIWC) software (Pennebaker, Booth, & Francis, 2007). LIWC contains pre-designed and pre-validated dictionaries of words measuring the positive and negative emotion (valence) within the text (Pennebaker et al., 2007; Pennebaker & Francis, 1996), and is frequently used by management scholars to evaluate the content of media coverage (Bednar, 2012; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). Based on this content analysis, *Negative Media Reaction* was measured by the percentage of negative words

³ While we believe focusing on the value of acquisitions allowed us to get the most comprehensive view, we also conducted an additional analysis in which we used *number of acquisitions* as our dependent variable and found results in line with those for our main analysis. We discuss this more in our Supplemental Analyses section.

⁴ Other examples of articles that were removed from this process included articles about other acquisitions that only casually mentioned the focal acquisition, general market news that briefly mentioned the acquisition but provided no commentary on it, and articles in which the focal company was briefly mentioned as one of many "stocks to watch."

captured in the media coverage of the acquisition. The higher the value of this variable, the more negative the media coverage.

Moderator Variables

CEO Past Focus and *CEO Future Focus* were measured using a content analysis of letters to the shareholders (Nadkarni & Chen, 2014). Content analysis of letters to the shareholders has been used to improve our understanding of CEOs by studying issues such as CEO values (Daly, Pouder, & Kabanoff, 2004), CEO cognition and attention (Eggers & Kaplan, 2009; Kaplan, 2008), and psychological characteristics, including commitment to the status quo (McClelland, Liang, & Barker, 2010), regulatory focus (Gamache, McNamara, Mannor, & Johnson, 2015), and charismatic vision (Fanelli, Misangyi, & Tosi, 2009).

While some have argued that letters to the shareholders may have been written by someone other than the CEO (such as a public relations staff member), there has been significant evidence suggesting that CEOs are heavily involved with writing such letters (Duriiau, Reger, & Pfarrer, 2007). CEOs carry a fiduciary duty to sign the letter attesting to its honesty and accuracy (Kaplan, 2008). One piece of evidence that CEOs do follow through with this duty is the within-CEO consistency of these letters. Some studies have undertaken analyses finding that the style, word choice, and content of letters exhibit strong within-CEO consistency and between-CEO differences (e.g., Eggers & Kaplan, 2009; Gamache et al., 2015). Further evidence comes from research that has demonstrated strong consistency in the language used by CEOs across a number of formats, including interviews, speeches, and letters to shareholders ($r \geq .75$; Nadkarni & Chen, 2014). The fact that language used in letters to the shareholders matches the language used by CEOs in unscripted interviews is strong support for the claim that the letters reflect language consistent with the CEO's normal word choice preferences. A final and powerful point of evidence that CEOs write the letters is that analysis of CEO letters to the shareholders has strong predictive power—predicting outcomes as diverse as competitive attacks and retaliations (Marcel, Barr, & Duhaime, 2010), speed and direction of strategic actions (Nadkarni & Barr, 2008; Nadkarni & Narayanan, 2007), new product introductions (Nadkarni & Chen, 2014), post-merger performance (Daly et al., 2004), and rate of entry into new technology markets (Eggers & Kaplan,

2009; Kaplan, 2008). It is improbable that letters to shareholders would have such predictive power if they were indeed written by anonymous public relations staffers.

Letters to the shareholders offer a particular benefit to longitudinal research because they provide a nonintrusive measure based on a consistent format of communication comparable across time periods that is not found in CEO speeches or media interviews and avoids retrospective bias found in surveys (Eggers & Kaplan, 2009). Further, because writing a letter to the shareholders forces CEOs to think broadly about both past and future events, it does not inherently prime the CEO in a particular temporal direction, and, thus, allows us to capture the CEOs' general temporal focus disposition. Indeed, CEOs have the freedom to write their letter with a focus on the future, the past, or present events as they see fit, making it a clear place where their dispositional temporal focus will be reflected. We analyzed the letters to the shareholders using the LIWC software (Pennebaker et al., 2007). LIWC's dictionaries include 145 words with which to capture CEOs' past focus and 48 words to capture their future focus (Pennebaker et al., 2007). Nadkarni and Chen (2014) conducted a validation study of these measures with 144 mid-level executives who completed the Shipp et al. (2009) temporal focus scales. This validation study demonstrated strong convergent and divergent validity for the LIWC measure of past, present, and future focus, with the "LIWC dictionaries strongly correlated with the corresponding scale items for each temporal dimension: past focus (.70 to .73), present focus (.73 to .80), and future focus (.71 to .78)" (Nadkarni & Chen, 2014: 1818). Using these same dictionaries, the final values for CEO past focus and CEO future focus used in our study were the number of words the respective dictionary captured from the letter to the shareholders from the year prior to the acquisition announcement, divided by the total number of words in the letter. Further, consistent with theory on temporal focus and prior research (Nadkarni & Chen, 2014), our measures capture CEO past focus and CEO future focus as independent constructs and the measures are not a relative strength of past focus versus future focus. This is important because CEO past focus and CEO future focus are not simply opposite constructs (Shipp et al., 2009) and different theoretical mechanisms explain why each of these constructs moderates the relationship between negative media coverage and subsequent acquisition spending.

Control Variables

We controlled for several factors that could suggest alternative explanations for a CEO's propensity to engage in acquisitions, including CEO-level controls, acquisition-specific factors, firm-level controls, and industry-level controls. Beyond the controls listed below, we also controlled for the year of the acquisition with year dummy variables, in order to capture any macroeconomic factors that may influence acquisition spending.⁵

CEO-level controls. Because our analysis is at the CEO and the acquisition level, when possible, we captured variables at the CEO and acquisition levels. We controlled for several CEO-level factors that may influence CEOs' acquisition spending. First, we controlled for *CEO acquisition experience*, as measured by the prior acquisition spending made by the CEO during their tenure as CEO of the focal firm. Because recent research has noted that the value of acquisition experience decays over time (Meschi & Metais, 2013), and consistent with prior research (e.g., Reuer, Tong, & Wu, 2012), we calculated each CEO's acquisition experience for the four years (1,460 days) prior to the focal acquisition date. CEO compensation can also influence a CEO's general risk-taking propensity and acquisition decisions, so we controlled for *CEO total compensation* using ExecuComp's TDC1 measure (Haleblian et al., 2009; Seo, Gamache, Devers, & Carpenter, 2015). Finally, although our theory did not make any specific hypotheses about how CEO present focus would influence CEOs' responsiveness to negative media coverage, we controlled for *CEO present focus*, so that we were certain to capture the influence of all three temporal foci (Nadkarni & Chen, 2014). Consistent with how we measured CEO past focus and

CEO future focus, as described above, we measured CEO present focus using the 169 words in the LIWC dictionary to content analyze the letters to the shareholders.⁶

Acquisition-level controls. First, we controlled for other responses to the acquisition that might influence the decision to engage in subsequent acquisitions. As noted earlier, stock market reactions to a focal acquisition have been shown to influence subsequent acquisition activity. As such, we controlled for *stock market reactions* to the acquisition announcement, through the use of cumulative abnormal returns. The calculation for cumulative abnormal returns predicts an expected (or normal) return for a particular security and compares that to the actual price change surrounding the focal event. The difference between the actual return and the predicted return represents the cumulative abnormal return for that announcement. Our estimation period followed a 250-day trading window ranging from 295 trading days before the acquisition announcement to 45 trading days before the acquisition announcement, which represents approximately one year of trading (Hayward, 2002; McNamara, Haleblan, & Dykes, 2008). Prior research has used a wide range of event windows to study acquisition behavior, from a 21-day event window (five days before to 15 days following the acquisition; Haleblan et al., 2006) to a much narrower three-day event window (one day before to one day following the acquisition; Sears & Hoetker, 2014). For this control variable, we took a middle ground by using a seven-day event window (three days before to three days following the acquisition; Schijven & Hitt, 2012).⁷

Although our focal variable of interest is negative media coverage, it is also possible that positive

⁵ In selecting control variables, we followed Carlson and Wu's (2012) recommendation to leave out unnecessary control variables. We first developed a larger model incorporating several additional controls, including CEO pay structure (Carpenter & Sanders, 2002), acquisition completion, percentage of cash used in the acquisition, acquisition relatedness, termination fee used, board ethnic diversity, board independence, the percentage of females on the board (Chen, Crossland, & Huang, 2016), CEO power (Westphal & Fredrickson, 2001), CEO age, and CEO tenure (Finkelstein & Hambrick, 1990). These variables were not included in the final models because they had no correlation with any of our dependent, independent, or moderator variables at $r \geq .10$ (Carlson & Wu, 2012). The results from the larger model that included these additional controls were consistent with those presented.

⁶ Additionally, to ensure that our results were not reflecting some other underlying CEO trait, we conducted supplemental analyses in which we controlled for several other CEO characteristics. In this analysis, we controlled for CEO trait overconfidence (using CEO option exercises; Campbell, Gallmeyer, Johnson, Rutherford, & Stanley, 2011; Malmendier & Tate, 2005, 2008), CEO promotion focus and CEO prevention focus (Gamache et al., 2015), CEO optimism and CEO pessimism (using LIWC dictionaries of positive and negative emotional words), and an element of CEO narcissism (reflected by the CEO's use of personal pronouns; see Chatterjee & Hambrick, 2007). After inclusion of these additional control variables, our results remain consistent with those reported.

⁷ In supplemental analyses, we tested a three-day event window and a 21-day window, and found results consistent with those reported in our primary analysis.

media coverage could influence the decision to engage in subsequent acquisitions. Because positive and negative valence are distinct constructs (Baumeister et al., 2001; Bednar, 2012), it is possible that an article about an acquisition may contain both positive and negative content. Following the procedure described above for capturing negative media coverage, we measured *positive media reaction* as the percentage of positive words captured in the media coverage. Further, it is possible that some executives may simply be concerned with the quantity of media coverage, in addition to the content of the media coverage. As such, we also controlled for *media count* to capture the total number of articles published about the focal acquisition.

In addition, we controlled for several other acquisition-specific factors that may influence the degree to which CEOs expect, and are influenced by, negative media coverage. We controlled for the *relative size of the target* by taking the transaction price for the target divided by the total value of assets for the focal firm. We also included a series of dummy variables to indicate whether the target was a *foreign target*, a *public target*, and whether the acquisition was a *hostile takeover* or involved *multiple bidders*.

Firm-level controls. Prior research has found that *firm size* may influence acquisition performance (Haleblian et al., 2009) and may influence the firm's ability to undertake acquisitions. We controlled for firm size by taking the natural log of sales. *Firm performance* may also influence a CEO's proclivity to engage in acquisitions and the types of acquisitions undertaken (Kim, Haleblian, & Finkelstein, 2011). To control for this, we used return on assets. To control for the firm's ability to undertake acquisitions, we controlled for *leverage* as measured by the firm's debt to equity ratio. We also controlled for *high reputation* firms, because these firms may receive differential media attention and experience additional pressure to take big actions (Haleblian, Pfarrer, & Kiley, 2017). Consistent with prior work, this variable is a dichotomous variable recorded as a "1" if the firm is listed in either *Fortune's* "Most Admired Companies" list or the *Wall Street Journal*/Harris Index "Corporate Reputation" list, and "0" otherwise (Pfarrer, Pollock, & Rindova, 2010). We also controlled for several factors that may reflect the firm's overall strategy, including the firm's *capital expenditures* and their *R&D expenditures* (treating these variables as 0 when the data were not reported; Seo et al., 2015). To account for the firm-level temporal orientation, we measured the *firm investment horizon* (Martin, Wiseman, & Gomez-Mejia, 2016;

Souder, Reilly, Bromiley, & Mitchell, 2016). This measure accounts for the durability of a firm's property, plant, and equipment and is calculated by the firm's gross property, plant, and equipment divided by their depreciation and adjusted by the mean horizon of firms in the industry (Souder et al., 2016). Additionally, existing diversification levels may also influence a firm's propensity to undertake acquisitions; thus, we controlled for *diversification*, using an entropy measure (Palepu, 1985; Sanders & Hambrick, 2007).⁸

Industry-level controls. In order to control for industry conditions that may influence the firm's proclivity to engage in acquisitions (Haleblian et al., 2009), we controlled for *industry dynamism* and *industry munificence* by regressing the five-year industry sales on a year-count variable. Industry dynamism was then calculated by dividing the standard error by the average industry sales over the five-year period, while industry munificence was calculated by dividing the regression coefficient by the average industry sales over the five-year period. (Dess & Beard, 1984; Pathak, Hoskisson, & Johnson, 2014). Finally, to capture the potential influence of acquisition waves (Haleblian et al., 2012; McNamara et al., 2008), we controlled for *industry acquisition activity*, by calculating the total number of large acquisitions made of target companies in the focal industry over the half-year (183 days) prior to the focal acquisition.⁹

Analysis

First, we standardized all of the variables before creating interaction terms. All predictor variables (except for controls related directly to the focal acquisition) were lagged to the year before the year of the acquisition announcement. We used Tobit regression, since our dependent variable—acquisition spending—is a continuous nonnegative number with a minimum value of zero (Wooldridge, 2009). We clustered standard errors based on the firm

⁸ Due to missing data, we used mean-replacement for calculating diversification and firm investment horizon. We conducted supplemental analyses without these variables and the results were consistent with those reported.

⁹ In supplemental analysis, we also calculated this control variable using all acquisitions (rather than large acquisitions) and using the number of targets acquired within the prior 365 days (rather than 183 days). In each of these cases, the results were consistent with those presented.

because some firms conducted multiple acquisitions during the sample period (Carnahan, Kryscynski, & Olson, 2017; Christensen, Dhaliwal, Boivie, & Graffin, 2015).¹⁰

RESULTS

Table 1 presents the summary statistics for our study. Consistent with prior research (Gomulya & Boeker, 2014; Pollock, Rindova, & Maggitti, 2008), there is a low correlation between media reactions and stock market reactions to the announcement of the acquisition. Positive media reactions and stock market reactions are uncorrelated ($r = -.050$) while negative media reaction and stock market reaction have a modest negative correlation ($r = -.077$). Additionally, the mean levels of positive media reactions (2.562) are much higher than the mean levels of negative media reactions (0.458), demonstrating the positivity bias of business media coverage found in a wide range of research (Bednar, 2012; Deephouse, 2000; Zavyalova et al., 2012). This bias likely reflects the fact that firms have large public relations staff teams (Pollock & Rindova, 2003) and that reporters frequently base their articles on firm press releases and supplement them with quotes from executives. Also as expected, CEO past focus and CEO future focus are uncorrelated ($r = .001$). This is consistent with theory and provides further evidence that these constructs are orthogonal—the tendency of a CEO to think about the past is independent of that CEO's tendency to think about the future (Nadkarni & Chen, 2014).

In Table 2, we present the results of our analysis predicting subsequent acquisition spending. Model 1 includes the control variables only, several of which are significant. Interestingly, the coefficient for media count is not significant, suggesting that the simple volume of media coverage for the focal acquisition does not influence subsequent acquisition spending. As expected, and consistent with prior research (Haleblian et al., 2006), the coefficient for stock market reactions is significant ($p < .01$), suggesting a positive relationship between the stock market reaction and a CEO's propensity to engage in subsequent acquisitions.

Model 2 adds the impact of negative media reactions to the acquisition. Models 3 and 4 add the interactions between negative media coverage and CEO past focus and CEO future focus, respectively. Model 5 includes the full model containing the interactions of negative media coverage with CEO past focus and CEO future focus. Hypothesis 1 predicted that negative media reactions would be negatively related to subsequent acquisition spending. Supporting this hypothesis, the coefficient for negative media reaction is negative and significant ($p < .05$), suggesting that, the more negative media coverage there is to the focal acquisition, the less CEOs engage in subsequent acquisitions. In practical terms, a one standard deviation increase in negative media coverage surrounding an acquisition is associated with a 21.2% decrease in subsequent acquisition spending. Based on the mean value of subsequent acquisition spending, this represents a \$449 million reduction in large acquisition spending in one year following the focal acquisition. These findings suggest that, in spite of the general positive bias of the media coverage, negative media coverage is salient to CEOs and is influential in shaping their behavior.

Hypothesis 2 argued that CEO past focus would strengthen the relationship between negative media reactions to the acquisition announcement and subsequent acquisition spending. The coefficient for the interaction is negative and significant, supporting our hypothesis ($p < .01$). The negative relationship between negative media reaction and subsequent acquisition spending is stronger for CEOs with a high past focus. This relationship is represented visually in Figure 1. We also conducted a simple slopes analysis, which provided additional support for Hypothesis 2. This analysis shows that, at mean levels and high levels of CEO past focus, the relationship between negative media coverage and subsequent acquisition spending is negative ($p < .05$). At low levels of CEO past focus, however, the relationship between negative media coverage and subsequent acquisition spending is not significant ($p > .05$), suggesting that CEOs who are low in past focus are not strongly influenced by negative media coverage of an acquisition. For CEOs with a high past focus (+1 *SD*), an acquisition with high negative media reaction (+1 *SD*) results in \$2.3 billion less in subsequent spending on large acquisitions than an acquisition with low negative media reaction (−1 *SD*).

Hypothesis 3 argued that CEO future focus would weaken the relationship between negative media reactions and subsequent acquisition spending. The

¹⁰ We also reran our analyses with standard errors clustered by CEO. The results were consistent with those reported; however, because we had no CEOs who served at multiple firms in our sample, but we did have some firms with multiple CEOs, we clustered by firm in our reported analysis.

TABLE 1
Descriptive Statistics and Correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. Subsequent Acquisition Spending (ln)	1.465	1.674	1										
2. Negative Media Reaction	0.458	0.438	-.111	1									
3. Positive Media Reaction	2.562	1.113	.005	.065	1								
4. Stock Market Reaction	-0.002	0.048	.077	-.077	-.050	1							
5. Media Count	4.881	7.273	-0.055	.303	.048	-.054	1						
6. Relative Size of Target	0.070	0.147	-.239	.154	.051	-.231	.368	1					
7. Foreign Target	0.315	0.465	.038	-.129	-.066	-.001	-.046	-.076	1				
8. Public Target	0.353	0.478	-.046	.220	.343	-.117	.307	.296	-.061	1			
9. Hostile Takeover	0.008	0.089	-.041	.121	.030	-.057	.171	.121	.004	.090	1		
10. Multiple Bidders	0.038	0.190	-.028	.116	.120	-.026	.270	.251	.033	.237	.219	1	
11. CEO Acquisition Experience	5.974	3.734	.376	-.006	.038	-.046	-.026	-.161	.071	-.007	-.043	-.028	1
12. CEO Total Compensation (\$MM)	14.300	11.200	.241	-.041	.065	.019	-.005	-.168	-.033	-.029	-.014	-.021	.251
13. Firm Size	9.769	1.324	.375	.058	.048	.018	.126	-.327	.106	.087	-.055	-.006	.390
14. Firm Performance	0.072	0.065	-.049	.003	-.047	-.050	.069	.111	-.015	.082	-.048	-.025	-.091
15. Leverage	0.919	1.836	.194	.007	.029	-.083	-.003	-.094	.077	.014	.207	.127	.110
16. High Reputation	0.166	0.372	.326	.013	.023	-.065	.127	-.137	.085	.062	-.040	-.050	.299
17. Capital Expenditures	2145.950	4046.074	.375	.000	.081	.023	.026	-.156	.087	.021	-.032	-.031	.314
18. R&D Expenditures	1073.603	1842.934	.238	.183	.023	-.063	.180	-.103	-.030	.176	-.002	-.039	.272
19. Firm Investment Horizon	-26.007	103.638	.011	.071	-.016	-.058	.023	-.002	-.080	-.048	.018	.009	-.012
20. Diversification	0.772	0.582	.277	-.015	.009	.023	.034	-.150	.091	.086	-.020	.011	.268
21. Industry Dynamism	0.034	0.040	-.089	-.017	-.039	.114	.111	.010	.062	-.021	-.017	.052	-.051
22. Industry Munificence	0.058	0.099	-.008	-.008	.004	.068	-.027	-.034	-.044	.011	-.029	-.013	-.026
23. Industry Acquisition Activity	2.353	3.542	.125	-.035	.050	-.028	-.047	-.061	-.068	-.058	.025	-.085	.108
24. CEO Present Focus	3.776	1.203	.178	.008	.089	.029	.023	-.099	.024	.022	-.031	.029	.097
25. CEO Past Focus	1.297	0.514	.052	.008	-.008	.003	.020	-.073	.075	-.032	.010	.006	-.005
26. CEO Future Focus	0.575	0.326	.081	.024	.060	.051	.024	.016	.095	.017	.003	.077	-.002
27. CEO Past Focus × Neg. Media Reactions	0.007	0.990	-.048	-.015	-.104	.015	-.003	-.031	.035	-.044	.010	-.028	-.033
28. CEO Future Focus × Neg. Media Reactions	0.023	0.855	.040	-.018	-.049	.007	.029	-.026	-.018	-.022	-.009	.075	-.025

coefficient for the interaction term is positive and significant ($p < .05$), supporting our hypothesis. As seen in Figure 2, the negative relationship between negative media reaction and subsequent acquisition spending is weaker for CEOs with a high future focus. Simple slopes analysis further demonstrates that the relationship between negative media coverage and subsequent acquisition spending is negative and significant at mean levels and low levels of CEO future focus ($p < .05$), but is not significant at high levels of CEO future focus ($p > .05$), suggesting that CEOs with a high future focus are not influenced by negative media coverage of an acquisition announcement. Among CEOs with a low future focus (-1 SD), however, an acquisition with high negative media reaction ($+1$ SD) results in \$2.1 billion less in subsequent large acquisition spending than an acquisition with low negative media reaction (-1 SD).

Supplemental Analyses

Number of subsequent acquisitions. Prior research has argued that acquisition value and number of acquisitions represent two distinct parts of a firm's acquisition behavior (Gamache et al., 2015). As such, we conducted a supplemental analysis with number of large acquisitions as the dependent variable. This

analysis offered additional support for our theory. In particular, Hypothesis 2 and 3 were both supported ($p < .01$) with number of acquisitions as the dependent variable. However, while the coefficient for the main effect of negative media reaction on the subsequent number of acquisitions (Hypothesis 1) was negative, it was not quite significant ($p = .125$). Collectively, while these findings do not provide strong support for the argument that negative media coverage directly influences the number of subsequent large acquisitions, the effects are strong for CEOs high in past focus and for CEOs low in future focus.

Stock market reactions. We also conducted supplemental analyses to explore whether CEO temporal focus moderated the relationship between *stock market* reactions to the announcement of an acquisition and subsequent acquisition spending. Consistent with prior research, the low correlations in our sample suggest that stock market reactions represent a different type of stakeholder feedback than media reactions (Gomulya & Boeker, 2014; Pollock et al., 2008). Therefore, it is possible that CEO temporal focus may not influence the market reaction to subsequent acquisition spending relationship in the same way as it moderates the media reactions to subsequent acquisition relationship.

TABLE 1
(Continued)

12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1														
0.323	1													
-0.077	-0.140	1												
0.136	0.182	-0.303	1											
0.105	0.490	0.034	0.143	1										
0.157	0.582	-0.115	0.148	0.449	1									
0.064	0.368	0.211	-0.066	0.461	0.218	1								
.003	-.012	0.036	0.009	-0.008	-0.085	0.012	1							
0.014	0.311	-0.191	0.168	0.275	0.238	0.195	0.046	1						
-0.077	0.034	-0.105	0.136	-0.094	-0.018	-0.218	-0.011	-0.021	1					
0.013	-0.053	0.169	-0.111	-0.042	-0.067	0.071	-0.023	-0.084	-0.252	1				
0.091	-0.034	0.016	-0.052	0.051	0.067	0.159	0.002	0.001	-0.099	0.071	1			
0.004	0.271	-0.079	0.096	0.293	0.256	0.183	-0.028	0.181	-0.076	0.043	-0.017	1		
-0.039	0.046	-0.099	0.166	0.003	0.008	-0.024	0.060	0.193	0.231	-0.159	-0.004	-0.022	1	
-0.076	0.099	-0.153	0.167	0.086	0.203	-0.028	-0.089	0.022	0.049	0.034	0.011	0.263	0.001	1
0.060	0.021	0.049	0.087	0.003	0.007	0.020	-0.018	-0.026	0.019	-0.051	-0.032	-0.014	0.055	0.019
0.034	-0.016	-0.043	0.003	-0.028	-0.039	-0.047	0.012	-0.069	0.060	0.043	0.018	-0.082	0.022	-0.059

Notes: $n = 747$. Correlations greater than .072 or less than $-.072$ are significant at $p < .05$.

To test this possibility, we created interaction terms for both CEO past focus and CEO future focus with stock market reactions utilizing the same control variables described in our primary analysis. In this model, the main effect for stock market reactions remained positive and significant ($p < .01$). While both interaction terms were in the expected direction—CEO past focus \times market reaction has a positive coefficient and CEO future focus \times market reaction has a negative coefficient—neither are significant. This suggests that stock market reactions have a strong and consistent influence on subsequent acquisition spending across all CEOs, regardless of their temporal focus. This finding is important in light of our primary analysis demonstrating that CEO temporal focus shapes the degree to which negative media reactions following an acquisition influence subsequent acquisition spending. It suggests important differences in when CEOs are likely to be affected by market and media reactions following the announcement of a strategic action and highlights the distinct influence of stock market reactions and media reactions.

Finally, because media reactions and stock market reactions are, at most, minimally correlated, it is possible that media reactions have a stronger

influence on executive actions when they are aligned with stock market reactions. In other words, perhaps negative media reactions are stronger when stock market reactions are also negative, or, alternatively, perhaps the effect of negative media reactions are mitigated by positive stock market reactions. Both of these possibilities would suggest an interaction between media and stock market reactions. To test for this we created two interaction variables: (1) negative media reaction \times stock market reaction and (2) positive media reaction \times stock market reaction. Including these two additional interaction variables in our models did not change the reported findings. Both of these interaction terms were positive but not statistically significant. As such, this supplemental analysis suggests that CEOs respond to stock market and media reactions independently and there is no interaction effect between these two types of reactions.

Influence of general media coverage. While our expectation was that the media's coverage of an acquisition would be distinct from their general coverage of the firm and that the relationships we find would not be driven by their general coverage, we conducted supplemental analysis to confirm this expectation. To do so, we added two control

TABLE 2
Tobit Regression Analysis Predicting Subsequent Acquisition Spending

Variables	(1)	(2)	(3)	(4)	(5)
<i>Control Variables</i>					
Acquisition Experience	0.561*** (0.125)	0.566*** (0.124)	0.555*** (0.121)	0.570*** (0.124)	0.558*** (0.121)
CEO Compensation	0.251 [†] (0.139)	0.246 [†] (0.136)	0.260 [†] (0.141)	0.244 [†] (0.137)	0.259 [†] (0.141)
CEO Present Focus	0.015 (0.106)	0.021 (0.105)	0.018 (0.105)	0.037 (0.105)	0.035 (0.104)
Stock Market Reaction	0.323** (0.109)	0.315** (0.109)	0.327** (0.108)	0.320** (0.108)	0.331** (0.107)
Positive Media Reaction	-0.017 (0.084)	-0.019 (0.084)	-0.043 (0.084)	-0.007 (0.084)	-0.031 (0.085)
Media Count	0.030 (0.125)	0.083 (0.113)	0.084 (0.109)	0.076 (0.112)	0.076 (0.108)
Relative Size of Target	-0.804*** (0.225)	-0.786*** (0.221)	-0.785*** (0.217)	-0.758*** (0.220)	-0.755*** (0.215)
Foreign Target	-0.159 (0.168)	-0.212 (0.166)	-0.189 (0.168)	-0.201 (0.168)	-0.175 (0.170)
Public Target	-0.263 (0.208)	-0.212 (0.209)	-0.211 (0.209)	-0.208 (0.208)	-0.207 (0.208)
Hostile Takeover	-0.179 (1.417)	-0.087 (1.406)	-0.133 (1.413)	-0.030 (1.401)	-0.059 (1.386)
Multiple Bidders	0.458 (0.582)	0.484 (0.579)	0.456 (0.590)	0.379 (0.579)	0.339 (0.588)
Firm Size	0.257 [†] (0.150)	0.266 [†] (0.149)	0.261 [†] (0.149)	0.270 [†] (0.150)	0.266 [†] (0.150)
Firm Performance	0.276 [†] (0.147)	0.269 [†] (0.149)	0.291* (0.146)	0.287 [†] (0.150)	0.310* (0.147)
Leverage	0.290 (0.199)	0.293 (0.199)	0.326 (0.198)	0.296 (0.201)	0.331 (0.201)
High Reputation	0.085 (0.454)	0.035 (0.451)	0.021 (0.443)	0.010 (0.455)	-0.006 (0.447)
Capital Expenditures	0.303* (0.127)	0.302* (0.124)	0.304* (0.123)	0.301* (0.125)	0.304* (0.124)
R&D Expenditures	0.076 (0.171)	0.106 (0.173)	0.120 (0.167)	0.110 (0.175)	0.124 (0.167)
Firm Investment Horizon	0.144 (0.097)	0.171 [†] (0.100)	0.168 [†] (0.097)	0.170 [†] (0.099)	0.167 [†] (0.096)
Diversification	0.313** (0.120)	0.300* (0.119)	0.294* (0.118)	0.309** (0.119)	0.303* (0.118)
Industry Dynamism	-0.426* (0.187)	-0.436* (0.187)	-0.438* (0.186)	-0.466* (0.186)	-0.471* (0.185)
Industry Munificence	-0.056 (0.184)	-0.056 (0.182)	-0.080 (0.182)	-0.089 (0.185)	-0.116 (0.185)
Industry Acquisition Activity	0.212* (0.084)	0.210* (0.085)	0.205* (0.086)	0.205* (0.084)	0.200* (0.085)
CEO Past Focus	0.031 (0.101)	0.040 (0.100)	0.031 (0.101)	0.038 (0.100)	0.030 (0.100)
CEO Future Focus	-0.005 (0.116)	0.012 (0.115)	0.015 (0.116)	0.033 (0.114)	0.037 (0.115)
<i>Hypothesized Relationships</i>					
Negative Media Reaction		-0.235* (0.101)	-0.234* (0.104)	-0.241* (0.097)	-0.238* (0.100)
CEO Past Focus × Neg. Media Reaction			-0.256** (0.097)		-0.270** (0.092)
CEO Future Focus × Neg. Media Reaction				0.234* (0.109)	0.252* (0.113)
Constant	0.077 (0.256)	0.143 (0.253)	0.138 (0.254)	0.146 (0.254)	0.139 (0.255)

Notes: $n = 747$. Clustered standard errors in parentheses. Year dummy variables included but not reported.

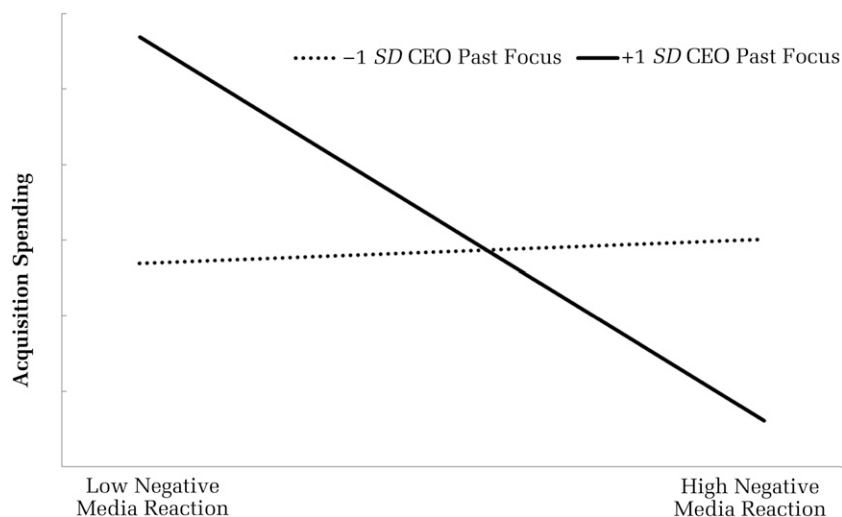
[†] $p < .10$

* $p < .05$

** $p < .01$

*** $p < .001$

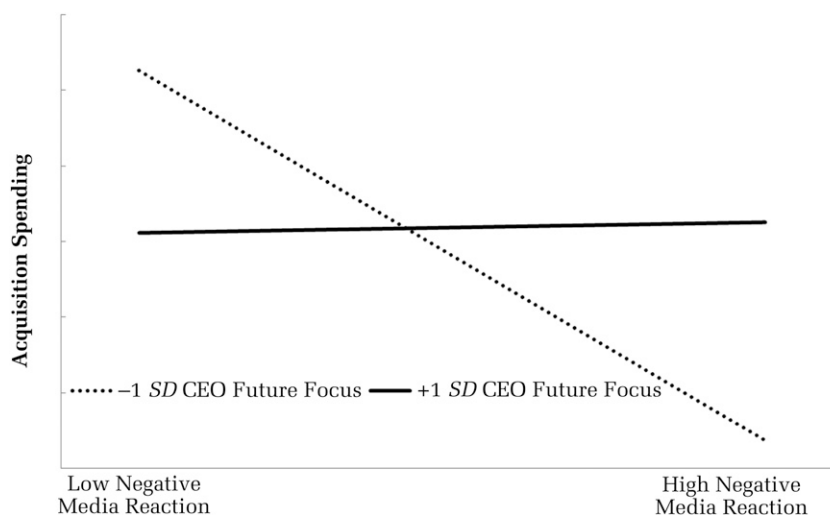
FIGURE 1
CEO Past Focus by Negative Media Reactions



variables: *general negative media coverage* and *general positive media coverage*. We collected this data for a three-month period prior to the date of the acquisition announcement—from $t - 121$ days to $t - 30$ days (see Graffin et al., 2016). We used the same media sources described in the measure for our independent variables (above) and used Factiva's intelligence indexing to search by company. Next, we manually went through each article set to eliminate any duplicate articles and any articles that were not focused on the focal company, and then content

analyzed the articles using LIWC. Finally, in 127 cases, the prior media coverage was confounded because other large acquisitions from our sample took place during this time window, preventing us from isolating the effect of general media coverage from the effect of these other acquisitions. As such, we dropped these cases from our supplemental analyses. We then reran our analysis on this reduced sample and included these two additional control variables. The results of this supplemental analysis were completely consistent with those found in our

FIGURE 2
CEO Future Focus by Negative Media Reactions



main analysis, providing additional support for our hypotheses.

CEO present focus. Earlier, we noted that it was not clear whether and to what extent prior negative media evaluations of an acquisition would influence CEOs who are high in present focus when they consider subsequent acquisitions. To examine this, we conducted supplemental analyses to test the moderating effect of CEO present focus. We created an interaction between CEO present focus and negative media reaction and included it as a variable in our model; the coefficient for this interaction term was not significant, but all other results remained consistent with those reported. As such, it does not appear that CEO present focus influences the propensity of CEOs to attend and respond to negative media reactions.

Positive media reactions. Throughout this paper, we have argued that it is especially important to explore the effect of negative media reactions because negative coverage is likely to have an especially strong effect. It is also possible, however, that certain CEOs may be influenced by positive reactions. To test this, we included interactions between CEO past focus and CEO future focus with positive media reactions. In both cases, the coefficient for the interaction between CEO temporal focus and positive media reactions was not significant.

Potential for endogeneity. Although the independence of the media and the focal firms reduces many sources of potential endogeneity, it is still possible that an omitted variable could influence both negative media reaction and subsequent acquisition spending. We thus tested for the potential impact of an omitted variable by calculating the impact threshold for a confounding variable (Busenbark, Lange, & Certo, 2017; Frank, 2000; Harrison, Boivie, Sharp, & Gentry, 2018). This analysis suggests that, for an omitted variable to invalidate our findings, it would need to be correlated $r > 0.17$ with both negative media reaction and with subsequent acquisition spending ($\alpha = .10$). In our analyses, to ensure as much as possible that we were accounting for potential factors that could influence our hypothesized relationships, we included 32 control variables (some of these were not included in our final analysis, based on the criteria provided by Carlson & Wu, 2012; see footnote 6). Of these 32 control variables, only one (R&D expenditures) had a higher correlation than the impact threshold with both of these variables. This is strong evidence that suggests it is unlikely that

there is an omitted variable that would invalidate our findings (cf., Harrison et al., 2018; Hubbard et al., 2017).

DISCUSSION

When making strategic decisions, CEOs look to cues provided by external stakeholders. Drawing on upper echelons theory, we argue that CEOs look to feedback received from stakeholders regarding prior actions and update their expectations regarding the favorability of further pursuing similar courses of actions (Miller & Shamsie, 2001). Prior research has primarily focused on hard performance feedback cues that are easily quantifiable (e.g., stock market reactions; Haleblan et al., 2006). Such work, however, has yet to consider whether CEOs are also influenced by soft performance feedback, such as those provided by the media. Media reactions, for example, are not easily quantifiable and are often subtle, with coverage of an event—and even singular articles—including both positive and negative comments. While some work suggests that media coverage can lead CEOs to take action (Bednar, 2012; Bednar et al., 2013), this work has focused on the effects caused by general media coverage and has not explored the extent to which media reactions to a specific event influence subsequent strategic actions. This absence is striking, given the prominent role that the media plays in business and society today and the steps that CEOs will take to shape the media coverage (Westphal & Deephouse, 2011) and since the reciprocal effects of media influence model (Kepplinger, 2007, 2008) suggests that individuals who are evaluated by the media are acutely aware and responsive to those evaluations. Thus, we argue—and find—that negative media coverage of an acquisition announcement is associated with reduced subsequent acquisition activity.

Further, upper echelons theory suggests that individual differences will shape how much CEOs attend to external stimuli (Hambrick & Mason, 1984). Existing research, however, has generally assumed that media reporting influences all executives in similar ways. We offer new insights by arguing and finding evidence suggesting that CEO temporal focus shapes how much CEOs pay attention to negative media reactions. More specifically, we argue and find that CEOs high in past focus tend to be highly influenced by negative media coverage while this coverage has a substantially lower influence on CEOs high in future focus.

Contributions and Implications for Future Research

Our findings in this study allow us to make several important contributions. First, we extend our understanding of the types of performance feedback that influence CEOs when they look to learn from announcements of strategic actions. While prior research has demonstrated that CEOs respond to hard forms of feedback—primarily in the form of stock market reactions (Haleblian et al., 2006; Kim et al., 2015)—our work demonstrates that soft forms of external performance feedback, such as media coverage of firm actions, can influence CEO decisions. More specifically, we theorized that firms would be influenced by negative media evaluations of acquisition announcements and that this negative coverage would lead to aversive behavior patterns—in our case, lower levels of subsequent acquisition activity. Based on the negativity effect (Baumeister et al., 2001), we did not expect positive media coverage to have a strong influence on subsequent firm behavior. The pattern of results we found in our analyses strongly confirmed our expectations. Thus, we find evidence that executives attend to and learn from media evaluations, but that they respond to negative, rather than positive, media evaluations.

This finding has important theoretical implications. The fact that CEOs are influenced by soft forms of external feedback suggests that current conceptualizations of what drives CEO decision making are incomplete. Indeed, media reactions and other forms of soft feedback may be important for CEOs in a wide range of decision making. Future research would benefit by exploring other ways in which soft performance feedback influence CEO decision making. In this way, our work may also contribute to research on the behavioral theory of the firm (e.g., Cyert & March, 1963; Greve, 2003), particularly by investigating whether and to what extent soft performance feedback fit into an aspirational framework.

Our work also contributes to upper echelons theory by demonstrating the importance of CEO cognition and external feedback by studying how CEO temporal focus moderates the effect of negative media coverage. According to upper echelons theory, CEOs make strategic decisions based on what information they pay attention to and how they interpret that information. Consistent with this, we find that CEO future focus and CEO past focus shape the degree to which CEOs are influenced by negative

media coverage thus shining a light on the role CEOs have in directing attention to and interpreting feedback from external stakeholders. It is possible for two different CEOs to respond differently to the same negative media reactions.

We also contribute to research on CEO temporal focus, which has almost exclusively focused on its influence for the development and introduction of new products (Nadkarni & Chen, 2014; Yadav et al., 2007). Our findings extend this research by showing how CEO temporal focus influences how executives respond to stakeholder evaluations of prior actions. We find that temporal focus influences how important media reactions are to the CEO. Future research should continue to explore the role of CEO temporal focus in influencing specific firm outcomes. Our paper demonstrates that, rather than a direct effect on acquisition spending, CEO temporal focus serves as an important moderator to the influence of negative media reactions. The nature of CEO temporal focus in directing a CEO's field of vision, selective perception, and interpretation of environmental feedback may make CEO temporal focus an important moderator for the influence of other stakeholders such as institutional investors or market analysts.

Our paper also extends research on mergers and acquisitions by demonstrating that media coverage influences this important strategic decision. While prior research has demonstrated that firms learn from and respond to stock market reactions to acquisition announcements (Haleblian et al., 2006), we show that CEOs also take past media reactions into consideration when making subsequent acquisition decisions. This finding furthers our understanding of how acquisitions are not made solely as a function of rational decision-making processes. In this case, we show that CEOs do not just respond to economic indicators, but may also be influenced by potentially subjective views in the form of soft feedback from external stakeholders. In this way, future research would benefit by extending this work into how acquiring firms integrate their targets. For example, while we show that negative media coverage of a focal acquisition influences subsequent acquisition activity, it may also shape how firms act moving forward with the focal acquisition. Indeed, CEOs may be motivated to “prove them wrong” by putting extra efforts to develop synergy through the integration process, or may attempt to rush the process and earn quicker returns by reducing costs through layoffs (Krishnan, Hitt, & Park, 2007).

Our study also contributes to research on media coverage of organizations. Importantly, our supplemental analysis furthers our understanding of how the stock market and the media are different types of stakeholders. While both negative media coverage and negative stock market reactions reduce subsequent acquisition spending, CEO past focus and CEO future focus moderate the impact of media reactions on subsequent acquisition spending, but do not moderate the impact of stock market reactions on subsequent acquisition spending. This suggests that the impact of negative stock market reactions is strong across all CEOs while the impact of negative media reactions is more dependent on how CEOs perceive the past and the future. This important difference may reflect the fact that the stock market provides a quantifiable assessment that has direct financial implications for the CEO (Devers et al., 2007) while media reactions are not easily quantifiable and are likely to contain both positive and negative assessments of the same event, making it more likely that CEOs have flexibility in how much they respond to the media reactions and thus making the media reactions more susceptible to CEO individual attributes.

Finally, while we show that CEOs respond to negative media coverage, we do not know whether or not this is good for the firm. Future research, therefore, could explore whether attending to media coverage is beneficial to the firms and their future actions. It is possible that the media is an effective guide and helps the firms better direct their attention to more valuable strategic actions. If this is true, then CEOs benefit by responding to negative media reactions and should be more attuned to what the media is saying. Alternatively, media coverage could move firms away from the best course of action. If this is the case, then CEOs should avoid any concern with how the media is responding to a particular event.

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