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RESEARCH ARTICLE

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Accentuate the positive? Strategic negativity amid the hazard of high expectations

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Abstract

Research Summary: While previous organizational impression management (OIM) research focuses on highlighting firms in a favorable light, we explore CEOs' use of "strategic negativity" to manage expectations. We draw on OIM's psychological roots to predict that despite pressure to "be positive," when CEOs perceive stakeholders are motivated to raise their expectations and have an opportunity to do so, CEOs strategically use negativity to counteract this anticipated expectation increase. We test our predictions on 7330 quarterly earnings calls from 370 publicly traded firms (2008–2019), examining how the "motive" of a positive material earnings surprise and "opportunity" of a new fiscal year jointly increase CEO negativity in prepared remarks. We elaborate the wide applicability of strategic negativity, the "other side" of the OIM phenomenon.

Managerial Summary: In contrast to the prevailing view that CEOs usually "positively spin" the firm's situation to stakeholders, we investigate how CEOs strategically use negativity to counteract stakeholder optimism, provided CEOs perceive expectations are

likely to rocket upward. We argue that positive news represents a "motive" and a chance to reflect represents an "opportunity," and that together they risk raising expectations. Analyzing 7330 quarterly earnings calls of 370 companies (2008–2019), we specifically examined how both (1) a positive earnings surprise and (2) a new fiscal year force CEOs out of their positivity comfort zone and encourage them to be strategically negative in earnings call remarks, to try to lower stakeholder expectations. Our results support this view and pave the way for future research.

KEYWORDS

earnings surprise, impression management, negative speech, quantile regression, stakeholder

1 | INTRODUCTION

In 1944, Harold Arlen and Johnny Mercer released a song—Accentuate the Positive—rerecorded by numerous artists in the decades since, which reflects a fond cultural norm in the United States:

> You got to ac-cent-tu-ate the positive, E-lim-i-nate the negative
> And latch on to the affirmative, Don't mess with Mr. In-between
> You got to spread joy up to the maximum, Bring gloom down to the minimum
> And have faith, or pandemonium, Liable to walk upon the scene

This cultural norm mirrors research on executives' responses to positive news: they (publicly) avoid negativity whenever possible (e.g., Clatworthy & Jones, 2003). Organizational impression management (OIM) scholars study positive framing of "bad news" (e.g., Bundy et al., 2017; Graham et al., 2013), distracting via "strategic noise" (e.g., Graffin et al., 2011; Jin et al., 2022), offsetting with positive news (e.g., Gamache et al., 2020; Graffin et al., 2016), or "stealing thunder" or "foreshadowing" it (Busenbark et al., 2017; Fennis & Stroebe, 2014). However, these efforts do not account for downplaying positive news when CEOs may fear it will raise expectations, a practice we call ***strategic negativity***. For instance, answering buzz around OpenAI's GPT-4, Sam Altman said, "people are begging to be disappointed... the GPT-4 rumor mill is ridiculous," (Tangermann, 2023). In 2016, Jeff Bezos downplayed Amazon's upgrades, saying most would "fail and the money invested is gone" (AboutAmazon, 2017). After a Q1 2018 earnings jump, UBS CEO Sergio Ermotti said he could not "simply multiply the first-quarter result by four" (Reuters, 2018).

Positive-leaning OIM research overwhelmingly focuses on strategies that place the firm in the "best possible light" (Elsbach et al., 1998, p. 68), but strategic negativity exists on the "flip side" of this coin, a side which notes that CEOs sometimes seek to lower expectations. We define strategic negativity as an OIM strategy the CEO employs to reduce a perceived high-

expectation hazard. We first illustrate the construct, differentiate it from related concepts, and offer predictions that span contexts. We posit two conditions that jointly provoke strategic negativity: (1) recent positive news of the firm, and (2) an event likely to prompt stakeholders to update their expectations.

Our empirical models focus on specific examples of each condition—(1) a positive material earnings surprise and (2) the turn of a fiscal year (Q4 and Q1). In contexts where firms are free to determine their own fiscal year-end based on their business cycle, the turn of a new fiscal year is a natural expectation-updating juncture, as investors often use this business cycle to take stock of the value of their holdings (Li et al., 2023). We note that positive news essentially gives stakeholders the *motive* to update their expectations, while a new fiscal year gives them a perceived *opportunity* to do so.

As such, we theorize no main effect of material positive news. We believe the relationship between such news and strategic negativity fundamentally depends on the occurrence of the positive news during an expectation-updating opportunity, such as the turn of a fiscal year. Contingencies like this raise the hazard CEOs perceive from positive news during this time (Gentry et al., 2021). In terms of the manifestation of strategic negativity, itself, we examine the negative tone of CEO speech during prepared remarks on an earnings call. We find empirical support in a sample of 7330 quarterly earnings calls across 370 firms from the S&P 500, spanning 2008–2019. In supplemental tests, we find strategic negativity in Q1 or Q4 sometimes predicts lower cumulative abnormal returns, also suggesting its apparent utility in reining in expectations. We close with key implications and their application to other contexts, including other manifestations of "positive news" and "expectation-updating stimuli."

2 | EXECUTIVE TONE AND THE PREFERENCE FOR POSITIVITY

CEOs carefully weigh the pros and cons of using negativity when discussing their firms, and this careful consideration underpins the reasons we later posit that strategic negativity is contingent on specific circumstances. CEOs' words shape stock prices (Arslan-Ayaydin et al., 2016) and media perceptions of rivals (Westphal et al., 2012), and are often used to "induce positive emotions or favorable cognitions" of their firm (Busenbark et al., 2017: 2488) or cast it in the "best possible light" (Elsbach et al., 1998, p. 68). Research on OIM and crisis response studies "accommodative" tactics for negative events, where firms atone for missteps (e.g., Bundy et al., 2021; Bundy & Pfarrer, 2015). Executives must address complaints (Oliver et al., 2022) and take material action or face backlash (König et al., 2020; Zavyalova et al., 2012), and they may use positivity to offset stakeholder ire (Elsbach et al., 1998; Graffin et al., 2011, 2016). Indeed, executives avoid negative scrutiny with rare exception, such as when media coverage is already negative (e.g., Bednar et al., 2013) or a critical action can only be delayed (e.g., Titus et al., 2018). CEOs favor positivity, especially when negativity is deemed a risk (Durand et al., 2019; Tversky & Kahneman, 1991; Waldron et al., 2013). This underscores the pressure on CEOs to *avoid* negativity, highlighting its fundamentally contingent nature, even as they seek to keep expectations modest and achievable.

This notion that CEOs seek to lower expectations is well-known in research on earnings management (e.g., Kirschenheiter & Melumad, 2002). In one study, 78% of executives avoided "setting...precedents [that are] difficult to maintain" (Graham et al., 2005). Entrepreneurship research has also begun to incorporate this concept, noting the potential burdens of "hype" for

nascent ventures, since they must "live up to" this hype about their prospects (Logue & Grimes, 2022). Notably, this expectation management notion is widely acknowledged in the psychology literature from which OIM arose. Individuals downplay good outcomes to avoid raising expectations and might *self-handicap* (sabotage to later excuse failure; Siegel & Brockner, 2005), play *underdog* for sympathy (e.g., Blickle et al., 2012), or *sandbag*—making false claims or pretending lack of ability to lower expectations (e.g., Gibson et al., 2002). Though the forms of these various downplaying approaches are distinct, there is some equifinality in how they ultimately manifest: as more relative negativity than otherwise.[1] Taken together, this underscores how CEOs regularly respond to stakeholder disappointment (Hosmer & Kiewitz, 2005). For material positive news, CEOs may see a looming risk of disappointment, which can prompt them to keep expectations in check.

3 | STRATEGIC NEGATIVITY: DEFINITION AND DISCRIMINANCE

Short and Pfarrer (2023, p. 26) note that few OIM studies examine the management of positive events due to two assumptions in the literature: that OIM is "used to manage negative events" and is "enacted only once a threat is identified." Strategic negativity responds to the anticipated hazards of positive events and is enacted to prevent such a hazard from ever occurring. Since—as noted above—the general notion of "reining in expectations" is established in domains adjacent to OIM, we now distinguish strategic negativity from neighboring constructs.

3.1 | Differentiating strategic negativity from neighboring constructs

Strategic negativity, like many other OIM constructs, is aimed at the firm's external stakeholders. The focal concern in the CEO's mind is the perceived risk of rising expectations among external stakeholders, whose disappointment can damage the firm in various ways. Constructs like strategic noise, earnings management, and foreshadowing are similarly outward-focused, and all—like strategic negativity—are tactical efforts rather than executive traits; all aim to limit stakeholder discontent[2]; all try to shape views of the focal firm and/or other firms (Westphal et al., 2012), and may seek to (in)directly influence stock prices (Arslan-Ayaydin et al., 2016; Busenbark et al., 2017; Lee & James, 2007). But all differ from strategic negativity in important ways.

Unlike strategic negativity, earnings management and foreshadowing are not triggered by positive news events. Earnings management focuses on making *next* quarter forecasts achievable (Kirschenheiter & Melumad, 2002); foreshadowing hints at a future *negative* event (e.g., an earnings miss or acquisition) to reduce fallout (Busenbark et al., 2017). Potential future disappointment is a concern both foreshadowing and strategic negativity aim to mitigate, but with foreshadowing the future event is known (executives explicitly disclose it to stakeholders), and for strategic negativity it may be less specific and more of an abstract CEO concern of the "risk"

[1]Our intent is not to parse all possible forms of negativity. We mention these self-handicap, underdog, and sandbag forms to allude to alternate ways strategic negativity can arise. All are motivated by concerns about high expectations.
[2]Notably, this is distinct from performance feedback responses, in that "problemistic search" after underperformance intends to fix underperformance (for a review: Posen et al., 2018), and is not meant to shape stakeholder expectations.

of disappointment given an anticipated jump in external stakeholder expectations from material positive news.

This "generalized concern" that prompts strategic negativity—based on the CEO's perception that future expectations will not be met (if they rise as a result of recent positive news)—is akin to concern about the potential fallout from negative disclosures the firm must make, which is the impetus for negative strategic noise (Jin et al., 2022). But for negative strategic noise, the focus is on "hiding" certain known (negative) disclosures because of the fallout they are expected to create, whereas strategic negativity is motivated by the perceived hazard of the positive news, itself, and the fallout it could create if disappointment occurs as a result of expectations raised by the good news.

Moreover, unlike negative strategic noise, a CEO employing strategic negativity will not hide negativity but emphasize it to try to mitigate perceived hazards of recent positive news. Further, the disclosures made with negative strategic noise are not necessarily related to the positive news event, (Graffin et al., 2011)—whereas with strategic negativity the CEO's communications are specifically aimed at recharacterizing or downplaying the positive news, itself, to mitigate its impact. In light of this, we now detail the ways this recharacterization or downplaying appears to manifest.

3.2 | Illustrations of strategic negativity's apparent use

A pronounced form of strategic negativity involves ***direct confrontation***: CEOs point to positive news about the firm and recast it negatively. The CEO may question the significance of the positive news (e.g., by saying it is inaccurate or a harbinger of bad things to come). One example occurred after AMC's Q2 2023 profit jump, when CEO Adam Aron highlighted the risk of AMC's bankruptcy and chided investors who seemingly ignored "cash burn" amid industry strikes (MovieGuide, 2023).

A subtler and perhaps more common form of strategic negativity is ***downplaying positive news***. Here, the CEO may acknowledge good news but minimize its significance, thereby diminishing its impact on expectations. For example, after Netflix's subscribers rose 5.3 million in Q3 2017: Reed Hastings said, "Wall Street loves inflection points...but I think it's pretty much steady growth" (Castillo, 2017). Strategic negativity is driven by various "material positive news" events and manifests in many ways. We provide other illustrations of (apparent) strategic negativity in Online Appendix 1.

Not all negative speech is strategic negativity; it is the CEO's *intent* of preventing a rise in expectations that makes negativity "strategic." Just as the "announcement of unrelated events" can be either *strategic noise* or *offsetting* (or neither), based on context (Graffin et al., 2011, 2016), so is negative speech potentially mundane or "strategic negativity" depending on the circumstances. When CEOs think stakeholders have both a motive (e.g., a positive stimulus) and an opportunity (e.g., an occasion to reconsider expectations) to raise their expectations of the firm, they may strategically employ negativity to counter this perceived hazard of exuberance.

4 | EXPECTATION INERTIA: THE MOTIVE AND OPPORTUNITY TO REJECT IT

In developing predictions for when strategic negativity is most strongly used, we must consider not only the impetus of "material positive news"—that is, exceptionally favorable news about

the firm—as we view this as a necessary but not sufficient condition to provoke strategic negativity. As CEOs consider the perceived threat of such positive news—because of the disappointment it might engender if it raises expectations—they must also consider "if it *will* raise expectations" or simply be ignored or unnoticed. CEOs continually scan their environment, guided by attention-focusing signals (Short & Pfarrer, 2023; Weick et al., 2005). They may "cognitively reappraise" their circumstances, especially if emotions are heightened (Webb et al., 2012), or use their experience as a focusing frame (e.g., Pacini & Epstein, 1999). Their attention to stakeholders and whether those stakeholders will *act on* the revelation of material positive news by raising their expectations is what we predict will ultimately drive the CEO's decision to use strategic negativity.

4.1 | Strategic negativity requires a burden of proof that expectations will rise

CEOs will be aware that external stakeholders' attention limits may prevent their awareness of certain news (Fiske & Taylor, 2017), or that those stakeholders—rather than adjusting upward their expectations in response to positive news—may instead focus on bad news due to loss aversion or negativity bias (Rozin & Royzman, 2001; Tversky & Kahneman, 1991). Moreover, CEOs are cognizant of the inertia of stakeholders' expectations, and the fact that any one news event may not overcome that inertia (e.g., Burgoon, 1993).

As such, this suggests that before CEOs use strategic negativity, they must perceive that stakeholders have not only a *motive* to raise their expectations (embodied in the impetus of "material positive news"), but also an *opportunity* in which they are willing and able to update their expectations (e.g., McKendall & Wagner, 1997; Walton et al., 2017).

With respect to the circumstances that enable stakeholders to update their expectations, research suggests that jolts in the information environment can prompt deliberation about the available facts, as opposed to the default intuition that prior beliefs are still true (e.g., Evans & Stanovich, 2013; Short & Pfarrer, 2023). A wealth of recent findings building on decades of psychology research suggests that such jolts—whether planned or not—can force reconsideration and increase one's focus on recent facts in forming impressions (e.g., Bago et al., 2020; Isler et al., 2020). Events that encourage stakeholders to reconsider their beliefs come in many forms, and might include a supply chain disruption in the industry, industry-level regulatory changes, introduction of a novel technology, a corporate anniversary reached—for example, Apple's 40th anniversary in 2016 (Matyszczyk, 2016)—or when a regular business cycle concludes and a new one begins (e.g., the turning of a firm's fiscal year) (Figure 1).

CEOs are likely aware of the role such events play in prompting stakeholders to reconsider prior beliefs and attend closely to circumstances that can shift stakeholders' expectations (e.g., Parker et al., 2019). As such, the CEO's perceived hazard of high expectations is greater in the presence of both the "motive" of material positive news and the "opportunity" of an event that prompts stakeholders to reconsider their prior beliefs. Such conditions, in turn, provoke strategic negativity as CEOs attempt to mitigate the hazards they anticipate. We formalize this prediction in a single interaction hypothesis:

> **Hypothesis.** CEOs are more likely to use strategic negativity in response to material positive news when they also see an expectation-updating opportunity for stakeholders.

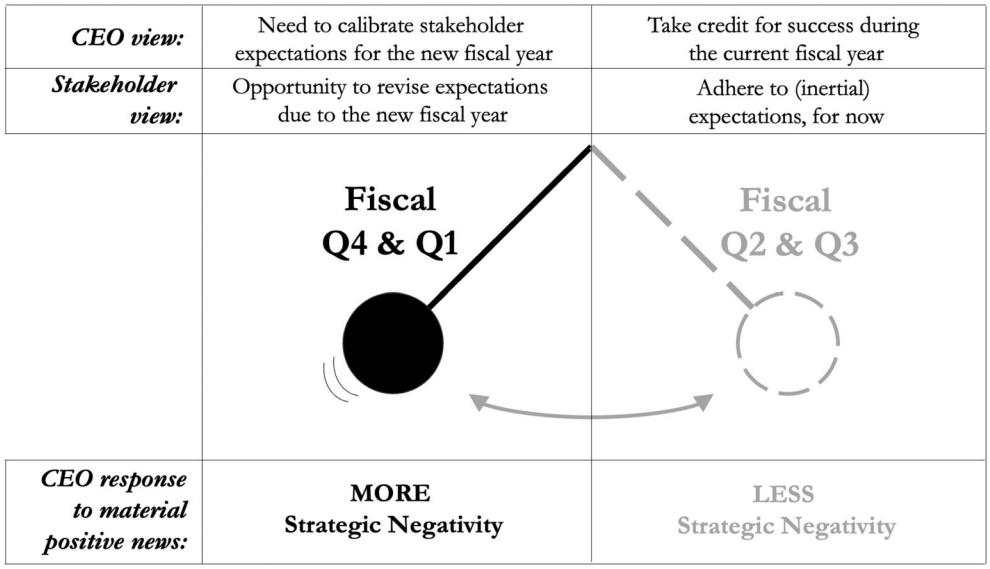

FIGURE 1 The pendulum of strategic negativity due to fiscal cycle after material positive news.

5 | METHODS

5.1 | Empirical context: Earnings surprises, prepared remarks, and fiscal quarters

Strategic negativity is likely present in many contexts, but we examine earnings calls given precedent that they represent a recurring venue for OIM (e.g., Westphal et al., 2012). Thus, our sample comprises quarterly earnings calls by S&P 500 firms from 2008 to 2019. We first collected all call transcripts listed on DowJones Factiva for these S&P 500 firms, yielding 24,702 transcripts for 568 firms. We parsed each by speaker, retaining the top executive's prepared remarks (i.e., CEO, sometimes Chair). We verified parsing accuracy and non-duplication, merged IBES earnings data, and arrived at a final sample that, due to attenuation, included 7330 observations for 370 firms. We ensured attenuation did not materially bias our models and that our sample fairly represents the population.[3]

5.2 | Measures

5.2.1 | Strategic negativity

Strategic negativity ultimately manifests as negative tone. As such, we used the Loughran-McDonald measures of negative tone (Loughran & McDonald, 2011) in the LIWC text analysis

[3]The number of actual calls is less than anticipated due to reasons like IPOs/mergers, CEO absences (e.g., Elon Musk in 2021), and cancellations (e.g., GameStop in June 2023). About 10% of calls lack CEO presence. CEO attendance is more likely after any earnings surprise, as seen in odds ratios (positive: 1.480, $p = .001$; negative: 1.690, $p = .004$). Factors affecting our sample include use of 1-year time lags, SIC-4 industry specificity, use of quarterly data, and missing variables like news sentiment. Using "coarsened exact matching" (CEM) on SIC-1, fiscal year, total CEO words, and logged assets, we found no meaningful difference in negativity after positive surprise, reducing sampling bias concerns. See Online Appendix 3 for more detail on this CEM procedure.

software to score such tone in a CEO's prepared remarks on the earnings call (averaging CEO/chair scores in the 4.5% of cases both were present, to reflect coordination: Marcel, 2009).

5.2.2 | Material positive news

We operationalized "material positive news" in this context as a material positive earnings surprise. Prior literature suggests a positive material surprise can raise expectations and risk disappointment (Graffin et al., 2013; Marr & Thau, 2013; McDonnell & King, 2013; Rhee & Haunschild, 2006; Zavyalova et al., 2016). Unlike non-material positive surprises where earnings barely surpass forecasts, material positive surprises can provoke sensemaking (e.g., Jin, 2006). Following precedent, we calculated raw earnings surprise with actual earnings-per-share (EPS) as a percentage increase from mean analyst EPS forecast. A forecast of 1.00 and EPS of 1.10 is a +10% surprise, while a forecast of 1.10 and EPS of 1.00 is a −9.09% surprise (Pfarrer et al., 2010).[4] Following Pfarrer et al. (2010), "material" surprises are those in the extreme industry quartile in the past 365 days (i.e., the top 25% of all positive surprises or bottom 25% of all negative surprises) in the same SIC-4 industry.

5.2.3 | Expectation-updating opportunity

We focus on ***fiscal quarter*** as a natural feature of expectation cycles.[5] We posit a swing in stakeholder focus between expectation-updating and performance-evaluating over the fiscal year. The start of the fiscal year is often more salient for both stakeholders and CEOs seeking to set expectations for the fiscal year. By contrast, CEOs may emphasize mid-year achievements, then resume expectation-updating at the turn of a new fiscal year (Lee et al., 2016; Mendenhall & Nichols, 1988). Thus, we split fiscal quarter into three levels: (1) a base case of Q2/Q3 (combined), (2) Q1, and (3) Q4.

5.2.4 | Controls

We controlled for ***positivity*** in prepared remarks. We controlled for ***total words*** (natural log) during those remarks. From the most recent shareholder letter, we captured: ***vain speech*** and ***negative speech*** to account for idiosyncratic negativity or humility (Anglin et al., 2018; Hayward & Fitza, 2017); temporal focus as executives' ***past***, ***present***, and ***future orientation*** (e.g., Gamache & McNamara, 2019; Nadkarni & Chen, 2014); and regulatory focus via ***prevention*** and ***promotion orientation*** (e.g., Gamache et al., 2020). We controlled for ***recent news volume and sentiment*** about the firm—as both shape firm decisions (Bednar et al., 2013;

[4]**Negative EPS values**: Prior work is ambiguous about negative EPS values in calculating percentage of surprise, but proportions can be different (e.g., a − 0.10 forecast & 0.10 actual EPS is "+200%," but a − 0.20 forecast and 0.10 actual EPS is "+50%," though the latter has more absolute change). To avoid this, **we exclude negative EPS values** *prior* to calculating percentage surprises. However, robustness tests including negatives yielded similar results.

[5]While we later discuss alternatives to fiscal quarter, we use these because (a) fiscal year turns are common and comparable across firms, that is, every firm has a fiscal year; (b) fiscal year turns occur predictably every single calendar year, at a point that aligns with the firm's meaningful fiscal cycle; (c) fiscal year turns are likely to naturally prompt reconsideration of the firm's prospects, as evidenced by research from the accounting literature (Chen et al., 2022).

Titus et al., 2018), using data from RavenPack (Hill et al., 2019). For ***volume***, we counted articles about the firm within 30 days prior to the earnings call, and RavenPack's average event ***sentiment*** score (ESS) across all articles. Other firm-centric controls included a binary ***reputation list appearance*** in the past year on either the Fortune *Most Admired Companies* ranking, the BCG *Most Innovative Companies* ranking, or the *Global RepTrak* ranking. We also controlled for ***mean EPS forecast***, the firm's ***logged total assets***, as well as ***recent return on assets*** (ROA) over the prior four quarters, using an entropy measure weighting each ROA value in the preceding four quarters at $1/t$, where t is the number of quarters prior to the current quarter. Results were similar using a simple average of these ROA values. We also included ***environmental munificence***, ***dynamism***, ***and complexity*** in the firm's industry context as detailed by Keats and Hitt (1988).[6] Finally, we included dummies for 1-digit SIC ***sector*** code and ***fiscal year***.

6 | ANALYSIS AND RESULTS

Collinearity had little effect, as variance inflation factors fell below four in all models (Cohen et al., 2013). Table 1 presents the descriptive statistics and pairwise correlations of all variables.

6.1 | Quantile regression

We tested our hypothesis using quantile regression in Stata 17, with all continuous variables standardized for comparison. See Online Appendices 2 and 4 for more detail on this method and a selection bias check for positive earnings surprise. In Table 2, we list only the interaction effect coefficients at 5-percentile increments from the 10th to 90th percentiles. For parsimony, the full model results in Table 3 only include five quantiles: the 10th, 30th, 50th, 70th, and 90th percentiles of negativity.

In Table 3, the main effect results show that fiscal Q1 (compared to Q2/Q3) has a positive main effect in the 10th and 30th quantiles but a negative main effect in the 50th, 70th, and 90th quantiles; whereas fiscal Q4 has a negative main effect in all five quantiles tested. Though not hypothesized, this suggests that seasonality plays a nontrivial role in shaping top executive negativity on earnings calls: in general, top executives appear more willing to be "a little negative" in fiscal Q1 (positive effect in lower quantiles) but not overly so (negative effect in upper quantiles). But in fiscal Q4, top executives may be generally reluctant to be negative at all.

The results also show that, consistent with our Hypothesis, the interaction of positive earnings surprise (henceforth, "PS") and fiscal quarter is meaningfully positive more often than not for both sets of PS interactions: with Q1 and Q4. In Table 2, for PS × Q1, 8 of 17 quantiles[7] had p-values of $p = .004–.036$, and coefficients of 0.049–0.080 (median of 0.063). For PS × Q4, 9 of 17 quantiles had p-values of $p = .009–.048$, and coefficients of 0.053–0.114 (median of 0.083). These effect sizes represent the incremental change in strategic negativity when PS occurs in Q1 or Q4, in addition to the sole effect of these fiscal quarters. We can assess their relevance by noting the interquartile range of the DV and the median interaction coefficients noted above.

[6]By precedent, environmental factors are based on SIC code, firm id, and total sales. We use year to predict industry, then use the betas as "munificence" and SEs as "dynamism." "Complexity" is the Herfindahl index for industry sales.
[7]Specifically: quantiles 10, 15, 25, 40, 45, 50, 65, and 70 for PSxQ1; and 25, 35, 40, 45, 65, 70, 75, 80, and 90 for PSxQ4.

TABLE 1 Correlations and descriptive statistics.

			Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9
1	DV	Negativity in prepared remarks	0.801	0.566	0.000	16.670									
2	Industry	Environmental munificence	0	1	−5.025	3.938	0.059								
3		Environmental dynamism	0	1	−1.061	5.315	0.043	−0.219							
4		Environmental complexity	0	1	−1.065	5.584	0.053	0.033	−0.035						
5	Firm	Recent reputation list appearance	0.089	0.284	0	1	−0.081	0.019	−0.083	0.108					
6		Total assets (ln)	0	1	−2.868	3.655	0.001	−0.145	−0.077	−0.310	0.231				
7		Return on assets	0	1	−14.941	9.226	−0.035	0.157	−0.076	0.234	0.105	−0.282			
8		Recent news sentiment	0	1	−4.762	3.467	−0.149	−0.040	−0.098	0.040	0.138	0.110	0.062		
9		Recent news volume	0	1	−0.747	19.056	−0.115	−0.062	−0.097	0.005	0.461	0.376	0.028	0.221	
10		Mean estimate	0	1	−0.203	28.243	−0.024	0.023	0.071	−0.008	−0.012	0.030	−0.026	−0.014	0.003
11	Top executive	Temporal focus: Future[a]	0	1	−2.210	5.381	0.020	0.012	0.011	−0.059	0.023	−0.005	−0.085	−0.053	0.008
12		Temporal focus: Present[a]	0	1	−2.753	4.813	−0.030	0.043	−0.110	−0.009	0.070	0.098	0.019	0.003	0.098
13		Temporal focus: Past[a]	0	1	−3.013	5.130	0.096	−0.037	0.116	−0.075	−0.013	0.035	−0.033	−0.090	−0.080
14		Vanity[a]	0	1	−3.436	4.192	−0.044	−0.054	−0.071	0.220	0.060	0.015	−0.016	0.054	0.050
15		Prevention orientation[a]	0	1	−0.807	14.702	0.126	−0.070	0.041	−0.126	−0.055	0.159	−0.102	0.029	0.029
16		Promotion orientation[a]	0	1	−2.058	6.163	−0.025	−0.075	−0.013	0.113	−0.031	−0.008	0.015	0.042	0.005
17		Negativity[a]	0	1	−1.310	6.964	0.332	0.013	0.142	−0.061	−0.058	0.096	−0.150	−0.098	−0.100
18	Call	Prepared remarks word count	0	1	−0.952	1.475	0.005	−0.012	−0.018	0.019	0.013	0.006	0.009	0.010	0.015
19		Positivity in prepared remarks	0	1	−2.621	12.379	−0.169	−0.062	−0.055	0.165	0.084	0.055	−0.003	0.127	0.086
20		Negative material surprise	0.081	0.272	0	1	0.098	−0.011	0.010	0.008	−0.011	0.008	−0.024	−0.049	−0.007
21		Fiscal quarter 1 (vs. Q2/Q3)	0.248	0.432	0	1	0.022	−0.003	0.002	0.003	0.004	−0.002	−0.005	−0.034	0.065
22		Fiscal quarter 4 (vs. Q1/Q3)	0.248	0.432	0	1	−0.032	−0.004	−0.014	0.000	0.003	0.018	0.017	−0.015	−0.072
23		Positive material surprise	0.196	0.397	0	1	0.003	0.036	−0.012	0.034	0.012	−0.047	−0.050	−0.021	0.013

		10	11	12	13	14	15	16	17	18	19	20	21	22
1	DV													
2	Industry													
3														
4														
5	Firm													
6														
7														
8														
9														
10														
11	Top executive	0.000												
12		0.018	0.059											
13		−0.016	−0.078	−0.174										
14		−0.019	0.041	0.103	−0.126									
15		−0.007	−0.046	0.018	0.014	−0.060								
16		−0.040	0.020	−0.071	−0.129	0.233	−0.032							
17		−0.026	0.107	−0.008	0.256	−0.182	0.342	−0.159						
18	Call	0.001	−0.004	0.014	−0.011	0.005	0.005	0.005	0.012					
19		−0.018	−0.118	0.056	−0.115	0.257	−0.039	0.202	−0.100	−0.002				
20		0.003	0.023	0.003	0.001	0.010	0.015	0.008	0.014	−0.003	−0.066			
21		−0.001	−0.005	−0.001	0.002	0.003	0.001	−0.018	0.006	0.014	−0.007	0.022		
22		0.001	0.007	−0.001	0.001	−0.002	0.000	0.014	0.006	−0.032	0.033	0.021	−0.330	
23		−0.031	0.018	0.014	−0.004	0.014	0.009	−0.002	0.029	−0.008	0.049	−0.146	0.055	−0.015

Note: Correlations larger than ±0.023 are significant at $p < .05$ or better. Year dummies and SIC-1 codes omitted for parsimony.

[a]These measures are taken from the most recent shareholder letter.

TABLE 2 Quantile regression: Seasonal effects of positive surprise on CEOs' negative speech.

	QUANTILE	10th	15th	20th	25th	30th	35th	40th	45th	50th	55th	60th	65th	70th	75th	80th	85th	90th
Positive surprise × Q1	Coeff	**0.049**	**0.057**	0.039	**0.054**	0.047	**0.053**	**0.061**	**0.080**	**0.064**	0.053	0.055	**0.074**	**0.080**	**0.076**	0.084	**0.095**	0.037
	SE	**0.022**	**0.020**	0.031	**0.026**	0.029	**0.030**	**0.029**	**0.032**	**0.029**	0.033	0.036	**0.034**	**0.034**	**0.043**	0.054	**0.056**	0.066
	p-Value	**0.024**	**0.004**	0.198	**0.036**	0.108	**0.077**	**0.033**	**0.012**	**0.027**	0.103	0.122	**0.030**	**0.018**	**0.078**	0.123	**0.088**	0.576
Positive surprise × Q4	Coeff	0.027	**0.032**	0.034	**0.064**	**0.054**	**0.063**	**0.053**	**0.059**	0.050	**0.060**	**0.077**	**0.098**	**0.108**	**0.114**	**0.083**	0.064	**0.103**
	SE	0.031	**0.019**	0.035	**0.029**	**0.031**	**0.029**	**0.027**	**0.030**	0.031	**0.036**	**0.041**	**0.038**	**0.041**	**0.044**	**0.040**	0.084	**0.051**
	p-Value	0.385	**0.093**	0.329	**0.027**	**0.078**	**0.031**	**0.048**	**0.045**	0.101	**0.096**	**0.064**	**0.011**	**0.009**	**0.009**	**0.038**	0.447	**0.045**

Note: Highlights are for coefficients with $p < .05$ (dark gray and bolded) and $p < .10$ (light gray and bolded).

TABLE 3 Quantile regression of CEO negativity in prepared remarks on earnings calls.

	10th quantile						30th quantile						50th quantile median					
	Model 10a		Model 10b		Model 10c		Model 30a		Model 30b		Model 30c		Model 50a		Model 50b		Model 50c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Environmental munificence	−0.019	0.000	−0.018	0.000	−0.018	0.000	−0.010	0.074	−0.010	0.069	−0.009	0.119	0.003	0.696	0.002	0.784	0.003	0.657
	0.005		0.005		0.005		0.006		0.006		0.006		0.007		0.007		0.007	
Environmental dynamism	0.013	0.034	0.012	0.065	0.013	0.052	0.008	0.212	0.009	0.155	0.009	0.206	0.008	0.321	0.007	0.379	0.006	0.444
	0.006		0.006		0.007		0.006		0.006		0.007		0.008		0.008		0.008	
Environmental complexity	0.029	0.000	0.029	0.000	0.028	0.000	0.045	0.000	0.044	0.000	0.045	0.000	0.070	0.000	0.071	0.000	0.068	0.000
	0.006		0.006		0.006		0.006		0.006		0.006		0.008		0.008		0.008	
Recent reputation list appearance	−0.073	0.000	−0.075	0.000	−0.072	0.000	−0.069	0.000	−0.067	0.000	−0.074	0.000	−0.039	0.096	−0.036	0.129	−0.038	0.089
	0.014		0.019		0.015		0.016		0.016		0.018		0.023		0.024		0.022	
Total assets ln	0.020	0.000	0.020	0.000	0.021	0.000	0.027	0.000	0.028	0.000	0.027	0.000	0.021	0.004	0.023	0.003	0.023	0.002
	0.005		0.005		0.005		0.006		0.006		0.006		0.007		0.008		0.008	
Return on assets	0.003	0.462	0.004	0.432	0.003	0.433	0.009	0.074	0.010	0.059	0.011	0.027	0.010	0.062	0.013	0.023	0.012	0.038
	0.004	0.005	0.004	0.005	0.005	0.005	0.006	0.006	0.006	0.008	0.007	0.007	0.011	0.012	0.008			
Recent news sentiment	−0.014	0.001	−0.014	0.002	−0.015	0.000	−0.032	0.000	−0.032	0.000	−0.033	0.000	−0.046	0.000	−0.046	0.000	−0.047	0.000
	0.004		0.005		0.004		0.005		0.005		0.005		0.006		0.006		0.006	
Recent news volume	−0.009	0.000	−0.008	0.102	−0.009	0.003	−0.017	0.000	−0.018	0.000	−0.018	0.000	−0.023	0.000	−0.022	0.000	−0.021	0.010
	0.002		0.005		0.003		0.003		0.003		0.004		0.006		0.006		0.008	
Mean estimate	−0.003	0.200	−0.003	0.026	−0.003	0.079	−0.002	0.514	−0.001	0.501	−0.001	0.786	−0.005	0.258	−0.004	0.443	−0.004	0.465
	0.002		0.001		0.002		0.002		0.002		0.003		0.004		0.006		0.006	
Temporal focus: Future[a]	0.002	0.635	0.002	0.641	0.003	0.463	0.012	0.003	0.012	0.004	0.012	0.006	0.007	0.194	0.007	0.228	0.006	0.243
	0.004		0.005		0.004		0.004		0.004		0.004		0.005		0.005		0.005	

TABLE 3 (Continued)

	10th quantile						30th quantile						50th quantile median					
	Model 10a		Model 10b		Model 10c		Model 30a		Model 30b		Model 30c		Model 50a		Model 50b		Model 50c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Temporal focus: Present[a]	−0.012	0.007	−0.011	0.013	−0.012	0.005	−0.010	0.016	−0.009	0.016	−0.008	0.069	−0.010	0.062	−0.010	0.061	−0.010	0.050
	0.004		0.004		0.004		0.004		0.004		0.004		0.005		0.005		0.005	
Temporal focus past[a]	−0.005	0.330	−0.004	0.401	−0.004	0.376	0.007	0.135	0.006	0.202	0.007	0.168	−0.002	0.730	−0.001	0.838	−0.002	0.735
	0.005		0.005		0.004		0.005		0.005		0.005		0.006		0.006		0.005	
Variety[a]	0.020	0.000	0.020	0.000	0.019	0.000	0.013	0.006	0.013	0.007	0.015	0.002	0.014	0.020	0.012	0.047	0.013	0.029
	0.004		0.004		0.004		0.005		0.005		0.005		0.006		0.006		0.006	
Prevention orientation[a]	−0.006	0.369	−0.008	0.257	−0.008	0.273	0.008	0.176	0.008	0.142	0.008	0.204	0.024	0.002	0.023	0.004	0.024	0.002
	0.007		0.007		0.007		0.006		0.005		0.006		0.008		0.008		0.008	
Promotion orientation[a]	0.008	0.048	0.011	0.004	0.009	0.024	0.018	0.000	0.018	0.000	0.018	0.000	0.019	0.001	0.019	0.001	0.020	0.000
	0.004		0.004		0.004		0.004		0.004		0.004		0.006		0.006		0.005	
Negativity[a]	0.094	0.000	0.094	0.000	0.093	0.000	0.123	0.000	0.123	0.000	0.124	0.000	0.157	0.000	0.154	0.000	0.157	0.000
	0.006		0.006		0.006		0.007		0.007		0.007		0.008		0.008		0.008	
Prepared remarks word count	−0.005	0.173	−0.005	0.181	−0.006	0.136	−0.002	0.616	−0.003	0.553	−0.003	0.507	−0.001	0.917	0.000	0.951	0.000	0.966
	0.004		0.004		0.004		0.004		0.004		0.004		0.005		0.005		0.005	
Positivity in prepared remarks	−0.051	0.000	−0.050	0.000	−0.051	0.000	−0.060	0.000	−0.060	0.000	−0.060	0.000	−0.066	0.000	−0.066	0.000	−0.065	0.000
	0.004		0.003		0.004		0.005		0.005		0.005		0.006		0.006		0.006	
Negative material surprise	0.055	0.000	0.054	0.000	0.055	0.000	0.118	0.000	0.119	0.000	0.114	0.000	0.134	0.000	0.139	0.000	0.139	0.000
	0.015		0.012		0.015		0.021		0.021		0.019		0.026		0.026		0.026	
Fiscal quarter 1 vs. Q2/Q3	0.012	0.169	0.012	0.179	0.009	0.330	0.011	0.313	0.010	0.381	−0.002	0.861	−0.001	0.947	−0.004	0.786	−0.019	0.236
	0.009		0.009		0.009		0.011		0.011		0.012		0.013		0.013		0.016	

TABLE 3 (Continued)

	10th quantile						30th quantile						50th quantile median					
	Model 10a		Model 10b		Model 10c		Model 30a		Model 30b		Model 30c		Model 50a		Model 50b		Model 50c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Fiscal quarter 4 vs. Q2/Q3	−0.018	0.059	−0.018	0.049	−0.022	0.041	−0.040	0.000	−0.042	0.000	−0.053	0.000	−0.057	0.000	−0.058	0.000	−0.067	0.000
	0.010		0.009		0.011		0.010		0.010		0.011		0.012		0.012		0.013	
Positive material surprise			0.014	0.225	−0.009	0.587			0.011	0.343	−0.015	0.366			0.013	0.342	−0.018	0.353
			0.012		0.017				0.012		0.017				0.014		0.020	
Positive surprise × Q1					0.049	0.024					0.047	0.108					0.064	0.027
					0.022						0.029						0.029	
Positive surprise × Q4					0.027	0.385					0.054	0.078					0.050	0.101
					0.031						0.031						0.031	
Constant	0.348	0.000	0.352	0.000	0.345	0.000	0.668	0.000	0.667	0.000	0.664	0.000	0.891	0.000	0.884	0.000	0.883	0.000
	0.035		0.034		0.035		0.037		0.037		0.039		0.036		0.035		0.034	
Pseudo *R*-squared					0.079						0.105						0.124	
Residual degrees of freedom	7288		7287		7285		7288		7287		7285		7288		7287		7285	

	70th quantile						90th quantile					
	Model 70a		Model 70b		Model 70c		Model 90a		Model 90b		Model 90c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Environmental munificence	0.008	0.327	0.008	0.344	0.006	0.473	0.038	0.000	0.039	0.000	0.039	0.001
	0.008		0.009		0.008		0.009		0.009		0.011	
Environmental dynamism	0.010	0.334	0.010	0.339	0.011	0.218	0.013	0.313	0.014	0.308	0.011	0.374
	0.010	0.010		0.009		0.013		0.014		0.012		

TABLE 3 (Continued)

	70th quantile						90th quantile					
	Model 70a		Model 70b		Model 70c		Model 90a		Model 90b		Model 90c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Environmental complexity	0.093	0.000	0.094	0.000	0.090	0.000	0.122	0.000	0.123	0.000	0.122	0.000
	0.010		0.010		0.009		0.012		0.012		0.013	
Recent reputation list appearance	−0.061	0.012	−0.062	0.008	−0.065	0.003	−0.138	0.003	−0.145	0.001	−0.132	0.003
	0.024		0.023		0.022		0.046		0.044		0.045	
Total assets ln	0.021	0.025	0.021	0.019	0.023	0.012	0.019	0.170	0.026	0.067	0.026	0.067
	0.009		0.009		0.009		0.014		0.014		0.014	
Return on assets	−0.005	0.531	−0.005	0.532	0.000	0.995	0.004	0.699	0.007	0.531	0.009	0.302
Recent news sentiment	−0.056	0.000	−0.056	0.000	−0.057	0.000	−0.084	0.000	−0.084	0.000	−0.082	0.000
	0.008		0.008		0.007		0.011		0.011		0.011	
Recent news volume	−0.023	0.000	−0.023	0.000	−0.026	0.000	−0.012	0.574	−0.013	0.495	−0.011	0.594
	0.006		0.005		0.005		0.021		0.019		0.020	
Mean estimate	−0.009	0.001	−0.009	0.000	−0.008	0.000	−0.025	0.354	−0.025	0.269	−0.024	0.282
	0.003		0.002		0.002		0.027		0.023		0.022	
Temporal focus: Future[a]	−0.004	0.589	−0.003	0.606	0.000	0.972	−0.013	0.242	−0.014	0.212	−0.012	0.271
	0.007		0.006		0.006		0.011		0.011		0.011	
Temporal focus: Present[a]	−0.017	0.007	−0.017	0.006	−0.017	0.009	−0.027	0.004	−0.027	0.005	−0.029	0.003
	0.006		0.006		0.006		0.009		0.010		0.010	
Temporal focus past[a]	0.001	0.938	0.001	0.921	−0.002	0.747	0.012	0.282	0.013	0.242	0.014	0.218
	0.008		0.007		0.007		0.011		0.011		0.011	

TABLE 3 (Continued)

	70th quantile						90th quantile					
	Model 70a		Model 70b		Model 70c		Model 90a		Model 90b		Model 90c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Variety[a]	0.014	0.061	0.014	0.053	0.014	0.056	0.010	0.354	0.013	0.255	0.010	0.354
	0.007		0.007		0.007		0.011		0.012		0.010	
Prevention orientation[a]	0.025	0.000	0.025	0.000	0.028	0.000	0.039	0.000	0.039	0.000	0.042	0.000
	0.005		0.004		0.006		0.009		0.010		0.010	
Promotion orientation[a]	0.017	0.012	0.017	0.010	0.016	0.018	0.023	0.022	0.024	0.025	0.029	0.005
	0.007		0.007		0.007		0.010		0.011		0.010	
Negativity[a]	0.192	0.000	0.192	0.000	0.190	0.000	0.229	0.000	0.230	0.000	0.237	0.000
	0.010		0.009		0.009		0.014		0.014		0.014	
Prepared remarks word count	0.000	0.948	0.000	0.946	−0.004	0.565	0.008	0.412	0.009	0.355	0.011	0.282
	0.007		0.007		0.006		0.010		0.010		0.010	
Positivity in prepared remarks	−0.077	0.000	−0.077	0.000	−0.073	0.000	−0.099	0.000	−0.101	0.000	−0.104	0.000
	0.007		0.006		0.007		0.010		0.010		0.010	
Negative material surprise	0.142	0.000	0.142	0.000	0.150	0.000	0.216	0.003	0.226	0.002	0.220	0.004
	0.027		0.028		0.028		0.072		0.073		0.076	
Fiscal quarter 1 vs. Q2/Q3	−0.009	0.562	−0.009	0.546	−0.028	0.115	−0.010	0.714	−0.010	0.724	−0.021	0.526
	0.016		0.016		0.018		0.027		0.028		0.033	
Fiscal quarter 4 vs. Q2/Q3	−0.080	0.000	−0.080	0.000	−0.109	0.000	−0.077	0.001	−0.075	0.002	−0.092	0.001
	0.018		0.018		0.018		0.023		0.024		0.028	
Positive material surprise			0.002	0.901	−0.041	0.073			0.016	0.563	−0.019	0.523
			0.016		0.023				0.027		0.031	

TABLE 3 (Continued)

	70th quantile						90th quantile					
	Model 70a		Model 70b		Model 70c		Model 90a		Model 90b		Model 90c	
	Controls		*Main effects*		*Full model*		*Controls*		*Main effects*		*Full model*	
	b/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*	*b*/SE	*p*
Positive surprise × Q1					0.080	0.018					0.037	0.576
					0.034						0.066	
Positive surprise × Q4					0.108	0.009					0.103	0.045
					0.041						0.051	
Constant	1.195	0.000	1.196	0.000	1.196	0.000	1.803	0.000	1.796	0.000	1.809	0.000
	0.055		0.056		0.059		0.116		0.117		0.109	
Pseudo *R*-squared					0.140						0.173	
Residual degrees of freedom	7288		7287		7285		7288		7287		7285	

Note: Number of observations = 7330 for all models. Year dummies and SIC-1 codes omitted for parsimony.

[a]These measures are taken from the most recent shareholder letter.

For the negativity DV, the values at the 25th percentile (0.43) and the 75th percentile (1.05) represent an interquartile range of 0.62. The median coefficient among those with $p < .05$ for the PS × Q1 interaction is 0.063, which shifts the DV about 10.16% along its interquartile range. For the PS × Q4 interaction, the median coefficient for $p < .05$ is 0.083, which shifts the DV roughly 13.39% along its interquartile range. These effects support our Hypothesis and are nontrivial.

This is theoretically important because it shows that no matter the main effect of seasonality, the confluence of both PS and Q1 or Q4 increases the extent of negative speech used strategically by top executives under these conditions. Moreover, post hoc tests showed strategic negativity after positive surprise yielded a roughly 7–10% increase in three-day cumulative abnormal return across much of its lower distribution (see Online Appendix 5), suggesting that perhaps the market perceives CEOs' use of strategic negativity as a sign of conscientiousness. However, an unreported three-way interaction with fiscal quarter showed some negative effects during Q1 or Q4 (vs. Q2 or Q3), suggesting the market response depends on when strategic negativity is used. We have focused on strategic negativity's antecedents, and more work is needed to study its potential consequences.[8]

7 | DISCUSSION

OIM research is growing in a variety of ways, yet scholars have focused almost entirely on the benefits afforded by "positive news" and not its potential hazards. Scholars have also long used a firm-as-individual-actor rationale to understand individual- and firm-level IM (see Hubbard et al., 2018). Yet, OIM research has not yet incorporated the individual-level IM research on "sandbagging" and related techniques that could explain how this strategy unfolds. The recent consensus around the potential "burden" of high reputation (Rhee & Haunschild, 2006; Zavyalova et al., 2016) and "falls from grace" afflicting high-status entities who misstep (Graffin et al., 2013) point to the timeliness and ubiquity of this identified gap in our understanding. To that end, we offer several contributions to the literature.

7.1 | Contributions to theory

First, we extend prior OIM research and advance knowledge around how CEOs actually manage stakeholder impressions. After all, Graffin et al. (2016) noted that both their results and those of prior research found a roughly 20% prevalence of OIM tactics. And in our data, there are 704 cases where both (1) a positive surprise has just occurred, and (2) negative speech is above its median, which is 9.6% of our final sample of 7330 observations. This may suggest that although strategic negativity is fundamentally contingent, accounting for it increases the apparent prevalence of OIM tactics by another 50% versus the Graffin et al. (2016) estimate, to a total of around 30%. We note that strategic negativity is distinct from foreshadowing a known future event (Busenbark et al., 2017) or hiding bad news behind good news (Jin et al., 2022). Rather,

[8]We also conducted post hoc analyses exploring the negative surprise as a predictor and as part of an interaction with fiscal quarter. The main effect coefficients were 0.054–0.226 ($p = .000$–$.004$) across the full range of the DV. However, the interactions between negative surprise and fiscal quarter were not consistently meaningful; only three quantiles for the Q1 interaction and two quantiles for the Q4 interaction had coefficients with p-values below .100.

executives may be strategically negative if they predict runaway expectations, especially after "material positive news" and amid expectation-updating (e.g., Bundy et al., 2017; Graffin et al., 2011; Graffin et al., 2016; Graham et al., 2013). Our findings underscore a seasonal dimension to this: CEOs are particularly inclined to manage expectations during the pivotal Q1 and Q4 period, while generally avoiding negativity mid-year, in Q2 and Q3. CEO speech is highly scrutinized and may convey underlying signals. Our post hoc finding that strategic negativity relates to negative stock responses (after positive news and during expectation-updating) suggests that it warrants more attention.

Second, we extend recent work in social evaluations research on the liabilities of "positive news" by examining how those liabilities shape executive decisions. While scholars have shown intangible assets such as status and reputation can impose burdens on firms (Graffin et al., 2013; Rhee & Haunschild, 2006; Zavyalova et al., 2016), the consequences of these burdens on executive decisions are less understood (Parker et al., 2019; Petkova et al., 2014). Our research supports the notion that executives shepherd firms through the vagaries of stakeholder scrutiny, sometimes by explicitly downplaying the firm's prospects despite—or *because of*—recent positive news.

Third, and relatedly, there are ethical considerations if a CEO merely uses negative tone in lieu of explicitly stating their worries about the firm's prospects. Corporate messaging is replete with disclaimers about the drawbacks of forward-looking statements, but whether the CEO can ethically withhold troubling disclosures remains an open question worthy of future inquiry.

8 | FUTURE RESEARCH IMPLICATIONS

Firms use OIM in many ways, from distracting stakeholders to impressing or enticing them (see, e.g., Bass et al., 2023). A common theme of prior work is that OIM casts the firm in the "best possible light"—a theme we challenge. While strategic negativity is contingent, it deserves more focus in OIM research. We also see ways scholars can extend our work. First, strategic negativity can be subtle. Our quantile regression results (Table 2) show that it does tend to occur more often when the two conditions of "material positive news" and "expectation-updating opportunity" occur, and the (not hypothesized) main effects of fiscal quarter show there may be some baseline seasonality to such language. We have followed precedent in using semantic dictionaries, but recognize this is an imperfect measure. Strategic negativity is arguably present when a CEO uses "more negative words" after atypical positive news (e.g., a positive material surprise) and when expectations are likely to be updated (e.g., at the turn of a fiscal year). Future work that employs context-aware natural language processing methods could more precisely capture tone and intent.

Second, earnings calls are not the only venue for strategic negativity, though we deem them a "high bar test" of the construct as executives are often positive on earnings calls. However, future work could study press releases, internal memos made public, town hall events, and social media, etc., where it could manifest differently. Future research could also consider whether the various types of individual-level negativity (e.g., self-handicap, underdog, and sandbag forms) differ in material ways vis-à-vis their antecedents, or manifest as strategic negativity types exhibited by executives.

Third, "material positive news" is similarly broader than just earnings surprises. Other examples include an IPO, a high-profile hire, successful rebranding, positive regulatory decision, market share gain, new market entry, a merger that creates synergies, or CEO

replacement after a run of bad results, among others. For instance, Inter Miami's signing of soccer star Lionel Messi in 2023 was considered "material positive news" that raised expectations.

Finally, expectation-updating stimuli are more than just fiscal quarters; any event that prompts stakeholders to revisit their assumptions can qualify. Examples include a new industry technology, paradigm shift, new regulation, a corporate anniversary—for example, Apple's 40th anniversary in 2016 (Matyszczyk, 2016)—or a jolt such as a pandemic, economic downturn, or supply chain disruption. We encourage scholars to think broadly in creating measures that advance knowledge of strategic negativity. We look forward to future work in this vein.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from RavenPack, WRDS, and DowJones Factiva. Restrictions apply to the availability of these data, which were used under license for this study.

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Additional supporting information can be found online in the Supporting Information section at the end of this article.

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