Received: 20 February 2018 | Revised: 28 May 2019 | Accepted: 6 June 2019 | Published on: 5 August 2019

DOI: 10.1002/smj.3064

RESEARCH ARTICLE

STRATEGIC MANAGEMENT JOURNAL WILEY

How the severity gap influences the effect of top actor performance on outcomes following a violation

John R. Busenbark[1†] | **Nathan T. Marshall**[2†] | **Brian P. Miller**[3†] | **Michael D. Pfarrer**[4†]

[1]Mendoza College of Business, University of Notre Dame, Notre Dame, Indiana

[2]Leeds School of Business, University of Colorado Boulder, Boulder, Colorado

[3]Kelley School of Business, Indiana University, Bloomington, Indiana

[4]Terry College of Business, University of Georgia, Athens, Georgia

Correspondence
John R. Busenbark, Mendoza College of Business, University of Notre Dame, 351 Mendoza College of Business, Notre Dame, IN.
Email: jbusenba@nd.edu

Abstract

Research Summary: Violation severity represents an important contextual factor in explaining the extent to which top actor performance is a benefit or burden following a negative event. Research often conflates how observers perceive an event with its objective severity, however, while ignoring the potential divergence between both types. We therefore introduce the severity gap, which reflects the degree to which perceived and objective violation severity diverge, and we theorize about how it informs the degree to which top actor performance offers benefits or burdens for these actors. We hypothesize and find that internal stakeholders shield strong performing top actors when the severity gap is high, but that performance is less salient to external stakeholders who distance themselves from these top actors.

Managerial Summary: Organizations embroiled in violations are often subject to formal assessments of the severity of the event as well as the court of public opinion. Yet researchers have largely conceptualized objective and perceived violation severity as mirrors of each another. We question if this captures what actually unfolds in the

[†]All authors contributed equally to this study.

marketplace, particularly given the myriad examples of when violations resonate more strongly with observers than the objective severity would suggest, or vice versa. We examine how the gap between perceived and objective violation severity influences how much insiders and outsiders are concerned with top actor performance when considering which outcomes top actors encounter after the negative event. Our results suggest that insiders shield top performers as the severity gap increases, but that outsiders remain increasingly skeptical.

KEYWORDS

executive dismissal and labor markets, executive performance, organizational violations, severity gap, social perceptions

1 | INTRODUCTION

Scholars have devoted considerable attention to examining which characteristics of top actors or firms influence outcomes following a violation (Arthaud-Day, Certo, Dalton, & Dalton, 2006; Wiersema & Zhang, 2013; Zavyalova, Pfarrer, Reger, & Hubbard, 2016). By and large, this literature focuses on how the performance of the firm or its top actors—or perceptions of such performance—impacts the extent to which top actors encounter unfavorable outcomes (Graffin, Bundy, Porac, Wade, & Quinn, 2013; Wiersema & Zhang, 2013; Zavyalova et al., 2016). Despite the important developments from this research, the strategic management literature remains unsettled as to the extent to which performance offers a benefit or burden for top actors following a violation (Lange, Lee, & Dai, 2011; Zavyalova et al., 2016). Recent scholarship has thus focused on the idea that the extent to which performance is helpful or harmful for top actors is contingent on contextual factors, such as the severity of the violation itself (Bundy & Pfarrer, 2015; Bundy, Pfarrer, Short, & Coombs, 2017; Zavyalova et al., 2016).

Surprisingly, though, research in the area has yet to fully embrace theory about the nuances of violation severity. This limited progress is concerning given that the relevance of social perceptions and the degree to which an event may resonate with different stakeholders continues to gain importance (Etter, Ravasi, & Colleoni, 2019; Zavyalova, Pfarrer, & Reger, 2017). Research is the area has instead equivocated perceptions of violation severity and objective magnitude, and scholars have predicted that more severe violations are associated with more unfavorable outcomes for top actors regardless of how severity is conceptualized (Zavyalova, Pfarrer, Reger, & Shapiro, 2012). We question, however, if this perspective paints a comprehensive enough picture of the role violation severity plays in how top-actor performance influences outcomes following a negative event.

In line with our query, some recent research has begun to suggest that violations that seem "objectively" lower in magnitude may not be perceived as such (and vice versa) (Bundy et al., 2017; Durand, Hawn, & Ioannou, 2019). Even more, emerging work in the social perceptions literature argues that a violation may resonate quite differently for individuals affiliated or unaffiliated with the organization (Eury, Kreiner, Trevino, & Gioia, 2018; Zavyalova et al., 2016). Taken together, ideas

from this research suggest that the divergence or gap between perceived and objective violation severity—instead of a uniform conceptualization of severity, whether perceived or objective—impacts the influence of top actor performance on outcomes following a violation. Yet scholars have not explored the effects of this gap in any detail.

The purpose of this study is thus to introduce the *severity gap*—the extent to which perceptions of a violation's severity exceed (i.e., generate positive values) or fall short (i.e., generate negative values) of a violation's objective severity—as an integral construct in contextualizing the degree to which top actor performance represents a benefit or burden following a violation. We conceptualize perceived severity as the media's reflections of observers' perceptions, and objective severity as the tangible magnitude of the event or penalty imposed by social control agents like regulators (Bundy et al., 2017; Etter et al., 2019; Greve, Palmer, & Pozner, 2010). A severity gap with higher values means that perceived violation severity increases relative to objective severity, while a severity gap with lower values reflects that perceived violation severity decreases relative to objective severity. In short, we theorize about how a nonzero severity gap influences the degree to which top actor performance attenuates or amplifies unfavorable outcomes following a negative event.[1]

In particular, we build on research that examines two important outcomes for top actors—dismissal (Wiersema & Zhang, 2013) and labor market prospects (Karpoff, Lee, & Martin, 2008)—to examine how insiders (i.e., dismissal) and outsiders (i.e., labor markets) differentially interpret the severity gap. We theorize that insiders "circle the wagons" around strong performers in hopes of protecting them from undue scrutiny (Zavyalova et al., 2017), such that insiders shield their strong-performing top actors more as the severity gap increases (i.e., reflects higher values). In contrast, we theorize that external stakeholders hold little approbation for strong-performing top actors who are unaffiliated with their home organizations. These stakeholders instead seek to distance themselves from a compromised actor when the severity gap increases because it is less clear to them why perceived and objective violation severity diverge given information asymmetries with the organization (Zavyalova et al., 2017).

We test our hypotheses on a data set of 275 National Collegiate Athletic Association (NCAA) Division I football and basketball violations from 1980 to 2011, which allows us to examine independent assessments of violation severity. We find that stronger performing head coaches are nearly 2.5 times less likely to get dismissed than weaker performers, and those who are dismissed are over two times more likely to find an equivalent or better position. Importantly, we find that the severity gap enhances the benefits head coaches receive from internal stakeholders, in that stronger performers are nearly three times less likely to get dismissed when the severity gap is high (i.e., perceived severity exceeds objective severity). We also find that the severity gap attenuates the benefits stronger performing coaches receive from external stakeholders, with a 20% lower likelihood of securing an equivalent or better position when the severity gap is high.

This study offers several contributions to strategic management research. First, we introduce the severity gap as an integral element in explaining the outcomes top actors face following a violation. While strategy scholarship has only recently begun to intimate that perceived violation severity may diverge substantively from objective severity (Etter et al., 2019; Eury et al., 2018; Zavyalova et al., 2016), our study is the first to our knowledge that theoretically and empirically examines how this gap influences the outcomes top actors encounter following a violation. Second, we develop nuanced theory about the differential roles of the severity gap for internal and external stakeholders, which we

[1]It is important to highlight that we theoretically and empirically conceptualize the severity gap as a continuum. In other words, the severity gap is not the absolute value of the divergence from zero.

argue may also confer implications for the broader research on corporate governance and top actors in organizations.

Third, we enhance research that continues to investigate the extent to which performance is a benefit or a burden following a negative event (Bundy et al., 2017; Haleblian, Pfarrer, & Kiley, 2017; Zavyalova et al., 2016). Our findings support the notion that high-performing top actors get the benefit of the doubt following a violation in terms of dismissal and labor market prospects, although we argue this benefit is contingent on the severity gap. Finally, we help rectify a levels issue in social perceptions research, which has relied on individual-level sociocognitive mechanisms to explain organizational-level behavior (Graffin et al., 2013).

2 | TOP ACTOR PERFORMANCE AND OUTCOMES FOLLOWING A VIOLATION

The central impetus of this study is to examine how the severity gap influences the extent to which top actor performance represents a benefit or burden following a violation. We therefore first establish the theoretical arguments that underlie the direct relationship between top actor performance and outcomes following a negative event. Scholars have provided compelling rationale for the competing predictions that strong performance attenuates (the benefit perspective, see: Godfrey, Merrill, & Hansen, 2009; Zavyalova et al., 2016) or amplifies (the burden perspective, see: Haleblian et al., 2017; Rhee & Haunschild, 2006) unfavorable outcomes. Although we are agnostic as to which of these theoretical explanations manifests in our sample, it is important to explicate these competing logics in order to inform our subsequent theoretical arguments for how the severity gap contextualizes the relationship.

2.1 | Top actor strong performance attenuates unfavorable outcomes

One idea embedded in strategic management research is that strong performance can attenuate unfavorable outcomes following negative events such as corporate downsizing, legal sanctions, product recalls, and negative earnings surprises (Pfarrer, Pollock, & Rindova, 2010; Zavyalova et al., 2012). Research in the area offers two related theoretical rationales for this notion. First, scholars have suggested that stronger performing firms accumulate a stock of social capital or goodwill that can work to offset unfavorable outcomes after a violation (Godfrey et al., 2009; Jones, Jones, & Little, 2000). As such, stakeholders can draw on this figurative "reservoir" of goodwill after a negative event instead of penalizing the firm (Jones et al., 2000, p. 21). Second, scholars have suggested that stronger performing firms receive the "benefit of the doubt" when there is ambiguity about the cause or motives of the negative event (Godfrey et al., 2009, p. 432). Instead of blaming the firm, stakeholders attribute the event to circumstances beyond managers' control (Pfarrer et al., 2010).

While the "reservoir" and "benefit of the doubt" rationales derive from research that has applied individual-level theory to examine firm-level outcomes, some scholars present a complementary argument that examines individual outcomes. Specifically, this research suggests stronger performing top actors experience a lower potential of dismissal following a violation because internal stakeholders believe retaining them signals legitimacy to external observers (Marcel & Cowen, 2014). As Marcel and Cowen (2014, p. 928) describe, retaining a strong-performing top actor may actually provide a "valuable endorsement of the [organization's] future prospects." Taking these three arguments together, then, we theorize stronger performing top actors may enjoy more favorable outcomes.

Hypothesis 1: *There is a negative relationship between a top actor's performance and the probability of dismissal following an organizational violation.*

We also recognize that stronger performing top actors may accrue more desirable labor prospects due to some of the same theoretical mechanisms we described earlier for dismissal. For instance, these individuals are likely to receive additional benefit of the doubt from potential employers compared to their lower-performing counterparts (Marcel & Cowen, 2014). New employers may be eager to hire such top actors because of the social capital they have accrued (e.g., Marcel & Cowen, 2014), which in turn can make them more attractive candidates.

Hypothesis 2: *There is a positive relationship between a top actor's performance and the probability of securing an equivalent or better position if dismissed following an organizational violation.*

2.2 | Top actor strong performance amplifies unfavorable outcomes

Another prevalent perspective in the strategic management literature argues that strong performance "may amplify the adverse effects of a negative event" (Zavyalova et al., 2016, p. 256). Scholars suggest that strong performers experience such burdens for several reasons. One explanation is that better performing firms face greater expectations than the average firm (Haleblian et al., 2017; Rhee & Haunschild, 2006). When these firms are embroiled in a negative event, they violate stakeholders' expectations to a greater degree and thus incur additional detriments (Bitektine, 2011; Zavyalova et al., 2016). Another reason scholars offer is that these firms are more visible, so negative events stand out more than they otherwise would (Bundy et al., 2017; Rhee & Haunschild, 2006; Zavyalova et al., 2017). Considering these theoretical perspectives at the individual level, Graffin et al. (2013) theorize about how high-status Members of Parliament experience amplified unfavorable outcomes (i.e., lack of reelection) following a violation because they are both more apt to receive negative attention and are held more accountable than others.

We also argue for an additional rationale that may explain amplified negative outcomes following a violation—it is possible that top actors' strong performance is attributable to the violation itself rather than their capabilities. In the canonical case of Enron, for instance, top executives were perceived as incredibly adept prior to the firm's collapse (Frank & Obloj, 2014), but outsiders attributed managerial performance to the violation rather than to the managers after the scandal (Semadeni, Cannella, Fraser, & Lee, 2008). In contrast, Paul Pressler—the CEO of Gap Inc. during a period of underperformance—remained the CEO for several years after he and other top executives were embroiled in a potential options backdating scandal (Lee, 2007). These examples illustrate how governance arbiters may conflate top actor performance with the magnitude of the violation.

Hypothesis $1_{Alternative}$: *There is a positive relationship between a top actor's performance and the probability of dismissal following an organizational violation.*

We also argue that stronger performing top actors may experience worse labor market outcomes following a violation (cf. Karpoff et al., 2008). Indeed, Semadeni et al. (2008) suggest that outsiders are likely to attribute managerial performance to the violation rather than to the managers, such that stronger performance can imply that the manager engaged in questionable behavior to a larger degree

than those with weaker performance. External stakeholders may also hold stronger performing top actors to a higher standard, such that they appear less valuable on the labor market (Marcel & Cowen, 2014).

> **Hypothesis $2_{Alternative}$:** *There is a negative relationship between a top actor's performance and the probability of securing an equivalent or better position if dismissed following an organizational violation.*

3 | VIOLATION SEVERITY AND ITS ROLE IN OUTCOMES AFTER THE EVENT

As we highlighted earlier, recent scholarship has argued that strong performance can represent a benefit and a burden following a violation. Scholars have therefore begun to suggest that contextual factors may affect the degree to which performance plays either role (Bundy et al., 2017; Haleblian et al., 2017; Zavyalova et al., 2016). With this contingency-based perspective in mind, we turn to the central aim of our article, which involves investigating how the severity of the violation (or more specifically, the severity gap) influences the degree to which top actor performance attenuates or amplifies unfavorable outcomes following a negative event.

3.1 | Objective versus perceived violation severity

Scholars conceptualize objective violation severity in terms of either the measured harm of the violation (Wiersema & Zhang, 2013; Zorn, Shropshire, Martin, Combs, & Ketchen, 2017) or the assessments of social control agents (e.g., regulators) who are formally tasked with evaluating the extent of the violation and determining penalties for the organization or its top actors (Greve et al., 2010; Pfarrer, Smith, Bartol, Khanin, & Zhang, 2008). In some contexts, scholars have been able to determine the severity of violations with clear, quantitative implications, such as the degree to which firms backdated stock options (e.g., Wiersema & Zhang, 2013) or the dollar value of manipulated financial statements (e.g., Zorn et al., 2017). In other contexts, it has been difficult to gauge the extent of the violation without a formal, quantifiable assessment from a social control agent (Greve et al., 2010), such as how the Securities and Exchange Commission (SEC) imposes penalties for financial misconduct (Pfarrer et al., 2008) or how the National Highway Traffic Safety Administration (NHTSA) recalls automobiles and imposes penalties for intentional rule violations (Rhee & Haunschild, 2006).

A burgeoning area of this literature also suggests the severity of a negative event is driven by the social context in which the violation occurs, or how observers perceive the violation (Bundy & Pfarrer, 2015; Harrison, Boivie, Sharp, & Gentry, 2018; Wiersema & Zhang, 2013). Scholars often conceptualize perceived violation severity as the negative sentiment of external observers who are not formally tasked with imposing penalties (Wiersema & Zhang, 2013; Zavyalova et al., 2012; Zavyalova et al., 2017). To this end, research exploring the organization, its top actors, and the violation itself has determined severity based on the negativity of media coverage (Pfarrer et al., 2008; Wiersema & Zhang, 2013). Indeed, Wiersema and Zhang (2013) suggest the media fulfill an oversight role of managerial behavior that influences outcomes after a negative event. Recent research has extended this perspective to begin to conjecture about how social media has gained traction in the mindshare of observers who may also issue negative assessments (Etter et al., 2019). In sum, given the prominence of the media and the broad platform they wield, stakeholders are especially

attuned to media coverage of negative events (Harrison et al., 2018), which can reflect their sentiments of the organization, its top actors, and the event itself (Zavyalova et al., 2012).

Taken together, the role of violation severity—whether perceived or objective—in affecting outcomes following a negative event is relatively noncontroversial in the received literature: Outcomes in the wake of violations are a reflection of the severity of the violation, such that more severe negative events are associated with more unfavorable consequences for the top actors involved (Arthaud-Day et al., 2006; Zavyalova et al., 2012). The prevailing idea, then, is that performance of the top actors involved is less salient as the perceived or objective severity of the violation increases (Zavyalova et al., 2016; Zavyalova et al., 2017). At the same time, this research often assumes that perceived violation severity mirrors the objective severity of the event, such that violations that resonate more unfavorably with outsiders are also objectively greater in magnitude (e.g., Bundy et al., 2017; Wiersema & Zhang, 2013).

3.2 | The severity gap—Divergence between perceived and objective severity

Recent scholarship has begun to question the extent to which the perceptions of a violation's severity actually mirror the magnitude of the violation itself (Etter et al., 2019; Zavyalova et al., 2016). As Etter et al. (2019, pp. 4–5) point out, "Emotionally charged and often biased content may now rapidly diffuse…reflecting a multiplicity of views, experiences, and opinions." That is, stakeholders may possess perceptions of the violation that deviate from its objective severity—a conceptualization we term the *severity gap*.

3.2.1 | Defining the severity gap

We formally define the severity gap as the extent to which perceived violation severity deviates from objective violation severity. Put another way, the severity gap refers to instances when observers not formally tasked with imposing penalties (such as the media) issue sentiments that either exceed or fall short of the objective damage of the violation as reflected by data or assessed by social control agents. Following this logic, we define a positive severity gap as one in which when perceived violation severity exceeds objective severity and a negative severity gap as instances when the objective violation severity exceeds perceptions of it. We emphasize that the severity gap represents a continuum in which higher positive values may confer the same implications as less negative values. That is, our arguments involve changes in the difference between perceived and objective severity, even though our theorizing often invokes positive or negative values for the sake of brevity.

Etter et al. (2019) help underscore the importance of the severity gap by highlighting how widely and viscerally stakeholders reacted to United Airlines when airport security guards forcibly removed a single passenger from a flight. While this violation was relatively low in objective severity and did not directly involve United Airlines' employees, hundreds of media outlets scrutinized the event, and the corresponding perceived severity was substantial. In a similar example, Parrish (2016) describes how one individual driving a 2009 Toyota Prius called 911 to indicate his accelerator pedal was malfunctioning, and the call "went viral." In the years afterward, at most 90 people noted similar problems—which investigators indicated were largely due to human error—but the event garnered nearly a decade of negative media coverage and over $1.2 billion of recalls. In contrast, Janney and Gove (2011) illustrate an example of a negative severity gap, in which Steve Jobs and Apple engaged in illegal stock options backdating and potential tax evasion with damages reaching tens or even

hundreds of millions of dollars, but the media did not offer extensive negative assessments or scrutiny of the event.

Despite the several examples of a positive or negative severity gap, research has devoted almost no theoretical and empirical attention to how this gap influences outcomes following a violation. One nascent perspective has intimated that the affiliation of stakeholders—whether they are insiders or outsiders—reveals how the severity gap influences the effects of top actor performance on outcomes (Eury et al., 2018; Zavyalova et al., 2017). The argument here is that stakeholders who are directly involved with the organization may react differently than external stakeholders, depending on the perceptions of the violation. While scholars have not yet explicitly theorized about the severity gap, their initial ideas provide insight as to how internal, affiliated stakeholders (those who enforce dismissal) may interpret the severity gap differently from external, unaffiliated stakeholders (those who offer an equivalent or better position), particularly as it relates to the salience of top actor performance.

3.2.2 | Internal stakeholders and dismissal

We first turn our attention to how the severity gap influences the relationship between top-actor performance and dismissal. Dismissal represents an internal outcome imposed by governance arbiters affiliated with the organization. As these affiliated stakeholders are more apt to identify with their organizations, they likely experience more emotional responses to activities the organization and its top actors undertake (Ashforth, Harrison, & Corley, 2008; Zavyalova et al., 2017). Negative media attention, particularly when insiders perceive it as unwarranted given the objective severity of the event, can thus invoke a defensive reaction from affiliated stakeholders (Zavyalova et al., 2016). Internal stakeholders are apt to respond more emotionally when the media negatively cover a violation involving their organization or top actors, which we expect is especially the case when these insiders feel this attention is not an accurate reflection of the actual violation—a positive severity gap.

Specifically, we theorize affiliated stakeholders will seek to protect their organizations more as the value of the severity gap increases (i.e., for a positive severity gap rather than for a neutral or negative gap) (Eury et al., 2018; Wiersema & Zhang, 2013; Zavyalova et al., 2012). In such circumstances, Zavyalova et al. (2016) describe how stakeholders "circle the wagons" to shield their organizations from public scrutiny. One way these affiliated stakeholders may protect their organization is by rallying around its top actors, especially those who have performed well. Indeed, stronger performing top actors are often interwoven with, and reflections of, their organizations in ways that lower performers are not, so insiders are apt to embrace and defend them (Boivie, Lange, McDonald, & Westphal, 2011; Lange, Boivie, & Westphal, 2014).

We argued previously that performance may either positively or negatively relate to the likelihood of dismissal depending on the theoretical perspective employed (Hypotheses 1 and $1_{\text{Alternative}}$). On one hand, internal stakeholders may value top actors with stronger performance and be less inclined to dismiss them following a violation (Pfarrer et al., 2010; Zavyalova et al., 2012). As we describe, scholarship from this perspective posits top actors are afforded the benefit of the doubt when facing turmoil (Zavyalova et al., 2016), as they are able to accrue a proverbial inventory of goodwill with internal stakeholders (Godfrey et al., 2009). Building on this direct relationship, our argument here is that with a positive severity gap—or as the gap increases—stronger performing top actors are provided even more benefit of the doubt because affiliated stakeholders will perceive them as increasingly integral to the organization and therefore circle the wagons to protect them. Further, we

theorize that internal stakeholders will withdraw less from the figurative reservoir of social capital because they perceive the stronger performing top actor as a central feature of the organization they wish to protect.

On the other hand, we highlighted previously that stakeholders may dismiss stronger performing top actors to distance their organizations from these compromised individuals (Zavyalova et al., 2016), especially if internal stakeholders attribute the strong performance to the violation itself rather than the individual (Semadeni et al., 2008). As the gap increases, however, we theorize that these stakeholders will protect their organizations by eschewing concerns about the top actor because of the intertwined connection to the organization. That is, increasing values of the severity gap ameliorate the potentially unfavorable effects of top actor performance associated with the burden perspective.

Further, while our theory focuses primarily on a positive severity gap and its relevance in 21st-century organizational life (cf. Etter et al., 2019), we do not imply that a negative severity gap (i.e., when perceived severity falls short of objective severity) is irrelevant. We argue that the severity gap represents a continuum, such that increasing positive values prompt insiders to shield their top performers to a higher degree, and more negative values encourage them to do so to a lesser degree. Whereas we contend insiders place more emphasis on performance when there is a positive or increasing severity gap, we instead proffer that insiders will deemphasize performance and focus more on other factors when the severity gap is decreasing or negative.

Our theorizing here also highlights the salience of the severity gap as opposed to simply examining perceived or objective violation severity. While it is certainly possible that affiliated stakeholders protect stronger performers after a severe violation that is perceived commensurately, our arguments above explicate how they are particularly apt to do so when the violation is perceived more severely than the objective severity of the event. Inversely, we argue they are less concerned about performance and protecting their top actors when there is a negative severity gap. Taken together, our theoretical position is that a positive severity gap endears stronger performing top actors to their affiliated stakeholders more so than when the severity gap is neutral or negative. We argue an increasing severity gap either motivates internal stakeholders to protect their top actors when performance is a benefit, or to disregard their concerns about stronger performing top actors when performance is a burden.

> **Hypothesis 3:** *The negative relationship between a top actor's performance and the probability of dismissal following an organizational violation is stronger (i.e., more negative) when the severity gap is higher and weaker when the severity gap is lower.*
> **Hypothesis $3_{Alternative}$:** *The positive relationship between a top actor's performance and the probability of dismissal following an organizational violation is weaker (i.e., less positive) when the severity gap is higher and stronger when the severity gap is lower.*

3.2.3 | External stakeholders and labor market outcomes

In contrast to affiliated stakeholders of a focal organization, unaffiliated (or external) stakeholders have little connection or identification with a top actor who recently departed from another organization (Eury et al., 2018; Zavyalova et al., 2016; Zavyalova et al., 2017). Instead, their interests and identities align with their home organization, and they will seek to protect it from perceptual damage (Zavyalova et al., 2017). For example, Harrison et al. (2018) focus on how directors depart firms

after a negative event (cf. Marcel & Cowen, 2014), arguing that being associated with a violation can reduce directors' "opportunities for career advancement," because potential employers are wary of being connected with a prior violation (Harrison et al., 2018, p. 11).

Following this logic, we theorize that a positive or increasing severity gap reduces the salience of a top actor's performance on receiving an equivalent or better job. Because these external stakeholders are concerned with protecting their own organizations (Zavyalova et al., 2016; Zavyalova et al., 2017), they are particularly worried about being associated with a top actor who was involved in a violation at a different organization, especially when they are unable to decipher the extent of that individual's culpability. Under these circumstances, external stakeholders are apt to be particularly wary because of the emotion-laden, disconnected, and potentially volatile unfavorable perceptions associated with that top actor (Etter et al., 2019). When external stakeholders are unable to rectify the discord between the perceived and objective severity of a violation, they are more likely to consider that the top actor is involved in more misdeeds than are readily apparent. This unease over the extent of the top actor's responsibility for the violation, combined with the greater degree of perceived violation severity, is therefore likely to decrease the salience of a top actor's high performance.

One way a severity gap with higher values works to reduce the influence of top actor performance involves some of the benefits that top actor may have received from stronger performance (Hypothesis 2). As we described, some scholars suggest top actors are afforded the benefit of the doubt and are able to accumulate social capital that offsets negative events (Godfrey et al., 2009; Jones et al., 2000; Zavyalova et al., 2016), such that better performers are more likely to secure positions from these external stakeholders' organizations. We argue here, however, that a positive severity gap will reduce the salience of these benefits owing to unaffiliated stakeholders' greater focus on the disparity between perceived and objective severity. In such circumstances, stronger performing top actors are not necessarily noticeably more appealing than weaker performing top actors.

A positive severity gap may also inform the influence of top actor performance on securing a desirable position when external stakeholders assess the burdens that may accompany stronger performing top actors (Hypothesis $2_{\text{Alternative}}$). As we noted, some scholars suggest stronger performing top actors receive detriments because of the greater visibility they incur, the higher standards to which they are held, and the inability to disentangle the individual's performance from the violation itself (Graffin et al., 2013; Haleblian et al., 2017; Rhee & Haunschild, 2006; Semadeni et al., 2008). We argue a positive severity gap detracts from the role of performance for external stakeholders, and it places more emphasis on the violation itself, such that top performers are less likely to incur these unfavorable outcomes. That is, top actors' performance is less of a deciding factor in future employment than their involvement in the violation. Stated plainly, performance matters less to external stakeholders as the severity gap increases, regardless of whether performance represents a benefit or burden.

Further, because the severity gap is a continuum, we theorize a negative severity gap will either induce the inverse effect or dampen the salience of top actor performance to a much lower degree. As these unaffiliated stakeholders are unlikely privy to many of the internal details associated with the violation (Zavyalova et al., 2012; Zavyalova et al., 2017), they are apt to rely on the performance of the top actor as an informative heuristic of the actor's capabilities and potential value. If these external stakeholders afford stronger performing top actors the benefit of the doubt compared to lower performing top actors (Godfrey et al., 2009; Jones et al., 2000), we argue they are more inclined to do so with a negative or decreasing severity gap.

Taken together, we argue that an increasing severity gap encourages unaffiliated stakeholders to deemphasize the salience of performance of top actors, whereas a decreasing severity gap does the opposite. This line of logic again highlights the relevance of the severity gap rather than focusing exclusively on perceived or objective violation severity. In the absence of a severity gap, it is unclear how external stakeholders would consider top actor performance when the severity of the violation (whether perceived or objective) increases or decreases. By contrast, an increasing or decreasing severity gap reflects external stakeholders' greater difficulty in reconciling the actual severity of a violation with the top actor's culpability.

> **Hypothesis 4:** *The positive relationship between a top actor's performance and the probability of securing an equivalent or better position if dismissed following an organizational violation is weaker (i.e., less positive) when the severity gap is higher and stronger when the severity gap is lower.*
>
> **Hypothesis $4_{Alternative}$:** *The negative relationship between a top actor's performance and the probability of securing an equivalent or better position if dismissed following an organizational violation is weaker (i.e., less negative) when the severity gap is higher and stronger when the severity gap is lower.*

4 | SAMPLE AND EMPIRICAL ESTIMATION

4.1 | Sample—NCAA Men's football and basketball violations

Our sample is comprised of violations of NCAA rules between January 1, 1980 and June 30, 2011. The NCAA is a nonprofit association that governs more than 1,200 American colleges and universities, and it has regulations geared toward ensuring fair athletic competition between these schools (e.g., Zavyalova et al., 2016). Our sample thus captures those instances when the NCAA determined a university violated its rules. We gathered data on all Division I men's football and basketball major violations from the NCAA website (cf. Zavyalova et al., 2017).[2] Our timeframe reflects a period when the NCAA was largely perceived as a legitimate and objective social control agent.[3] We focused on football and basketball violations because these sports often have the greatest financial and reputational implications (Gaines, 2016). Our final sample is comprised of 275 violations, which reflects 108 football violations and 167 basketball violations.

These NCAA violation data provide several benefits for testing our research question relative to a more conventional corporate setting (Zavyalova et al., 2016). First, we can examine whether the nature of the violation and top actor performance influence individual outcomes associated with a top actor—the head coach. Second, NCAA infractions represent violations of a comprehensive set of rules decoupled from any specific stakeholder who may place pressure on the university to enforce a certain penalty, and the NCAA works diligently to craft objective and standardized penalties associated with violations (NCAA, 2017). Third, we are able to gather individual performance metrics associated with head coaches. In contrast, it is often difficult to use archival corporate data to

[2]This website is located at: https://web1.ncaa.org/LSDBi/exec/search. We eliminated "minor" violations because such infractions almost never incur penalties and are sometimes quite trivial, such as providing an athlete with complimentary butter and jam (e.g., Infante, 2012).

[3]Indeed, we find very little adverse media coverage of the NCAA in our sample period but notably more negative scrutiny in the years since.

determine a specific top manager's impact on firm performance (Busenbark, Krause, Boivie, & Graffin, 2016). Relatedly, a fourth benefit of this sample is that we can easily observe what happens to head coaches following a violation. Finally, these Division I sports are multi-billion-dollar industries with financial stakes similar to large public firms (Gaines, 2016).

4.2 | Dependent variables

Both of our dependent variables focus on the head coach of the football or basketball team. We elected to examine outcomes related to the head coach because this position is most analogous to the chief executive officer (CEO) of a corporation. Like CEOs, head coaches are ultimately responsible for the overall direction, strategy, and performance of the entity, as well for selecting other top actors such as assistant coaches (cf. Busenbark et al., 2016). Coaches are also beholden to influential individuals within the institution (e.g., athletic director, president, and regents) who may closely monitor the coach, collaborate with the coach by allowing him to focus on the team instead of administrative tasks, or provide the coach with strategic discretion—each of which is analogous to behaviors exhibited by boards of directors (Oliver, Krause, Busenbark, & Kalm, 2018).

4.2.1 | Dismissal outcome

Dismissal outcome is a categorical variable that takes the value of 0 if there was no head coach turnover following a violation, 1 if the head coach left the institution voluntarily, and 2 if the head coach was dismissed from the institution. To ensure we identified the coach who was present and responsible for the violation, we examined turnover for the period that began after the violation was revealed and ended one year after the NCAA's written assessment of the infraction. By measuring turnover after the NCAA report, we were more certain the university had the fullest information available to dismiss or retain the head coach.

We utilized three categories of dismissal instead of dichotomizing to differentiate between a coach remaining at the university and his departure.[4] It is important to account for voluntary turnover in empirical models because head coaches could have departed due to death, sickness, interim status, or unspecified reasons (Shen & Cannella, 2002). We employed several procedures to identify whether head-coach turnover was voluntary or involuntary, which involved examining press releases for the rationale underlying the departure, monitoring for subsequent positions, or determining whether the coach was nearing retirement (i.e., at least 60 years old) (e.g., Kesner & Sebora, 1994). We examined our final results in the presence and absence of subjective criteria and found similar estimates.

4.2.2 | Equivalent or better position

Equivalent or better position takes the value of 1 if a coach who departed his job accepted a head coach position at a team of similar or higher caliber (or accepted a job as an athletic director), and it takes the value of 0 if the coach accepted a lesser position (or as an assistant coach) or did not find employment. The new position was classified as equivalent or better if the conference of the new team was of similar or better size and caliber, while the position was not of at least equivalent caliber if the new position was in a smaller conference or not as a head coach. We determined the size and

[4]We employ further models where this variable is dichotomized as no turnover (0) and turnover (1). Our estimates are substantively unchanged.

caliber of a conference following the classifications the NCAA and rankings officials provide—conferences are considered either "major" (sometimes called "Power Five"), "mid-major," or "non-major."[5] Whereas we have 275 total observations, the sample corresponding to coaches' future employment is comprised of 170 instances when a coach departed from the focal team that committed a violation.

We employed extensive sensitivity analyses and robustness checks on all of the decisions corresponding to this variable. Perhaps most importantly, four coders familiar with our context—including one former NCAA coach—manually examined all of the previous and future employment circumstances for each of the coaches in our sample. There were five total observations for which at least one of the coders felt our categorization scheme might not accurately capture an equivalent or better position. These five observations all represented scenarios when a coach departed for a new job in a similar conference at a school that some individuals might not consider as prominent as the previous position. Each of the four coders discussed these five observations, consulted historical performance, revenue, and ratings data, and came to the consensus that all of the five observations did indeed represent an equivalent or better position. We also employed our models with each of these five observations categorized to suggest the coaches did not receive equivalent positions, and our results are nearly identical. We further employed models with different methods of accounting for coaches who did not depart, such as a system of equations procedure that simultaneously recognizes coaches who did and did not pursue new employment.

4.3 | Independent variables

4.3.1 | Coach performance

Coach performance is measured as a coach's winning percentage in the season before the NCAA investigated a violation minus the team's previous ten-year average winning percentage. In this way, the coach performance variable captures the extent to which a coach is performing better or worse than the team can reasonably expect given the past decade of the team's performance. Positive values thus represent coaches performing relatively better in the season leading up to a violation, whereas negative values reflect coaches performing relatively worse than expected. We employed several robustness checks across different time horizons of both the coach's performance and the referent to which they are compared. Specifically, we measured the variable with 3 and 5 years of a coach's winning percentage, as well as 5, 7, and 10 years of team winning percentage as a referent (and we measured all the permutations among the different time horizons). In each case, our parameter estimates increased and statistical inferences became stronger as we used longer windows.

4.3.2 | Severity gap

Severity gap is measured as the difference between the perceived and objective severity of a violation. We measure perceived violation severity as the extent to which the media uses negative or unfavorable tenor in articles about the violations in our sample (Zavyalova et al., 2012). We measured objective violation severity with a coding scheme that the NCAA uses to characterize the scope and scale of a given violation. We discuss each of these components in more detail in the coming paragraphs. Because each of these two dimensions of our construct features a different scale, we

[5]Major conferences are denoted at: http://www.ncaa.com/news/football/article/2017-09-20/college-football-how-power-5-conferences-stack-stat-stat. Mid-major conferences are denoted at: https://www.midmajormadness.com/pages/mid-major-teams-by-conference

standardized each variable by taking a z-score that represents the number of standard deviations above or below the mean for a given observation relative to the broader sample. Scholars have used a similar procedure to create equivalencies with constructs that have different scales and measurements, such as dimensions of risk-taking (Sanders & Hambrick, 2007). Our variable is therefore calculated as standardized perceived severity minus standardized objective severity.

We collected media coverage by searching Factiva for articles about each of the violations in our sample, and we then employed computer aided text analysis (CATA) on all the articles corresponding to the violations to calculate a measure of this variable. Following extant work, we gathered all media coverage about each violation for a year before and after the infraction date (Zavyalova et al., 2016). We limited our search parameters to articles that included any variant of the words infraction, violation, allegation, or probe, as well as the head coach and university names. We captured our negative media coverage variable with the negative affective language content analysis dictionary in the Language Inquiry and Word Count (LIWC) software (Pennebaker, Booth, & Francis, 2015). This dictionary is well-validated (Pennebaker et al., 2015) and several strategy scholars have used it to represent the tenor of media coverage (e.g., Pfarrer et al., 2010; Zavyalova et al., 2012). Our variable reflects the percentage of negative affective language words used in articles about a violation, but we calculated it in several different ways to verify our results are not sensitive to the measure.

We measured objective violation severity using different permutations of two categorical dimensions the NCAA assigns to violations—(a) if the violation reflected a failure to monitor the coach and players, which represents instances when universities were negligent in overseeing the athletic programs; and (b) if there was a lack of institutional control, which represents a more egregious violation and often implies intent to flagrantly disregard NCAA regulations (NCAA, 2017). This variable takes the value of 0 if neither of these categories is applied (50% of the sample), 1 if the violation only reflected "failure to monitor" (15% of the sample), 2 if the violation only reflected "lack of institutional control" (28% of the sample), and 3 if the violation was categorized as both (7% of the sample).

4.4 | Control variables

All of the control variables corresponding to the nature and severity of the violation are dichotomous, such that they each take the value of 1 if that characteristic of the violation applies to the corresponding observation and 0 if not (unless otherwise indicated). There are three nonmutually exclusive categories that describe the nature of the violation. *Extra benefits paid* represents an instance when a player received impermissible benefits for his participation on the team. *Academic fraud* refers to a violation that involved academic cheating and misrepresentation for the benefit of a player. *Unethical conduct* is a broader categorization of an infraction for when the violation did not correspond directly to one of the preestablished classifications.

Intentional violation determines whether the NCAA indicated the head coach or university appeared to knowingly contribute to the infraction or circumvent regulations. *Repeat offender* represents when the focal violation was not the university's first infraction. *Filed an appeal* reflects when a university interpreted the NCAA's assessment of the violation as inaccurate or unfair, so it filed a motion to appeal the NCAA's representation of the infraction or penalty assessed. *Coach caused violation* refers to an instance when the NCAA indicated the coach directly caused the infraction, and is important because the NCAA may sometimes prevent these coaches from seeking future employment for a significant period of time. *NCAA initiated investigation* occurs when the university did

not submit itself for review of a potential infraction and the NCAA formally began the process. *Number of sports in violation* is a continuous variable that measures the number of sports involved in the NCAA infraction and reflects the scope of the violation. *School cooperation* occurs when the university fully cooperated with the NCAA investigation instead of reacting antagonistically. We also incorporate *coach caused violation* and *school cooperation* as instrumental variables in one of our empirical estimators.

We also control for stakeholder support because Hypotheses 3 and 4 explicitly theorize about these relationships. Stakeholder support may reflect the degree to which these individuals identify with the university and thus their perceptions of the school following a violation (Zavyalova et al., 2016). Following this work, we measure *stakeholder support* as the total financial donations to the university in the year of the NCAA infraction date.[6]

Coach age is measured as the age of the head coach in the year of the violation. Similarly, *coach tenure* captures the number of years the focal coach had held that position at the university at the time of the violation, and we use this as an instrument in one of our estimators. *Public institution* takes the value of 1 if the university is a public school and 0 if not. *Number of students* is the total number of students who attended the university. We also include a dummy for *basketball*, which controls for which of the two sports (basketball or football) was involved in the violation, and that we use as an instrument in one of our models. All of our models also feature time fixed effects that reflect the decade in which the violation occurred to help control for problems stemming from contemporaneity (Certo & Semadeni, 2006). As an alternative to the decade fixed effects, we employed all of our models with five-year fixed effects, and the results were substantively similar.

5 | PRIMARY EMPIRICAL ESTIMATION

5.1 | Dismissal outcome sample

The first outcome we examine involves whether a coach remained with the team, departed voluntarily, or was dismissed following an NCAA violation ($n = 275$). We employed extended multinomial probit regression (hereafter EM probit) to test our research question corresponding to the nature of coach turnover following a violation (Angrist, 2001; Wooldridge, 2010). EM probit is a two-step estimator, wherein the first step predicts an endogenous regressor and the second step adjusts the residuals to account for endogeneity (Newey, 1987; StataCorp, 2017). We selected this model because we recognize unobservable heterogeneity may influence both coach performance and the dismissal outcome, particularly owing to either an omitted variable or potential measurement error (e.g., Baum, 2006; Kennedy, 2008; Semadeni, Withers, & Certo, 2014).

The first step of our EM probit model predicts coach performance as a function of several covariates and two instruments (Certo, Busenbark, Woo, & Semadeni, 2016; Semadeni et al., 2014). Our two instruments are *coach tenure* ($\beta = -.005$; $p = .031$) and *basketball dummy* ($\beta = -.053$; $p = .044$), both of which are strongly related to coach performance (f-stat = 24.80) in our sample but unrelated to the structural error term of the model that predicts dismissal (Hansen's J $\chi 2 = 0.860$; $p = .354$). We specified the first stage of the EM probit estimator as a tobit model (Baum, 2006; Greene, 2018).

The second step of the EM probit is a multinomial probit because we seek to estimate our dependent variable (dismissal outcome) as a probability that can assume one of three discrete values

[6]We gathered data on donations from the Counsel for Aid to Education (CAE), a nonprofit organization that maintains data on financial contributions to all U.S. public and private universities.

(Kennedy, 2008). Multinomial probit models estimate the probability of more than one outcome occurring relative to a base condition (Kennedy, 2008), which we specify as no turnover in our sample. The second step of the EM probit model adjusts the residuals in accordance with the first stage to attenuate bias (Newey, 1987; Wooldridge, 2010). We clustered the robust errors in each stage to account for 74 repeat offenders.

5.2 | Equivalent or better position sample

The second outcome we examine involves whether a coach who departed from his team following a violation attained an equivalent or better position ($n = 170$). We employed Heckman simultaneous two-stage probit (hereafter Heckman probit) to account for sample-induced endogeneity (sample selection bias) by modeling the first stage as a selection decision from a broader sample (Certo et al., 2016; Sartori, 2003). As Certo et al. (2016) describe, the independent variable must significantly predict inclusion in the sample for sample selection bias to potentially exist—this is exactly what we conjecture in our hypotheses related to coach dismissal and test with our first outcome described earlier.

The first stage of the Heckman probit predicts whether a coach departed from the job following a violation (170 observations) from the broader sample of all violations (275 observations). Research on Heckman models suggests the first stage should include two exclusion restrictions that function like instruments (Certo et al., 2016). Our exclusion restrictions are *coach caused violation* ($\beta = 1.163$; $p = .007$) and *school cooperation* ($\beta = .439$; $p = .000$). Exclusion restrictions are considered strong when there are sufficiently low correlations between the inverse Mills ratio and the second stage covariates. The highest correlation between these variables is |0.155| and the average is |0.056|, which are consistent with what Certo et al. (2016) classify as "strong" exclusion restrictions. The second stage of the Heckman probit model is a conventional probit estimator that incorporates the inverse Mills ratio to adjust the residuals in order to account for sample selection bias (Greene, 2018; Wooldridge, 2010). We clustered the robust errors to account for the 45 universities with multiple violations.

6 | RESULTS

6.1 | Coach dismissal outcomes

Table 1 displays the descriptive statistics and correlations corresponding to our hypotheses relating to coach dismissal, which reflects all 275 violations. The correlations between covariates are sufficiently low enough that we do not expect estimation problems stemming from multicollinearity (Cohen, Cohen, West, & Aiken, 2003). Because EM probit models do not permit standard variance inflation factors, we also examined the collinearity diagnostic statistics to ensure our estimates were not influenced by multicollinearity—our diagnostic figures are drastically lower than recommended thresholds that might indicate collinearity concerns (StataCorp, 2017). Interestingly, the mean value of the severity gap is 0.00, which indicates that the average violation is perceived equally as severely by the media and the NCAA assessment.

Table 2 displays the parameter estimates corresponding to the coach dismissal outcomes following organizational violations. The column "First Step" depicts the first step of the EM probit model and the parameter estimates of a first-stage tobit estimator predicting coach performance. Column "Second Step (Involuntary)" shows the parameter estimates corresponding to Hypotheses 1 and $1_{\text{Alternative}}$ about

TABLE 1 Descriptive statistics and correlations for dismissal-related outcomes

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Dismissal outcome	1.11	0.93																			
2	Dismissal	0.62	0.49	0.938																		
3	Coach performance	−0.02	0.19	−0.348	−0.288																	
4	Severity gap	0.00	1.39	−0.149	−0.158	0.138																
5	Coach age	47.93	8.21	−0.030	−0.007	−0.023	0.013															
6	Public institution	0.83	0.38	0.083	0.061	−0.003	−0.085	0.075														
7	Number of students (ln)	9.96	0.67	−0.010	−0.034	0.038	0.131	0.173	0.484													
8	Number of sports in violation	2.27	2.99	−0.026	−0.018	0.017	−0.194	0.006	0.057	−0.054												
9	Extra benefits paid	0.65	0.48	0.010	−0.001	−0.044	0.056	0.063	0.049	0.167	−0.182											
10	Academic fraud	0.12	0.32	0.069	0.052	−0.051	−0.135	0.086	−0.016	−0.055	0.002	0.102										
11	Unethical conduct	0.46	0.50	0.163	0.122	−0.029	−0.062	0.020	−0.009	−0.037	−0.160	0.175	0.326									
12	Intentional violation	0.12	0.33	0.091	0.106	−0.091	−0.043	0.078	−0.011	0.046	0.095	−0.008	0.180	0.199								
13	Repeat offender	0.18	0.39	0.007	0.002	−0.011	0.020	0.071	0.039	0.077	0.100	0.111	0.035	−0.036	0.029							
14	Filed an appeal	0.16	0.37	0.109	0.085	−0.044	−0.022	0.205	0.070	0.080	0.132	0.100	0.207	0.106	0.260	0.276						
15	School cooperation	0.48	0.50	0.111	0.141	−0.035	0.014	0.010	0.030	0.080	0.078	−0.037	0.037	0.081	0.093	0.151	0.185					
16	Coach caused violation	0.13	0.34	0.270	0.261	−0.107	−0.075	−0.012	0.090	−0.067	−0.121	0.016	0.195	0.357	0.222	0.097	0.236	0.210				
17	NCAA initiated investigation	0.52	0.50	0.032	0.018	0.079	−0.094	−0.110	0.083	−0.021	−0.080	0.032	−0.080	0.101	−0.001	0.041	0.035	−0.090	0.095			
18	Stakeholder support	4,540.00	5,420.00	−0.069	−0.048	0.002	0.041	0.086	0.039	0.222	0.025	0.011	0.010	−0.024	0.277	0.050	0.065	0.141	−0.100	−0.100		
19	Coach tenure (instrument)	5.89	5.92	−0.038	−0.023	−0.120	0.003	0.502	0.114	0.125	0.028	0.046	−0.022	−0.021	−0.009	0.058	0.151	0.081	0.022	−0.041	0.062	
20	Basketball (instrument)	0.61	0.49	0.116	0.119	−0.188	−0.172	−0.072	−0.108	−0.300	0.084	−0.048	0.036	0.037	−0.001	−0.104	0.034	0.072	0.202	−0.212	−0.134	0.078

Note: Dismissal outcome takes the value of 0 if the coach remained with the team, 1 if the coach voluntary left, and 2 if the coach was formally dismissed. While the variable "dismissal" is not included in our analyses, we display it here for descriptive purposes. It takes the value of 0 if the coach remained with the team and 1 if the coach left. Stakeholder support is expressed in multiples of 10,000. $n = 275$. $p < .05$ when $r > =$|.117|.

TABLE 2 Extended multinomial probit models for dismissal-related outcomes

	First step (tobit) DV = coach performance		Second step (voluntary) V = dismissal outcome (1)		Second step (involuntary) DV = dismissal outcome (2)		Interaction (voluntary) DV = dismissal outcome (1)		Interaction (involuntary) DV = dismissal outcome (2)	
	Coefficient	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**
Constant	−0.068	.746	2.167	.716	4.665	.330	2.091	.725	4.782	.318
Coach performance			0.129	.891	−3.804	.000	0.197	.835	−3.850	.000
Performance x severity gap							−0.108	.829	−0.815	.082
Severity gap	0.018	.038	−0.196	.126	−0.195	.078	−0.197	.120	−0.213	.055
Coach age	0.001	.437	0.019	.300	−0.008	.628	0.019	.306	−0.009	.600
Public institution	−0.002	.965	0.109	.787	0.481	.172	0.100	.803	0.483	.177
Number of students (ln)	0.003	.871	−0.365	.151	−0.108	.630	−0.357	.157	−0.110	.624
Number of sports in violation	0.004	.299	−0.011	.822	−0.020	.691	−0.012	.797	−0.019	.715
Extra benefits paid	−0.022	.382	0.108	.746	−0.016	.951	0.102	.759	0.002	.995
Academic fraud	−0.010	.787	−0.222	.690	−0.208	.559	−0.209	.705	−0.246	.493
Unethical conduct	0.012	.640	−0.468	.200	0.358	.172	−0.462	.205	0.361	.174
Intentional violation	−0.049	.212	0.614	.252	0.123	.800	0.588	.269	0.119	.807
Repeat offender	−0.016	.613	−0.135	.764	−0.076	.826	−0.135	.764	−0.041	.908
Filed an appeal	0.001	.977	−0.481	.337	0.434	.263	−0.460	.356	0.449	.244
School cooperation	0.001	.973	0.774	.005	0.316	.149	0.764	.005	0.319	.149
Coach caused violation	−0.038	.345	1.738	.004	1.948	.000	1.731	.004	1.938	.000
NCAA initiated investigation	0.030	.218	−0.275	.383	−0.184	.521	−0.273	.380	−0.202	.480
Stakeholder support	0.000	.872	0.000	.907	0.000	.436	0.000	.918	0.000	.395
Instrumental variables										
Coach tenure	−0.005	.031								
Basketball (0 if football)	−0.053	.044								

TABLE 2 (Continued)

	First step (tobit) DV = coach performance		Second step (voluntary) V = dismissal outcome (1)		Second step (involuntary) DV = dismissal outcome (2)		Interaction (voluntary) DV = dismissal outcome (1)		Interaction (involuntary) DV = dismissal outcome (2)	
	Coefficient	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**
Model statistics										
n	275		275				275			
F-stat (first stage); $\chi 2$ (second stage)	24.80		153.29***				156.43***			
Log pseudolikelihood	75.91		−224.41				−223.00			
Time fixed effects (decade)	Yes		Yes				Yes			

Note: Each of the second stage dependent variables is derived from the same multinomial probit. The coefficients are relative to a base condition where the value of the dependent variable takes the value of 0 that represents when the coach remained with the team. The model employs robust standard errors clustered by team.

***$p < .001$; for F-statistics and $\chi 2$ values.

the conditions under which coaches get dismissed following an NCAA violation. The parameter estimate for coach performance depicts a negative relationship between coach performance and dismissal ($\beta = -3.804$; $p = .000$). Coaches performing one *SD* greater than average are nearly 2.5 times less likely (30%) to get dismissed than coaches performing one *SD* below average (73%) (cf. Hoetker, 2007). These parameter estimates lend support for Hypothesis 1, which suggests coach performance helps attenuate negative outcomes (specifically dismissal) following a violation.

Column "Interaction (Involuntary)" displays the parameter estimates corresponding to Hypotheses 3 and $3_{\text{Alternative}}$ about the role of the severity gap in the relationship between performance and outcomes for top actors. The parameter estimate for the interaction term of coach performance and the severity gap provides support for Hypothesis 3. As scholars continually highlight, this coefficient alone ($\beta = -.815$; $p = .082$) is inappropriate to interpret support of our hypothesis (Bowen, 2012; Wiersema & Bowen, 2009). We therefore also provide Table 3, which displays the marginal effect of coach performance on the likelihood of dismissal (dy/dx) at different values of the severity gap (Bowen, 2012; Oliver et al., 2018). As we demonstrate in Panel A of this table, the negative relationship between coach performance and the likelihood of dismissal is nearly three times stronger at the mean value of the severity gap ($\beta = -.947$) than at two standard deviations below the mean ($\beta = -.356$), and it is over 20% stronger at two standard deviations above the mean value of the severity gap ($\beta = -1.229$). Put differently, the relationship between coach performance and turnover is most negative at high values of the severity gap and far less negative at low values of the severity gap.

6.2 | Labor market outcomes—Securing an equivalent or better position

Table 4 displays the descriptive statistics and correlations for the variable corresponding to our research question about whether coaches who depart from their positions following a violation secure equivalent or better jobs. There are at least three important inferences we can draw from Table 4. First, the correlations between covariates are sufficiently low enough that we do not expect estimation inaccuracies owing to multicollinearity (Cohen et al., 2003). Second, the correlations between the inverse Mills ratio and the covariates are salient indicators of the strength and exogeneity of the exclusion restrictions; lower correlations denote stronger exclusion restrictions (Certo et al., 2016; Greene, 2018; Wooldridge, 2010). Finally, the mean value of the severity gap is negative in this subsample, which we argue provides face validity to our measure and theoretical contentions as we posit that coaches are more likely to get dismissed (and thus appear in this sample) when the severity gap is lower (or negative).

TABLE 3 Marginal effects of the coach performance on outcome variables at different levels of the severity gap

	Panel A—dismissed coaches			Panel B—equivalent/better job		
Severity gap	Marginal effect	Standard error	*p* value	Marginal effect	Standard error	*p* value
2 SD < mean (negative severity gap)	−0.356	0.393	.366	1.024	0.430	.017
1 SD < mean (negative severity gap)	−0.725	0.185	.000	0.990	0.245	.000
Mean	−0.947	0.111	.000	0.956	0.193	.000
2 SD > mean (positive severity gap)	−1.149	0.148	.000	0.903	0.300	.003
2 SD > mean (positive severity gap)	−1.229	0.179	.000	0.866	0.404	.032

Note: The "Marginal Effect" represents the first derivative (dy/dx) of coach performance on both outcome variables.

TABLE 4 Descriptive statistics and correlations for labor market-related outcomes

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Equivalent or better position	0.210	0.410																			
2	Coach performance	−0.060	0.190	0.213																		
3	Severity gap	−0.170	1.340	0.022	0.043																	
4	Coach age	47.880	8.170	0.034	0.043	0.041																
5	Public institution	0.850	0.360	0.020	−0.058	−0.023	−0.038															
6	Number of students (ln)	9.950	0.690	0.016	−0.007	0.190	0.164	0.442														
7	Number of sports in violation	2.220	2.980	−0.024	0.081	−0.082	−0.044	0.037	−0.104													
8	Extra benefits paid	0.650	0.480	−0.099	−0.082	0.083	0.061	−0.109	0.155	−0.176												
9	Academic fraud	0.130	0.340	−0.071	−0.055	−0.134	0.117	−0.031	−0.047	−0.053	0.065											
10	Unethical conduct	0.510	0.500	−0.121	0.011	0.035	−0.030	−0.158	−0.045	−0.274	0.181	0.311										
11	Intentional violation	0.150	0.360	0.069	0.020	−0.021	−0.004	0.038	0.088	0.058	0.029	0.087	0.211									
12	Repeat offender	0.180	0.390	−0.021	−0.039	0.034	−0.016	0.074	0.073	0.108	0.094	−0.046	0.010	0.019								
13	Filed an appeal	0.190	0.390	−0.029	0.049	−0.021	0.094	−0.004	0.038	0.111	0.135	0.218	0.115	0.267	0.318							
14	NCAA initiated investigation	0.520	0.500	0.004	0.156	−0.134	−0.153	0.085	−0.038	−0.099	0.035	−0.088	0.094	0.064	0.024	0.038						
15	Stakeholder support	4,330.00	4,900.00	0.068	0.057	0.086	0.124	−0.005	0.320	0.074	−0.013	−0.002	−0.055	0.269	0.115	0.126	−0.110					
16	Coach tenure	5.790	5.310	−0.028	−0.074	0.018	0.452	0.060	0.136	−0.020	0.040	0.042	−0.022	−0.024	0.022	0.062	−0.018	0.111				
17	Basketball	0.650	0.480	−0.076	−0.131	−0.082	−0.056	−0.138	−0.345	0.076	−0.047	0.060	0.046	0.024	−0.040	0.067	−0.201	−0.140	0.020			
18	Coach caused violation	0.200	0.400	−0.043	−0.048	−0.039	−0.061	0.090	−0.074	−0.146	0.000	0.202	0.406	0.208	0.107	0.248	0.094	−0.105	0.065	0.210		
19	School cooperation	0.540	0.500	0.165	−0.007	0.073	0.004	0.063	0.091	0.078	−0.071	0.008	0.094	0.054	0.104	0.237	−0.039	0.108	0.132	0.188	0.259	
20	Inverse Mills ratio	−0.250	6.900	0.078	−0.007	0.029	0.039	0.044	−0.068	0.031	0.069	−0.030	−0.155	−0.023	0.047	−0.009	−0.042	−0.032	−0.001	0.065	−0.151	−0.136

Note: Stakeholder support is expressed in multiples of 10,000. $p < .05$ when $r >= |.146|$. $n = 170$.

Table 5 depicts the parameter estimates corresponding to the Heckman probit model, which we use to test Hypotheses 2 and $2_{alternative}$ about whether head coaches who depart after a violation attain equivalent or better positions. Column "First Stage Heckman" shows the estimates corresponding to

TABLE 5 Heckman simultaneous two-stage probit models for labor market-related outcomes

	First stage Heckman DV = turnover		Second stage (probit) DV = equivalent or better position		Interaction (probit) DV = equivalent or better position	
	Coefficient	***p* value**	**Coefficient**	***p* value**	**Coefficient**	***p* value**
Constant	−0.690	.656	0.493	.750	0.513	.740
Coach performance	−1.825	.000	2.387	.000	2.395	.000
Coach performance x severity gap					−0.065	.830
Severity gap	−0.134	.034	0.061	.345	0.060	.360
Coach age	0.002	.846	0.002	.856	0.002	.865
Public institution	0.054	.831	−0.185	.475	−0.186	.478
Number of students (ln)	0.072	.640	−0.016	.921	−0.017	.915
Number of sports in violation	−0.017	.577	−0.008	.788	−0.007	.809
Extra benefits paid	−0.043	.813	−0.035	.852	−0.032	.863
Academic fraud	−0.134	.634	0.111	.700	0.113	.694
Unethical conduct	0.109	.556	−0.420	.024	−0.419	.025
Intentional violation	−0.100	.750	0.127	.659	0.131	.631
Repeat offender	−0.069	.772	0.073	.767	0.079	.749
Filed an appeal	0.126	.612	−0.252	.362	−0.263	.336
NCAA initiated investigation	−0.029	.866	−0.135	.458	−0.134	.457
Stakeholder support	0.000	.463	0.000	.365	0.000	.358
Coach tenure	−0.020	.218	0.003	.874	0.002	.885
Basketball	0.043	.814	−0.185	.325	−0.187	.349
Inverse Mills ratio			−16.117	.000	−15.057	.001
Exclusion restrictions						
Coach caused violation	1.163	.007				
School cooperation	0.439	.000				
Model statistics						
n	275		170		170	
Pseudo R^2 (first stage); $\chi 2$ (second stage)	0.16		25.22*		25.98*	
Likelihood ratio test of rho	9.22*				4.60*	
Log likelihood	−230.35				−232.61	
Time fixed effects (decade)	Yes				Yes	

Note: The first stage of the Heckman model uses the broader sample to predict whether an observation appears in the second stage (whether or not a coach departed following a violation). The second stage corrects for sample selection bias by adjusting the standard errors using the inverse Mills ratio. The model employs robust standard errors clustered by team. * reflects *p* values less than .05 for $\chi 2$ and likelihood ratio test of rho.

the first stage of the Heckman probit model, where the dependent variable takes the value of 1 if the head coach departed the team (and is in the second stage) and 0 if not. Column "Second Stage (Probit)" displays the parameter estimates corresponding to the second stage of the Heckman probit. This part of the model predicts the probability that a coach who departed after a violation attains an equivalent or better job. There is a positive estimate for the effect of coach performance on the probability of receiving an equivalent or better job ($\beta = 2.387$, $p = .000$). Coaches with one standard deviation greater than average performance are more than twice as likely to garner an equivalent or better job (67%) than coaches with one standard deviation lower than average performance (33%) when all covariates take their mean values (cf. Hoetker, 2007). These estimates support Hypothesis 2, which suggests stronger coach performance benefits coaches by helping them secure an equivalent or better position.

In column "Interaction (Probit)," we explore Hypotheses 4 and $4_{\text{alternative}}$ and the argument that the severity gap influences the relationship between coach performance and the likelihood of securing an equivalent or better position. The estimate for the interaction parameter of coach performance and the severity gap suggests coach performance is a less salient factor in attaining an equivalent or better position when the severity gap has higher values ($\beta = -.065$; $p = .830$). While this parameter estimate is not statistically significant, we again recognize the coefficient alone is irrelevant in interpreting the moderating effect of divergence in violation severity (Bowen, 2012; Wiersema & Bowen, 2009). We therefore turn to Panel B in Table 3—which shows the coefficient of coach performance across different values of the severity gap—to provide support for this hypothesis. Indeed, the relationship between coach performance and the likelihood of a positive labor market experience is nearly 20% stronger when the severity gap is lower (i.e., negative and two standard deviations below the mean—$\beta = 1.024$) than when it is higher (i.e., positive and standard deviations above the mean—$\beta = .866$). Again, this marginal effect analysis demonstrates that the relationship between coach performance and the likelihood of securing an equivalent or better position is strongest at low values of the severity gap and weakest at high values of the severity gap.

We also employed a battery of robustness checks to verify our empirical outcomes were similar with alternative measures and analytical techniques. In addition to the EM probit model and Heckman probit model used to test dismissal and labor market outcomes, respectively, we employed several supplemental estimators, specifications, and measurements. We detail several of our supplementary analyses in Data S1, including univariate analyses, an alternative sample using propensity score matching, and additional econometric specifications and estimators, such as a three-stage system of equations model.

7 | DISCUSSION

The central goal of our study was to examine how the severity gap—the extent to which perceptions of a violation's severity exceed or fall short of a violation's objective severity—influences the degree to which top actor performance represents a benefit or burden following a violation. Given the theoretical equivocation in the literature, scholars have suggested that the salience of top actor performance is likely contingent on contextual factors (Bundy et al., 2017; Zavyalova et al., 2016). One way research has begun to incorporate violation severity as an important condition regarding the influence of strong performance involves the degree to which the violation is perceived as severe (Bundy & Pfarrer, 2015; Wiersema & Zhang, 2013; Zavyalova et al., 2016). While this work has made initial strides in theorizing about how perceived violation severity can resonate in ways similar to objective severity (Bundy & Pfarrer, 2015), no research has examined what happens when the

social resonance of violation severity diverges from its objective magnitude. This is surprising given the several topical instances in which violations resonate more strongly with stakeholders compared to the magnitude of the event (Durand et al., 2019; Etter et al., 2019).

Owing to the dearth of research that recognizes what we refer to as the severity gap, we drew from perspectives in the literature that have begun to suggest—but not theoretically develop or empirically test—how the social resonance of an event may influence internal and external stakeholders differently (Zavyalova et al., 2016). In particular, we hypothesized that internal stakeholders are apt to protect top performers to a greater degree when there is an increasing severity gap as they perceive stronger performing top actors as integral components of their organizations who need shielding from undue perceived severity (Eury et al., 2018; Zavyalova et al., 2017). In contrast, we theorized that external stakeholders recoil at being associated with top actors when there is a positive severity gap (Marcel & Cowen, 2014). In this instance, strong performance is less salient to external stakeholders because they are unable to decipher the disconnect between perceived and objective violation severity. We tested these ideas by examining both internal (i.e., dismissal) and external (i.e., equivalent or better job) outcomes for NCAA football and basketball head coaches following NCAA violations.

This study offers several contributions and implications for research and practice. First, we are the first to our knowledge to develop, theorize, and examine how the divergence between perceived and objective violation severity influences outcomes following a violation. While scholars have indeed examined perceived violation severity (Bundy & Pfarrer, 2015; Wiersema & Zhang, 2013; Zavyalova et al., 2012), the overarching assumption of past research has been that the social resonance of negative events is a reflection of—and informs outcomes consistent with—the objective magnitude of the negative event. Recent research, however, has begun to question this assumption, owing to rapidly diffused perspectives about violations that are "often critical [and] at times subversive" and are "largely outside the control of organizations" (Etter et al., 2019, p. 5). We study this precisely. We theorize and find that internal and external stakeholders interpret the performance of top actors differently depending on the severity gap.

Future research can integrate our theorizing and findings about the severity gap in a number of important ways. For instance, one assumption informed by extant research that we integrated in this study is that stronger performing top actors are perceived as more vital, substantive representations of an organization (Boivie et al., 2011; Galvin, Lange, & Ashforth, 2015; Lange et al., 2014). We therefore argued that internal stakeholders are more likely to shield them when there is a positive severity gap. Scholars can build on this perspective to look at individuals who are more structurally or cognitively central to an organization, such as long-tenured managers, lead independent directors, or employees featured prominently in outward-facing campaigns. Future scholarship can also examine any discrepancies between social and conventional media. Our preliminary sense is that external stakeholders are perhaps more sensitive to social media, given its ability to rapidly diffuse different perceptions.

Our second contribution is to research that seeks to contextualize the extent to which performance amplifies or attenuates unfavorable outcomes following a negative event (Bundy et al., 2017; Zavyalova et al., 2016). There is a fissure in the literature on the linkage between performance and outcomes; some scholars assert that strong performance represents a buffer for unfavorable outcomes (e.g., Lange et al., 2011; Pfarrer et al., 2010) and others contend it represents a burden (e.g., Haleblian et al., 2017). We help to clarify this equivocation by studying the severity gap as a salient factor that influences the ways organizations interpret performance. Third and relatedly, this study explores a direct relationship between the performance of a top actor and the outcomes that individual encounters following a violation. Specifically, we apply an individual-level approach that allows us to examine internal (i.e., dismissal) and external (i.e., labor market prospects) outcomes for

top actors after a negative event, which is consistent with our theorizing about the severity gap. This approach also helps resolve a levels issue in the literature that may invoke a sort of inverse ecological fallacy in which scholars extrapolate theory about individual sociocognitive mechanisms to paint entire organizations—and the individuals within them—with broad strokes (Haleblian et al., 2017; Lange et al., 2011; Zavyalova et al., 2016).

Our theorizing about the severity gap may also highlight interesting implications for sociology and political science research. As scholars in these domains describe, individuals often align themselves with broader societal or political groups and consider other individuals as either "in" or "out" of these collectives (Hahl, Kim, & Zuckerman Sivan, 2018; Jost, Banaji, & Nosek, 2004). Our line of logic suggests that in groups circle the wagons when highly touted top actors receive a greater degree of scrutiny than members believe is reasonable. Alternatively, in-group members are perhaps more inclined to dismiss lower performing top actors as the severity gap increases, effectively culling the herd in their organizations.

ACKNOWLEDGEMENTS

The authors would like to thank the Associate Editor and two anonymous reviewers for their constructive comments and support throughout the review process.

REFERENCES

Angrist, J. D. (2001). Estimation of limited dependent variable models with dummy endogenous regressors. *Journal of Business & Economic Statistics*, *19*(1), 2–28.

Arthaud-Day, M. L., Certo, S. T., Dalton, C. M., & Dalton, D. R. (2006). A changing of the guard: Executive and director turnover following corporate financial restatements. *Academy of Management Journal*, *49*(6), 1119–1136.

Ashforth, B. E., Harrison, S. H., & Corley, K. G. (2008). Identification in organizations: An examination of four fundamental questions. *Journal of Management*, *34*(3), 325–374.

Baum, C. F. (2006). *An introduction to modern econometrics using Stata*. College Station, TX: Stata Press.

Bitektine, A. (2011). Toward a theory of social judgments of organizations: The case of legitimacy, reputation, and status. *Academy of Management Review*, *36*(1), 151–179.

Boivie, S., Lange, D., McDonald, M. L., & Westphal, J. D. (2011). Me or we: The effects of CEO organizational identification on agency costs. *Academy of Management Journal*, *54*(3), 551–576.

Bowen, H. P. (2012). Testing moderating hypotheses in limited dependent variable and other nonlinear models: Secondary versus total interactions. *Journal of Management*, *38*(3), 860–889.

Bundy, J., & Pfarrer, M. D. (2015). A burden of responsibility: The role of social approval at the onset of a crisis. *Academy of Management Review*, *40*(3), 345–369.

Bundy, J., Pfarrer, M. D., Short, C. E., & Coombs, W. T. (2017). Crises and crisis management: Integration, interpretation, and research development. *Journal of Management*, *43*(6), 1661–1692.

Busenbark, J. R., Krause, R., Boivie, S., & Graffin, S. (2016). Toward a configurational perspective on the CEO: A review and synthesis of management literature. *Journal of Management*, *42*(1), 234–268.

Certo, S. T., Busenbark, J. R., Woo, H.-S., & Semadeni, M. (2016). Sample selection bias and Heckman models in strategic management research. *Strategic Management Journal*, *37*(13), 2639–2657.

Certo, S. T., & Semadeni, M. (2006). Strategy research and panel data: Evidence and implications. *Journal of Management*, *32*(3), 449–471.

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2003). *Applied multiple regression/correlation analysis for the behavioral sciences* (Third ed.). Mahwah, NJ: Lawrence Erlbaum Associates.

Durand, R., Hawn, O., & Ioannou, I. (2019). Willing and able: A general model of organizational responses to normative pressures. *Academy of Management Review*, *44*(2), 299–320.

Etter, M. A., Ravasi, D., & Colleoni, E. (2019). Social media and the formation of organizational reputation. *Academy of Management Review*, *44*(1), 28–52.

Eury, J. L., Kreiner, G. E., Trevino, L. K., & Gioia, D. A. (2018). The past is not dead: Legacy identification and alumni ambivalence in the wake of the Sandusky scandal at Penn State. *Academy of Management Journal*, *61*(3), 826–856.

Frank, D. H., & Obloj, T. (2014). Firm-specific human capital, organizational incentives, and agency costs: Evidence from retail banking. *Strategic Management Journal*, *35*(9), 1279–1301.

Gaines, C. (2016). The average college football team makes more money than the next 25 college sports combined. Retrieved from https://www.businessinsider.com/college-sports-revenue-2016-10

Galvin, B., Lange, D., & Ashforth, B. (2015). Narcissistic organizational identification: Seeing oneself as central to the organization's identity. *Academy of Management Review*, *40*(2), 163–181.

Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. *Strategic Management Journal*, *30*(4), 425–445.

Graffin, S. D., Bundy, J., Porac, J. F., Wade, J. B., & Quinn, D. P. (2013). Falls from grace and the hazards of high status: The 2009 British MP expense scandal and its impact on parliamentary elites. *Administrative Science Quarterly*, *58*(3), 313–345.

Greene, W. H. (2018). *Econometric analysis* (8th ed.). New York: Pearson.

Greve, H. R., Palmer, D., & Pozner, J. E. (2010). Organizations gone wild: The causes, processes, and consequences of organizational misconduct. *The Academy of Management Annals*, *4*(1), 53–107.

Hahl, O., Kim, M., & Zuckerman Sivan, E. W. (2018). The authentic appeal of the lying demagogue: Proclaiming the deeper truth about political illegitimacy. *American Sociological Review*, *83*(1), 1–33.

Haleblian, J. J., Pfarrer, M. D., & Kiley, J. T. (2017). High-reputation firms and their differential acquisition behaviors. *Strategic Management Journal.*, *38*, 2237–2254.

Harrison, J. S., Boivie, S., Sharp, N., & Gentry, R. (2018). Saving face: How exit in response to negative press and star analyst downgrades reflects reputation maintenance by directors. *Academy of Management Journal*, *61*(3), 1131–1157.

Hoetker, G. (2007). The use of logit and probit models in strategic management research: Critical issues. *Strategic Management Journal*, *28*(4), 331–343.

Infante, J. (2012). How the NCAA Banned Cream Cheese. Retrieved from https://www.athleticscholarships.net/2012/10/04/how-ncaa-banned-cream-cheese.htm

Janney, J. J., & Gove, S. (2011). Reputation and corporate social responsibility aberrations, trends, and hypocrisy: Reactions to firm choices in the stock option backdating scandal. *Journal of Management Studies*, *48*(7), 1562–1585.

Jones, G. H., Jones, B. H., & Little, P. (2000). Reputation as reservoir: Buffering against loss in times of economic crisis. *Corporate Reputation Review*, *3*(1), 21–29.

Jost, J. T., Banaji, M. R., & Nosek, B. A. (2004). A decade of system justification theory: Accumulated evidence of conscious and unconscious bolstering of the status quo. *Political Psychology*, *25*(6), 881–919.

Karpoff, J. M., Lee, D. S., & Martin, G. S. (2008). The consequences to managers for financial misrepresentation. *Journal of Financial Economics*, *88*(2), 193–215.

Kennedy, P. (2008). *A guide to econometrics* (2nd ed.). Oxford, UK: Blackwell.

Kesner, I. F., & Sebora, T. C. (1994). Executive succession: Past, present, and future. *Journal of Management*, *20*(2), 327–372.

Lange, D., Boivie, S., & Westphal, J. (2014). Predicting organizational identification at the CEO level. *Strategic Management Journal*, *36*, 1224–1244. https://doi.org/10.1002/smj.2283

Lange, D., Lee, P. M., & Dai, Y. (2011). Organizational reputation: A review. *Journal of Management*, *37*(1), 153–184.

Lee, L. (2007). Paul Pressler's fall from the gap. In *Bloomberg*. New York, NY: Bloomberg.

Marcel, J. J., & Cowen, A. P. (2014). Cleaning house or jumping ship? Understanding board upheaval following financial fraud. *Strategic Management Journal*, *35*(6), 926–937.

NCAA. (2017). NCAA fairness and integrity. Retrieved from http://www.ncaa.org/about/what-we-do/fairness-and-integrity

Newey, W. K. (1987). Efficient estimation of limited dependent variable models with endogenous explanatory variables. *Journal of Econometrics*, *36*(3), 231–250.

Oliver, A. G., Krause, R., Busenbark, J. R., & Kalm, M. (2018). BS in the boardroom: Benevolent sexism and board chair orientations. *Strategic Management Journal*, *39*(1), 113–130.

Parrish, M. (2016). The 2009 Toyota Accelerator Scandal That Wasn't What It Seemed.

Pennebaker, J. W., Booth, R. J., & Francis, M. E. (2015). *Linguistic inquiry and word count: LIWC [Computer software]*. Austin, TX: LIWC.net.

Pfarrer, M. D., Pollock, T. G., & Rindova, V. P. (2010). A tale of two assets: The effects of firm reputation and celebrity on earnings surprises and investors' reactions. *Academy of Management Journal*, *53*(5), 1131–1152.

Pfarrer, M. D., Smith, K. G., Bartol, K. M., Khanin, D. M., & Zhang, X. (2008). Coming forward: The effects of social and regulatory forces on the voluntary restatement of earnings subsequent to wrongdoing. *Organization Science*, *19*(3), 386–403.

Rhee, M., & Haunschild, P. R. (2006). The liability of good reputation: A study of product recalls in the US automobile industry. *Organization Science*, *17*(1), 101–117.

Sanders, W. G., & Hambrick, D. C. (2007). Swinging for the fences: The effects of CEO stock options on company risk taking and performance. *Academy of Management Journal*, *50*(5), 1055–1078.

Sartori, A. E. (2003). An estimator for some binary-outcome selection models without exclusion restrictions. *Political Analysis*, *11*(2), 111–138.

Semadeni, M., Cannella, A. A., Jr., Fraser, D. R., & Lee, D. S. (2008). Fight or flight: Managing stigma in executive careers. *Strategic Management Journal*, *29*(5), 557–567.

Semadeni, M., Withers, M. C., & Certo, S. T. (2014). The perils of endogeneity and instrumental variables in strategy research: Understanding through simulations. *Strategic Management Journal*, *35*(7), 1070–1079.

Shen, W., & Cannella, A. A. (2002). Power dynamics within top management and their impacts on CEO dismissal followed by inside succession. *Academy of Management Journal*, *45*(6), 1195–1206.

StataCorp. (2017). *Stata 15 base reference manual*. College Station, TX: Stata Press.

Wiersema, M. F., & Bowen, H. P. (2009). The use of limited dependent variable techniques in strategy research: Issues and methods. *Strategic Management Journal*, *30*(6), 679–692.

Wiersema, M. F., & Zhang, Y. (2013). Executive turnover in the stock option backdating wave: The impact of social context. *Strategic Management Journal*, *34*(5), 590–609.

Wooldridge, J. M. (2010). *Econometric analysis of cross section and panel data*. Cambridge, MA: MIT Press.

Zavyalova, A., Pfarrer, M. D., & Reger, R. K. (2017). Celebrity and infamy? The consequences of media narratives about organizational identity. *Academy of Management Review*, *42*(3), 461–480.

Zavyalova, A., Pfarrer, M. D., Reger, R. K., & Hubbard, T. D. (2016). Reputation as a benefit and a burden? How stakeholders' organizational identification affects the role of reputation following a negative event. *Academy of Management Journal*, *59*(1), 253–276.

Zavyalova, A., Pfarrer, M. D., Reger, R. K., & Shapiro, D. L. (2012). Managing the message: The effects of firm actions and industry spillovers on media coverage following wrongdoing. *Academy of Management Journal*, *55*(5), 1079–1101.

Zorn, M. L., Shropshire, C., Martin, J. A., Combs, J. G., & Ketchen, D. J. (2017). Home alone: The effects of lone-insider boards on CEO pay, financial misconduct, and firm performance. *Strategic Management Journal*, *38*(13), 2623–2646.

SUPPORTING INFORMATION

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

How to cite this article: Busenbark JR, Marshall NT, Miller BP, Pfarrer MD. How the severity gap influences the effect of top actor performance on outcomes following a violation. *Strat Mgmt J*. 2019;40:2078–2104. https://doi.org/10.1002/smj.3064