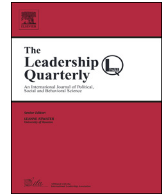
The Leadership Quarterly xxx (2014) xxx–xxx

Contents lists available at ScienceDirect

The Leadership Quarterly

journal homepage: www.elsevier.com/locate/leaqua



Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation

Daniel Han Ming Chng [a,*], Matthew S. Rodgers [b,1], Eric Shih [c,2], Xiao-Bing Song [d,3]

[a] China Europe International Business School, Shanghai 201206, China
[b] Ithaca College, School of Business, Ithaca, NY 14850, USA
[c] Sungkyunkwan University, SKK Graduate School of Business, Seoul 110-745, Republic of Korea
[d] Dalian University of Technology, School of Business Management, Liaoning 116024, China

A R T I C L E I N F O

Article history:
Received 29 January 2014
Received in revised form 28 October 2014
Accepted 2 December 2014
Available online xxxx

Handling Editor: Stephanie Castro

Keywords:
Impression management
Organizational decline
Publicity
Image concerns
Incentive compensation

A B S T R A C T

In this study, we develop and examine a model of leaders' impression management during organizational decline by elaborating on the roles of publicity, image concerns, and incentive compensation. We propose that the publicity of decline is an important antecedent of leaders' impression management during decline. We also examine how leaders' image concerns mediate this positive relationship. In addition, we consider the relative influence of incentive compensation and fixed compensation on the relationship between leaders' image concerns and their impression management during decline. Our results, based on a specially-designed management simulation game conducted with experienced Chinese managers, show that high publicity of decline elevates leaders' image concerns, which in turn increases their impression management during decline. In addition, incentive compensation strengthens rather than weakens the effects of leaders' image concerns on their impression management. We discuss the implications of leaders' impression management during organizational decline.

© 2014 Elsevier Inc. All rights reserved.

The importance of leaders'[4] role in managing stakeholders' impressions of an organization has long been recognized in leadership research (e.g., Gardner & Avolio, 1998; Gioia & Chittipeddi, 1991; Pfeffer, 1981), and leaders' ability to manage impressions is often linked to their effectiveness, especially in difficult and challenging situations (e.g., Coombs & Holladay, 2008; Ewen et al., 2013; McDonnell & King, 2013; Sosik, Avolio, & Jung, 2002; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). In particular, leaders' impression management is extremely relevant in the context of organizational decline, when the substantive decline of an organization's internal resources over time threatens its survival (Mone, McKinley, & Barker, 1998; Musteen, Liang, & Barker, 2011; Sutton, 1990). Organizational decline adversely affects an organization's image, perceived legitimacy, performance, and ultimately, its survival (Pfeffer & Salancik, 1978; Suchman, 1995). To uphold its legitimacy and secure continued support crucial to organizational survival, leaders must convey appropriate impressions of the organization to key stakeholders during decline (Sutton, 1990; Sutton & Callahan, 1987).

* Corresponding author. Tel.: +86 21 2890 5632; fax: +86 21 2890 5650.
E-mail addresses: dchng@ceibs.edu (D.H.M. Chng), mrodgers@ithaca.edu (M.S. Rodgers), eshih@skku.edu (E. Shih), songxb@dlut.edu.cn (X.-B. Song).
[1] Tel.: +1 607 274 3940; fax: +1 607 274 1564.
[2] Tel.: +82 2 740 1525; fax: +82 2 740 1503.
[3] Tel.: +86 411 8470 9920; fax: +86 411 8470 8342.
[4] While our theory applies to formal organizational leaders in general (i.e., those who have strategic decision-making authority and accountability), CEOs and other senior executives represent the most compelling cases for our arguments.

http://dx.doi.org/10.1016/j.leaqua.2014.12.003
1048-9843/© 2014 Elsevier Inc. All rights reserved.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

Although leaders' impression management during decline is often crucial to organizational survival, it must also be balanced with other substantive leadership responsibilities, especially those related to organizational tasks and change (Yukl, Gordon, & Taber, 2002; Zavyalova et al., 2012). Leaders facing organizational decline must not only make important decisions concerning impression management but also address strategic issues needed to effectively turnaround the organization's deteriorating conditions (Sutton, 1990; Sutton & Callahan, 1987). Similarly, as Zavyalova and her colleagues (2012) observed, firms need to balance the use of technical versus ceremonial actions in their management of social perceptions following wrongdoing. However, managing impressions consumes an organization's limited resources (DuBrin, 1994; Vohs, Baumeister, & Ciarocco, 2005) and leaders' effective allocation of such scarce resources during organizational decline is extremely important.

Previous research has provided theoretical explanations and anecdotal evidence of leaders' impression management during organizational decline (Bettman & Weitz, 1983; Bozeman, 2011; Salancik & Meindl, 1984; Staw, McKechnie, & Puffer, 1983; Sutton, 1990; Sutton & Callahan, 1987). For example, Sutton and Callahan (1987), in their case studies of four bankrupt computer firms, proposed impression management strategies that leaders may use to avert the spoiled images of themselves and their firms. Similarly, Bozeman (2011), in his theoretical development of organizational implosion, offered case illustrations of the communications among organizational members following an organization disaster. Despite this previous research, our understanding of leaders' impression management during organizational decline is still relatively underdeveloped. Existing studies do not account for the significant variations in impression management observed across organizations during decline—why do leaders vary in the extent to which they engage in impression management when confronted with the challenges of organizational decline? More specifically, what specific characteristic of organizational decline drives leaders' impression management and how does this process unfold (Sutton & Galunic, 1996)?

In addition, while much has been said about leaders' motivation to manage impressions during organizational decline, no research to date has examined the influence of incentive compensation, designed to affect leaders' interests and motivation, on their impression management. This oversight is particularly glaring given that incentive compensation is an important part of the turnaround strategy of many declining organizations (Gilson & Vetsuypens, 1993). Following the prescriptions of positive agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976; Jensen & Murphy, 1990), Gilson and Vetsuypens (1993) observed in a sample of companies in financial distress that more than 80% expanded their use of incentive compensation by closely tying leaders' compensation to firm performance. This is designed to address potential agency issues and to initiate an effective turnaround for the distressed firm. However, despite the increased use of incentive compensation during decline, there is little empirical evidence within current research of how incentive compensation may influence leaders' behaviors during such difficult situations. These gaps in the literature not only limit our understanding of the intricacies of leaders' impression management during decline, but also restrict our ability to more effectively govern leaders' behavior at times when effective leadership is critical.

Moreover, such leadership behaviors are especially important in Chinese culture where leadership is revered. In China, individuals are expected to maintain a respected social image (i.e. face) by successfully performing their roles in society (Hwang, 1987). For Chinese leaders, face is often gained or lost through organizational accomplishments and decline in performance directly and adversely affects their social image. Thus, organizational decline, while likely to be influential toward all leaders, is especially relevant in the Chinese context. Yet, most research on organizational decline has been based on Western contexts, and we know little of how Chinese leaders are influenced by either organizational decline or incentive compensation. Given that Chinese leaders often behave in ways that are fundamentally different from their Western counterparts (Sun, Zhao, & Yang, 2010), this research void is particularly problematic for understanding leadership issues associated with organizational decline in China.

In this study, we seek to address these gaps by examining the underlying processes of leaders' impression management during organizational decline within the Chinese context. In particular, we focus on leaders' attempts to influence key stakeholders' impressions of the organization.[5] First, we contend that the extent to which key stakeholders (e.g., shareholders, suppliers, and customers) are aware, or are likely to become aware, of the poor performance of the organization (i.e. publicity of decline) is an important situational antecedent of leaders' impression management during decline. Next, we explore the role of leaders' image concerns in mediating the relationship between the publicity of decline and their impression management. Finally, we introduce and examine the moderating influence of incentive compensation on leaders' impression management during decline. Drawing on the agency theory perspective of executive compensation (Eisenhardt, 1989; Jensen & Murphy, 1990; Murphy, 1999), we examine how incentive compensation moderates the relationship between leaders' image concerns and their impression management during decline. We set up competing hypotheses because incentive compensation may either weaken or strengthen this relationship depending on whether the incentive property or risk-bearing property of agency theory prevails (Beatty & Zajac, 1994; Wiseman & Gomez-Mejia, 1998). This theoretical framework (see Fig. 1) is tested with a sample of experienced Chinese managers in China.

Leaders' impression management during organizational decline

Impression management is the process by which individuals attempt to create, maintain, protect, or otherwise control others' perceptions (Leary & Kowalski, 1990; Rosenfeld, Giacalone, & Riordan, 1995). Theories on impression management build upon Goffman's (1959) influential work, *The Presentation of Self in Everyday Life*. A fundamental assumption in the literature on impression management and self-presentation is that people have an inherent interest in how they are perceived and evaluated by others and,

[5] Leaders may engage in impression management activities oriented toward influencing key stakeholders' impressions of the organization (i.e., organizational image) or of themselves (i.e., individual image). In our study, we focus only on leaders' attempts to influence key stakeholders' impressions of the organization, and do not consider the ways in which leaders may seek to influence others' impressions of themselves.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

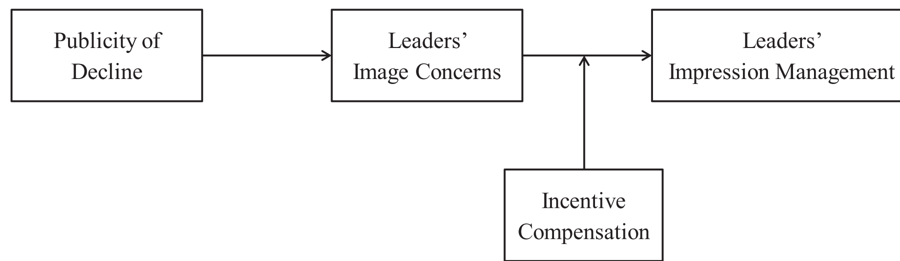


Fig. 1. Model of leaders' impression management during organizational decline.

under certain circumstances, are motivated to manage such impressions (Goffman, 1959; Leary & Kowalski, 1990; Schlenker, 1980). These impressions are designed to maximize potential benefits or to minimize potential costs (Leary & Kowalski, 1990; Schlenker, 1980). The motivation to manage impressions is particularly strong during organizational decline, as the threat to an organization's image adversely affects its legitimacy and ultimately its survival (Sutton, 1990; Sutton & Callahan, 1987; Sutton & Galunic, 1996). To maintain a good reputation and gain resources essential to survival (Pfeffer & Salancik, 1978; Suchman, 1995), leaders must convey appropriate impressions of the organization to key stakeholders, such as shareholders, suppliers, and customers (Coombs, 2010; Sutton, 1990; Sutton & Callahan, 1987).

Furthermore, impression management is also important for leaders as their self-image and individual prospects are closely intertwined with the performance and image of their organizations (Hambrick & Mason, 1984; Meindl, Ehrlich, & Dukerich, 1985; Pfeffer, 1981; Whetten & Mackey, 2002). As Whetten and Mackey (2002) argued, organizational leaders need to maintain congruence between how they see themselves and how they are being viewed by stakeholders. Without managing impressions effectively, a leader can become discredited and the target of stigmatization, and consequently viewed as "tainted" in the minds of others (Goffman, 1963: 2). By effectively managing impressions during decline, leaders can enhance their self-esteem, minimize potential sanctions or punishments, and maintain identities that are valuable to internal and external stakeholders (Leary & Kowalski, 1990). Therefore, managing stakeholders' impressions of an organization in decline is a crucial responsibility of leaders.

Leaders use various impression management tactics to influence key external stakeholders' impressions of their organization such as public-relations campaigns, meetings with analysts, and shareholder announcements (Biehl-Missal, 2011; Carter, 2006; Westphal & Graebner, 2010; Westphal & Zajac, 1998). Such tactics are particularly useful when addressing issues of organizational legitimacy during decline (Sutton & Callahan, 1987). As researchers in this field have explained, impression management allows leaders to provide accounts of or explanations for image-damaging events, thereby preventing key stakeholders from developing negative impressions of their organizations, and/or mitigating any negative impressions that may already have formed (Rosenfeld et al., 1995; Schlenker, 1980). For example, Elsbach (1994) reported that executives in the cattle industry made effective use of impression management, specifically verbal explanations, to influence perceptions of legitimacy after controversial events.

Impression management activities are also used preemptively to manage risks to an organization's image (Rosenfeld et al., 1995). Leaders do not simply react to image-damaging events. They also address threats to organizational image proactively, by engaging in anticipatory impression management to influence stakeholders' interpretation of events and thereby prevent damage to their organizations' image (Hewitt & Stokes, 1975; Rosenfeld et al., 1995). For example, Elsbach, Sutton, and Principe (1998) described the use of anticipatory impression management activities by hospital managers to avert expected challenges to their new billing practices, which may otherwise have damaged the hospital's image.

In the context of organizational decline, both popular media and academic research have provided anecdotal evidence for leaders' use of impression management activities to influence key stakeholders' impressions when their organizations are struggling (e.g., Bozeman, 2011; Sutton & Callahan, 1987). However, despite these accounts, researchers have failed to explain why leaders vary in the extent to which they engage in impression management when confronted with similar challenges of organizational decline. For example, during the 2008 financial crisis some leaders implemented extensive activities to influence key stakeholders' impressions of their organizations (as in the case of Lehman Brothers Holdings Inc.) while other leaders facing similar challenges employed far fewer impression management activities (as in the case of The Bear Stearns Companies, Inc.).

As impression management is critical to the effective handling of organizational decline, it is crucial for leadership scholars and practitioners to develop a better understanding of the underlying determinants of leaders' impression management during such difficult situations. Building on impression management and organizational decline research, we elaborate below on the roles of publicity, image concerns, and incentive compensation on leaders' impression management during decline.

The role of publicity

An individual's motivation to manage impressions increases with public awareness of one's behavior (Biehl-Missal, 2011; Leary & Kowalski, 1990; Morrison & Bies, 1991; Tedeschi & Melburg, 1984). Publicity is "a function of both the probability that one's behavior will be observed by others and the number of others who might see or learn about it" (Leary & Kowalski, 1990, p. 38). We thus define the publicity of decline as the extent to which key stakeholders (e.g., shareholders, suppliers, and customers) are aware, or are likely to become aware, of the organization's declining performance. As researchers have observed, the publicity surrounding organizational decline varies significantly between organizations. For example, the decline of Enron Corp. received high publicity as all key

ARTICLE IN PRESS

stakeholders were or became keenly aware of its decline as the company slipped into bankruptcy. In contrast, the decline of CIT Group Inc. received only limited publicity within the business community. Furthermore, this variance in publicity is even more prevalent in the age of digital communication and social media (Coombs & Holladay, 2012). The speed in which official- and user-generated content is openly transmitted makes managing impressions much more challenging for organizational leaders in crisis situations (Coombs & Holladay, 2012; Jin, Liu, & Austin, 2014).

We contend that such variations in the publicity surrounding organizational decline are a major driver of leaders' motivation to manage the image of their organizations, and in turn an important antecedent of their impression management (Leary & Kowalski, 1990; McDonnell & King, 2013; Zavyalova et al., 2012). More specifically, high publicity increases public scrutiny, such that the declining organization and its leaders receive intense and persistent attention from its key stakeholders (Sutton & Galunic, 1996). This public scrutiny causes many leaders to experience acute public self-awareness and they will find it difficult to avoid worrying about the impressions that other people form of their organizations (Leary & Kowalski, 1990). Consequently, leaders are likely to increase their focus on managing the impressions of key stakeholders (Sutton, 1990; Sutton & Galunic, 1996). Therefore, we predict that leaders facing high publicity of decline engage in more activities designed to manage key stakeholders' impressions of their organizations than leaders facing low publicity.

Hypothesis 1. The greater the publicity of decline, the greater its leaders' impression management during organizational decline.

The mediating role of leaders' image concerns

Implicit in the above arguments is the idea that leaders' concerns about the image of their organizations play a critical role in the relationship between the publicity surrounding organizational decline and leaders' impression management during decline. Leaders' image concerns reflect the extent to which they are concerned or worried about how others may perceive their organizations (Leary & Kowalski, 1990; Schlenker, 1980). The influence of this underlying factor is consistent with the two-component model of impression motivation and impression construction proposed by Leary and Kowalski (1990). As they explained, situational and individual factors will jointly determine individuals' motivation to manage impressions, and their motivation will in turn determine what they will do to manage others' impressions. However, few scholars have directly examined the significance of leaders' image concerns in the impression management process (Barsness, Diekmann, & Seidel, 2005; Bolino, Kacmar, Turnley, & Gilstrap, 2008). The reasons for this oversight include the convincing logical connection between image concerns and impression management, along with the empirical evidence that individuals tend to carry out more impression management in situations when they should implicitly experience high levels of image concerns. However, we contend that it is essential to examine the mediating role of image concerns in more detail to advance and expand on our theoretical understanding of leaders' impression management, because only in doing so can we incorporate other potential determinants of individuals' impression motivation as proposed by Leary and Kowalski (1990).

To address this oversight in the literature, we elaborate on the mediating role of leaders' image concerns. Specifically, we argue that high publicity of decline will cause leaders to become more worried about how others may perceive the organization. Such image concerns arise from discrepancies between the desired image of an organization and the image that its leaders believe others hold (Leary & Kowalski, 1990). Furthermore, high publicity increases the likelihood of failure stigmatization: the process by which leaders become associated with organizational decline and failure (Sutton & Callahan, 1987; Wiesenfeld, Wurthmann, & Hambrick, 2008). The more public an organization's decline, the more clearly key stakeholders evaluate responsibility, assign blame, and punish its leaders for the decline. However, failure stigmatization is not an absolute phenomenon; rather, it is socially constructed (Devers, Dewett, Mishina, & Belsito, 2009; Goffman, 1963; Sutton & Callahan, 1987; Wiesenfeld et al., 2008) and thus subject to the influence of leaders' impression management. The effective use of impression management can influence the process of failure stigmatization, thus directly alleviating the personal consequences of decline for its leaders. In summary, leaders facing high publicity are more worried about how others may perceive their organizations, and their elevated image concerns in turn motivate them to engage in more impression management during organizational decline.

Hypothesis 2. Leaders' image concerns mediate the positive relationship between the publicity of decline and leaders' impression management during organizational decline.

The moderating influence of incentive compensation

Given the effects of leaders' image concerns on their impression management during decline, organizational factors that can affect leaders' interests and motivation are expected to influence the relationship between leaders' image concerns and their impression management. Management research has highlighted the importance of incentive compensation in shaping leaders' motivations and strategic behavior (Finkelstein, Hambrick, & Cannella, 2008; Gomez-Mejia, Berrone, & Franco-Santos, 2010). By offering appropriate incentives during decline, organizations can influence the extent to which leaders' image concerns affect their impression management. That is, incentive compensation is likely to moderate the relationship between leaders' image concerns and their impression management. However, no study to date has explored the effects of incentive compensation on leaders' impression management. This oversight is critical, because incentive compensation is often a key part of an organization's turnaround strategy (Gilson & Vetsuypens, 1993).

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

To gain insight into how executive compensation may influence the relationship between leaders' image concerns and their impression management during decline, we draw on the agency theory perspective of compensation (Eisenhardt, 1989; Jensen & Murphy, 1990; Murphy, 1999). The use of incentive compensation during organizational decline is consistent with the recommendations of agency theorists (Eisenhardt, 1989; Fama & Jensen, 1983; Jensen & Meckling, 1976). Agency theorists argue, in situations where ownership and control are separated, the interests of leaders (as agents) and shareholders (as principals) often diverge. Given the extensive control that leaders exercise over their firms' resources, and the difficulties that shareholders encounter in monitoring managerial activity, leaders are expected to act opportunistically to advance their own goals rather than those of shareholders (Dalton, Hitt, Certo, & Dalton, 2007; Fama & Jensen, 1983; Jensen & Meckling, 1976).

This divergence in the interests of leaders and shareholders persists even during organizational decline, because the potential costs of organizational failure differ significantly for leaders and shareholders. Leaders, whose self-image and individual prospects are closely intertwined with organizational performance (Hambrick & Mason, 1984; Meindl et al., 1985; Pfeffer, 1981), are fully invested in their organizations. Consequently, they are more likely to face severe financial and reputational losses during decline than shareholders, who are typically more diversified and can divest easily (Cannella, Fraser, & Lee, 1995; Gilson & Vetsuypens, 1993; Sutton & Callahan, 1987). Therefore, whereas shareholders are concerned primarily with minimizing potential financial losses, leaders must also attempt to minimize the likelihood of damage to their reputations. Although a leader can defend his/her professional reputation by seeking to minimize potential financial losses (i.e., by implementing an effective turnaround strategy), impression management is a more direct approach. Therefore, managing key stakeholders' impressions of an organization during decline becomes very important to leaders' self-interest. By presenting appropriate impressions of an organization during decline, its leaders may avoid being blamed for the failure and ensure that they continue to be perceived positively by key stakeholders.

However, managing impressions of an organization consumes both leadership and financial resources (DuBrin, 1994; Vohs et al., 2005), which are in limited supply during organizational decline. Devoting more time, energy, and financial resources to impression management means that leaders have fewer resources available for other important strategic tasks necessary to reverse the organization's decline. Hence, although it is important for leaders to manage key stakeholders' impressions of an organization during its decline, such impression management does come at a cost to the organization. Consequently, organizational decline presents potential agency issues as leaders may be more risk averse and use impression management more extensively to manage organizational risks than shareholders, who are more risk seeking (Sanders & Hambrick, 2007), would prefer.

To address potential agency issues, agency theorists have recommended that incentive compensation be used to realign leaders' interests with those of shareholders (Eisenhardt, 1989; Jensen & Murphy, 1990; Wiseman & Gomez-Mejia, 1998). Yet the effects of incentive compensation on leaders' strategic behavior remain unclear (Devers, McNamara, Wiseman, & Arrfelt, 2008; Finkelstein et al., 2008; Gomez-Mejia et al., 2010). At the heart of this ambiguity are the relative effects of the incentive property and the risk-bearing property of incentive compensation (Beatty & Zajac, 1994; Wiseman & Gomez-Mejia, 1998). As Gomez-Mejia and Wiseman (1997) noted, incentive compensation transfers both potential returns and potential risks to leaders. On the one hand, according to positive agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976; Jensen & Murphy, 1990), incentive compensation can align the interests of leaders with those of shareholders and encourage managerial self-regulation (Eisenhardt, 1989). On the other hand, according to behavioral agency theory (Beatty & Zajac, 1994; Wiseman & Gomez-Mejia, 1998), incentive compensation can elevate the risk faced by leaders and aggravate their loss and risk aversion (Holmström & Milgrom, 1987; Shavell, 1979). Thus, this presents the possibility for competing predictions about the moderating influence of incentive compensation on the relationship between leaders' image concerns and impression management during decline, depending on whether the incentive property or the risk-bearing property prevails. Since, strong arguments can be made for either the incentive or risk-bearing property during decline; we explain the theoretical rationale of each property and set up competing hypotheses below.

The incentive property

Positive agency theory contends that incentive compensation can effectively align leaders' interests with those of shareholders and encourage them to act in ways that are likely to benefit the interests of shareholders (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). Unlike shareholders, who, as principals, can diversify their investments across many firms, leaders, as agents, have typically invested a large portion of their human capital in the success or failure of their firm (Eisenhardt, 1989; Milgrom & Roberts, 1992). Given that leaders assume a disproportionate amount of risk but also have a disproportionate amount of control over the resources of their firms, it is argued that leaders will act according to their own interests rather than the interests of shareholders (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976). This divergence in interests is nowhere more salient than when a firm is in decline and its leaders are faced with severe personal repercussions (Gilson, 1989; Gilson & Vetsuypens, 1993; Sutton & Callahan, 1987). Organizational decline therefore presents obvious agency problems.

To address these agency problems, positive agency theorists have prescribed the use of incentive compensation to realign managerial interests and motivate strategic behaviors consistent with shareholders' preferences or interests (Eisenhardt, 1989; Jensen & Meckling, 1976; Jensen & Murphy, 1990). By making leaders' compensation contingent on firm performance, leaders who are motivated to enhance their own personal wealth will exhibit preferences similar to shareholders and take actions that will benefit shareholders' interests, such as making capital and R&D investments (Hoskisson, Hitt, & Hill, 1993; Larcker, 1983). By making leaders' pay contingent on organizational performance, incentive compensation ensures that leaders share in the potential returns of their actions. This incentive property of incentive compensation promotes both the alignment of leaders' and shareholders' interests and leaders' self-regulation (Chng, Rodgers, Shih, & Song, 2012; Eisenhardt, 1989; Jensen & Meckling, 1976), encouraging leadership behavior that prioritizes firm performance. Although incentive compensation is unlikely to reduce the image concerns that arise from the

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

publicity surrounding organizational decline, it should encourage leaders to act less on these concerns and more on other important strategic tasks needed to improve firm performance since their potential income depends on performance. Therefore, the incentive property of incentive compensation is expected to attenuate the effect of leaders' image concerns on their impression management during decline. In comparison, leaders with fixed compensation have less incentive to act solely on strategies to improve firm performance, because their potential income is assured. Instead, these leaders are likely to attend to their image concerns and engage more actively in impression management to minimize the potential damage to their reputations during decline. Consequently, to the extent that the incentive property prevails during decline, incentive compensation relative to fixed compensation is expected to weaken the positive relationship between leaders' image concerns and their impression management.

Hypothesis 3a. Incentive compensation relative to fixed compensation weakens the positive relationship between leaders' image concerns and their impression management during organizational decline.

The risk-bearing property

In contrast to the incentive property, a competing perspective on the role of incentive compensation during organizational decline is the risk-bearing property. Agency theorists who take a behavioral agency perspective (Beatty & Zajac, 1994; Wiseman & Gomez-Mejia, 1998) recognize that incentive compensation may transfer too much risk to leaders and cause them to become more risk-adverse (Holmström, 1979; Holmström & Milgrom, 1987; Shavell, 1979). This is because incentive compensation makes leaders directly responsible for their firm's future performance even though the relationship between leaders' behaviors and firm performance is complex and causally ambiguous (March, 1984). This relationship is even more tenuous during organizational decline, when environmental factors beyond the control of leaders can strongly influence a firm's performance. By tying executive pay to performance, and thus making leaders' future income uncertain, incentive compensation also transfers potential risks from shareholders to leaders (Eisenhardt, 1989; Gomez-Mejia & Wiseman, 1997). With an increased burden of risk-bearing, leaders are more averse to potential losses, especially damage to their reputations, during decline. This increase in loss aversion and risk aversion is likely to make the image-threatening consequences of decline, and thus leaders' image concerns, more relevant for action. Consequently, the increased risk-bearing property of incentive compensation may cause leaders to respond more fully to their image concerns and in turn, use more anticipatory impression management tactics to influence key stakeholders' impressions of their organizations (Hewitt & Stokes, 1975; Rosenfeld et al., 1995). Therefore, incentive compensation may strengthen the effects of leaders' image concerns on their impression management during decline by channeling their attention and energy into activities designed to mitigate potential reputational losses. In comparison, leaders with fixed compensation bear lower risks, and are therefore likely to be less attentive and responsive to their image concerns. As a result, fixed compensation is less likely to influence the extent to which leaders' image concerns affect their impression management during decline. Therefore, to the extent that the risk-bearing property prevails during decline, incentive compensation relative to fixed compensation is expected to strengthen the positive relationship between leaders' image concerns and their impression management.

Hypothesis 3b. Incentive compensation relative to fixed compensation strengthens the positive relationship between leaders' image concerns and their impression management during organizational decline.

Method

Management simulation games are a very useful method of studying leaders' decision making (Finkelstein & Hambrick, 1996), and have been used successfully in previous studies (e.g., Markle, 2011; Quigley, Tesluk, Locke, & Bartol, 2007). The primary value of an experimental design is its internal validity. According to Brutus and Duniewicz's (2012) review of research published in *The Leadership Quarterly*, internal validity is a growing concern among leadership scholars given the increasing trend toward field studies using surveys. An experimental design allows leadership scholars to more closely investigate how leaders behave in a controlled environment and is particularly useful in studying processes that underlie leaders' behaviors (Cook & Campbell, 1979; Finkelstein & Hambrick, 1996). Among the advantages of using experimental simulation games in research is the capacity to analyze variables at different levels, control for contextual factors, and determine causality by capturing process effects (Dutton & Stumpf, 1991). Due to the lack of relevant and reliable archival data on leadership behavior during organizational decline, we developed a specially-designed computerized simulation game to test our theoretical model. This enabled us to explore the underlying impression management process in detail by manipulating both the publicity of decline and executive compensation schemes. In addition, this approach allowed us to objectively measure leaders' image concerns and impression management, constructs for which no secondary data were previously available.

Sample and simulation procedures

Our initial sample comprised 226 Chinese managers enrolled in a part-time MBA program in a major university in northeastern China. The participants' average age was 31.1, and their average work experience was approximately 11 years. Furthermore, 59.3% of the participants were male, and 58.8% held positions at senior-manager level and above, including executive positions in private and publicly listed Chinese companies, business units of multinational corporations, and even provincial and national government

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

agencies. The participants came from different educational backgrounds: 55.3% from business-related fields, 14.2% from engineering and technical fields, and 14.6% from liberal-arts and social-science fields. They were randomly assigned to a 2 × 2 experimental design framework involving (1) publicity of decline (low versus high) and (2) executive compensation (fixed compensation versus incentive compensation). To ensure that the participants took the simulation game seriously, they were informed that the exercise was designed to test their leadership skills, and that they were competing against the other participants. Furthermore, in line with the recommendation made by behavioral economists that subjects are given meaningful financial incentives (e.g., Friedman & Cassar, 2004), we offered each of our participants an attractive fee of at least 100 Chinese yuan for participating in the simulation game, which lasted for an average of 60 min. At the time of the study, this fee represented four times the average hourly wage of a middle-level manager in northeastern China.

Each of the participants played the role of the top executive in a medical equipment company[6] experiencing organizational decline after an initial period of success. The participants were told that the company was at risk of bankruptcy due to significant financial losses in the previous two years. They were tasked with reversing the company's decline over six rounds of decision-making, with each round corresponding to one business quarter (Q1 to Q6). Their performance goals were to recapture at least 40% of the company's market share (starting at 23% after a historical peak of 58%) and to regain profitability (starting with a net loss of $13.6 million) by the end of Q6. The participants had a discretionary budget of $6 million for each quarter, which they used to implement nine strategic decisions in two categories. The first category comprised competitive strategies designed to improve the strategic position of the company relative to its competitors, including price promotion, sales force management, advertising and promotion, research and development, and training and development. The second category covered impression management strategies (in the participant's instruction manual, we refer to these as public relations strategies for ease of understanding) designed to present the company favorably to key stakeholders; these decisions included forums for CEO and analysts, public-relations campaign, CEO press conference, and shareholder newsletter (see Appendix for a detailed description of the purpose of each specific strategic decision).

The participants were permitted to allocate up to $2 million for each of these nine decisions, and were encouraged to use as much of their budget as possible in each quarter. After submitting their decisions for each quarter, the participants received a performance report comprised of financial data (e.g., market share, net profit, and earnings per share), a historical chart of the company's share prices, and a qualitative performance assessment. Although the simulation game was designed with all of the features of an interactive game, including processing wait-time, it did not include a performance algorithm. Instead, all of the participants were provided with standardized performance feedback that presented a fluctuating but generally flat performance trend over the six quarters.[7] After completing Q3 and before making decisions for the remaining quarters, the participants were randomly informed of the publicity their firm faced. To prevent endgame effects, the decisions made in Q6 were omitted from our analysis. Finally, the participants were individually debriefed and paid. Four of the participants completed the simulation in less than half the average time (i.e., faster than 33 min), and three expressed suspicion regarding the authenticity of the simulation during the debriefing session. We excluded these seven participants from the final sample and used the remaining 219 participants in our analyses.

Measures

Dependent variable

As organizational researchers have noted, impression management activities such as forums for CEO and analysts, public-relations campaigns, CEO press conferences, and shareholder newsletters are typically used to manage stakeholders' general and specific impressions of an organization (Biehl-Missal, 2011; Carter, 2006; Westphal & Graebner, 2010; Westphal & Zajac, 1998). Following prior literature, we measured *leaders' impression management* as the extent to which the participants engaged in impression management (designed to present an organization favorably to key stakeholders) after being informed of the publicity the company faced. We used two separate measures. The first assessed the proportion of financial resources participants allocated to impression management decisions relative to their total allocation in Q4 and Q5. That is, we divided the sum of financial resources allocated to the four impression management strategies by the total financial resources allocated in Q4 and Q5. The second measure assessed the amount of time the participants spent on impression management decisions relative to their total decision time in Q4 and Q5. The amount of time that the participants spent on each of the two categories of decisions was captured in each round of our simulation game. We divided the sum of financial resources allocated to the four impression management strategies by the total financial resources allocated in Q4 and Q5. A higher proportion of financial allocations to and decision time on impression management decisions represented greater impression management.

[6] The simulation scenario was based on the experience of Johnson and Johnson in the stent business, as reported by Finkelstein (2003). Forward and backward translations were performed independently by two bilingual co-authors. The simulation underwent two rounds of pilot testing with culturally diverse undergraduate and graduate business students in China and South Korea before its final implementation.

[7] We took several steps to ensure that the participants remained unaware of this factor during the simulation. First, the participants were seated in alternate computer stations in alternate rows to ensure that they were unaware of the actions of the other participants. Second, we scheduled the sessions of participants in the same classes at the same times, to prevent subject contamination. In addition, the participants were told not to disclose details of the simulation to their classmates during the debriefing sessions, and each signed a promissory note to that effect. Third, we carefully probed the participants during the debriefing sessions to determine whether they suspected that the simulation was not real. Three participants expressed suspicion about the authenticity of the simulation during the debriefing, and were thus excluded from the final sample used in our analysis. The rest of the participants felt that their decisions had influenced company performance, and attributed their overall performance to their own decisions.

ARTICLE IN PRESS

Independent variable

Within the simulation game, we established two conditions for *publicity of decline*, namely low publicity (coded as 0) and high publicity (coded as 1). Following recommendations made in the impression management literature (Leary & Kowalski, 1990), these conditions denoted the extent to which key stakeholders, such as shareholders, suppliers, customers, and business media, were aware, or would become aware, of the poor performance of the declining company. The participants facing low publicity were informed that the key stakeholders were not well informed of the declining performance of the company, and were not likely to become knowledgeable about its decline in the near future. The participants facing high publicity were informed that the key stakeholders were fully aware, or would soon become fully aware, of the company's decline in performance.

Mediating variable

Leaders' image concerns reflect the degree to which leaders are concerned or worried about how others may perceive their organizations (Leary & Kowalski, 1990; Schlenker, 1980). This construct captured the affective reactions of the participants to the publicity they faced. To assess the participants' image concerns, we asked the following two questions after Q5, with answers given on a seven-point scale: “As a senior manager, how worried are you about how the company will be perceived by its key stakeholders, such as shareholders and financial analysts?” and “As a senior manager, how concerned are you about people's opinions of the company?” These items were combined into a single measure ($\alpha = 0.93$), for which a higher value represented a greater degree of image concerns.

Moderating variable

We set up two executive compensation schemes to investigate the moderating effects of *incentive compensation*, namely fixed compensation (coded as 0) and incentive compensation (coded as 1). Each participant was randomly assigned to one of the compensation schemes, and was unaware that the other scheme existed. The participants receiving incentive compensation were told that the company's compensation scheme was based on firm performance, and consisted of a base salary plus performance bonuses of up to 100% of the base salary. Similarly, the participants were told that their participation fee depended on how well they performed in the simulation, and that they would receive a 100 yuan (about US$15 at the time of the study) base fee plus a bonus of up to 100 yuan depending on their ability to meet the stated performance goals. The participants receiving fixed compensation were told that the company's compensation scheme was a pre-negotiated fixed salary, not dependent on firm performance. These participants were also told that their participation fee was fixed at 150 yuan, regardless of their performance in the simulation game.

Control variables

As acknowledged in the literature on strategic management, the characteristics of leaders affect their attention, their cognition, and ultimately their strategic behavior (Finkelstein et al., 2008; Hambrick & Mason, 1984). In addition, the literature on impression management has documented that personal characteristics influence the propensity of a given individual to engage in impression management (Leary & Kowalski, 1990; Schlenker, 1980). We used a randomized experimental design to control for the effects of individual differences on participants' responses in the simulation game. To ensure sufficient rigor, we also included several demographic control variables, namely the participants' age, gender, average grade in the MBA program (out of 100), and managerial level (0 = non-manager; 1 = junior manager; 2 = manager; 3 = senior manager; 4 = vice-president; 5 = president). Finally, as the responses of the participants in Q4 and Q5 may have been influenced by their responses in previous decision rounds, we controlled for the proportions of financial allocation and decision time they had allocated to impression management decisions between Q1 and Q3.

Analysis

First, we used hierarchical regression analysis to examine the relationship between the publicity of decline and leaders' impression management. Next, we tested our mediation hypothesis using the traditional multi-step approach proposed by Baron and Kenny (1986) and formal significance tests, in line with developments in mediation analysis (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002; Preacher & Hayes, 2004). Specifically, we used the Sobel–Goodman mediation tests with bootstrapping to compute percentiles and bias-corrected bootstrap confidence intervals. Finally, we examined the overall moderated mediation model (i.e., the conditional indirect effects) in accordance with the procedure proposed by Preacher, Rucker, and Hayes (2007), which relies on normal theory and bootstrapping to test conditional indirect effects. Following Aiken and West (1991), we mean-centered the continuous mediator variable before generating the interaction terms to address issues of multicollinearity.

Results

In Table 1, we present descriptive statistics for all of the variables in our study. In Table 2, we present the results of our hierarchical regression analysis of the effects of the publicity of decline on the two measures of leaders' impression management. Models 1 and 4 denote the results for the control variables. Our randomized assignment of subjects was successful, and the individual characteristics of participants did not significantly influence their responses in the simulation game. In addition, as expected, the participants' earlier responses were positively and significantly associated with their later responses. Thus, we successfully controlled for any response patterns over time.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

Table 1
Descriptive statistics and correlation.

Variable	Mean	S.D.	Min.	Max.	1	2	3
1. Age	31.04	4.04	24.00	43.00			
2. Gender[a]	0.56	0.50	0.00	1.00	0.22***		
3. Grade	82.01	4.22	71.00	92.40	−0.07	−0.10	
4. Managerial level	2.70	0.93	1.00	5.00	0.44***	0.17**	−0.02
5. Proportion of IM allocations (Q1–3)	0.44	0.24	0.00	2.06	−0.07	−0.15*	−0.17**
6. Proportion of IM decision time (Q1–3)	0.45	0.38	0.05	3.49	0.09	0.08	0.05
7. Publicity of decline (Publicity)[a]	0.50	0.50	0.00	1.00	0.02	−0.03	0.01
8. Leaders' image concerns (image)	3.64	1.89	1.00	7.00	0.02	0.01	0.07
9. Incentive compensation[a] (Incentive)	0.45	0.50	0.00	1.00	0.17*	−0.01	−0.06
10. Proportion of IM allocations (Q4–5)	0.58	0.41	0.00	2.53	0.01	−0.07	0.00
11. Proportion of IM decision time (Q4–5)	0.59	0.45	0.00	3.01	0.05	−0.05	0.03
Variable	**4**	**5**	**6**	**7**	**8**	**9**	**10**
5. Proportion of IM allocations (Q1–3)	−0.01						
6. Proportion of IM decision time (Q1–3)	−0.05	0.16*					
7. Publicity of decline (publicity)[a]	0.09	0.05	−0.08				
8. Leaders' image concerns (image)	0.03	0.01	−0.09	0.61***			
9. Incentive compensation[a] (Incentive)	0.07	−0.10	−0.03	0.01	0.00		
10. Proportion of IM allocations (Q4–5)	0.03	0.26***	−0.02	0.36***	0.43***	−0.01	
11. Proportion of IM decision time (Q4–5)	0.07	0.15*	0.17*	0.15*	0.23***	0.05	0.51***

N = 219 subjects.
[a] Gender: 0 = female, 1 = male. Publicity of decline: 0 = low publicity, 1 = high publicity. Incentive compensation: 0 = fixed compensation, 1 = incentive compensation.
*** $p < 0.001$.
** $p < 0.01$.
* $p < 0.05$.

As stated in Hypothesis 1, we expected the publicity of decline to be positively related to leaders' impression management during decline. As the results for Models 2 and 5 in Table 2 show, we found positive and significant associations between publicity of decline and the proportions of impression management allocation ($p < 0.001$) and decision time ($p < 0.05$) in Q4–5. The participants facing high publicity committed more financial resources and decision time to impression management decisions than the participants facing low publicity. Our results support Hypothesis 1.

As stated in Hypothesis 2, we predicted that leaders' image concerns mediate the positive relationship between the publicity of decline and leaders' impression management during decline. The results for Model 7 in Table 2 indicate a positive and significant association between publicity and leaders' image concerns ($p < 0.001$). Compared with the participants facing low publicity, the participants facing high publicity reported that they were more worried about how the company might be perceived by key stakeholders. In addition, the results of Models 3 and 6 reveal positive and significant associations between the participants' image concerns and their proportion of impression management allocation ($p < 0.001$) and decision time ($p < 0.01$) in Q4–5. The participants with greater image concerns committed more financial resources and decision time to impression management activities than the participants who were less concerned about the company's image. In addition, when we accounted for leaders' image concerns in these models, the direct effects of publicity of decline on impression management became insignificant, which indicates full mediation. The formal Sobel–Goodman mediation test results in Table 3 were also significant for the participants' proportions of impression management allocation ($p < 0.001$) and decision time ($p < 0.01$) in Q4–5, and the percentile- and bias-corrected bootstrap results confirmed the mediation effect. In summary, the participants who faced high publicity worried more about how the company would be perceived and evaluated by key stakeholders, and in turn allocated more financial resources and decision time to undertaking impression management activities than the participants facing low publicity. Our results support Hypothesis 2.

As stated in Hypotheses 3a and 3b, we made the competing predictions that incentive compensation would moderate the relationship between leaders' image concerns and their impression management. The relationship would be weakened or strengthened depending on whether the incentive property or risk-bearing property, respectively, prevailed during decline. The results of our moderated mediation analysis are presented in Table 4. The results for Models 1 and 3 show that publicity of decline is positive and significantly related to leaders' image concerns (p's < 0.001). We test the interaction effects of leaders' image concerns and incentive compensation on participants' impression management in Models 2 and 4. The results reveal positive and significant associations between the interaction term and participants' proportion of impression management allocation ($p < 0.01$) and decision time ($p < 0.01$) in Q4–5. Incentive compensation strengthened the positive relationship between leaders' image concerns and their impression management. In addition, results for the conditional indirect effects test using both normal theory and bootstrapping (5000 replications) show that the mediating role of leaders' image concerns is positive and significant for participants' proportions of impression management allocation ($p < 0.01$) and decision time ($p < 0.01$) in Q4–5 under incentive compensation but not under fixed compensation. These results provide support for Hypothesis 3b.

To depict the interaction effects clearly, an interaction graph for each measure of leaders' impression management is provided in Fig. 2. As the slopes for the respective compensation schemes show, the effects of participants' image concerns on the allocation of financial resources and decision time to impression management decisions were stronger among the participants who received

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

Table 2
Regression results of publicity of decline and leaders' image concerns on impression management.

Variable	Proportion of IM allocations (Q4–5)			Proportion of IM decision time (Q4–5)			Leaders' image concerns
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Constant	−0.04	−0.13	−0.13	0.32	0.26	0.27	−0.11
	(0.62)	(0.58)	(0.55)	(0.66)	(0.65)	(0.64)	(2.22)
Age	0.00	0.00	0.00	0.00	0.00	0.00	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Gender (1 = male)	−0.03	−0.02	−0.03	−0.07	−0.06	−0.07	0.13
	(0.06)	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)	(0.21)
Grade	0.00	0.00	0.00	0.00	0.00	−0.00	0.03
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
Managerial level	0.01	−0.00	0.00	0.04	0.04	0.04	−0.07
	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.12)
Proportion of IM allocations (Q1–3)	0.46***	0.43***	0.43***				
	(0.12)	(0.11)	(0.11)				
Proportion of IM decision time (Q1–3)				0.21**	0.23**	0.24**	
				(0.08)	(0.08)	(0.08)	
Publicity of decline (publicity) (1 = high)		0.29***	0.11		0.14*	0.01	2.31***
		(0.05)	(0.06)		(0.06)	(0.08)	(0.21)
Leaders' image concerns (image)			0.08***			0.06**	
			(0.02)			(0.02)	
R^2 likelihood ratio	0.07	0.19	0.27	0.04	0.10	0.27	0.38
		31.50***	21.36***		5.34*	8.85**	
d.f.	5, 213	6, 212	7, 211	5, 213	6, 212	7, 211	5, 213

N = 219 subjects; two-tailed tests; standard errors are in parentheses.
*** $p < 0.001$.
** $p < 0.01$.
* $p < 0.05$.

incentive compensation than among the participants who received fixed compensation. Specifically, the participants who received incentive compensation and experienced fewer image concerns allocated fewer financial resources and less decision time to impression management decisions than the participants who received fixed compensation. In contrast, the participants who received incentive compensation and experienced greater image concerns committed more financial resources and decision time to impression management decisions than the participants who received fixed compensation. These results suggest that the participants with fewer concerns about image tended to respond to the incentive property of incentive compensation, whereas participants with greater image concerns responded to the risk-bearing property of incentive compensation. Our graphs illustrate the complex effects of incentive compensation on leaders' impression management during organizational decline.

Robustness tests

We predicted that incentive compensation would moderate the relationship between leaders' image concerns and their impression management. However, a simple interaction model for the effects of publicity of decline and incentive compensation on leaders' impression management was also possible. We conducted additional analyses to check whether our proposed moderation effect or the simple interaction model best explained our data. Our results indicate that the simple interaction between publicity of decline and incentive compensation was not significantly related to the proportion of impression management allocation ($p > 0.1$) or decision time ($p > 0.05$) in Q4–5. Furthermore, the inclusion of this interaction did not alter the direction or significance of our results. This finding validates our use of the construct of leaders' image concerns, and clearly reflects the participants' affective responses to the

Table 3
Mediation test results of leaders' image concerns.

Sobel–Goodman mediation tests:	Proportion of IM allocations (Q4–5)				Proportion of IM decision time (Q4–5)			
	Coef.	S.E.	Z	P > |Z|	Coef.	S.E.	Z	P > |Z|
Sobel	0.17	0.04	4.27	0.00	0.14	0.05	2.87	0.00
Goodman-1	0.17	0.04	4.26	0.00	0.14	0.05	2.86	0.00
Goodman-2	0.17	0.04	4.29	0.00	0.14	0.05	2.88	0.00
	Mediated: 60%; indirect–direct: 1.53				Mediated: 97%; indirect–direct: 28.40			
Bootstrap results (5000 replications)	Obs. coef.	Bootstrap S.E.	Lower 95% CI	Upper 95% CI	Obs. coef.	Bootstrap S.E.	Lower 95% CI	Upper 95% CI
Indirect	0.17	0.04	0.09	0.25	0.14	0.05	0.04	0.23
Direct	0.11	0.05	0.01	0.22	0.01	0.07	−0.13	0.14

N = 219 subjects.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

Table 4
Results of moderated mediation analyses.[a]

Variable	Leaders' image concerns		Prop. IM allocations (Q4–5)		Leaders' image concerns		Prop. IM decision time (Q4–5)	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	−3.74	2.28	−0.01	0.54	−3.82	2.19	0.27	0.63
Age	0.01	0.03	0.00	0.01	0.01	0.03	0.00	0.01
Gender (1 = male)	0.13	0.21	0.00	0.05	0.14	0.21	−0.04	0.06
Grade	0.03	0.02	0.00	0.01	0.03	0.02	0.00	0.01
Managerial level	−0.07	0.12	0.01	0.03	−0.08	0.12	0.05	0.03
Prop. IM allocations (Q1–3)	−0.01	0.43	0.41***	0.10				
Prop. IM decision time (Q1–3)					−0.24	0.27	0.25**	0.08
Publicity of decline (publicity)	2.31***	0.20	0.12*	0.59	2.29***	0.20	0.02	0.02
Leaders' image concerns (image)			0.04*	0.02			0.02	0.07
Incentive pay (incentive)			0.01	0.05			0.04	0.06
Image × incentive			0.08**	0.03			0.08**	0.03
R^2	0.38		0.30		0.38		0.13	
Chi^2	131.50***		92.40***		132.73**		32.97***	
d.f.	6212		9209		6212		9209	

Moderator	Obs. coeff.	B.S. S.E.	Z	P > |Z|	95% conf. interval	
Proportion of IM allocations (Q4–5)						
Normalized conditional indirect effects						
0 = fixed compensation	0.09	0.05	1.93	0.05	0.00	0.18
1 = incentive compensation	0.28	0.06	5.02	0.00	0.17	0.38
Bootstrap conditional indirect effects (5000 replications)						
0 = fixed compensation	0.08	0.05	1.53	0.13	−0.02	0.17
1 = incentive compensation	0.29	0.05	5.70	0.00	0.19	0.38
Proportion of IM decision time (Q4–5)						
Normalized conditional indirect effects						
0 = fixed compensation	0.05	0.06	0.86	0.39	−0.06	0.16
1 = incentive compensation	0.24	0.06	3.82	0.00	0.12	0.36
Bootstrap conditional indirect effects (5000 replications)						
0 = fixed compensation	0.05	0.06	0.78	0.43	−0.07	0.17
1 = incentive compensation	0.22	0.07	3.28	0.00	0.09	0.35

[a] n = 219 subjects. Conditional indirect effects standard errors are second-order estimates.

publicity of decline they faced, not simply their understanding of the publicity manipulation. We also tested for the influence of incentive compensation on the relationship between the publicity of decline and the image concerns of its leaders, although we did not expect incentive compensation to affect this relationship. Our results show that the interaction effect of publicity of decline and incentive compensation was not significantly related to leaders' image concerns ($p > 0.1$). These additional test results support the more nuanced process of leadership impression management proposed in our theoretical model.

Discussion

While leadership researchers recognize the importance of impression management during organizational decline (Sutton, 1990; Sutton & Callahan, 1987), little research has been conducted on the underlying factors responsible for the variations observed in impression management, or how organizational factors influence these variations. In this study, we advance and examine a model of leaders' impression management during decline. Our empirical findings indicate that the publicity of decline is an important situational antecedent of leaders' impression management. Specifically, high publicity of decline is positively associated with leaders' impression management, which suggests that leaders make more effort to manage the impressions of key stakeholders when others are or will become aware of the decline of the company. We also illustrate the mediating role of leaders' image concerns in the underlying process of their impression management. Leaders facing high publicity are more concerned about how their organizations are perceived by others, and these elevated image concerns in turn motivate leaders to allocate more financial resources and decision time to impression management decisions during decline. In addition, our results indicate that executive compensation influences leaders' impression management behavior during decline. Relative to fixed compensation, incentive compensation strengthened the relationship between leaders' image concerns and their impression management during decline.

Our study thereby contributes in several respects to the literature on leadership, impression management, executive compensation, and organizational decline. First, it adds to our growing knowledge of how leaders function within organizations facing decline. Recent research has emphasized the roles of top management team processes (Carmeli & Schaubroeck, 2006) and perceptual processes (Musteen et al., 2011). We add to this body of research by examining leaders' impression management during decline. Our finding that leaders turn to impression management when facing high publicity corroborates previous research on political leadership, where political skills are important aspects of leaders' effectiveness (Ewen et al., 2013; Sosik et al., 2002).

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

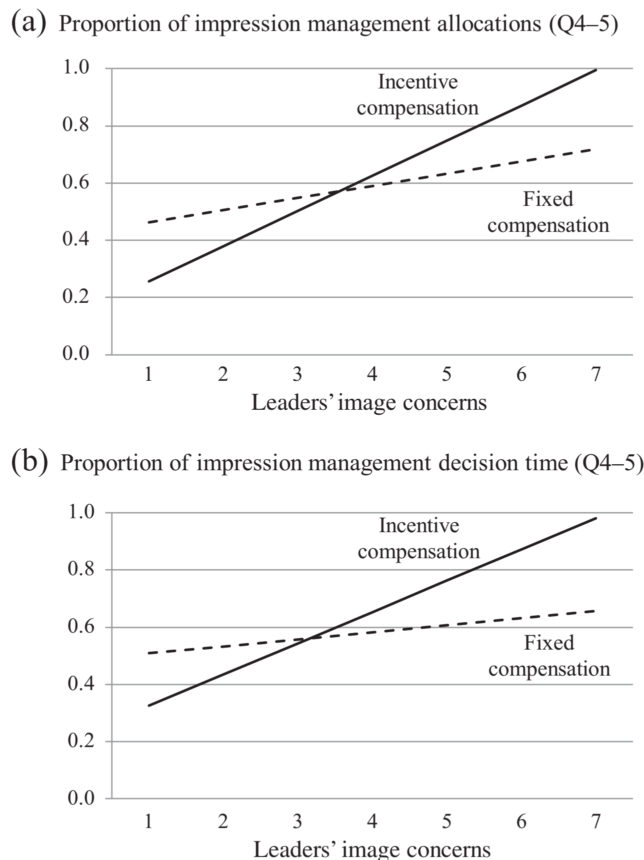


Fig. 2. Interaction effects of leaders' image concerns and incentive compensation on impression management.

Second, few researchers have investigated the processes underlying leaders' impression management, or how these processes may be influenced. As researchers have mentioned, it is insufficient merely to observe that leaders often behave differently during organizational decline than during periods of success (Anheier, 1996; Hambrick & D'Aveni, 1988). We need to explain why such variations occur to develop a more comprehensive understanding of the micro-processes that influence leaders' attention, thought processes, and ultimately behavior in such difficult situations. Our study contributes to this effort by offering more nuanced insights into the variations observed in leaders' impression management across declining organizations. In addition, our study provides a novel perspective on leaders' impression management by exploring the potential influence of executive compensation on impression management. Although scholars have elaborated on leaders' motivations to engage in impression management during decline (Sutton, 1990; Sutton & Callahan, 1987; Sutton & Galunic, 1996), none to date have discussed or examined the potential effects of organizational factors that affect leaders' interests and motivation, such as incentive compensation. Our model of the influence of incentive compensation on the underlying process of leaders' impression management during decline is unprecedented in the literature on impression management. We encourage future researchers to examine other factors that may influence the image concerns of leaders and in turn their impression motivations and impression constructions.

Third, we contribute to the growing literature on the effects of executive compensation on leadership behavior. Although it is generally acknowledged in studies of executive compensation that incentive pay has both incentive and risk-bearing properties, agency theorists argue for the effectiveness of incentive pay in realigning leaders' interests and promoting self-regulation, thereby enhancing shareholder value. However, we suggest that under some conditions, the risk-bearing property of incentive pay may prevail, resulting in unintended consequences that may not always be in the interests of shareholders.

Lastly, by conducting our study in China, an important center of Asian culture, we contribute to assessments of the generalizability of Western-centric theoretical perspectives on impression management and executive compensation. Despite the relevance of these topics to non-Western contexts, few studies of impression management, organizational decline, or incentive compensation have to date been conducted outside Western societies, especially the United States. The research findings associated with these topics may vary significantly, as cultural and institutional differences may reduce the generalizability even of well-established Western theories, such as the agency theory (e.g., Sun et al., 2010). For example, the concept of "face" is extremely important in Asian cultures. "Face" denotes "the respectability and/or deference which a person can claim for himself from others, by virtue of the relative position he occupies in his social network and the degree to which he is judged to have functioned adequately in that position as well as acceptably in his general conduct" (Ho, 1976: 883). Although not limited to Asia, this concept has extremely important implications

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

for Asian cultures (Ho, 1976; Hwang, 1987; Kim & Nam, 1998). Within Chinese culture, individuals are expected to maintain a respectable "face" through success in their professional roles (Hwang, 1987). "Face" is often gained or lost as a result of career performance, which makes leaders' impression management during organizational decline extremely relevant. Our study thus broadens the scope of leadership research by providing it with greater international application.

Limitations and future research

Our study has several limitations. An experimental design based on a management simulation game inevitably raises the question of external validity (Locke, 1986; Tosi, Katz, & Gomez-Mejia, 1997). However, we managed this issue by designing and implementing a simulation game that reflected the various types of organizational strategic decision-making as closely as possible. Furthermore, our subjects were experienced managers, and were provided with appropriate motivation in line with our theoretical framework. Our pilot tests and subject debriefings indicated that the participants found the simulation game to be realistic and challenging. Nevertheless, future research should be implemented in field settings to corroborate our experimental findings.

In addition, we focus on leaders' concerns about how others may perceive their organizations, and their methods of influencing key stakeholders' impressions of the organization. However, leaders' image concerns may also extend to concerns about their own personal image, and their impression management activities may also be designed to maintain or enhance their own image as perceived by key stakeholders. Although the image of an organization and that of its leaders are theoretically independent constructs, the two are highly correlated and very difficult, if not impossible, to distinguish or measure in real-life situations (Sutton & Callahan, 1987). In this study, we made no attempt to distinguish between leaders' concern for organizational image and their concern for personal image. As our study focused solely on leaders' attempts to influence key stakeholders' impressions of their organizations, this distinction is not important, because a leader's concerns about his/her own image and that of the organization will have the same effects on his/her impression management activities. However, it is reasonable to expect that leaders' concerns for their personal image motivate impression management activities that are oriented toward preserving their own value in the eyes of others. These could include methods of avoiding or at least minimizing individual accountability, such as self-handicapping (e.g., Kolditz & Arkin, 1982). Future research should more carefully explore the different effects of organizational-image concerns and personal-image concerns on leaders' impression-management activities.

Another limitation is our simple operationalization of executive compensation. Actual executive compensation schemes are far more complex than the schemes used in our study, and often combine fixed pay with incentive compensation. However, as compensation scholars have noted, addressing specific dimensions of compensation (e.g., fixed versus incentive compensation) allows researchers to explore the mechanisms driving compensation effects (Gerhart & Rynes, 2003). Our intention in this study was not to test the effectiveness of actual executive compensation but to examine the underlying potential of two forms of compensation to influence leaders' impression management during organizational decline. To this end, our approach facilitated the participants' understanding of the two compensation schemes, and clarified the effects of these schemes on the participants' strategic behavior. However, we would encourage future research to explore the influence of compensation schemes with varying proportions of fixed and incentive compensation on leaders' impression management during decline.

It is also worth noting that our use of a solely Chinese sample may limit the generalizability of our findings, due to cultural differences. Chinese culture is generally recognized to be more collectivistic than Western cultures (Hofstede, 2001), and the social role of "face" may be more important to Chinese subjects (Kim & Nam, 1998) than to people whose cultures are not significantly informed by this concept. Consequently, using a sample of Chinese participants may have increased the likelihood of verifying our hypotheses. However, impression management theorists (Goffman, 1959; Leary & Kowalski, 1990; Schlenker, 1980) have argued that the desire of individuals to be viewed positively both by themselves and by others is a fundamental human motivation. Given the universality of this motivation, and the established findings on impression management in Western contexts (for a review, see Bolino et al., 2008), we expect our theoretical model to apply to other cultural settings, albeit with weaker effects in less collectivistic societies and those in which image (or "face") is less consequential. Nevertheless, future research should seek to examine the potential effects of cultural differences on the theoretical model presented in this study.

Finally, psychological research on impression management recognizes the importance of individual differences on people's impression management motivation and behaviors (e.g., Schlenker, 1980). Our randomized experimental design and individual-level controls effectively preclude any consideration of how individual differences may influence leaders' impression management during decline. Yet, leaders' individual characteristics can have important implications for our model. For example, leaders' identification with their organization (Ashforth & Mael, 1989; Dukerich, Golden, & Shortell, 2002) can influence agency costs (Boivie, Lange, McDonald, & Westphal, 2011), which in turn, affect the model in our study. We encourage future research to explore how leaders' individual characteristics can influence their impression management during decline.

Practical implications

Our study has several practical implications for organizational leaders. First, leaders of declining organizations need to recognize that publicity of decline is likely to increase their image concerns. These concerns will motivate leaders to engage in impression management activities. Although sustaining key stakeholders' positive impressions of an organization is essential to ensure continued support and effective organizational operationality, leaders may also be motivated to overemphasize this task when the publicity of decline is high. Such a focus on impression management may benefit the leaders themselves by minimizing the potential damage to their reputations, but it is not necessarily valuable to their organizations, especially when impression management consumes a

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

disproportionate amount of managerial and organizational resources and is performed at the expense of other important strategic activities. This finding reinforces Siegel and Brockner's (2005) argument that some forms of impression management may benefit leaders but not their organizations. Consequently, leaders should evaluate their decision-making during situations of decline, and make sure that their own motivations are not getting in the way of objectively allocating resources toward the most important areas.

Next, leaders should be aware of the role that incentives may have on their decisions. While leaders may assume that their decisions and actions may not be influenced by how they are being compensated, our research shows that this is not the case. We show that the use of incentive pay when leaders have image concerns increases impression management activities relative to other important strategic activities. Therefore, in these specific contexts, leaders are biased toward impression management. Just as with other biases and heuristics (Bazerman & Moore, 2013), leaders should be aware that they may be susceptible to this bias in situations of decline and incentive pay. Leaders should also consider incorporating some sort of accountability to make sure that they are making unbiased decisions when facing decline (e.g., Kahneman, Lovallo, & Sibony, 2011).

Finally, our study has important implications for the design and implementation of executive compensation during organizational decline. Organizations in decline tend to use incentive compensation to address implicit agency issues that may arise (Gilson & Vetsuypens, 1993). However, the use of incentive pay comes at the cost of transferring risk to leaders. In the context of organizational decline, leaders face substantial personal risks, and the additional risk burden conferred by incentive pay may have unintended consequences, as highlighted in both our study as well as other recent studies (e.g., Sanders & Hambrick, 2007; Zhang, Bartol, Smith, Pfarrer, & Khanin, 2008). Therefore, directors and executives responsible for establishing leaders' compensation must understand the important boundary conditions that influence the efficacy of incentive compensation in motivating appropriate leadership behavior. Organizational leaders pushing for the increased use of incentive pay during decline should carefully design the terms of such compensation. They should specify clear, measurable short-term and long-term performance goals and institute appropriate corporate governance processes, such as increased monitoring and managing of public-relations efforts to reduce leaders' individual accountability during organizational decline. This will help organizations to more effectively influence and govern leadership behavior during decline.

Acknowledgment

We are grateful to Jaepil Choi, Amy Randall, Editor Stephanie Castro, and three anonymous reviewers for their valuable comments and constructive suggestions on earlier drafts of this paper. This research was generously supported by China Europe International Business School (CEIBS 2EPF-T8), by the SKK Graduate School of Business, Sungkyunkwan University, by the National Natural Science Foundation of China (Grant 71472020, 71431002) and by the Humanities and Social Sciences Foundation of the Ministry of Education in China (Project No. 13YJC630137).

Appendix A. Description of strategic decisions in participant's instruction manual

There are two sets of strategic decisions you need to make. It is important to manage these strategies well when a company is in financial distress. These decisions are:

(1) Competitive strategies that are designed to improve the strategic position of the company relative to your competitors.
(2) Public relations strategies that are designed to present the company favorably to key stakeholders.

The purpose of each specific strategic decision is explained below:

Competitive strategies:

1. Price promotion: Price discount offered to improve the price position relative to competitors in order to capture market share.
2. Sales force management: Sales commission and sales force training and development aimed to motivate sales force, increase sales effort, and capture market share.
3. Advertising & promotion: Product advertising and promotion aimed to secure new customers, enhance customer loyalty of retained customers, and recapture lost customers.
4. Research and development (R&D): Investments in R&D aimed to create new innovations in existing core product and/or totally new products.
5. Training and development: General training and development aimed to improve employee efficiency in order to reduce operational costs.

Public relations strategies:

6. CEO–analysts forum: Allow top managers to address the specific concerns of financial analysts and to present their positions and the company favorably to analysts. Financial analysts are very important stakeholders because they independently evaluate the potential of a company and its top managers, and make recommendations to investors to invest or divest the company's stock.
7. Public relations campaign: Allow top managers to present their positions and the company favorably to external stakeholders, including customers, suppliers, industry and business observers (healthcare associations), and the general public.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

8. CEO press conference: Allow top managers to present their positions and the company favorably to an important external stakeholder — business media. It is an important avenue for top managers to convey their point-of-view to the business community and the general public.
9. Shareholder newsletter: Allow top managers to present the company favorably to the core stakeholder, shareholders (the owner of the company) in order to secure support for their strategies.

References

Aiken, L.S., & West, S.G. (1991). *Multiple regression: Testing and interpreting interactions.* Newbury Park, CA: Sage.

Anheier, H.K. (1996). Organizational failures and bankruptcies: What are the issues? *American Behavioral Scientist*, *39*, 950.

Ashforth, B.E., & Mael, F. (1989). Social identity theory and the organization. *Academy of Management Review*, *14*, 20–39.

Baron, R.M., & Kenny, D.A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, *51*, 1173–1182.

Barsness, Z.I., Diekmann, K.A., & Seidel, M. -D.L. (2005). Motivation and opportunity: The role of remote work, demographic dissimilarity and social network centrality in impression management. *Academy of Management Journal*, *48*, 401–419.

Bazerman, M.H., & Moore, D.A. (2013). *Judgment in managerial decision making* (8th ed.). New York: Wiley.

Beatty, R.P., & Zajac, E.J. (1994). Managerial incentives, monitoring, and risk bearing: A study of executive compensation, ownership, and board structure in initial public offerings. *Administrative Science Quarterly*, *39*, 313–335.

Bettman, J.R., & Weitz, B.A. (1983). Attributions in the board room: Causal reasoning in corporate annual reports. *Administrative Science Quarterly*, *28*, 165–183.

Biehl-Missal, B. (2011). Business is show business: Management presentations as performance. *Journal of Management Studies*, *48*, 619–645.

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*, 551–576.

Bolino, M.C., Kacmar, K.M., Turnley, W.H., & Gilstrap, J.B. (2008). A multi-level review of impression management motives and behaviors. *Journal of Management*, *34*, 1080–1109.

Bozeman, B. (2011). Toward a theory of organizational implosion. *American Review of Public Administration*, *41*, 119–140.

Brutus, S., & Duniewicz, K. (2012). The many heels of Achilles: An analysis of self-reported limitations in leadership research. *Leadership Quarterly*, *23*, 202–212.

Cannella, A.A., Fraser, D.R., & Lee, D.S. (1995). Firm failure and managerial labor markets: Evidence from Texas banking. *Journal of Financial Economics*, *38*, 185–210.

Carmeli, A., & Schaubroeck, J. (2006). Top management team behavioral integration, decision quality, and organizational decline. *Leadership Quarterly*, *17*, 441–453.

Carter, S.M. (2006). The interaction of top management group, stakeholder, and situational factors on certain corporate reputation management activities. *Journal of Management Studies*, *43*, 1145–1176.

Chng, D. H. M., Rodgers, M. S., Shih, E., & Song, X. B. (2012). When does incentive compensation motivate managerial behaviors? An experimental investigation of the fit between incentive compensation, executive core self-evaluation, and firm performance. *Strategic Management Journal*, *33*, 1343–1362.

Cook, T.D., & Campbell, D.T. (1979). *Quasi-experimentation: Design and analysis issues for field studies.* Boston: Houghton Mifflin.

Coombs, W.T. (2010). Sustainability: A new and complex 'challenge' for crisis managers. *International Journal of Sustainable Strategic Management*, *2*, 4–16.

Coombs, W.T., & Holladay, S.J. (2008). Comparing apology to equivalent crisis response strategies: Clarifying apology's role and value in crisis communication. *Public Relations Review*, *34*, 252–257.

Coombs, W.T., & Holladay, J.S. (2012). The paracrisis: The challenges created by publicly managing crisis prevention. *Public Relations Review*, *38*, 408–415.

Dalton, D.R., Hitt, M.A., Certo, S.T., & Dalton, C.M. (2007). The fundamental agency problem and its mitigation. *Academy of Management Annals*, *1*, 1–64.

Devers, C.E., Dewett, T., Mishina, Y., & Belsito, C.A. (2009). A general theory of organizational stigma. *Organization Science*, *20*, 154–171.

Devers, C.E., McNamara, G., Wiseman, R.M., & Arrfelt, M. (2008). Moving closer to the action: Examining compensation design effects on firm risk. *Organization Science*, *19*, 548–566.

DuBrin, A.J. (1994). Sex differences in the use and effectiveness of tactics of impression management. *Psychological Reports*, *74*, 531.

Dukerich, J.M., Golden, B.R., & Shortell, S.M. (2002). Beauty is in the eye of the beholder: The impact of organizational identification, identity, and image on the cooperative behaviors of physicians. *Administrative Science Quarterly*, *47*, 507–533.

Dutton, J.E., & Stumpf, S.A. (1991). Using behavioral simulations to study strategic processes. *Simulation & Gaming*, *22*, 149–173.

Eisenhardt, K.M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*, 57–74.

Elsbach, K.D. (1994). Managing organizational legitimacy in the California cattle industry: The construction and effectiveness of verbal accounts. *Administrative Science Quarterly*, *39*, 57–88.

Elsbach, K.D., Sutton, R.I., & Principe, K.E. (1998). Averting expected challenges through anticipatory impression management: A study of hospital billing. *Organization Science*, *9*, 68–86.

Ewen, C., Wihler, A., Blickle, G., Oerder, K., Ellen, B.P., Douglas, C., et al. (2013). Further specification of the leader political skill–leadership effectiveness relationships: Transformational and transactional leader behavior as mediators. *The Leadership Quarterly*, *24*, 516–533.

Fama, E.F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, *88*, 288–307.

Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law and Economics*, *26*, 301–325.

Finkelstein, S. (2003). *Why smart executives fail and what you can learn from their mistakes.* New York: Portfolio.

Finkelstein, S., & Hambrick, D.C. (1996). *Strategic leadership: Top executives and their effects on organizations.* St. Paul, MN: West Publishing.

Finkelstein, S., Hambrick, D.C., & Cannella, A.A. (2008). *Strategic leadership: Theory and research on executives, top management teams, and boards.* New York: Oxford University Press.

Friedman, D., & Cassar, A. (2004). *Economics lab: An intensive course in experimental economics*. New York: Routledge.

Gardner, W.L., & Avolio, B.J. (1998). The charismatic relationship: A dramaturgical perspective. *Academy of Management Review*, *23*, 32–58.

Gerhart, B., & Rynes, S.L. (2003). *Compensation: Theory, evidence, and strategic implications.* Thousand Oaks, CA: Sage.

Gilson, S.C. (1989). Management turnover and financial distress. *Journal of Financial Economics*, *25*, 241–262.

Gilson, S.C., & Vetsuypens, M.R. (1993). CEO compensation in financially distressed firms: An empirical analysis. *Journal of Finance*, *48*, 425–458.

Gioia, D.A., & Chittipeddi, K. (1991). Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, *12*, 433–448.

Goffman, E. (1959). *The presentation of self in everyday life.* Harmondsworth: Penguin.

Goffman, E. (1963). *Stigma: Notes on the management of spoiled identity.* Englewood Cliffs, NJ: Prentice-Hall.

Gomez-Mejia, L.R., Berrone, P., & Franco-Santos, M. (2010). *Compensation and organizational performance: Theory, research, and practice.* Armonk, NY: M.E. Sharpe.

Gomez-Mejia, L.R., & Wiseman, R.M. (1997). Reframing executive compensation: An assessment and outlook. *Journal of Management*, *23*, 291–374.

Hambrick, D.C., & D'Aveni, R.A. (1988). Large corporate failures as downward spirals. *Administrative Science Quarterly*, *33*, 1–23.

Hambrick, D.C., & Mason, P.A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, *9*, 193–206.

Hewitt, J.P., & Stokes, R. (1975). Disclaimers. *American Sociological Review*, *40*, 1–11.

Ho, D.Y.F. (1976). On the concept of face. *American Journal of Sociology*, *81*, 867–884.

Hofstede, G.H. (2001). *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations* (2nd ed.). Thousand Oaks, CA: Sage Publications.

Holmström, B. (1979). Moral hazard and observability. *Bell Journal of Economics*, *10*(1), 74–91.

Holmström, B., & Milgrom, P. (1987). Aggregation and linearity in the provision of intertemporal incentives. *Econometrica*, *55*, 303–328.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003

ARTICLE IN PRESS

Hoskisson, R.E., Hitt, M.A., & Hill, C.W.L. (1993). Managerial incentives and investment in R&D in large multiproduct firms. *Organization Science*, *4*, 325–341.
Hwang, K.K. (1987). Face and favor: The Chinese power game. *American Journal of Sociology*, *92*, 944–974.
Jensen, M.C., & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, *3*, 305–350.
Jensen, M.C., & Murphy, K.J. (1990). Performance pay and top-management incentives. *Journal of Political Economy*, *98*, 225–264.
Jin, Y., Liu, B.F., & Austin, L.L. (2014). Examining the role of social media in effective crisis management: The effects of crisis origin, information form, and source on publics' crisis responses. *Communication Research*, *41*, 74–94.
Kahneman, D., Lovallo, D., & Sibony, O. (2011). Before you make that big decision. *Harvard Business Review*, *89*, 50–60.
Kim, J.Y., & Nam, S.H. (1998). The concept and dynamics of face: Implications for organizational behavior in Asia. *Organization Science*, *9*, 522–534.
Kolditz, T.A., & Arkin, R.M. (1982). An impression management interpretation of the self-handicapping strategy. *Journal of Personality and Social Psychology*, *43*, 492–502.
Larcker, D.F. (1983). The association between performance plan adoption and corporate capital investment. *Journal of Accounting and Economics*, *5*, 3–30.
Leary, M.R., & Kowalski, R.M. (1990). Impression management: A literature review and a two-component model. *Psychological Bulletin*, *107*, 34–47.
Locke, E.A. (1986). *Generalizing from laboratory to field settings: Research findings from industrial–organizational psychology, organizational behavior, and human resource management.* Lexington, MA: Lexington Books.
MacKinnon, D.P., Lockwood, C.M., Hoffman, J.M., West, S.G., & Sheets, V. (2002). A comparison of methods to test mediation and other intervening variable effects. *Psychological Methods*, *7*, 83–104.
Markle, A.B. (2011). Dysfunctional learning in decision processes: The case of employee reciprocity. *Strategic Management Journal*, *32*, 1411–1425.
McDonnell, M. -H., & King, B. (2013). Keeping up appearances: Reputational threat and impression management after social movement boycotts. *Administrative Science Quarterly*, *58*, 387–419.
Meindl, J.R., Ehrlich, S.B., & Dukerich, J.M. (1985). The romance of leadership. *Administrative Science Quarterly*, *30*, 78–102.
Milgrom, P., & Roberts, J. (1992). *Economics, organization & management.* Englewood Cliffs, NJ: Prentice Hall.
Mone, M.A., McKinley, W., & Barker, V.L.I. (1998). Organizational decline and innovation: A contingency framework. *Academy of Management Review*, *23*, 115–132.
Morrison, E.W., & Bies, R.J. (1991). Impression management in the feedback seeking process: A literature review and research agenda. *Academy of Management Review*, *16*, 522–541.
Murphy, K.J. (1999). Executive compensation. In O. Ashenfelter, P.R.G. Layard, & D.E. Card (Eds.), *Handbook of Labor Economics* (pp. 2485–2563). Amsterdam: North-Holland.
Musteen, M., Liang, X., & Barker, V.L. (2011). Personality, perceptions and retrenchment decisions of managers in response to decline: Evidence from a decision-making study. *The Leadership Quarterly*, *22*, 926–941.
Pfeffer, J. (1981). Management as symbolic action: The creation and maintenance of organizational paradigms. In L.L. Cummings, & B.M. Staw (Eds.), *Research in Organizational Behavior*, *Vol. 3*. (pp. 1–52). Greenwich, CT: JAI Press.
Pfeffer, J., & Salancik, G.R. (1978). *The external control of organizations: A resource dependence perspective.* New York: Harper and Row.
Preacher, K.J., & Hayes, A.F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior Research Methods, Instruments, & Computers*, *36*, 717–731.
Preacher, K.J., Rucker, D.D., & Hayes, A.F. (2007). Addressing moderated mediation hypotheses: Theory, methods, and prescriptions. *Multivariate Behavioral Research*, *42*, 185–227.
Quigley, N.R., Tesluk, P.E., Locke, E.A., & Bartol, K.M. (2007). A multilevel investigation of the motivational mechanisms underlying knowledge sharing and performance. *Organization Science*, *18*, 71–88.
Rosenfeld, P., Giacalone, R.A., & Riordan, C.A. (1995). *Impression management in organizations: Theory, measurement, practice.* London: Routledge.
Salancik, G.R., & Meindl, J.R. (1984). Corporate attributions as strategic illusions of management control. *Administrative Science Quarterly*, *29*, 238–254.
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*, 1055–1078.
Schlenker, B.R. (1980). *Impression management: The self-concept, social identity, and interpersonal relations.* Monterey, CA: Brooks/Cole.
Shavell, S. (1979). Risk sharing and incentives in the principal and agent relationship. *Bell Journal of Economics*, *10*, 55–73.
Siegel, P.A., & Brockner, J. (2005). Individual and organizational consequences of CEO claimed handicapping: What's good for the CEO may not be so good for the firm. *Organizational Behavior and Human Decision Processes*, *96*, 1–22.
Sosik, J.J., Avolio, B.J., & Jung, D.I. (2002). Beneath the mask: Examining the relationship of self-presentation attributes and impression management to charismatic leadership. *The Leadership Quarterly*, *13*, 217–242.
Staw, B.M., McKechnie, P.I., & Puffer, S.M. (1983). The justification of organizational performance. *Administrative Science Quarterly*, *28*, 582–600.
Suchman, M.C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, *20*, 571–610.
Sun, S.L., Zhao, X., & Yang, H. (2010). Executive compensation in Asia: A critical review and outlook. *Asia Pacific Journal of Management*, *27*, 775–802.
Sutton, R.I. (1990). Organizational decline processes: A social psychological perspective. In B.M. Staw, & L.L. Cummings (Eds.), *Research in organizational behavior*. Greenwich, CT: JAI Press.
Sutton, R.I., & Callahan, A.L. (1987). The stigma of bankruptcy: Spoiled organizational image and its management. *Academy of Management Journal*, *30*, 405–436.
Sutton, R.I., & Galunic, D.C. (1996). Consequences of public scrutiny for leaders and their organizations. *Research in Organizational Behavior*, *18*, 201–250.
Tedeschi, J.T., & Melburg, V. (1984). Impression management and influence in the organization. In S.B. Bacharach, & E.J. Lawler (Eds.), *Research in the sociology of organizations* (pp. 31–58). Greenwich, CT: JAI.
Tosi, H.L., Katz, J.P., & Gomez-Mejia, L.R. (1997). Disaggregating the agency contract: The effects of monitoring, incentive alignment, and term in office on agent decision making. *Academy of Management Journal*, *40*, 584–602.
Vohs, K.D., Baumeister, R.F., & Ciarocco, N.J. (2005). Self-regulation and self-presentation: Regulatory resource depletion impairs impression management and effortful self-presentation depletes regulatory resources. *Journal of Personality and Social Psychology*, *88*, 632–657.
Westphal, J.D., & Graebner, M.E. (2010). A matter of appearances: How corporate leaders manage the impressions of financial analysts about the conduct of their boards. *Academy of Management Journal*, *53*, 15–44.
Westphal, J.D., & Zajac, E.J. (1998). The symbolic management of stockholders: Corporate governance reforms and shareholder reactions. *Administrative Science Quarterly*, *43*, 127–153.
Whetten, D.A., & Mackey, A. (2002). A social actor conception of organizational identity and its implications for the study of organizational reputation. *Business & Society*, *41*, 393–414.
Wiesenfeld, B.M., Wurthmann, K.A., & Hambrick, D.C. (2008). The stigmatization and devaluation of elites associated with corporate failures: A process model. *Academy of Management Review*, *33*, 231–251.
Wiseman, R.M., & Gomez-Mejia, L.R. (1998). A behavioral agency model of managerial risk taking. *Academy of Management Review*, *23*, 133–153.
Yukl, G., Gordon, A., & Taber, T. (2002). A hierarchical taxonomy of leadership behavior: Integrating a half century of behavior research. *Journal of Leadership & Organizational Studies*, *9*, 15–32.
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*, 1079–1101.
Zhang, X., Bartol, K.M., Smith, K.G., Pfarrer, M.D., & Khanin, D.M. (2008). CEOs on the edge: Earnings manipulation and stock-based incentive misalignment. *Academy of Management Journal*, *51*, 241–258.

Please cite this article as: Chng, D.H.M., et al., Leaders' impression management during organizational decline: The roles of publicity, image concerns, and incentive compensation..., *The Leadership Quarterly* (2015), http://dx.doi.org/10.1016/j.leaqua.2014.12.003