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Reacting to criticism: What motivates top leaders to respond substantively to negative social performance feedback?

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ABSTRACT

The responses of organizations in situations of negative feedback from stakeholders are attracting increasing scholarly and societal attention. The literature has so far largely focused on situational factors that direct such responses, while calling for a more acute examination of individual factors. Anchored in Stakeholder Theory and Trait Activation Theory, this study examines how and to what extent prosocial motivation (a normative-oriented trait) and fear of failure (an instrumental-oriented trait) determine organizational leaders' substantive responses to negative social performance feedback. We test our predictions on two waves of original survey data, including a conjoint experiment, on a sample of leaders of young organizations. Our findings contribute to literature and practice related to organizational responses to social performance feedback.

1. Introduction

Scholars have emphasized the strategic and ethical imperatives for contemporary organizations to attain and maintain good standards of social performance (Freeman et al., 2007; Porter & Kramer, 2006). Social performance refers to the social conduct of a commercial organization that produces third-party effects on employees, suppliers, customers, local communities, and other stakeholders (Schuler & Cording, 2006). Positive social performance encompasses a broad range of outcomes that could involve lowering carbon emissions, enhancing the transparency of reporting mechanisms, fostering better relationships with unions, reducing the number of product recalls, and generating other benefits for stakeholders (Nason et al., 2018). However, despite efforts to achieve positive social performance, organizations may, and frequently do, receive negative feedback from stakeholders, namely a "visible and active expression of discrepancies between stakeholder expectations and the firm's actual social performance" (Nason et al., 2018, p. 260).

Social performance is usually part of the duties of the leadership team of a company (Donaldson, 1999). Thus, considerable attention has been directed to whether and how organizational leaders respond to the negative feedback that stakeholders provide on their firm's social performance. Scholars have increasingly focused on identifying the conditions that prompt organizational leaders to implement a *substantive response*, which refers to actual changes in strategic and operational practices and procedures to bring social performance closer to stakeholder expectations (Crilly et al., 2012; Durand et al., 2019), in contrast to a response that signals superficial compliance but eschews significant changes (Waldron et al., 2013; Westphal & Zajac, 2001). Responding substantively to negative social performance feedback is important for several reasons, such as reputation management, stakeholder trust and engagement, and financial performance (Nason et al., 2018; Porter & Kramer, 2006). Yet, our understanding remains limited regarding "which" individual factors pertaining to leaders, such as traits, values, or cognitions, influence their decision to take a substantive response, and how (Durand et al., 2019; Hengst et al., 2019).

To date, studies have pointed to several situational factors, namely features of the contentious issue, the feedback or the organization, to explain the occurrence of a substantive response (Crilly et al., 2012; Nason et al., 2018, also see Table A1 in the Appendix for a summary). However, the few studies that have empirically looked at individual-level factors, such as organizational leaders' values, cognitions, or

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ethical commitments (Agle et al., 1999; Crilly & Sloan, 2012; Weaver et al., 1999b), suggest that such factors can also account for the occurrence of a substantive response. Although very informative, such studies remain rare and, bar a few exceptions, do not sufficiently integrate individual and situational level factors to provide a more comprehensive understanding of the phenomenon. In fact, "large gaps" remain in the literature regarding "when managers choose to implement corrective actions", and "how the claims of affected stakeholders and managers' perceptions of those claims influence" that outcome (Hersel et al., 2019, pp. 548, 549, 571). In this study, we therefore seek to understand the role that individual and situational factors jointly assume in explaining the decision of a leader to adopt a substantive response. We pose the following research question: What individual and situational factors determine organizational leaders' substantive response to negative social performance feedback?

We draw on the Stakeholder Theory of the Corporation (STC) (Donaldson & Preston, 1995; Freeman, 2010; Harrison et al., 2019) and Trait Activation Theory (TAT) (Tett & Burnett, 2003; Tett & Guterman, 2000) to build a conceptual model of organizational leaders' substantive responses to negative social performance feedback. Both theories guide our hypotheses on the interplay between individual traits and situational factors. According to TAT, individual traits—as latent propensities to behave in specific ways—are triggered by trait-relevant situational cues, i.e., the type of information that prompts individuals to express a particular trait (Tett & Guterman, 2000). We argue that negative social performance feedback offers an opportunity to express two types of traits that increase the likelihood of a substantive response: normative-oriented traits, which drive behavior based on ethical, moral, and relational considerations, and instrumental-oriented traits, which guide behavior based on strategic, outcome-oriented, and self-interest considerations. We operationalize these traits as prosocial motivation and fear of failure, respectively, as they reflect the normative and instrumental paths, respectively, that leaders typically follow to address stakeholder demands (Donaldson & Preston, 1995), and they are critical to how negative feedback is assessed and how individuals commit to substantive action (Atkinson, 1957; Bolino & Grant, 2016; Durand et al., 2019).

Prosocial motivation, or the desire to benefit others, drives leaders to empathize with stakeholders' needs and respond positively to feedback, even when that feedback is negative (Batson, 1987; Bolino & Grant, 2016; Korsgaard et al., 1997). Leaders with high prosocial motivation are more likely to embrace ethical judgment and take substantive action to address stakeholder concerns. In contrast, fear of failure is a self-oriented trait that motivates leaders to respond to negative feedback to avoid negative outcomes, reflecting an instrumental approach to decision-making (Tett & Burnett, 2003). Leaders with high fear of failure tend to focus on the negative aspects of their performance, heightening their perception of costs and compelling them to act to close performance gaps (Lebel, 2017). We argue that these traits interact with situational cues—specifically, social cues that enhance the leader-stakeholder relationship and strategic cues related to long-term organizational objectives—to amplify the expression of these traits. We operationalize these cues as stakeholder social proximity (a social cue) and long-term reputational threat to the organization (a strategic cue), as these are thematically relevant to the expression of prosocial motivation and fear of failure, respectively (Bolino & Grant, 2016; Crilly et al., 2012; Zavyalova et al., 2016).

We use two waves of original survey data, including a conjoint experiment in the second wave, to test our hypotheses. We intentionally chose to focus on relatively young organizations (i.e., in years since founding), where we would have a greater opportunity to observe responses from top organizational leaders. In contrast, in older organizations decision-making might be more bureaucratic and detached from the primary organizational leader (Agle et al., 1999; McKelvie et al., 2011). Our final sample includes relatively young organizations of on average 11 years of age since founding, and 34 employees. We find that leaders' prosocial motivation is positively related to the likelihood of a substantive response in the face of negative social performance feedback provided by stakeholders. We also find that fear of failure of organizational leaders stimulates a higher likelihood of a substantive response when the negative social performance feedback is perceived to create long-term reputational damage.

Our study aims to make two theoretical contributions. First, we add to the literature on social performance (Durand et al., 2019; Nason et al., 2018; Weaver et al., 1999b) by showing how a dual-path framework of normative and instrumental trait-situation interactions can shape leaders' responses to social performance feedback (Donaldson & Preston, 1995; Valentinov & Hajdu, 2019). Building on this framework, we demonstrate how two specific individual-level factors, prosocial motivation and fear of failure, influence organizational leaders' substantive responses to negative feedback from stakeholders. This finding reveals that normative-oriented traits (which drive behavior based on ethical, moral, and relational considerations) and instrumental-oriented traits (which guide behavior based on strategic, outcome-oriented, and self-interest considerations) not only affect leaders' perceptions (e.g., Agle et al., 1999) but also their choice of actions. This supports the relevance of considering both the normative and instrumental paths outlined by STC (Donaldson & Preston, 1995; Valentinov & Hajdu, 2019) as alternative avenues to drive leaders to improve their firms' social performance—a key responsibility implied by their position (Donaldson, 1999; Porter & Kramer, 2006; Waddock et al., 2002).

Second, we shed light on the differential strength of these traits and of certain situational cues. We show that prosocial motivation, a normative-oriented trait, can overshadow situational cues, whereas fear of failure, an instrumental-oriented trait, becomes relevant only with specific situational cues. This finding underscores the importance of examining both individual traits and situational factors to understand their combined influence on leaders' responses to social performance feedback (Tett et al., 2021; Tett & Guterman, 2000). By clarifying these interactions, our study paves the way for a more nuanced understanding of the microfoundations of social performance literature, thereby extending current knowledge in the field (Durand et al., 2019; Nason et al., 2018; Weaver et al., 1999b). In sum, our study affirms that different leaders can be motivated to respond substantively in different ways.

2. Theoretical background

Contemporary organizations are increasingly recognized not solely by their financial metrics but also by their social performance—the impact of their actions on a broad array of stakeholders including employees, suppliers, customers, and local communities (Freeman et al., 2010). In this context, how organizational leaders respond to negative social performance feedback becomes an issue of strategic significance, as it deals with issues of accountability, stakeholder engagement, and long-term organizational reputation (Nason et al., 2018; Porter & Kramer, 2006). In this paper, we draw on the STC (Donaldson & Preston, 1995; Freeman et al., 2010; Harrison et al., 2019) and TAT (Tett & Burnett, 2003; Tett & Guterman, 2000) to propose an integrative framework of the influence of organizational leader's prosocial motivation and fear of failure on substantive response to negative social performance feedback. This framework seeks to unravel the interplay between individual traits and situational factors that guide top leaders' substantive responses, drawing from the notions of normative and instrumental stakeholder engagement (Donaldson & Preston, 1995; Jones & Wicks, 1999; Valentinov & Hajdu, 2019).

2.1. Stakeholder Theory of the corporation (STC)

STC has emerged as a vital lens through which corporate social performance can be examined and understood (Wood, 2010). It provides a framework that extends beyond the traditional shareholder-centric

view, arguing that corporations are interconnected with a network of groups and individuals, termed stakeholders, each with distinct interests and influences on corporate outcomes (Freeman, 1984). Over the years, the STC has enriched management thought by providing a conceptual basis for the convergence of ethical and practical questions of organizational and strategic management (Freeman, 2010; Phillips et al., 2003; Weitzner & Deutsch, 2019). In doing so, it has recognized two complementary perspectives that are necessary for a comprehensive understanding of stakeholders' engagement and management: (1) the normative approach and (2) the instrumental approach (Donaldson & Preston, 1995; Jones & Wicks, 1999; Valentinov & Hajdu, 2019).

The normative approach states that one function of the corporation is to establish and adhere to ethical principles that guide its operations and management (Freeman et al., 2010; Weitzner & Deutsch, 2019). It is based on two core premises. First, it assumes that stakeholders are persons or groups holding legitimate interests in different dimensions of corporate activity. Second, it acknowledges that the interests of the stakeholders are of intrinsic value, meaning that they merit consideration for their own sake and not because of their ability to further the interests of a particular group, such as the shareholders (Donaldson & Preston, 1995). This perspective, thus, asserts that leaders have an ethical obligation to stakeholders, advocating for decision-making that inherently values stakeholders' rights and interests beyond economic transactions (Donaldson, 1999; Donaldson & Walsh, 2015).

The instrumental approach, on the other hand, adopts a more economically oriented perspective, establishing a framework for examining the connections between stakeholder management practices and the attainment of corporate performance goals (Donaldson & Preston, 1995; Jones, 1995). Its core premise is that "corporations practicing stakeholder management will, other things being equal, be relatively successful in conventional performance terms (profitability, stability, growth, etc.)" (Donaldson & Preston, 1995, p. 67). This perspective, thus, asserts that if leaders address stakeholders' interests through relationships based on trust, fairness, cooperation, and respect, the firms they manage will be more likely to establish a competitive advantage over those that disregard stakeholder interests or prioritize the interests of a single group (Jones, 1995; Jones et al., 2018).

As articulated by Donaldson (1999), the "glue" that holds the normative and instrumental approaches together resides in the psychology of the corporate manager or leader, as both "refer to the consequences of the manager's behavior and to how the manager should believe and act" (p.239). This perspective implies that leaders' belief systems play a critical role in harmonizing ethical considerations with strategic objectives. However, following the same trajectory of other organizational-level theories, such as Corporate Social Responsibility (Aguinis & Glavas, 2012), the micro foundations of STC have remained severely underdeveloped, presenting a great potential for better understanding how organizations co-create value within a complex network of stakeholder relationships (Harrison et al., 2022; Phillips et al., 2019).

In the context of negative social performance feedback, we suggest that the integration of STC's normative and instrumental perspectives provides a comprehensive framework to understand the different pathways of a leader's potential response (Donaldson & Preston, 1995; Harrison et al., 2019). As this integration is not trivial (Donaldson, 1999), the purpose of this paper is to elucidate the mechanisms that underpin a leader's proclivity to engender substantive responses to negative social performance feedback. Thus, we propose an integrative framework—informed also by TAT (Tett & Burnett, 2003; Tett & Guterman, 2000)—that describes how these two distinct pathways (i.e., normative and instrumental) unfold directed by distinct leader trait orientations and situational factors (Donaldson & Preston, 1995; Tett & Burnett, 2003).

2.2. Trait Activation Theory (TAT)

Personality traits have long been acknowledged by psychologists as individuals' latent potential needs that are likely to influence behavior in relevant situations (Tett et al., 2013). The relevance of a situation to a specific trait is established when there is a thematic connection between the two that makes it "reasonable to expect expression of one trait rather than another and regarding which behavioral responses indicate a person's standing on the trait" (Heslin et al., 2019, p. 2110). For example, the trait of nurturance will predict helping behavior only to the degree that the situation provides an opportunity to express such behavior (e.g., when a child cries out for help) (Tett & Guterman, 2000). When trait-relevant situations are weak to moderate in strength, they allow a substantial degree of freedom in behavioral expression, providing an opportunity to reveal individual differences (Heslin et al., 2019). In contrast, under strong situational cues, the latitude to exhibit individual preferences is reduced, and individuals are more likely to conform to situational norms. For example, an introverted person who is invited to give a public talk is likely to emulate extraversion, since the situation calls for it. In those cases, individual-level factors are less likely to influence observed outcomes.

Given the voluntary nature of social performance for commercial organizations, we see this situation as weak to moderate in strength, thus allowing substantial autonomy to reveal individual differences in behavior among organizational leaders. Building on this, we propose that negative social performance feedback provides as opportunity to express two individual traits, prosocial motivation and fear of failure. We chose these traits for three reasons. First, they represent a normative-oriented and an instrumental-oriented trait respectively, allowing us to understand the two complementary pathways that can drive a leader's substantive response according to STC—one encompassing behavioral tendencies influenced by ethical, moral, and relational considerations (normative), and the other by strategic, outcome-oriented, and self-interest considerations (instrumental) (Donaldson & Preston, 1995). Second, these traits have been conceptualized as motivational traits, meaning they can be linked to specific motives (normative and instrumental in our study) that make people quick to notice certain features of their environment, more sensitive to emotions, and likely to react in specific ways to different stimuli, such as negative stakeholder feedback (Bolino & Grant, 2016; Diefendorff & Mehta, 2007; Elliot & Thrash, 2002). Third, they have been theorized as essential to how individuals assess and respond to feedback (Bolino & Grant, 2016; Cacciotti et al., 2016; Korsgaard et al., 1996), ensuring the relevance of the connection between the situation and the trait, which is a core aspect of TAT (Tett et al., 2021; Tett & Burnett, 2003).

By recognizing the existence of individual traits representing both the normative and instrumental pathways of STC, we can gain knowledge on individual-level factors that help explain why leaders choose to implement a substantive response from a dual-pathway perspective. For organizational leaders, the normative pathway is underpinned by the ethical and moral imperatives that compel them to act, suggesting that leaders with high prosocial motivation (a normative-oriented trait) are inherently inclined to respond substantively because the experience and interests of their stakeholders have intrinsic value (Donaldson, 1999; Durand et al., 2019; Valentinov & Hajdu, 2019). Conversely, the instrumental pathway encapsulates a utilitarian or strategic orientation, suggesting that leaders with high fear of failure (an instrumental-oriented trait) are driven to respond when negative feedback intersects with pragmatic organizational goals, such as maintaining a competitive advantage or protecting the firm from reputational damage (Barnett, 2007; Porter & Kramer, 2006).

In working contexts, TAT underscores the importance of recognizing some features of a situation (situational cues) that can amplify the expression of a trait (Tett et al., 2021; Tett & Burnett, 2003). Accordingly, we also examine how specific situational cues can intensify the impact of negative stakeholder feedback on the expression of prosocial

motivation and fear of failure. In doing so, we suggest that the dual normative-instrumental pathway is further nuanced by two situational factors—social cues and strategic cues—that moderate the potency of each trait, respectively (Fombrun & Stanley, 1990; Mitchell et al., 1997). Specifically, we propose that the effect of prosocial motivation can be strengthened or weakened, depending on the prevalence of social cues, in this case the social proximity of the stakeholder group alerting the organizational leader of the failing social performance, i.e., how close and visible the stakeholder group is to an organization's operations (Nason et al., 2018; Slawinski & Bansal, 2015). The closer the stakeholder group providing the negative social performance feedback, the higher the sympathy of the leader to their perspective and thus the moral evaluation of his/her actions (Batson, 1987; Bolino & Grant, 2016). For example, a normatively motivated leader might respond differently to feedback by employees, a prototypical proximal group, versus by community groups, a prototypical secondary group to the organization's functioning (Buysse & Verbeke, 2003; Hillman & Keim, 2001).

In turn, we expect that strategic cues interact with leaders' fear of failure because the level of strategic pressures can alter the perceived importance of negative feedback, thus influencing the strength of the response to negative social performance (Conroy, 2001; Elliot, 1997; Jones, 1995). As normative and instrumental pathways complement each other, we suggest that social and strategic cues converge to shape leaders' substantive responses and place their actions within a spectrum that integrates moral and strategic motives (Donaldson, 1999; Valentinov & Hajdu, 2019; Weitzner & Deutsch, 2019). We synthesized our theoretical model, depicting the theoretical normative and instrumental pathways and their specific operationalizations in the context of this study in Fig. 1.

3. Hypotheses development

3.1. Normative pathway: Prosocial motivation and substantive response

The normative approach to stakeholder engagement emphasizes the ethical obligation and intrinsic value of stakeholder interests, suggesting that organizational leaders who adopt this perspective are motivated by a profound regard for stakeholder welfare (Donaldson & Preston, 1995; Donaldson, 1999). Prosocial motivation is usually considered in the literature as a "trait-like other orientation" (Bolino & Grant, 2016, p. 613), and is defined as the motivation to "expend effort to benefit other people" (Grant, 2008, p. 48). This means that leaders with high prosocial motivation have a dispositional tendency to consider and attend to the needs of others, and to develop moral judgements about the intentions and effects of their actions on those others (Batson, 1987; Bolino & Grant, 2016). In an organizational setting, especially one of a younger organization whose leaders have likely had a defining role in its development, these "others" are the stakeholder groups that the organization impacts and is impacted by (Mcvea & Freeman, 2005).

As a prime example of a normative-oriented trait, prosocial motivation can be closely and positively linked to leaders' substantive responses to negative social performance feedback for several reasons. First, individuals with high levels of prosocial motivation have been found to be more likely to contribute to others' well-being (Bolino & Grant, 2016). This is possibly because they are intrinsically motivated to help others and are generally more attuned to the concerns and demands of others perceived to be in distress (Grant & Wrzesniewski, 2010). Second, individuals who have a high prosocial motivation do not want to let others down, while also feeling compelled to verify their perception of themselves as responsive and responsible towards others' expectations (Thielmann et al., 2020). Third, they will be more likely to exhibit greater perspective-taking (Miller et al., 2012), which renders more tangible the sense of well-being they can enjoy from acting in a responsive manner to stakeholders' concerns. Fourth, prosocial motivation plays a significant role in shaping individuals' responses to feedback, so that they are more likely to act up on it, even when such actions have negative implications for themselves (Korsgaard et al., 1997). Fifth, leaders with a strong prosocial motivation are more likely to engage in prosocial cost-benefit analysis when considering an organizations' stakeholders (Miller et al., 2012), influencing their decision to act substantively in the face of negative social performance feedback (Crilly et al., 2012; Durand et al., 2019). These leaders are inclined to

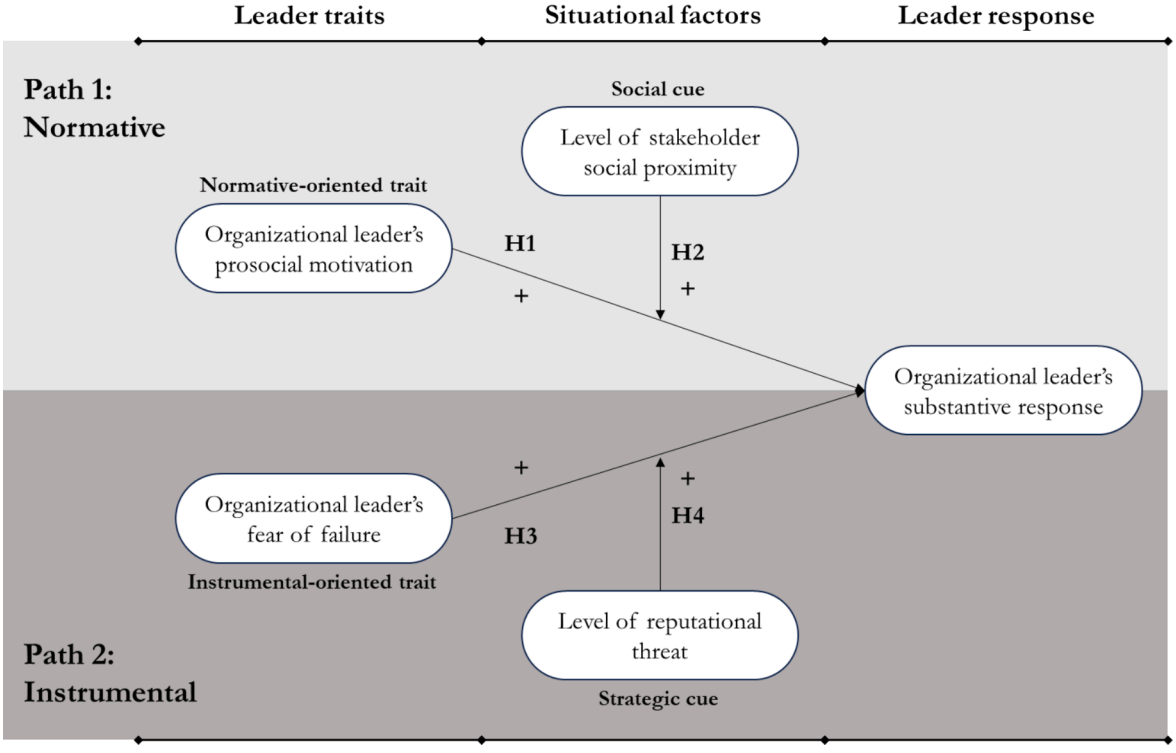

Fig. 1. Integrative model of organizational leader's substantive response to negative social performance feedback.

disregard the personal costs of taking action to alleviate others' concerns (Bolino & Grant, 2016), view the benefits of taking substantive action in response to stakeholder feedback as outweighing its costs (Durand et al., 2019) and eager to restore a perception of fairness toward stakeholders (Jones et al., 2007). Therefore, we predict that:

H1: *The stronger the organizational leaders' prosocial motivation, the more likely they are to respond substantively in a situation of negative social performance feedback provided by stakeholders of the organization.*

Prior research on prosocial motivation acknowledges that there is scope to trigger it through situational factors (Bolino & Grant, 2016). Since prosocial motivation is essentially other-oriented, who those *others* are and what their relationship to the individual is, would seem to be of paramount importance, as it creates differences in the level of attachment to and sympathy for others' concerns (Batson, 1987). For instance, it has been shown that enhancing the receptivity of staff to the benefits that their work brings to others is further positively moderated by personal contact with those others (Grant, 2012). Such personal contact provides proof of positive alleged benefits and strengthens individuals' expectations that their work matters to others. In contrast, "pro-sociality is ineffective when perspective-taking fails, leaving employees with an inaccurate understanding of what others need or want" (Bolino & Grant, 2016, p. 648). Therefore, close interaction with others facilitates mutual understanding and helps justify taking action to address their needs and improve their well-being. Indeed, proximity to others, such as among employees in an organization, has been shown to create greater awareness of, and empathy for others' suffering, followed by substantive action to alleviate such suffering (Dutton et al., 2006; Shepherd, 2015).

A similar relationship can be expected in the context of negative feedback from stakeholders. Stakeholders vary in terms of how frequently and closely they interact with leaders, with some groups having a proximal relationship and others a more distant, secondary one. In particular, prior literature has made distinctions between groups that are essential to an organization's survival versus those that are not (Buysse & Verbeke, 2003; Hillman & Keim, 2001). According to these conceptualizations, employees, for example, are a group that is close and typically in daily proximity to an organizational leader. In turn, secondary groups are those that do not necessarily influence an organization's core operations. A leader's communications with secondary stakeholders are therefore understood as occasional and voluntary, while dense and daily interactions are the norm with more proximal stakeholders (Buysse & Verbeke, 2003; Hillman & Keim, 2001). This is relevant for our theorization because stakeholder social proximity is generally expected to amplify a more caring response, as there is greater awareness of, and sympathy toward the interests and needs of proximal stakeholders. Indeed, several studies suggest that greater contact with stakeholders is important for improving leaders' responsiveness to their feedback (Crilly et al., 2012; Nason et al., 2018; Slawinski & Bansal, 2015). Consequently, for leaders who have a strong prosocial motivation, and thus expected to respond substantively to negative stakeholder feedback (Korsgaard et al., 1997), the social proximity of concerned stakeholders should act as a social cue that can further strengthen this natural proclivity. Proximal contact with the "wronged" stakeholder group allows for a greater awareness of their needs, likely amplifying leaders' perspective taking (Miller et al., 2012), consideration of fairness aspects (Jones et al., 2007), and perceived "net benefit" (i.e. benefits versus costs) (Durand et al., 2019) of substantive action. We therefore predict that:

H2: *Stakeholder social proximity will amplify the positive relationship between an organizational leader's prosocial motivation and their substantive response in a situation of negative social performance feedback provided by their stakeholders.*

3.2. Instrumental Pathway: Fear of failure and substantive response

The instrumental approach to stakeholder engagement emphasizes the utilitarian, strategic-oriented implications of receiving negative feedback on social performance, suggesting that organizational leaders who adopt this perspective are motivated to address the negative feedback as they fear a potential loss in performance or reputation for themselves and their organization (Conroy, 2001; Donaldson & Preston, 1995). Fear of failure has been defined as the motive disposition to avoid failure and/or avoid experiencing shame and humiliation as a consequence of failure (Atkinson, 1957; McClelland et al., 1953). It is a self-oriented trait that embraces a utilitarian judgment, namely an instrumental-oriented trait. Similar to prosocial motivation, fear of failure is a dispositional trait that can be stimulated by situations that push individuals to appraise a real or imagined change in their relationship with the environment (Lazarus, 1991). When the context is perceived as threatening and feared by individuals, it tends to be associated with consequences such as experiencing shame and embarrassment, devaluing their self-esteem, and having an uncertain future (Conroy, 2001; Conroy et al., 2002; Conroy & Hofer, 2003). Most of the research on fear of failure has been conducted within achievement domains (e.g., sports, education, performing arts, organization) to understand how individuals perform in tasks/contexts that offer the opportunity to succeed or fail and where their performance is subject to external evaluation (Cacciotti et al., 2016; Conroy, 2001; Martin & Marsh, 2003; Poczwardowski & Conroy, 2002). These studies report consistent findings in terms of the importance of fear of failure in guiding individuals to identify and modify behaviors to prevent demonstrations of incompetence following a performance evaluation.

Building on this research, we argue that within a situational context of negative social performance feedback, high fear of failure will bias top leaders' interpretations of the perceived benefits versus costs of substantive action (Durand et al., 2019), and motivate them to stop the exposure of their negative performance. While a negative social performance does not necessarily lead to negative financial performance and the subsequent collapse of the organization (Cacciotti et al., 2016), it is, nonetheless, likely perceived as poor management. This is particularly pertinent for top leaders whose decisions significantly impact organizational performance, emphasizing the critical role they play in managing and rectifying situations perceived as inadequate by stakeholders. Furthermore, research has suggested that stakeholders devalue organizations that fail to implement substantive responses to poor social performance (David et al., 2007; Zavyalova et al., 2012), and it is highly likely that more fearful leaders would expect greater backlash in case they do not respond substantively. Finally, as noted by Atkinson (1957), individuals who perceive themselves to be constrained in terms of remaining in an achievement situation discover that only one option is available to them to avoid failure: the successful completion of the task with which they are presented. This would apply particularly to top leaders who are already invested in their occupation and role, have greater visibility and ability to implement substantive changes and, thus, will consider a substantive response as a more suitable option to avoid failure (Cacciotti et al., 2016). We therefore predict that:

H3: *The higher an organizational leader's fear of failure, the more likely they are to respond substantively in a situation of negative social performance feedback provided by stakeholders of their organization.*

Prior research on fear of failure also acknowledges that there is scope to trigger it through situational factors (Morgan & Sisak, 2016). Since fear of failure is the tendency to appraise threats and feel anxious during situations that involve the possibility of failing and of loss (Cacciotti et al., 2016), knowing the intensity of threats is critical to understanding how people react to them from a situational perspective (Conroy, 2001; Elliot, 1997). Indeed, leaders' attention to situational factors has been long understood as dependent on the size and significance of such factors for an organization (Madsen & Rodgers, 2015; Ocasio, 1997). At the organizational level, a threat is defined as a situation where loss is likely and to which an appropriate strategic response must be tailored (Branzei et al., 2004; Crilly & Sloan, 2012; George et al., 2006). Threats can vary in intensity, and their consequences range from the short-term to the more permanent and irreparable, with the latter theorized as being more

likely to incite a substantive response (Bundy et al., 2013; George et al., 2006).

A threat can be particularly salient to leaders high in fear of failure, as this trait's expression intensifies in the presence of perceived threats, especially long-term threats stemming from low responsiveness to societal concerns that are difficult to undo (Cacciotti et al., 2016; Conroy, 2001). As these organizational leaders are more likely to interpret the negative social performance as carrying greater gravity than their less fearful counterparts, a long-term reputational threat is perceived to have consequences beyond their sense of self and self-esteem, including reduced opportunities for the organization to capture resources in the future, thus putting the firm's survival and prosperity at risk (Lebel, 2017). When potential losses of organizational performance are significant, long-term reputational threats become a strategic concern, enhancing the salience of negative social performance feedback (George et al., 2006) (Zavyalova et al., 2016). For leaders with a strong fear of failure, such threats serve as a strategic cue, as these leaders are likely to perceive a strong link between organizational and personal failure (Atkinson, 1957). Based on this trait-situation interaction, we suggest that these leaders will be more motivated to choose a substantive response that increases the chance of organizational survival, because they assess the threat as significant, while this behavior also allows them to protect their personal self-worth. Furthermore, given their investment in their occupation and role, leaders will be compelled to respond substantively to a threat of long-term reputational loss, because avoiding action or abandoning the situation are options that cannot be relied upon to minimize the chance of loss for the organization (Lebel, 2017). We thus posit that:

H4: *A long term reputational threat to the organization will amplify the positive relationship between an organizational leader's fear of failure and their substantive response in a situation of negative social performance feedback provided by stakeholders of their organization.*

4. Method

4.1. Data collection

This study draws on two waves of original survey data gathered from majority shareholding founders who are top leaders of 115 young (in years from founding) commercial organizations in Finland, as well as on financial data obtained from Bureau van Dijk's Orbis database. We designed the survey instruments in English and translated them into Finnish with the help of a professional research agency contracted to administer the data collection. We then had an independent researcher who is fluent in English and Finnish and not involved in the project scrutinize the translations. Any issues that were flagged up were discussed with the author team, and subsequently resolved to ensure that the connotations of the questions and items remained the same in both languages. The first wave of survey data collection (2018) included individual psychometric scales, which are used as independent variables in the analysis, and the second wave (2019) comprised a metric conjoint experiment to capture the dependent variable and situational factors. The first wave survey enabled us to isolate individuals' trait propensities unaffected by the experiment's situational variables, while the second wave experiment illuminated how situational variables interact with trait propensities.

We created the initial sample for the survey data collection by extracting from the Orbis database the names and contact information of the entire population of commercial organizations founded in Finland between 2005 and 2016. We intentionally chose to focus on relatively young organizations, in terms of age since founding, where we would have a greater opportunity to observe responses from top organizational leaders. In contrast, in older organizations decision-making might be more bureaucratic and more detached from the organizational leadership (Agle et al., 1999; McKelvie et al., 2011). Within the limits of our research resources, the research agency contacted a random sample of 1,453 (out of the 2,756 commercial organizations identified as eligible in the Orbis search) by telephone and asked to speak to the majority shareholder founder. Upon reaching that individual, the research agency explained the broad purpose of the study, confirmed that they were actively involved in the organization's top leadership, and asked for permission to send a link to an online questionnaire by email. A total of 409 respondents completed the wave-1 survey (response rate: 28 %). A research agency similarly contacted the same leader a year later by telephone to confirm their identity, status in the organization and encourage them to complete the wave-2 survey. The response rate in wave 2 was also 28 %, yielding a final analytic sample of 115 organizational leaders. The one-year gap between the two waves helped reduce common method bias, as well as related social desirability biases.

The top organizational leaders in the analytic sample are predominantly men (only 6 % women), on average 49 years old. All 115 are top leaders, as identified via the phone screening, with 83 being CEOs, 14 other top management team (TMT) members, 10 chairpersons of the board, 2 board members, 4 founders (despite not being CEOs, TMT or board members) and 2 none of the above.[1] Many of them (44 %) had founded a business venture prior to the current one, and they had accumulated an average of 16 years of work experience before starting their current business. The average age (since founding) of their organizations is 11 years, and they have on average 34 employees. The industry distribution (based on the European Commission's NACE rev. 2 classification; see Eurostat, 2008) shows 14 % manufacturing, 19 % construction, 14 % wholesale and retail trade, 13 % IT and other information services, 23 % professional services (legal, accounting, management, engineering, etc.), 7 % administrative and support service activities, with the remaining 10 % representing a variety of industry niches.

We controlled for non-response bias by comparing measures related to organization size (total assets and number of employees), liquidity (current ratio), and performance (ROE before tax, i.e. return-on-equity ratio) among the 409 organizations that responded to wave 1 as well as those remaining 2,359 organizations that were part of the population from which the sample was derived but did not participate in the study (Rogelberg & Stanton, 2007). The measures were obtained from the Orbis database. The differences in the means of liquidity and performance were not significant using conventional statistical thresholds ($p < 0.10$), whereas the non-participants proved to be enterprises which were larger on average than those that responded (mean of employees was 47). This is not surprising: it is often easier to speak to leaders of smaller organizations than to those of larger ones. In order to ensure that the size bias did not skew our results, we included organization size as a control variable in our regression model.

Moreover, we used the same measures to examine attrition bias between survey waves 1 and 2. The organizations that participated in both waves did not differ significantly from those that only participated in wave 1. We also analyzed attrition bias based on personal attributes available in our data: whether the respondent was the CEO or not; whether they had prior start-up experience; their age; and work experience in years. The only significant difference pertains to work experience: using work experience measured in wave 1, those who opted out of wave 2 had an average of 15 years of work experience (at wave 1), whereas the average for those who participated in both waves was 16 years (at wave 1). To ensure that this difference does not bias our results, we ran a version of our principal regression model with work experience as an additional control variable. We found that its inclusion had no effect on the model results.

[1] Some held multiple roles but for simplicity we mention here only their first role in this order: CEO, TMT member, chairperson, member of board, founder.

4.2. Variables

4.2.1. Dependent variable and Moderators: Conjoint experiment (Wave 2)

We chose to apply a conjoint design because collecting observational data on responses to negative social performance feedback would have been prohibitively difficult, given their infrequent occurrence and sensitive nature in most organizations. Conjoint experiments are scenario experiments[2] that are especially well-suited to decomposing the influence of multiple variables on a decision-making task (Green & Srinivasan, 1990; Lohrke et al., 2010) by inferring preferences rather than relying on statements of preferences (Bachrach et al., 2020), while also incorporating trade-offs related to a decision-making situation.

Conjoint experiments estimate how multiple "attributes" (i.e. variables), and multiple "levels" of such attributes, affect individual's preferences and hypothesized choices (Shepherd et al., 2013, p. 1257). For example, to test if characteristics of a venture capitalist influence their decision to invest in an entrepreneurial team or not, Franke et al. (2006) identified different attributes, such as age, level of education, and field of education of the venture capitalist. Furthermore, they set different "levels" for these variables – for example, levels of age of the venture capitalist were set at a) less than 30, b) between 30 and 40, and c) above 40 years. In conjoint experiments, each scenario, which is akin to a small story, incorporates all attributes, while the levels of these vary across scenario, so that each scenario constitutes a unique combination. A conjoint experiment can thus mimic real-time decision-making, thereby reducing the risk of the post-hoc rationalizations common to many other types of research (Lohrke et al., 2010; Wood et al., 2014). It can also minimize social desirability bias, as multiple scenarios make it hard for respondents to decipher the most socially desirable answer to a given question, as compared to methods that measure the influence of each attribute on the dependent variable separately (Adams et al., 2018; Hainmueller et al., 2015; Horiuchi et al., 2020).

The scenarios in our design consist of three attributes, each of which includes two possible levels. We applied a fractional factorial design, in which all possible combinations of levels and attributes are included, yet only some scenarios are presented to any given respondent (Green, 1974). Fractional factorial designs are frequently used in organization studies (e.g., Schillebeechx et al., 2016; Shepherd et al., 2013) as full factorial designs (where all possible scenarios are presented to every respondent) can increase the cognitive load on respondents and lead to fatigue and boredom (Aiman-Smith et al., 2002; Green & Srinivasan, 1990). In our study, each respondent rated four out of the eight possible scenarios. Table 1 presents the conjoint experiment design including the instructions provided to the respondents, the scenario attributes and levels, a sample scenario, and the question used to capture the likelihood of substantive response to negative social performance feedback following each scenario.

The dependent variable—the likelihood of opting for a substantive response in a situation of negative social performance feedback—was operationalized on the basis of prior state-of-the-art theorizing that identifies actual changes in processes of decision-making, operations and human resource management as substantive in nature (Crilly et al., 2012; Durand et al., 2019). A substantive response is accordingly one that involves "significant changes that …are not easily reversible" in response to stakeholder feedback (Durand, p 300), and which are related to components of "the core of organizations" such as "social responsibility-related criteria in the performance appraisal of individual managers… and the integration of CSR in strategic decision making and in operating processes" (Crilly et al., 2012, p. 1434). Following these works, we formulated our dependent variable in theoretically grounded yet accessible language for use in the conjoint experiment scenarios as "adopting or reinforcing socially responsible procedures in strategic decision-making, operations and human resource management" (see also Table 1). The addition of the phrase "taking into account your available resources and time constraints" made the decision more comparable to a real-life situation, where substantive action is costly (Durand et al., 2019).

Table 1
Conjoint experiment design.

Instruction preceding the presentation of the scenarios: "Imagine that your organization is faced with the following four different scenarios of negative social performance feedback. The term *social performance* refers to the socially responsible conduct of a business enterprise. Negative feedback on social performance could include issues such as employee discontent, conduct with customers and suppliers that is perceived as unfair, and activities that are detrimental to the development of the local community."

Attribute	Level	Operationalization
Stakeholder interaction	High	Your organization has received negative feedback on its social performance from concerned employees.
	Low	Your organization has received negative feedback on its social performance from concerned community groups.
Perception of threat	High	This feedback could lead to long-term reputational loss for your organization.
	Low	Your organization could face short-term reputational loss due to this feedback.
Focal organization's centrality on issue	High	You are the only organization in your industry that has received negative social performance feedback.
	Low	Several of your competitors have received similar feedback.

Sample scenario: "Your organization has received negative feedback on its social performance from concerned employees. This feedback could lead to long-term reputational loss for your organization. You are the only organization in your industry that has received similar feedback.".
Dependent variable asked after each scenario: "How likely are you to act on this social performance feedback, taking into account your available resources and time constraints, by adopting or reinforcing socially responsible procedures in strategic decision-making, operations and human resource management?" (very unlikely to very likely).

In conjoint analysis the use of a single-item operationalization of the dependent variable is customary, as what is measured is the likelihood of a concrete and definite decision taken, instead of an overarching construct that synthesizes multiple dimensions (Bachrach et al., 2020). Similar approaches have been commonly used in prior studies utilizing conjoint experiments to proxy real-life decision-making situations (e.g., Choi & Shepherd, 2005; Schillebeechx et al., 2022; Shepherd et al., 2019). In conjoint designs, reliability results from comparisons between scenarios, rather than from multiple items and factor analysis (Wood et al., 2014). The dependent variable has four categories: very unlikely, somewhat unlikely, somewhat likely, and very likely. In general, measuring the dependent variable with a Likert-type likelihood scale is an established way in conjoint experiments (Choi & Shepherd, 2005; Shepherd et al., 2019), as Likert scales are well suited to capturing sufficient variance in decision-making in a realistic way (Aiman-Smith et al., 2002).

Furthermore, the conjoint experiment captured two *moderating variables*: stakeholder social proximity and reputational threat. In conjoint experiments, variables ("attributes") are reflected through sentences or descriptions that are part of the scenario. As is typical for conjoint designs, we intentionally vary such attributes' "levels" of intensity (Green,

[2] Scenario or vignette experiment is a broad term for the use of fictional mini stories to elicit responses or behavior from participants, which might or might not use a conjoint methodology (Hainmueller et al., 2015). While in management studies, conjoint experiments are more common, including multiple attributes and levels of these in scenarios and conducting a multivariate analysis of the resulting data (e.g., Schillebeeckx et al., 2022; Shepherd et al., 2013), in disciplines such as political science it is also common to use scenarios that are based on one attribute and/or levels per attribute (Hainmueller et al., 2015; Werner & Muradova, 2022) and to analyze the data through t-tests, ANOVA or other nonparametric tests (Steiner et al., 2016).

1974; Shepherd et al., 2013), rather measuring their variance as it naturally occurs in the real world, for example through a scale. We operationalize the moderating variables on the basis of prior academic theorizing translated into intuitive and accessible language, to preserve the great strength of a conjoint experiment: the emulation of a real-life decision-making situation (Green & Srinivasan, 1990; Hainmueller et al., 2015; Lohrke et al., 2010).

Specifically, we proxy the social proximity of the concerned stakeholder group by selecting two groups that are clearly distinct in terms of their social proximity for leaders. According to influential conceptualizations proffered by STC scholars (Buysse & Verbeke, 2003; Hillman & Keim, 2001), proximal stakeholders include groups formally interacting with the organization on a regular basis, such as employees, suppliers or customers, while secondary stakeholders are those with less formal and more ad-hoc interactions with the organization, such as media, special interest and community groups. We consequently chose employees and community groups to reflect two prototypically distinct levels of stakeholder social proximity. Employees are internal to the organization, essential to its existence, and in constant physical and organizational social proximity with the organizational leader over the course of daily work. In contrast, community groups are external to the organization, secondary to its main activity, and their function results in occasional communications, not daily ones (Buysse & Verbeke, 2003; Hillman & Keim, 2001).

The second moderating variable–reputational threat–refers to a concrete and critical loss that can affect both the legitimacy and resources of organizations and their representatives (Crilly et al., 2012). The gravity of the threat was varied depending on its possibility to cause long-term damage of strategic consequences. Long-term reputational threat was operationalized as the potential of long-term reputation loss for the organization, which implies damage that is difficult to reverse (George et al., 2006; Zavyalova et al., 2016). Short-term reputational threat, conversely, was defined as the potential of short-term reputation loss, and thus a threat of lesser strategic gravity.

4.2.2. Independent variables: rating scales (Wave 1)

The independent variables of the study were measured in wave 1 using self-administered rating scales. Prosocial motivation related to an organizational context was operationalized with Grant's (2008) 4-item scale. This scale has become the most common measure of the construct in recent organizational scholarship, and has been successfully employed in multiple successive studies on the topic (e.g., Grant & Berry, 2011; Grant & Wrzesniewski, 2010). Sample items included: *It is important to me to do good for others through my work* and *I want to have a positive impact on others through my work*. The items were measured using 7-point rating scales anchored by *disagree strongly* (1) and *agree strongly* (7). The Cronbach's alpha coefficient for the four items is 0.92. Fear of failure was measured using the 5-item Performance Failure Appraisal Inventory (Conroy et al., 2002; Drover et al., 2014). This is a measure that has been widely used to assess fear of failure as a stable trait in multiple achievement domains (Conroy et al., 2002; Mitchell & Shepherd, 2010). The 7-point rating scale was anchored by *do not believe at all* (1) and *believe 100 % of the time* (7). Sample items included: *When I am failing, I worry about what others think of me* and *When I am failing, it upsets my plan for the future*. Cronbach's alpha for this scale in our sample is 0.80.

We examined the discriminant validity of the multi-item measurement scales by means of confirmatory factor analysis. A two-factor solution in which the items load on their intended constructs showed superior fit compared to a model where all items load on one factor (chi-squared test with one degree of freedom: 512.3, $p < 0.001$). Moreover, the average variance extracted scores for the two latent variables are clearly greater than their squared correlation. Therefore, we deemed it safe to conclude that prosocial motivation and fear of failure are statistically two distinct constructs. We computed an index score for each by averaging the respective item ratings.

4.2.3. Control variables

Our choice of control variables includes several situational, organizational, and individual factors to avoid over- or underestimating the effects of the variables of interest due to omitted variable bias. The control variables were derived from both survey waves and from the Orbis database. Each of the control variables was expected to correlate with the dependent variable and, possibly, one or more of the independent variables.

First, we controlled for the centrality of the negative social performance feedback for the organization within the conjoint experiment: whether it is the only one in its industry to receive such feedback, or whether its competitors have been subject to similar feedback. This aspect is understood as likely having a direct effect on the decision to respond substantively (Litrico & David, 2017). It was therefore deemed important to include in our analysis so that we could establish the moderating effects of our model above and beyond the direct effect of centrality. We included centrality within the conjoint experiment because it is a situational variable.

Second, given that past behavior is one of the strongest predictors of future behavior (see Conner & Armitage, 1998 for a review), we controlled for it by asking the respondents whether they had in the past implemented a substantive response similar to the actions described in the dependent variable. This question was asked in survey wave 2 right after the conjoint experiment.

Third, because the level of identification with an organization can vary from one organizational leader to another (Bartel & Wiesenfeld, 2013), those identifying more with their organization might be more likely to respond substantively to negative feedback (Conger et al., 2018). We therefore used the validated 8-point visual scale developed by Bartel and Wiesenfeld (2013) to control for the level of organizational identification. The scale was administered in survey wave 2 after the conjoint experiment.

Fourth, we controlled for organizational factors by using data extracted from the Orbis database. Because resource mobilization costs are a key deterrent to undertaking substantive responses (Durand et al., 2019), we used the return-on-equity ratio (ROE) to proxy the objective availability of financial resources.

Fifth, in larger or older organizations a substantive response might be more costly, as its implementation would involve a larger number of staff than in smaller organizations, or because it would have to address more ingrained practices and routines that are hard to change. We therefore control for organization size, operationalized as the log of the number of employees, and organizational age operationalized as years since founding.

Finally, we included in the analysis whether the respondent is a CEO and whether they have prior experience in founding an organization. Being a CEO and having prior founding experience represent increased executive power (Wasserman, 2006, 2017), which could facilitate the ability to make and enforce more difficult organizational decisions, such as the decision of a substantive response in the face of negative stakeholder feedback.

4.2.4. Common method bias

We controlled for common method bias in the study design phase (Podsakoff et al., 2003). We used different sources of data by combining primary survey data with information derived from the Orbis database. Moreover, even though the source of information for the independent and dependent variables is the same person, there was a gap of one year between the measurement of those variables. The measurement techniques for the independent and dependent variables were also different: the former were measured with multi-item rating scales, whereas the latter emerged from the conjoint experiment.

5. Results

Table 2 provides the means, standard deviations, and pairwise

Table 2
Descriptive Statistics and Pairwise Correlations.

	Min	Max	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. DV: likelihood of substantive response	1	4	2.87	0.85	1								
2. Prosocial motivation	1	7	5.70	0.95	0.25*	1							
3. Fear of failure	1	6.40	3.03	1.08	0.08	−0.02	1						
4. Past substantive response	0	1	0.88	0.33	0.14*	0.10*	−0.00	1					
5. Organizational identification	1	8	5.58	1.24	0.05	0.17*	−0.17*	−0.12*	1				
6. ROE	−565.46	715.21	15.47	139.04	0.08	0.00	−0.05	−0.04	0.12*	1			
7. Organization size	10	241	33.78	35.05	−0.01	0.04	−0.04	−0.03	0.05	−0.01	1		
8. Organization age	3	14	8.96	3.05	−0.07	−0.13*	0.00	0.06	−0.04	−0.17*	−0.37*	1	
10. CEO	0	1	0.72		0.14*	−0.02	−0.14*	0.12*	−0.05	−0.14*	−0.05	−0.14*	1
11. Prior founding experience	0	1	0.42		−0.8	0.03	0.08	0.04	−0.12*	−0.12*	0.04	−0.05	0.16*

Notes: 115 organizations. Correlation coefficients are Spearman's rhos. * $p < 0.05$. This table omits the variables stakeholder interaction, perception of threat, and focal organization's centrality on issue because these were part of the conjoint experiment conditions.

correlations for all variables included in the analysis except for the three scenario variables, which were purposefully set at different "levels" of variance in the conjoint experiment. The correlation coefficients reported are Spearman's *rhos* because the dependent variable is ordinal rather than continuous. The correlations are moderate, suggesting that multicollinearity is not a serious issue in our analysis.

Because the dependent variable comprises four distinct levels of likelihood of engaging in substantive actions in a situation of negative social performance feedback, we opted to use ordinal logistic regression to estimate our model. A comparison of the Akaike and Bayesian information criteria between ordinal and linear model specifications clearly favored the ordinal specifications. We computed cluster-robust standard errors as each respondent rated four scenarios in the conjoint experiment, and, hence, within-respondent ratings are not independent. Table 3 displays the logit coefficient estimates, their cluster-robust standard errors, *p*-values for the conservative two-tailed test, as well as odds ratios as effect size measures.

Model 1 in Table 3 presents the results for the conjoint experiment and control variables. Model 2 adds the independent variables measured in survey wave 1 to the equation, whereas Model 3 additionally estimates the interaction effects. Model 4 includes all previously mentioned effects while excluding all control variables. The purpose of this model specification is to show that the main results are robust and not artefacts caused by the control variables (Bernerth & Aguinis, 2016).

In Model 2, prosocial motivation has an effect size (odds ratio 1.52) of a similar magnitude to the scenario variables, and its coefficient is significant at $p = 0.042$. These metrics together suggest support for Hypothesis 1. However, we further argued that the effect of prosocial motivation on the likelihood of substantive response is conditional on the social proximity of the stakeholder group from which the organization receives the feedback. Specifically, we hypothesized that feedback coming from employees—a proximal group for the organizational leader—amplifies the effect of prosocial motivation on the likelihood of substantive response. The interaction term in Model 3 is not significant at any conventional threshold level ($p = 0.134$), which suggests that there is no significant difference in the coefficient of prosocial motivation when the stakeholders are employees compared to when they are community groups. We therefore conclude that Hypothesis 2 is not supported.

The effect size for fear of failure in Model 2 is 1.17, which is clearly smaller than the one for prosocial motivation or the scenario variables. The coefficient is also not statistically significant. Therefore, Hypothesis 3 does not receive support from our data. We further hypothesized that the effect of fear of failure on the likelihood of substantive response would be conditional on whether the organization faces long-term or short-term damage to its reputation. The interaction coefficient in Model 3 is statistically significant ($p = 0.010$). This suggests that the effect of fear of failure is conditional on the level of reputational threat. We followed Ai and Norton (2003) and computed the average marginal effect (AME) of fear of failure on the likelihood of a substantive response for each level of reputational threat (Fig. 2). The effect is positive and significant (AME=0.07, $p = 0.024$) when a long-term reputational threat is present in the conjoint scenario, whereas the effect is almost zero (AME=0.01, $p = 0.752$) when the reputation threat is short-term in nature. This finding clearly supports Hypothesis 4 (see Fig. 2). The estimates in Model 4 show that the substantive results relevant for the hypothesis tests remain the same even when all control variables are excluded.

Finally, while beyond the theoretical scope of our model, it is important to note that the two situational factors of stakeholder social proximity and long-term threat, as well as the control variable of centrality, have direct positive and significant effects on the likelihood of a substantive response in Model 3. We can therefore expect a higher likelihood of a substantive response when a) the organizational leader interacts with a proximal group of stakeholders providing the negative feedback, b) perceives the potential reputational threat to be longer lasting, and c) the organization is the only one in its industry receiving such feedback. These effects are independent of the stable traits of the organizational leader and thus additional to the effects we directly hypothesize in our study.

6. Discussion

This article investigated how and to what extent prosocial motivation and fear of failure determine organizational leaders' substantive response to negative social feedback. This is a critical issue, as organizations' substantive actions to improve social performance require considerable effort and are rare (Durand et al., 2019). Our theorization that specific organizational leaders' traits are important in predicting the likelihood of such behavior is confirmed. Specifically, we find that leaders with higher in prosocial motivation (a normative-oriented trait) and fear of failure (an instrumental-oriented trait)—the latter under long-term reputational threat—are more likely to consider implementing a substantive response to negative stakeholder feedback.

Furthermore, we find that leaders' traits operate in different manners. Leaders with higher prosocial motivation are more inclined to consider adopting a substantive response without the presence of stakeholder social proximity, conceptualized in our study as an important social cue in the context of stakeholder feedback. In contrast, the effect of an organizational leader's fear of failure on the likelihood of a decision to implement a substantive response depends on the further presence of the strategic cue of long-term reputational threat to the organization. These findings support the dual-path framework of normative and instrumental traits (Donaldson & Preston, 1995; Valentinov & Hajdu, 2019), illustrating how normative-oriented and instrumental-oriented traits can independently drive leaders' actions based on ethical-relational and utilitarian-strategic considerations (see Fig. 1). By examining both individual traits and situational factors, we also provide a clearer picture of their combined influence on leaders' responses to social performance feedback, thereby paving the way for a

Table 3
Ordinal Logistic Regression Estimates Pertaining to the Likelihood of Choosing a Substantive Response in a Situation of Negative Social Performance Feedback.

	Model 1 – Coef (SE) *p* [OR]	Model 2 – Coef (SE) *p* [OR]	Model 3 – Coef (SE) *p* [OR]	Model 4 – Coef (SE) *p* [OR]
Independent variables				
Prosocial motivation		0.41 (0.20) 0.042 [1.52] *	0.57 (0.23) 0.015 [1.68] *	0.53 (0.20) 0.010 [1.69] *
Fear of failure		0.14 (0.17) 0.425 [1.23]	0.06 (0.18) 0.752 [0.99]	−0.04 (0.17) 0.835 [0.97]
Moderators				
Stakeholder social proximity	0.41 (0.17) 0.015 [1.51] *	0.48 (0.17) 0.005 [1.60] **	0.47 (0.17) 0.006 [1.62] **	0.43 (0.17) 0.010 [1.54] *
Long-term threat	0.33 (0.14) 0.020 [1.39] *	0.32 (0.15) 0.029 [1.37] *	0.32 (0.14) 0.027 [1.40] *	0.26 (0.13) 0.057 [1.29]
Interaction terms				
Prosocial * stakeholder			−0.26 (0.17) 0.134 [0.79]	−0.19 (0.16) 0.233 [0.83]
Fear of failure * threat			0.30 (0.12) 0.010 [1.36] *	0.33 (0.11) 0.003 [1.40] **
Controls				
Centrality	0.52 (0.15) 0.000 [1.68] ***	0.57 (0.15) 0.000 [1.69] ***	0.53 (0.15) 0.000 [1.79] ***	
Past substantive response	0.76 (0.38) 0.038 [2.14] *	0.42 (0.44) 0.340 [1.64]	0.46 (0.44) 0.293 [1.48]	
Organizational identification	0.12 (0.13) 0.357 [1.13]	0.08 (0.13) 0.530 [1.11]	0.10 (0.13) 0.439 [1.09]	
ROE	0.00 (0.00) 0.639 [1.00]	0.00 (0.00) 0.843 [1.00]	0.00 (0.00) 0.571 [1.00]	
Organization size (log)	−0.10 (0.24) 0.679 [0.90]	−0.04 (0.25) 0.843 [0.92]	−0.09 (0.26) 0.739 [0.95]	
Organization age	−0.05 (0.05) 0.354 [0.95]	−0.03 (0.06) 0.602 [0.97]	−0.03 (0.06) 0.647 [0.97]	
CEO	0.60 (0.37) 0.106 [1.82]	0.74 (0.37) 0.050 [2.22]	0.80 (0.37) 0.032 [2.10] *	
Prior founding experience	−0.38 (0.31) 0.211 [0.68]	−0.34 (0.31) 0.262 [0.64]	−0.45 (0.30) 0.134 [0.71]	
Cut 1	−0.86 (1.25)	2.12 (1.98)	−0.92 (1.46)	−1.97 (0.24)
Cut 2	0.80 (1.25)	3.85 (2.01)	0.82 (1.47)	−0.30 (0.19)
Cut 3	2.31 (1.26)	5.42 (2.02)	2.40 (1.47)	1.18 (0.21)
McKelvey & Zavoina R^2	0.10	0.14	0.16	0.08
Log pseudolikelihood	−571	−560	−557	−575

Notes: 460 observations on 115 organizations. SE stands for cluster-robust standard error. *p*-values are based on the two-sided test. OR denotes odds ratio. Prosocial motivation and fear of failure are mean-centered in Model 3. *, ** and *** flag up coefficients that are significant at the conventional levels of 5%, 1% and 0.1%.

more nuanced understanding of the microfoundations of social performance literature (Durand et al., 2019; Nason et al., 2018; Weaver et al., 1999b).

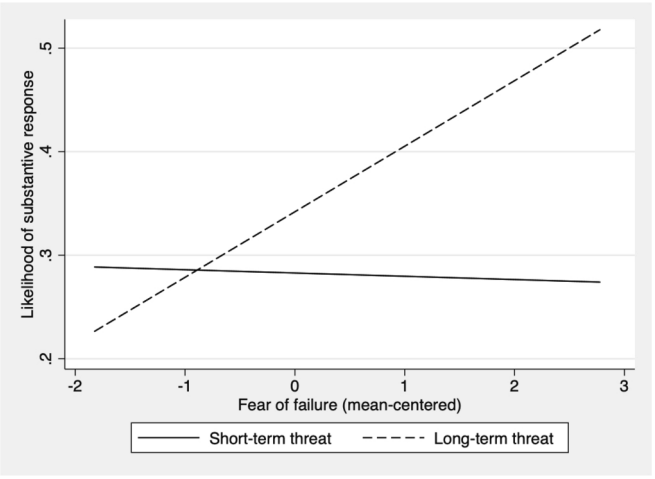

Fig. 2. Average Marginal Effect of Fear of Failure on the Outcome 'Very Likely to Take Substantive Response' in a Situation of Negative Social Performance Feedback When Reputational Threat is Long- versus Short-Term *Note.* The average marginal effect of fear of failure on the likelihood of substantive response is 0.06 (SE=0.03, $p = 0.048$) when threat is perceived to be long-term, and it is −0.00 (SE=0.03, $p = 0.926$) when the threat is perceived to be short-term.

6.1. Theoretical contributions

This study's findings complement those of the body of research that considers the antecedents to organizational leaders' responses to negative social performance feedback. Given the increasing concern with commercial organizations' ethical and pragmatic obligation to mitigate their negative impact on society (Freeman et al., 2007; Porter & Kramer, 2006; Waddock et al., 2002) and to positively remedy instances of organizational misconduct (Hersel et al., 2019), generating fine-grained insights and predictions of the substantive response to negative social performance feedback is vital. We contribute to prior literature (Agle et al., 1999; Durand et al., 2019; Hengst et al., 2019) by answering calls for the identification of specific individual factors and their interaction with situational factors to explain our focal outcome of substantive response (Hersel et al., 2019). In doing so, we conceptualize and then illustrate how a dual-path framework of normative and instrumental trait-situation interactions can shape leaders' responses to social performance feedback, thereby enhancing our understanding of how individual and situational factors determine organizational leaders' substantive response to negative social performance feedback (Durand et al., 2019; Nason et al., 2018; Weaver et al., 1999b).

6.1.1. Different traits matter

Building on this dual-path framework, we assert that individual level factors do matter, at least for organizational leaders of relatively young organizations (in years since founding), which tend to be less encumbered by bureaucratic and financial market pressures than their older counterparts (Agle et al., 1999; McKelvie et al., 2011). First, we show that two specific traits, prosocial motivation (used as a prime example of a normative-oriented trait) and fear of failure (used as a prime example of an instrumental-oriented trait), are strong enough to influence leaders' behavior (Durand et al., 2019; König et al., 2020), supporting the existence of alternative but complementary paths to the choice of a substantive response to negative social performance. Moreover, while existing research helps to clearly see a substantive response to negative social performance feedback as the behavioral expression of those with a normative orientation to helping others, its relationship with fear of failure is more intriguing. The behaviors aimed at tackling ethical and social issues are not necessarily performed by individuals who are inherently socially motivated. On the contrary, the need to rectify social

issues can be rooted in more instrumental considerations, as stakeholder theory also assumes (Donaldson, 1999).

Leaders who have a high fear of failure can also be motivated by the desire to invest time and resources to save their personal and organizational reputation by engaging in substantive responses to negative social performance feedback. This is very relevant for the nature and role of fear of failure in the strategy and organization literature, as fear of failure is usually depicted as a negative trait, one that hampers innovative initiatives (Cacciotti & Hayton, 2015). By showing its influence on substantive responses, we open the opportunity of considering fear of failure as a motivation for leaders to take actions to address stakeholders' concerns and minimize their impact on an organization's financial performance. We encourage future research to investigate this relationship further, including other types of instrumental-oriented traits, as well as traits that operate differently regarding their affective disposition and their underlying motivating mechanism them (e.g., approach vs. avoidance; intrinsic vs. extrinsic motivation) (Elliot & Thrash, 2002; Tett et al., 2021). While fear of failure is based on a negative emotionality, triggering avoidance tendencies (Atkinson, 1957; McClelland et al., 1953), there are other instrumental-oriented traits that are built on positive underlying emotions (triggering approaching tendencies), such as achievement orientation (Elliot & Harackiewicz, 1994). These differences in behavioral dispositions among individuals, can be helpful to introduce variance in terms of the strength of the interactions between individual traits and situational factors that we propose in our theoretical framework (i.e., normative-oriented traits x social cues, and instrumental oriented traits x strategic cues), helping to better understand how they operate in the context of improving the social performance of a firm (Durand et al., 2019; Nason et al., 2018; Weaver et al., 1999b).

6.1.2. Considering traits in context

Second, we provide strong support for the idea that individual factors should be considered vis-à-vis situational ones to extend our understanding of how leaders respond to negative social performance feedback (Agle et al., 1999; Durand et al., 2019; König et al., 2020). Prior research has often treated traits and situational factors separately (e.g., Bundy et al., 2013; König et al., 2020), but our study emphasizes the need to consider both elements in tandem. This integrated approach offers a more comprehensive framework for understanding the microfoundations of social performance (Durand et al., 2019; König et al., 2020; Miller et al., 2012), as it accounts for the complex interplay between individual factors and situational influences. In particular, we suggest that the presence of social and strategic cues might be important for understanding the differential impact of normative-oriented and instrumental-respective traits, respectively (Donaldson & Preston, 1995; Valentinov & Hajdu, 2019), as they can enhance the expression of each type of trait and thus amplify its potential impact on leaders' decision-making and behavior.

In alignment with this line of thought, our findings highlight the need to theorize in greater detail the direct and indirect pathways that lie within the black box of organizational leaders' decision-making (Donaldson, 1999; Harrison et al., 2022; Phillips et al., 2019). Normative traits, such as prosocial motivation, might be particularly important because they can increase the likelihood that organizational leaders will implement a substantive response to negative stakeholder feedback (Batson, 1987; Bolino & Grant, 2016). Because of the inherent value that leaders with predominantly normative-oriented traits assign to stakeholders, such traits may rely little on being expressed thanks to their interaction with specific social cues and can thus be particularly valuable to ensuring consistent substantive responses to negative feedback. In contrast, we observe that instrumental-oriented traits, such as fear of failure, assume a latent role and rely largely on the presence of strategic cues. In sum, we expand the understanding of organizational leaders' decision-making in the context of social performance feedback (Hersel et al., 2019) by advancing the notion that traits may operate through different pathways in connection with different situational cues.

6.2. Practical implications

In an era when the aggregate negative repercussions of business on society are being acutely problematized, organizations' substantive efforts on the path towards stakeholder capitalism (Freeman et al., 2007) are an outcome of potentially critical societal importance.

Our finding that top leaders scoring highly on prosocial motivation are more likely to be responsive to stakeholder concerns suggests that policymakers could more actively support such leaders. For instance, rather than funding or subsidizing aspiring leaders and their commercial organizations based exclusively on their stated financial projections, policymakers could develop concrete criteria that assess leaders' and organizations' societal objectives. This might be particularly relevant for younger (in years since founding) organizations, which can be more critically impacted by their leadership (Agle et al., 1999; McKelvie et al., 2011). Similarly, policymakers as well as professional associations, communities and other stakeholders for whom the long-term social performance of commercial organizations is an important goal, could actively promote positive role models through the provision of awards and other types of recognition to prosocial leaders who have shown evidence of taking into account social performance.

In addition, stakeholders considering how to best influence leaders' actions to improve an organization's social performance should bear in mind that several approaches may be beneficial. If stakeholders perceive that the organizational leader they seek to influence is driven by a genuine normative orientation, then providing negative social performance feedback might be sufficient in itself. In contrast, if stakeholders perceive that an organizational leader resists such feedback yet potentially fears repercussions (i.e., has a more instrumental orientation), then they could attempt to stimulate them to implement a substantive response by emphasizing the long-term impact of unresponsiveness on their organization's standing.

Our findings may also be relevant for organizational leaders themselves. Awareness of how traits influence decision-making in terms of social performance, and under which conditions this occurs, can serve as valuable insight. Namely, it is important that leaders who are highly prosocial, or normatively oriented, realize that they might inadvertently be biased disproportionally towards taking substantive action, possibly at the expense of other pragmatic considerations. Similarly, leaders who exhibit a high sense of fear of failure, or an instrumental orientation, and face the possibility of long-term reputational threats should be aware of their strong tendency to respond substantively, and balance their individual tendencies against the broader aims and priorities of their organization.

While stable traits are somewhat difficult to change intentionally, prosocial motivation can also be cultivated as a state (Bolino & Grant, 2016). Leaders who wish to become more responsive to societal concerns could intentionally develop their prosociality by, for example, reading relevant books (Grant, 2013) or attending workshops or conferences on the topic. In doing so, they could learn from the experiences of respected prosocial leaders in their respective organization or industry and develop a greater understanding of prosocial leadership's relation to organizational decision-making and social performance.

6.3. Limitations and future research

Our study is not without limitations. Specifically, our sample was generated in one geographic location (Finland) and consists chiefly of male top organizational leaders, reflecting the prevalent underrepresentation of women amongst such leaders in many contexts. Furthermore, the organizations included in the final sample were on average somewhat smaller (34 employees) than the average for non-respondents (47 employees). While we controlled for these variables in our analysis, it could be that the mechanisms we have observed vary

somewhat for organizational leaders who are women or who operate in other locations or within considerably larger organizations. It is therefore important that future studies further examine the effects of gender, culture, and organizational size on the relationships explored in this study.

Additionally, our final sample is relatively limited. In contrast to studies surveying larger samples of students, consumers, paid respondents, or file-and-rank employees of organizations, studies based on samples of leaders (less available) that also use a conjoint design (relatively lengthy) tend to be well under 100 participants (e.g., Drover et al., 2014; Franke et al., 2006; Shepherd et al., 2013), even when they are cross-sectional. Therefore, for our methodology, including the choice of a longitudinal design, our sample is on par with comparable studies, and well positioned to add insights to the cumulative body of research on the topic. Nevertheless, a larger sample and/or alternative operationalizations applied to the relationships we examine could shed light on whether non-supported hypotheses are evidence of these relationships not existing in empirical reality, or of sample size limitations or of the specific operationalizations we employed. A larger sample could also be amenable to additional reliability checks such as a holdout analysis (Pappas, 2019; Wu et al., 2014). Furthermore, while conducting the data collection over two waves was a necessity for reducing common method and social desirability biases, and reducing the cognitive load on respondents, the time lag between the two waves was rather lengthy at about a year. While we consider our design superior to a single-wave design, future studies could try to replicate the findings using a shorter time lag, for instance, 3–6 months.

While conjoint experiments are considered a superior method for gauging *in use* responses that minimize post-hoc rationalization and social desirability biases (Adams et al., 2018; Drover et al., 2014; Hainmueller et al., 2015; Horiuchi et al., 2020), they are hypothetical in nature. Nevertheless, scholars have reported high correlations between simulated decisions derived from conjoint experiments and actual behavior, thus suggesting a high overall external validity of the method (Hainmueller et al., 2015; Riquelme & Rickards, 1992). As McKelvie et al. (2011, p. 289) point out, "there is evidence that even in the most artificial situations, conjoint analyses significantly reflect the decision policies individuals actually use." However, the use of additional methods or measures could further corroborate our conclusions.

Finally, we hope that this study is the beginning of a more nuanced and detailed understanding of the microfoundations of responses to social performance. Exploring further combinations of individual traits and situational cues based the proposed dual-path framework (Fig. 1), as well as theorizing the varying nature of traits (e.g., personality traits, other motivational constructs) (Bleidorn et al., 2010) and of situational cues (e.g., demands, constraints, releasers, or discretionary) (Tett & Burnett, 2003; Tett et al., 2021) can be a promising avenue for future work, generating further insights on leaders' elusive choice to enact a substantive response.

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CRediT authorship contribution statement

Myrto Chliova: Writing – review & editing, Writing – original draft, Project administration, Methodology, Funding acquisition, Data curation, Conceptualization. **Gabriella Cacciotti:** Writing – review & editing, Writing – original draft, Funding acquisition, Conceptualization. **Teemu Kautonen:** Writing – review & editing, Methodology, Data curation. **Ignacio Pavez:** Writing – review & editing, Visualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A

Table A1
Literature on how managers react to social performance feedback.

Main finding or conceptualization	Type of antecedents considered	Are interactions considered?
Theoretical studies		
Bundy et al. (2013) theorize effects of two types of issue salience (that depend on the relationship of the issue to the organization's identity) on organizational responses. Substantive responses are more likely when both expressive and instrumental issue salience is high.	Situational factors	Indirectly (matrix between discreet, non-continuous, variables)
Durand et al. (2018) theorize effects of issue salience, net benefit perception, stakeholder heterogeneity, and resource base heterogeneity, and certain interactions of these on organizational responses. Substantive responses are more likely when the net benefit of action is perceived as positive.	Situational factors. Call for future study of individual factors, particularly prosocial behavior	Yes
König et al. (2020) theorize effects of empathy on a number of aspects of a response. Substantive responses related to operational changes are less likely for empathetic leaders.	Individual factors	No
Nason et al. (2018) theorize effects of valence and intensity of feedback on organizational responses. Substantive responses are more likely for for-profit firms in comparison with social enterprises.	Situational factors	Indirectly (matrix between discreet, non-continuous, variables)
Qualitative studies		
Crilly et al. (2012) study effects of informational asymmetry between stakeholders and the organization, organizational interests, and consensus of stakeholder and managerial expectations related to CSR on organizational responses. Substantive responses are more likely when managers focus on opportunities and there is information asymmetry with stakeholders.	Situational factors	Yes

(*continued on next page*)

Table A1 (*continued*)

Main finding or conceptualization	Type of antecedents considered	Are interactions considered?
Litrico and David (2016) study effects of organizations' field level positions on the possibility and timing of organizational responses. Substantive responses are more likely for organizations that are positioned in the front stage, and later on in the evolution of the contentious issue.	Situational factors	Yes
Quantitative studies		
Greening and Gray (1994) study effects of a variety of industry and organizational variables on a subset of substantive responses, such as formalization, resources and committee use devoted to responses, and integration with planning and with line management. Substantive responses are more likely with increased interest group pressure and greater top-management commitment to social and political issues.	Situational and individual factors	No
Weaver et al. (1999a) study effects of awareness of national ethics guidelines, negative media attention, presence on conference boards of ethics, and managers' commitment to ethics on two types of responses related specifically to formal ethics programs. Substantive implementation of integrated ethics programs in a company was more likely when managers were committed to ethics.	Situational and individual factors	No

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