

PERFORMANCE FEEDBACK AND ORGANIZATIONAL SEARCH BEHAVIOR

**A THESIS
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ABSTRACT

My thesis has two essays. Both the essays have main theoretical lens of the behavioral theory of the firm, performance feedback theory in particular. The first essay examines the search process, in particular, the direction of organizational search focus, and makes a theoretical contribution to search theory – a part of umbrella behavioral theory of the firm. The second essay uses the same theoretical lens to explain the international search behavior of emerging market firms (EMFs). Specifically, it examines whether EMFs search behavior post poor performance with regard to choosing a mode of internationalization is risky or not. Below we briefly discuss both the essays.

According to the behavioral theory of the firm, the organizational search is central to decision making which forms the core of organizational adaptation and change process. Lamenting the inconsistent findings of previous research, scholars have called for the comprehensive theorization of search behavior as well as poor performance situation. In this study, we examine (1) the impact of the intensity and the duration of performance shortfall relative to aspiration levels on the direction of organizational search, whether the search focus is more explorative or less explorative, and (2) the moderating effect of micro-foundations of CEO's regulatory focus on the above relationships. Our conceptualizations extend the theory of problemistic search and performance feedback and offer possible explanations for contradictory findings in the literature of performance feedback and organizational change post-performance shortfall. We test our theoretical model using dynamic panel data analysis technique on a unique panel dataset of 3545 firm-year observations of Indian firms and find support for our key predictions.

In the second study, we again utilize the behavioral theory of the firm and its recent extensions to understand and explain the riskiness of search behavior EMFs in choosing modes of international pursuits. In particular, we study the impact of performance shortfall relative to aspiration levels on the riskiness of choice for modes of internationalization. Moreover, given the greater amount of uncertainty in emerging markets, we also examine the moderating effect of the uncertainty-inducing industry-specific contingencies and uncertainty-managing behavioral contingencies on the above relationship. Specifically, we hypothesize a positive moderating effect of industry-specific contingencies, the intensity of inward foreign competition and technological intensity in the focal industry, and a positive moderating effect of the behavioral contingency of diversity of international experience and a negative moderating effect for the psychological contingency of CEO regulatory focus. We

test our hypotheses in the Indian context and find support for our key hypotheses. We undertake a panel data analysis using random effects ordered probit regression technique to analyze a panel data-set of 10642 firm-years of 626 firms during 2001 to 2017.

Keywords: Aspirations, direction of search, environmental uncertainty, modes of internationalization, performance feedback, problemistic search, regulatory focus.

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