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PUSHING THE MARGINS: A DYNAMIC MODEL OF IDIOSYNCRASY CREDIT IN TOP MANAGEMENT TEAM BEHAVIOR

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Top management teams (TMT) behave both conventionally and unconventionally to implement strategic change in organizations. These behaviors are information used by organizational stakeholders to evaluate the TMT. However, because of limited cognitive resources, the cost of cognitive changes and the inherent variability of environments and relationships, stakeholders operate using the "latitude of norms," which provides thresholds to measure the need for reappraisal and change. We explore this process of discontinuous reappraisals by reviewing past idiosyncratic credit literature and integrate it with expectancy violations theory to propose a theory of dynamic idiosyncratic credit. Both research and managerial implications are discussed.

INTRODUCTION

Given the ubiquitous nature of news, commentary, and information transfer, the public is nearly instantly aware of their leaders' words, actions, and alternate opinions of both. As a result, opinions about and attitudes toward leaders shift rapidly. However, these shifts vary. One reason for this is the latitude across which we allow our leaders to act outside of what we consider to be normal boundaries. Examples include leaders such as former Southwest Airlines CEO Herb Kelleher, and Richard Branson of Virgin Airlines, who engage in behavior and make decisions outside of norms, yet not appear to damage their reputations.

In the realm of organizational leadership, top management teams (TMTs) are tasked with implementing transformational changes in order to sustain long term competitiveness. The degree to which the firm will be successful is due in large part to the soundness of the TMT strategy and its effective implementation, or execution (Bossidy & Charan, 2002). One way effective leaders accomplish execution is through communicating a vision of a desired future state to their followers in order to motivate them to embrace the change (Zacarro & Klimoski, 2001, p. 395).

When executing strategy the organization must be positioned to interact with its stakeholders and environment. Stakeholder constituencies are resources that provide for an organization's competitive advantage (Pfeffer & Salancik, 1978). A key factor for optimizing these interactions is the congruence of how the firm sees itself and the image that it projects to stakeholders. Without congruence between the desired and actual image, a firm's top management may be perceived as inept or deceptive. Moreover, firms manage and incorporate their identities as part of their strategy (Day, 2001). These activities toward identity-alignment originate from the TMT and are communicated to organization members. The desired result is member buy-in and the alignment of firm resources to enact the TMT's vision. They engage in processes of generating positive identities that match the direction of the company's vision in the eyes of their stakeholders while distancing themselves of old and negative identities that limit their influence, adaptability, and profitability.

In this paper, we make conceptual linkages between the leadership, strategy, and cognitive psychology literatures to illuminate the mechanism by which stakeholders change their perceptions and attributions of TMTs. Specifically, we draw on the research on idiosyncrasy credit (ISC) and expectancy violations theory (EVT). This integration results in a theory of dynamic idiosyncratic credit (DISC). Finally, we discuss implications of the DISC model for both research and practice.

THEORY AND PROPOSITIONS

Idiosyncratic Credit (ISC)

The problem of understanding of groups has given rise to the use of understood behaviors and meaning (Boulding, 2004). One means of determining the intent of others is by comparing behavior to generally accepted group norms. While groups expect and enforce tight compliance among some members, others are afforded an allowance for limited deviances from norms.

Status within a group is related not only to compliance with norms, but also the idea that the leaders were selected for their compliance with norms (Schachter, 1951). In other words, a leader's track record of compliance is an indication of future commitment to upholding norms and values. Hollander's (1958) work explored situations in which deviance from group norms did not lead to loss of status and the roles leaders often play in altering norms. When conceptualizing his construct of idiosyncratic credit, Hollander (1960) noted that over time people could establish their status by complying with group values, transferring status from outside the group, or by task competence. ISC is the credit that is awarded to those targets that possess this status. For example, months after Google's 2004 IPO it

announced a ten-year, $1 billion donation. Actions such as this are outside of normal boundaries of behavior and build credit with stakeholders.

Idiosyncratic credit (ISC) represents "an accumulation of positively disposed impressions residing in the perceptions of relevant others" and is defined as "the degree to which an individual may deviate from the common expectancies of the group" (Hollander, 1958, p. 120). Classic status theory states that status is accomplished through the accumulation of observed behaviors which conform to the values and norms of a group. Conversely, status is lost by behaviors outside the latitudes of acceptability. ISC proposes that these latitudes which define and place boundaries on acceptable behavior are adjusted with accumulated credit. Behavior outside the latitudes causes a loss of credit and a potential loss of status. Debits from perceived offenses are charged against the ISC balance depending on the frequency and magnitude of the violations

(Katz, 1982). However, a TMT may incur debits to get followers to take collective action toward a strategic initiative (Hollander, 1993). For example, a leader or TMT with a positive track record of good judgment and value-laden behavior has earned credit with constituencies that will extend forgiveness when the TMT steps beyond the boundaries of behavior considered consistent with their charge.

Figure 1 depicts boundaries of acceptable behavior and how, over time, a positive track record in exceeding the boundaries will shift said boundaries outward. The outlier behavior prior to the boundary shift is seen as deviant, but if each instance of deviance from accepted behavioral norms results in a positive outcome for stakeholders the boundary is relaxed. Both the upper and lower boundary shifts occur as a result of positive outcomes. In the event of negative outcomes, there would be a loss of TMT status and the boundaries would not shift.

Figure 1: Pictorial Demonstration of Idiosyncratic Credit
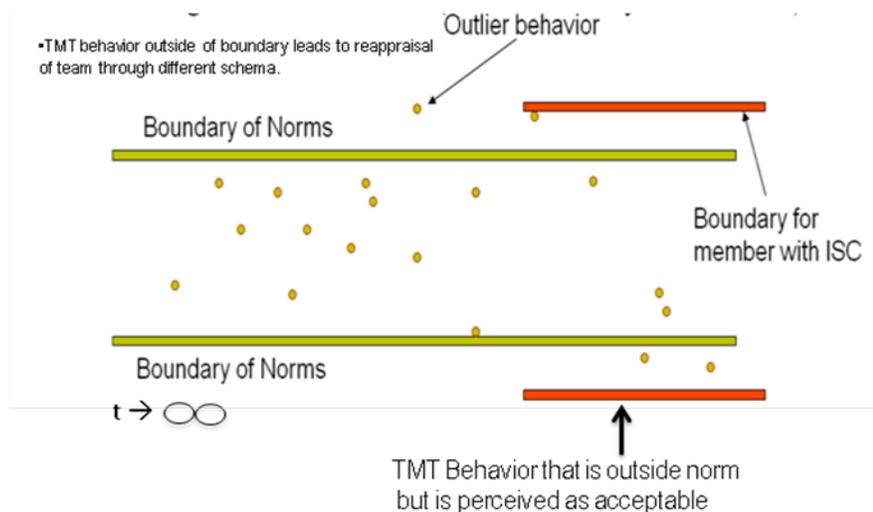
ISC is an important means of understanding how TMT behavior is interpreted. Through the ISC perspective, leaders see stakeholders as perceivers and evaluators who give and withhold credit. Given this latitude in behavioral expectations, a TMT will have more flexibility and autonomy with respect to behavior in and around norms without a deduction in status which would limit future ability to deviate the norms.

Strategies for increasing ISC include conforming to group norms, displaying group oriented motivation, displaying competence, being assigned or earning a high status role, or importing them from external sources (Estrada et al, 1995; Hollander, 1992; Wittenbaum, 2000). For example, conforming to group norms offers the benefit of building ISC resulting in the possible increase of trust in the

target and avoidance of sanctions on the target (Berkowitz & Macaulay, 1961).

One recurring issue with ISC is that of disproportionate vulnerability of high status individuals to behavioral violations (Katz, 1982). Key organization members (i.e., TMTs) are under greater scrutiny and have narrower latitude for behavior outside of expected norms. This continuation of the pre-ISC point of view solidified towards the gradualist process of "the higher one's status in a group, the stronger is the expectancy that he will be highly conforming to all of the group's norms" (Wahrman, 1970, p.230).

Wahrman (1970) also implicated the higher expectations of conformity with higher annoyance by the observers given a norm violation. The surprise of the transgression adds to the distress of the perceiver. Thus,

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leaders are held to a higher standard instead of having more latitude of discretion. This argument has factored in Hollander's modification of the ISC domain over time, including super-ordinate norm boundaries for the higher status leader as well as leaders possibly having newly acquired limitations to previously afforded behaviors (Hollander, 1958; 1993). We argue that Hollander's original concept of ISC is more informative with respect to the process of perceptions of others within a domain of group norms. Given the process and nature of scripts, expectations and schemas in cognition, our model explains the conflicting findings ISC critics by placing ISC within the activities and use of perceivers' schema.

Expectancy Violations Theory (EVT)

In considering how ISC is awarded to TMTs by the organization and its stakeholders, we now turn to expectancy violations theory (EVT). In EVT, people use a pattern of anticipated behavior when interacting with others. In this context, followers base their attributions of leadership on expectations of future behavior interpreted on the basis of past actions.

This pattern of expectancies may be general and group-oriented or particularized to a specific individual (Burgoon, 1993). The theory holds that a behavior must be sufficiently discrepant from expected behavior in order to be recognized. That is, when the behavior is far enough out of the ordinary it will activate the attention processes of the perceiver. At this point, the current expectancies may influence the observer's interpretation of the behavior in a way that confirms existing beliefs (Fiske, et al. 1999). This will increase the likelihood that an otherwise discrepant behavior is mistakenly attributed to factors originating from the expectancies themselves rather than from the actual individual and context. The likelihood of an action receiving this direct attention is related to the degree of discrepancy assigned the behavior. This degree of discrepancy is judged by its position relative to the outer bounds of expected behavior by which the target is categorized.

The shift of attention initiated by the violation makes the characteristics of other related individuals and their relationships more salient to the perceiver, and lead to an analysis of meaning of the violation with respect to the larger context of the relationship (Burgoon, 1993). Similar to the cognitive processes of those who follow transformational and transactional leaders' (Wofford & Goodwin, 1994), this fits a two-stage process of (1) noticing the deviation, and (2) making sense of the violation. Interpreting the meaning of the violation suggests an adjustment of the set of expectancies previously used for that person (Burgoon & Hale, 1988). This adjustment, in the case of low expectations, would be upwards in the case of a positive violation, or downwards for a negative violation. This provides an explanation of the nature of the boundaries and latitudes of norms with respect to where they come from, and how they affect status change when broached.

Cognitive Psychology: Schemas

This process of establishing, adjusting, and reassigning expectancies, and their use in judgment and sense-making, lends itself to schema theory (Taylor & Fiske 1978; Taylor & Crocker 1981). A schema contains images, feelings, ideas and expectations that fit a schema category. Schema themselves are a result of multiple scripts interacting in a highly correlated world (Taylor & Crocker, 1981). Given the punctuated adjustments or dramatic reassignment that a perceiver may engage in when a target steps outside the assigned latitude of behaviors, EVT lends itself to schema theory. The idea that people hold similar expectancies across situations fits the definition of schemas as abstract knowledge that hold across many particular instances. Their use as simplifications and abstractions of knowledge for subsequent decision-making are consistent with the evaluation and adjustment of expectancies in EVT.

The idea that individuals are categorized by a generic group set of expectancies early in a relationship is congruent with the idea that situational scripts are used for sense-making in limited knowledge situations, while schemas are developed and used for specific issues or people given the presence and assimilation of more relevant knowledge (Burgoon, 1993, Fiske & Taylor, 1991). Exploring EVT through schema theory clarifies the process and provides a structure for the duality of ISC in the event of incremental, large, and unintuitive changes in peoples' apparent status. We will use the concept of schema to include the meaning and implications of expectancy in EVT.

The increased tolerance for discrepant behavior from individuals' assigned schemas of high status is analogous to high levels of ISC in small group literature. A conceptual difference between ISC theory and EVT is the idea of positive norm violations in EVT. An individual attributed a low status schema, and the low expectations that such a schema holds, will be able to precipitate a change in the perceivers' schema by enacting salient and unexpectedly positive behaviors. Under EVT, this would lead the perceiver to create a new and more positive schema for the person.

An important outcome of the EVT is this reclassification of expectations. An expectation by the organization's members can be described as a script, or a sequential system of memory that allows an individual to predict behavior appropriate in a given situation (Gioia & Poole, 1984), by which the organizational members expect the TMT to follow. These scripts house what Hollander (1958) calls the "latitude of norms." Wofford and Goodwin (1994) described the effects on organizational members when their leaders engage in behavior inconsistent with previous expectations. When leaders engage in behavior inconsistent with the script, the members are forced to either

expand the current script, or reassign a script more appropriate to that situation.

Dynamic ISC (DISC) in TMTs

Before an event can be attributed to a TMT, in the form of ISC, it must first be processed cognitively, or perceived. Given the frugality with which people dispense their attention (Fiske & Taylor, 1991), individuals prioritize the amount of attention they direct towards any given possibility present. The schema used at any particular moment to make sense out what individuals attend to is salient. One of the factors that would cause TMT action to be salient to the perceiver is the discrepancy between the latitude of norms allowed for the TMT and the value, or valence, associated to the action. A perceived discrepancy outside these boundaries is a violation. The violation triggers of judgment by which the perceiver adjusts the level of ISC of the TMT,

and precipitates a process of modification to the perceiver's TMT schema. The newly adjusted schema provides for both a structure for future TMT initiated stimuli and a new context for ISC accumulation.

For example a trusted TMT that historically avoided downsizing finds that, given dire financial straits, it must order a humane downsizing (i.e., advance notification, severance packages, assistance with job placement and retraining). The TMT is operating outside of previous norms of not downsizing, but still within latitude of potentially acceptable behavior given its earned credits and the humane nature of the action. However, if in the same situation TMT members cashed in their stock options and filed bankruptcy a week later, they would operate far outside of boundaries. In Figure 2, we present a process model by which DISC operates. In the following sections, we offer a discussion of the model. This is followed by set of propositions.

Figure 2: Process of Dynamic Idiosyncratic Credit (as perceived by stakeholders)
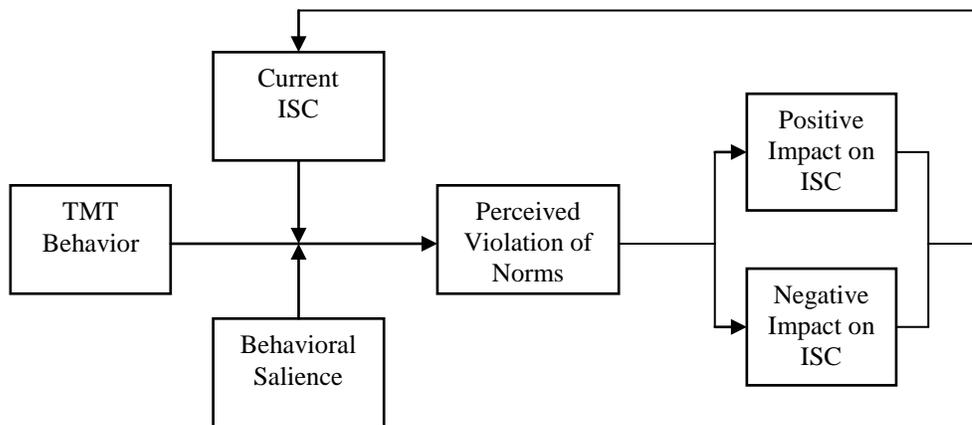
The use of latitudes of norms describes a system in which boundaries are static, particularly for newer group members (Hollander, 1994). As TMTs accumulate credit, the boundaries expand. The assumption of static group norms suggests a universal schema attributed to all new members. This is consistent with Burgoon's (1993) suggestion that new individuals are ascribed a group-wise set of expectancies (Fiske & Taylor, 1991).

ISC theory points to a progression of the latitude of standardized group norms to a higher latitude (Hollander, 1993). This progression suggests that the target is first assigned a generic schema by the perceiver until more information is available to create a more individualized one.

The schema, if not violated, will be modified with increasing complexity as observances are accumulated. This complexity offers a wider variety of possible explanations for a particular observance thus widening the latitude for

accepting behavior outside of the norm (Hollander, 1992). We will use the term "boundary" to distinguish the latitude of a given observance because of the implication that the target person is operating outside of the latitude of norms. Operating near the boundaries force observers to incorporate, integrate, and strengthen schematic connections to concepts outside the boundaries. This, in turn, weakens the resistance to moving a boundary towards a point that would otherwise precipitate a violation. This ultimately ends in a more complex schema.

While near-boundary behavior may strengthen schematic connections, boundary crossing behavior does not. The latter results in a general erosion attributed to the process of forgetting, gradually redefining the boundary towards a point closer to current perceptions. At this point, previously latitude permissive observations are outside the boundary of the schema.

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ISC conveys a system of credits and debits that require perceivers to reevaluate a target's status given each behavior (Hollander, 1960). Individuals keep a running abstract summary of the value of previous behaviors. In the event of a new TMT, the boundaries are more rigid and a violation would result in the loss of status under Hollander's model. However, in the DISC model, a cross-boundary behavior may result in either the loss or gain in status depending on the valence of the violation regardless of whether or not a leader or TMT has a history of behaviors from which to develop ISC. This loss or gain results in either (1) assignment of an existing group schema to the TMT, or (2) a significant adjustment of the current TMT schema to adjust boundaries.

The assumption that a new TMT has no ISC offers its members no protection in the face of a boundary violation. They are vulnerable to both the perceptions that they generate, as well as the outcomes that are merely attributed to them for which they have little influence. Therefore, their schema is unstable. This would hold true for a newly formed TMT or one that is new to a significant proportion of the firm through turnover or high growth. In a sense, the schema is new in that it was applied to a newly appraised entity. If a TMT commits a violation the perceiver finds or creates a schema that will fit. In the case of an existing TMT that has acquired a new schema by violating a previous schema in the eyes of the perceiver, this search for a more suitable schema may be short in that the previous schema may provide an immediate replacement or template for adjustment.

Propositions

ISC is an accumulation of behaviors that perceivers use to evaluate a TMT. This pattern of behaviors salient to the individual at the time of reappraisal will be weighed at the time a violation directs attention to a process of considering the contributions the TMT has made to perceivers and their relevant others. It is used during episodes of reappraisal of a TMT which would be precipitated by salient violations of the schema boundaries held by the individual. While the violation would tend to lead towards an immediate reassignment or readjustment of schema, the level of ISC (which is contained in this set of salient past observances) will tend to buffer or augment this reassignment.

Attention to the environment is a survival process by which danger or solace is evaluated. The thin stream of an individual's attention, given the scope of possible directions it could be pointed, requires some prioritization to minimize the squandering of this valuable capacity on uninformative directions. In terms of the targets of attention, salience is the moderator of the attention they receive (Taylor, 1979). Typical sources of salience include time, context, and the presence of competing events.

In the preceding sections we discussed how TMTs may expand boundaries of acceptable behavior. However,

boundaries of acceptable behavior can also contract. General Motors, once known as a safe haven for investors and employees maintained a constant dividend until June 2008. Despite cash flow and credit hazards as early as 2005, many investors and regulators held overly optimistic perceptions of GM's future. Knowing that much of this sentiment would be questioned if dividends were cut, GM delayed a dividend cut until June 2008, even though their cash flow had been negative for several years (Keller, 2005). Given that the dividend had been constant for such a long time, the significance of the cut was understood to lead to a reappraisal of GM's viability (Stoll & Ng, 2008). Therefore, we advance our first proposition:

> **Proposition 1:** Stakeholders' schema boundaries expand/contract for TMTs that operate far within boundaries.

Given that ISC requires time and information for stakeholders to develop their perceptions of the TMT, they rely on categorical assumptions about the TMT. Categorical assumptions lead to the idea that the target TMT is regarded much the same as any other TMT in the industry or of TMT's in general. This categorical assumption of a TMT remains until information allowing the perception of this particular TMT as unique is interpreted and stored by the stakeholders (Fiske, et al, 1999). This type of categorization arises in instances when the majority of senior management is changed, such as the Enron and Rite-Aid scandals. Conversely, the accumulation of ISC is an accumulation of a positively-oriented schema by the stakeholders, leading to individuation of the particular TMT with respect to others. Such an accumulation resists change (Stangor & McMillan, 1992), making out-of-boundary behavior less influential to the perceptions of the stakeholders.

> **Proposition 2:** Given no ISC, stakeholders create or assign a new schema for the TMT if they appraise a behavior as outside the boundary of their expectations.

General Mills at one time maintained a deep commitment to a mission of being "The World's Largest Flour Mill". Retrospectively, its shift in focus toward convenience foods and away from the low profit milled-grains market seemed an obvious choice, but it was not. An entrenched mindset in both the organization and investors presented the board of directors with a barrier to following through with the radical transformation plan. The company brought in a former military general as CEO; who saw monumental demographic changes in their industry and understood the effects on the milled-grain industry. People were consuming less flour, eating more meat and feeding their babies less flour-based baby formula. In an effort to avoid a schema reversion by company stakeholders in this necessary and radical change, the TMT avoided an

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incremental transition, waiting to make an announcement of a comprehensive plan. This announcement was delayed several quarters to coincide with a low earnings announcement to minimize resistance from holdouts who would likely feel that the flour business was still viable (Donaldson, 1994, p. 92). Thus, proposition 3 is advanced:

> **Proposition 3:** Stakeholders' new schemas of the TMT are unstable. When faced with uncertainty, the schemas will adopt aspects of, if not be entirely replaced by, a yet newer schema similar to the one originally discarded.

Over the past year downsizing has been a tough solution to a prevalent problem of lost revenue and higher costs. One of the authors toured a manufacturing firm that had suffered a series of layoffs leaving the workforce over 40% smaller than the previous year and also a financial services firm, which had reduced its staff by a similar amount. While both firms shared the morale crushing experience of layoffs, the employees of the financial services firm maintained a positive impression of the upper management, pointing out that they had a history of "doing the right thing" and "making tough but honest choices." The manufacturing employees mentioned no such track record for their upper management, and felt the layoffs were an attempt for the executives to keep their jobs, despite the fact some had been let go.

> **Proposition 4:** Level of ISC will moderate the magnitude and direction of schema change resulting from boundary violations.

Under the heuristic "leak bad news and drop good news like a bomb," political consultants who manage their client's image use a process of "inoculation." This process minimizes the fallout of potentially damaging information by leaking negative yet related information in advance of a more full disclosure of the issue. Incumbent and office-seeking officials are notorious for leaking news on weekends and holidays when media attention is weaker and the top-tier reporting staff is away. This reduces the intensity of attention of the event as well as removes much of the emotional amplification that surprise lends to an unexpected discovery. Likewise, good news is tightly controlled until a strategic moment to both enhance the attention it receives as well as to exploit the emotional reaction of surprise, further implanting the information into schema change.

> **Proposition 5:** A behavior's attention worthiness is influenced by its proximity to previous behaviors in terms of time and distance from previous behaviors.

IMPLICATIONS AND CONCLUSIONS

In this article we have integrated multiple theoretical frameworks to present and discuss a theory of DISC. We initiated the discussion with an overview of previous conceptualizations of ISC and its integration with EVT. Next, we presented the process by which the DISC operates, closing with five propositions. Given the little attention that the concept of ISC has experienced outside of Hollander's work, we propose this concept to be rich with opportunity for theoretical extensions as well as empirical validation of our propositions.

Research Implications of the DISC Model

In order to progress from the DISC model, basic questions must be advanced and tested. We believe the above discussion provides the groundwork for advancement. However, future research will require attention to method, levels of analysis, and limitations.

In addition to establishing ISC, case studies of organizations that have lost status due to norms violations would highlight examples of the process. For example, NASA has historically been an emblem of pride in space travel and safety until the Challenger and Columbia disasters (Weick, 1997). For many, NASA has been reassigned a schema that is no longer flawless in safety.

There are also a number of conditions that moderate the accumulation of ISC (Hollander, 1992). Targets of attention that do not match the norms of the group, such as a minority manager in a homogeneous group (e.g., gender or national origin), will not accumulate ISC as efficiently as for those who resemble the typical group member, even by exhibiting identical conformity to the norms. Although outside the scope of this paper, integration with relational demography literature (Tsui, & Ashford, 1992) will contribute to understanding the a priori level of assigned ISC based on age, race, tenure, education and other demographic variables. Finally, as the current norm boundaries are so influential in determining level of violation, an examination of the climatic variables created by TMTs that drive the norm boundaries would yield direction for additional study.

Future research with the DISC model presents a variety of methodological implications. Given that management literature is inherently cross-level in nature a discussion is warranted concerning levels of analysis and isomorphism of the constructs in the DISC model. When pursuing any research endeavor it is paramount to clearly identify (1) the level of measurement for each construct, (2) the level of analysis which may be independent from the level of measurement (i.e. typically climate is measured individually and analyzed collectively), and (3) the level of management where the relationship exists (Waldman & Yammarino, 1999). Both ISC and EVT are comprised of individual level constructs in their original theoretical frameworks. The DISC model also consists of individual level constructs.

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While many theories and models suffer from the fallacy of misspecification or aggregation bias due to aggregation from individual to group level analyses (Rousseau, 1985), DISC is relevant and more useful in that it explains the perceptions of TMTs when viewing their organization. We have integrated them in such a way that we believe highlights the organizational level influence of the boundaries to schemas and consequences of boundary violation for TMTs with higher and lower levels of ISC.

A critical issue in the study of cognitive phenomena is that of how concepts are represented in the mind. The problem stems from the fact that, unlike electronic devices that recall information put into them, the mind reconstructs information (Smith & Queller (2004). Early psychologists merely asked subjects how they came to think the thoughts that they were. This yielded responses consisting of plausible accounts which ignored the fundamental influence of cognitive phenomena on the perceptual, encoding, storage and retrieval processes (Nisbett & Wilson, 1977).

The DISC model relies on the attention, appraisal and subsequent confirmation or recategorization of the perceptions of TMT's by stakeholders. Such phenomena, prone to the hazards of introspective reporting mentioned above, are consistently measured in the psychology literature by measures such as the Implicit Association Test (IAT). The IAT measures the strength of association between target concepts and an associate attribute dimension by the time it takes a perceiver to make the association. This test has an established record of efficacy in measuring prejudices, motivation and cultural meanings at a cognitive level and is highly resistant to social desirability bias (Fazio & Olson, 2003). Many factors may influence the processes involved in the DISC model. Individual differences such as age, gender, education or social economic status are typical influences on the dynamics of what the interpretations are of a particular target. Likewise, environmental factors may also moderate the relationships of the variables in this study. Both of these areas offer a rich program of study for further research. The IAT methodology offers a strong avenue for examining the propositions in this study and the relationships between schema confirmation and schema change with respect to leadership in an organization.

At this juncture, we see two primary limitations in the study of the DISC model. First, we have discussed two different models for describing the process in which individuals engage to evaluate others: Hollander's ISC model and Burgoon's EVT model (which we describe using schema theory). While both models offer explanatory power they each have limitations. An issue in ISC arises from Hollander's (1992) position that individuals are afforded more latitude from others as they accumulate credit through their contributions to the perceiver or group. The major criticism of this issue argues that this latitude might constrain leaders with additional limitations rather than widen the latitude as Hollander suggested. Second, challenges to Burgoon's (1993) theory rely on the necessary

reclassification of a target when the perceiver notices a discrepancy. While a new schema may be applied to the target, the perceiver may also be inclined to use an existing schema with modification. This choice between a reclassification or simple revision is narrow in its assumptions and is not distinctly addressed in EVT.

Managerial Implications of the DISC Model

With the literature proliferation of public relations on managing reputation (Lee & Evatt, 2005), marketing on brand image (Shultz, 2005), and the work on employee attitudes towards their employers (Hepburn, 2005), the activity of identifying the extent of the stakeholders' goodwill has led to a search of the boundaries that act as either trap doors down or upward portals for the firm are looked for. The objective of this search is identify their current reputation, weigh it with respect to their desired and self perceived image. One objective a TMT is the consistency between all three of these views across all stakeholders (Day, 2001). This view addresses the limitations that arise from misunderstanding, dissonance and misalliance of activities that prevent the organization from pursuing a transformative endpoint. This is also consistent with individual level schema and internal/external harmony of self concept (Swann, 1987).

From a human resource perspective, as well as on a purely utilitarian level, a firm's TMT searches and seeks munificent schema from its stakeholders. This "search and seek" activity is complemented by an "identify and distance" activity of TMTs to find aspects followers' schemas that impede positive work performance. TMTs distance themselves from these connections. In this identify and distance activity, when an issue identified as risking a downward schema adjustment from the employees, TMTs will inoculate their employees' TMT schema by managing perceptions towards the boundary of the less munificent schema. Conversely, the TMTs will search for possible munificent schema and seek the precipitation of such schema from the employees. For example, a firm may constantly disseminate bad news to their employees which include indications of missed profit targets, industry problems, as well as possibilities medical benefit reductions, pay freezes, vacation reduction and even possibilities of plant shutdown. The threat of such grim activity can slowly erode the boundary to a more negative light if a negative event did materialize.

However, if this negative strategy was coupled with a positive strategy of unannounced bonuses, surprise overtime, and unexpected additions to the company benefits program, this would yield a sense of impact of each direction of activities is perceived by the followers. Each strategy contains actions that are elements of salience to the followers, resulting in a cognitive search for boundaries on either pole. Some of these search processes would be observable in activities where a firm may benchmark a target

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schema in their employees by emulating behaviors from another firm they see as successfully achieving a munificent stakeholder schema. This activity has a converse process of identifying potential similar but negative schema group members. The similarities of these unsavory look-alikes will be minimized and the differences will be amplified by the TMT's to prevent being given a group schema at the first boundary violation.

Behaviors outside the latitude of norms will be less of a surprise to employees for those TMTs that operate at the fringes of these norms than those TMTs who operate in the center of the norms. This operation at the fringes of the boundaries serves to desensitize employees' schema of the TMT by strengthening ties outside the boundary, serving to move the boundary outwards and creating more tolerance of subsequent behavior further along the boundary's dimension without precipitating a larger reconstruction of the employees' TMT schema. This process is intentionally pursued by those TMTs conscious of the schemas that employees hold towards them; albeit in a simpler form like that explained in decision affect theory (Mellers, Schwartz, Ho, & Ritov, 1997). In the dynamic idiosyncratic credit model, companies can be observed pulling thresholds to positive schema precipitation back to a level for which a violation will be certain and cause a profound schema change in the stakeholders. During pursuit of this higher schema, the TMT will embrace salience to provide a greater surprise effect when they disclose good news or execute their activities which would violate their current inferior schema. Again, as in the previous example the firm with the consistent background noise of negative information will enjoy a lower salience to actual negative news in the eyes of their employees.

Often companies are faced with the negative outcomes of unfit policies which can lead to less munificent schema from its employees. They will release or slowly disclose the information or reality so that the violations will fall behind the boundary as it moves towards the provision of this perception without causing an entire schema change in the minds of the employee. This process has been labeled inoculation in communications literature (Pfau, Roskos-Ewoldsen et al., 2003). Some TMT's will see the need for inoculation because of impending fallout from mismanagement, but also for the less self-serving instances of potential lay-offs, possible disasters, and takeovers.

Through all of this, the basic phenomenon of idiosyncratic credit acts as a buffer towards changes in employee schemas. ISC may also act as an element of inertia. TMTs will strongly pursue the accumulation of ISC when newly assigned, or in a position of receiving a new schema from the stakeholders. However, there may be a disadvantage in that it may prevent comprehensive changes of the schema by the stakeholders, who may substitute an incremental change instead of a comprehensively more munificent schema. This adds incentive to TMTs in organizations of high status through strong attention to

integrity, human empathy, and fairness to exploit the allowance of less favorable activities afforded by their status as an exemplar of values. The benefits of this exploitation are swift and visible, whereas maintaining the high standards which previously lead to their status and continuing the pursuit of the decreasingly available options to generate positive surprise become more costly and yield diminishing returns. The incentive for TMTs converges on a lone activity of vigilance against the risk of losing their current status (Hollander & Willis, 1967).

The array of implications for leadership and strategy researchers leads us to conclude that there is ample opportunity for valuable contributions to the management body of knowledge through the theory of DISC. Furthermore, the many significant implications for TMTs in today's dynamic markets highlight the need for a clear understanding with empirical validation of DISC. Thus, we feel that research on this topic is important and offers a rewarding area of inquiry.

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