



KADIR HAS UNIVERSITY  
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**ORGANIZATIONAL RESPONSES TO STATUS LOSS:  
SYMBOLIC AND SUBSTANTIVE ACTION AS  
ALTERNATIVE WAYS OF RECOVERY**

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## APPROVAL

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- that this Master of Arts Thesis does not contain any material from any research submitted or accepted to obtain a degree or diploma at another educational institution;
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In addition, I acknowledge that any claim of irregularity that may arise in relation to this work will result in a disciplinary action in accordance with the university legislation.

AKIN KAYABAŐI

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Date (16.06.2022)



*To My Mom & Dad...*

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**ABSTRACT**

Given the dominant view of status as a stable asset, much research has considered organizations as passive recipients of a steady social hierarchy. Yet, status orders can be subject to predictable or unexpected changes, and actors have motivations to maintain and improve their social standing. This thesis adopts insights from performance feedback theory to explain how organizations respond when they fall behind status aspirations. I argue that organizations may try to recover the loss of social standing either by taking symbolic actions that aim to improve organizational prestige in the eyes of key stakeholders or substantive actions that directly target the improvement of organizational quality. Further, organizational orientation towards these action types will be shaped by the causal attribution of the status feedback and its reliability. I test study arguments with a longitudinal empirical investigation in the Turkish higher education field. The findings of the thesis have important implications for the literature on performance feedback and status in markets.

**Keywords:** Status, performance feedback theory, higher education field, universities



# ÖRGÜTLERİN STATÜ KAYBINA KARŞI VERDİĞİ TEPKİLER: ALTERNATİF ÇÖZÜM YOLLARI OLARAK SEMBOLİK VE SOMUT EYLEMLER

## ÖZET

Önceki arařtırmalar örgütleri sabit bir sosyal hiyerarşinin pasif kabullenicileri olarak öne sürmektedir. Bu tez çalışması, örgütlerin statü emellerinin gerisinde kaldıklarında nasıl tepki verdiklerini açıklamak üzere performans geribildirim teorisinin kavram ve iç görülerinden hareket etmektedir. Çalışmada örgütlerin statü kaybını telafi etmek üzere; kilit paydaşlar gözündeki prestijlerini iyileştirmeyi amaçlayan sembolik eylemlerde veya doğrudan doğruya kalite iyileştirmeyi hedefleyen somut eylemlerde bulunacağı iddia edilmektedir. Ayrıca, bu eylem türlerine yönelik örgütsel yönelim, statü kaybına ilişkin nedensel atıf ve statü geribildiriminin güvenilirlik algısına bağılı olarak şekillenecektir. Tez çalışmasında üretilen hipotezler Türkiye yükseköğretim alanında boylamsal bir ampirik araştırma ile test edilmektedir. Tez bulguları performans geribildirim teorisi ile pazar ortamlarındaki statü dinamikleri yazınına önemli çıkarımlar sunmaktadır.

**Anahtar Kelimeler:** Statü, performans geribildirim teorisi, yüksek öğretim alanı, üniversiteler

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## 1. INTRODUCTION

The concept of status refers to an actor's standing in a social hierarchy. Higher ranks are associated with greater prestige and respect (Podolny 2005; Sauder, Lynn, and Podolny 2012; Washington and Zajac 2005). In the context of markets, high status provides significant benefits such as better access to valuable resources and lower transaction costs (Podolny 1993; Podolny et al. 1996). Accordingly, organizations have a strong motivation to maintain or advance their status position (Askin and Bothner 2016; Chen et al. 2012; Kodeih and Greenwood 2014; Sauder and Espeland 2009).

Status is largely conceptualized as a stable asset and existing research has considered organizations as passive recipients of an established and steady social hierarchy (Piazza and Castellucci 2014; Sauder, Lynn, and Podolny 2012). As recently suggested by Askin and Bothner (2016), though, change in status position is a critical performance feedback that organizations may attend to, especially in contexts where competition for prestige is severe. Accordingly, insights from performance feedback theory can be applied to understand the way organizations make sense of and respond to such experiences. The central tenet of this theory is that firms regulate behavior based upon performance relative to aspirations (Cyert and March 1963). Performance below aspirations drives organizations to increase search towards addressing the performance shortfall, which may lead to strategic changes in organizational practices and structures (Arrfelt, Wiseman and Hult 2013; Cyert and March 1963; Greve 2003; Kotiloglu et al. 2021; Posen et al. 2018; Shinkle 2012).

While organizations may have aspirations with respect to any goal or target (Cyert and March 1963), the literature on performance feedback theory tends to focus on financial performance as the aspiration. Yet, social judgments such as legitimacy and status are also vital for organizations, as they determine the chances of access to resources and survival (Bitektine 2011). Further, these non-financial aspirations are often more informative than financial goals such as profitability (Parker et al. 2017; Rhee 2009).

Accordingly, firms may be especially prone to take actions when they fall behind these aspirations (Ertug and Castellucci 2013; Kotiloglu et al. 2021; Posen et al. 2018).

In this research, I theorize the ways in which organizations respond to the negative feedback on their status position (i.e., status loss). Notably, I make a distinction between *substantive* actions that directly target improvement of organizational quality and *symbolic* actions that aim to improve the organization's prestige in the eyes of key stakeholders without actual changes in quality. I argue that orientation towards these response types will be shaped by the causal attribution of the status loss by the decision makers and the contextual ambiguity about the status feedback.

Study arguments are tested with a longitudinal empirical investigation in the Turkish higher education field. The context of higher education is a "prestige market," where universities closely monitor their social standing and manage it strategically (Bloch and Mitterle 2017; Brankovic 2018; Breznik and Law 2019). It thus provides a proper setting to examine organizational responses to status loss. The findings of the thesis have important implications for the literature on performance feedback and status in markets.

## **2. LITERATURE REVIEW**

### **2.1 Status in Markets**

The concept of status has its origins in Max Weber's studies. Weber defines status as social esteem in connection with positive and negative privileges (Turner 1988; Weber 1978). According to Weber's conceptualization, status is an element of social structure independent from economic antecedents. As the first recognition of status in market settings, Podolny (1993) defines status as the perceived quality of the product and services compared to competitors. Products and services from high-status organizations are perceived as better quality than their counterparts (Podolny and Phillips 1996). High status is beneficial for organizations as it facilitates increased revenue generation for a given level of performance (Sauder, Lynn, and Podolny 2012). When an organization achieves high status, it can charge more for the same output (Ball et al. 1996; Benjamin and Podolny 1999; Fombrun and Shanley 1990; Greve 1998) and can even face higher sales numbers (Podolny et al. 1996). This behavior can be explained as a natural reflection of consumer demand, higher-status products and services are worth higher prices to pay (Benjamin and Podolny 1999; Dimson et al. 2015; Uzzi and Lancaster 2004). High-status organizations also enjoy cost advantages since status strengthens the trust between affiliates and increases visibility around the field (Podolny 1993). This visibility will create protection against newcomers and increasing number of competitors, and provides improved survival (Baum and Oliver 1992; Park and Podolny 2000; Phillips 2001; Podolny et al. 1996). Further, the advantages of high-status tend to be perpetuated. As suggested by the "Matthew effect," an established social hierarchy has a tendency to reproduce itself, independent of merit (Merton 1968).

Actors may gain status from accumulated acts of deference (Blau 1964; Goode 1978). Research in the context of markets suggest that organizational status is shaped by past behaviors and relations with other actors. Status can be gained when social standing increases over others via achieved performance, third-party endorsements, and awards (Askin and Bothner 2016; Ertug and Castellucci 2013; Kovács and Sharkey 2014;

Podolny and Phillips 1996; Podolny 1993; Washington and Zajac 2005). Organizational categories may also carry status value, and the social standing of the category that an organization is identified with can affect its organizational status. Market or field classifications (e.g., biotechnology firm, a waste-management company) are hierarchically ranked on status and membership provides organizations a relative standing compared to organizations in other categories (DiMaggio 1987; Jensen, Kim, and Kim 2011; Sharkey 2014).

Organizations also transfer status from affiliated parties; when a high (low)-status organization engages with a low (high)-status partner, it is expected to lose (gain) status (Podolny 1993; Podolny and Phillips 1996; Stern et al. 2014; Sauder, Lynn, and Podolny 2012). In other words, there is a flow of deference between actors. So, the status is not directly determined, but it is defined with competition and comparison with the others (Askin and Bothner 2016; Bowers 2015).

Status hierarchies in organizational fields are increasingly shaped by publicly available ranking and ratings (Deephouse 2000; Elsbach and Kramer 1996; Espeland and Sauder 2007; Orlikowski and Scott 2014; Pollock et al. 2018; Rindova and Fombrun 1999; Sánchez et al. 2012; Sauder and Lancaster 2006; Wang et al. 2016). Rankings became indicators the relative positioning of organizations in their field, and actively used by managers for benchmarking purposes (Bastedo and Bowman 2010; Corley and Gioia 2000; Gioia and Corley 2002; Lilien et al. 2009; Martins 2005; Rindova and Fombrun 1999). Rankings as not “simply an affirmation of underlying differences in the desirable qualities,” (Sauder et al. 2012), they may also build on criteria independent from audience preferences and therefore transform the rules of the status game in organizational fields (Brankovic 2018). Thus, rankings do not only shape market exchanges, but they also become part of the structural conditions in the field (Wedlin 2006). Rankings define the structure of organizational fields and the hierarchy of organizations (Sauder and Lancaster 2006). Sauder and Espeland (2009) characterize rankings as "engines of status anxiety". They pressure organizations to improve their position relative to others in the field rather than investing directly with their strategic visions. Organizations do not always passively accept external evaluation. They may try to interpret rankings to serve

their needs and strategically act to manage stakeholder expectations (Brankovic 2018; Sauder and Espeland 2009). One such strategy adopted by organizations to improve status is raising price. As suggested by the "Chivas Regal Effect," products with higher prices are perceived as better quality (Finkelmeier 2011). Thus, organizations may use price as a signal of their unobserved quality and therefore improve their social standing in the eyes of stakeholders (Askin and Bothner 2016; Bergh et al. 2014; Connelly et al. 2011).

Research in the context of higher education also suggest that status hierarchies are shaped by rankings published by various institutional intermediaries (Dearden et al. 2019; Hazelkorn 2015; Rindova et al. 2018). College administrators, faculty, and students are influenced by the presented rankings of higher education institutions (Bastedo and Bowman 2011). Rankings become part of the institutional pressures shaping higher education fields (Bastedo and Bowman 2011;2010). Studies show that universities act strategically to maintain or advance their position in the rankings, which may involve significant changes in action and structure (Martins 2005; Sauder and Espeland 2009; Rindova et al. 2018).

## **2.2 Performance Feedback Theory**

Performance feedback is among a set of research area inspired by the behavioral theory of the firm (Gavetti et al. 2012). The central tenet of the theory is that organizations strategically respond to feedback on their performance in the market. Organizations compare their performance relative to an acceptable level of performance, which is referred to as performance aspiration (Alvero, Bucklin, and Austin 2001; Cyert and March 1963; March and Simon 1958). Research suggest that organizations may engage in two types of performance comparison; current performance is either compared to past performance (historical aspirations) or current performance of a social comparison group (social aspirations) (Posen et al. 2018). The social comparison group may be other organizations in the same field (Lucas et al. 2018), their peers (Park 2007), similar organizations (Shipilov et al. 2011), or organizations which perform better (Labianca et al. 2009).



Feedback on both historical and social performance can significantly affect firm behavior (e.g., Wang and Lou 2020). Further, recent research suggests that these two kinds of performance feedback may work in different ways to effect organizational behavior (Kotiloglu et al. 2021). Kacperczyk et al. (2014) showed that performance relative to historical aspirations triggered risk taking while performance relative social aspirations triggered strategic change. Intercalarly, organizations may have adaptive aspirations which are set through processing of performance information and learning processes (Blettner et al. 2015; Hong 2019; Ilgen and Moore 1987; Jung and Lee 2019; March 1988). There may also be complex interactions between historical and social performance feedback. For instance, an organization may decrease its investments in response to its lower performance compared to peers on the same industry, even when its performance is better than the previous year's performance (Lucas et al. 2018).

Performance falling below aspirations initiates a problemistic search for solutions (Posen et al. 2018). It points out the leakage of the performance must be examined, identified, and solved. This problemistic search may trigger organizations to take a variety of actions such as changes in R&D effort, risk taking, and investment, which may lead to significant changes in organizational output, size and structure (Argote and Greve 2007; Bromiley 1991; Bromiley et al. 2017; Cyert and March 1963; Gavetti et al. 2012; Greve 2003, 2008; Joseph et al. 2016; Kotiloğlu et al. 2021; Lim and McCann 2014; Moliterno et al. 2014; Ref and Shapira 2017; Saraf et al. 2021; Wangrow et al. 2019). When organizations are faced with low performance, they may show risk-averse behaviors such as increasing centralized control and become more focused on survival rather than strategic growth (Chrisman and Patel 2012; Nielsen 2014; Shimizu 2007; Staw et al. 1981; VandeWalle et al. 2001; Wen and Zhu 2019). They tend to keep their routines the same and decrease failures as much as possible (Audia and Greve 2006; Joseph, Klingebiel, and Wilson 2016; Ketchen and Palmer 1999; Ruckman and Blettner 2022).

Several studies underlined that organizational action varies under different performance feedback conditions. According to Kuusela et al. (2017) performance near to aspiration level motivates resource-consuming actions, while resource-freeing actions are preferred when performance is away from aspirations. Kacperczyk et al. (2014) showed that within-

firm internal performance comparison (i.e., across units) triggers risk-taking, whereas external performance comparison with benchmark firms motivates strategic change. Performance relative to aspiration levels may affect long-term as well as short-term strategic actions. A study on Israeli early-stage high-tech organizations shows that potential absorptive capacity is mainly affected by long-term goals whereas realized absorptive capacity is affected by short-term goals (Ben-Oz and Greve 2015).

Research has mostly focused on organizational response when performance remains under the aspirations. Yet, performance beyond aspirations is another case to be examined, which may motivate organizations towards decreasing the intensity of actions such as innovation and strategic changes (Alessandri and Pattit 2014; Joseph and Gaba 2015; Lin 2014; Lucas et al. 2018; Parker et al. 2017). Other studies found that organizations may have higher entertainment expenditure when the performance is below their aspiration level; while they may raise R&D expenditures when performance is above their aspiration level (Joseph and Gaba 2015; Xu et al. 2019). Park (2007) shows that higher the performance distance between a target organization and a focal organization, the more likely a focal organization will be to reduce the distance. However, if the target organization's performance is below the focal organization's performance the slope is steeper. Interestingly, performance below and above aspirations may trigger similar organizational response despite different underlying motivations. Parker et al. (2017) demonstrated this pattern in their investigation of the quality of organizations' products relative to their aspirations. Both below- and above-aspiration product quality may lead to slower rates of product introduction. The mechanism in the former case is managers' taking stock of the poor performance and working to address its underlying causes. In the latter case, the product introduction rate decreases due to slack-based search behavior. The underlying sources of exceptional quality are analyzed so that the firm can integrate them into subsequent product and services.

Cognition plays a vital role in organizations' problemistic search processes (Cyert and March 1963; March and Olsen 1975; March and Simon 1958). According to the cognitive perspective, organizational behavior is guided by beliefs and mental models (Posen et al. 2018). As information processors, organizations may learn from performance feedback

and adapt their behavior accordingly (Huber 1991; Levitt and March 1988; Makarevich 2018), which may improve organizational performance in the long run (Baum and Dahlin 2007).

The attribution theory acknowledges the self-related positivity of causality assessment relations. Literature on attribution theory shows that individuals exhibit a positivity bias; they take positive feedback internally and relate it to their abilities, while negative feedback is externally attributed to environmental factors (Korn et al. 2016). Self-attribution-bias suggest that managers have a tendency to attribute positive outcomes to their own capabilities whereas they hold the environment responsible for poor outcomes (Clapham and Schwenk 1991; Heider 1958; Kelley and Michela 1980; Shefrin 1999).

The tendency toward self-enhancement is more intense in the case the performance failure is perceived to threaten the organization's identity (Campbell and Sedikides 1999; Sedikides et al. 1998; Zuckerman 1979). The organization will thus make external attributions of failure with a motivation to protect its self-concept. Threat-rigidity theory also predicts that self-enhancement motivations will lead to an external attribution of organizational performance falling behind historical aspirations. This will in turn lead to conservative actions such as increasing control and efficiency rather than investments in new product and process design (Staw et al. 1981).

In the case organizational performance falls below social aspirations (i.e., performance of other organizations in the field), the organization may have no chance but devalue its self-identity. External attribution may be harder to rationalize when organizational performance is below other organizations operating in a similar environment with similar conditions. Thus, negative social performance may lead to the feeling of guilt and a self-depreciation rather than a motivation for self-enhancement (Chung and Shin 2021). Further, it causes the organization to perceive itself as insufficient (Dickerson et al. 2004; Gruenewald et al. 2004). In contrast to self-enhancement, self-depreciation leads to an acceptance of the limits of organization capabilities and an internal causal attribution of the problem (Ryen and Kahn 1975; Stoeber and Becker 2008; Wilson and Miller 1961; Worchel et al. 1977). Members of the organization may in turn seek solutions which may

involve development of technologies or new processes to deal with the performance problem.

Studies have applied attribution theory to examine how causal attribution of positive and negative outcomes affect subsequent organizational action and outcomes (Audia and Brion 2007; Bandura 1977; Burger 1981; Ethiraj and Levinthal 2009; Ford 1985; Harvey et al. 2014; Heider 1958; Short and Palmer 2003; Staw et al. 1981). In the case an accident is attributed to factors under the decision makers' control (e.g., internal management systems, processes, and capabilities), they will be motivated to learn from the failure, improve themselves, and reduce the likelihood of other failures in the future. But if vice versa, the accident is attached to external causes (e.g., misfortune), the decision makers will not have incentives to progress. So, the organization will not be able to learn from the failure and improve itself (Heron and Reason 1997; Kim and Rhee 2017; Ocasio and Joseph 2018; Weiner 1985).

Research also suggests that organizational responses to performance feedback may vary significantly across the industry members, depending on their size, age, ownership type, country, and location (Kotiloglu et al. 2021). Younger firms' responses to performance feedback may be limited with their experience and knowledge capability (Desai 2008; Thornhill and Amit 2003). Older firms may also find it difficult to respond to performance feedback due to their established structures and routines (Audia and Greve 2006). Small firms may less actively respond to performance feedback due to limited resource accessibility (Greve 2008; Miller and Chen 2004; Wennberg et al. 2016), while large firms may have difficulty due to their complex hierarchy (Chen and Hambrick 1995; Greve 2011). Other studies have found that young and small firms are closer to responding performance feedback while old and large firms are slower (Blettner et al. 2015; Desai, 2008). Lastly, industry context may shape organizational responses to performance feedback (Davis et al. 1991; Desai 2014; Joseph and Wilson 2017; Kotlar et al. 2014; Schimmer and Brauer 2012).

### 3. THEORY AND HYPOTHESIS DEVELOPMENT

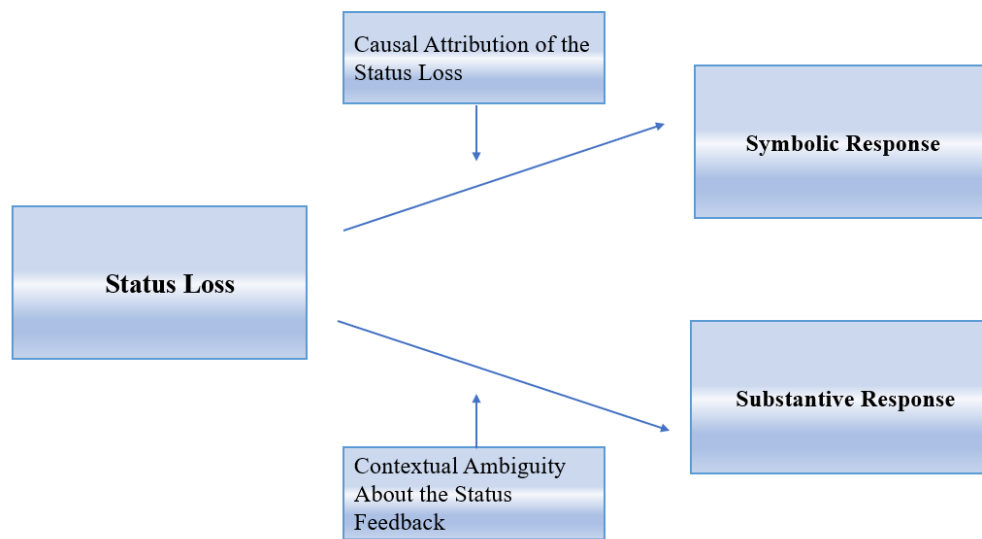
My theorization of organizational responses to status loss builds on ideas from the behavioral theory of the firm and research on performance feedback theory. The main tenet of this literature is that organizational performance falling short of aspirations triggers “problemistic search” to identify solutions that will address the performance shortfall (Cyert and March 1963; Gavetti et al. 2012; Greve 2003; Shinkle 2012). The process usually starts with problem definition, where the decision makers try to diagnose the cause of the performance shortfall (Posen et al. 2018).

Problem definition or diagnosis in the special case of status loss is likely to be shaped by an understanding of the determinants of status hierarchies. Prior research acknowledges that status correlates with and indeed a reward for quality (Merton 1968; Sauder, Lynn, and Podolny 2012). Yet, there is also considerable evidence that the correlation between status and quality is far from perfect (Bowers and Prato 2014; Correll et al. 2017; Malter 2014; Sharkey and Kovács 2017; Simcoe and Waguespack 2011). This disjunction may emerge because quality is often uncertain and hard to observe (Podolny 1993; Podolny and Phillips 1996). Yet even in contexts where quality is largely observable, the subjectivity of audience assessments may lead to variation (Bitektine 2011; Lynn et al. 2009). Further, social judgments like status are shaped under cognitive constraints and limited attention of audiences, and therefore subject to errors (Bitektine 2011).

I accordingly argue that organizations may respond to status loss in two alternative ways: a) symbolic actions that aim to manipulate audience judgments, b) substantive actions which directly target quality enhancement. Symbolic action refers to cosmetic changes that are intended to alter audience judgments of quality without a modification in the product or service offering. Such tactics used by organizations to manipulate stakeholder perceptions about themselves are documented in the literatures on impression management (Bundy et al. 2013; Elsbach 1994; Perez-Batres et al. 2012) and market

signaling (Bergh et al. 2014; Connelly et al. 2011; Elsbach and Kramer 1996; Negro, Hannan, and Fassiotto 2015). With respect to the latter, substantive action, prior research recognizes organizational efforts toward improving the product offering and developing new capabilities in response to the experience of a performance shortfall (Alessandri and Patit 2014; Chen and Miller 2007; Nason et al. 2018) or market entry of new competitors (Chang and Sokol 2020; Prince and Simon 2015; Seamans and Zhu 2017; Wang and Shaver 2014).

**Figure 3.1. Theoretical Framework**



In the context of higher education, substantive actions that universities take in response to status loss would directly target improving quality in the main elements of their mission such as teaching and research. Symbolic action may be any attempt to improve the perceived social standing of the university without a fundamental change in actual quality (see, e.g., Rindova et al. 2018). Especially relevant in this respect are visible signals such as price, which can be strategically used to improve audience perceptions of worth (Askin and Bothner 2016). Raising price may help the organization increase its realized quality and to associate more closely with elite competitors on the field (Finkelmeier 2011; Fruchter 2009). I accordingly argue that:

*Hypothesis 1 (H1): Universities will take symbolic (price-based) action in response to status loss.*

*Hypothesis 2 (H2): Universities will take substantive (quality-based) action in response to status loss.*

As discussed above, symbolic and substantive actions are alternative pathways through which organizations may try to recover the lost ground after status loss. I further argue that certain contingencies may shape the way status loss is interpreted by the decision makers, which will in turn affect tendency towards symbolic and substantive response.

Particularly important in this respect is the process of causal attribution. Research on self-serving bias suggest that managers tend to attribute their firm's success primarily to internal factors, such as their own abilities or organizational capabilities, and hold the environment responsible for poor outcomes (Clapham and Schwenk 1991; Kelley and Michela 1980; Shefrin 1999; Staw et al. 1983). Yet, this self-serving behavior may be less likely under conditions where managers are more aware of the fact that organization success cannot be simply attributed to skills of managers (Barney 1986). Evidence also suggest that organizations may take responsibility for their poor performance, especially when it is not easy to rationalize their failure by attributing it to external factors (Chung and Shin 2021).

The significance of this causal attribution on organizational search processes and subsequent action is also well recognized in the literature. An internal attribution of failure facilitates organizational motivation to learn and improve, whereas attributing negative outcomes to external environments results in a lack of incentive to act or taking conservative measures such as tightening control (Chung and Shin 2021; Kim and Rhee 2017; Weiner 1985). Similarly, I expect that organizational orientation towards symbolic and substantive response to status loss will depend on this process of causal attribution.

The status loss experienced by an organization may either be attributed internally, to deterioration of organizational quality, or externally to audience misjudgments. An external attribution is more likely when the organization is confident that it has ensured the same level of (or superior) quality with respect to peers and over time. In such cases where the organization has no deterioration of quality but experiences a loss in status

position, it will be more likely to conclude that the loss is due to audiences' misjudgments of status value. This causal attribution of status loss will increase the motivation to take symbolic action which aims to manipulate audience judgments. Universities, in my case, may increase price to better signal their quality and improve audience perceptions of their worth. I accordingly argue that:

*Hypothesis 3a (H3a): Universities will be more likely to respond to status loss by taking symbolic (price-based) action in the case they have maintained the same level of quality.*

Another factor that may affect organizational orientation towards symbolic or substantive response to status loss is contextual ambiguity. Research suggests that the complexity of organizational decision-making increases when performance feedback is ambiguous<sup>1</sup> and therefore open to multiple interpretations (Fang et al. 2014; Joseph and Gaba 2015; March and Olsen 1975). Ambiguity dampens organizational responsiveness as it leads to an ignorance of failure (Audia and Brion 2007). Organizations may hence prefer small modifications to current activities, rather than taking substantive action (Joseph and Gaba 2015; Shimizu 2007).

Status feedback may become ambiguous when establishment of new actors in an organizational field lead to hard to predict changes in the status hierarchy of an organizational field. Audiences' judgments of status for newly founded organizations with no prior record are likely to be more subjective and ambiguous (Bitektine 2011). The status granted to these new actors in the field will yet have significant consequences for incumbent organizations since status is a zero-sum game; some actors must lose recognition when others gain it (Reschke and Stuart 2018). Making a causal attribution for status loss is harder for an incumbent organization when this loss is experienced under a contextual ambiguity generated by newly established actors in the field. Under this ambiguity, the organization will be less likely to be seriously concerned about its health (Weick and Sutcliffe 2001). The loss may be attributed to an over valuation of newly

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<sup>1</sup> This ambiguity may arise from a definitional debate which is, for example, the case in social performance (Nason et al., 2018). Environmental conditions such as turbulence and complexity may also increase ambiguity and noise in performance feedback (Jordan and Audia, 2012; Lant, 1994; Shinkle, 2012).



established actors and therefore perceived as temporary. Given this rationalization, the organization will be less likely to take substantive actions such as large-scale changes in the way they do things or revise its quality proposition.

*Hypothesis 3b (H3b): Universities will be less likely to take substantive action in response to status loss under greater levels of contextual ambiguity (establishment of new universities)*



## **4. EMPIRICAL CONTEXT**

### **4.1 History of Turkish Higher Education**

The Ottoman House of Sciences (Darülfünun), established in 1900, is the first attempt to a full-fledged university in the Ottoman Empire (Dölen 2009). Darülfünun was a restructured version of the European classical university, composed of sciences, letters, theology, law and medicine faculties (Dölen 2009). During Second World War, prominent professors from German University and their affect had created İstanbul University and Ankara University. Even today, these two universities have imprints of this German influence on their structure, which is known as ‘classical’ universities (Öncü 1993).

İstanbul Technical University is the second university of Turkey which was established in 1944. The origins of the university were the engineering schools established in 1776-1795, which had been early attempts of modernization in the Ottoman Empire. Initially inspired by the French ecoles, İstanbul Technical University in the late 1920s was modeled after the German Technische Hochschule (Tekeli 2010; Uluçay and Karatekin 1958). A replica of İstanbul University was established in Ankara in 1946.

After the second World war, there were three universities in 1946, which were İstanbul University (1933), İstanbul Technical University (1944), and Ankara University (1946). With the increasing demand for higher education, four new universities were established: Ege University (1955) in İzmir, Karadeniz Technical University (1955) in Trabzon, Atatürk University (1957) in Erzurum, and Middle East Technical University (1956) in Ankara.

With new establishments throughout the 1970s, the number of universities in the country increased to 18. There was a major regime change on Turkish higher education in the early 1980s. The new regulatory framework introduced fundamental changes in

academic, institutional, and administrative structures of the higher education field. The Council of Higher Education (*Yükseköğretim Kurulu – YÖK*) was established in 1981 as a structural authority that has functions in coordination and governance of higher education institutions in the country.

The period up to mid 1990s has been one in which the public university has literally monopolized the field (with one exception, Bilkent University established in 1984). In this early period the central governing board (YÖK) has been most powerful, and the stipulations of the new legislation have been most vehemently implemented. The number of private universities were increased to eighteen by the end of 1990s and to twenty-nine by 2008.

The year 2008 marked the completion of a major project of the political party that had gained power in 2002, namely, the aim of building a university in every city of the country. This was spread over a period of three years and forty-one new public universities were established in 2006-2008. Though slowing down somewhat, the government continued its expansionist policy so that the hundredth public university mark was already reached by 2012. There was also some formal relaxation in centralized governance, as, for example, a change was made in 2008 by delimiting the clause in the law that specified the types of faculties that universities could establish.

The post-2008 period also saw a very fast expansion of the private university. Total number of public and private universities climbed to two hundred in 2020<sup>2</sup>. With such fast growth in both sub-sectors over a relatively short period of time, ‘oversupply’ and competition began to show its effects. Both public and private universities, especially the latter, began to face circumstances that they were not accustomed to in that they began to run into difficulties in filling the quotas for some of their departments. A companion emphasis on performance had also been building up, indicated first by intensified pressures for research publications and then turning such output measures into publicly accessible information. These eventually led to publicization of national university

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<sup>2</sup> 15 universities were closed by a governmental decree in 2016, in connection with a state of emergency declared by the government following the failed coup attempt on July 15, 2016.

rankings, as well as how well the Turkish universities were doing in a variety of international ones. Furthermore, there was greater emphasis on competitive project funding as well as encouragement for developing infrastructures for building stronger links with industry (YÖK 2019).

#### **4.2 Private Universities in Turkey**

Private universities are regulated by the same higher education law as with public universities. They can only be established by non-profit foundations and cannot be for-profit. Different from public universities, private ones are governed by lay boards and their main source of revenue is the tuitions that they charge. Their employment system is also different than public universities. The faculty members and administrative staff is not of civil service but a contractual nature.

Bilkent University was established in Ankara in 1984 as the first private university in the Turkish higher education field. Number of private universities in the Turkish higher education field increased to seventy-seven in 2021. Eleven different cities have these higher education institutions; most of them are in İstanbul (47) and Ankara (13). The primary sources for income of the foundation higher education institutions are contributions of founding foundations and student tuition income. Their main expense items are infrastructure investments, rent expenses, and staff salaries. The Council of Higher Education has taken measures to limit promotional expenditures and increase investments for research and development. The minimum threshold for research and development expenditures has been set as 1% of the total student income.

YÖK also provide suggestions for the minimum number of teaching staff in universities. It is expected that the foundation higher education institutions keep the teaching staff above the minimum level to provide quality education and increase research and development studies. Significantly, the number of students per faculty should be minimized to meet the above expectations. As another progress, the minimum scholarship rate in private universities has been increased from 10% to 15%. The aim is to increase the number of students who can access education in these universities (YÖK 2019).

### **4.3 Status Dynamics in the Turkish Higher Education Field**

Status in the context of Turkish higher education is indicated by how selective a university is in admitting students. Until the 1960s, universities accepted students without any exam condition. After these years, demand for higher education in Turkey increased, and universities took the applications by putting in an order with dates, taking into account the education the applicant received in high school and their graduation degree. The increase in the number of candidates produced a requirement for multi-question and objective exams, and related processes of application, scoring, selection, placement, and reporting the results. Since 1974, all universities admit students through a centralized, state-run university entrance exam. Scores for entrance in the examination constitute longitudinal data for comparing universities in terms of selectivity and establishing a clear hierarchy of status.

In case for the universities in Turkey teaching had been the first, research and publications has gained increased attention with the proliferation of publicly available national and international rankings of the higher education field. The semi-structured interviews I conducted with university administrations suggest that emphasis on quality significantly vary across universities. I report here some of their quotations related to this phenomenon:

“Although private universities in Turkey can only be established by philanthropic foundations and should be not-for-profit, some clearly see this as a business and have commercial motivations”.

“Universities vary in their focus on quality or quantity. Meaningful indicators in this respect are selectivity of students and the quality of scientific output”.

“Quality-oriented universities have younger academic staff and fewer lecture hours so that they can focus on research and publications, whereas universities with commercial motivations admit greater numbers of students in a wider variety of programs”.

“It is significant to realize if the university is education- or commercial-oriented. If it is education-oriented, scholarship rates must be increased. So, the rankings and student quality could increase next year. Because low caliber enrollments bring low quality, enrollment is a quality criterion”.

“It is important to do right the create academical staff quality, quota arrangement, access to the academic staff by the students, word of mouth by the satisfied student profile. Students and their families steer for the lower tuition fees. However, here, if universities set lower prices, they give lower quality signals. It is a sensitive subject”.

Quality of academic staff increases preferability of that university by rational education-focused students. So, the quota could be increased. This creates more income and even profit for that university. So, the university can pay for qualified academic staff and bring them into the staff. With this, the university is more visible in the higher education field. However, it is also causing increasing expenses. Therefore, the tuition fee also rises.

“Academic staff should take fewer class hours and focus more on research output. In this way, education quality will also increase, and the university's overall performance will be enhanced”.

The administrators I interviewed all agreed that the student entrance scores achieved by the university in the centralized examination serves as a meaningful indicator of audience evaluation for a university. This feedback may trigger strategic changes in university tuition fees, quotas, and scholarship rates. They mentioned that they will start thinking about the required strategic changes in the case the university is faced with a fall in student selectivity compared to previous years. One administrator noted for instance that: "It is important to specify the exact reasons for the fall, try to understand where the problem is and what has been done wrong". The interviews overall suggested that universities start a problemistic search process when they have performance below aspirations.

## **5. METHODOLOGICAL FRAMEWORK AND DATA SOURCES**

The Turkish higher education field constitutes the empirical setting of this thesis study. Hypotheses are tested with longitudinal data on private universities in this context, for the period 2009-2020. Below I explain the measurement of study variables, data sources and estimation method.

### **5.1 Dependent Variables**

**Symbolic response.** Symbolic response to status loss may be any attempt to improve stakeholder perceptions of the university. Especially relevant in this respect are visible signals such as price, which can be used strategically to improve audience perceptions of worth (see, e.g., Askin and Bothner 2016). Raising price may help the organization increase its perceived quality (Fruchter 2009). I accordingly collected yearly data on tuition rates charged by each private university, which is available in the annual central university examination manuals. Those reported in a foreign currency (either Euro or US Dollar) was converted to Turkish Lira using the exchange rate at the time. The specific measure I used was the average tuition that the university charges across all undergraduate degree programs. An alternative measure that I used in supplemental models for robustness check was the tuition that the university charges for a one-year English preparatory program, which is a standard service provided by almost all private universities.

**Substantive response.** Substantive actions of universities in response to status loss may target improving quality in the main elements of their mission. While teaching had been the main function of Turkish universities, research and publications have gained increased attention with the proliferation of publicly available national and international rankings of the higher education field. Quality orientation in teaching can be marked by a higher faculty-to-student ratio (Dill and Soo 2005; Tsinidou et al. 2010). A greater focus

on doctoral studies may indicate a quality orientation in research (Altbach and Salmi 2011; Marginson 2006), which I measured as the proportion of doctoral students to the number of total students enrolled by the university. Since an increase in either teaching or research orientation can be considered a substantive response, I created a dependent variable that sums these two variables (faculty-to-student ratio and the proportion of doctoral students).

## **5.2 Independent Variables**

Status loss. The social standing of universities in the context of the Turkish higher education field is primarily determined by how selective they are in admitting students. All universities admit students through a centralized, state-run university entrance exam. Entrance scores constitute longitudinal data for comparing universities in terms of selectivity and ranking. Selectivity in admission is also recognized by prior research as a proxy for status in the context of higher education (Alon 2009; Askin and Bothner 2016; Kraatz, Ventresca, and Deng 2010).

I determined the relative position of a university's selectivity using the maximum and minimum entrance scores in available types of scores (verbal, quantitative, language, and equally weighted). I recorded these scores for each program under each university. The entire set of scores in a particular score type were z-standardized throughout all universities in the field and for each year. Selectivity score of a university was calculated as the mean z-score of its programs in a given year. I determined the dummy variable "status loss" that equals 1 rather than 0 when the university is currently (in year  $t$ ) worse than its mean selectivity score in the last three years ( $t-1$ ,  $t-2$ , and  $t-3$ ).

Maintained quality. An objective measure of quality in the Turkish higher education field is yearly rankings of universities based on their academic performance. The ranking is released by a non-profit organization called URAP (University Ranking by Academic Performance), based on universities' performance in publications and international research collaborations. I converted URAP raw scores to z-scores for the sample of all universities in the field each year. I generated the dummy variable "maintained quality"



to test Hypothesis 2a, which equals 1 rather than 0 when the university is currently (in year  $t$ ) better than its mean URAP score in the last three years ( $t-1$ ,  $t-2$ , and  $t-3$ ).

New entries in the market. Although my sample is restricted to private universities, new entries in the field by both public and private universities can lead to changes in the status hierarchy. I thus measured “new entries in the market” with the number of new universities (public and private) established in a given year.

### **5.3 Control Variables**

Although my focus in this research is on status aspirations, organizations have multiple goals that shape their behavior (Ansoff 1979; Cyert and March 1963). Beyond a respected standing, private universities may have concerns about filling the quotas they list for their programs. I, therefore, controlled for the ratio of total students enrolled by the university to the total quotas assigned by the university.

Organizational responses to performance feedback may also be shaped by resource considerations (Chen and Miller 2007; Kim and Rhee 2017; Kuusela et al. 2017). Due to the lack of publicly available longitudinal data on private universities’ budgets and financials, I proxied resourcefulness as the ratio of students enrolled by a university with a full scholarship. I further controlled for university age and size, which may also affect organizational responsiveness (Audia and Greve 2006; Delmar and Wennberg 2007; Kotiloglu et al. 2021). Age was measured as the number of years since the university’s establishment and size as the total number of undergraduate degree programs.

Another factor that can affect responsiveness of organizations to performance feedback is the level of competition (Baum and Haveman 1997; Smith et al. 1991). In the context of Turkey, universities that are located in geographically and socioeconomically similar regions are more likely to compete for a common student set and other critical resources. I accordingly measured competition as the total universities in the same location where the university is located. The Nomenclature of Territorial Units for Statistics (*İstatistikî Bölge Birimleri Sınıflandırması- İBBS*) produced by the Turkish Statistical Institute was

used to cluster cities that the universities are located in. The parameters of this classification are geographical location, population size, developmental plans, statistical indicators, and socioeconomic status (Turkish Statistical Institute 2020).

Finally, I controlled for the inflation rate in models where I test for the effects on the symbolic response (i.e., change in price). I lagged all independent and control variables by one year to mitigate the reverse causality problem.

#### **5.4 Data Sources and Estimation Method**

I obtained yearly archival data on dependent and independent variables, using the following data sources: (a) the “Law on the Organization of Higher Education Institutions,” (b) annual central university examination manuals, (c) annual higher education statistics, and (d) URAP database.

My empirical investigation started in 2009, the first year of URAP data releases. The Turkish higher education field includes 200 universities (as of 2020), 86 of which have been founded since the beginning of my study period. Given my focus on pricing as the symbolic response to status loss, I restricted my sample to private universities in the Turkish higher education field. Private universities in this field are primarily funded by student tuition, whereas public universities are tuition-free. Private universities are free to determine their tuition level. My data consists of yearly observations of 73 private universities between 2009-2020.

I estimated the effect of status loss on universities’ symbolic and substantive responses using fixed-effects models (in Stata 16, “xtreg” command with the “fe” option (StataCorp, 2019). My estimates thus reflect within- rather than between-university variations. The fixed effects sweep out unobserved stable traits of universities (e.g., pre-existing status level) that might explain the observed effects. I accounted for heteroskedasticity by using robust standard errors clustered at the university level.

## 6. FINDINGS

Table 6.1. displays the descriptive statistics and pairwise correlations of the study variables. The variables of symbolic action (university price), substantive response (faculty-to-student ratio and ratio of doctoral students), size, and inflation rate were rescaled to obtain more easily interpretable coefficient estimates. Symbolic response, size, and inflation rate were divided by 100000, 100, and 10, respectively, whereas substantive response was multiplied by 10.

**Table 6.1. Descriptive statistics and pairwise correlations**

Variables	Mean	St.Dev.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Symbolic action	.35	.16										
(2) Substantive action	.55	.44	0.27									
(3) Status loss	.39	.49	0.12*	0.10*								
(4) Maintained quality	.41	.47	0.25*	-0.01	-0.24*							
(5) New entries	.17	.01	0.38	0.04	-0.01	0.09						
(6) Occupancy rate	.83	.15	0.05	0.08	0.10	0.04	-0.16					
(7) Resourcefulness	.23	.17	0.10	0.14*	-0.04	0.08	0.11	0.15*				
(8) Size	.22	.14	0.23	-0.22	-0.02	0.10	0.06	-0.11	0.06			
(9) Age	.98	.71	0.34*	0.06	-0.04	0.34*	0.17	0.17*	0.03	0.45*		
(10) Competition	.32	.19	0.46*	0.11	-0.01	0.12*	0.22	-0.01	0.16	0.32*	0.33*	
(11) Inflation rate	1.03	.41	0.51*	0.05	-0.18	0.11	0.48*	-0.25	-0.06	0.13*	0.14*	0.16*

\* shows significance at the .05 level. All independent and control variables are lagged for one year. N=542

As can be seen in Table 6.1. pairwise correlations between the study variables are not very high. The correlation between maintained quality and status loss is negative, as expected, and not very high, which is consistent with the loose coupling between the two concepts. University price (symbolic action) increases with the inflation rate and when the university has maintained quality. Interestingly, universities also increase their price at higher levels of competition and as they get older. I further observe that more resourceful universities engage in greater levels of substantive (quality-based) action.

Table 6.2. shows the estimated effects and standard errors of the regression models. The results for the symbolic response are presented in Models 1-3 and for the substantive response in Models 4-6. The estimates of the control variables presented in Model 1 and Model 4 of Table 6.2. show that the occupancy rate and age of the university, as well as the inflation rate, have significant effects on the dependent variables. Universities are more likely to increase their price but less likely to act towards the enhancement of quality in the case they have higher levels of occupancy rate. Further, they tend to increase their price as they get older and at higher rates of inflation. As shown in Model 2, maintained quality also positively affects university price.

According to Table 6.2. status loss has a positive effect on symbolic as well as substantive action by universities (Model 2 and Model 5), providing support for Hypothesis 1a and 1b. My expectation in Hypothesis 2a (symbolic action being more likely for universities that have maintained quality) receives marginal support as the interaction between status loss and maintained quality is significant at  $p < 0.1$  (Model 3). Model 6 of Table 6.2. shows that new entries in the field negatively moderate the effect of status loss on the substantive response, supporting Hypothesis 2b.

**Table 6.2. Fixed-effects regression results**

	<i>Symbolic response</i>			<i>Substantive response</i>		
	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Occupancy rate	0.17* (0.07)	0.21* (0.09)	0.24* (0.09)	-1.64* (0.79)	-2.11* (0.92)	-2.04* (0.96)
Resourcefulness	-0.92 (0.95)	-1.02 (0.97)	-0.98 (0.98)	-0.35 (0.67)	-0.41 (0.63)	-0.42 (0.63)
Size	-0.92 (0.91)	-1.26 (0.95)	-1.34 (0.97)	-3.99 (2.60)	-4.22 (2.70)	-4.19 (2.69)
Age	0.38** (0.03)	0.40** (0.04)	0.40** (0.04)	-0.01 (0.07)	0.02 (0.11)	0.01 (0.11)
Competition	0.05 (0.04)	0.06 (0.05)	0.06 (0.05)	0.05 (0.05)	0.06 (0.05)	0.06 (0.05)
Inflation rate	0.16* (0.07)	0.20* (0.09)	0.22* (0.09)			
Status loss		0.06* (0.01)	0.05 (0.06)		0.49* (0.21)	1.99 (2.29)
Maintained quality		0.21* (0.08)	0.10 (0.08)		0.15 (0.17)	0.16 (0.17)
New entries		-6.95+ (3.91)	-7.49+ (3.82)		-8.76 (18.11)	-4.20 (18.48)
Status loss X Maintained quality			0.26+ (0.11)			
Status loss X New entries						-8.90* (4.13)
Constant	-1.64** (0.57)	-1.02 (0.60)	-0.93 (0.59)	6.19** (1.35)	7.33** (2.23)	6.51* (2.60)
R-squared	0.80	0.81	0.81	0.32	0.34	0.34
F	88.91	79.47	73.12	45.77	50.89	50.26

All independent and control variables are lagged for one year. Robust standard errors are reported in parenthesis. N=542

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

## 6.1. Robustness Analyses

I checked for the sensitivity of my findings to the estimation method (i.e., fixed effect panel regression with clustered errors). To this end, I applied Arellano-Bond estimation (Arellano and Bond 1991) with robust standard errors clustered at the university level. The Arellano-Bond difference estimator is suitable for panels with a short time dimension and a larger number of units (I have 73 private universities for 11 years). To run the

models, I employed the “xtabond” command (Roodman 2009) with the cluster option specified at the university level in Stata16. I find no significant change in the results or support for the hypotheses (Table A.1 in the Appendix).

I also conducted additional analyses using alternative reference points for status (and quality) feedback. Models where I calculated the reference point as the last two (rather than three) years’ average score provide similar results. As the only difference, the interaction between status loss and maintained quality, which was marginally significant in the main analyses, became significant at  $p < 0.05$  (Table A.2 in the Appendix).

Finally, I conducted analyses where I used an alternative measure of price, which is the tuition that the university charges for a one-year English preparatory program. These analyses excluded 56 university-year observations belonging to 11 universities that did not have this standard service (since their instruction was fully in Turkish). The results are qualitatively similar to the main analyses reported above (Table A.3 in the Appendix).

## 7. DISCUSSION

Gaining and maintaining favorable social evaluations such as status is at least as critical as financial performance for organizational health and survival (Bitektine 2011; Podolny 2005; Sauder, Lynn, and Podolny 2012). Responding to the calls for a more agentic theorization of status dynamics in markets (Askin and Bothner 2016; Chen et al. 2012; Rindova et al. 2018), this thesis investigates how organizations respond to negative feedback on their social standing. Positing substantive (quality-based) and symbolic (price-based) actions as alternative ways of response, I theorize the contingencies that affect organizational orientation towards these action types. My findings suggest that symbolic response is more likely in cases where organizations attribute the status loss externally, to audience misjudgments, rather than making an internal attribution to deterioration of organizational quality. Further, organizations refrain from taking substantive action when status loss occurs under conditions of contextual ambiguity.

These findings contribute to research on organizational status by demonstrating the strategic actions that organizations take to improve their social standing. My thesis also has important implications for the literature on performance feedback theory. Extensive theoretical and empirical implications of performance feedback has been well recognized in organization and management studies (Gavetti et al. 2012; Kotiloglu et al. 2021; Shinkle 2012). Yet, a shortcoming of this literature is its consideration of performance shortfalls as a general change trigger, ignoring variation in organizational response (see Kuusela et al. 2017; Nason et al. 2018 for recent exceptions). This thesis provides new insights in this respect as I differentiate between symbolic and substantive actions as alternative responses to status loss and offer contingencies that shape organizational orientations towards these response types. My focus on contingencies that shape organizational interpretation of the status loss is particularly noteworthy, since this cognitive perspective is largely missing in the performance feedback literature (Posen et al. 2018).

A final implication of my findings is that the process of problemistic search can be shaped by the relationship between different types of performance feedback. Previous research considered how the consistency (or inconsistency) between multiple indicators of organizational performance may affect organizational decision making (Baum et al. 2005; Chung and Shin 2021; Joseph and Gaba 2015; Kim et al. 2015). What I demonstrate is that the causal attribution of failure in one performance indicator (status loss in my case) may depend on organizational performance on another indicator (quality in my case). Future research can benefit from a consideration of such complex interactions between different types of performance feedback.

My expectation here is also in line with prior research in line with prior evidence on firm behavior in contexts with high dynamism. Studies demonstrate that organizations may refrain from riskier choices under increased levels of uncertainty (Dess and Beard 1984; Duncan 1972). The balance between exploitation and exploration shifts in the direction of exploitation as the level of environmental turbulence increases (Posen and Levinthal 2012). Similarly, I argue that substantive action will be a less likely response when status loss occurs under conditions of contextual ambiguity such as new organizational entries into the field.

As recently suggested by Askin and Bothner (2016), though, change in status position is a critical performance feedback that organizations may attend to, especially in contexts where competition for prestige is severe. Accordingly, insights from performance feedback theory can be applied to understand the way organizations make sense of and respond to such experiences. The central tenet of this theory is that firms regulate behavior based upon performance relative to aspirations (Cyert and March 1963). Performance below aspirations drives organizations to increase search towards addressing the performance shortfall, which may lead to strategic changes in organizational practices and structures (Cyert and March 1963; Greve 2003; Kotiloglu et al. 2021; Posen et al. 2018; Shinkle 2012).

While organizations may have aspirations with respect to any goal or target (Cyert and March 1963), the literature on performance feedback theory tends to focus on financial



performance as the aspiration. Yet, social judgments such as legitimacy or status are also vital for organizations, as they determine the chances of access to resources and survival (Bitektine 2011). Further, these non-financial aspirations are often more informative than financial goals such as profitability (Parker et al. 2017; Rhee 2009). Accordingly, firms may be especially prone to take actions when they fall behind these aspirations (Ertug and Castellucci 2013; Kotiloglu et al. 2021; Posen et al. 2018).

Given my longitudinal empirical approach, I do not directly observe the cognitive processes of decision makers. More research is needed to understand their interpretations of performance feedback under various organizational and environmental contingencies. Further, my insights can be extended to empirical contexts where financial performance has more significance. The loosely coupled relationship between social evaluations of organizations (such as legitimacy or prestige) and financial performance increases the complexity of organizational decision making in response. Future research can take this opportunity to provide a more comprehensive understanding of organizational processing of performance feedback and subsequent responses.

## 8. CONCLUSION

### 8.1 Theoretical Contributions

Previous studies were mostly focused financial aspirations of the organizations, and these aspirations are measured with profitability. This thesis shows the responses to status loss with wide range of organizational actions such as investment, acquisition, divestment, and product innovation (Gavetti et al. 2012; Kotiloglu et al. 2021; Posen et al. 2018; Shinkle 2012). The lack of attention to social aspirations is surprising since they are as critical as financial performance for organizational health and survival (Bitektine 2011; Podolny 2005; Sauder, Lynn, and Podolny 2012).

This thesis will hopefully improve the understanding of variation in organizational responses to performance feedback and status hierarchies in organizational fields. The findings of this thesis suggest that organizational interpretation of failure in one performance dimension (e.g., status) may be shaped by the organization's performance in another indicator (e.g., quality). When the institutions realized performance below aspirations, its response type may shape substantive (quality-based) and symbolic (price-based) actions as reaction to status loss. Further, performance feedback may not influence the institutions the same ways. As few studies shows that institutions differentiated risk-taking actions from strategic changes, the changing aspirations with risk-taking behaviors, differentiated with resource-consuming from resource-freeing actions, it is founded symbolic response is more extensive when the institution faced with status loss.

It is differentiated between symbolic and substantive actions as alternative actions, as alternative reaction to status loss that determines organizational adaptation on these response types. Due to cognitive perspective is less discussed in the performance feedback theory, it is focused status loss shapes the organizational interpretation. Further, while the literature focused consistency between different indicators of performance affects the decision-making process of the institutions, it is demonstrated the causal

attribution of failure in one performance indicator may depend on the performance on another indicator which is quality.

In conclusion, my thesis highlights the essential role of taking a cognitive lens to provide more nuanced understanding of organizational actions in response to performance feedback. It is postulated and find that the causal attribution of status loss and perceptions of its reliability determine organizational orientation towards symbolic and substantive actions to recover the lost ground. Expectantly, this thesis spurs additional research that improves my understanding variation in organizational responses to performance feedback and status dynamics in organizational fields.

## **8.2. Practical Implications**

Higher-status actors enjoy important market advantages such as lower transaction costs, enhanced access to exchange partners and resources like information, financial capital, and labor (Jensen, Kim, and Kim 2011; Phillips and Zuckerman 2001; Podolny 1993; Stuart et al. 1999). The result is greater return for a given level of performance (Barron and Rolfe 2012; Merton 1968; Washington and Zajac 2005). Accordingly, organizations have a strong motivation to maintain or advance their status position (Askin and Bothner 2016; Chen et al. 2012; Kodeih and Greenwood 2014; Sauder and Espeland 2009). The specific strategies that they adopt to “play” the status game and the way they respond in the case they fall behind status aspirations may have important implications for both the adopters of these strategies and their various stakeholders.

Symbolic organizational actions which may work to improve their status position may not be in the best benefit of their stakeholders. The effect of some symbolic actions like choosing product names that are similar to the names of high-status products (Khessina and Reis 2016) is trivial. Yet, actions like raising price will likely have significant economic consequences for both immediate stakeholders of organizations as well as the society at large. Thus, policy makers will benefit from an understanding of the conditions under which organizations will feel the pressure to take symbolic actions and their potential consequences. My findings in this thesis suggest that organizational tendency to

take symbolic action to improve vertical positioning is higher in the case they handle to protect their quality in the eyes of key audiences. The definition of quality in organizational fields is increasingly shaped by external and publicized evaluations conducted by several intermediaries (Bowman and Bastedo 2010; Colman 2008; Hay 2010; Espeland and Sauder 2016; Martins 2005; Rao 1994). The specific criteria applied by such intermediaries may therefore have significant consequences on organizational action and the resulting impact on organizational stakeholders.

Substantive actions that target quality enhancement may be in the best benefit of both parties. The findings of this thesis study suggest that organizations will cut back on their efforts to take substantive actions when they perceive changes in the status hierarchy as less reliable due to unstable field conditions. Thus, policy makers should be aware that incumbents in the field may refrain from quality investments in periods of change or instability. This may be an even bigger concern for administrators and other stakeholders of fields that experience new entries or newly emerging fields where the definition of status is in flux (Granqvist, Grodal and Woolley 2013; Zietsma et al. 2017).

The field of higher education has always been a context where concerns about status have been ubiquitous (Bleiklie 2003; Clark 1983). The competition to achieve a better vertical positioning, both nationally and internationally, has become more prominent as the number of universities significantly increased worldwide. It is desired that the universities actions must improve to their quality, thus it is not clear what constitutes quality in the higher education field (Altbach and Salmi 2011; Tsinidou et al. 2010). Due to that, various stakeholders may attach value in different university characteristics (Campbell et al. 2019; Holland and Ford 2020; Ressler and Abratt 2009). Moreover, expectation of external stakeholders to the actions that improve prestige for them (e.g., getting an accreditation), may not be favored by internal ones such as academic staff due to concerns with increased administrative burden. For better management of the universities, it is required that understanding of these dynamics must be clear (Siegel and Leih 2018). In addition to all, teaching, research, and community services prioritization by the universities have strong effect on increasing welfare of the society (Leyden and Link 2017; Rothaermel et al. 2007).

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## APPENDIX

### Appendix A Arellano-Bond estimation results

	<i>Symbolic response</i>			<i>Substantive response</i>		
	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Occupancy rate	0.13 <sup>+</sup> (0.07)	0.13 <sup>+</sup> (0.08)	0.14 <sup>+</sup> (0.08)	-3.22* (1.05)	-2.22* (0.82)	-2.14* (0.86)
Resourcefulness	-0.90 <sup>+</sup> (0.61)	-0.92 <sup>+</sup> (0.62)	-0.92 <sup>+</sup> (0.62)	-1.20 (0.77)	-1.11 (0.75)	-1.12 (0.72)
Size	-0.12 (0.71)	-0.21 (0.74)	-0.22 (0.75)	0.02 (0.04)	0.03 (0.05)	0.04 (0.03)
Age	0.34* (0.13)	0.33* (0.13)	0.31* (0.12)	0.02 (0.05)	0.01 (0.09)	0.01 (0.09)
Competition	0.04 (0.04)	0.05 (0.05)	0.05 (0.05)	0.03 (0.05)	0.03 (0.05)	0.03 (0.05)
Inflation rate	0.18* (0.06)	0.21* (0.08)	0.22* (0.08)			
Status loss		0.12** (0.03)	0.09* (0.04)		1.14* (0.22)	0.99 (0.89)
Maintained quality		0.11 <sup>+</sup> (0.07)	0.09 (0.07)		0.23 (0.16)	0.23 (0.15)
New entries		-2.95 (3.01)	-4.49 (3.02)		-2.44 (14.25)	-1.15 (15.01)
Status loss X Maintained quality			0.13 <sup>+</sup> (0.06)			
Status loss X New entries						-2.90** (0.43)
Constant	-4.23* (1.97)	-2.22 (1.15)	-2.12 (1.15)	3.22* (2.31)	4.35* (2.35)	4.31* (2.64)
R-squared	0.75	0.71	0.71	0.41	0.49	0.48
F	91.11	93.51	93.11	35.21	32.11	32.28

All independent and control variables are lagged for one year. Robust standard errors are reported in parenthesis. N=542

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ , + $p < 0.1$

## Appendix B Fixed-effects regression results

	<i>Symbolic response</i>			<i>Substantive response</i>		
	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Occupancy rate	0.17* (0.07)	0.21* (0.09)	0.24* (0.09)	-1.64* (0.79)	-2.11* (0.92)	-2.04* (0.96)
Resourcefulness	-0.92 (0.95)	-1.02 (0.97)	-0.98 (0.98)	-0.35 (0.67)	-0.41 (0.63)	-0.42 (0.63)
Size	-0.92 (0.91)	-1.26 (0.95)	-1.34 (0.97)	-3.99 (2.60)	-4.22 (2.70)	-4.19 (2.69)
Age	0.38** (0.03)	0.40** (0.04)	0.40** (0.04)	-0.01 (0.07)	0.02 (0.11)	0.01 (0.11)
Competition	0.05 (0.04)	0.06 (0.05)	0.06 (0.05)	0.05 (0.05)	0.06 (0.05)	0.06 (0.05)
Inflation rate	0.16* (0.07)	0.20* (0.09)	0.22* (0.09)			
Status loss		0.06* (0.01)	0.05 (0.06)		0.49* (0.21)	1.99 (2.29)
Maintained quality		0.21* (0.08)	0.10 (0.08)		0.15 (0.17)	0.16 (0.17)
New entries		-6.95+ (3.91)	-7.49+ (3.82)		-8.76 (18.11)	-4.20 (18.48)
Status loss X Maintained quality			0.26+ (0.11)			
Status loss X New entries						-8.90* (4.13)
Constant	-1.64** (0.57)	-1.02 (0.60)	-0.93 (0.59)	6.19** (1.35)	7.33** (2.23)	6.51* (2.60)
R-squared	0.80	0.81	0.81	0.32	0.34	0.34
F	88.91	79.47	73.12	45.77	50.89	50.26

All independent and control variables are lagged for one year. Robust standard errors are reported in parenthesis. N=542

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

**Appendix C Regression results using alternative measure of university  
price**

	<i>Symbolic response</i>		
	Model 1	Model 2	Model 3
Occupancy rate	0.53* (0.20)	0.61+ (0.31)	0.63+ (0.32)
Resourcefulness	-0.67 (0.65)	-0.79 (0.68)	-0.78 (0.69)
Size	-1.67 (1.25)	-1.95 (1.27)	-2.01 (1.29)
Age	0.34** (0.03)	0.36** (0.03)	0.36** (0.03)
Competition	0.02 (0.02)	0.03 (0.02)	0.03 (0.02)
Inflation rate	0.21** (0.08)	0.22* (0.09)	0.23* (0.09)
Status loss		0.04* (0.01)	0.07 (0.04)
Maintained quality		0.17+ (0.09)	0.10 (0.08)
New entries		-6.75* (3.20)	-7.11* (3.18)
Status loss X Maintained quality			0.19+ (0.10)
Constant	-1.21 (0.61)	-0.64 (0.59)	-0.57 (0.57)
R-squared	0.76	0.76	0.76
F	67.86	53.43	53.73

All independent and control variables are lagged for one year. Robust standard errors are reported in parenthesis. N=486

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

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