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Stakeholder Orientation and Experiential Learning: Evidence from Corporate Acquisitions

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ABSTRACT This article examines how stakeholder orientation influences managers' ability to learn from prior experience in corporate acquisitions. We argue that increased attention to primary stakeholders' signals affects both positively and negatively managers' capacity to analyze causal mechanisms in past acquisitions, draw inferences from them, and apply these inferences to subsequent acquisitions. On the one hand, attention to stakeholders' inputs may enhance managers' ability to interpret prior experience by giving voice to unnoticed details of past acquisitions. On the other hand, it may divert managers' attention away from inferential mechanisms, reinforce confidence in existing practices, and limit managers' ability to learn from acquisitions experience. We combine these theoretical effects to propose an inverted U-shaped influence of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance. We also propose that experience homogeneity and proximity to the knowledge domain of the focal firm act as boundary conditions on this influence. Analyses of a sample of 4619 corporate acquisitions by 504 US firms support our predictions.

Keywords: experiential learning, M&A, organizational learning, stakeholder orientation, stakeholder theory

INTRODUCTION

Organizational learning theory has long studied how firms learn by distilling lessons from prior experience (Argote, 2012; Levitt and March, 1988). The common representation of the experiential learning process views managers as interpreting the events the firm experiences, drawing inferences about the causal linkages between decisions and outcomes, and modifying the organization's behavior, which then may result in variations in

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performance (Baum and Dahlin, 2007; Holmqvist, 2004). This framing raises the question of what factors might hinder or enhance managers' capacity to draw appropriate inferences from prior experiences and, in turn, to convert a given stock of experience into performance improvement (i.e., the *ability* to learn from experience, Balasubramanian and Lieberman, 2010; Pisano and Bohmer, 2001; Wiersma, 2007). Studies have identified many different factors that influence such capacity, ranging from individual characteristics (e.g., Felin et al., 2012), to organizational structures and processes (e.g., Van Wijk and Jansen, 2008), to environmental features (e.g., Holmqvist, 2004).

Recently, the literature has begun to analyze the influence of signals from specific stakeholders on experiential learning mechanisms, such as those from the media (Gamache and McNamara, 2019), financial markets (e.g., Haleblian et al., 2006; Kumar and Dixit, 2015), financial advisers (e.g., Kim and Haleblian, 2011), and exchange partners (Bruneel and Yli-Renko, 2010). However, we still lack clear insights into the influence of signals from primary stakeholders (employees, customers, suppliers, investors, and local communities, Clarkson, 1995) on the managers' capacity to learn from previous firms' events. This is surprising for two reasons. First, primary stakeholders are the constituents who most benefit or suffer from the firm's activities (Parmar et al., 2010). Thus, they are the stakeholders who will more likely react to major firm events, generating signals that are conveyed to managers as implicit reactions or explicit communication (Shymko and Roulet, 2017). Second, firms are heterogeneous in how their managers handle the relationships with stakeholders and in the extent to which they are attentive to their signals (i.e., degree of stakeholder orientation) (Bridoux and Stoelhorst, 2014; Crilly and Sloan, 2012). This inter-firm heterogeneity could affect the scope and the nature of the clues that managers can leverage when drawing inferences from past events (Harrison and Bosse, 2010). Our study addresses this gap by focusing on the following research question: How does the degree of orientation toward primary stakeholders influence the ability of managers to learn from the events the firm experiences?

To answer this question, we adopt a stakeholder-based view of the firm (Parmar et al., 2010) and propose that managers of firms that are more stakeholder-oriented will be able to access a wider set of cues when identifying causal mechanisms behind prior experience. The integration of these different cues might influence the relationship between stock of experience and performance in both positive and negative ways. Since positive and negative influences might occur with different intensity at increasing levels of stakeholder orientation, we propose that it has an inverted U-shaped influence on the relationship between experience and performance of subsequent events (Hypothesis 1). We also analyze how experience homogeneity (Hypothesis 2) and proximity to the knowledge domain of the focal firm (Hypothesis 3) act as boundary conditions to this influence.

We examine these mechanisms in the context of corporate acquisitions, which is appropriate for two reasons. First, extant findings on the relationship between acquisition experience and performance are mixed (Barkema and Schijven, 2008; Shi and Sun, 2012). Studies found evidence of a positive (e.g., Barkema and Bell, 1996), a negative (e.g., Kusewitt, 1985), a non-significant (e.g., Zollo and Singh, 2004), or a U-shaped (e.g., Haleblian and Finkelstein, 1999) relationship between the two. Boundary conditions to this relationship have been identified, for instance, in terms of the nature of experience (e.g., Hayward, 2002), the patterns of experience accumulation (e.g., Shi and Prescott, 2011),

and organizational characteristics (e.g., Kroll and Walters, 2008). Some studies examined how specific stakeholders, such as media, financial advisers, or stock markets (e.g., Gamache and McNamara, 2019; Kim et al., 2011; Kumar et al., 2015), influence adaptation from acquisition experience. However, the influence of primary stakeholders on the relationship between experience and focal acquisition performance remains unexplored.

Second, acquisitions significantly affect primary stakeholders' interests (Parvinen and Tikkanen, 2007). For example, employee reorganizations, suppliers' contract renegotiations, or local plant closures following acquisition completion alter the stability of consolidated routines and modify stakeholders' perceptions of justice (Ellis et al., 2011). These changes, in many cases, trigger reactions from stakeholders, which might become objects of reflection following the closing of a deal, depending on the attention managers devote to them (Vaara, 2003). Previous studies analyzed the direct influence of stakeholder orientation on acquisition performance (Bettinazzi and Zollo, 2017; Cording et al., 2014; Tong and Wang, 2020). This article, instead, focuses on the influence of stakeholder orientation on the relationship between experience and acquisition performance.

This article contributes to three different streams of literature. First, it supplements experiential learning literature by developing a theory about the influence of managerial attention to primary stakeholders' signals on the ability to learn from experience. While prior works have discussed the role of signals from specific constituents (e.g., Haleblian et al., 2006), we show that the attention managers devote to primary stakeholders can influence managers' ability to learn from experience. Second, this article contributes to stakeholder theory by shedding light on the contingencies in which stakeholder orientation can improve managerial processes. It also contributes to the debate on the benefits and hazards of being attentive to multiple stakeholders (García-Castro and Francoeur, 2016) by proposing and finding evidence that there may be an optimal level of stakeholder orientation to unleash the advantages of stakeholders' inputs in managerial processes. Third, our work contributes to the literature on corporate acquisitions. We develop a new interdependence between experience and stakeholder relationships as an engine for developing acquisition capabilities. In so doing, we contribute to discussions about the influence of 'soft' feedback on learning from experience in acquisitions (Gamache and McNamara, 2019) and to the literature on stakeholders in mergers and acquisitions (M&A) (e.g., Bosse and Harrison, 2020; Tong et al., 2020).

THEORETICAL BACKGROUND

Experiential Learning and the Ability to Learn from Experience

Experiential learning is based on the idea that performance improvements can occur as a consequence of experience accumulation in a given task (Levitt and March, 1988). The literature on the learning curve (e.g., Pisano et al., 2001; Sorenson, 2003; Yelle, 1979; see Argote, 2012, for a review) and on corporate strategy (e.g., Ellis et al., 2011; Haleblian and

Finkelstein, 1999; Hayward, 2002; Zollo and Singh, 2004; see Barkema and Schijven, 2008, for a review) have typically conceptualized the effectiveness of experiential learning in terms of the influence of the stock of experience in a given type of corporate event on the performance of focal events of the same type. The *ability* to learn from experience, in this conceptualization, can be defined as the effectiveness in converting a given stock of experience into performance improvements (Argote and McEvily, 2003; Dahlin and Chuang, 2018; Pisano et al., 2001). In empirical terms, this ability is captured by the marginal effect of experience on the performance of subsequent events, or the 'learning rate' (e.g., Balasubramanian and Lieberman, 2010; Wiersma, 2007). In this view, Firm A shows a higher ability to learn than Firm B when the same amount of experience generates comparatively better performance in a subsequent event for Firm A than for Firm B (i.e., when the marginal effect of experience on performance is higher for Firm A than for Firm B).

The typical representation of the experiential learning process depicts managers as drawing implicit or explicit inferences from the events in the firm's stock of experience and modifying, intentionally or unintentionally, how the firm handles the subsequent occurrences of events of the same type, which then may result in variations in organizational performance (Baum and Dahlin, 2007; Holmqvist, 2004).[1] In this view, the ability to learn from experience is influenced by managers' capacity to observe prior actions and relate them to performance outcomes (Dahlin et al., 2018; Levitt and March, 1988; Schwab, 2007; Wiersma, 2007). The more accurate the understanding of the linkages between decisions and performance in past events, the more refined the adaptation of routines will be and, in turn, the more likely the application of these routines to subsequent events will lead to higher performance (Heimeriks and Duysters, 2007).

Several factors influence the capacity of managers to understand these cause-and-effect linkages and their effectiveness in converting a given stock of experience into performance improvement, such as individual characteristics (e.g., Felin et al., 2012; Reagans and Argote, 2005), organizational structures and processes (e.g., Sorenson, 2003; Van Wijk et al., 2008), and environmental features (e.g., Balasubramanian and Lieberman, 2010; Holmqvist, 2004; Schilke, 2014). In the context of corporate acquisitions, this line of inquiry produced many insights about what factors influence firms' ability to learn from acquisition experience, including, for instance, board and Top Management Team characteristics (Kroll et al., 2008; McDonald and Westphal, 2008; Nadolska and Barkema, 2014), network structure (Shipilov, 2009), and legal and industrial environment (Castellaneta and Conti, 2017; McNamara and Haleblian, 2008). Prior works have modeled, in many cases, these factors as moderators of the relationship between acquisition experience and performance.

One factor that could influence managers' ability to learn from experience, which has not yet been examined, is the degree of attention managers devote to primary stakeholders. This article considers the degree of stakeholder orientation as a moderator of the relationship between acquisition experience and the performance of a focal acquisition.

Stakeholder Orientation

The stakeholder-based view sees a firm 'as a set of relationships among groups that have a stake in the activities that make up the business' and, in particular, among its *primary*

stakeholders: investors (shareholders), employees, suppliers, local communities, and customers (Parmar et al., 2010, p. 405). Being the constituents who contribute the most to the firm's 'wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers' (Post et al., 2002, p. 19), primary stakeholders are those whose interests are most likely to be affected by corporate events such as acquisitions (Bosse et al., 2020; Shleifer and Summers, 1988; Tong et al., 2020).[2]

Because of their high level of interdependence with the corporation (Clarkson, 1995), primary stakeholders experience the firm's events in parallel with the firm's management. In so doing, they interpret the firm's events, such as acquisitions, based on their specific preferences (Bosse and Coughlan, 2016; Parvinen and Tikkanen, 2007), notice distinctive details, and potentially reach different conclusions about the outcomes and their causes (Rerup, 2009). As a consequence, they generate many signals that are conveyed to managers in the form of implicit reactions and explicit communication (Shymko and Roulet, 2017).

Since it 'is the executive's job to manage and shape these relationships' (Parmar et al., 2010, p. 406), firm managers may be more or less attentive to primary stakeholders' signals (Harrison et al., 2010). Building on prior work (Crilly and Sloan, 2012; Freeman, 2010), we define the degree of stakeholder orientation as the extent to which managers focus their attention on and integrate stakeholders' inputs in the firm's decisions.[3] In adopting this definition, we focus on an 'inside-out' conceptualization of stakeholder orientation, which views attention to stakeholders as a general characteristic of the firm that derives from the enterprise logic adopted within the firm (Crilly and Sloan, 2012). In doing so, we leverage the idea that managerial attention to stakeholders not only results from objective external influences, such as regulatory arrangements (Kacperczyk, 2009) or stakeholders' power (Mitchell et al., 2015), but also depends on the organizational architecture of the firm (Crilly and Sloan, 2014) and manifests itself in the practices and policies the firm adopts (Hall and Millo, 2015). In this view, firms characterized by high stakeholder orientation have in place policies and practices to habitually 'situate' managers' attention in communication channels with stakeholders and to absorb their signals (Crilly and Sloan, 2012, 2014).[4]

In the following section, we propose that the extent to which managers are attentive to primary stakeholders' inputs can influence in both positive and negative ways their capacity to interpret the events in the stock of experience and, in turn, the ability to learn from them. We theorize that the positive and negative effects develop non-linearly at increasing stakeholder orientation levels and, when combined, result in an inverted U-shaped influence of stakeholder orientation on the relationship between experience and focal acquisition performance.

HYPOTHESES DEVELOPMENT

Stakeholder Orientation and the Ability to Learn from Experience

We argued that primary stakeholders experience and interpret the events the firm undergoes through their idiosyncratic lenses, and thus they can notice elements that managers

do not necessarily notice (Strike and Rerup, 2016). In particular, because stakeholders have different 'raw data from the field' compared with managers (Rerup, 2009, p. 886), they can observe and notice cues that could inform managers' interpretation of past events. As March et al. (1991, p. 3) noted, 'different individuals and groups experience historical events differently…. As a result, organizational experience leads to a variety of interpretations, and an organization's repertoire may come to include several different, possibly contradictory, storylines'.

These differences are evident, for example, in a post-acquisition debriefing context, when managers try to make sense of the causal relationship between decisions and outcomes. In such situations, managers mostly have information about what they have done and the outcomes they have observed. However, they may overlook some of the consequences of the decisions implemented during integration (Vaara, 2003), such as the customers' intention to switch to a competitor, the employees' resistance to the application of new procedures, or the strife that may emerge in the local communities where the firm is based. Primary stakeholders, directly affected by the acquisition, observe the decisions and their consequences from their perspectives and, by reacting to them, generate signals that amount to a large number of cues about the acquisition process and the variety of its consequences (Meglio and King, 2017; Parvinen and Tikkanen, 2007).

Devoting attention to these different cues from stakeholders generates an interesting paradox. On the one hand, by being more attentive to these signals, managers can access a broader range of cues about the firm's past acquisitions that they can use to analyze in greater detail the cause-and-effect relationships and to question their assumptions (Baum and Dahlin, 2007). On the other hand, doing so may pose cognitive challenges to managers, such as information overload or attention diversion issues, which can constrain their ability to make appropriate inferences from prior experience (Payne and Calton, 2004). Figure 1 introduces our conceptual model and the main drivers of our predictions.

Positive influence of stakeholder orientation on the ability to learn from experience. The first set of mechanisms are based on the observation that primary stakeholders' signals about a firm's event might 'generate stability, vividness, and coherence around issues that [managers] would otherwise find difficult to focus on' (Rerup, 2009, p. 886). Previous work has observed how stakeholders' signals can be conceptualized as carriers of attention, focusing on particular issues that managers often overlook (Shymko and Roulet, 2017). This focus can be instrumental in identifying dilemmas, initiating reflections, and producing alertness when managers interpret the firm's events (Vaara, 2003). By attending to these signals, managers may focus attention on and foster discussions around consequences of past decisions that they may have overlooked. These inputs may also help to uncover latent errors they made, with positive consequences on how they draw inferences from past events (Ramanujam, 2003).

Moreover, by leveraging signals from different perspectives, managers can typically compare different outcomes of the same event. For example, in the context of acquisitions, this approach has challenged assumptions about the outcomes of past events and generated constructive conflicts and counterfactual comparisons (Beckman and

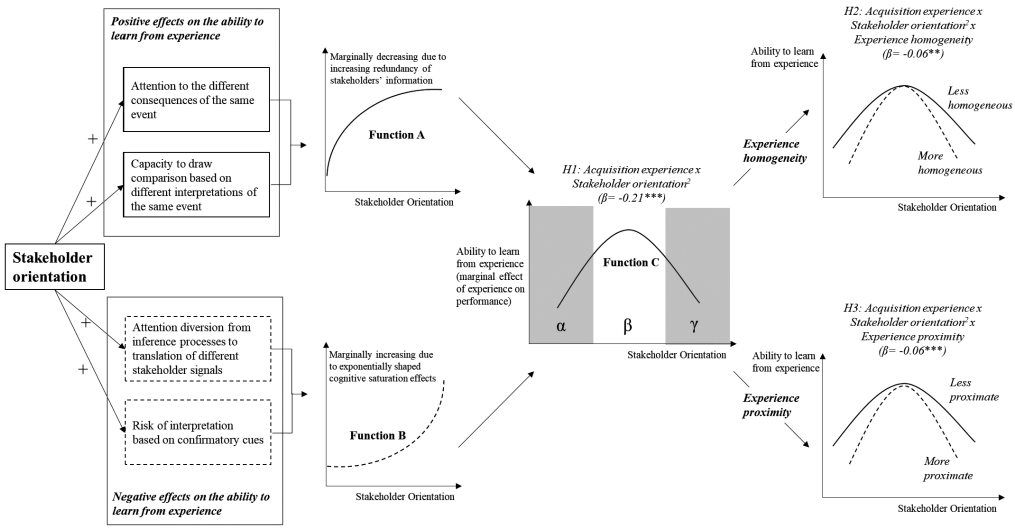

Figure 1. Conceptual model of the influence of stakeholder orientation on the marginal effect of acquisition experience on focal acquisition performance (i.e., the Ability to Learn from Experience). Function A: Marginally decreasing positive effects of stakeholder orientation on the firm's ability to learn from experience. Function B: Marginally increasing negative effects of stakeholder orientation on the firm's ability to learn from experience. Function C: Combined effect of Function A and Function B. α: low stakeholder orientation, β: medium stakeholder orientation γ: high stakeholder orientation. +p < 0.1, *p < 0.05, **p < 0.01, ***p < 0.001.

Haunschild, 2002; Gamache and McNamara, 2019). As such, stakeholder signals may be instrumental in generating more comprehensive and accurate explanations of past causal mechanisms, thus increasing the managers' capacity to generate more appropriate lessons from a given stock of experience.

These observations support a general intuition that managers in stakeholder-oriented firms, where 'other actors than those currently dominant…have sufficient leeway to challenge the dominant actors' perceptions of the organization's accomplishments' (Holmqvist, 2004, p. 72), might be in a position to generate more comprehensive depictions of past events. Conversely, because managers in firms with poor stakeholder orientation can leverage a smaller set of cues, they may generate less comprehensive depictions of the acquisitions the firm has experienced and their respective outcomes. These considerations echo previous studies in other contexts, showing that including new perspectives (e.g., from temporary workers) allows managers to access more information about past events, increasing their ability to learn from experience (Wiersma, 2007).

We propose that the positive influence of leveraging stakeholder signals on the managers' ability to learn from acquisition experience may marginally decrease as stakeholder orientation increases. Information-processing theories suggest that signal diversity has positive effects on the use of information up to a certain point (Bikhchandani and Mamer, 2013). In particular, signals that managers obtain from primary stakeholders regarding past events convey information that can become increasingly overlapping and eventually redundant as the number of attended stakeholders

increases (Crilly and Sloan, 2014). For instance, in the M&A context, customers' and employees' reactions to changing the target's name can produce signals about unintended consequences of this decision and trigger managerial reflection about how to handle such instances (Vaara, 2003). However, signals of other stakeholders, such as investors, might overlap with those of the employees as, regarding such decisions, the interests of these two stakeholder groups might be aligned. In such cases, the utility of investors' inputs would be marginally smaller than that of customers and employees. Thus, stakeholder orientation might have a marginally decreasing positive influence on the managers' ability to learn from past acquisitions. Function A in Figure 1 depicts this logic.

Negative influence of stakeholder orientation on the ability to learn from experience. The second set of mechanisms we propose is based on the observation that despite the positive effects, increased stakeholder orientation might entail 'cacophony and contradictions' (Payne and Calton, 2004, p. 72), which can yield significant cognitive complexities for managers associated with attending to multiple signals from stakeholders (Crilly and Sloan, 2014). Attending to these different stakeholders' inputs implies managers shifting their focus to these diverse stimuli (Ocasio, 1997). When exposed to various stimuli, managers have been observed to allocate attention away from the understanding of past events to the management of the different signals (Ghosh et al., 2014). Attention diversion issues are particularly severe for managers when the need to translate the received stimuli into the cognitive schemes of the learning organization increases (Holmqvist, 2004), as is expected in the case of multiple stakeholders' signals (Bundy and Shropshire, 2013). Given the limited attention capacity available to managers, the diversion of their attention from inference mechanisms to the translation of the different signals may reduce their capacity to identify and probe causal connections between decisions and outcomes (Ghosh et al., 2014).

Moreover, when managers are exposed to multiple conflicting signals, they may be left with the dilemma of what to do with the different information and whose experience to consider and prioritize (Baum and Dahlin, 2007). In the face of conflicting signals, managers tend to filter out cues that lead in a different direction from their expected conclusions and focus on those that confirm their own (Ethiraj and Levinthal, 2009). Piezunka and Dahlander (2015), for example, found evidence of similar mechanisms in the context of information crowding. They observed that managers, when faced with a high number of inputs, have a strong tendency to filter out more distant but also potentially more informative inputs from their consolidated opinions. In so doing, managers face increasing risks of interpreting experience by focusing only on cues that confirm, rather than challenge, their convictions about past events. This practice would reinforce managerial beliefs about extant practices' appropriateness even when they are sub-optimal (Holmqvist, 2004) and thus weaken the ability to learn from experience.

This second set of arguments suggests that managers of firms with a higher level of stakeholder orientation might be comparatively less able to learn from prior acquisition experience. This interpretation is consistent with Dahlin and Baum's (2007) observation that different interpretations of the causes of accidents by different

interested parties (i.e., stakeholders) could inhibit managers' ability to learn from previous accidents.

We expect the adverse effects of stakeholder orientation on the managers' ability to learn to be non-linear. Specifically, we expect attention diversion issues associated with managing primary stakeholders' inputs to increase marginally with growing levels of stakeholder orientation because of the exponentially shaped cognitive saturation effects that managers face (Ocasio, 1997). When managers are only partially attentive to stakeholders, their attention capacity can handle the different stakeholders' inputs. Conversely, at higher degrees of stakeholder orientation, the managers' limited attention capacity becomes rapidly saturated by inputs from the different stakeholders (Bikhchandani and Mamer, 2013). As a result, at very high levels of stakeholder orientation, the risk that managers will focus on the inputs that confirm their decisions and thus make inaccurate inferences from past acquisitions increases more than proportionally.[5] Function B in Figure 1 illustrates the logic of this negative effect.

The combination of positive and negative influences. The combination of the marginally decreasing advantages and marginally increasing disadvantages yields the net influence of stakeholder orientation on the ability of managers to learn from experience (i.e., on the marginal effect of experience on focal acquisition performance). It increases up to a point at intermediate levels of stakeholder orientation and then gradually reduces. When a firm has a low level of stakeholder orientation, its managers face only limited problems in processing stakeholders' signals but also receive fewer cues from them (area α in Figure 1). Under these conditions, managers draw lessons from prior acquisitions by relying primarily on their own observations. In these circumstances, the risk of less accurate inferences from past acquisitions is higher (Rerup, 2009), and the marginal effect of experience on the focal acquisition performance is expected to be comparatively lower.

At the opposite extreme (area γ in Figure 1), when a firm aims at very high levels of stakeholder orientation, managers can leverage stakeholders' cues (which might be redundant) about past acquisitions, but they also face severe attention difficulties because of the multiple and often conflicting inputs (Ocasio, 1997; Piezunka and Dahlander, 2015). Under these conditions, the risks of confirmatory biases (Ethiraj and Levinthal, 2009) and attention diversion (Ghosh et al., 2014) are likely to be higher. As a consequence, the marginal effect of experience on the focal acquisition performance is expected to be lower.

At moderate levels of stakeholder orientation, managers can benefit from information that is only partially redundant and can still handle the input complexity, as they have not yet reached attention saturation. The influence of stakeholder orientation on managers' capacity to draw inferences from prior acquisitions is likely to be at its maximum point at these levels (area β in Figure 1). Under such conditions, managers can effectively leverage constructive conflicts that improve the identification of past causal mechanisms (Beckman and Haunschild, 2002) but face only limited attention-based issues when interpreting past events (Ocasio, 1997). In these circumstances, the marginal effect of experience on performance is expected to be at its maximum.

From these arguments, the combination of marginally decreasing advantages and marginally increasing disadvantages suggests that the marginal effect of experience on the focal acquisition performance (i.e., on the ability to learn from experience) varies as a function of stakeholder orientation following an inverted U-shaped curve (Function C in Figure 1). Thus:

Hypothesis 1: The relationship between prior acquisition experience and the performance of the focal acquisition is most positive (or least negative) at intermediate levels of firms' stakeholder orientation and comparatively less positive (or more negative) when stakeholder orientation is either low or high.

The Nature of Experience as a Boundary Condition

Previous studies argued that in addition to the stock of experience, the nature of experience could have an important role in explaining learning from experience (e.g., Argote et al., 2003). Given the same amount of experience, managers have different opportunities to learn, depending on the characteristics of the stock of experience (Dahlin et al., 2018). Characteristics of experience that could influence experiential learning include, among others, its homogeneity (i.e., how similar the events in the stock of experience are to each other; Hayward, 2002) and its proximity to the knowledge domain of the focal firm (Ellis et al., 2011).

First, homogeneity in the stock of experience in the context of corporate acquisitions increases the opportunities to learn by acting on managerial focalization and specialization and by allowing for a more gradual refinement of routines (Haleblian and Finkelstein, 1999). In particular, prior research has found that similar events repeated for a long time simplify the identification of common traits among these events by allowing decision makers 'to focus their time and effort, elaborate on existing knowledge, and develop deeper causal understandings for how to accomplish tasks' (Bingham and Eisenhardt, 2007, p. 30). This deeper understanding will, in turn, increase the quality of the adaptation of routines and potentially improve the performance outcomes when they apply these routines to subsequent acquisitions.

Similarly, the proximity of experience to the focal firm's core knowledge domain could enhance the richness of the opportunities that managers have to learn from experience. Building on absorptive capacity arguments, previous studies have highlighted the learning advantages stemming from acquisition experience accumulated in domains where the firms already have a significant competence (Muehlfeld and Rao Sahib, 2012). Acquisitions in contexts close to the core knowledge domain can be analyzed and understood more effectively than acquisitions that take place far from the core knowledge domain. For example, studies have found that acquisitions in related contexts (Basuil and Datta, 2015) or similar markets (McDonald et al., 2008) enhance knowledge transfer effects. The degree of stakeholder orientation can enhance the absorptive capacity effect because primary stakeholders' knowledge is more likely to emerge when these events take place in related knowledge domains. In other words, as primary stakeholders' knowledge is expected to be local in the knowledge

landscape, the effect of stakeholder orientation on the ability to learn from experience will be stronger when the acquisition experience is accumulated in acquisitions that are closer to the core business of the focal firm.

Scholars have conceptualized the ability and the opportunity to learn as interactive factors because each could enhance or limit the influence of the other (Argote et al., 2003; Dahlin et al., 2018). Building on this insight, we argue that the nature of experience may act in a multiplicative way with the main effect of stakeholder orientation on the ability to learn. As the opportunity to learn increases with experience homogeneity and proximity to the domain of the 'learning' firm, the influence of stakeholder orientation on the ability to learn from experience should also increase. Because the main effect hypothesized above is inverted U-shaped, we expect the non-linearity of the main effect to be more pronounced as the experience homogeneity and the proximity of the acquisitions in the stock of experience increase. Thus:

Hypothesis 2: The more homogeneous the acquisitions in the stock of experience are, the more pronounced is the non-linear (inverted U-shaped) effect of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance.

Hypothesis 3: The higher the proximity of the acquisitions in the stock of experience to the focal firm's knowledge domain is, the more pronounced is the non-linear (inverted U-shaped) effect of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance.

METHODS

Sample

We tested our hypotheses on a sample of acquisitions of US-listed firms that occurred between 2006 and 2015. To build our sample, we identified all US firms included in the Thomson Reuters ASSET4 database, which spans the years 2002 to 2018.[6] We used the SDC Platinum database to identify all acquisitions completed by these firms. To avoid comparability issues, we excluded the acquisitions of minority stakes and the purchases of assets only. Next, we used the Compustat and CRSP databases to compute the dependent and some control variables. This process led to a final sample of 4619 acquisitions by 504 firms, which we used to test the hypotheses.

Variables

Dependent variable. To operationalize our dependent variable (*focal acquisition performance*), we used the variation of the industry-adjusted Tobin's Q ratio of the acquiring firm (Cording and Christmann, 2010; Zhu and Zhu, 2020). The advantage of this measure is twofold. First, Tobin's Q allows us to consider the market and accounting performances of the firm simultaneously. Second, Tobin's Q reflects shareholders'

and other stakeholders' perception of a firm's ability to create value through improved efficiency (Shi and Prescott, 2011). We calculated the acquirer's Tobin's Q as the market value of assets over its book value of assets, where the market value of assets is the firm's market capitalization plus book value of assets less the book value of equity (Humphery-Jenner, 2014). Then, we adjusted Tobin's Q for the average Tobin's Q of the industry in which the firm operates. Finally, we calculated the variation as the difference between the industry-adjusted Tobin's Q of the firm three years after the acquisition (t + 3) and the industry-adjusted Tobin's Q of the firm one year before the acquisition (t − 1) (Huang and Zhu, 2017). We replicated the analyses using shorter time horizons, such as two years or one year after the acquisition (t + 2, t + 1), and found consistent results (Zhu et al., 2020). Results were also consistent when we used the operationalization of Tobin's Q by Peters and Taylor (2017), which accounts for both intangible and physical capital, or the measure by Chung and Pruitt (1994) (Shi and Prescott, 2011). Results are also consistent when using variation in ROA, cumulative abnormal returns (CAR) over 36 months, or CAR over ten days (± 5 days) around the announcement.

Explanatory variables. To determine a firm's *prior acquisition experience*, we followed standard practice in the literature on corporate strategy and learning curves, counting the number of events before the focal one. We operationalized it as the number of acquisitions the firm completed in the five years preceding the focal acquisition (Basuil and Datta, 2015; Hayward, 2002; Kroll et al., 2008). The results are robust to the use of 3-, 4-, 6-, and 7-year windows to calculate acquisition experience.

The *degree of stakeholder orientation* represents the extent to which managers are attentive to the signals from the stakeholders and include them in decision-making processes. Following our theory and building on prior work (Bettinazzi and Feldman, 2021; Kacperczyk, 2009), in this article, we focus on the five primary stakeholders (i.e., employees, suppliers, shareholders, customers, and local communities) to operationalize stakeholder orientation. We relied on the Thomson Reuters ASSET4 database (Bettinazzi and Feldman, 2021; Bettinazzi and Zollo, 2017; Gupta and Crilly, 2020). The main advantage of an operationalization based on these data lies in the depth of the assessments. ASSET4's analysts collect data from many sources such as stock filings, firm and NGO reports, and surveys to generate nearly 900 raw items per firm across several dimensions. Following our theory, we selected from these different items only those that captured the practices and policies related to attending to primary stakeholders, capturing their signals, and integrating them into decision making. The focus on these specifically selected items allowed us to distinguish unambiguously the degree of stakeholder orientation, which was our focus, from the more general CSR attitude of the firm (Gupta et al., 2020), which was not our focus.

In particular, we measured the extent to which managers are attentive to *employees* as the sum of nine dummy items that measure whether managers have in place practices to monitor employee relationships (e.g., Does the company monitor or measure its performance on employment quality?) and to include employees in policies and decisions (e.g., Does the company have a policy for maintaining long-term employment growth and stability?).

To measure the managers' attention to *customers*, we summed five dummy items that measure whether managers have policies to assess relationships with customers (e.g., Does the company have a policy to improve customer satisfaction?) and practices to monitor their relationship with them (e.g., Does the company monitor customer satisfaction or its reputation and relations with customers through the use of surveys or measurements?).

To measure managers' attention to *suppliers*, we used the sum of five dummy items that measure whether managers have policies to manage their relationships with suppliers (e.g., Does the company have a policy to treat suppliers and contractors as key business partners?) and the practices to interact with them (e.g., Does the company have appropriate communication tools to improve its partnerships with suppliers and contractors?).

To assess managers' attention to the *local community*, we used the sum of nine dummy items that measure whether managers have practices to monitor relationships with local communities (e.g., Does the company monitor its reputation or its relations with communities?) and to include them in policies and decisions (e.g., Does the company describe the implementation of its community policy through the processes in place?).

Finally, we measured the extent to which managers are attentive to *shareholders* (i.e., investors) as the sum of five dummy items that assess whether the firm has practices to engage investors (e.g., Does the company have a policy to facilitate shareholder engagement, resolutions, or proposals?) and policies to preserve shareholder rights (e.g., Does the company describe the implementation of its shareholder rights policy?). We report a complete list of the items used for each of the stakeholder categories in this article's online Appendix 1.

We normalized each of the five stakeholder categories' scores on a zero-to-one scale, and we aggregated them using the average. In doing so, we implicitly allocated equal importance to each stakeholder category, which is consistent with our underlying theory and prior research (Bettinazzi and Feldman, 2021; Bettinazzi and Zollo, 2017; Greenley and Foxall, 1997; Ni, 2020). The result is a measure of the *degree of stakeholder orientation* that is formative and ranges from zero to one. Since experiential learning is a continuous process that does not occur at a specific point in time, we used the average score in the years we considered to measure acquisition experience (five years preceding the focal acquisition).

We assessed the reliability and the validity of our measure in several ways. The variance inflation factors calculated for the separate stakeholder categories and the aggregate stakeholder orientation fall below the cut-off threshold of three, suggesting no multicollinearity. We also analyzed whether our constructs capture the orientation toward the different stakeholder categories validly by using hand-collected data retrieved from the firms' sustainability reports for a subsample of 35 firms for five years (152 firm-year observations). The data indicate that orientations toward employees, suppliers, investors, customers, and local communities correlate with the number of initiatives firms perform toward each stakeholder group.

To measure *acquisition experience homogeneity* (Hypothesis 2), we relied on the similarity with industries in which the firm has made previous acquisitions:

$$\textit{Acquisition experience homogeneity} = \sum_{p=1}^{M} \left(\textit{\% of acquisitions}_p \right)^2$$

where p indicates the sector in which the targets of the acquisitions operate and *% of acquisitions* is the percentage of acquisitions in the stock of experience in the sector p.

To measure the proximity of the events in the stock of experience to the focal firm's knowledge domain (Hypothesis 3), we relied on the *proportion of proximate acquisitions*. To do so, we categorized the acquisitions in the stock of experience as 'proximate' to the primary business of the acquiring firm when the SIC codes of the acquiring and target firms overlapped by three or more digits. We then calculated the *proportion of proximate acquisitions* as the percentage of 'proximate' acquisitions over the total number of acquisitions in the stock of experience.

Control variables. We controlled for the firm's *overall CSR performance* as the average of the firm's Environmental, Social, and Governance scores in the ASSET4 database. Moreover, we controlled for other firm characteristics, such as the *size* (using the logarithm of the total assets), the *previous performance of the acquirer* (EPS in the year before the deal), and standard accounting-based controls such as the *resource slack* (liquidity ratio), the *market-to-book ratio*, and the firm's *leverage* as the ratio between debt and equity. We also controlled for the *board size* and the *percentage of non-executive members* because a powerful board reduces the likelihood of managerial misbehavior.

We controlled for the *novelty of the focal acquisition* calculated as

$$Novelty\ of\ the\ focal\ acquisition = \frac{1}{N}\sum_{j=1}^{N}\frac{SIC\ distance_{ij}}{(Max\ distance)}$$

where j indicates the targets of acquisitions in the stock of experience N, i indicates the target of the focal acquisition, *SIC distance* is the inverse in the overlap of the SIC codes for firms i and j, and *Max distance* indicates the maximum distance in the SIC codes.

We also controlled for *business similarity*, measured as the inverse distance in the acquiring and target firms' SIC codes. We accounted for other deal-specific features, such as domestic vs. *cross-border* acquisitions, *full* vs. majority *acquisitions*, whether it was located in the *same state* in the US, the public status of the target (*target public*), and whether the target was a divested unit (*Divestiture*), by using dummy indicators.

As stock market reactions to past acquisitions could influence whether managers consider stakeholders in making inferences from past acquisitions, we controlled for the *proportion of acquisitions with positive market responses* in the stock of experience. To do so, we classified as 'positive' all past acquisitions that generated 5 per cent or more cumulative abnormal returns over ten days [−5; +5] (Kumar et al., 2015). Then, we divided the number of 'positive' acquisitions by the total number of acquisitions in the stock of experience to determine the proportion.

Table I shows the unstandardized descriptive statistics and correlations.

Regression Models

We used OLS regression models with firm- and year-fixed effects and used firm-clustered standard errors. To simplify the interpretation of the results, we standardized

Table I. Unstandardized descriptive statistics and correlations

		Mean	*SD*	*Min*	*Max*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*
1	Tobin's Q variation [t − 1; t + 3]	−0.11	0.70	−5.16	5.22																				
2	Acquisition experience	21.00	29.55	0.00	245.0	0.00																			
3	Degree of stakeholder orientation	0.36	0.15	0.00	0.89	0.02	0.11																		
4	Acquisition experience homogeneity	0.41	0.29	0.00	1.00	−0.09	−0.29	−0.20																	
5	Proportion of proximate acquisitions	0.28	0.30	0.00	1.00	−0.15	−0.14	−0.22	0.52																
6	Overall CSR performance	56.15	19.20	16.68	95.07	0.02	0.14	0.61	−0.10	−0.14															
7	Novelty of focal acquisition	0.77	0.27	0.00	1.00	0.09	0.07	0.21	−0.47	−0.37	0.06														
8	Prop. of acq. with pos. mkt responses	0.15	0.17	0.00	1.00	−0.05	−0.08	−0.07	0.09	0.07	−0.05	−0.09													
9	Cross-border	0.31	0.46	0.00	1.00	0.00	−0.02	0.07	−0.06	−0.05	0.10	0.05	−0.01												
10	Divestiture	0.33	0.47	0.00	1.00	0.05	−0.02	0.00	−0.04	−0.05	0.02	0.04	0.01	0.05											
11	Target public	0.08	0.28	0.00	1.00	−0.04	−0.03	−0.02	0.04	0.04	0.03	−0.02	0.01	−0.02	−0.18										
12	Full acquisition	0.92	0.28	0.00	1.00	−0.01	−0.01	−0.04	0.02	0.04	−0.04	−0.03	0.01	−0.14	0.01	−0.11									
13	Business similarity	1.18	1.54	0.00	4.00	−0.07	−0.10	−0.21	0.20	0.35	−0.11	−0.60	0.08	−0.01	0.00	0.07	0.01								
14	Same state	0.19	0.40	0.00	1.00	−0.03	−0.05	−0.03	0.09	0.09	−0.02	−0.06	0.03	−0.19	−0.01	0.07	0.02	0.06							
15	Acquirer board size	11.77	3.35	1.00	35.00	0.07	0.29	0.16	−0.23	−0.23	0.34	0.11	−0.07	0.04	0.08	0.04	−0.08	−0.11	−0.02						
16	% of non-executives (acquirer)	10.01	3.21	1.00	32.00	0.08	0.28	0.21	−0.23	−0.24	0.38	0.12	−0.09	0.04	0.08	0.04	−0.07	−0.13	−0.01	0.94					

(Continues)

Table I. (Continued)

		Mean	*SD*	*Min*	*Max*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*
17	Previous performance of the acquirer	2.02	10.44	−3.80	42.00	0.03	0.02	−0.10	−0.04	−0.06	−0.12	0.02	−0.02	0.00	0.00	−0.01	0.00	−0.02	−0.01	0.00	0.00				
18	Resource slack (acquirer)	1.89	1.70	0.19	79.57	−0.05	−0.16	−0.05	0.06	0.02	−0.07	−0.01	0.04	0.04	−0.03	0.08	−0.01	0.03	0.07	−0.18	−0.20	0.00			
19	Acquirer size	9.51	1.92	2.18	14.76	0.11	0.41	0.31	−0.34	−0.33	0.43	0.16	−0.12	0.01	0.10	0.03	−0.11	−0.21	−0.04	0.64	0.64	0.04	−0.24		
20	Leverage (acquirer)	1.20	15.50	−388.1	1041	0.05	0.02	0.01	−0.01	−0.02	0.04	0.01	0.02	−0.01	0.01	0.00	−0.02	−0.01	0.01	0.03	0.02	0.00	−0.01	0.04	
21	Market-to-book ratio (acquirer)	3.22	9.13	0.00	380.1	−0.13	0.40	0.16	0.00	0.00	0.32	−0.04	−0.01	0.02	−0.03	0.04	−0.04	−0.04	−0.01	0.22	0.21	−0.02	0.00	0.36	0.27

the explanatory variables. Results remained consistent when we used non-standardized variables. The results also did not change when we used robust standard errors or no firm-fixed effects. We report the complete estimation models used to test our hypotheses in online Appendix 2.

RESULTS

Table II presents the results. Model 1 includes only controls. Model 2 adds the direct effects of explanatory variables. Model 3 includes the linear interaction between the *degree of stakeholder orientation* and *acquisition experience*, which is negative but not significant.

Hypothesis 1 proposed that the influence of prior experience on focal acquisition performance would be more positive (or less negative) at moderate levels of stakeholder orientation. The results in Model 4 confirm our prediction, showing a negative and significant coefficient (−0.21, p = 0.000) of the quadratic interaction between stakeholder orientation and acquisition experience (*Acquisition experience* × *Degree of stakeholder orientation*^{2}). This result indicates that the moderation effect of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance follows an inverted U-shaped path. In other words, the marginal effect of acquisition experience on focal acquisition performance (i.e., ability to learn from experience) varies as a function of the degree of stakeholder orientation, following an inverted U-shaped path, and Figure 2 depicts that path.

Models 5 and 6 report the results using a shorter window of time to calculate the variation in Tobin's Q. The coefficients remain consistently negative when using the differences between t + 2 and t − 1 (−0.16, p = 0.000) and between t + 1 and t − 1 (−0.13, p = 0.000). Slope tests confirm a significant inverted U-shape (t-test = 11.37; p = 0.000).

Hypothesis 2 proposed that the curvilinear moderation effect of stakeholder orientation on the relationship between experience and focal acquisition performance is more pronounced when acquisitions in the stock of experience are more homogeneous. Results, reported in Table III (Model 8), show that the three-way interaction among *acquisition experience homogeneity*, *degree of stakeholder orientation*^{2}, and *acquisition experience* is negative and significant (−0.06, p = 0.007), indicating that the influence of stakeholder orientation on the relationship between experience and focal acquisition performance is stronger when experience is more homogeneous. The curve (in Figure 3A) is more (or less) concave when *acquisition experience homogeneity* is one standard deviation higher (or lower) than the mean. This evidence corroborates Hypothesis 2.

Hypothesis 3 proposed that the curvilinear moderation effect of stakeholder orientation on the relationship between experience and focal acquisition performance is more pronounced when the proportion of proximate acquisitions in the stock of experience increases. The results, reported in Table III (Model 10), show that the three-way interaction among the *proportion of proximate acquisitions*, the *degree of stakeholder orientation*^{2}, and *acquisition experience* is negative and significant (−0.06, p = 0.001). Thus, the influence of stakeholder orientation on the relationship between experience

Table II. The moderating influence of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance (Hypothesis 1)

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 2]*	*DV: Tobin's Q variation [t − 1; t + 1]*
Acquisition experience (a)		−0.26	−0.23	−0.09	−0.15	0.04
		(0.17)	(0.16)	(0.14)	(0.16)	(0.13)
Degree of stakeholder orientation (a)		−0.03	−0.05	−0.07	−0.10	−0.07
		(0.10)	(0.10)	(0.10)	(0.09)	(0.07)
Acq. experience × Deg. of stake. orient.			−0.11	−0.22***	−0.15*	−0.11
			(0.13)	(0.06)	(0.06)	(0.07)
Degree of stakeholder orientation^2				−0.02	−0.03	−0.05*
				(0.03)	(0.03)	(0.02)
Acq. experience × Deg. of stake. orient.^{2}				−0.21***	−0.16***	−0.13***
				(0.04)	(0.04)	(0.04)
Overall CSR performance	−0.00	−0.00	−0.00	−0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Novelty of focal acquisition	0.08	0.09	0.10	0.09	0.11	0.09
	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)	(0.06)
Proportion of acquisitions with positive market responses in the stock of experience	−0.16	−0.17	−0.19	−0.22	−0.20	−0.17
	(0.18)	(0.18)	(0.18)	(0.17)	(0.19)	(0.15)
Cross-border	−0.01	−0.01	−0.01	−0.02	−0.02	−0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Divestiture	−0.01	−0.01	−0.01	−0.02	−0.01	−0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)

Table II. (Continued)

Variables	(1) DV: Tobin's Q variation [t − 1; t + 3]	(2) DV: Tobin's Q variation [t − 1; t + 3]	(3) DV: Tobin's Q variation [t − 1; t + 3]	(4) DV: Tobin's Q variation [t − 1; t + 3]	(5) DV: Tobin's Q variation [t − 1; t + 2]	(6) DV: Tobin's Q variation [t − 1; t + 1]
Target public	−0.04	−0.04	−0.05	−0.05+	−0.06*	−0.08**
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Full acquisition	−0.01	−0.01	−0.01	−0.02	−0.02	−0.01
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Business similarity	−0.01	−0.00	−0.00	−0.00	−0.00	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Same state	−0.02	−0.02	−0.01	−0.03	−0.02	−0.04
	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.03)
Acquirer board size	0.01	0.01	0.01	0.00	0.01	0.01
	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.03)
% of non-executives (acquirer)	0.01	0.01	0.01	0.01	−0.01	−0.01
	(0.06)	(0.06)	(0.06)	(0.05)	(0.04)	(0.04)
Previous performance of the acquirer	−0.03**	−0.03**	−0.03**	−0.02**	−0.03***	−0.02***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Resource slack (acquirer)	−0.00	−0.00	−0.00	−0.00	0.03	0.05
	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)	(0.05)
Acquirer size	0.29*	0.31*	0.32**	0.33**	0.30**	0.11
	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.08)
Leverage (acquirer)	0.01	0.01	0.01	0.01	0.01+	0.01
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

(Continues)

Table II. (Continued)

Variables	(1) DV: Tobin's Q variation [t − 1; t + 3]	(2) DV: Tobin's Q variation [t − 1; t + 3]	(3) DV: Tobin's Q variation [t − 1; t + 3]	(4) DV: Tobin's Q variation [t − 1; t + 3]	(5) DV: Tobin's Q variation [t − 1; t + 2]	(6) DV: Tobin's Q variation [t − 1; t + 1]
Market-to-book ratio (acquirer)	−0.00***	−0.00***	−0.00***	−0.00***	−0.00***	−0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Constant	−2.81*	−3.09**	−3.10**	−3.08**	−2.82*	−1.10
	(1.15)	(1.15)	(1.12)	(1.11)	(1.11)	(0.81)
Observations	4619	4619	4619	4619	4619	4619
(Within firms) R-squared	0.12	0.12	0.13	0.17	0.13	0.12
Number of firms	504	504	504	504	504	504
Year-fixed effects	YES	YES	YES	YES	YES	YES
Acquiring-firm-fixed effects	YES	YES	YES	YES	YES	YES

Note: In Models 1 to 4, the DV is the difference between industry-adjusted Tobin's Q of the firm three years after the acquisition and one year before the acquisition. In Model 5, the DV is the difference between two years after the acquisition and one year before. In Model 6, the DV is the difference between one year after the acquisition and one year before. Firm-clustered standard errors appear in parentheses. (a) standardized.
$^{+}p < 0.1$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$.

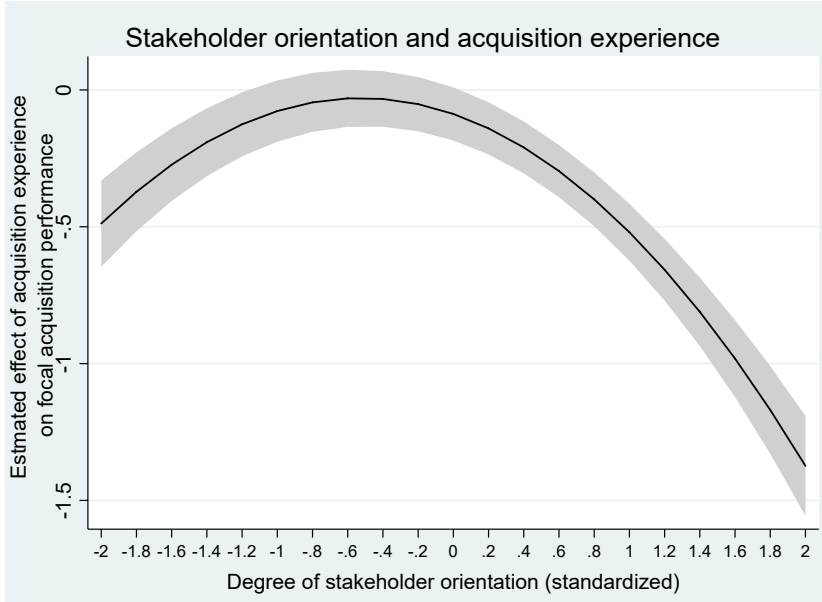

Figure 2. The marginal effect of acquisition experience on focal acquisition performance (Ability to Learn from Experience) as a function of the degree of stakeholder orientation (Hypothesis 1). The marginal effect of *acquisition experience* on *focal acquisition performance* at an increasing degree of *stakeholder orientation*, ranging from mean − 2SD to mean + 2SD.

and focal acquisition performance is stronger when prior experience is more proximate to the acquiring firm's knowledge domain. The curve (Figure 3B) is more (or less) concave when the *proportion of proximate acquisitions* is one standard deviation higher (or lower) than the mean, which supports Hypothesis 3. In both cases, results (Models 11 to 14) remain consistent when using different periods for calculating the Tobin's Q variation.

Additional Analyses

We conducted two sets of analyses. First, we studied how the influence of stakeholder orientation varies as a function of the extent to which managers disperse their attention across primary stakeholders. To do so, we operationalized *attention dispersion* as the inverse of the standard deviation across the five scores of the different primary stakeholders (Laplume et al., 2021).[7] This measure captures the level of attention dispersion effectively because a high standard deviation (low inverted standard deviation) in scores across the different stakeholder categories indicates that managers pay greater attention to some stakeholders and less to others. Conversely, a low standard deviation (high inverted standard deviation) indicates that managers pay similar attention (whether the average is high or low) across the different categories. To study it, we conducted separate analyses on the two sides of the inverted U-shaped curve of Hypothesis 1 (split along the median of stakeholder orientation).

On the left side of the curve (when stakeholder orientation ranges from low to mid levels), we posited that stakeholder orientation would have an *increasingly positive* effect on

Table III. The moderating influence of stakeholder orientation on the relationship between acquisition experience and focal acquisition performance: Homogeneity and proportion of proximate acquisitions in the stock of experience as boundary conditions (Hypotheses 2 and 3)

	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Variables	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 3]*	*DV: Tobin's Q variation [t − 1; t + 2]*	*DV: Tobin's Q variation [t − 1; t + 2]*	*DV: Tobin's Q variation [t − 1; t + 1]*	*DV: Tobin's Q variation [t − 1; t + 1]*
Acquisition experience (a)	−0.23***	−0.08+	−0.17**	−0.07	−0.15**	−0.12*	0.04	0.07
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Degree of stakeholder orientation (a)	−0.04	−0.07+	−0.07+	−0.02	−0.11**	−0.08*	−0.09*	−0.05
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.03)	(0.04)
Acq. experience × Deg. of stake. orient.	−0.06+	−0.12***	−0.20***	−0.18***	−0.10***	−0.14***	−0.08**	−0.16***
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Degree of stakeholder orientation^2		−0.03*		−0.05***	−0.05***	−0.03*	−0.06***	−0.05***
		(0.01)		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Acq. experience × Deg. of stake. orient.^{2}		−0.23***		−0.24***	−0.17***	−0.19***	−0.14***	−0.13***
		(0.01)		(0.02)	(0.01)	(0.02)	(0.01)	(0.02)
Acquisition experience homogeneity (a)	0.06**	0.11***			0.07*		0.05*	
	(0.02)	(0.03)			(0.03)		(0.02)	
Acq. experience × Acq. exp. homo.	0.11***	0.20***			0.14***		0.07*	
	(0.03)	(0.04)			(0.04)		(0.04)	
Deg. of stake. orient. × Acq. exp. homo.	0.06***	0.00			−0.01		−0.02	
	(0.02)	(0.01)			(0.01)		(0.01)	

Table III. (Continued)

Variables	(7) DV: Tobin's Q variation [t − 1; t + 3]	(8) DV: Tobin's Q variation [t − 1; t + 3]	(9) DV: Tobin's Q variation [t − 1; t + 3]	(10) DV: Tobin's Q variation [t − 1; t + 3]	(11) DV: Tobin's Q variation [t − 1; t + 2]	(12) DV: Tobin's Q variation [t − 1; t + 2]	(13) DV: Tobin's Q variation [t − 1; t + 1]	(14) DV: Tobin's Q variation [t − 1; t + 1]
Acq. experience × Deg. of stake. orient. × Acq. exp. homo.	0.12***	−0.03			−0.05*		−0.05*	
	(0.02)	(0.02)			(0.02)		(0.02)	
Deg. of stake. orient.^{2} × Acq. exp. homo.		−0.04**			−0.06***		−0.06***	
		(0.01)			(0.01)		(0.01)	
Acq. experience × Deg. of stake. orient.^{2} × Acq. exp. homo.		−0.06**			−0.11***		−0.08***	
		(0.02)			(0.02)		(0.02)	
Proportion of proximate acquisitions in the stock of experience			−0.03	0.05$^+$		0.02		−0.00
			(0.03)	(0.03)		(0.03)		(0.03)
Acq. experience × Prop. of prox. acq.			0.01	0.15***		0.08$^+$		−0.00
			(0.04)	(0.04)		(0.04)		(0.04)
Deg. of stake. orient. × Prop. of prox. acq.			0.01	−0.03		0.01		−0.00
			(0.02)	(0.02)		(0.02)		(0.01)

(Continues)

Table III. (Continued)

Variables	(7) DV: Tobin's Q variation [t − 1; t + 3]	(8) DV: Tobin's Q variation [t − 1; t + 3]	(9) DV: Tobin's Q variation [t − 1; t + 3]	(10) DV: Tobin's Q variation [t − 1; t + 3]	(11) DV: Tobin's Q variation [t − 1; t + 2]	(12) DV: Tobin's Q variation [t − 1; t + 2]	(13) DV: Tobin's Q variation [t − 1; t + 1]	(14) DV: Tobin's Q variation [t − 1; t + 1]
Acq. experience × Deg. of stake. orient. × Prop. of prox. acq.			0.11***	−0.09***		−0.12***		−0.09***
			(0.02)	(0.02)		(0.02)		(0.02)
Deg. of stake. orient.^{2} × Prop. of prox. acq.				−0.01		−0.02		−0.03*
				(0.01)		(0.01)		(0.01)
Acq. experience × Deg. of stake. orient.^{2} × Prop. of prox. acq.				−0.06***		−0.08***		−0.08***
				(0.02)		(0.02)		(0.02)
Constant	−3.15***	−3.33***	−4.06***	−3.91***	−3.05***	−3.67***	−1.19*	−1.93***
	(0.54)	(0.55)	(0.61)	(0.62)	(0.54)	(0.60)	(0.52)	(0.57)
Observations	4619	4619	4619	4619	4619	4619	4619	4619
(Within firms) R-squared	0.13	0.15	0.14	0.18	0.11	0.13	0.08	0.91
Number of firms	504	504	504	504	504	504	504	504
Year-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES

Table III. (Continued)

Variables	(7) DV: Tobin's Q variation [t − 1; t + 3]	(8) DV: Tobin's Q variation [t − 1; t + 3]	(9) DV: Tobin's Q variation [t − 1; t + 3]	(10) DV: Tobin's Q variation [t − 1; t + 3]	(11) DV: Tobin's Q variation [t − 1; t + 2]	(12) DV: Tobin's Q variation [t − 1; t + 2]	(13) DV: Tobin's Q variation [t − 1; t + 1]	(14) DV: Tobin's Q variation [t − 1; t + 1]
Acquiring-firm-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES
Other controls	YES	YES	YES	YES	YES	YES	YES	YES

Note: In Models 7 to 10, the DV is the difference between industry-adjusted Tobin's Q of the firm three years after the acquisition and one year before the acquisition. In Models 11 and 12, the DV is the difference between two years after the acquisition and one year before. In Models 13 and 14, the DV is the difference between one year after the acquisition and one year before.
Robust standard errors appear in parentheses. (a) standardized.
$^{+}p < 0.1$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$.

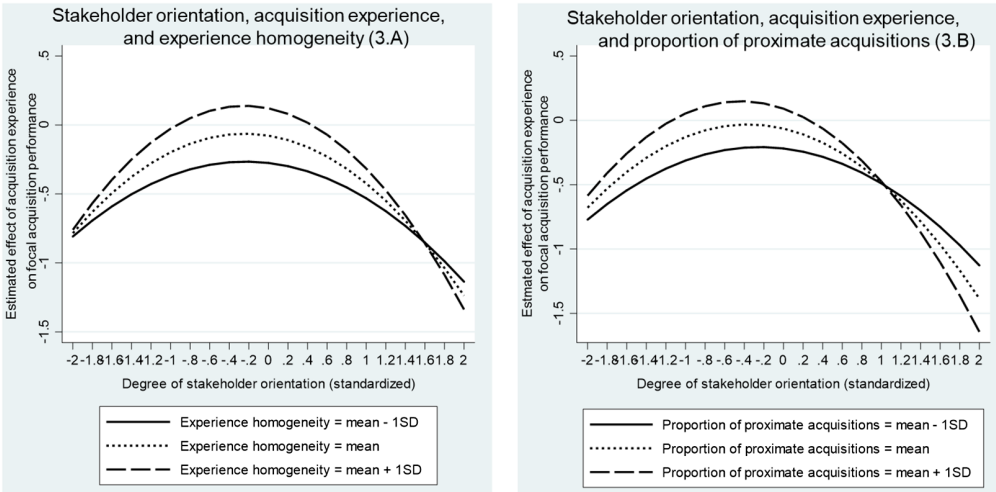

Figure 3. The marginal effect of acquisition experience on focal acquisition performance (ability to learn from experience) as a function of the degree of stakeholder orientation: Homogeneity and proportion of proximate acquisitions in the stock of experience as boundary conditions (Hypotheses 2 and 3). A. The marginal effect of *acquisition experience* on *focal acquisition performance* at an increasing degree of *stakeholder orientation* and at varying degrees of *experience homogeneity*. Three curves depicted: acquisition experience homogeneity = mean − 1SD, = mean, and = mean + 1SD. B. The marginal effect of *acquisition experience* on *focal acquisition performance* at an increasing degree of *stakeholder orientation* and at a varying *proportion of proximate acquisitions*. Three curves depicted: proportion of proximate acquisitions = mean − 1SD, = mean, and = mean + 1SD.

the relationship between experience and performance because managers could increasingly benefit from information richness and could still handle the attention complexity of including different stakeholders' inputs. If these arguments hold, we would expect that dispersing attention across stakeholder categories would improve stakeholder orientation's influence on the ability to learn from experience. Thus, we analyzed the three-way interaction between *acquisition experience*, *degree of stakeholder orientation*, and *attention dispersion* on a subsample of observations characterized by low to moderate levels of stakeholder orientation. The coefficient of the interaction between *acquisition experience*, *degree of stakeholder orientation*, and *attention dispersion* is positive and significant (0.09, $p = 0.025$).[8] This indicates that from low to moderate levels, stakeholder orientation has a more positive effect on the ability to learn when managers disperse their attention evenly across the different stakeholder groups.

In contrast, on the right side of the curve (when stakeholder orientation ranges from moderate to high levels), we proposed that stakeholder orientation would have an *increasingly negative* effect on the relationship between experience and performance. This effect occurs because, at these levels of stakeholder orientation, the informational advantage derived from stakeholders' inputs would be increasingly limited, while the potential for attention complexity would grow exponentially. If these arguments hold, we would expect that dispersing attention across many stakeholder categories would increase the attentional/cognitive downturns, while focusing on a few stakeholder categories would limit the number of signals received and partially

compensate for the complexity of attending to different inputs. Thus, we analyzed the three-way interaction between *acquisition experience*, *degree of stakeholder orientation*, and *attention dispersion* on a subsample of observations characterized by moderate to high levels of stakeholder orientation (which cover the right side of the inverted U-shaped relationship). The coefficient of the interaction between *acquisition experience*, *degree of stakeholder orientation*, and *attention dispersion* is negative and significant (−0.21, p = 0.031).[9] Therefore, from moderate to high levels, stakeholder orientation has a more negative effect on the ability to learn from experience when managers disperse attention evenly across the different stakeholder categories.

We also explored whether the managers' attention to an optimal number of stakeholder categories could maximize the ability to learn from experience. To do so, we analyzed how the number of primary stakeholder categories to which the acquiring firm is highly attentive (in place of the average orientation across all the different groups) influences the relationship between prior experience and performance. To operationalize this, we created a variable (the *number of stakeholder categories attended*) to indicate the number of categories of stakeholders for which the focal firm's orientation is above the average and substituted it for the *degree of stakeholder orientation* in our main models. The influence of the *number of stakeholder categories attended* on the relationship between experience and performance results is again curvilinear, with negative and significant coefficients of the quadratic interaction term (−0.13, p = 0.000).[10]

These results support to the idea that the ability to learn from experience depends not only on the overarching level of attention to stakeholders but also on how this attention is dispersed. Dispersing attention across stakeholder groups might be a viable strategy at moderate levels of stakeholder orientation because the cognitive complexities at these levels are limited. Conversely, the same strategy might be detrimental at higher levels of stakeholder orientation because attention dispersion exacerbates the cognitive difficulties associated with attending to stakeholders' inputs.

Robustness Checks

We conducted several analyses to assess the robustness of our results. First, we checked the robustness of the results when adding our measure of *attention dispersion* as an additional covariate to the main models. Results remained consistent.

We checked whether the results are sensitive to alternative measures of our dependent variable. The results are consistent when using the 4-year [t − 1; t + 3] variation of the firm's sector-normalized ROA, the acquiring firm's cumulative abnormal returns (CAR) calculated over 36 months after the announcement, or the CAR over ten days (± 5 days) around the announcement. Results are also robust to the use of 3-, 4-, 6-, and 7-year windows to calculate *acquisition experience*.[11]

We replicated our analyses by measuring the *degree of stakeholder orientation* using specific items sourced from the Kinder, Lynderburg, and Domini (KLD) database rather than the ASSET4 database. Results are consistent with those presented above.

We checked whether the presence of repeated observations in a given year biases the results. Although the firm-clustered standard errors mitigate this concern, we re-ran the analyses on a sample composed of a maximum of two observations per firm-year. We also

re-estimated our models by weighting the observations by the inverse of acquisition intensity or controlling for the number of parallel acquisitions. The results are qualitatively consistent.

We checked whether 2008's financial crisis affected our results. We ran alternative models adding a dummy control for the years of the crisis. In addition, we followed Kölbel and Busch (2017), and we re-performed our analyses, excluding observations from 2008. Finally, we re-performed our analyses only on acquisitions before 2008 (Ni, 2020). Results remained consistent. Only results in support of Hypothesis 2 lose significance when adopting the most conservative approach.

We also checked whether stakeholder orientation could influence the types of acquisitions firms undertake or the experience characteristics. We ran separate models in which we estimated *novelty* of the focal acquisition, *business similarity* of the focal acquisition, and *homogeneity of experience* as functions of stakeholder orientation and other firm characteristics. Results show that stakeholder orientation is not significantly correlated with any of these elements.

We also checked for sample selection issues due to the inclusion of firms in the ASSET4 database using Heckman's two-stage model and using the firm's age as an instrument. Results remained consistent.

Because of the potential endogeneity of stakeholder orientation, we checked the robustness of our results using a 2SLS model based on two instruments: the *degree of religiosity* and the political orientation (*Democratic state*) of the state in which the acquirer's headquarters is located. Both instruments correlate with the attention to stakeholders in the population, but because they are based on the company's location, it is unlikely that they correlate with M&A performance (Tong et al., 2020). Checks based on Kleibergen-Paap RK, Kleibergen-Paap Wald RK F, and the Hansen's J statistic show that these instruments are, respectively, *relevant*, not *weak*, and not *over-identified*. The results reported in Table IV show a significant negative coefficient for the quadratic interaction term in the second-step regression model (Model 17, −0.05, p = 0.000), confirming our main results.

DISCUSSION

The theoretical framework and the findings we have presented provide several contributions to the literature on organizational learning, stakeholder theory, and corporate acquisitions.

Implications for Organizational Learning Theory

This article contributes to the literature on organizational learning by extending our understanding of the role of firms' constituents in the context of experiential learning mechanisms. Prior literature has studied the influence of signals from specific stakeholders on experiential learning, such as those from the media (Gamache and McNamara, 2019), financial markets (e.g., Haleblian et al., 2006; Kumar et al., 2015; Luo, 2005), financial advisers (e.g., Kim et al., 2011), and exchange partners (Bruneel et al., 2010). We combine insights from experiential learning literature (Argote, 2012; Levitt and March, 1988) and the stakeholder-based view of the firm (Freeman, 2010; Parmar et al., 2010) to demonstrate that managerial attention to primary stakeholders can influence managers' ability to learn from experience. We find that the ability to learn from experience is the

Table IV. Instrumental variable models

Variables	*(15) First step DV: Degree of Stakeholder Orientation (SO)*	*(16) First step DV: Acq. Experience × Degree of SO*	*(17) Second step DV: Focal Acquisition Performance Tobin's Q variation [t − 1; t + 3]*
Acquisition experience (a)	−0.00	−0.08***	−0.02***
	(0.00)	(0.02)	(0.00)
State religiosity	0.00**	−0.06***	
	(0.00)	(0.00)	
Democratic state	0.02***	−0.76***	
	(0.00)	(0.09)	
State religiosity × Acq. experience		0.00***	
		(0.00)	
Democratic state × Acq. experience		0.11***	
		(0.01)	
Degree of stakeholder orientation (e)			−1.02
			(1.65)
Acq. experience × Degree of stake. orient. (e)			0.08***
			(0.01)
Degree of stake. orientation^2 (e)			−0.68
			(0.83)
Acq. experience × Degree of stake. orient.^{2} (e)			−0.05***
			(0.01)
Constant	−0.14***	−5.96***	−0.79***
	(0.02)	(0.62)	(0.24)
Observations	4905	4905	4350
R-squared	0.66	0.90	0.14

(Continues)

Table IV. (Continued)

Variables	*(15) First step DV: Degree of Stakeholder Orientation (SO)*	*(16) First step DV: Acq. Experience × Degree of SO*	*(17) Second step DV: Focal Acquisition Performance Tobin's Q variation [t − 1; t + 3]*
Number of firms	474	474	454
Year-fixed effects	YES	YES	YES
Sector-fixed effects	YES	YES	YES
Acquiring-firm-fixed effects	NO	NO	NO
Other controls	YES	YES	YES

Note: Robust standard errors appear in parentheses. (a) standardized, (e) estimated.
$^{+}p < 0.1$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$.

highest at intermediate levels of stakeholder orientation and comparatively lower at low and high levels of stakeholder orientation.

This finding has important theoretical implications. The fact that stakeholders can influence managers' effectiveness in converting a given stock of experience into performance improvements suggests that the current representation of the context in which experiential learning takes place may still be incomplete (Argote and Miron-Spektor, 2011). As March (1999, p. 86) noted: 'understanding the relation between experiential learning and routines, strategies, or technologies in organizations will require attention to organizational networks…as well as to the experience of the individual organization'. We respond to this specific call and those of prior studies (Dahlin et al., 2018; Roome and Wijen, 2006) by studying the influence of primary stakeholders on how managers learn from accumulated first-hand experience ('experiential learning'). Future research can extend this line of inquiry by, for example, focusing on the role of stakeholders in 'vicarious learning' mechanisms.

Moreover, the exploration of the moderating influence of the nature of experience, which we discuss in Hypotheses 2 and 3, contributes to the discussion on the interplay between *opportunity* and *ability* to learn (Argote et al., 2003). Specifically, building on prior works' intuition that these two elements act in a multiplicative way (Dahlin et al., 2018), we found that as the opportunities to learn deriving from the characteristics of experience (homogeneity and proximity) increase, the influence of stakeholders on the ability to learn becomes stronger. Future work can complement this line of inquiry by analyzing the role of managerial *motivation* to learn (Argote et al., 2003), which can be influenced by the firm's stakeholder relationships.

Implications for Stakeholder Theory

This article also contributes to stakeholder theory by shedding light on the contingencies in which stakeholder orientation can prove beneficial in experiential learning processes. Although the management literature originally viewed stakeholder orientation as 'a panacea for a variety of ills and a means of accessing untapped opportunities' (Hall and Vredenburg, 2005, p. 11), the debate on the benefits and hazards of integrating multiple stakeholders in managerial processes has recently gained momentum (García-Castro and Francoeur, 2016; Parvinen and Tikkanen, 2007). We have contributed to this debate by showing that there may be an optimal level of stakeholder orientation to unleash the potential advantages of stakeholders' inputs in one specific managerial process (experiential learning). Beyond this point, stakeholder orientation might reduce the effectiveness of managerial processes because of the cognitive complexities associated with combining different stakeholder inputs. The important implication of these findings is that the optimal level of stakeholder orientation may be contingent on both the type of managerial process (Bridoux and Stoelhorst, 2014) and the organizational context in which these processes occur (Gupta et al., 2020). Regarding the type of process, we have focused on M&A capability development, but we encourage future scholars to extend this study to other strategical processes, such as partnerships and reorganizations.

Regarding the organizational context in which managerial processes occur, one implication of our study is that the usefulness of stakeholder orientation may be contingent upon the organizational architecture and the practices the firm adopts to attend to the different stakeholder groups (Crilly and Sloan, 2014). In this article, we have adopted a conceptualization of stakeholder orientation that emphasizes standardization of attention to stakeholders across the firm's levels through policies and routines (Crilly and Sloan, 2012; Hall et al., 2015). However, a firm could allow the emergence of different models for allocating attention to stakeholders across managers, and this variation can be a boundary condition to stakeholder orientation's influence (Bundy et al., 2013; Gamache et al., 2020; Laplume et al., 2021; Wang and Choi, 2013). Future studies can combine this insight with those we have developed here to study the interplay between the degree of stakeholder orientation and the different models of attention allocation.

Implications for Corporate Acquisition Literature

This article also contributes to the literature on mergers and acquisitions by improving our understanding of the factors that influence M&A capability development. Prior research has shown that firms can learn to acquire in response to feedback from different external actors (Gamache and McNamara, 2019; Kim et al., 2011; Kumar et al., 2015; Luo, 2005). Our study adds to this body of scholarship by showing that primary stakeholders (Clarkson, 1995) can jointly influence how managers learn to manage acquisitions from their experience. We developed a theory of the interplay between experiential learning and managerial attention to stakeholders as an engine for the development of acquisition capabilities (see Barkema and Schijven, 2008). The important theoretical implication is that primary stakeholders provide managers with a powerful sounding board, which can help develop and refine effective acquisition practices. However, the same sounding board can also complicate the capacity to improve acquisition practices, especially when managers evenly disperse their attention among all classes of primary stakeholders. Future research could extend this line of inquiry into managerial behavior during the acquisition process. For example, whereas we show that stakeholder orientation influences the relationship between acquisition experience and performance, it could also influence how firms make specific decisions when, for example, selecting a target to acquire or the level of integration to implement. Indeed, this could contribute to both the recent discussion about the influence of 'soft' feedback on learning from experience in acquisitions (Gamache and McNamara, 2019) and the more general literature about the influence of stakeholder relationships in corporate acquisitions (e.g., Bettinazzi and Zollo, 2017; Bosse et al., 2020; Cording et al., 2014; Tong et al., 2020).

Limitations and Future Research

In addition to the avenues for future research described above, future studies could also address some of the limitations of our work. First, our arguments focus on integrating stakeholders' signals in learning processes, while the available data allow us only to assume that managers who establish practices to attend to stakeholders will also use their signals to learn. Relatedly, our data do not allow us to assess managers' individual sensitivity to stakeholders' claims that may vary substantially within

the managerial team regardless of the presence of specific organizational practices. Future scholars might expand our work by combining organizational practices and individual characteristics to explain the influence of stakeholders' inputs on experiential learning.

Moreover, in this work, we have discussed the influence of stakeholder orientation on experiential learning, but we focused, for theoretical and empirical reasons, on primary stakeholders. Future work could enrich our understanding of these mechanisms either by enlarging the scope of the stakeholders considered (e.g., secondary stakeholders) or by extending the theorization to different practices used to attend stakeholders.

In addition, this work assumes that stakeholders have heterogeneous utility curves, but our analyses cannot measure them. Although salience may shape stakeholders' influence on experiential learning mechanisms, it is hard to assess without direct observation. Future research could address this issue by using field-experimental designs or qualitative observations.

Another potential concern may be modeling the ability to learn from experience as the marginal influence of experience on performance, which we have derived from the learning curve tradition. The limitation of adopting this well-consolidated approach is that there is no direct observation of behavioral change. As highlighted above, future work can analyze our research question by focusing on behavioral adaptations rather than, or in combination with, performance outcomes. We believe future studies might also approach the study of the interplay between experiential learning and stakeholder orientation, focusing on corporate development patterns and on the firm as the unit of observation (Shi and Prescott, 2011; Shi et al., 2012).

Finally, our results and theory may not generalize to other organizational tasks that are purely internal, such as operating processes. While we can assume that primary stakeholders will react and generate signals informative to managers in events that generate substantial consequences for internal and external parties (Bosse et al., 2020), we expect a smaller role for these stakeholders in internal process-related adaptations. Future research might analyze whether our findings extend to other experiential learning contexts, such as internal production or operating processes.

CONCLUSION

In this article, we studied how stakeholder orientation influences the ability to learn from experience in acquisitions. Our theory proposed that stakeholder orientation presents advantages and challenges to managers when drawing lessons from prior experience. We found that a firm's ability to learn from experience is the highest at intermediate levels of stakeholder orientation and comparatively lower at both low and high levels of stakeholder orientation. As our findings show, the influence of stakeholder orientation becomes stronger (the inverted U-shaped curve is more marked) when the stock of experience is more homogeneous or when the experience is more proximate to the firm's core competencies. We also found that focusing on a few stakeholder categories with a higher level of attention improves the ability to learn from experience more than distributing

attention across many stakeholders. These findings highlight the importance of considering stakeholder relationships in organizational learning processes and the opportunities in studying the interplay between the two.

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NOTES

[1] This view maintains neutrality vis-à-vis the baseline relationship between experience and performance. We do not assume that experience accumulation necessarily translates into organizational learning or that the relationship between experience and performance is always positive.

[2] Competitors are a potential residual category of stakeholders who could be significantly affected by a firm's acquisition, but the existing literature has been critical of including these constituents in definitions of stakeholders (Donaldson and Preston, 1995; Phillips, 2003).

[3] In adopting this definition, we build on and align with the standard conceptualization of stakeholder orientation (Crilly and Sloan, 2014; Freeman, 2010), which has not explicitly distinguished between primary and secondary stakeholders. The arguments developed in this article focus mainly on primary stakeholders. Accordingly, and in line with prior empirical research (Bettinazzi and Feldman, 2021; Kacperczyk, 2009), our analyses focus on these constituents. Nevertheless, we shall acknowledge that some of the arguments developed in this article and a similar empirical approach could also apply to secondary stakeholders.

[4] Part of the literature has approached stakeholder orientation in terms of individual managerial preferences (Bundy et al., 2013; Gamache et al., 2020). In this work, instead, we build on Crilly and Sloan's (2012) idea of enterprise logic and their subsequent work (2014) on organizational architecture, which manifests itself in the practices and policies that firms adopt to interact with stakeholders (Hall et al., 2015). This interpretation is more consistent with the operationalization of stakeholder orientation that we adopt, which is based on the practices and routines the firm has in place (see Methods section). We note, however, that organizational architecture and individual attention coevolve in a highly interdependent way, which justifies scholars' attention to both levels of analysis.

[5] Note that the non-linear progression of these effects will emerge regardless of the redundancy of signals received. This progression occurs because the processing requirements for stakeholder signals will likely reach the limits of the cognitive capacity of managers before they can determine which signals are redundant.

[6] In 2018, the ASSET4 database was significantly reorganized after being incorporated into the Refinitiv database. We stopped our acquisitions in 2015 because our dependent variable is based on a 4-year window.

[7] Laplume and colleagues (2021) measure the extent to which the firm is imbalanced in its attention across different stakeholders as the standard deviation among the different categorical scores of the KLD database. Since we want to focus on attention dispersion rather than balance, we use the inverse of the standard deviation (and rely on Asset4 data).

[8] Full details about these results are available in online Appendix 3.

[9] Full details about these results are available in online Appendix 3.

[10] Full details about these results are available in online Appendix 3.

[11] Full details about these results are available in online Appendix 3.

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