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NOTE

BRINGING OUT CHARISMA: CEO CHARISMA AND EXTERNAL STAKEHOLDERS

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We present a theory detailing the processes through which CEO charisma affects participants outside the organization. In order to reach this goal, the model extends the range of current theory beyond internal organizational members, linking CEO charisma to those outsiders key to organizational effectiveness: institutional intermediaries and external stakeholders. We discuss several implications suggested by this framework to facilitate future research in this area.

Charismatic CEOs are fueling a heated debate in the United States, especially regarding their contribution to stock market success. For example, the May 15, 2000, cover of *Fortune* shouted: "Is John Chambers the best CEO on earth? Is it too late to buy his stock?" (Serwer, 2000). Others remain skeptical: "Naive investors . . . chose to follow stars—such as Anita Roddick of Body Shop and Asil Nadir of Polly Peck—without looking too closely at the numbers. Then, as now, it often ended in tears" (*Economist*, 2002). Accordingly, the *Wall Street Journal* calls for academics to "explore whether CEOs have gained outsized bargaining power in relation to shareholders and boards. Our guess is yes because so much of a company's stock market value these days depends on the image and reputation of the CEO" (Jenkins, 2002: A23).

Yet, to those asking whether CEO charisma contributes to stock market success, research has little to offer; a surprisingly small number of studies, with limited results (e.g., Tosi, Misangyi, Fanelli, Waldman, & Yammarino, 2004; Waldman, Ramirez, House, & Puranam, 2001), denotes the frailty of the theoretical framework linking charisma to organizational effectiveness. Current theory (e.g., Cannella & Monroe, 1997; Waldman & Yammarino, 1999) focuses almost exclusively on the effects of charisma on organizational members, and this "internal focus" needlessly constrains understanding of the charisma-effectiveness relationship in at least two ways.

First, it neglects an important function of the executive: to manage the *external* environment of the firm. Executives represent the organization to outside stakeholders, rally support and obtain resources for the firm, and engage in political dynamics with government officials and other corporate actors (Pfeffer, 1981; Pfeffer & Salancik, 1978). All these activities are only loosely coupled with what executives do inside the organization (Thompson, 1967) yet are crucial to organizational effectiveness (Mintzberg, 1973).

Second, internally focused research implicitly assumes that organizational effectiveness corresponds to the sum of the individual and group task performances of organizational members. Such internal task performance constitutes only a portion of organizational effectiveness, however, since effectiveness stems from the coalitional nature of firms (Cameron & Whetton, 1983; Scott, 1998) and is perhaps better conceptualized as "an external standard applied to the output or activities of the organization . . . applied by all individuals, groups, or organizations that are affected by, or come in contact with, the focal

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organization" (Pfeffer & Salancik, 1978: 34). Thus, organizational effectiveness is necessarily multidimensional, wherein internal and external indicators may be only loosely coupled (Meyer & Gupta, 1994; Scott, 1998), and, to be successful, CEOs must be concerned with affecting all dimensions.

Exploring the charisma-effectiveness linkage thus requires overcoming an exclusive concentration on organizational members and extending both theory and research to external stakeholders—in other words, "bringing out" CEO charisma. To this end, we first review current understanding of CEO charisma. Second, we explicate some key differences between internal and external organizational participants with regard to their relations with the CEO and organizational effectiveness. We then present a model of the processes through which CEO charisma affects external stakeholders. Finally, we discuss implications for future research.

BACKGROUND

To Weber, charisma is an ideal-typical (i.e., an abstract) form of authority, resting on the "devotion to the specific and exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him" (1947: 328). Charismatic leadership theory (CLT; Conger & Kanungo, 1987, 1998; House, 1977; House & Aditya, 1997; House, Spangler, & Woycke, 1991; Klein & House, 1995; Shamir, 1995; Shamir, Zakay, Breinin, & Popper, 1998; Waldman & Yammarino, 1999) modifies Weber's conception, focusing on charisma as "a *relationship* between an individual (leader) and one or more followers based on leader behaviors combined with favorable attributions on the part of the followers" (Waldman et al., 2001: 135). In CLT, charismatic leaders have their primary effects on followers through the social influence process of identification (Etzioni, 1975; Gardner & Avolio, 1998; House, 1977; Howell, 1988; Shamir, House, & Arthur, 1993). Leaders' behaviors, such as displays of extraordinary emotional expressiveness, self-confidence, self-sacrifice, determination, risk taking, and optimism (Shamir et al., 1998), serve to symbolize for subordinates the traits, values, beliefs, and behaviors that are desirable and legitimate to develop (Shamir et al., 1993). These exemplary leader behaviors inspire followers' confidence, raise followers' self-efficacy, and lead to identification with, and admiration for, the leader (Shamir et al., 1993).

CLT also stresses "symbolic and emotionally appealing leader behaviors" (House & Aditya, 1997: 440), such as visionary, frame-alignment, and image-building behaviors, that act as a "conceptual roadmap" to connect subordinates' personal and social identities to the collective organizational identity and the leader's vision of the future (Conger, Kanungo, & Menon, 2000; Shamir et al., 1993). In short, CLT generally takes a leader-driven approach to the charismatic relationship, where "leaders' behaviors form the basis of followers' attributions" (Conger & Kanungo, 1987: 645) and where identification plays a central role: the charismatic "leader's emphasis on . . . collective identity . . . [is] related to subordinates' level of identification with the leader and trust in the leader, heightened motivation and willingness to sacrifice for the unit, identification with the unit, and attachment to the unit" (Shamir et al., 1998: 404).

Theory and research in the CLT literature focus on internal organizational members. For instance, Bass (1985) argues that transformational leadership is *additive* to transactional leadership, whereby the latter coincides with the traditional definition of hierarchical authority—an exchange of inducements and contributions (Barnard, 1938; March & Simon, 1958; Simon, 1945). Similarly, empirical studies focus on how charismatic leaders affect their hierarchical subordinates (Bycio, Hackett, & Allen, 1995; Hater & Bass, 1988; Howell & Avolio, 1993), or they embed experimental subjects within an authority relation whereby the leader, charismatic or not, is nonetheless a hierarchical superior (Howell & Frost, 1989).

This internal focus is also present in current theory regarding CEO charisma (Waldman & Yammarino, 1999), which centers on the effects of charisma on close and distant *subordinates*. The direct interaction of the CEO with the former results in heightened cohesion and effort among top executives, which then "cascades" down to more distant subordinates through role-modeling behaviors. Furthermore, as a consequence of charismatic attributions stemming from CEO behaviors, distant subordinates experience heightened motivation, commitment, and strong organizational identification. Thus, CLT has brought the charismatic phenomenon entirely within the boundaries of the organization, shifting the focus "from meta and macroleadership to microleadership" (Shamir, 1995: 20). As a coordination mechanism, CLT's charisma operates *within* rational-legal authority, rather than in opposition to it, as Weber postulated.

An exception outside the CLT domain is Meindl and Thompson's (2004) theory of CEO charisma as a social representation constructed by the media that reifies firms and provides explanations for organizational performance. These researchers suggest that CEO charisma is a publicly created persona symbolizing control over organizational performance—a simplified archetypical image that results from the celebration and romance of leadership: "The pinnacle of leadership celebration occurs with the imputation of a CEO as 'charismatic'" (Meindl & Thompson, 2004: 18). As with reputations in general, such CEO images have distributive and collective properties that change over time. Initially, media constructions are generally unstructured and unorganized, but as interest builds, more accounts appear and a convergence occurs, aided by cross-referencing and confirmation from similar others (Pfeffer, 1981). In short, the view here is that CEO charisma is an attribution created by observers' explanations of organizational performance, a process rife with the "belief that individuals determine the fate of organizations" (Chen & Meindl, 1991: 524).

Limited research regarding CEO charisma has been conducted within CLT, yet its evidence suggests that CEO charisma contributes to organizational effectiveness through relationships *both* internal and external to the organization (Flynn & Staw, 2004; Tosi et al., 2004; Waldman et al., 2001). Waldman et al. (2001) found that CEO charisma is related to an internal indicator of firm performance (return on sales) under conditions of perceived environmental uncertainty. Tosi et al. (2004) found that charismatic CEOs outperform their industry peers on an external indicator of performance (shareholder returns) under conditions of perceived environmental uncertainty, but not internally (return on assets). And Flynn and Staw (2004) found that charismatic CEOs outperform their peers on both internal (return on sales) and external (shareholder returns) indicators and, also, that they may affect investor decision making in a simulation involving college undergraduate students.

The dearth of theory as to the *processes* through which CEO charisma affects external aspects of organizational effectiveness, as well as the shortcomings of the current theoretical frameworks, is evident. CLT, with its exclusive focus on internal organizational members, provides a great deal of understanding on the internal aspects of this relationship but virtually neglects the external. Meindl and Thompson's (2004) exclusive focus on *attributions* of CEO charisma provides a limited understanding of the *relationship* that CEO charisma has with organizations' external environments, purposefully omitting any role that the "leader's side" of the relationship may play toward these attributions. Given these limitations in current theory, we now turn to developing an understanding of the processes through which CEO charisma affects external stakeholders. In so doing, we recognize the complexity and multidimensionality of organizational effectiveness (Meyer & Gupta, 1994), but we focus exclusively on this external aspect of the CEO charisma-organizational effectiveness linkage with the hope of furthering this critical avenue of research. In the next section we therefore examine some key differences between internal and external organizational participants.

INSIDERS, OUTSIDERS, AND THE CEO

In an effort to clearly identify the major differences that exist between charismatic relationships within the organization and those in the external environment, we treat internal ("insiders") and external ("outsiders") stakeholders as ideal types (Roach & Bednar, 1997), stressing their respective differences and emphasizing their internal homogeneity.[1] As Table 1 suggests, insiders and outsiders differ along three main dimensions; the first reflects differences in motivations between insiders and outsiders,

[1] We recognize, however, that, in reality, both insiders and outsiders comprise different subpopulations with diverse social characteristics, roles, and cognitive frames (DiMaggio, 1997; Powell & DiMaggio, 1991; Waldman & Yammarino, 1999), which may lead to similarities between them, as well as some degree of internal heterogeneity. Empirical research should specify, on a case-by-case basis, the degree to which the ideal type approximates reality.

TABLE 1
Differences Between Internal and External Stakeholders

Dimension	Insiders	Outsiders
Motivation relevant to CEO	Decision to produce	Decision to participate
Relationship with CEO	Hierarchical	Network
Salience of CEO communications	Captive	Competitive

whereas the second and third distinguish the *contexts* where charisma operates.

The first row of Table 1 suggests an important difference between insiders and outsiders—their motivation.[2] Once they decide to join the organization, insiders contribute to organizational effectiveness via their *decision to produce* (March & Simon, 1958), which is what CEOs must affect in order to achieve task performance and, ultimately, (internal) effectiveness. Insiders' decision to participate is also relevant to the CEO but, once made, is less of an issue compared to their motivation to produce (Barnard, 1938). Indeed, the "internal focus" of CLT centers on this question. Outsiders, however, contribute primarily to organizational effectiveness via their *decision to participate,* which corresponds to supplying the organization with resources, based on an evaluation of whether participation helps to achieve their goals, as well as an evaluation of the organization's legitimacy (Barnard, 1938; Pfeffer & Salancik, 1978). Examples include shareholders' contribution to organizational success in their decision to purchase the firm's stocks and customers' decision to purchase the firm's products.

The second row of Table 1 outlines a key difference contextually between insiders and outsiders. Insiders are subordinates in a hierarchical structure that endows CEOs with rational-legal authority. CEOs enjoy no such authority over outsiders, however, since outsiders interact with the CEO within a network structure of nonhierarchical relations. As Simon puts it, "Of all the modes of influence, authority is the one that chiefly distinguishes the behavior of individuals as participants of organizations from their behavior outside such organizations" (1945: 177). This relational difference has an important consequence: because their power over outsiders is relatively unstructured and unpredictable, CEOs must resort to influence mechanisms, particularly symbolic management.

Symbolic action, which is used to influence the attitudes, beliefs, perceptions, or values of stakeholders, is "important in the *exercise* of power" (Pfeffer, 1981: 184). Thus, with respect to insiders, symbolic management supplements CEOs' rational-legal authority (i.e., the "additive" nature of transformational over transactional leadership; Bass, 1985) and, perhaps more important, may serve to obfuscate CEO abuse of power (Pfeffer, 1981). Among outsiders, in contrast, symbolic management represents a primary means by which executives attempt to buttress their relatively less powerful position (Pfeffer, 1981)—for example, by convincing shareholders to delay selling stock despite the availability of more attractive alternatives (Zajac & Westphal, 1995) or by managing public perceptions of their organization's effectiveness (Elsbach, 1994; Elsbach & Sutton, 1992; Elsbach, Sutton, & Principe, 1998; Staw, McKechnie, & Puffer, 1983; Sutton & Kramer, 1990). Although symbolic management may be deceptive, this is not always the case. Symbolic behaviors are core to charismatic leadership (Conger & Kanungo, 1998; Gardner & Avolio, 1999), and they may help the CEO obtain commitment from powerful external audiences in critical moments of the organization's life (Arnold, 1988; Cheney & Christensen, 2001; Hambrick & Fukutomi, 1991). For example, Lee Iacocca's vision and testimony before Congress generated confidence and the legitimacy necessary to help save Chrysler (Iacocca & Novak, 1984).

The last dimension portrayed in Table 1 refers to the salience of CEO communications to insiders versus outsiders. Communication is central to charisma (Gardner & Avolio, 1998), and the communication networks that CEOs establish with insiders differ from those established with outsiders. Insiders are relatively "captive" to the CEO, whose communications will, at all times, capture the attention of subordinates, regard-

[2] This discussion builds on March and Simon's (1958) concepts of motivation to participate and motivation to produce. Briefly, the former "is the decision to participate in the organization—or to leave the organization. The second is the decision to produce or to refuse to produce at the rate demanded by the organization hierarchy" (March & Simon, 1958: 67).

less of the "social distance" (Shamir, 1995). In contrast, the volatile communication networks of the external environment are "competitive" in nature. At any point in time, multiple actors evaluate multiple firms and multiple leaders (Thompson, 1967; Zuckerman, 2000). Thus, from the viewpoint of the leader, outsiders' attention must be won. This difference between internal and external networks leads to an interesting paradox: where symbolic action is the primary means of success (among outsiders), CEO communication is not very salient—it is not necessarily readily noticeable. Yet, among insiders, where symbolic management is secondary to legitimate authority, the CEO's message is very salient.

In summary, the three dimensions show that the internal and external environments of organizations are rather different. In the latter, the central issue, with regard to organizational effectiveness, is to affect outsiders' decision to participate. This is a difficult task for the CEO, for authority is not available, and multiple (and potentially equally attractive) alternatives render evaluation "an interpretive exercise" (Zuckerman, 1999: 1431) for outsiders. Despite these differences, both insiders and outsiders strive to develop an understanding of the world around them. CEOs provide sensemaking and meaning for organizational action in an attempt to satisfy this necessity (Pondy, 1978; Weick, 1979), which is "directed both internally, to produce organized and committed collective action, and externally, as part of a process of legitimating the organization" (Pfeffer, 1981: 188). Charismatic behaviors and symbolism allow the CEO to create "meaning that inspires others to pursue their vision" (Gardner & Avolio, 1998: 33). Furthermore, CEO charisma increases an awareness of the CEO and the organization in the external environment. Ultimately, these features of CEO charisma increase outsiders' identification with, and participation in, the organization. We now propose a theory of CEO charisma to account for such effects, leaving aside the effects on insiders amply discussed in the CLT literature (e.g., Waldman & Yammarino, 1999).

CEO CHARISMA AND EXTERNAL STAKEHOLDERS

As with insiders, CEO charisma has its effects on external stakeholders primarily through the identification process. In order to reduce complexity, outsiders try to distill what defines an organization, what about the organization persists over time and across interactions, and what distinguishes it from other organizations (Rindova & Fombrun, 1998). An organization's core, enduring, and distinctive characteristics influence identification with the organization (Albert & Whetten, 1985), and such identification, in turn, affects outsiders' decision to participate (Dukerich, Golden, & Shortell, 2002). As an example, Scott and Lane offer the Body Shop, whose customers identify with and thus participate in the organization "because they define both themselves and the Body Shop as animal rights supporters" (2000: 49).

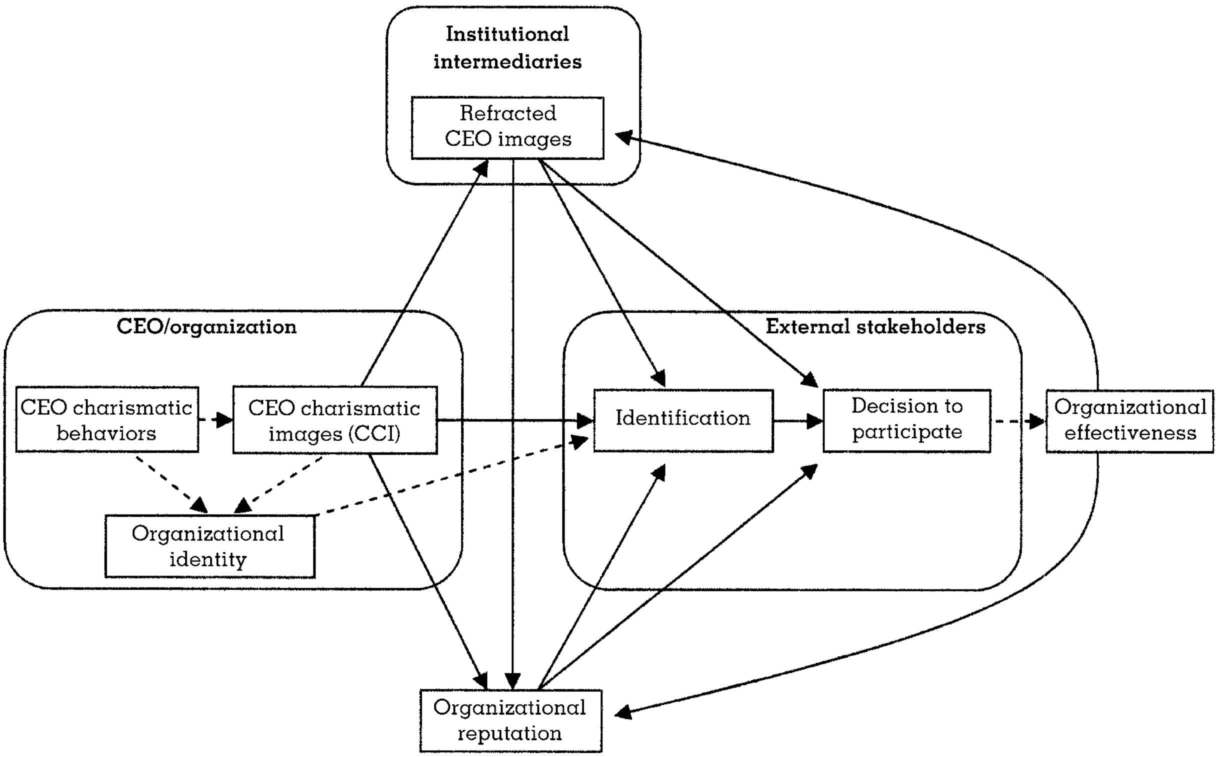
CEO charismatic behaviors and symbolism—strong values, vision for the future, unconventional and risk-taking behaviors—serve to increase identification among external stakeholders with CEOs and, by extension, their organizations. CEOs, as "the most visible members of an organization, give a face to an otherwise abstract social category, resulting in outsiders' viewing managers *as* the organization" (Scott & Lane, 2000: 47). The following description of Nucor Corporation, based on its CEO, John Correnti, exemplifies well this overlap between the image of the CEO and the image of the organization:

> Key to Nucor's success has been the *company's willingness to take risks*. While John Correnti was the general manager at Nucor Plymouth and Nucor Yamato, he developed a reputation for taking risks. . . . 'In this life, it's big risk, big reward,' Correnti says. 'You can't have a fear of failure' (*Iron Age New Steel,* 1998: 56; emphasis added).

Thus, CEO charisma encompasses the transformation of the CEO into a symbol of the organization (Meindl & Thompson, 2004). Similar to, and in conjunction with, organizational identity, it affords outsiders with a cognitive shortcut that allows them to reduce their evaluative uncertainty by triggering identification with the CEO and organization.

Figure 1 depicts the process through which CEO charisma affects two categories of outsiders: external stakeholders and institutional intermediaries. The former control and exchange resources vital to organizations, and it is their decision to participate that is of ultimate concern. The latter are interested observers (e.g.,

FIGURE 1
The Effects of CEO Charisma on External Stakeholders



Note: Relationships not explored are depicted by dashed arrows (---▶).

media, stock analysts) who participate in the social construction of organizational and CEO images (Chen & Meindl, 1991; Deephouse, 2000; Meindl & Thompson, 2004; Rindova & Fombrun, 1998). These act not only as "mirrors of reality reflecting firms' actions, but also act as active agents shaping information" (Fombrun & Shanley, 1990: 240). CEO charisma increases external stakeholders' identification with organizations, which positively influences their decision to participate (Dukerich et al., 2002). It also influences the images "refracted" by institutional intermediaries, as well as organizational reputations, in a favorable manner. Refracted images and reputations inform external stakeholders' beliefs about how others perceive CEOs (and their organizations) and, thus, strongly shape their participation in, and identification with, organizations (Dutton, Dukerich, & Harquail, 1994).

We first examine CEO charisma with respect to outsiders and its "direct" effects on external stakeholders.

CEO Charisma and External Stakeholders' Decision to Participate

In defining CEO charisma, we build on CLT but recognize that "charisma may arise from the leader's behavior, follower attributions, **or** some combination of the two" (Gardner & Avolio, 1998: 34; emphasis added). This view emphasizes that outsiders' *attributions* of CEO charisma play an active role in constructing the charismatic relationship (Gardner & Avolio, 1998; Meindl, 1995). Therefore, CEO charisma is a relationship between the CEO and organizational participants that is a function of *both* the CEO and followers' attributions of the CEO. As shown in Figure 1, the "leader's side" of the CEO charismatic relationship comprises both CEO charismatic behaviors and the projection of CEO charismatic images (CCI) through various forms of organizational discourse (i.e., advertising, firm logo, letters to shareholders, financial reporting, press releases, public relations initiatives, etc.). The former affect primarily insiders (Waldman & Yammarino, 1999), the latter primarily outsiders.

An essential difference from previous treatments is the importance that CCI play in the charismatic relationship. Organizational discourse is a primary source of attributions for a vast majority of potential external stakeholders. Indeed, direct observation of a CEOs' traits and behaviors is generally precluded (Rindova & Fombrun, 1998), as well as not efficient for outsiders in order to compare the firm with multiple competing alternatives. For example, although securities analysts occasionally experience direct contact with a CEO, such as via road shows or conference calls,[3] evaluations are mainly based on organizational documents and communications (Clemente, 1988). Furthermore, leaders tend to restrict outsiders from directly observing their behaviors, for outsider scrutiny tends to distract resources, effort, and attention away from substantive activities (Sutton & Galunic, 1996). Thus, given this lack of direct observation, as well as the characteristics of the external environment (i.e. "network" relationships, "competitive" salience), CCI are expected to be an effective means of influence, being analogous to, and often overlapping with, the strategic projections and organizational images underlying corporate reputations (Fombrun & Shanley, 1990), strategic positions (Rindova & Fombrun, 1998), and stakeholder identification with the firm (Scott & Lane, 2000).

In terms of the actual *content* of the images, CCI refer to the degree to which organizational discourse describes CEOs and their visions in charismatic terms. Organizational discourse describing *the persona* of the CEO in terms of exceptional qualities, such as the CEO's extraordinary emotional expressiveness, self-confidence, self-determination, and high energy level (House, 1977), as well as accounts of exceptional behaviors, such as those "involving great personal risk, cost and energy" (Conger & Kanungo, 1998: 56), should lead to attributions of charisma and identification. Attributions of charisma and identification may also result from organizational discourse portraying *the CEO's vision* in charismatic terms (Conger & Kanungo, 1998): an evaluation of the status quo that delegitimizes the past and emphasizes the need for radical change, the formulation and articulation of organizational goals using ideologically and morally laden statements that emphasize the positive aspects of the CEO's vision and its contrast with the status quo, and a description of the means to achieve the vision that expresses the CEO's concern for internal or external stakeholders.

As Figure 1 depicts, CEO charisma, primarily through CCI, directly influences external stakeholders' identification, which, in turn, affects their decision to participate, for several reasons. First, external stakeholders' evaluations are subject to the romance of leadership (Meindl, Ehrlich, & Dukerich, 1985; Meindl & Thompson, 2004), to which CEO charisma and the charismatic leadership qualities portrayed in projected CCI play very well. Second, the archetypical nature of CEO charisma (Shamir, 1995; Steyrer, 1998) is attractive to external stakeholders, since such archetypes help to reduce uncertainty regarding organizations' attributes in the minds of external participants, especially in environments characterized by high ambiguity (Meyer & Gupta, 1994). Third, charismatic symbolism increases the organization's visibility and its distinctiveness in the face of competition, thereby increasing outsider identification (Dutton et al., 1994). Finally, the vision and values conveyed by charismatic symbolism favorably affect the organization's legitimacy, and therefore identification, among outsiders (Scott & Lane, 2000).

Before turning to a discussion of the "indirect" effects of CEO charisma, it is worth noting that, although recognized by the dotted lines in Figure 1, several relationships internal to the organization are not examined here. For example, executives may use projected images such as CCI to influence internal perceptions of organizational identity (Gioia & Thomas, 1996). Also, the charismatic images projected by discourse may potentially become decoupled from the actual behaviors of the CEO. Finally, in situations where outsiders interact with insiders (e.g., suppliers interacting with top managers), the identification created by charismatic CEOs among

[3] We in no way mean to disregard the important external roles played by the CEO in those instances where outsiders directly observe CEO behaviors (e.g., spokesperson, liaison, and figurehead roles; Mintzberg, 1973). We expect that previous treatments of CEO charisma (Waldman & Yammarino, 1999) apply under such circumstances, especially because CEO behavior is likely to be carefully scripted on such occasions (Gardner & Avolio, 1998).

organizational members (Shamir et al., 1993) increases the likelihood of external stakeholder identification (Dutton et al., 1994; Scott & Lane, 2000).

CEO Charisma, Refracted CEO Images, and Organizational Reputations

The beliefs that external stakeholders have about how others perceive CEOs and their firms directly affect their decision to participate in, as well as their identification with, those organizations (Dukerich et al., 2002; Zuckerman, 1999). Refracted CEO images produced both by institutional intermediaries' and organizational reputations influence these beliefs. The former make the organization more noticeable among external stakeholders (Deephouse, 2000) and more credible, since refracted images are "created" by third parties (Rindova & Fombrun, 1998). The latter result cumulatively from imagery and direct experiences with organizations (Rindova & Fombrun, 1998), signal organizational legitimacy (Rao, 1994), and stabilize interactions between the organization and external stakeholders (Fombrun, 2001). Thus, when favorable, both refracted images and organizational reputations lead to increased external stakeholder identification with the organization and, thus, to greater participation (Deephouse, 1996). Given the legitimacy conferred by favorable refracted images and reputations, and their credibility, they also directly affect external stakeholders' participation (see Figure 1).

CEO charisma influences institutional intermediaries' refracted images and organizational reputations in several ways. First, projections of CEO charisma increase the favorability of refracted images and organizational reputations, as well as the likelihood of intermediary coverage of the organization. CCI play very well to the "charismatic archetyping" that occurs in the refraction process, wherein the CEO image constructed by institutional intermediaries, "however celebrated and glorified, is conceived out of the desire for a world in which human agency reigns supreme, and capricious and dangerous forces are held in check" (Meindl & Thompson, 2004: 29). Second, the archetypical nature of CCI affords organizations that project them some influence (Hogg, 2001) over the constructions put out by intermediaries within the business community (Chen & Meindl, 1991), given the appetite for such images. Third, the attention garnered for organizations by CEO charisma among institutional intermediaries also raises the visibility of these organizations and all of their participants. Furthermore, reputational rankings make status orderings in organizations' environments highly visible (Rindova & Fombrun, 1998), and CEO charisma serves to increase organizations' standings in such rankings. Thus, the effects that projections of CEO charisma have on institutional intermediaries and organizational reputations (favorability, coverage, visibility, status) work to increase awareness of organizations, as well as organizations' attractiveness, among external stakeholders, and thus identification (Ashforth & Mael, 1989).

Besides influencing the actual content of the refracted images, CEO charisma affects the variance among images constructed by different intermediaries, which, in turn, has an effect on organizational reputation. Cognitive categorization processes (Phillips & Lord, 1982) operate to increase the convergence of institutional intermediaries' refracted images in a manner favorable to the firm. Convergence across intermediaries in portraying the CEO increases the awareness of the persona and vision among current and potential external stakeholders and, therefore, reinforces the direct effect of CEO charisma on outsider identification. As Goffman (1959) noted, external observers are aware that acts of self-presentation on the part of a subject are driven by self-interest and, therefore, might not be an accurate description of the "true" characteristics of the person. Thus, convergence among multiple intermediaries serves to corroborate and strengthen the credibility of the CEO's projected image, increasing the probability of outsider identification (Ashforth & Mael, 1989) and participation.

Certain forces, however, also play a role in these effects. First, organizational performance is a major determinant of both refracted images and reputations (Fombrun & Shanley, 1990; Meindl & Thompson, 2004). Superior performance tends to reinforce the CCI projected by organizations; inferior performance does not. Second, refracted images and reputations exist within competitive networks (i.e., industries) and develop over time, depending on competitors' images and reputations (Meindl & Thompson, 2004). Because charisma is a state of extraordinariness, the number of charismatic constructions by intermediaries is limited within any competitive domain: "There is only so much charisma 'fairy dust' to go around, and the more it is sprinkled on one or a few CEOs, the less there is to sprinkle on the others" (Meindl & Thompson, 2004: 21). This suggests that, although many organizations may project CCI, only a few CEOs will be endowed as charismatic by institutional intermediaries.

The "Dark Side" of CEO Charisma

So far, we have described the benefits of CEO charisma for organizations with the assumption that charismatic CEOs are concerned with the achievement of organizational goals and that these CEOs empower stakeholders to formulate and achieve these goals (socialized power motivations; Howell, 1988; Waldman & Yammarino, 1999). Given this assumption, CEO charisma may have long-term positive effects on organizational effectiveness owing to its effects on internal performance (Lowe, Kroeck, Sivasubramaniam, 1996) and on external relationships (Collins & Porras, 1995; Selznik, 1957). Stakeholder identification with charismatic CEOs who have personalized power motives, however, may potentially be detrimental to the organization and its stakeholders. Leaders with personalized power motivations are concerned with their personal goals and, thus, tend to pursue goals based on their own private motives (House & Howell, 1922; Howell, 1988; McClelland, 1970), and they are more likely to employ impression management and deception in pursuit of those goals (Bass & Steidlmeier, 1999; Howell, 1988).

Richard M. Scrushy, the charismatic former CEO of HealthSouth Corporation, provides an example. The strong identification he achieved among internal and external stakeholders allowed him to foster a culture of greed and fraud that ultimately led to the bankruptcy of the organization, along with the ruin of many of its stakeholders and the community within which it was embedded (Michaels, Roth, & Liu, 2003). Thus, the beneficial effects of personalized charismatic CEOs may be shorter in duration and, above all, may reverse their course rather drastically after some time; as the scandal surrounding Richard Scrushy and HealthSouth demonstrates, facts have a way of catching up with charismatic CEOs who pursue personal goals that are detrimental to the organization and its stakeholders.

IMPLICATIONS FOR RESEARCH

The preceding framework suggests several implications for future research on CEO charisma. First, because "bringing out" charisma entails studying the charismatic images *projected by organizational discourse* among outsiders, future research in this area will require new measurement tools. Conventional surveys can and should be supplemented by "content analysis of speeches and other communications, as well as by verification of consistency in stories about the CEO as told by distant organizational members" (Waldman & Yammarino, 1999: 281). Discursive materials conveying CCI could be analyzed with one of the various methods of discourse analysis, such as content analysis (Weber, 1988) or quantitative, text-based measures. For example, thematic text analysis would allow the measurement of CCI as the frequency of occurrence of charismatic expressions within a text (Popping, 2000). Far from being merely an issue of measurement, the development of discourse-based measures of charisma would open up research into the dimensionality of the construct itself, possibly allowing the identification of different facets of charisma and their interrelationships.

Second, the above framework suggests that the archetypical nature of CEO charisma increases external stakeholder identification with the CEO and organization because it reduces outsiders' uncertainty about the organization, provides a basis for evaluating legitimacy, and increases both the attractiveness and awareness of the organization. Ultimately, such identification increases external stakeholders' motivation to participate in the organization. This suggests that the relationship between CEO charisma and external stakeholders' participation is mediated by external stakeholders' organizational identification. Future research is needed to determine whether external stakeholders identify with charismatic CEOs and whether such identification is indeed associated with participation in organizations.

Third, as Figure 1 depicts, there are several relationships to be investigated with regard to the refracted images constructed by institutional intermediaries, as well as organizational reputations. In future research scholars can examine whether CCI influence institutional intermediaries in a manner that is favorable to the organization. For example, securities analysts play a very significant role in the stock market as conveyors of information and investment suggestions to investors (Zuckerman, 1999); thus, researchers could examine whether analyst ratings and recommendations are more favorable for organizations that project CCI. With regard to the media, researchers could study whether the business press reproduces the charismatic discourse put out by organizations. In this case, researchers could repeat the text analyses used to measure CCI with different texts and could measure the similarity between the different texts in terms of their insistence on the persona and vision of the CEO. We also suggested that CCI result in a convergence of images among institutional intermediaries; thus, researchers could examine the effect that CCI have on the variability of institutional intermediaries' assessments. Finally, since CCI should have a favorable effect on organizational reputations, researchers could examine what, if any, effect CCI have on reputational rankings, such as *Fortune's* annual survey of America's Most Admired Corporations.

Fourth, although several relationships depicted in Figure 1 are beyond the purview of this paper, future research and theory regarding these relationships are warranted. For instance, studies of symbolic management (e.g., Elsbach, 1994; Elsbach & Sutton, 1992; Pfeffer, 1981; Salancik & Meindl, 1984; Staw et al., 1983; Zajac & Westphal, 1995) suggest that the CEO charismatic imagery projected by organizations may become decoupled from CEO charismatic behaviors. The result may be that external stakeholders' identification and participation in the organization will be under false pretenses. Future research is needed to examine whether organizations with noncharismatic CEOs project CCI in their discourse and, if so, whether they favorably influence institutional intermediaries' constructions and the attributions of external stakeholders to achieve external stakeholder identification with and participation in the organization. This could be accomplished by obtaining conventional measures of CEO charismatic behaviors (e.g., Multifactor Leadership Questionnaire; Avolio, Bass, & Jung, 1999), as well as measuring the CEO charismatic images portrayed in organizational discourse in a manner as described above.

CONCLUSION

For today's corporations, external actors are very important (Davis & McAdam, 2000; Elsbach, 1994; Hirsch, 1986; Zuckerman, 1999, 2000), and, thus, CEOs' management of their organizations' external environments is a legitimate and important object of study. As such, CEO charisma presents a major opportunity for researchers to rehabilitate "a line of inquiry set adrift by organization theory in its formative years: the study of how organizations affect the social systems in which they are embedded" (Stern & Barley, 1996: 146). Charismatic leadership theory has been successful in showing that charisma is an effective coordination mechanism operating *within* hierarchical authority. Yet its focus on "superior-subordinate relationships" (House & Aditya, 1997: 465) makes it ill-equipped for inquiries outside the organization's boundaries.

Our theory of the external effects of CEO charisma attempts to extend current views and to "bring out" CEO charisma as a means of influence in the unstructured relationship between the CEO and external stakeholders. Affording the CEO the needed salience in the competition for outsiders' attention and evaluation, charisma increases the likelihood of external stakeholders' identification with and participation in the organization. Furthermore, within the external environment, CEO charisma operates mainly through charismatic images projected by discourse. Therefore, future research should focus on these images in order to untangle the effects of CEO charisma on key outsiders and, ultimately, on organizational effectiveness.

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