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Interorganizational Spillover: A Review and a Proposal for Future Research

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Interorganizational spillover *refers to the unintended impact of a focal organization's event on the perceptions and decisions of peer organizations and their stakeholders. Research on interorganizational spillover has escalated in recent years when the academic community has drawn upon different theoretical perspectives and assumptions to understand (a) the types of events that can trigger interorganizational spillover, (b) the content of interorganizational spillover, and (c) the consequences of interorganizational spillover. Although scholars from different disciplines have generated a patchwork of studies that are insightful independently, we have not yet developed a comprehensive understanding into interorganizational spillover. Therefore, we systematically review and synthesize findings from leading business journals over the past three decades with a view toward identifying what we know and what we need to know about interorganizational spillover.*

Keywords: *spillover; contagion effect; peer effect; interorganizational relationship; the awareness-motivation-capability framework; strategic decisions; stakeholders*

We define *interorganizational spillover* as the unintended impact of an event in a focal organization on the perceptions and decisions of other organizations that belong to the same category (categories) as the focal organization (i.e., peer organizations) as well as their stakeholders. For example, the *E. coli* outbreak in 2015 at Chipotle restaurants in

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Seattle had consequential repercussions for other Mexican restaurants in the same city and their customers (Jargon, 2015), and the exposure of financial misconduct in one focal firm can influence investors' perceptions of its industry peers (Paruchuri & Misangyi, 2015). Scholars from different disciplines, including strategy (Chang & Xu, 2008; M.-P. Kang, Mahoney, & Tan, 2009), organization theory (E. Kang, 2008; Kostova & Zaheer, 1999; Zavyalova, Pfarrer, Reger, & Shapiro, 2012), accounting (Lee & Lo, 2016), and finance (Albuquerque, Brandão-Marques, Ferreira, & Matos, 2019; Denis, Jochem, & Rajamani, 2020), have studied the spillover effect of events such as CEO dismissal (Connelly, Li, Shi, & Lee, 2020), financial misconduct (E. Kang, 2008), social activism (Fremeth, Holburn, & Piazza, 2021), and shareholder activism (Gantchev, Gredil, & Jotikasthira, 2019; Shi, Connelly, Hoskisson, & Ketchen, 2020) from a focal organization to its peer organizations and their stakeholders.

These studies have individually provided important insights into how decisions by peer organizations and their stakeholders can be shaped by events that have taken place among focal organizations. Yet, existing research on interorganizational spillover is fragmented in at least three ways. First, scholars have investigated various isolated events, such as CEO dismissal (Burchard, Proelss, Schäffer, & Schweizer, 2020), financial misconduct (Paruchuri & Misangyi, 2015), and social activism (Briscoe, Gupta, & Anner, 2015), that trigger interorganizational spillover, but we lack a understanding of common characteristics among these events. Second, while some studies (Albuquerque et al., 2019; Carnahan & Somaya, 2013) investigate the influence of events in focal organizations on perceptions and decisions by peer organizations, others (E. Kang, 2008; Kostova & Zaheer, 1999; Piazza & Jourdan, 2018) examine the spillover of such events to peer organizations' stakeholders. Third, existing research has not yet developed an integrated perspective into what drives interorganizational spillover and how interorganizational spillover takes place.

To deepen our insights into the unintended repercussions of unsolicited events on peer organizations and their stakeholders, we conduct a comprehensive bibliometric search of existing research on interorganizational spillover. We organize our review by classifying existing studies into those focusing on spillover to peer organizations and those focusing on spillover to peer organizations' stakeholders. Specifically, we review triggers, contents, and consequences of spillover to peer organizations and to their stakeholders separately. On the basis of our review, we apply the awareness-motivation-capability (AMC) framework to unify the fragmented literature on interorganizational spillover. Afterward, we identify significant research gaps and propose fruitful areas of future research.

Understanding the impact of interorganizational spillover and learning how to successfully navigate its consequences has become a vital task for managers. With increasing interorganizational connectedness, managers find it more critical to scan external opportunities and threats as well as to manage stakeholders' perceptions (Zavyalova et al., 2012). Indeed, because of interorganizational spillover, peer organizations can suffer significant financial and reputational losses due to focal organizations' misconduct (E. Kang, 2008; Nalick, Kuban, Hill, & Ridge, 2019; Piazza & Jourdan, 2018). In a world with information flowing faster than ever before, an organization's ability to identify threats and opportunities, maintain legitimacy, achieve positive evaluations from stakeholders, and sustain competitive advantage hinges on the recognition and management of interorganizational spillover.

Scope and Organizing Framework

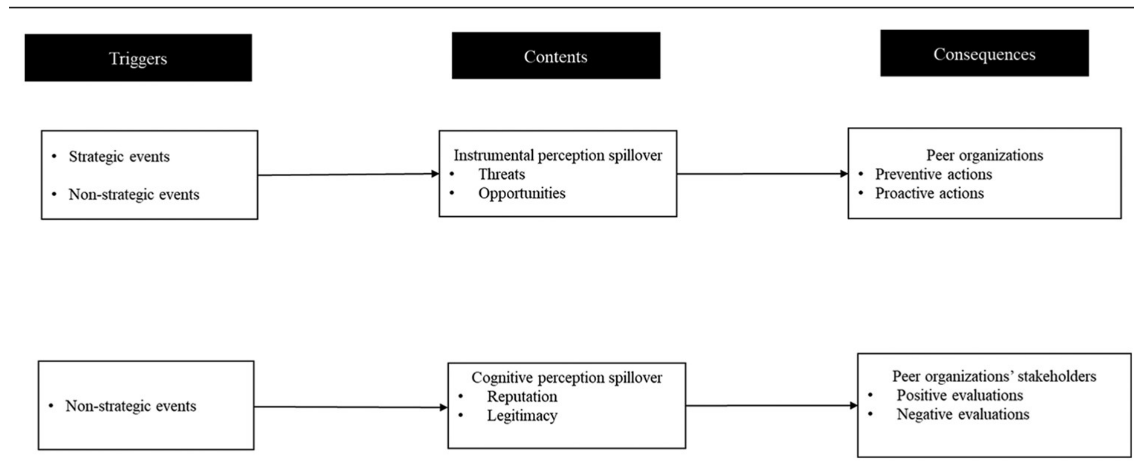
The concept of interorganizational spillover ("spillover" for short) has its roots in the economics literature. Historically, this body of literature has employed spillover in the context of market externalities, referring to events that impose an unintended cost or benefit on one organization by another. Management and related business fields, such as international business, accounting, and finance, have also devoted significant attention to studying interorganizational spillover. While we recognize that spillover research is widely published, and given the depth and breadth of spillover research across fields, we have focused on seminal journals in management and international business journals but include accounting and finance journals as well. We restrict our research primarily to quantitative, qualitative, and theoretical works.[1] These journals have investigated a broad range of phenomena that can trigger spillover, including shareholder activism, stakeholder activism, CEO dismissal, financial misconduct, and market entry announcements.

To identify relevant articles from these journals, we conducted full-text searches in ABI/Inform, EBSCOhost, JSTOR, Wiley, and Google Scholar from 1990 through 2021 using the following search terms: "spillover," "spillovers," "spillover effect," "peer effect," "peer response," "ripple," "ripple effect," "contagion," "unintended consequences," "third-party evaluations," "externalities," "free-rider" and "organizational response." We then read each article and eliminated those that do not pertain to interorganizational spillover. Specifically, we applied the following criteria to identify articles selected for our review sample. First, we require that a study focuses on spillover at the organizational level and discarded articles that focus on the spillover effect across teams or individuals. For example, we removed studies pertaining to emotional contagion among team members (Barsade, 2002; Ilies, Wilson, & Wagner, 2009). Second, the trigger for interorganizational spillover must be a discrete event (e.g., scandal, investment decision, or social activism). Although a large body of research on the behavioral theory of the firm has studied the influence of social aspiration levels on focal firms' search behaviors (Gavetti, Greve, Levinthal, & Ocasio, 2012), social aspiration levels are not discrete events. We thus exclude such research. For the same reason, we do not include studies on threat rigidity if the trigger of threat rigidity is not an event (e.g., poor performance). We also exclude studies that involve economic externalities as these studies conceptualize spillover primarily between markets (e.g., credit, risk, or liquidity events) and organizations. Similarly, we exclude events pertaining to organizational imitation and interorganizational and population-level learning when it is difficult to identify triggering events.

Third, we require the consequences of events in focal firms to peer organizations to be unintended. Because competitive attacks are anticipated to trigger competitive reactions from rivals, we exclude studies focusing on direct competitive interactions among industry rivals.[2] Fourth, we focus on studies investigating how events in focal organizations influence perceptions by peer organizations and their stakeholders and exclude studies examining how events in focal organizations can help peer organizations attain needed information, technology, and other resources. This screen leaves 66 articles included in our review sample and listed alphabetically by author in Table A1 of the online appendix.

Next, we analyze each article individually to identify how spillover was operationalized, specifically recording the event, relevant focal and peer organizations, and spillover content and consequence. In the 1990s, research on interorganizational spillover was scarce (only

Figure 1
Interorganizational Spillover Review Framework



Note: The pathways are identified based on our review. Whereas existing research has investigated instrumental perception spillover triggered by both strategic and nonstrategic events, scholars have focused mainly on the role of nonstrategic events in triggering cognitive perception spillover. Thus, we do not draw a pathway from strategic events to cognitive perception spillover.

one article in our sample). From 2000 to 2009, such research gained momentum (13 articles) and markedly increased in interest within the past decade 2010 to 2021 (52 articles).

The application of interorganizational spillover in business studies has been exceptionally diverse. Within our sample, 36% of articles are grounded in strategic management, followed by 29% organizational theory, 26% finance and accounting, 6% international business, and 3% other subfields. Table A1 also reveals the broad range of events studied, such as financial misconduct, research and development (R&D) announcements, CEO dismissal, mergers and acquisitions (M&A), the sexual abuse scandal in the Catholic church, the *E. coli* outbreak at Chipotle, industrial chemical accidents, consumer product recalls, shareholder activism, and social activism. While the operationalization of interorganizational spillover has been diverse, over 60% of prior research on interorganizational spillover has not relied on explicit theoretical perspectives to develop hypotheses, making it difficult to organize our review based on theoretical perspectives used in prior research.

Managers and stakeholders of peer organizations encounter numerous events that occur internally and externally, and they are unlikely to pay attention to all these events (Nigam & Ocasio, 2010). Thus, interorganizational spillover research has explicitly or implicitly emphasized the importance of *active agency* on the part of peer organizations' managers and stakeholders (Yu, Sengul, & Lester, 2008). Whether and how an organization's decision makers and stakeholders respond to an event at a focal organization depends on their awareness of the event as well as motivation and capability to take actions (M.-J. Chen, 1996; M.-J. Chen & Miller, 2012). Managers and stakeholders must not only be aware of events in focal organizations but should also be motivated to act in response to these events. Importantly, managers and stakeholders must possess the necessary means to respond to salient events of which they become aware. A critical goal of our review is to pinpoint factors that can influence active agency by peer organizations' managers and stakeholders.

To achieve this goal, we synthesize and build on existing research to develop an organizing framework illustrated in Figure 1 (the arrows based on our survey of existing research). Figure 1 helps us organize our review along triggers, contents, and consequences of interorganizational spillover. We identify two types of events that can trigger interorganizational spillover: strategic events and nonstrategic events. *Strategic events* refers to actions undertaken by focal organizations that can directly help them achieve strategic goals, such as expanding market share and enhancing competitiveness. Strategic events include investment in relationship-specific partners (M.-P. Kang et al., 2009), market entry decisions (Chung & Yeaple, 2008; Kuilman & Li, 2009), and firms' calculated investment decisions (Ovtchinnikov, Reza, & Wu, 2019; Qiu & Wan, 2015). In contrast, *nonstrategic events* pertains to events that do not enable focal organizations to advance their strategic goals directly. Nonstrategic events include financial misconduct (Beatty, Liao, & Yu, 2013), shareholder activism (Shi et al., 2020), inspection by regulators (Aobdia & Shroff, 2017), and bankruptcy filings (Bernstein, Colonnelli, Giroud, & Iverson, 2019).

As shown in Figure 1, although prior research has investigated the instrumental perception spillover of both strategic events and nonstrategic events, research has so far focused on the cognitive perception spillover of only nonstrategic events. Specifically, both strategic and nonstrategic events can trigger instrumental perception spillover (i.e., events in focal organizations shape peer organizations' perceptions of threats and opportunities), thereby influencing decision making by peer organizations. When peer organizations perceive threats triggered by events in focal organizations, the former will engage in preventive actions; in contrast, when peer organizations perceive opportunities triggered by events in focal organizations, the former will undertake proactive actions. In contrast, nonstrategic events primarily generate cognitive perception spillover (i.e., events in focal organizations influence peer organizations' reputation and legitimacy). When peer organizations' reputation and legitimacy are adversely affected by events in focal organizations, the former's stakeholders will develop negative evaluations. On the contrary, events in focal organizations that can enhance peer organizations' reputation and legitimacy will give rise to positive evaluations by peer organizations' stakeholders.

For the rest of the article, we first review the triggers, contents, and consequences of spillover for peer organizations followed by the triggers, contents, and consequences for peer organizations' stakeholders. Building on our review, we then apply the AMC framework originally developed in competitive-dynamics research to formulate an AMC perspective into interorganizational spillover. Last, based on our review, we identify important future research avenues.

Interorganizational Spillover to Peer Organizations

Triggers of Spillover to Peer Organizations

Interorganizational spillover originates from events in focal organizations that impact the decisions of peer organizations. As noted, we classify events that can trigger interorganizational spillover into strategic events and nonstrategic events. If a focal organization undertakes a deliberate and calculated action to enhance its competitive position or expand market shares, the event can be considered strategic. In contrast, if an event does not involve an intentional strategic act by the focal organization, the event may be deemed nonstrategic.

Strategic events. A focal organization's capital investment decisions and cross-border acquisitions are some examples of strategic events that have been covered in existing research (Albuquerque et al., 2019; Atasoy, Chen, & Ganju, 2018; Chung & Yeaple, 2008). Managers of peer organizations observe strategic events, categorize these events based on their relationship to the focal organization, and fashion a response based on how these events are perceived. Strategic investment by focal organizations can shape peer organizations' perceptions of opportunities brought by such investment. For instance, when early-adopter hospitals invest in patient electronic health record systems, peer hospitals recognize opportunities to improve efficiency and lower costs by adopting these systems themselves (Atasoy et al., 2018). Peer organizations may also perceive focal firms' strategic investments as opportunities to optimize their own investments or capitalize on future growth prospects. Chung and Yeaple (2008) suggest that when U.S. firms invest abroad, foreign firms with similar capabilities may also perceive new growth, innovation, and market-expansion opportunities. Albuquerque et al. (2019) find that cross-border acquisitions from countries with better investor protection than the host country can lead nontargeted firms operating in the same industry and country as the target to increase investment. This takes place because nontargeted firms in host countries sense enhanced investment opportunities thanks to an improved corporate governance environment brought by such acquisitions.

Strategic events in focal organizations can also be perceived as threats by peer organizational decision makers. For instance, when foreign companies enter new markets overseas, host country firms may perceive the increase in competition as a threat to their survival (Chang & Xu, 2008). Peer firms may also sense imminent threats when competitors hire their former employees. Carnahan and Somaya (2013) demonstrate when buyers hire employees from the focal supplier's competitors, supplier firms may receive less outsourced business. An increase in product market rivalry created by a focal firm's R&D investment may also change the perception of rival firms, which accumulate greater financial slack to preserve financial flexibility and reduce uncertainty (Qiu & Wan, 2015). In summary, peer organizations aware of focal organizations' strategic investments can capitalize on spillover opportunities to lower costs or gain organizational efficiencies. In contrast, peer organizations unaware of or ~~ill equipped~~ to respond to increased competitive threats may find themselves vulnerable to focal firms' strategic initiatives.

Nonstrategic events. In addition to strategic events, nonstrategic events can alter the perceptions of peer organizations' managers, change their actions, and generate interorganizational spillover. CEOs of rival firms can reduce their risk taking following the dismissal of the CEO at a focal firm (Connelly et al., 2020). Hedge fund activism, as a nonstrategic event, can prompt effects beyond targeted firms. For example, nontargeted peer firms are more likely to improve their governance and financial performance under the threat of activism at a focal firm (Gantchev et al., 2019). Fearing they will be left behind competitively, peer firms increase their capital expenditures when focal firms materially inflate their earnings (Beatty et al., 2013). Likewise, peer firms may perceive the tone of rivals' management discussion and analysis disclosures as an opportunity for themselves and may increase their investment efficiency accordingly (Durnev & Mangen, 2020).

Instrumental Perception Spillover to Peer Organizations

When cognizant of an event at a focal organization, peer organizational decision makers evaluate the salience, relevance, and significance of the event in relation to themselves and adjust their strategic priorities based on their motivation and capability to respond. Managers in peer organizations may alter their assessment of focal organizations when confronted with strategic or nonstrategic events in a focal organization and may subsequently shift their strategic priorities. The degree to which peer organizations assess focal organizations' events as threats or opportunities for themselves becomes instrumental to their future course of actions, thereby generating instrumental perception spillover.

We have argued that both strategic and nonstrategic events can trigger instrumental perception spillover as shown in Figure 1. This section discusses the content of instrumental perception spillover that can influence peer organizations' decision makers, and we will discuss cognitive perception spillover to peer organizations' stakeholders in a later section.

Threat spillover occurs when peer organizations perceive an action taken by a focal organization can bring harm to themselves. Strategic events can increase the intensity of competitive threats faced by peer organizations. Carnahan and Somaya (2013) find peer firms perceive a threat of increased competition when competitor firms hire their former employees. They demonstrate that (focal) supplier firms receive less outsourced business when buyers hire employees from the focal supplier's competitor because of lost relational connections. For the same reason, peer firms are more inclined to disclose their own corporate social responsibility (CSR) intentions when focal firms are targeted by climate-change activists (Reid & Toffel, 2009). When focal firms innovate to a greater extent, peer firms may accumulate more cash in response to the threat of heightened product market rivalry (Qiu & Wan, 2015). In sum, peer-firm managers are more motivated to act in response to strategic events when they encounter increased threats from lost human capital, increased activism, and heightened product market rivalry.

Peer organizations may also interpret nonstrategic events as threats to themselves. Though hedge fund activism is associated with improvements in the governance and performance of targeted firms, nontargeted firms perceive these events as an enhanced threat of activism to themselves. As a result, nontargeted peers are more likely to increase leverage and payout, decrease capital expenditures and cash, and improve return on assets and asset turnover (Gantchev et al., 2019). Foreign subsidiaries may also anticipate the threat of negative reputation spillover following an adverse event at their parent firm. As a result, subsidiaries will engage in more CSR activities when the parent firm's reputation risk is higher (Zhou & Wang, 2020). When competitor CEOs observe peer CEOs win prestigious awards in top business publications, they sense a threat to their own status. Thus, they can undertake more acquisition activities in an effort to increase their own social status (Shi, Zhang, & Hoskisson, 2017). In summary, nonstrategic events can motivate managers in peer organizations to take actions when they perceive elevated threats from social activism, reputation risk, and loss of status at focal organizations.

Opportunity spillover occurs when peer organizations perceive an event or action taken by a focal organization can impart opportunities to themselves. Both strategic and nonstrategic events at focal organizations may generate opportunity spillover for peer organizations. Strategic events at focal organizations can create opportunities for peer organizations. For instance, Ovtchinnikov et al. (2019) find that peers of politically active firms are more aware

of policy makers' decisions, face lower political uncertainty, and are more motivated to increase their innovation investment. This happens because increased political activism by focal firms can help industry and geographic peers alleviate perceived political uncertainty, creating investment opportunities for these peers. Peer firms that perceive opportunities brought by events in focal firms can also take proactive actions to maximize benefits to themselves and their exchange partners. M.-P. Kang et al. (2009) find that supplier firms are more likely to make relational-specific investments with focal firms when the investments can yield economic spillover not only for other transactions with the same exchange partners but also for transactions with other third parties. As previously noted, when focal hospitals are early adopters of patient electronic health records systems, peer hospitals recognize an opportunity to increase efficiency and lower their fixed costs by adopting these same systems themselves (Atasoy et al., 2018).

Nonstrategic events at focal organizations may bring opportunities to peer organizations as well. Industry peers who identify a focal firm's negative earnings surprises as an opportunity can exploit this potential vulnerability and step up their own tactical competitive actions (Guo, Sengul, & Yu, 2020). Following social protests directed against focal firms and sensing a potential decline in market share, peer firms can capitalize on this vulnerability and may enter new retail markets (Yue, Rao, & Ingram, 2013). Finally, when a high-profile firm materially inflates its financial statements and is accused of misconduct, peer firms can recognize this as an opportunity to undertake strategic investment with the goal of boosting their competitiveness (Beatty et al., 2013).

Taken together, these studies show that strategic events can create opportunities for peer organizations when focal firms take actions to lower their political uncertainty, increase investments in relational partners, and adopt efficiency-enhancing systems. Nonstrategic events can also create opportunities for peer organizations when these peers capitalize on vulnerable focal organizations after negative earnings surprises, protests, or financial misconduct.

Consequences of Interorganizational Spillover to Peer Organizations

In this section, we review existing research on the consequences of interorganizational spillover, which we discuss as the influence of strategic events and nonstrategic events on peer organizations through their responses to threat and opportunity spillover. We classify these consequences of spillover on peer organizations as either preventative or proactive.

Preventative actions. When peer organizations observe an event at a focal organization and perceive it as a threat, they can become more motivated to take actions to mitigate uncertainty or risk to themselves. For instance, when focal firms enhance the size of their innovation portfolios, the threat of increased product market competition may alert peer firms to accumulate more financial slack to reduce their own competitive uncertainty (Qiu & Wan, 2015). Similarly, threatened by climate change actions directed against focal firms, peer firms may voluntarily disclose their own climate change initiatives to prevent further scrutiny. Reid and Toffel (2009) demonstrate that when focal firms are targeted by regulations and shareholder resolutions associated with climate change, peer firms headquartered in the same state are 24% more likely to disclose their own climate change actions. Shi et al. (2020) also explore the extent to which activist behavior targeted toward a firm in an investor's portfolio of holdings influences actions by

other firms that are not presently targeted for activism. Sensing the threat of increased activism to themselves, nontargeted firms restructure and reduce growth, and these actions are stronger when activist investors have the capability to attack and firms possess greater motivation to respond. These studies illustrate how peer firms' preventative actions can act as a defense against further threats and help them avoid becoming a target.

Proactive actions. Peer organizations may take proactive action to exploit focal organizations' vulnerabilities and maximize their own opportunities following a strategic or nonstrategic event at a focal organization. For instance, peer firms can capitalize on opportunities created from threats lobbied against focal firms. Yue et al. (2013) find that protests directed against Walmart can lead Target to open new stores with the goal of preempting other retailers from entering markets previously vacated by Walmart. Similarly, focal firms' negative earnings announcements create opportunities for peer firms that may facilitate increased competitive investment. Guo et al. (2020) find a focal firm's negative earnings surprise is associated with an 11.85% increase in a rival firm's tactical competitive actions. Growth and restructuring actions taken by focal organizations may also engender opportunities for peer organizations. For instance, a focal firm's willingness to restructure during bankruptcy sends a clear signal of its future health and viability to peer firm suppliers. As a result, suppliers are more likely to authorize higher trade credits when focal firms restructure as part of bankruptcy filings (Kolay, Lemmon, & Tashjian, 2016). Supplier decisions regarding issuance of trade credits reflect their positive assessment of future growth opportunities for themselves. Finally, M.-P. Kang et al. (2009) find that following successful interproject events with focal original equipment manufacturer (OEM) firms, suppliers will proactively increase investment in both focal and other OEM firms when the potential to gain additional transactional partners is enhanced. Their results suggest firms are more likely to make such investments when the investment yields positive economic value for other transactions with the same exchange partners as well as for third-party transactions. In summary, these studies illustrate how peer organizations can exploit vulnerabilities and maximize their own opportunities by undertaking proactive actions following an event at a focal firm.

Interorganizational Spillover to Peer Organizations Stakeholders

Triggers of Interorganizational Spillover to Stakeholders

Like peer organizational response to spillover, responses by stakeholders of peer organizations are also formulated to events occurring at a focal organization as such events may change the stakeholders' perceptions of peer organizations. Existing research has focused on external stakeholders, such as investors (Gande & Lewis, 2009), the media (Zavyalova et al., 2012), regulatory bodies (Fremeth et al., 2021), financial analysts (Lee & Lo, 2016), customers (Bourdeau, Cronin, & Voorhees, 2007) and suppliers (Nalick et al., 2019). Most of those studies (Barnett & King, 2008; Burchard et al., 2020; Zavyalova et al., 2012) have focused on the perception spillover of nonstrategic events to peer organizations' stakeholders, and relatively less attention has been devoted to investigating the perception spillover of strategic events to peer organizations' stakeholders. The only exception that we have identified is Soublière and Gehman (2020). This study shows that investors' perceived legitimacy of

peers' entrepreneurial endeavors is shaped by the successes or failures of focal ventures' entrepreneurial endeavors.

Nonstrategic events that can tarnish or improve the reputation and legitimacy of focal organizations can trigger changes in cognitive evaluations by peer organizations' stakeholders. Wide-ranging and diverse, nonstrategic events include toy recalls (Zavyalova et al., 2012), chemical spills (Barnett & King, 2008; Diestre & Rajagopalan, 2014), and financial misconduct (Paruchuri & Misangyi, 2015). Prior research has focused on nonstrategic events that can adversely influence the interests of focal organizations. We discuss three types of nonstrategic events: financial misconduct, scandals, and activism.

Financial misconduct at a focal organization can trigger perception spillover to stakeholders of peer organizations when the stakeholders ascribe harm (benefits) from the focal organization to peer organizations. For instance, investors may perceive that an industry peer's reputation may be adversely affected by financial misconduct at a focal organization (E. Kang, 2008; Paruchuri & Misangyi, 2015). Conversely, financial misconduct ascribed to a focal firm can improve the performance of competing firms in the same industry. As a result, investors may increase their shareholdings in nonaccused firms (Naumovska & Lavie, 2021). In other cases, stakeholders may simply perceive delay, apathy, or inaction a more suitable course of action until the peer organization has weathered the storm of misconduct that has imperiled the focal organization (Nalick et al., 2019).

Scandals in focal organizations may also change the behaviors of peer organizations' community members. Piazza and Jourdan (2018) demonstrate how membership in surrounding-area Catholic churches declined while membership at neighboring Christian churches increased following the clergy sexual abuse scandal in Catholic parishes. Diestre and Rajagopalan (2014) find that when one firm suffers an industrial accident using a particular input, investors react negatively to other users of that input when the accident is announced. Similarly, when a focal organization is embroiled in an extremely adverse event, such as a product recall or pollution scandal, high stigmatization risk incurred by a focal firm in an alliance greatly increases the probability a partner will defect due to the changed perceptions of external stakeholders (Bruyaka, Philippe, & Castañer, 2018). Exchange-partner misconduct can also trigger spillover when more relationally invested (peer) partners choose to weather the storm with their implicated (focal) partners and restart prior commitments despite the risk of losing well-established relationships with other key stakeholders, such as suppliers, customers, and employees. For example, when politicians are accused of misconduct, suppliers associated with firms connected to implicated politicians are more likely to remain in the committed, value-enhancing relationship until the fallout from the scandal has passed (Nalick et al., 2019).

Targeted activism directed at focal organizations can also trigger spillover to peer organizations' stakeholders. Piazza and Perretti (2020) find an electric utility's decision to cancel a previously proposed nuclear power plant due to antinuclear protests is associated with an increase in subsequent antinuclear protest activity in neighboring communities. Emboldened by previous successes, activists are more likely to remain mobilized even when the initial threat abates. The spillover of activism across organizational boundaries—from civil activism in the streets to labor activism in a firm—can also be highly relevant. For instance, when labor unions endorse local protests focusing on salient issues such as civil rights, the Vietnam War, and the women's movement, more progressive labor unions receive disproportionately higher vote shares than nonprogressive unions (Ferguson, Dudley, & Soule, 2018). This

study illustrates that the stakeholders of peer organizations will alter their support for these organizations based on what has taken place among focal organizations.

Cognitive Perception Spillover to Peer Organizations' Stakeholders

Cognitive perception spillover takes place when an event in a focal organization changes cognitive appraisal of peer organizations by their stakeholders through shaping the reputation and legitimacy of these peer organizations.

Reputation. We define reputation as "a perception representation of a company's past actions and future prospects that describes the firm's overall appeal to all the key constituents" (Fombrun, 1996: 72). Reputation spillover occurs when the reputation of peer organizations in the eyes of stakeholders is affected by events in focal organizations (Barnett & King, 2008; Paruchuri, Pollock, & Kumar, 2019; Zavyalova et al., 2012). The degree of reputation spillover hinges on the characteristics of the organizational form to which the stricken organization belongs, characteristics of other organizations in the same field, characteristics of the field itself, and the overall salience of a consequential event (Yu et al., 2008). Stakeholders evaluate the magnitude of these events based on their impact on other organizations. Importantly, stakeholder reputation spillover is generated when an event at a focal organization compels stakeholders of a peer organization to conduct an evaluation or assessment of the peer organization's reputation. Once stakeholders have carried out their evaluation or assessment, a positive (negative) reputation spillover is generated which can subsequently increase (decrease) a peer organization's existing reputation.

Negative reputation spillover arises when a focal organization suffers some form of organizational crisis that harms the reputation of peer organizations in the same field, triggering negative reactions from peer organizations' stakeholders. For instance, when product recalls tarnish the reputation of affected firms, the media is instrumental in its role amplifying negative reputational spillover to other firms in the same industry and influencing consumers' behaviors (Zavyalova et al., 2012). Conversely, positive reputation spillover occurs when negative consequences incurred by a focal organization can result in favorable reactions from peer organizations' stakeholders. As noted previously, membership in surrounding Christian churches could increase following sexual abuse scandals beleaguering Catholic churches (Piazza & Jourdan, 2018). This is particularly true when members of surrounding Christian churches perceive that these peer churches have enforced stricter standards of conduct. In sum, organizational scandals provide a growing research context in which negative reputational fallout for a focal organization can trigger negative (Paruchuri & Misangyi, 2015) or positive reputation spillover for peer organizations (Piazza & Jourdan, 2018), due in large part to stakeholders' abilities to endorse or sanction peer organizations.

Legitimacy. Legitimacy spillover occurs when greater (lower) social recognition for the focal organization leads to similar organizations receiving greater (lower) social recognition by stakeholders as they are perceived to belong to the same cognitive category (Kostova & Zaheer, 1999). Much research has looked at the external "validating" effect of taken-for-granted institutions, such as industry trade groups, regulatory associations, or even social media platforms, on a focal organization's legitimacy and its subsequent spillover effect on peer organizations' stakeholders (Hiatt & Park, 2013; Kuilman & Li, 2009; Soublière &

Gehman, 2020). Barnett and King (2008) illustrate how legitimacy of industry peers in the eyes of stakeholders can be adversely affected after focal firms' major chemical accidents. Similarly, building on sociocognitive categorization theory (Hsu & Hannan, 2005), Diestre and Rajagopalan (2014) argue that when one firm suffers an industrial accident with a particular input, investors will punish other users of that input by discounting their stocks. These studies demonstrate that common membership by firms in the same industry possessing similar characteristics, attributes, or resource portfolios provides a metric by which they are judged by stakeholders. In turn, stakeholders punish (endorse) these organizations based on their categorical similarities.

Consequences of Interorganizational Spillover to Peer Organizations' Stakeholders

The consequences of interorganizational spillover to stakeholders can be reflected in changes in stakeholders' categorical assessments and evaluations (Yu et al., 2008). Lacking disconfirming information, external stakeholders (e.g., the media and investors) employ categorization processes to assess organizations based on their previous understanding of members within the same field. Because peer organizations belong to the same category as focal (assessed) organizations, stakeholders may legitimize or devalue peer organizations in this process, resulting in positive or negative evaluations.

Positive evaluations by peer organizations' stakeholders. Nonstrategic events in focal organizations can lead peer organizations' stakeholders to develop positive evaluations of these organizations. For example, although CEO dismissal can cause disruption in focal firms, investors associated with rival firms may perceive the dismissal event as an opportune time to launch competitive attacks. Consequently, a CEO dismissal event may be associated with industry rival firms' positive market reactions (Burchard et al., 2020). Piazza and Jourdan (2018) find that church communities develop more positive evaluations of neighboring Christian churches enforcing stricter standards of conduct after witnessing scandals in Catholic churches. Customer stakeholders may also view peer organizations more favorably when focal organizations they are partnered with provide excellent customer service. Bourdeau et al. (2007) examine the process by which consumers evaluate alliances between service providers. Their findings suggest that when customers perceive the (peer) partners' service quality to be excellent, they evaluate the primary service provider more favorably and exhibit higher intentions to reuse their service. Customers may also perceive peer organizations more favorably when a focal firm suffers an adverse incident. For example, the reputations of other restaurants in the Seattle region were enhanced when the *E. coli* breakout struck Chipotle (Paruchuri et al., 2019). Research also suggests that investors evaluate same-category product launches more positively after focal product campaigns meet with blockbuster successes or path-breaking failures (Soublière & Gehman, 2020). In these cases, investors are more likely to attribute related entrepreneurial endeavors more favorably when focal endeavors meet with great success (i.e., blockbuster success) or come close to meeting investor expectations (i.e., path-breaking failure).

Negative evaluations by peer organizations' stakeholders. Interorganizational spillover can also trigger negative evaluations by external stakeholders who possess sanctioning power.

The sociocognitive categorization perspective explains how and why intermediaries devalue similar organizations based on their attribute similarity and membership within a focal category. Diestre and Rajagopalan (2014) demonstrate that when one firm suffers an accident, investors punish other users of that input by discounting their share prices. Stakeholders of peer organizations may also categorize innocent firms as guilty when focal organizations are accused of misconduct based purely on their categorical membership. Naumovska and Zajac (2021) find that innocent Chinese reverse-merger firms face significant negative stereotypes based on their country of origin and consequently experience more severe negative reputation spillover. This effect is stronger when accompanied by more negative U.S. media portrayal of China, fueling a preexisting negative stereotype. Similarly, when social activists target firms' business practices, this can spill over into the regulatory domain. Fremeth et al. (2021) demonstrate that firms are more likely to experience broader negative regulatory repercussions after activist protests because public contention invites greater scrutiny of firm behavior by industry regulators. Furthermore, ex ante regulatory sanctions (e.g., fines or penalties) amplify negative spillover to other firms, while industry-regulating institutions can diminish these negative spillover effects (Barnett & King, 2008). An organization's categorical membership thus enables greater spillover when external stakeholders attribute negative ascriptions from a focal organization to peer organizations due to their similar industry characteristics. In contrast, organizations that overlap in identity and resource portfolios but are not quite identical to well-established organizations may fail to garner initial legitimacy from external stakeholders (Dobrev, Ozdemir, & Teo, 2006).

The AMC Perspective Into Interorganizational Spillover

As our previous review sections have suggested, existing research has investigated distinct triggers, contents, and consequences of interorganizational spillover. Yet, we have not developed an overarching theoretical framework that can explain how different types of events in focal organizations can *unintentionally* activate reactions from peer organizations and their stakeholders. In this section, we apply the AMC framework in competitive-dynamics research (M.-J. Chen & Miller, 2012) to develop an unifying AMC perspective into interorganizational spillover. The AMC framework suggests that a rival firm's competitive action is largely driven by three behavioral drivers (M.-J. Chen, 1996; Smith, Ferrier, & Ndofor, 2001): noticing and interpreting focal firms' actions and external events (*awareness*); the propensity and incentive to act on the awareness of external stimuli, which originates from the expected gains (losses) from (in)action (*motivation*); and the perceived resource endowments and decision-making processes that motivate firms to act (*capability*).

The AMC perspective into interorganizational spillover suggests that the extent to which events in focal organizations can trigger interorganizational spillover hinges on peer organizations' and their stakeholders' awareness of the events as well as their motivation and capability to take actions in response to these events. We believe that this perspective can provide a useful lens to more fully elucidate the mechanisms that shape interorganizational spillover, which we will explain in detail next.

Awareness of Focal Organizations' Events

Awareness refers to peer organizations' and their stakeholders' agentic alertness of events in focal organizations. When peer organizations and their stakeholders are unaware of events,

interorganizational spillover is unlikely to take place. As noted in our review sections, existing research has investigated a myriad of events that can trigger interorganizational spillover, including industry accidents (Barnett & King, 2008; Diestre & Rajagopalan, 2014), CEO dismissal (Burchard et al., 2020; Connelly et al., 2020), shareholder activism (Reid & Toffel, 2009; Shi et al., 2020), social activism (Briscoe et al., 2015; Fremeth et al., 2021), financial misconduct (Beatty et al., 2013; Paruchuri & Misangyi, 2015), scandals (Nalick et al., 2019; Piazza & Jourdan, 2018), disease outbreak (Paruchuri et al., 2019), protests (Ferguson et al., 2018; Piazza & Perretti, 2020), product recall (Zavyalova et al., 2012), and award events (Fremeth et al., 2021; Reschke, Azoulay, & Stuart, 2018).

We believe that these events share three common characteristics: rarity, visibility, and criticality. *Rarity* refers to the infrequency of events taking place among organizations belonging to the same categories. Organizations' decision makers and their stakeholders possess limited attention (Nigam & Ocasio, 2010; Ocasio, 1997); thus, only events that rarely take place may attract the attention of peer organizations and their stakeholders. *Visibility* refers to the prominence and noticeability of events. Events that are not visible to external stakeholders are unlikely to trigger interorganizational spillover. *Criticality* refers to the degree of the impact of events on focal organizations' survival and performance. Events that are not critical to focal organizations are unlikely to trigger actions from peer organizations and their stakeholders. In sum, because peer organizations and their stakeholders tend to become aware of rare, visible, and critical events in focal organizations, such events may change the perceptions of peer organizations and their stakeholders, triggering interorganizational spillover.

Motivation to Respond

Awareness of events in focal organizations by peer organizations and their stakeholders is a necessary but insufficient condition for interorganizational spillover. Whether events in focal organizations can trigger agentic responses from peer organizations and their stakeholders also depends on their motivation to respond. *Motivation* refers to the agentic interpretation of the relevance of events by peer organizations and their stakeholders. Such interpretations will shape whether and how peer organizations react to events in focal organizations. When peer organizations perceive events as relevant, they may become more motivated to respond to these events as threats or opportunities. For example, when focal organizations source R&D investment abroad or adopt information systems that improve efficiency, peer organizations' managers may take proactive actions to implement their own information systems or partner with similar firms if they view these as opportunities to reduce their own fixed costs or increase firm value (Atasoy et al., 2018; Chung & Yeaple, 2008). By the same token, industry peers are more motivated to perceive CEO dismissal events in focal firms with which they have high levels of product similarity as a threat and undertake preventive actions by reducing strategic risk taking because industry peers find events in such focal firms more relevant (Connelly et al., 2020). Peer firms in countries with weaker governance are also more motivated to perceive inward investment events by focal firms from countries with strong governance as opportunities and engage in proactive investment of their own because peer organizations find focal firms' enhanced corporate governance practices more relevant to their own investment decisions (Albuquerque et al., 2019). In contrast, peer organizations are less motivated to undertake preventive actions in the face of shareholder

activism in focal organizations when the former have more constitutional constraints shielding them from shareholder intervention (Shi et al., 2020).

The motivation of peer organizations' stakeholders to react also hinges on their agentic interpretations of events in focal organizations. Research suggests that stakeholders make attributions about peer organizations based on the level of associability they have with focal organizations (Diestre & Rajagopalan, 2014; Paruchuri & Misangyi, 2015; Paruchuri et al., 2019). In doing so, stakeholders can simplify their assessments of peer organizations based on the organizational form to which the peer organization belongs. When an event strikes a focal organization, stakeholders will adjust their cognitive evaluative processes if they perceive that other organizations of the same form will be impacted (Yu et al., 2008). In contrast, if stakeholders perceive that other organizations will not be influenced by the events, these stakeholders will not adjust their evaluation.

Peer organization stakeholders' agentic interpretations also determine how they will react to events in focal organizations. If stakeholders perceive that events that harm a focal organization's reputation and legitimacy may also occur in peer organizations, stakeholders may attribute negative ascriptions to peer organizations as well. Stakeholders (e.g., regulators, investors, and the media) can punish users of the same input when focal organizations suffer an accident (Barnett & King, 2008; Diestre & Rajagopalan, 2014) or admonish firms with directors tied to fraudulent firms who commit financial reporting fraud (E. Kang, 2008). However, when stakeholders disentangle the missteps of a focal organization's event, this can reduce reputational damage for bystander organizations (Paruchuri et al., 2019). In other cases, stakeholders may interpret adverse events in focal organizations as advantageous to peer organizations. For example, CEO dismissal events in focal organizations may create opportunities for competitors to launch more competitive actions. Consequently, motivated investors in competitor firms react positively to these events (Burchard et al., 2020).

Capability to Respond

Agentic choices by peer organizations and their stakeholders in response to events in focal organizations not only depend on their awareness of the events and motivations to respond but also on their capability to respond. *Capability* refers to the decision discretion possessed by peer organizations and their stakeholders to tackle unfolding events in peer organizations. Even if peer organizations interpret an event in a focal organization as a threat, they may lack the resources to undertake preventive actions. In the same vein, peer organizations without adequate resource provisions may not pursue proactive actions even if events in focal organizations provide them opportunities to capitalize on.

Similarly, whether peer organization stakeholders take actions in response to events in focal organizations depends on the former's capability to respond. When these stakeholders lack decision discretion, they may not punish or reward peer organizations. For example, shareholders are unlikely to sell their holdings in peer organizations in response to scandals in focal organizations despite negative reputation spillover if these shareholders cannot identify other investment opportunities. Policy makers with higher decision discretion are more likely to influence the magnitude of sanctions (benefits) peer organizations receive when focal organizations suffer an industrial accident (Barnett & King, 2008; Diestre & Rajagopalan, 2014) or lobby for product approval (Hiatt & Park, 2013).

In sum, the AMC perspective into interorganizational spillover proposes that whether events in focal organizations can trigger reactions from peer organizations and their stakeholders depends on the latter's awareness of the events and motivation and capability to respond. In the next section, we discuss how future research can further develop this perspective as well as other research gaps identified from our review.

An Agenda for Future Research

We have integrated the growing yet dispersed research on interorganizational spillover from different disciplines into an organizing framework, which is captured in Figure 1. Our review enables us to identify important research gaps in the literature. In this section, we call for research that (a) enriches the AMC perspective into interorganizational spillover, (b) deepens our insights into spillover management strategies, (c) compares heterogeneous spillover consequences, and (d) investigates the cognitive perception spillover of strategic events. Table 1 outlines the four future research areas and suggests specific research questions associated with each area.

Enrich the AMC Perspective Into Interorganizational Spillover

Building on our review, we have developed the AMC perspective into interorganizational spillover in the last section. The perspective suggests that whether an event in a focal organization can trigger agentic actions from peer organizations and their stakeholders depends on the interplay between the latter's awareness of the event and their motivation and capability to respond.

We believe that the following theoretical frameworks can be helpful in further developing the different dimensions of the AMC perspective into interorganizational spillover. The first three theories can help enrich a specific dimension of agentic awareness that can give rise to interorganizational spillover. Specifically, event system theory can enrich our understanding of the characteristics of the events that can trigger interorganizational spillover, upper echelons theory can advance our insights into the role of decision makers' attributes in shaping interorganizational spillover, and institutional theory can provide new insights into the role of ~~context~~ characteristics in influencing interorganizational spillover. Whereas social movement theory taps into the motivation component of the AMC perspective, impression management and optimal distinctiveness theories pertain to the capability component.

Event system theory. Event system theory may provide a useful theoretical basis to further understand what types of events in focal organizations can come to ~~awareness~~ by peer organizations and their stakeholders. Event system theory suggests that novel, disruptive, and critical events can change the decisions and behaviors of focal organizations (Morgeson, Mitchell, & Liu, 2015). *Novelty* captures the extent to which an event is distinct or at variation from current and past behaviors and ~~represent~~ a new or unexpected phenomenon (Morgeson, 2005). *Disruption* reflects the amount or degree of change in usual activities (Dohrenwend, Raphael, Schwartz, Stueve, & Skodol, 1993). *Criticality* captures "the degree to which an event is important, essential, or a priority" to an organization (Morgeson & DeRue, 2006: 273). Although event system theory focuses on what type of events in focal organizations can influence similar organizations' future actions and decisions, it can also

Table 1
Potential Future Research Topics

Broad Area	Example Research Questions
Bring in new theoretical perspectives	• How can event systems theory help identify characteristics of events that can influence awareness of peer organizations and their stakeholders? • What characteristics of peer organizations' top managers influence their awareness of events in focal organizations? • How can formal and informal institutions influence the type of events that peer organizations become aware of? • How can stakeholders' mobilizing structures and collective actions shape peer organizations' motivations to respond? • What impression management tactics can help peer organizations use to manage their relationships with external stakeholders?
Deepen insights into spillover management strategies	• What strategies can be used to dampen external stakeholders' negative reactions and promote their positive reactions? • What actions can managers of peer organizations undertake to manage internal stakeholders' reactions? • What roles can corporate governance actors play in constraining value-destroying reactions by managers?
Compare heterogeneous spillover consequences	• How does the relationship between focal and peer organizations affect heterogeneous reactions by peer organizations? • How does the nature of an event's influence on focal organizations explain ramifications on different peers? • What factors drive peer organizations and their stakeholders' distinct reactions to the same event at focal organizations?
Investigate cognitive perception spillover by strategic events	• What types of strategic events are more likely to trigger cognitive perception spillover than instrumental perception spillover? • What factors determine stakeholders' positive or negative evaluations of peer organizations because of strategic events in focal organizations? • What types of strategic events can trigger homogeneous (or heterogeneous) reactions among peer organizations' different stakeholders?

inform scholars who attempt to identify key characteristics of events that peer organizations and their stakeholders tend to become aware of.

In the context of interorganizational spillover, the evaluation of an event's novelty, disruption, and criticality needs to be situated in categories that focal organizations belong to. Whether an event can be characterized as novel, for example, needs to be assessed among all the firms belonging to the same industry. If an event is construed as commonplace within an industry, such an event is unlikely to command attention from peer firms in the industry or evaluators of such firms. Meanwhile, an event can be considered disruptive if it disrupts existing industry norms, thereby engendering interorganizational spillover. In essence, developing a theory on events that trigger interorganizational spillover requires identification of factors that can influence the salience and relevance of an event to peer organizations and their stakeholders.

Upper echelons theory. Upper echelons theory suggests that executives act on the basis of their personal interpretations of strategic situations as a function of their experience, values, and personality (Hambrick, 2007; Hambrick & Mason, 1984). What top executives attend to and how they interpret information can determine the strategic outcomes of firms.

In this sense, the attributes of top executives may determine whether they become aware of events in other organizations. For instance, as extroverted CEOs desire social engagement (Malhotra, Reus, Zhu, & Roelofsen, 2018), such CEOs may have a high likelihood of becoming aware of events in other firms. In addition, as CEOs with a strong promotion focus may devote great attention to scanning opportunities in environments (Gamache, McNamara, Mannor, & Johnson, 2015), peer firms managed by such CEOs are more likely to react to events in focal firms that can create opportunities for peer firms. In contrast, as CEOs with a strong core self-evaluation tend to have high internal locus of control and are less attentive to external environments (Simsek, Heavey, & Veiga, 2010), peer firms managed by such CEOs may neglect events in focal firms, reducing the likelihood of interorganizational spillover.

Institutional theory. Institutional theory suggests that organizational behaviors and actions can be shaped by informal and formal institutions in which organizations are embedded ~~in~~ (North, 1990). We believe that institutional theory can deepen our insights into what events decision makers of peer organizations pay attention to and become aware of. Research (Shi, Zhang, et al., 2017) suggests that competitor CEOs undertake more intensive acquisitions after witnessing a CEO win a prestigious CEO award with the goal of enhancing their own social recognition. Yet, such interorganizational spillover may not necessarily take place among peer executives from strong collective culture because executives may pay more attention to enhancing collective self-esteem rather than individual social status (Zhang, 2005). Investigating the boundary conditions of institutions can be a promising avenue for future research on understanding the agentic alertness of events that can trigger interorganizational spillover.

Social movement theory. As we have noted in our review, existing research has studied spillover to decision makers and stakeholders of peer organizations independently. Although peer organizations' decisions can be shaped by their stakeholders, we know little about the role of peer organizations' stakeholders in motivating interorganizational spillover. Social movement theory can be a useful theoretical perspective to address this question and further our insights into peer organizations' motivation to respond. The theory explains the conditions under which collective actions by outsiders to dominant societal institutions (e.g., organizations) emerge and facilitate access to those institutions, enabling outsiders to potentially influence social and political change (Davis & Thompson, 1994; King, 2008). Stakeholders can engage in collective actions to gain access to firms and make changes in these firms, and the success of stakeholder social movement hinges on mobilizing structures—"collective vehicles, informal as well as formal through which people mobilize and engage in collective action" (McAdam, McCarthy, & Zald, 1996: 3). Future research can investigate how stakeholders' mobilizing structures and collective actions shape peer organizations' agentic interpretations of events in focal organizations.

Impression management. Although many existing studies have directly or indirectly examined the awareness and motivation components of the AMC perspective, we know relatively less about the role of peer organizations' capability in shaping interorganizational spillover. Impression management can provide an important theoretical perspective to understand peer organizations' capability of managing external stakeholders' reactions symbolically. *Impression management* refers to the process through which individuals or organizations

attempt to influence audience perceptions by releasing information or limiting information that is available to the audience (Leary & Kowalski, 1990). There are a number of impression management tactics, such as ingratiation (Westphal & Stern, 2007), self-serving attribution (Bettman & Weitz, 1983), justification (Caldwell & O'Reilly, 1982; Porac, Wade, & Pollock, 1999), foreshadowing critical corporate decisions (Busenbark, Lange, & Certo, 2017), and announcing unrelated news to create strategic noise (Graffin, Carpenter, & Boivie, 2011; Graffin, Haleblian, & Kiley, 2016; Jin, Li, & Hoskisson, in press). It would be interesting to explore which type of impression management tactics are the most effective in weakening negative assessment by external stakeholders. One impression management tactic that deserves particular attention from future research is strategic noise. Strategic noise is created by releasing unrelated information around the time of announcing negative events in an attempt to mitigate undesirable consequences associated with the events (Elsbach, Sutton, & Principe, 1998). For instance, peer organizations may consider the release of strategic noise to mitigate negative reactions from stakeholders.

Optimal distinctiveness theory. Our review suggests that events in focal organizations can trigger both positive and negative stakeholder evaluations through shaping peer organizations' reputation and legitimacy. Yet, existing research has not yet explored factors pertaining to how the capability of peer organizations' stakeholders can explain such differential responses. We believe that optimal distinctiveness theory may provide a useful theoretical lens to address this important theoretical gap (Deephouse, 1999; Zhao, Fisher, Lounsbury, & Miller, 2017). The theory suggests that positive stakeholder perceptions about a firm are affected by reconciling competing demands for differentiation and conformity. When an adverse event in focal organizations enables stakeholders to identify differentiation between peer organizations and focal organizations, there could be positive consequences. In contrast, when an adverse event leads stakeholders to perceive conformity between peer organizations and focal organizations, there could be negative consequences. Likewise, a positive event in focal organizations may generate positive evaluations among peer organizations' stakeholders who perceive conformity between the peer organizations and the focal organizations but may give rise to negative evaluations among peer organizations' stakeholders who perceive differentiation between the peer organizations and the focal organizations.

Deepen Insights Into Spillover Management Strategies

Our review suggests that interorganizational spillover can have profound influences on peer organizations and their stakeholders' perceptions. Yet, existing research has been largely silent on strategies that focal organizations and peer organizations can adopt to manage this unintended interorganizational spillover. For example, although we know that a firm's financial fraud can trigger negative investor perceptions of its competitors (Paruchuri & Misangyi, 2015) and interlocked firms (E. Kang, 2008), scholars could explore what actions peer organizations can undertake to anticipate or alleviate negative interorganizational spillover. We make the following four recommendations to advance research on managing interorganizational spillover from the perceptive of peer organizations.

Manage external stakeholders' reactions. Recent research (e.g., Burchard et al., 2020) suggests that adverse events at focal organizations can give rise to positive reactions by peer

organizations' investors. Yet, scholars have not yet explored what actions peer organizations can undertake to strengthen such positive reactions. For example, investors of competitor firms react positively to CEO dismissal events at focal firms because investors perceive that the former can capitalize on the disruption caused by the latter (Burchard et al., 2020). Under one scenario, competitor firms may be able to strengthen investors' positive reactions if they announce a series of competitive actions. In addition, as stakeholders may form negative assessments of peer organizations after witnessing adverse events in focal organizations, managers of peer organizations can dampen such assessments by strengthening their communication with stakeholders.

Manage internal stakeholders' reactions. Our review suggests that existing research has focused on how rare, visible, and critical events at focal organizations can affect reactions by peer organizations' external stakeholders. Yet, little attention has been paid to study how such events can shape reactions by peer organizations' internal stakeholders—employees. Studying employees' reactions is important because human capital embedded in employees is an important source of sustainable competitive advantages (Coff, 2003). For example, witnessing layoffs in focal firms targeted by hedge fund activists, employees of peer firms located in the same city may experience a high level of job insecurity themselves, which can harm their productivity at work (Shoss, 2017). Therefore, top managers need to actively manage employees' reactions to events that take place in other firms. To manage employee reactions requires managers of peer organizations to identify events that can trigger negative employee reactions ~~and~~ result in undesired employee turnover (e.g., hedge fund activism, see G. Chen, Meyer-Doyle, & Shi, in press). Mobility of critical employees can adversely affect a firm's competitiveness (Mawdsley & Somaya, 2016). Identifying and managing such events can help firms maintain their competitiveness.

Constrain value-destroying reactions by managers. As our review has suggested, events at focal organizations can trigger perception spillover and influence decision making by top managers of peer organizations. Yet, decisions made by top managers due to interorganizational spillover may not be always in the interests of organizations. For example, winning a prestigious award ~~by focal~~ firm's CEO can motivate ~~its~~ competitor CEOs to engage in value-destroying acquisitions (Shi, Zhang, et al., 2017). Thus, the board of directors needs to be aware of what events in focal organizations can trigger opportunistic behaviors by top managers of peer organizations. The following two research questions can advance our insight into how to constrain negative reactions from top managers. First, what types of events at focal firms can influence the motives and incentives of executives of peer firms? Second, what type of governance mechanisms are the most effective in preventing managers' value-destroying decisions triggered by interorganizational spillover? Will it be monitoring by board members or intervention by shareholder activists?

Compare Heterogeneous Spillover Consequences

Our review suggests that extant studies have focused on how significant events in a focal organization can influence one ideal type of its peer organizations, be it competitors, geographic peers, or alliance partners. Yet, the same event may trigger heterogeneous reactions from different types of peer organizations. A firm that has been found to engage in financial

fraud may create opportunities for its competitors to engage in intensive competitive actions with the goal of taking over its market share as the firm focuses on coping with negative ramifications from the scandal. However, peer firms with board interlocks with the fraudulent firm may enforce strict compliance programs to prevent the occurrence of financial fraud in the future. Similarly, CEO death may create mortality awareness among executives who are friends of the CEO who passed away (Shi, Hoskisson, & Zhang, 2017), but the disruption caused by CEO death can lead competitor firms to intensify competitive actions. We have three recommendations for extending research on heterogeneous spillover effects among different peers.

Consider relationship type between focal and peer organizations. Our review suggests that the relationship between focal and peer organizations can be cooperative (e.g., alliance partners) or competitive (e.g., industry peers). We define cooperative and competitive relationships broadly rather than in the context of business relationships between two firms. When a focal organization and its peer organizations compete in the same ~~market product,~~ they can be considered to have a direct competitive relationship. When a focal firm and its peer firms compete for resources from the government, they can be considered to have an indirect competitive relationship. In a similar vein, if two organizations have engaged in strategic alliances and are alliance partners, they can be perceived to have a direct cooperative relationship. However, if two organizations share some common interests and are motivated to pursue collective actions, they have a potentially cooperative relationship. Understanding the nature of the relationship between a focal organization and its peer organization is crucial to identifying heterogeneous spillover effects. In the case of a scandal, a direct cooperative relationship between focal and peer organizations may facilitate negative interorganizational spillover and trigger negative stakeholder evaluations of the peer organizations; in contrast, external evaluators of direct competitors may react positively to the scandal because it can provide opportunities for these competitors to occupy the focal ~~firms'~~ market.

Consider the influence of an event on focal organizations. To unpack heterogeneous spillovers among different peer organizations, it is also important to consider how an event can influence focal organizations. If an event can directly benefit focal organizations, the event is likely to have an adverse spillover effect on competitive peers but a favorable spillover effect on cooperative peers. For example, existing research suggests that investors react positively to firms hosting visits by high-level officials because such visits signal the flow of resources from the government to the firms (Schuler, Shi, Hoskisson, & Chen, 2017). Although such visits can create "windfalls" for host firms, they can have heterogeneous spillover to different types of peer firms. If geographic peers compete for the same resources as host firms from the same government, investors' reactions to geographic peers may be negative. In contrast, if such visits signal the government's favorable policies towards an industry, host firms' industry peers may experience a positive reaction from investors. Conversely, if an event can directly harm focal organizations' legitimacy, such an event may create opportunities for their competitors but have a negative reputation spillover to partner firms. Considering the influence of an event on a focal organization is critical to identifying heterogeneous spillover effects.

Heterogeneous spillover effects among peer organizations and their stakeholders. Prior research has focused on either peer organizations' reactions or their evaluators' reactions;

however, research has not yet investigated why an event can trigger heterogeneous reactions from peer organizations and their evaluators. Research suggests that CEO dismissal can trigger job insecurity among competitors of dismissed CEOs and lead the latter to reduce strategic risk-taking intensity (Connelly et al., 2020). Meanwhile, competitors of CEO dismissal firms experience positive market reactions because CEO dismissal can disrupt dismissal firms' business operations and create competitive attack opportunities by rival firms (Burchard et al., 2020). These two studies indicate that competitor CEOs and investors of competitor firms interpret the CEO dismissal event in different ways: Competitor CEOs perceive CEO dismissal in a focal firm a threat to their own job security, whereas investors of competitor firms regard the CEO dismissal event an opportunity for competitors. Future research can investigate what factors can explain such ~~an inconsistency~~ in interpretations of the same event by peer organizations and their stakeholders.

Investigate Cognitive Perception Spillover by Strategic Events

As illustrated in Figure 1, existing research has focused on how nonstrategic events can trigger cognitive perception spillover and thereby change evaluations by peer organizations' stakeholders. Yet little attention has been paid to examining the role of strategic events in activating cognitive perception spillover among peer organizations' stakeholders. Addressing the role of strategic events in triggering cognitive perception spillover is critical to developing a complete insight into interorganizational spillover. For example, when a target is acquired by a firm from a country with strong governance, this may change evaluations by stakeholders of the target's industry peers. Specifically, the fact that the industry peers were not chosen as acquisition targets may imply that these peers may have poor governance, resulting in negative investor evaluations. Similarly, a firm's adoption of CSR initiatives may change evaluations of its peers by the latter's stakeholders. For instance, employees of peer organizations may react negatively if their own companies fail to adopt similar CSR initiatives to protect stakeholders' interests. Future research can explore (a) what types of strategic events are more likely to trigger cognitive perception spillover versus instrumental perception spillover, (b) what factors determine stakeholders' positive or negative evaluations of peer organizations as a result of strategic events in focal organizations, and (c) what types of strategic events can trigger homogeneous (or heterogeneous) reactions among peer organizations' different stakeholders.

Conclusion

Paul Hawken—an environmentalist and activist—once commented, "All is connected . . . no one thing can change by itself." As the quote implies, organizational decisions are shaped not only by the characteristics of organizations but also by events that take place among their peer organizations (Dobrev et al., 2006; Zavyalova et al., 2012). Information transmits at a much faster pace than ever, and the world has become more interconnected despite growing nationalism and economic protectionism in some countries. Thus, furthering our insights into interorganizational spillover has become an important research arena. We hope our review on interorganizational spillover will encourage more expansive future research on this critical topic in management and enrich our understanding of organizational ecosystems.

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Notes

1. These journals include *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Accounting and Economics*, *Journal of Accounting Research*, *Journal of Finance*, *Journal of Financial and Quantitative Analysis*, *Journal of Financial Economics*, *Journal of International Business Studies*, *Journal of Management*, *Management Science*, *Organization Science*, *Review of Finance*, *Review of Financial Studies*, *Strategic Management Journal*, and *Accounting Review*.
2. We include the study by Guo, Sengul, and Yu (2020), which illustrates that a firm receives more attacks from rivals after it experiences negative earnings surprises. This study is included because competitive attacks by rivals are an *unintended* consequence of a firm's negative earnings surprises.

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