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ORIGINAL ARTICLE

Organization-investor fit: The role of temporal preferences in shaping investor attraction and organizational performance

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Abstract

Fit is an essential consideration for organizations, and extensive research has explored its various types. We build on and extend fit research by advancing an important form of fit—organization-investor (O-I) fit, which reflects the compatibility between an organization and its investors. We argue that investors tend to be attracted to organizations whose preferences already "fit" their own and, in so doing, provide a relational perspective to the corporate governance literature that often views the relationship between investors and organizational managers as purely transactional. We focus on the fit of one of the most important factors shaping both organizational and investor behavior––temporal preferences. Specifically, we argue that investors are attracted to firms that fit with their temporal preferences and that high O-I fit leads to better organizational performance. We tested our hypotheses in a longitudinal archival study of S&P 500 firms and supplemented these findings with two experiments. Together, we find strong support for our hypotheses. Our study showcases the critical role of O-I fit in shaping the makeup of an organization's

investors and its subsequent performance, suggesting the value for scholars, managers, and investors to consider the mutual benefits offered by fit in these relationships.

KEYWORDS
archival, CEO/TMT decision-making, fit theories, polynomial regression, strategic leadership and governance

1 | INTRODUCTION

Fit is an essential consideration for organizations, and an extensive literature has been developed to explore its various types. Scholars in this area have explored many types of fit focused on employees and their environments (Kristof-Brown et al., 2005; Van Vianen, 2018), such as person-organization fit (Kristof, 1996), person-job fit (Edwards, 1991), and person-team fit (Hollenbeck et al., 2002), among others. This research examines how the congruence between individual employees and aspects of their job or organization affects important outcomes (Chatman, 1989). Researchers have also applied this lens to consider how organizations fit with their environments (Venkatraman, 1989), such as with organization-target fit in acquisition contexts (Datta, 1991) and organization-stakeholder fit for managing stakeholder relationships (Bundy et al., 2018). Collectively, the core premise of these fit theories is that the *formation* and *outcomes* of relationships are, in part, dependent on the compatibility of the parties with one another (Kristof-Brown, 2000; Schneider, 1987), with "good fits" typically offering more favorable consequences (Bermiss & McDonald, 2018; Saks & Ashforth, 1997).

We extend fit research by advancing *organization-investor (O-I) fit*, which reflects the compatibility between an organization and its investors. O-I fit is an important extension to the fit literature because of the critical but fragile relationship between investors and organizational managers (Finkelstein et al., 2009). Traditional views of this relationship primarily draw from agency theory and tend to assume that, because of differing values and goals, there is a substantial risk of conflict between investors and executives and the relationship must be managed accordingly (Eisenhardt, 1989). In contrast, our O-I fit perspective argues that investors can seek better functioning relationships by investing in organizations with managers whose preferences already "fit" their own.

Although O-I fit likely exists along many dimensions (as with other forms of it), we study it through the lens of perhaps the foremost driver of investor behavior—temporal preferences—which reflect their broad temporal goals and values (Bushee, 1998; Connelly, Hoskisson, et al., 2010). Similarly, temporal tradeoffs are also central to organizational decision-making (Laverty, 1996), such that organizations' temporal preferences shape their strategies around creating near-term gains or pursuing long-term goals (Souder & Bromiley, 2012). These preferences pave the way for a broad array of O-I configurations that vary in their level of fit. As such, we develop the construct of O-I fit around two key research questions: (1) are investors attracted to organizations that fit with their temporal preferences? And (2) does O-I fit along temporal preferences lead to better performance outcomes?

In examining the first question, we argue that the concept of O-I fit suggests values and goals alignment likely shape investor decisions. This diverges from the prevailing perspective which views investors and organizations as largely rational actors, such that investor decisions are driven primarily by financial metrics (e.g., earnings projections, volatility; Bushee, 2001; Ke & Ramalingegowda, 2005). Scholars have begun to challenge this perspective by demonstrating that some investors are also attracted to organizations for other reasons, such as their environmental and social performance (Dyck et al., 2019; Eccles et al., 2014). Whereas this work suggests that nonfinancial factors may be important to investors, scholars have yet to consider how the alignment of values and goals may shape the O-I relationship. On this point, Cannella et al. (2015, p. 443) surmise that "managerial activity and firm strategy may also determine the types of investors that are attracted to the firm," intimating that nonfinancial factors may be critical to understanding why they decide to invest in specific organizations.

Beyond this initial attraction, and to answer our second research question, we argue that O-I fit also has profound performance implications. By focusing on O-I fit along temporal dimensions, we contend that neither long-term nor short-term focused investors are inherently "better," but rather that each can contribute positively to performance when their temporal preferences match those of the organization. Our theorizing details how O-I fit informs the ways in which investors and organizations work together, and the resulting performance implications, thus advancing a more cooperative view of the O-I relationship than is commonly assumed.

To test our hypotheses, we conducted a longitudinal archival study of S&P 500 firms between the years 2009 and 2015. Our results are consistent with the overarching premise of fit theory—that parties are attracted to each other when they hold similar preferences, and that such alignment increases relationship quality to create mutually beneficial outcomes. We supplement these findings with two experiments designed to further examine the decision-making involved in our attraction hypotheses. Our experiments allow us to more precisely test the behavioral decisions described in our hypotheses, and the results reinforce our central argument that investors are attracted to organizations that fit their temporal preferences.

Our study makes several contributions to organizational research. First, our work complements and extends existing fit research (Judge & Cable, 1997; Van Vianen, 2000) by advancing and defining O-I fit. We argue that O-I fit is a critical extension of this literature with broad implications for theory and practice. Indeed, the relationship between the organization and its investors is not generally treated as an interpersonal relationship but tends to be viewed on predominantly rational grounds (Hendry et al., 2006). Our study demonstrates the benefits of fit even in a relationship as economically motivated as the one between an organization and its investors, suggesting that fit theory applies to a broader set of organizational relationships than scholars might have anticipated.

Second, we contribute to research on corporate governance by delving into the relationship at the center of the O-I dyad. The idea that investors are drawn to the values and goals of the organization and its managers *and* that the fit of these relationships affect performance would be unexpected and surprising based on prior research in this area, much of which ascribes self-interested motives to the two parties which thus require contractual mechanisms to achieve a functional relationship (Cuevas-Rodríguez et al., 2012; Eisenhardt, 1989). By advancing a cooperative theoretical lens around fit, our study has the potential to reshape the view of corporate governance practices around a more optimistic vision by showing how relationships built around fit can enhance performance.

Third, our work highlights temporal preference as a critical dimension of fit that scholars could apply across different types of relationships. Although researchers have theorized that temporal preference fit may be important (Eldor et al., 2017; Shipp et al., 2009), there are few empirical studies on its role (i.e., supervisor-team fit; Briker et al., 2020; Freeney et al., 2022). By demonstrating the benefits of O-I fit along temporal preferences, our study suggests that the inherent temporal preferences parties bring to their relationships may have important implications for other types of fit and thus should spark broader research in this area.

Finally, scholars and practitioners often negatively view shorter-termed investors and organizations (Laverty, 1996; Martin, 2015), equating such short-termism with myopia that tends to result in poor decisions (Graham et al., 2005; Marginson & McAulay, 2008). Our research suggests that short-termism is not necessarily detrimental for organizations when both sides of the O-I dyad share that preference. Similarly, long-termism is not necessarily better for organizations, as critics of short-termism often imply, unless this long-term preference is matched by their investors. Our paper thus makes a critical contribution to this literature, with important practical implications and the potential to spark future research on the costs and benefits of temporal preferences.

2 | THEORY AND HYPOTHESES

2.1 | Organization-investor fit

Theories of fit in organizations are centered on the compatibility, or match, between two individuals or entities (Chatman, 1989; Kristof, 1996). Accordingly, fit is important for several reasons, most notably because it shapes the

attraction between parties and their performance once the relationship is established (Cable & DeRue, 2002; Yu, 2014). Early work in this area focused broadly on "person-environment fit," or the compatibility between individuals and their environment (for a review, see Van Vianen, 2018). Over time, scholars have introduced narrower constructs to explain fit between individuals and specific entities within their environment. Examples of these include individuals' fit with others around them at work (e.g., person-group fit; Li et al., 2019; Van Vianen et al., 2011), with their job responsibilities (e.g., person-job fit; Shaw & Gupta, 2004), and with the organization itself (e.g., Gabriel et al., 2014; Kristof-Brown et al., 2023). These various forms of fit have significantly enhanced our overall understanding of the relationships between individuals within organizations (Van Vianen, 2018). Indeed, meta-analytic evidence across these conceptualizations suggests that people are drawn to situations that exhibit a strong fit, which can help drive important outcomes such as commitment, trust, satisfaction, and performance (Kristof-Brown et al., 2005).

Insights drawn from this literature have also been invaluable for understanding fit in relationships between organizations and other actors. This research typically draws on many of the same psychological mechanisms as micro-oriented fit theory but varies in how these mechanisms manifest across different contexts. Early research on the topic focused on acquisitions, demonstrating that acquiring managers are attracted to targets with similar cultures and complementary resources, resulting in more successful acquisitions (Datta, 1991; Shelton, 1988). Similarly, entrepreneurship research has found that new ventures' fit with venture capital expertise engenders higher IPO performance (Lungeanu & Zajac, 2016). Research on chief executive officer (CEO) successions has also found that the degree to which a new CEO fits the organization's external context is positively related to subsequent organizational performance (Chen & Hambrick, 2012). Recently, scholars have built theory around fit between an organization and its stakeholders, pointing specifically to the importance of fit in shaping the quality of the organization's relationship with key constituents (e.g., employees, community activists; Bundy et al., 2018; Hambrick & Wowak, 2021). Like earlier P-E fit research, this work draws on core notions such as attraction and relationship quality.

Building off this research, we advance the concept of *O-I fit*, which we define as the compatibility between an organization and its investors that occurs when their values and goals align. Our conceptualization suggests that organizations can vary in the degree to which they fit with their collective set of investors and that the alignment of values and goals shape the quality of O-I relationships. Whereas public firms often have many investors, actual ownership tends to be concentrated with institutional investors who own a dominant share of modern corporations (Connelly et al., 2017; Westphal & Bednar, 2008), making them central actors in the O-I relationship and our theory of O-I fit. As with other types of fit, O-I fit likely exists across many dimensions, but we first focus on the fit between organizations and their investors based on their temporal preferences because the temporal preferences of both institutional investors and managers map directly onto their key strategies (Bushee, 1998; Connelly et al., 2019) and influence many strategic decisions (e.g., Eccles et al., 2014; Nadkarni & Chen, 2014; Souder & Bromiley, 2012). Accordingly, we next discuss the importance of temporal preferences to both institutional investors and organizations.

2.2 | Institutional investors and temporal preferences

Institutional investors are large equity holders (e.g., mutual funds, investment banks, pension funds; Johnson & Greening, 1999), whose sizeable shareholdings give them considerable motivation and latitude to influence the organizations in which they have ownership stakes (David et al., 1998, 2001).[1] Organizations and institutional investors thus actively manage their relationships with one another to protect their strategic and relational integrity. Indeed, institutional investors frequently communicate with organizations through direct conversations and negotiations and through indirect activism efforts (Hoffmann et al., 2018; Kelly et al., 2010; McCahery et al., 2016).

Institutional investors vary in the values and goals they bring to the O-I relationship (Benner & Zenger, 2016; Dalton et al., 2007), and their differing temporal preferences are considered to be the most critical distinguishing factor between them (Bushee, 1998; Connelly et al., 2019). Specifically, scholars differentiate between transient institutional investors and dedicated institutional investors to reflect these differing temporal preferences (Bushee & Noe, 2000).[2]

Transient investors have more diversified portfolios with smaller holdings in a wider range of firms, which they trade frequently (Bushee, 1998). Given their frequent investment turnover, transient investors focus on more immediate returns (Bushee, 2004) and prefer that organizations pursue short-term-focused strategies (Connelly et al., 2016). In contrast, dedicated investors hold less diversified portfolios with concentrated stakes in relatively few firms for long periods (Bushee, 1998), so they are less sensitive to short-term earnings (Shi et al., 2017) and prefer organizations with long-term strategies (Connelly et al., 2016).

This distinction between dedicated and transient investors naturally invokes arguments about which type of investor is preferable. Both types of investors impact performance through their interactions with managers; research suggests that transient investors are associated with more immediate organizational actions and reduced investment in developing novel innovations (Bushee, 1998; Keum, 2021), whereas dedicated investors are associated with longer-range competitive actions (e.g., strategic alliances, corporate restructuring) and long-term development projects (Connelly, Tihanyi, et al., 2010; Dikolli et al., 2009). Owing to these temporal distinctions, researchers and practitioners often imply that dedicated investors are "better" because many believe that transient investors promote excessive short-termism, causing organizations to overly focus on the short term to appease myopic earning demands (Bushee, 1998, 2001; Graham et al., 2005; Keum, 2021). In contrast, we argue that the performance implications of dedicated and transient investors may exist beyond any direct impact their temporal preferences have on the organization and instead derive from their fit with a given organization's temporal preferences, providing an ideal platform to elucidate O-I fit.[3]

2.3 | Organizations and temporal preferences

Scholars have increasingly recognized that organizations' temporal preferences are "of foremost importance" in shaping organizational behaviors and decisions (Flammer & Bansal, 2017, p. 1829). We define an organization's temporal preferences as the importance given to strategic choices that benefit long-term relative to short-term goals, as driven by the organization's structure, management, and governance (Flammer & Bansal, 2017; Souder & Bromiley, 2012). This aligns with holistic theoretical conceptualizations of organizations and the factors shaping the decisions of strategic managers (Busenbark et al., 2016; Hambrick et al., 2005), thus comprehensively capturing an organization's temporal preferences.

Existing research has demonstrated important implications stemming from an organization's temporal preferences, usually in a piecemeal manner that focuses on discrete dimensions of the organization's overall temporal preferences. For example, the temporal preferences of CEOs have been shown to shape an organization's innovation (Nadkarni & Chen, 2014; Yadav et al., 2007) and corporate strategy (Gamache & McNamara, 2019). Similarly, the board's temporal preferences for the organization (as seen in their design of executive compensation) have an important influence on organizational strategic change (Carpenter, 2000) and investments in R&D and stakeholder relationships (Flammer & Bansal, 2017).

Consistent with our definition of organizational temporal preferences, scholars have focused on three unique aspects of temporal preferences that reflect the goals and values of the organization: capital investment behavior (reflecting the organizational structure; e.g., Souder & Bromiley, 2012), executives' temporal orientations (reflecting top management preferences; e.g., Nadkarni & Chen, 2014), and executive compensation structures (reflecting governance practices; e.g., Martin et al., 2016). Although these factors emerge from different organizational actors and processes and are fundamentally distinct from one another, they all share common properties that indicate how the organization and its top managers interpret and prioritize time.

First, capital investment horizons refer to the longevity of the organization's durable assets, creating the structure of the organization that constrains or encourages specific types of actions. An organization's capital investment horizon, therefore, captures "trade-offs between expected cash flows at different times" (Souder et al., 2016, p. 1204) and shapes routines around the time horizons dictated by the investments the firm tends to make (Souder & Bromiley,

2012). Organizations with longer capital investment horizons face path dependencies and are somewhat constrained in the short term but are uniquely suited to develop strategies intended to pay off for many years (Souder et al., 2016). In contrast, firms with short-term time horizons have routines that restrict their ability to execute projects with distant payoffs but are suited to attend and adjust to more immediate issues (Souder et al., 2016).

Second, a CEO's relative temporal orientation reflects the temporal preferences of the organization's top leader and shapes their decisions and actions (Gamache & McNamara, 2019; Nadkarni & Chen, 2014). CEO relative future orientation captures the degree to which a CEO pays attention to the future relative to the present, which manifests in whether the CEO is inclined to make strategic choices that benefit long-term relative to short-term goals. CEOs who focus more on the future tend to plan for and make decisions geared toward influencing "long-term performance" (Gamache & McNamara, 2019, p. 925), such as investments in technologies or products that take longer to bring to market, while eschewing shorter-term activities (Nadkarni & Chen, 2014; Yadav et al., 2007). In contrast, CEOs who focus more on the present are apt to "prioritize short-term results" (DesJardine & Shi, 2021, p. 279) and pursue current opportunities (Gamache & McNamara, 2019), such as quick-to-market product ideas (DesJardine & Shi, 2021), underlying the short-term nature of their decision-making.[4]

Third, executive compensation packages reflect the board of directors' temporal preferences. Boards can structure executive compensation to more heavily incentivize either shorter- or longer-term goals, signaling their preferences towards one or the other (Finkelstein & Hambrick, 1988). The temporal design of CEO compensation packages, therefore, can profoundly influence the time horizon executives and others throughout the organization are motivated to prioritize (Martin et al., 2016). When boards design a compensation package weighted towards the long-term, they signal their preferences for maximizing long-term performance and "focus executives' efforts on creating long-term value, thus fostering organizational long-term orientation" (Flammer & Bansal, 2017, p. 1828). In contrast, boards that weight compensation packages toward the short-term signal their preferences for short-term outcomes and motivate managers to boost short-term performance (Eccles et al., 2014).

The common link between these three factors is that they reflect the organization's temporal preferences, which act as guiding forces behind organizational decisions to align with or otherwise achieve performance goals around preferred time horizons. Research in this area has shown that these preferences manifest in a variety of decisions. For example, organizations oriented towards shorter-time horizons prioritize efficiency gains (Rajagopalan & Datta, 1996) or marketing and sales (Mishina et al., 2004), whereas those with longer-term orientations prefer investing in R&D (Flammer & Bansal, 2017) or sustainability policies (Eccles et al., 2014).

However, it is important to re-emphasize that all three of these components are unique and not necessarily aligned with one another. Indeed, each factor emerges from different elements and actors within the organization that help drive its decisions and strategies: capital investment horizon reflects organizational structures, CEO relative future orientation reflects the CEO's preferences, and executive compensation packages reflect the preferences of the board of directors. Because they emerge from distinct sources, these factors can differ from one another and capture differing preferences that exist within the organization.[5] For instance, it is possible that a firm with a short-term capital investment horizon may have a CEO with a relatively high future orientation. This CEO may desire strategic actions tailored towards the long run but find themself constrained in their ability to do so given the firm's structure. As such, the organization's overall temporal preferences would be in some middle ground, with its CEO and capital structure acting as countervailing temporal forces against one another and likely preventing a collection of strategic actions that are "extreme" in one direction or the other.

2.4 | O-I fit of temporal preferences

2.4.1 | Investor attraction toward organizational temporal preferences

Much like other forms of fit, the degree of O-I fit is determined by the alignment of distinct values and goals between parties (Van Vianen, 2018; Yam et al., 2021). As intimated previously, we specifically theorize about temporal

preferences due to the critical nature of temporality in both organizational and institutional investor activities. Accordingly, we first develop predictions about the extent to which investors are attracted to organizations with similar temporal preferences, and then discuss the performance implications of this O-I fit.

The prevailing view in the literature is that institutional investors are attracted to organizations based on their performance metrics rather than values and goals that may shape their relationship (Bushee, 1998). This is perhaps because scholars view this relationship through a financial lens rather than through socially grounded theories such as fit. According to this perspective, institutional investors make investments based on financial characteristics that help determine if a given organization is undervalued and has growth potential (e.g., Bushee, 2001; Bushee & Noe, 2000). By focusing on O-I fit, we challenge that assumption by arguing that investors are also attracted to organizations with values and goals that suggest that they will be fitting relationship partners, rather than solely to objective financial factors. This is an important theoretical advancement to O-I research in that, as we argue below, O-I fit suggests novel mechanisms by which investors are attracted to organizations, including both inherent attraction tendencies and intentional strategic motivations that stem from aligned preferences.

We argue that although insights from fit theory are largely developed at the individual level, they also apply to O-I relationships because the dynamics between organizations and investors are more akin to conventional interpersonal relationships in organizations than typically conceptualized. Indeed, O-I relationships often feature frequent interactions and communication between the two parties rather than the one-sided public relations efforts that many assume them to be (Hockerts & Moir, 2004; Kelly et al., 2010). In fact, evidence suggests that investors respond more favorably towards organizations whose managers make themselves personally available and communicate frequently, illustrating the importance of the interpersonal elements of O-I relationships (Bushee & Miller, 2012; Hoffmann & Fieseler, 2012). O-I relationship-building, therefore, matters, as each party's trust in and commitment to one another creates higher quality, mutually beneficial relationships (Hoffmann et al., 2018).

Given the interpersonal nature of O-I relationships, we argue that investors are more likely to be attracted to organizations whose values and preferences fit their own, akin to other forms of fit (Edwards & Cable, 2009; Schneider, 1987). This idea is broadly consistent with fit theory, which argues that parties are often attracted to each other to satisfy their social and psychological needs (e.g., Greguras & Diefendorff, 2009). Indeed, people are attracted to workplaces with similar others due to the expectation that the resulting relationships will be harmonious and of higher quality (Oh et al., 2014; Seong et al., 2015). We expect this logic to extend to investors' attraction to organizations because they seek quality relationships with organizations that will help them reach their investment goals. We, therefore, argue that dedicated investors are attracted to invest in organizations with long-term preferences, and transient investors are attracted to invest in those with short-term preferences.

Incorporating the specific factors we described earlier as reflecting organizations' temporal preferences, we theorize that organizations are likely to attract dedicated (transient) investors when they (a) have longer (shorter) capital investment horizons, (b) have a CEO whose temporal orientation is more future-oriented (present-oriented), and (c) weigh their executive compensation packages more heavily towards long-term (short-term) incentives. We argue that these effects are explained by three theoretical mechanisms inherent in fit theory.

First, institutional investors are apt to perceive organizations with similar goals and values as better partners, featuring more harmonious and regular communication (Hoffmann et al., 2018). This argument is in line with the broader fit literature, in which relationships between partners whose goals and values fit well with one another are more cooperative and functional (Edwards & Cable, 2009; Seong et al., 2015; Yu, 2014). In this vein, we argue that institutional investors prioritize partners with whom they believe they can cooperate and work closely to build a trusting and committed relationship. Strong relationships can yield considerable benefits for investors, including access to quality information (Schnatterly et al., 2008) and the ability to work in concert with managers to advise on organizational strategy (Connelly et al., 2016; McCahery et al., 2016). These potential benefits encourage investor attraction to organizations with similar goals and values that are more likely to yield such quality O-I relationships.

Second, institutional investors are attracted to organizations with similar goals and values because they expect the organization's strategic decisions to align with their investment goals. This is also consistent with fit theory, which

suggests that fit ensures that both parties in a relationship are predisposed to make compatible decisions (Humphrey et al., 2007; Zhao et al., 2021). Although investors could work with an organization's managers to influence their decisions (e.g., Connelly, Tihanyi, et al., 2010), organizations whose decision-making is already compatible with their own preferences are likely to require less intervention and therefore save investors substantial resources, making them attractive partners. Such organizations are already more likely to be governed to succeed around the investor's goals, including their preferred time horizon, and are more amenable to investor input given their congruent visions, thus avoiding the need for costly and protracted activism efforts (Goranova & Ryan, 2014). We argue that investors seek to uphold this strategic alignment by investing in organizations with similar goals and values.

Third, like individuals, institutional investors are inherently attracted to organizations that have similar preferences. This is in line with the similarity-attraction principle that underlies fit theory (Kristof-Brown et al., 2005; Schneider, 1987), which argues that people are naturally inclined to feel attracted to similar others (Byrne et al., 1966). This principle of similarity-attraction carries over to strategic contexts, including in new CEO selection (e.g., Westphal & Zajac, 1995) and acquisition integration (Homburg & Bucerius, 2006). Given the salience of temporal goals to investors, we argue that institutional investors innately feel more comfortable with and attracted to organizations with similar preferences to their own.

Taken together, we theorize that institutional investors are attracted to, and invest in, organizations that fit with their temporal values and goals because such organizations are likely to be higher quality partners, offer greater alignment in organizational decision-making, and satisfy their natural attraction towards similar others. As a result, we contend that more long-term-oriented organizations attract more dedicated investor holdings, whereas more short-term-oriented organizations attract more transient investor holdings. We thus hypothesize:

Hypothesis 1: (a) Capital investment time horizon, (b) CEO relative future orientation, and (c) CEO long-term pay orientation are positively related to dedicated institutional investor holdings.

Hypothesis 2: (a) Capital investment time horizon, (b) CEO relative future orientation, and (c) CEO long-term pay orientation are negatively related to transient institutional investor holdings.

2.4.2 | Performance implications of O-I fit

In addition to the factors that drive attraction, fit theory suggests that high fit yields better performance by producing higher quality relationships, thus benefiting the parties beyond any direct impact of their values and preferences (Kristof-Brown et al., 2005; Van Vianen, 2018). Indeed, fit between parties "smoothes interpersonal interactions and reduces the chance of misunderstanding," (Edwards & Cable, 2009, p. 657), thus facilitating high trust and more productive communication that ultimately yield better performance (Greguras & Diefendorff, 2009; Jehn et al., 1997; Oh et al., 2014). At the same time, the pathways through which fit connects to performance are apt to differ in the O-I context relative to individual-level fit. Accordingly, and building on research that has extended this logic to the organizational level (Bundy et al., 2018; Vogel et al., 2016), we expect that the benefits of O-I fit will manifest in organizational performance through two distinct mechanisms—pressure and advice giving—that underlie the unique nature of the relationship between investors and managers.

First, investors can place significant pressure on managers in ways that inhibit organizational performance. Indeed, investors often resort to intense public attacks on management, such as activism and hostile negotiations (David et al., 2001; McCahery et al., 2016), or push for the removal of CEOs with whom they are dissatisfied (Connelly et al., 2020). Notably, however, these efforts can impose significant financial costs on the investors who initiate them and the organizations compelled to respond (Goranova & Ryan, 2014). Additionally, investors can abruptly exit their stake in the organization, which also carries profound performance implications, thus making the threat of investor departure an intense form of pressure on managers (Parrino et al., 2003; Shi et al., 2017).

We argue that when O-I fit is high, investors are less likely to resort to pressure or abruptly sell off their shares, given their strong trust in and communication with managers. This idea mirrors traditional fit research, which has

demonstrated that high fit makes for more stable relationships (Bermiss & McDonald, 2018; DeRue & Morgeson, 2007) that exhibit less conflict (Kristof-Brown & Stevens, 2001). As an example, a short-term-oriented organization with high O-I fit is likely to experience less pressure due to the reduced risk of their transient investors unexpectedly selling off shares or engaging in public activism against management, given their aligned preferences in this regard.

This lack of pressure is invaluable to managers. In addition to the direct costs associated with these conflicts, investor pressure can distract managers' attention away from vital strategic concerns (Garg & Eisenhardt, 2017) and otherwise deplete their cognitive resources (Deng et al., 2016). This is a serious concern, as managers often respond to investor conflict with impression management, which diverts their time and attention away from issues more central to their organizations' performance (Parrino et al., 2003; Westphal & Bednar, 2008).

The highly pressurized nature of the O-I relationship departs from typical interpersonal relationships, which may see some benefits from task conflict and diverging perspectives (Liu et al., 2021; Simons & Peterson, 2000). These benefits are less likely to result in the O-I context, given how quickly cordial working relationships between investors and managers can become public and heated once conflict arises (Gantchev, 2013). Managers experiencing pressure-filled conflict from investors are likely to incur extreme stress that inhibits the comprehensiveness and quality of their decision-making, much to the detriment of their organization's performance (Hambrick et al., 2005). We, therefore, argue that these risks are particularly acute for managers in low O-I fit relationships and likely to harm their organization's performance as a result, whereas managers in high O-I fit relationships are freed from these pressures and thus positioned to perform better. High O-I fit, thus, reduces both the direct costs of managing conflicts with investors and the indirect costs to their decision-making, thereby improving organizational performance.

Second, O-I fit is likely to influence advice-giving between investors and managers. Indeed, both dedicated and transient investors can provide valuable advice to managers, as they are frequently called upon to provide knowledge and information by managers making strategic decisions (Connelly, Tihanyi, et al., 2010; Faelten et al., 2015). When O-I fit is high, strong communication and trust will empower investors to share advice more freely and feel that their advice is desired and appreciated, given the alignment between the two parties. Similarly, managers are likely to be receptive to the advice provided by these institutional investors and trust that the advice is provided with the organization's best interests in mind. For example, the short-term-oriented organization described earlier may benefit from O-I fit through their transient investors' advice towards achieving their shared values and goals. This benefit would not be realized from low O-I fit with dedicated investors, who would likely withhold such advice or provide advice contrary to the organization's preferences. Accordingly, when O-I fit is low, investors may be less willing to share their insights, whereas managers may be less trusting of any advice given. Thus, the trust and clear communication between managers and investors in high O-I fit relationships allow managers to capitalize on the advice provided by their institutional investors, leading to better decisions and organizational performance.

In sum, O-I fit offers benefits that improve organizational performance above any direct impact of investors' temporal preferences. High O-I fit reduces pressure and enhances advice-giving from investors, thus enhancing managerial decision-making and organizational performance. In contrast, low O-I fit relationships are characterized by increased pressure and reduced advice-giving, hampering decision-making and performance. We thus hypothesize:

Hypothesis 3: Fit between the temporal preferences of an organization and its institutional investors is positively related to organizational performance, such that performance is higher when organizational temporal preferences are aligned with the aggregate investor temporal preferences (as opposed to not aligned).

3 | EMPIRICAL METHODOLOGY: ARCHIVAL STUDY

Although O-I fit applies to any organization that takes on investors, our hypotheses pertain to the temporal preferences of dedicated and transient institutional investors who hold positions in large, publicly traded firms (hereafter

"firms"). Accordingly, our sample consists of Standard & Poor's (S&P) 500 firms from 2009 to 2015. The S&P 500 is a list of 500 U.S. firms with the largest market values and are the most highly-traded equities on stock exchanges. The average firm in our sample had a market capitalization of $28.8 billion and annual revenues of $20.5 billion, competing in nearly all industries, including consumer products, manufacturing, transportation, and health care. We gathered financial data from Compustat and CRSP, security analyst data from I/B/E/S, director data from ISS, compensation data from ExecuComp, and institutional investor data from the Thomson 13-f database combined with Brian Bushee's classification (e.g., Cannella et al., 2015; Connelly, Tihanyi et al., 2010). We capture managerial attributes using letters to shareholders from Mergent and corporate websites. Our final sample is comprised of 2255 firm-year observations across 450 firms.

3.1 | Dependent variables

3.1.1 | Dedicated and transient institutional investor holdings

We measure dedicated and transient institutional investor holdings as the percentage of each type of investor owning shares in the focal firm. Each of these measures captures the total shareholdings of the respective type of investor as a percentage of all investors, comprised of both institutional and individual equity holders. We adopt the procedure scholars employ to classify investors, which involves their portfolio's diversification, turnover, and sensitivity to current earnings, all of which capture temporal preferences (Bushee, 1998, 2001; Connelly, Tihanyi, et al., 2010). First, we identify all institutional investor holdings for our sample using the Thomson 13-f database. We then merge the classification data from the Bushee database—which identifies each investor as dedicated, transient, or quasi-indexers based on their temporal profiles—to calculate the percentage of shares institutional investors of each category hold in a focal firm (Bushee, 1998, 2001). We exclude institutional investors who do not maintain at least 1% ownership in the firm (Cannella et al., 2015; Connelly, Tihanyi, et al., 2010).

3.1.2 | Organizational performance

We capture organizational performance using mean financial analyst recommendations, which is a pervasive indicator of performance in organizational research (Brauer & Wiersema, 2018; Busenbark et al., 2022; Feldman & Montgomery, 2015; Harrison et al., 2018). We calculated the average score of all financial analysts' stock recommendations for each firm in every year in our sample (Westphal & Clement, 2008; Wiersema & Zhang, 2011). Analysts issue recommendations to investors in the form of "strong buy," "buy," "hold," "sell," and "strong sell" (Busenbark et al., 2017; Rao et al., 2001). We code "strong buy" with a value of 5, and then work down toward a value of 1 to reflect "strong sell," so higher values reflect stronger performance.

We argue that this constitutes an ideal performance metric for several reasons. First, in contrast to traditional accounting or market performance metrics that reflect only one dimension (Henderson et al., 2012), analyst recommendations are omnibus indicators of firm performance because analysts incorporate financial, stock market, operational, and intangible performance in their evaluations (Brown et al., 2015). In doing so, analyst recommendations avoid the need to rely on specific metrics (such as accounting or market factors, which may be unduly influenced by the firm or investors, respectively). Second, unlike other performance metrics that reflect only a single snapshot in time, analysts' assessments consider both near- and long-term outcomes (Barber et al., 2001). This is essential given that our theory is built on temporal distinctions, such that performance variables oriented around shorter or longer time windows confound the tests of our hypotheses. Third, and owing to the comprehensive and persuasive nature of analysts' evaluations, scholars argue that analyst recommendations are perhaps the single most critical performance indicator for managers and investors alike (Busenbark et al., 2017; Wiersema & Zhang, 2011). Finally, agreement

between the multiple analysts who appraise any given firm in our sample is remarkably high, underscoring their general consensus view of performance.

3.2 | Independent variables for Hypotheses 1a–2c

3.2.1 | Capital investment time horizon

Our measure for capital investment time horizon computes the longevity of a firm's capital investments in the focal year. We calculate this variable following the protocol Souder and Bromiley (2012) offer for determining the expected life of new investments. Specifically, this measure is the value of gross "property, plant, and equipment" divided by depreciation expense, representing the anticipated duration of capitalized assets relative to industry peers since both components are centered at the industry-year level (Souder & Bromiley, 2012). Higher (smaller) values of this variable reflect longer-term (shorter-term) capital investment time horizons.

3.2.2 | CEO relative future orientation

CEO relative future orientation reflects the CEO's longer-term (future) temporal orientation compared to their shorter-term (present) temporal orientation. Although present and future focus are distinct constructs, the comparison between the two is relevant to O-I fit because it underlies the direct comparisons investors need to make between investments designed to pay off in the future versus investments designed to pay off in the near term. Following research in the area (e.g., Nadkarni & Chen, 2014), we measure temporal orientations using text analyses of CEOs' letters to shareholders. Shareholder letters offer an unobtrusive source for measuring CEO psychological attributes, which is especially valuable as CEOs are notoriously reluctant to complete survey-based measures (Gamache et al., 2015). These letters are primarily written by the CEO, who has a fiduciary duty to sign the letter and attest to its accuracy (Kaplan, 2008). Indeed, scholars have demonstrated a high degree of consistency between CEOs' language in letters to shareholders and their language in other settings (Nadkarni & Chen, 2014). Letters to shareholders, thus, afford a "non-intrusive and consistent annual measure that allows for longitudinal analysis" (Gamache et al., 2015, p. 1269) and avoid problems of temporal priming caused by analyst questions during earnings calls.

We use the Linguistic Inquiry and Word Count (LIWC) software to code the temporal language in these letters. The LIWC dictionaries for future and present temporal orientation (as well as past orientation, for which we control) are well-validated (Pennebaker et al., 2015) and provide strong convergent validity with corresponding scale items (Nadkarni & Chen, 2014). Because managers are apt to express both future and present language in their letters to shareholders, we calculate the percentage of future orientation words used in the letter minus the percentage of present orientation words. Larger (smaller) values for this variable represent relatively longer (shorter) individual temporal orientations.

3.2.3 | CEO long-term pay orientation

We measure CEO long-term pay orientation as the percentage of the CEO's total pay that is comprised of long-term incentives (Seo et al., 2015). Specifically, we divide long-term-oriented compensation by total compensation (including both long- and short-term pay). Such long-term pay includes extended-term performance incentives such as option grants, restricted stock, and other multiyear contingent compensation (Zajac & Westphal, 1994), whereas total pay (i.e., the denominator) includes these factors plus annual salaries and short-term bonuses. Accordingly, higher (lower) values represent longer (shorter) compensation time horizons (Seo et al., 2015).

3.3 | Independent variables for Hypothesis 3

3.3.1 | Organizational temporal preferences

Testing the unique effects of the three elements of organizational temporal preferences allows us to provide the best understanding as to whether and how the distinct temporal factors attract investors to specific organizations.[6] However, the performance implications of fit rely on examining how the overall composition of an organization's temporal preferences align with the aggregate temporal preferences of investors. Organizational temporal preferences is thus a multidimensional measure—comprised of all three temporal variables—that reflects a firm's overall temporal preference across the three orthogonal categories. Because these measures are independent, we create a formative or composite variable (see Bollen & Bauldry, 2011; Li et al., 2019), calculated as the sum of standardized values (across industry-year) for capital investment time horizon, CEO relative future orientation, and CEO long-term pay orientation.

3.3.2 | Aggregate investor temporal preferences

Aggregate investor temporal preferences captures the composite temporal profile of a firm's institutional investors in any given year, or the extent to which the firm's investors collectively possess long- or short-term preferences. To do so, we calculate the percentage of shares held by dedicated investors minus the percentage of shares held by transient investors in a given firm-year. In this way, our measure captures whether the firm's aggregate collection of institutional investors tends to prefer long-term endeavors (i.e., more dedicated investors), short-term objectives (i.e., more transient investors), or some mixture of the two.

3.4 | Control variables

We include a range of controls that may otherwise confound our relationships (Atinc et al., 2012; Busenbark et al., 2022). We specify year and industry (at the 3-digit SIC level) fixed effects to help account for contemporaneity (Certo & Semadeni, 2006). Although each of our organizational temporal variables is lagged one year, we also include *dedicated* and *transient investor holdings* lagged two years to help ameliorate bias from reverse causality, as institutional investors may have previously influenced the firm's temporal profile. We also control for the percentage of *quasi-indexed investors* (Bushee, 1998).

Next, we control for constructs that prior work suggests might shape the relationship between institutional investors and managers. *Analysts evaluating the firm* represents the total number of analysts who issued estimates for the firm (Litov et al., 2012), and *analyst recommendation dispersion* captures their consensus in evaluating a firm's performance (Busenbark et al., 2017), as research suggests these reflect outsiders' ability to extract and decipher organizational information. *Market-to-book* reflects the firm's market capitalization divided by the book value of equity (Marcel, 2009), and *ROA* details firm performance as revenues divided by assets, both of which might appeal to institutional investors as indicators of growth and performance. Likewise, *R&D expenditures* measures a firm's annual investments in research and development (Bushee, 1998),[7] and *financial slack* reflects current assets divided by total assets (Bushee, 2001), both of which may affect investor assessments of firms. *CEO tenure* is the total number of years the CEO has served in that role (Hambrick & Fukutomi, 1991), which may reflect institutional investors' familiarity with CEOs.

The board of directors impacts firm strategy and acts as an intermediary for investors, so we also control for several important elements of the board. *Average board tenure* is the average number of years the directors have served

on the board, which represents the consistency of leadership (Withers et al., 2012). *Independent directors* measures the percentage of outside directors, an indicator of strong governance that may attract institutional investors (Dalton et al., 1998). Similarly, *boards represented* depicts the average number of other boards on which the directors at a focal board serve, an indicator of governance strength and resource dependencies (Cannella et al., 2015). *Nonminority directors* captures the portion of directors who are not ethnic minorities because homophily plays an important role in the boardroom and interactions between managers and investors (Zhu & Shen, 2016). *CEO duality* takes the value of 1 when the CEO is also the board chair and 0 if not, as CEOs who are also board chairs may experience less oversight from boards. We also control for the number of *total directors* who serve on the firm's board since this helps contextualize our remaining board-related variables.

We also control for *CEO past orientation* based on CEOs' past temporal language in the letters to shareholders, which we measure using the past focus LIWC dictionary (Nadkarni & Chen, 2014). Finally, we include *word count* as a control that captures the total number of words analyzed in the letters to shareholders.

3.5 | Empirical estimation

We test our hypotheses using extended random effects regression, which is a system of equations that addresses elements of our data that might bias linear models (Roodman, 2011; Wooldridge, 2010). Extended regression is a two-stage instrumental variable model used to attenuate bias from unexplained heterogeneity (Hausman, 1978; Roodman, 2011). Because endogeneity is common in organizational-level research (Semadeni et al., 2014; Shaver, 1998), we consult the influence of omitted variables using the impact threshold of a confounding variable (ITCV) and the robustness of inference to replacement (RIR). The ITCV calculates the minimum partial correlation needed for a confounding factor to have driven the causal inference, whereas the RIR calculates the percentage of the effect a confounder would have to explain to create a nonzero relationship (Busenbark et al., 2022; Frank et al., 2021).

The ITCV (RIR) values for capital investment time horizon, CEO relative future orientation, and CEO long-term pay orientation in the equation predicting dedicated institutional investors are .102 (26.03%), .039 (3.40%), and .161 (6.54%), respectively; for predicting transient institutional investors, they are .068 (11.26%), .054 (7.26%), and .187 (4.48%), respectively. The values from these calculations are relatively low compared to the correlations seen between our focal variables and control variables (Chin et al., 2021; Gamache et al., 2019; Hill et al., 2019; Oliver et al., 2018), suggesting it is plausible that an omitted variable could bias our relationships necessitating two-stage instrumental variable modeling.

Extended regression is ideal for our purposes as it allows us to specify all of our potentially endogenous independent variables with instruments in the same model rather than separate regressions for each (Roodman, 2011). Much like with two-stage least squares, extended modeling predicts each independent variable as a function of the covariates and instruments, and then performs the requisite adjustments in the structural model to help attenuate corresponding bias (Roodman, 2011; StataCorp, 2019; Wooldridge, 2010). However, locating appropriate instruments is challenging and can induce more bias if not approached properly. Semadeni and colleagues (2014) demonstrate that valid instruments must be both relevant (i.e., substantively related to the endogenous parameter) and exogenous (i.e., not substantively related to the structural error term). Since we feature five independent variables, and scholars advocate for specifying at least two instruments for each potentially endogenous covariate (Stock et al., 2002; Wooldridge, 2010), it is nearly insurmountable to locate 10 variables that adhere to the two properties Semadeni et al. (2014) promote as requisite.

Accordingly, we work to produce viable instruments via a technique from econometrics called the heteroskedastic identified instrument procedure (via the command -ivreg2h- in Stata; Baum & Lewbel, 2019; Lewbel, 2012). This technique can generate suitable internal instruments—meaning both relevant and exogenous (Semadeni et al., 2014)—using the data in the sample. Specifically, the procedure functions by specifying each endogenous independent variable in a series of first stages that feature all of the controls as regressors, then transforming the heteroskedasticity of the

residuals associated with each of those controls into as many instruments as there are covariates (Baum & Lewbel, 2019; Lewbel, 2012).

This technique has three requisite assumptions to generate valid instruments. The first assumption is that there is no conditional heteroskedasticity of the residuals in the first-stage regressions (Lewbel, 2012). Baum & Lewbel (2019) recommend examining the Pagan-Hall statistic associated with the models, wherein the inability to reject the null represents adherence to the assumption. This is the case in our models for all three dependent variables: dedicated investors ($\chi^2 = 1.723$; $p = .423$), transient investors ($\chi^2 = 1.776$; $p = .412$), and organizational performance ($\chi^2 = 0.543$; $p = .762$). The next assumption is that the generated instruments are relevant. The partial f-statistics for our instruments across all five independent variables exceed the expected thresholds ($p < .001$) (Stock et al., 2002), indicating relevance. Finally, the Hansen J statistics across our three dependent variables suggest that our instruments are likely exogenous for dedicated investors ($\chi 2 = 0.291$; $p = .615$), transient investors ($\chi 2 = 1.188$; $p = .389$), or organizational performance ($\chi 2 = 2.110$; $p = .183$) (Kennedy, 2008).

The random effects element of our extended estimator allows us to accommodate the nature of our panel data by accounting for the nonindependence of the residuals by estimating parameters that reflect combined within-firm variance over time and between-firm variance in a given year (Certo et al., 2017; Wooldridge, 2010). This is particularly appropriate for our purposes, as our arguments do not prioritize changes within a firm over time compared to differences between firms. Indeed, we surmise that firms with different temporal profiles will attract different types of investors both across firms in the same year (between-firm effects) and within the same firm across different years (within-firm effects).

The typical alternative to random effects is fixed effects, which is exclusively focused on within-firm effects and thus is appropriate only if the majority of the variance in the model exists within the firm over time (Certo et al., 2017). To this end, we calculated the ICCs to compare the within-firm and between-firm variance in our models. We found that the majority of the variance exists between firms for dedicated investors (ICC = .742), transient investors (ICC = .864), and organizational performance (ICC = .633). Accordingly, a fixed effects design would discard as much as nearly 87% of the variance in the model, which would make our models deficient (Hsiao, 2014). Nonetheless, we include fixed-effects as a supplemental analysis (see Online Appendix A1) and found results generally consistent with those described below.

For testing Hypothesis 3, we tailor our extended regression consistent with a polynomial specification. In this version of the extended estimator, the independent variables reflect organizational and aggregate investor temporal preferences. Polynomial regression is the most appropriate way of modeling fit between two variables because it estimates the values of the dependent variable at all values of both independent parameters (Edwards et al., 2002; Edwards & Parry, 1993; Zyphur et al., 2016). As opposed to a difference score or linear interaction, the polynomial specification models all the combinations of fit between the two parties (e.g., short-term/short-term, long-term/short-term, mixed preferences/long-term, etc.). Accordingly, the polynomial approach requires us to interact both the organization- and investor-level variables with themselves (i.e., squared terms) and one another (Edwards et al., 2002).[8]

3.6 | Results

Table 1 displays the descriptive statistics and correlations. The correlations between covariates shown in Table 1 are sufficiently low such that we do not expect bias from collinearity (Kalnins, 2018). Table 2 depicts the parameter estimates corresponding to the extended random effects regression models that test our hypotheses. Models I and II contain the specifications of our estimator without any of the hypothesized variables included. Model III presents our estimates corresponding to Hypotheses 1a–1c, showing the impact of each temporal indicator on dedicated investors. Model IV delineates the parameter estimates corresponding to Hypotheses 2a–2c, in which we examine the relations between each temporal factor and transient investors.

TABLE 1 Descriptive statistics and correlations.

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1	Dedicated institutional investors	0.037	0.051																									
2	Transient institutional investors	0.074	0.061	.06																								
3	Organizational performance	2.356	0.372	.06	.03																							
4	Capital investment time horizon	−0.005	4.653	.05	−.03	.10																						
5	CEO relative future focus	−3.917	1.333	.00	.04	.03	−.02																					
6	CEO long-term pay orientation	0.831	0.140	−.06	−.11	−.10	.01	−.06																				
7	Organizational temporal preference	0.733	1.355	.00	−.05	.03	.56	.71	.36																			
8	Aggregate investor temporal preference	−0.045	0.076	.49	−.52	.08	.04	−.03	.05	.02																		
9	Dedicated investor holdings (lag two years)	0.037	0.049	.70	.08	.03	.04	−.02	−.07	−.01	.49																	
10	Transient investor holdings (lag two years)	0.090	0.061	.03	.59	−.07	.00	.01	−.06	−.02	−.52	.06																

(Continues)

TABLE 1 (Continued)

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
11	Quasi-indexed investors	0.344	0.112	−.03	.21	−.02	−.06	.07	.03	.04	−.22	.07	.27															
12	Analysts evaluating the firm	19.887	7.658	.04	−.27	−.05	−.06	−.15	.09	−.11	.24	.00	−.26	−.14														
13	Analyst recommendation dispersion	0.856	0.153	−.01	.11	.01	.06	−.06	.04	.00	−.10	−.02	.11	.07	.09													
14	Market-to-book	3.980	31.327	−.02	−.05	.00	−.02	−.01	.01	−.01	−.01	−.05	−.05	.03	.01	−.03												
15	ROA	0.062	0.086	.00	−.08	−.13	.02	−.09	.08	−.03	.08	.02	−.03	−.03	.07	.07	.043											
16	R&D expenditures	554.866	1457.024	−.03	−.20	−.05	−.02	−.09	−.05	−.10	.12	−.05	−.19	−.25	.26	.04	.003	.076										
17	Financial slack	0.105	0.761	−.03	.01	.04	−.01	.01	.02	.01	−.01	−.05	.00	.01	−.02	−.04	−.001	−.031	.021									
18	CEO tenure	6.628	6.100	.04	−.01	−.10	.00	−.06	−.04	−.06	.03	.05	−.01	.04	.09	−.01	−.013	.041	−.013	−.046								
19	Average board tenure	8.732	3.216	.01	−.05	−.01	.04	−.03	−.10	−.03	.04	.05	.00	.12	.02	.01	−.038	.096	−.070	−.038	.40							
20	Independent directors	0.818	0.386	−.04	.00	−.07	.05	−.02	.06	.04	.00	.00	−.01	−.01	−.03	.01	.013	−.022	.046	.021	−.01	−.07						
21	Boards represented	1.060	0.422	−.08	−.05	−.05	−.06	.06	.10	.06	.00	−.12	−.10	−.09	.02	.03	.008	−.002	.177	.021	−.12	−.28	.08					
22	Nonminority directors	8.703	2.788	−.09	−.29	.04	−.01	−.01	.03	.04	.16	−.09	−.14	−.17	.10	−.05	−.008	−.012	.109	−.019	−.10	−.01	−.01	.03				
23	CEO duality	0.574	0.495	−.01	−.06	−.04	.06	−.03	.06	.04	.07	.02	−.10	−.08	.04	.01	−.006	−.052	.034	−.036	.26	−.02	.05	.15	.00			
24	Total directors	1.719	2.244	−.13	−.20	.04	.00	−.02	.05	.02	.06	−.17	−.21	−.25	.03	−.06	.002	−.045	.108	.028	−.13	−.07	.01	.10	.67	.02		
25	CEO past orientation	1.779	0.629	.03	.09	.02	.03	.02	−.08	.00	−.06	.07	.08	.03	−.08	.06	−.017	−.043	−.046	−.029	.06	.08	−.05	−.09	−.04	.09	.01	
26	Word count	1720.521	1385.713	.04	−.12	.00	.01	−.16	−.11	−.14	.12	.02	−.15	−.13	.06	−.11	.006	−.052	.036	−.065	.12	.06	−.03	−.01	.12	.11	.15	.07

Note: $n = 2255$; $p < 0.05$ when $r > |.041|$.

TABLE 2 Extended regression for testing all hypotheses.

	Model I: Controls only DV = Dedicated institutional investors		Model II: Controls Only DV = Transient institutional investors		Model III: DV = Dedicated institutional investors		Model IV: DV = Transient institutional investors		Model V: Polynomial specification	
	Coeff.	*p-value*	*Coeff.*	*p-value*	*Coeff.*	*p-value*	*Coeff.*	*p-value*	*Coeff.*	*p-value*
Hypothesized variables										
Capital investment time horizon					0.036	.027	−0.392	.000		
CEO relative future focus					0.135	.014	−0.388	.000		
CEO long-term pay orientation					0.498	.319	−0.698	.000		
Polynomial hypothesized Vars										
Organizational temporal preferences									−0.030	.002
Aggregate investor temporal preferences									0.637	.000
Organizational temporal preferences^2									−0.001	.656
Organization × Investor temporal preferences									2.847	.000
Aggregate investor temporal preferences^2									−0.130	.046
Controls										
Constant	2.423	.002	1.209	.000	1.912	.038	0.389	.162	2.235	.000
Dedicated investor holdings (lag 2 years)	0.667	.000	0.002	.387	0.669	.000	0.011	.000	−0.255	.232
Transient investor holdings (lag 2 years)	0.312	.024	0.263	.000	0.294	.034	0.173	.000	−0.361	.030
Quasi-indexed investors	−1.934	.007	0.139	.217	−2.136	.003	−0.574	.000	0.119	.139
Analysts evaluating the firm	0.052	.000	−0.029	.000	0.048	.000	−0.048	.000	−0.003	.016
Analyst recommendation dispersion	−0.306	.517	0.290	.000	−0.244	.607	0.645	.000	0.112	.029
Average board tenure	0.020	.421	−0.009	.036	0.025	.317	0.018	.000	−0.001	.707
Boards represented	0.057	.751	−0.012	.685	0.033	.856	−0.132	.000	−0.007	.740
Independent directors	−0.038	.836	0.004	.885	−0.034	.853	0.117	.000	−0.041	.028
Nonminority directors	−0.023	.570	−0.051	.000	−0.022	.581	−0.019	.001	0.006	.164
Total directors	−0.047	.321	0.013	.080	−0.055	.244	−0.015	.055	−0.005	.307

(Continues)

TABLE 2 (Continued)

	Model I: Controls only DV = Dedicated institutional investors		Model II: Controls Only DV = Transient institutional investors		Model III: DV = Dedicated institutional investors		Model IV: DV = Transient institutional investors		Model V: Polynomial specification	
Market-to-book	0.000	.868	−0.001	.027	0.000	.860	−0.001	.000	0.000	.995
ROA	−0.156	.848	−0.570	.000	0.133	.872	−0.522	.000	−0.481	.000
R&D expenditures	0.000	.281	0.000	.032	0.000	.360	0.000	.000	0.000	.426
Financial slack	−0.008	.925	0.000	.991	−0.006	.945	−0.040	.002	0.007	.429
CEO tenure	0.002	.853	0.002	.461	0.002	.871	−0.012	.000	−0.002	.141
CEO duality	−0.255	.096	−0.009	.721	−0.241	.119	0.246	.000	0.011	.514
CEO past orientation	−0.069	.547	0.042	.016	−0.071	.536	0.094	.000	0.020	.090
Word count	0.000	.229	0.000	.112	0.000	.233	0.000	.000	0.000	.000
Model statistics										
F-statistic	*f*-stat = 126.47; *p* = 0.000		*f*-stat = 8.80; *p* = 0.000		*f*-stat = 109.09; *p* = 0.000		*f*-stat = 10.49; *p* = 0.000		*f*-stat = 5.60; *p* = 0.000	
Hansen J statistic					$c2 = 0.291$; $p = 0.615$		$c2 = 1.188$; $p = 0.389$		$\chi 2 = 2.110$; $p = 0.183$	
R^2	0.576		0.395		0.579		0.445		0.311	
Joint significance of second-order terms									*f*-stat = 16.26; *p* = 0.000	
Slope of the line of congruence									0.61	.000
Curvature of the line of congruence									2.72	.000
Slope of the line of incongruence									−0.67	.000
Curvature of the line of incongruence									−2.98	.000

Note: $n = 2255$. Industry and year fixed effects included in all models. The reported *F*-statistics correspond to the entire model, whereas we provide the partial *F*-statistics for the instruments in the first stage in our description of those variables. The Hansen J statistics reflects exogeneity for all of the heteroskedastic identified instruments on the structural error term for each dependent variable. Coefficients in Models I–IV are expressed as percentages.

In Hypothesis 1a, we predicted a positive association between capital investment time horizon and dedicated investors, which is supported by our parameter estimates ($\beta = 0.036$; $p = .027$). Our model predicts that a one standard deviation (S.D.) increase in capital investment time horizon is associated with an 11.1% increase in dedicated investors.[9] In Hypothesis 1b, we theorized a positive relationship between CEO relative future orientation and dedicated investors, which is also supported ($\beta = 0.135$; $p = .014$). Practically speaking, a one S.D. increase in CEO relative temporal orientation is associated with a 10.9% increase in dedicated investor ownership. In Hypothesis 1c, we predicted a positive impact of CEO long-term pay orientation on dedicated ownership, but the estimates do not support this hypothesis ($\beta = 0.498$; $p = .319$).

In Hypothesis 2a, we theorized a negative impact of capital investment time horizon on transient ownership, which is supported by the model ($\beta = -0.392$; $p < .001$). We estimate that a one S.D. increase in capital investment time horizon is associated with a 126% decrease in transient investor ownership. In Hypothesis 2b, we posited a negative relationship between CEO relative future orientation and transient ownership, which is also supported ($\beta = -0.388$; $p < .001$). Our model predicts that a one S.D. increase in CEO relative future orientation results in an over 100% decrease in transient ownership. In Hypothesis 2c, we theorized a negative relationship between CEO long-term pay orientation and transient investors, and this is supported ($\beta = -0.698$; $p < .001$). Our model predicts that a one S.D. increase in long-term compensation results in a 27% decrease in transient ownership.

In Hypothesis 3, we predicted that high O-I fit is positively related to firm performance (i.e., a congruence effect of organizational and investor temporal fit). We test this hypothesis with a polynomial specification, which allows us to analyze performance outcomes associated with all the different combinations of fit between organizational and aggregate investor temporal preferences (Bermiss & McDonald, 2018; Matta et al., 2015). The estimates from the polynomial specification are in Model V of Table 2. Although research in the area notes that these parameter estimates are difficult to interpret in isolation, scholars propose several interrelated interpretations that are coupled with a response surface graphic to test fit-related hypotheses (Edwards et al., 2002; Matta et al., 2015; Shanock et al., 2010; Yao & Ma, 2023).

This analysis allows us to produce a response surface graphic that depicts the congruence effect of O-I temporal fit (see Figure 1) (Matta et al., 2015). The response surface is a three-dimensional plane displaying the estimated value of organizational performance (on the vertical *z*-axis) at all the combinations of organizational temporal preferences (on the right-side *x*-axis) and aggregate investor temporal preferences (on the left-side *y*-axis). The graphic captures three-dimensional relationships from the squared and interaction terms in the specification (B3, B4, and B5 from the equations in footnote 8), all of which are vital to interpreting our estimates. Figure 1, thus, displays the predicted performance outcomes (analyst ratings from 1 to 5) when organizational and aggregate investor temporal preferences take values from two S.D. below the mean to two S.D. above the mean, and all values in between.

As this shows, our model estimates that performance is maximized when organizations have a longer-term temporal preference and more dedicated investors (the back of the graphic), or when they have a shorter-term preference and more transient investors (the front of the graphic). Both conditions reflect high levels of O-I fit, such that the former entails a longer-term temporal fit and the latter is consistent with a shorter-term temporal fit. By contrast, low levels of O-I fit occur on the left (more dedicated investors but shorter-term organizational preference) and right (more transient investors but longer-term organizational preference) of the graphic. Figure 1 shows that both are associated with lower organizational performance.

To test the congruence effect predicted in Hypothesis 3 and shown in Figure 1, we next turn to several interrelated approaches to interpret the estimates (Edwards et al., 2002; Matta et al., 2015; Shanock et al., 2010). First, we consult the slope (i.e., a_3 in polynomial nomenclature) and curvature (i.e., a_4) of the line of incongruence (Edwards & Cable, 2009; Edwards et al., 2002) to examine firm performance outcomes when organizational and investor temporal preferences diverge.[10] The line of incongruence runs from the left to the right of the graphic. The slope ($\beta = -0.67$; $p < .001$) and curvature ($\beta = -2.98$; $p < .001$) of the line of incongruence imply that performance decreases when temporal fit decreases, thus suggesting that a_3 and a_4 diverge from zero (e.g., Yao & Ma, 2023). Further, the linear combination of the squared and interaction terms is jointly significant (f-stat = 16.26; $p < .001$) in

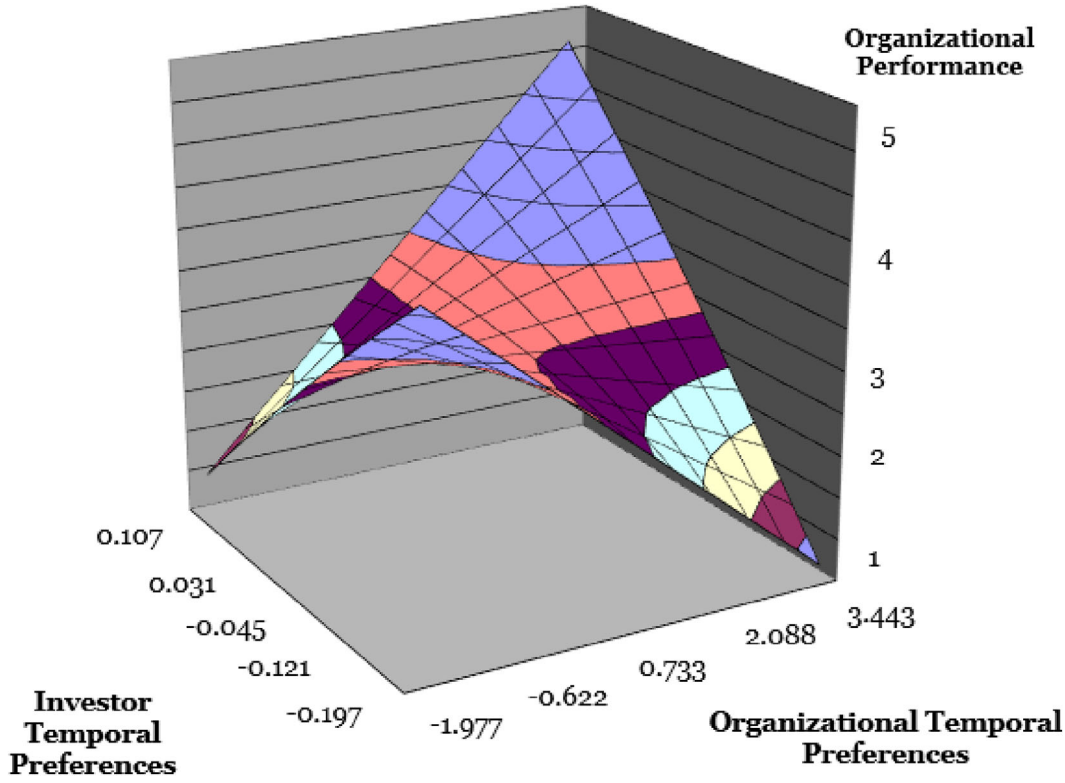

FIGURE 1 Polynomial response surface graphic for organizational performance dependent variable.

predicting organizational performance. As such, the slope and curvature of the line of incongruence are consistent with Hypothesis 3.

Second, we consult the slope and intercept of the response surface ridge, which "can provide additional support for a congruence effect" (Matta et al., 2015, p. 1694). This ridge demonstrates whether performance is maximized at every value of congruence for O-I fit (Edwards & Cable, 2009), which occurs when the first principal axis along the congruence line has a slope (i.e., p_{11}) of 1 and an intercept (i.e., p_{10}) of 0 (Edwards et al., 2002; Matta et al., 2015). We examined this ridge by employing nonlinear combinations of the estimates from our polynomial specification in 10,000 bootstrapped samples (Edwards & Cable, 2009). The slope of the first principal axis did not significantly deviate from 1 ($p_{11} = 1$), nor did the intercept deviate from 0 ($p_{10} = 0$), both of which are requisite to comprehensively demonstrate congruence (Yao & Ma, 2023). Finally, we consult the slope (i.e., a_1) and curvature (i.e., a_2) of the line of congruence, which runs from the front to the back of the surface graphic (Edwards & Cable, 2009). The slope ($\beta = 0.61$; $p < .001$) and curvature ($\beta = 2.72$; $p < .001$) of the line of congruence are positive and significant, such that a_1 and a_2 diverge from zero.

Together, these statistics offer clear support for Hypothesis 3 and the positive association between O-I fit and organizational performance. Indeed, the fact that a_3 and a_4 exhibit negative effects suggests that low O-I fit results in worse organizational performance (Edwards et al., 2002; Matta et al., 2015). By contrast, the positive effects of a_1 and a_2 illustrate that high O-I fit engenders stronger organizational performance. Finally, the first principal axis having a slope that does not diverge from 1 ($p_{11} = 1$) or an intercept that does not deviate from zero ($p_{10} = 0$) in our bootstrapped analyses indicates that performance is maximized at all values of perfect congruence. Based on the typology that Yao and Ma (2023, p. 447, 460) offered, our estimator supports Hypothesis 3 because it exhibits "exact correspondence" in the "curvilinear level effect," such that "perfect fit is optimal" for organizational performance.

4 | EMPIRICAL METHODOLOGY: EXPERIMENTAL STUDIES

Hypotheses 1 and 2 invoke logic from fit research (Cable & Edwards, 2004; Kristof-Brown et al., 2005) to argue that investors choose to invest in organizations that align with their temporal preferences. Although informative, archival approaches preclude a direct test of investors' choices (as opposed to a snapshot of the culmination of those choices). Thus, to better examine whether investors' choices are driven by temporal fit, we conducted two preregistered experiments in the summer of 2022 that offer insight that cannot be afforded by our archival data. These studies received Institutional Review Board approval (*Time Horizons and Investment Choices*, PROJECT00005752). Preregistration forms for Experiment 1 can be found at https://aspredicted.org/blind.php?x=N1J_1Q8. In the first experiment, we assigned participants to an investment manager role for either a dedicated or transient institutional investor and asked them to make several investment decisions on behalf of their firm. We were explicit about this role in this first experiment because actual institutional investors are explicit about their investment strategies.

4.1 | Experiment 1––Sample and procedure

We recruited 179 full-time, working adults residing in the United States as participants using Prolific, a vetted participant recruitment platform that represents a favorable alternative to other internet-based subject pools (e.g., MTurk) in terms of data quality (Palan & Schitter, 2018; Peer et al., 2017). [11] We paid them $1.00 each for their participation. Participants averaged 35.97 years of age (S.D. = 13.75) and 14.94 years of work experience (S.D. = 11.46). Approximately, 51.96% of participants identified as female ($n = 93$), and 79.89% identified as White ($n = 143$).

We randomly assigned participants to the dedicated ($n = 89$) or transient ($n = 90$) institutional investor condition. We instructed participants to "assume the role of an investment manager working for a large firm that invests money into different companies on behalf of [its] clients." We then varied whether each participant's firm represented a dedicated or transient institutional investor (i.e., we employed a between-subjects design; Rosenthal & Rosnow, 2008). In the dedicated condition, participants read the following:

> "Your firm, specifically, is what is known as a 'dedicated investor.' Like any investor, dedicated investors put money into organizations (i.e., invest in companies) to try and earn money (i.e., financial returns).
>
> As a dedicated investor, your firm prefers to invest in companies that pursue long-term strategies, rather than companies that focus on earnings in the short-term. Your firm expects you to hold investments in a few companies and hold them for a long period of time. In other words, as a dedicated investor, your firm's strategy entails investing in companies that will provide financial returns several years down the road, rather than companies that provide financial returns in the near future.
>
> Now, your firm wants you to make several investment decisions. On the following pages, please choose which firm you would invest in of two options."

In the transient condition, participants read the following:

> "Your firm, specifically, is what is known as a 'transient investor.' Like any investor, transient investors put money into organizations (i.e., invest in companies) to try and earn money (i.e., financial returns).
>
> As a transient investor, your firm prefers to invest in companies that will provide earnings in the short-term, rather than companies that focus on long-term strategies. Your firm expects you to hold

investments in many companies but only for a short period of time. In other words, as a transient investor, your firm's strategy entails investing in companies that will provide financial returns in the near future, rather than companies that provide financial returns several years down the road.

Now, your firm wants you to make several investment decisions. On the following pages, please choose which firm you would invest in of two options.''

Participants then made three investment decisions on behalf of their hypothetical firms, which were identical across the two conditions (see Appendix A). We designed the three investment decisions so that they paralleled the three characteristics indicating firms' temporal preferences from our theoretical arguments: capital investment behavior, executives' relative temporal orientations, and executive compensation structures. We randomized the order of the investment decision scenarios to mitigate concerns regarding order effects (Strack, 1992).

In one scenario, we instructed participants to indicate whether they were more likely to invest in "Company A" or "Company B." We explicitly held the previous financial performance of the two companies constant, but they differed in terms of their capital investment horizons. For example, we explained that Company A invests in "durable assets that are expected to retain their usefulness well into the future," whereas Company B invests in "cutting edge assets that are expected to considerably enhance the company's current operational efficiency."

In the second scenario, we instructed participants to indicate whether they were more likely to invest in "Company C" or "Company D." We again held the previous financial performance of the two companies constant but differed their CEOs' relative temporal orientations. For example, we reported that the CEO of Company C recently issued a statement that signaled an interest in long-term growth (e.g., "…achieving our long-term strategies."). Alternatively, the statement issued by the CEO of Company D signaled an interest in short-term results (e.g., "…immediate returns…"). These statements were inspired by language in actual CEO letters to shareholders from our sample.

In the final investment decision scenario, we instructed participants to indicate whether they were more likely to invest in "Company E" or "Company F." We held previous financial performance constant between the two companies, but varied their CEO's compensation. Company E's compensation structure was weighted such that it incentivized long-term growth over short-term gains (primarily structured around stock option pay, which can be redeemed only after five years) whereas Company F's compensation structure was weighted such that it incentivized short-term gains over long-term growth (primarily structured around annual performance bonuses). See Appendix A for comprehensive details about all three scenarios.

4.2 | Experiment 1––Analyses and results

We analyzed the data in multiple ways. First, we conducted a series of chi-square tests of independence to determine whether there were significant differences between conditions in terms of the choices made in each scenario (Franke et al., 2012). Though informative, chi-square tests of independence do not provide information regarding the direction in which conditions differ. We, thus, also conducted logistic regressions on three dependent variables, which corresponded to each of the three investment decision scenarios and indicated whether (1) or not (0) a participant chose to invest in the "long-term" oriented companies (i.e., Companies A, C, and E) rather than the "short-term" oriented companies (i.e., Companies B, D, and F). We then calculated *post hoc* pairwise comparisons to determine whether conditions differed in terms of investment rates in each company in the anticipated directions.

We excluded 10 participants who failed the attention check, reducing our sample to 169. The descriptive statistics and correlations for Experiment 1 are shown in Table 3. Results from chi-square tests of independence indicate that the dedicated and transient investor conditions differed in all three scenarios: capital investment horizons (χ^2 (1, n = 169) = 153.46, $p < .001$), CEO relative temporal orientation (χ^2 (1, n = 169) = 135.09, $p < .001$), and CEO compensation structures (χ^2 (1, n = 169) = 65.17, $p < .001$). The logistic regressions indicate that the dedicated condition was

TABLE 3 Descriptive statistics and correlations from Experiment 1.

		Mean	S.D.	1	2	3	4	5	6	7
1	Condition (1 = Dedicated, 0 = Transient)	0.515	0.501							
2	First decision set (1 = Company A, 0 = Company B)	0.503	0.501	.95*						
3	Second decision set (1 = Company C, 0 = Company D)	0.497	0.501	.89*	.89*					
4	Third decision set (1 = Company E, 0 = Company F)	0.515	0.501	.62*	.60*	.56*				
5	Age	36.284	13.504	−.05	−.04	−.07	.01			
6	Years of work experience	15.220	11.346	−.02	.01	−.07	.06	.87*		
7	Ethnicity	0.805	0.398	−.15	−.16*	−.20*	.00	.26*	.25*	
8	Gender	0.515	0.501	.01	.03	−.03	.01	.00	−.05	.00

Notes: $n = 169$, participants who failed the attention check item were excluded from analyses; gender (1 = female, 0 = male or other); ethnicity (1 = White, 0 = other or multiple ethnicities).
*$p < .05$

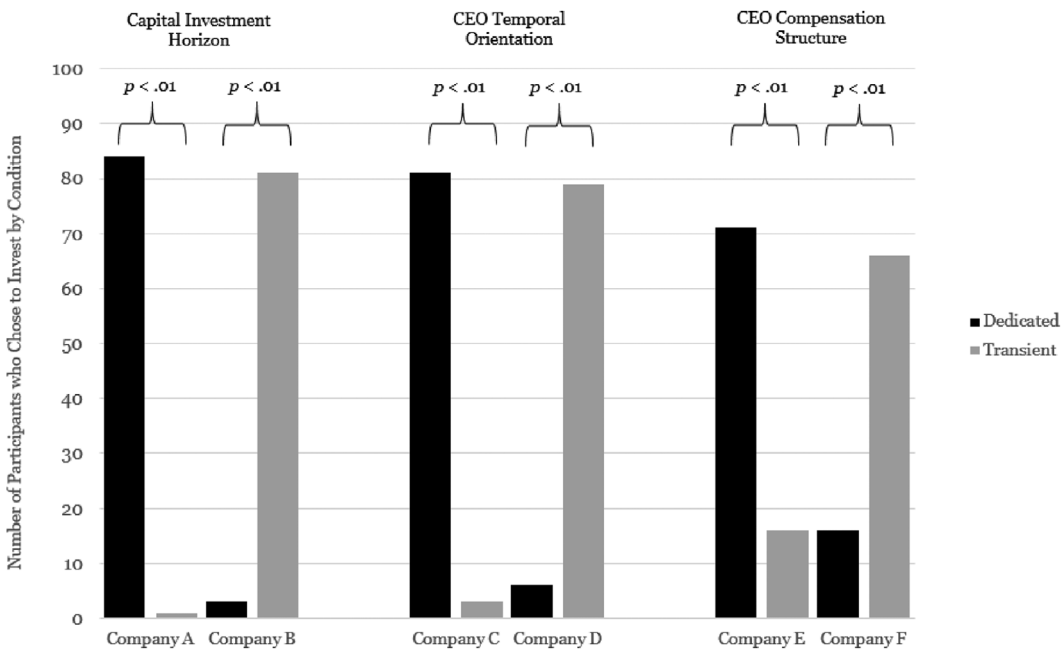

FIGURE 2 Investment choices by condition in Experiment 1.

associated with a greater likelihood of choosing to invest in "long-term" oriented companies in the first ($\beta = 7.727$; $p < .001$), second ($\beta = 5.874$; $p < .001$), and third ($\beta = 2.907$; $p < .001$) investment scenarios, rather than the "short-term" oriented companies.

Consistent with the results of our logistic regressions, our pairwise comparisons reveal that participants in the dedicated condition were more likely to invest in Companies A, C, and E (i.e., the "long-term" companies) than participants in the transient condition. Conversely, participants in the transient condition were more likely to invest in Companies B, D, and F (i.e., the "short-term" companies) than participants in the dedicated condition. We visualize these results in a histogram (see Figure 2). Overall, the results of Experiment 1 provide support for our theorizing in Hypotheses 1 and 2.

4.3 | Experiment 2

Finally, in Experiment 2, which is fully reported in Online Appendix A2, we were less explicit in our manipulation. We primed participants with either a long-term (i.e., dedicated) or short-term (i.e., transient) mindset, assigned them the role of an investment manager, and asked them to make several investment decisions. The results of this second experiment are fully consistent with the results of our archival study, providing further support for our theory.

5 | DISCUSSION

Our research contributes to work on fit theory and corporate governance by advancing the construct of O-I fit. If investors are attracted to organizations with similar preferences, and if this similarity improves organizational performance, then O-I fit may represent an appealing concept for organizations and investors alike. Although the relationship between investors and organizations is often viewed as largely rational and driven by financial metrics (Bushee, 2001), we build on recent studies suggesting that nonfinancial factors may also influence investor decisions (Cannella et al., 2015; Dyck et al., 2019). Our archival and experimental studies show that institutional investors are attracted to organizations that "fit" with their temporal preferences. Further, our archival study demonstrates that the degree of fit in the relationship has important performance implications. Our work complements existing fit research by showing how fit theory extends even to relationships commonly viewed with an economic lens.

We also advance corporate governance research by elucidating the importance of values and goals in the relationship between organizations and investors. Scholars have paid little attention to the idea that investors may be drawn to firms that are already managed in line with their preferences and avoid those that are not (cf., Cannella et al., 2015). The fact that the fit between investors and organizations not only drives investor decisions but also impacts organizational performance underscores the importance for this literature to adopt a more cooperative perspective of O-I relationships.

Along these lines, our findings are noteworthy for a literature that suggests that certain institutional investors are "better" than others, often implying that short-term performance is inherently harmful to organizations (Laverty, 1996; Martin, 2015). Our study suggests that neither dedicated nor transient investors are necessarily better for overall organizational performance—a key advancement for research on the consequences of organizational temporal preferences (Souder et al., 2016)—and highlights the need for a more even-handed view of long- and short-term preferences. In this sense, transient institutional investors can benefit some organizations (i.e., those with short-term preferences) by easing the pressure they place on management and otherwise offering valuable strategic advice. The support of these investors can prove vital to the decision-making of short-term-oriented managers, ultimately leading to the performance benefits we demonstrate in our empirical analyses.

Our study also contributes to research on temporal preferences more generally. At the macro level, we are the first to our knowledge to incorporate all three of the well-established approaches to organizational temporal preferences into one study. Although these temporal factors are theoretically and empirically distinct, our findings demonstrate that they share similar properties in how they attract institutional investors and how their fit shapes performance. At the micro level, we contribute to nascent research exploring temporal fit between individuals by further establishing this as an important form of fit. Empirical research in this area has primarily focused on supervisory relationships (Briker et al., 2020; Freeney et al., 2022), but our findings suggest that temporal fit may be important to a broad array of relationships and show the need for future research in this area.

Finally, we provide a theoretical lens that can advance institutional investor research. By suggesting that institutional investors are attracted to specific organizations based on temporal fit, we respond to concerns voiced by Connelly and colleagues (2010, p. 1580) that scholars "have devoted less attention to the possibility… [that] investors tend to invest in certain types of firms." Although this work has frequently recognized the importance of institutional

investors for influencing organizational strategies and performance (e.g., Connelly et al., 2017), it has overwhelmingly characterized their relationships with organizations as having a unilateral influence on organizations, largely rooted in agency theory conflicts, with little regard for the possibility of cooperation and value co-creation between organizations and investors. In contrast, our findings suggest that this is a true two-sided relationship and that many of the conflicts that often assumed to be at the center of these relationships may be circumvented when institutional investors fit with the organizations they invest in. In this sense, we believe O-I fit offers a valuable lens—for scholars, managers, and investors—to view these relationships on more mutual or co-dependent grounds such that both parties benefit when their interests align.

5.1 | Limitations and future research directions

We focused on temporal preferences as one critical factor impacting the decisions and actions of investors (e.g., Bushee, 1998; Connelly et al., 2019) and managers (e.g., Crilly, 2017; Souder et al., 2016), but similar to other forms of fit, we also envision O-I fit to encapsulate a broader set of goals and values important to the O-I relationship. As such, our theory provides a foundation for future research on how other key organizational and managerial attributes attract and propel investors and influence organizational performance. For instance, scholars may explore O-I fit along social and ethical dimensions (e.g., May et al., 2015) and the resulting implications for social performance (Dyck et al., 2019; Edmans, 2021).

Relatedly, we examined an omnibus measure of firm performance by using analyst ratings (Busenbark et al., 2022; Harrison et al., 2018). Although this measure affords us an even-handed look at performance with respect to time horizon and avoids undue organizational or investor influence, it is worth noting that other performance indicators may yield additional insights. Along these lines, the benefits of high O-I fit between a short-term-oriented organization and transient investors may be diminished when examining metrics specifically tailored to long-term performance stability, or for long-term-leaning firms and dedicated investors with respect to short-term profits. We encourage future research to explore the impact of O-I fit along different time horizons for other performance measures relevant to executives and investors (e.g., revenue, cash flow; Certo et al., in press).

Importantly, our study has focused on O-I fit as a form of supplementary fit, which stems from the congruence of preferences between parties (Cable & Edwards, 2004). Although we believe that supplementary fit best characterizes the temporal aspect of O-I relationships, some forms of O-I fit may be more complementary (wherein fit stems from differences in the relationship), particularly in certain contexts. For example, young firms may uniquely benefit during their earliest stages from investors with complementary experiences that compensate for those firms' deficiencies (see Lungeanu & Zajac, 2016). It also may be possible for the misfit of otherwise supplementary O-I fit dimensions to offer benefits to some organizations or investors, as can occur in other fit relationships (e.g., leader–follower risk orientation incongruence increasing creativity; Liu et al., 2021). For example, O-I temporal misfit may encourage extreme managers to avoid actions with an overwhelming focus on either short- or long-term outcomes and create more organizational stability over time. Additionally, Bundy and colleagues (2018) suggest that organizations and stakeholders who have a baseline of values alignment but are misaligned in other ways may find more opportunities to compromise. Thus, O-I relationships which feature high temporal fit but high misfit along other dimensions may be more willing to compromise and find more complementarities between their differences as a result.

Further, we theorize that the mechanisms underlying the performance consequences of O-I fit are broadly applicable to both dedicated and transient investors. That said, given the nature of each type of institutional investor, there is reason to expect that these different mechanisms are asymmetrically important in ways beyond the scope of our study. For example, the argument that poor O-I fit may prompt investors to abruptly depart the relationship is likely more pressing for organizations with high levels of transient investors (Connelly, Tihanyi, et al., 2010). Conversely, the value of advice-giving may be more important for organizations with high levels of dedicated investors, who often become more directly involved in strategic discussions (McCahery et al., 2016). In either case, both mechanisms are likely to

play a role in driving the performance of the O-I relationship, but their relative importance may vary depending on an organization's investor composition.

Future research can also investigate the differences between dedicated and transient investors to better understand how O-I fit impacts the dynamics of each type of relationship. These differences might even explain our lack of empirical support for Hypothesis 1c (in both the archival study and Experiment 2), in which we predicted a positive relationship between CEO long-term pay orientation and long-term investor holdings. Long-term-oriented investors may view executive compensation orientation as a relatively malleable governance structure they can influence over the life of their investment, especially in comparison to an organization's capital investment horizon or a CEO's innate temporal orientation. Consistent with this, existing research suggests that dedicated investors can influence significant changes to executive compensation, including increasing the long-term incentives paid to the CEO (Connelly et al., 2016; David et al., 1998). In contrast, short-term-oriented owners are more transactionally motivated, and thus perhaps more attuned to factors underlying extrinsic managerial inducements, such as compensation (Wowak et al., 2017).

Another limitation of our study is that we are not able to disentangle how far into the future different investors are focused. Some dedicated investors may focus on a three-to-five year investment horizon, for instance, whereas others might prefer to hold investments for much longer. Although research has noted within-group heterogeneity among dedicated and transient investors (Sayili et al., 2017), scholars have yet to explore differences in the length of investment horizons within each group. Research on temporal depth may be informative in this vein. Temporal depth refers to "the temporal distance of one's thoughts" (Shipp & Jansen, 2021, p. 311) or how far into the future an individual is apt to think. For example, research suggests that CEOs vary substantially in terms of their temporal depth (Nadkarni et al., 2016). Thus, it is possible that two different dedicated investors may both prefer CEOs to be relatively future-oriented but differ in their preference for how far into the future CEOs should focus. Future research should explore the temporal depth of investors beyond the dedicated and transient distinction and whether differences in their temporal depth have implications for O-I fit.

Our work also has future research implications for the literature on person-organization fit, which continues to recognize additional important dimensions of fit (Kristof-Brown et al., 2023) and, in this spirit, may benefit from examining organizational temporal preferences. Research in this area could consider the extent to which applicants are attracted to organizations that align with these preferences, as well as the implications of this alignment (or misalignment) for the retention and performance of employees. As we noted, the idea that individuals are more drawn to, and more likely remain with, organizations that share similar values is central to the person-organization fit literature (Kristof-Brown et al., 2005). We believe that these theoretical relationships would generalize to fit regarding organizational temporal preferences, and thus the application of a temporal lens to the person-organization fit literature may further our understanding of why individuals are attracted to certain organizations.

One such opportunity for research would be to examine organizational indicators that signal short- versus long-term temporal preferences and would be salient to job applicants and employees. As an example, employee compensation packages may be oriented towards short-term goals (e.g., bonuses for reaching quarterly performance targets) or long-term growth (e.g., employee stock options)—much like CEO compensation packages—and therefore might be more or less appealing to applicants based on their own temporal motivations (e.g., Steel & Konig, 2006). Indeed, a focus on employee compensation structures in the study of person-organizational temporal fit may prove particularly fruitful because compensation structures influence the effectiveness of human capital, attraction, retention, and performance, yet research on employee compensation structures is scarce (Gupta & Shaw, 2014).

Finally, future research can build on the three distinct organizational temporal factors we examine in this study. As we noted throughout, these factors emerge from different organizational processes and actors and, as such, are fundamentally distinct from each other. Nonetheless, they all reflect how organizations and their top managers view time. Future research, therefore, could examine whether the alignment of these three temporal factors play a role in shaping firm performance. Indeed, our research may suggest that one benefit from such alignment is that firms with a more "polarized" temporal strategy are more likely to attract better-fitting investors than those

portraying inconsistent temporal preferences. We can imagine that firms may enjoy other benefits—and perhaps some detriments—when these factors are aligned towards a certain time horizon compared to firms whose three temporal indicators are inconsistent with one another. Future research unpacking these implications would aid in our understanding of organizational temporal preferences as an integrated construct.

6 | CONCLUSION

Although fit has been viewed as an essential consideration for organizational life, research tends to focus on the fit between individual employees and their work environments (Kristof-Brown et al., 2005). We extend this work by advancing an important form of fit—organizational-investor fit. Through both archival and experimental analyses, our work suggests that fit based on temporal preferences drives the attraction of investors to certain organizations and that, when this fit is achieved, it can provide performance benefits. We believe that O-I fit has important implications for research on fit, corporate governance, and on temporal preferences and hope our work sparks future research and improves practice in these areas.

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ENDNOTES

[1] We focus on institutional investors because they have a direct influence on strategic investments. We also expect other investors to care about fit but likely only have indirect ways of achieving it. For example, individuals often invest in mutual funds based on how "aggressive" they wish to be, making an indirect choice—through the mutual fund, which is an institutional investor—based on the fit between their investment goals and a given portfolio.

[2] A third type of institutional investors, quasi-indexers, employ a passive indexing strategy to mirror a segment of the overall market (Bushee, 1998). Because quasi-indexers base their investment decisions on algorithms and index benchmarks, they are of less theoretical interest in terms of their strategic preferences (Connelly, Tihanyi, et al., 2010). Consistent with most other management scholarship, we do not include this category in our theorizing.

[3] Given the balanced nature of our theorizing with respect to short- and long-term preferences, we conceptualize performance as a holistic, multidimensional construct that spans both short- and long-term horizons and avoids focusing narrowly on performance facets directly determined by investors (e.g., market performance) or managers (e.g., accounting measures). As such, we acknowledge that the benefits of O-I fit may be more one-sided if the performance outcome of interest is inherently short- or long-term.

[4] Relative temporal orientation is theoretically distinct from related constructs such as temporal depth, which captures how far into the future an individual is apt to think (Nadkarni et al., 2016). Because our study focuses on fit between investors and organizations, we focus on the primary distinction made between different types of investors—those who focus on immediate returns compared to those who think about future returns (i.e., transient versus dedicated investors)—which maps directly onto the distinction between future orientation and present orientation. We do not believe that, on average, either dedicated or transient institutional investors will distinguish between a CEO who thinks about the future in terms of decades (high temporal depth) and a CEO who thinks about the future in terms of years (moderate temporal depth). As we note in our discussion, we encourage future research to explore the implications of temporal depth for shaping fit preferences of different dedicated investors.

[5] This is implied by work on "executive fit," which has focused on how CEOs vary in terms of how well they fit with their organization's external environment (Chen & Hambrick, 2012).

[6] We also tested Hypotheses 1 and 2 with the combined measure of organizational temporal preferences described here. The results were consistent with our primary analyses and reported in Online Appendix A1.

[7] Following prior research, we assumed that R&D expenditures did not represent a material expense for firms where this expense is not reported. Thus, we replace missing values for R&D expenditures with a zero (e.g., Seo et al., 2015).

[8] The polynomial specification follows the equation: $Z = b_1x + b_2y + b_3x^2 + b_4xy + b_5y^2 + b_n$ controls + e, where z is organizational performance, x is organizational temporal preference, and y is investor temporal preference. Our measure for organizational temporal preferences is comprised of indicators that are standardized by industry-year, mirroring the benefits of conventional mean-centering. In supplemental analysis, we centered both focal variables by industry-year and found virtually identical results. In both cases, we find no evidence of correlation-based bias for either of the focal parameters.

[9] This practical interpretation, as well as the remaining similar predictions, represent the percentage *change* in the holdings of the given type of institutional investors, not the raw percentage difference. Relatedly, all of the corresponding estimates displayed in our tables are expressed in terms of percentages.

[10] Slope of the line of incongruence $(a_3) = b1 - b2$; curvature of the line of incongruence $(a_4) = b3 - b4 + b5$; slope of the line of congruence $(a_1) = b1 + b2$; curvature of the line of congruence $(a_2) = b3 + b4 + b5$. See Matta et al. (2015) and Shanock et al. (2010) for the formulas for computing the standard errors and thus p-values of these slopes and curvatures, as well as Yao and Ma (2023) for an overview of the different metrics associated with them.

[11] We were unable to conduct an a priori power analysis to determine sample size requirements for Experiment 1 because this is the first investigation on O-I fit. Instead, we relied upon precedent in the literature for detecting effects of average magnitude and aimed for approximately the median sample size (173) for studies conducted at the individual-level in organizational research (Shen et al., 2011).

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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APPENDIX A

A.1 | CHOICES MADE BY PARTICIPANTS IN EXPERIMENTS 1 AND 2

A.1.1 | Decision 1

In this decision, you will decide between an investment in Company A or Company B. Over the past four years, both companies have grown in sales and have had positive cash flows. Further, both companies have averaged a return on equity of 4% over the past four years. Here is some additional information:

Company A primarily invests in durable assets that are expected to retain their usefulness well into the future. These assets include land, new buildings, and equipment that are unlikely to need frequent replacement.

Company B primarily invests in cutting-edge assets that are expected to considerably enhance the company's current operational efficiency. These assets include new vehicles, computers, and other equipment that are likely to need replacement relatively frequently.

Are you more likely to invest in Company A or Company B?

A.1.2 | Decision 2

In this decision, you will decide between an investment in Company C or Company D. Both companies have been profitable for the past five years. Additionally, both companies have had a return on assets of 3% over that five-year period. Here is some additional information:

The CEO of **Company C** recently made the following statement:

> *"We are excited about our business. We expect to take a variety of actions that will strengthen our focus and market leadership positions while enabling us to better serve customers and prepare for long-term growth.*
>
> *We will continue our track record in this area by funding major investments that extend our global reach and capabilities while also focusing on acquisitions, all of which are key components when it comes to achieving our long-term strategies.*
>
> *Across our company, we are confident that through our collective commitment, we will continue to drive our multi-industry strategy, which is keenly focused on growth and value creation for shareholders. We've got our work cut out for us, but the future is bright."*

The CEO of **Company D** recently made the following statement:

> *"We are excited about our business. We've renewed our focus on customers and delivered some impressive results in the last 12 months. But it's not a record I want to celebrate – it's a record I want to break. I look at this year as a foundational year.*
>
> *Fortunately, we know what we need to do in the coming months. Our strategy is working. All we have to do is execute and maintain an absolute focus on our customers. We are here to help them succeed. It's as simple as that.*
>
> *Our customers are diverse, but they all have something in common – they all expect the best from us. They expect the best quality, the best performance, the best productivity and more than anything, they expect the best value for the price they pay. We've got our work cut out for us to deliver on these expectations, but we can do it. That's why we are setting the bar to deliver immediate returns to our shareholders that are even higher for next year."*

Are you more likely to invest in Company C or Company D?

A.1.3 | Decision 3

In this decision, you will decide between an investment in Company E or Company F. Both companies have seen substantial growth, averaging 5% sales growth over the past three years. Additionally, both companies are profitable with an average net income of approximately $120 million.

The pay package of the CEO of Company E consists of several components, above and beyond an annual base salary of $1 million. These other components include annual performance bonuses, which reward the CEO for achieving certain performance targets in the given year, and stock option pay, which is redeemable after five years, at which point the CEO is rewarded for any growth in the company's share price during that time.

In particular, **Company E**'s CEO gets:

- Annual performance bonuses of up to $1 million
- Stock option pay (redeemable after five years) of $15 million

The pay package of the CEO of Company F consists of several components, above and beyond an annual base salary of $1 million. These other components include annual performance bonuses, which reward the CEO for achieving certain performance targets in the given year, and stock option pay, which is redeemable after five years, at which point the CEO is rewarded for any growth in the company's share price during that time.

In particular, **Company F**'s CEO gets:

- Annual performance bonuses of up to $15 million
- Stock option pay (redeemable after five years) of $1 million

Are you more likely to invest in Company E or Company F?