

Organizational Debut on the Public Stage: Marketing Myopia and Initial Public Offerings

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Table A1: Brief review of literature on marketing myopia or IPO/SEO research in Marketing

Study	Construct Examined	Short Term Outcome	Long Term Outcome	DV Used	Moderators	Endogeneity Correction	Findings
Roychowdhury 2006	Reduced Marketing Spending and Increased Price Promotions	No	No	Unanticipated discretionary expenses, production, and cash flows	No	No	Finds evidence suggesting price discounts to temporarily increase sales, overproduction to report lower cost of goods sold, and reduction of discretionary expenditures to improve reported margins.
Mizik and Jacobson 2007	Reduced Marketing (advertising and R&D) Spending in SEO context	Yes	Upto 5 Years	BHAR	No	No	Find that a greater proportion of firms than is typical report earnings higher than normal and marketing investments lower than normal during their SEO. Myopic firms are able to temporarily inflate their stock market valuation, but in the long run they have inferior stock market performance.
Luo 2008	Pre-IPO marketing spending	Yes	No	IPO volume and underpricing	cost reduction efficiency and number of historical IPOs	No	Pre-IPO marketing spending reduces IPO underpricing and boosts IPO trading and that these effects are more salient for firms with higher cost reduction efficiency and in markets with a smaller number of historical IPOs.
Gunny 2010	Reduced Marketing (SG&A and R&D) Spending at the time of quarterly earnings announcement	Yes	Upto 2 Years	Industry adjusted ROA	No	No	The results indicate myopic management is positively associated with firms just meeting earnings benchmarks. Moreover, he finds that such actions are positively associated with future performance compared to firms that do not use myopic management and miss the earnings benchmarks.
Mizik 2010	Reduced Marketing (advertising and R&D) Spending (CONTEXT?)	Yes	Upto 4 Years	Abnormal Returns	No	No	Finds the prevalence of marketing myopia and that such actions are not detected by investors in short term. Further, she finds that myopia has a long-term net negative impact on firm value.
Chapman and Steenburgh 2011	Increased Retail Promotions at	Yes	Next quarter	Weekly Sales	No	No	Soup manufacturers double the frequency of all marketing promotions at the fiscal yearend and

	fiscal quarter-end in a retail context (soup manufacturers)						when earnings management incentives are stronger. Further, this increase is focused more heavily on less attractive, unsupported price promotions. Further, there is a price to paid - quarterly EPS falls by almost 7.5% in the subsequent reporting period, resulting in a net loss of 2.5% of quarterly EPS to the manufacturer.
Chakravarty and Grewal 2011	Reduced Marketing Spending	No	No	Unanticipated R&D and marketing budget adjustments	No	Yes (BVARX)	Find that in the context of high-technology firms few firms exhibit high levels of managerial myopia by simultaneously cutting both R&D and marketing budgets; instead, firms display moderate myopic reactions, in the form of unanticipated decreases in R&D budgets but increased budgets for marketing functions.
Moorman et al. 2012	Innovation Ratchet Strategy	Yes	No	Abnormal returns and yearly sales growth	No	No	Find that public firms use an innovation ratchet strategy—timing the introduction of innovations in order to demonstrate an improvement in the number of introductions over time. While stock markets reward firms in the short term, such actions create delays in product introductions and, in turn, lower sales growth in the year they ratchet.
Saboo and Grewal 2013	Pre-IPO customer and competitor orientation	Yes	No	Initial returns and trading volume	Environmental Moderators (institutional complexity, market turbulence, technological turbulence, competitive intensity); IPO-specific moderators (underwriter reputation, venture capital funding)	Yes (LIV)	Pre-IPO customer and competitor orientations (CCOs) positively influence IPO outcomes. Furthermore, they find moderating influence of both environmental and IPO-specific moderators.
Kurt and Hulland 2013	Increased Marketing	No	Upto 2 Years post	Compounded monthly stock	Strategic flexibility of	No	Firms adopt more aggressive strategy (increase marketing spending) following an offering.

	Spending following an IPO/SEO		IPO/SEO	returns	rivals measured using financial leverage		However, the impact of such spending on firm value is moderated by strategic flexibility such that the stock market reacts favorably to an aggressive marketing strategy initiated by issuers competing against rivals with relatively less flexibility, whereas increased marketing investments do not translate into higher firm value when rivals have greater flexibility
Current Research	Reduced marketing Spending	Yes	Upto 3 Years	Initial returns for short-term and MPBHAR for long term	Key customer relationships, strategic emphasis, and strategic alliances	Yes	Myopic marketing helps short-term IPO outcomes, but hurts firms in the long run. Moreover, the penalty for myopic marketing activities increases with increase in strategic alliances and strategic emphasis on value creation relative to value appropriation and decreases with increase in key customer relationships.

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