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Market Signaling Capability under Economic Uncertainty: Toward a Theory of Strategic Credibility Formation

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Abstract

Economic uncertainty intensifies information asymmetry precisely when established market cues become less diagnostic, increasing external audiences' dependence on organizational signals while making their interpretation more difficult. Although signaling research explains signal characteristics, credibility, and receiver responses, it offers a less developed account of why some firms are systematically better able to adapt signaling as informational conditions change. This article develops Strategic Credibility Formation Theory (SCFT), a middle-range theory centered on market signaling capability (MSC), by integrating signaling theory with dynamic capabilities, resource orchestration, sensemaking, attention, and managerial cognition. SCFT conceptualizes MSC as a repeatable capacity to sense changing information needs, select diagnostic cues, orchestrate consistent and behaviorally coherent signal configurations, and adapt them over time. The proposed recursive model explains strategic credibility as an evolving receiver judgment that accumulates, erodes, and may recover through repeated comparisons between signals, organizational conduct, and realized outcomes. The framework advances signaling theory from isolated signals toward capability, configuration, and temporal process, and establishes testable propositions for construct validation, longitudinal credibility updating, receiver heterogeneity, and cross-context empirical research.

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1. Introduction

Economic uncertainty intensifies one of the most persistent problems confronting firms and their external audiences: the difficulty of determining whether observable organizational actions accurately reflect underlying capabilities, intentions, and future prospects. When market conditions become unstable, prior performance becomes a less reliable guide to future outcomes, strategic commitments become harder to evaluate, and information asymmetries between firms and external stakeholders increase. Under such conditions, investors, customers, partners, suppliers, and other market actors rely more heavily on observable cues to infer attributes that cannot be directly verified. This logic lies at the core of signaling theory, which explains how informed actors communicate otherwise unobservable qualities to less-informed receivers through observable and interpretable signals (Spence, 1973; Connelly *et al.*, 2011). In marketing and competitive strategy, such signals may include pricing decisions, investments, affiliations, product commitments, strategic announcements, or other actions capable of conveying information about organizational quality and intent (Heil & Robertson, 1991; Kirmani & Rao, 2000).

Greater reliance on signals does not necessarily simplify evaluation. Firms typically communicate through multiple actions, commitments, relationships, messages, and observable outcomes across audiences and time horizons, creating signals that may reinforce or contradict one another. Incongruence between capability and integrity signals can shape investor reactions, indicating that receivers interpret signal combinations rather than isolated cues (Paruchuri *et al.*, 2021). Likewise, credibility depends on coherence between organizational communication and subsequent conduct (Hersel *et al.*, 2023). External evaluations may therefore arise from signal configurations whose collective meaning exceeds that of individual cues (Bettinazzi *et al.*, 2024). Accordingly, contemporary signaling theory increasingly emphasizes signal consistency, interdependence, temporal dynamics, receiver interpretation, and the broader signaling environment (Connelly *et al.*, 2025).

These developments expose an important theoretical limitation. Signaling research offers sophisticated explanations of signal cost, observability, honesty, fit, consistency, and receiver response, but gives less attention to the organizational capability required to manage signaling adaptively. This gap becomes especially consequential under economic uncertainty, when firms must identify changing information needs, select diagnostic signals, align communication with observable actions, manage inconsistencies, and reconfigure signaling as conditions evolve. Evidence that signaling strategies differ in credibility and effectiveness suggests that effective signaling requires deliberate selection and coordination rather than mere signal emission (Jean & Kim, 2021; Jolink & Niesten, 2021). Moreover, economic conditions shape how receivers interpret organizational signals and assess their reliability, making credibility itself context dependent (Sekerci *et al.*, 2022).

Dynamic capability research offers a useful foundation for addressing this gap. Firms operating in changing environments must sense emerging conditions, interpret their implications, mobilize resources, and reconfigure existing capabilities when previous configurations lose effectiveness (Teece *et al.*, 1997; Teece, 2007). Resource orchestration research similarly demonstrates that resources create value not merely through possession but through purposeful structuring, bundling, and deployment (Sirmon *et al.*, 2007, 2011). Managerial cognition and attention further shape which environmental cues organizations notice and how they translate those cues into strategic action (Ocasio, 1997; Helfat & Peteraf, 2015). These perspectives imply that market signaling may be understood not simply as a sequence of communications but as an organizational capability involving sensing, selection, orchestration, coordination, and adaptive reconfiguration.

Building on this insight, this paper introduces market signaling capability as an organization's repeatable capacity to sense changes in external information needs and to select, configure, coordinate, and adapt observable market signals so that external audiences can make credible inferences about otherwise uncertain organizational qualities and intentions. The central research question is therefore: How do firms develop strategic credibility through the adaptive orchestration of market signals under conditions of economic uncertainty?

To address this question, the paper develops Strategic Credibility Formation Theory (SCFT) as a middle-range theory connecting economic uncertainty, market signaling capability, signal configuration, receiver interpretation, and the formation of strategic credibility. The paper makes three primary contributions. First, it shifts signaling theory from a predominantly signal-centric perspective toward a capability-based explanation of how effective signaling is organized and renewed. Second, it conceptualizes signaling as the orchestration of interdependent and temporally evolving signal configurations rather than isolated communication events. Third, it reframes strategic credibility as an emergent and revisable process produced through consistent, coherent, and adaptively reconfigured signaling over time. In doing so, SCFT explains not only why firms signal under uncertainty, but how some firms become systematically more capable of making their strategic claims observable, interpretable, and believable.

2. Theoretical Foundations

2.1 Signaling Theory and Information Asymmetry

Signaling theory originates from the problem of information asymmetry, in which one party possesses information about an underlying quality that another party cannot directly observe. Spence (1973) demonstrated that observable signals can enable receivers to infer such hidden qualities when direct verification is difficult. Applied to organizational and market settings, this basic structure comprises a signaler possessing private or imperfectly observable attributes, a signal conveying information about those attributes, a receiver interpreting the signal, and an evaluation or response arising from that interpretation. Competitive market research subsequently extended this logic by showing that organizational actions can communicate information not only to customers but also to competitors and other market participants (Heil & Robertson, 1991).

The effectiveness of signaling depends on more than signal presence. Signals differ in observability, cost, fit with the quality being communicated, and the extent to which they can credibly distinguish one signaler from another. Costly or difficult-to-imitate signals can be particularly informative when they constrain low-quality actors from making equivalent claims (Kirmani & Rao, 2000). Connelly *et al.* (2011) broadened this perspective by emphasizing signal honesty, signal fit, receiver characteristics, and the signaling environment, thereby locating credibility within an interpretive relationship rather than treating it as an inherent property of a message.

More recent research complicates the conventional focus on isolated signals. Receivers often encounter multiple signals whose informational implications may reinforce or contradict one another. Incongruence between capability and integrity signals, for example, affects investor evaluations of organizational misconduct (Paruchuri *et al.*, 2021), while signaling strategies differ in their capacity to reduce information asymmetry credibly (Jean & Kim, 2021; Jolink & Niesten, 2021). Signal credibility is also contingent on organizational characteristics and receiver interpretation (Sekerci *et al.*, 2022). Research on communication–action coherence (Hersel *et al.*, 2023) and configurations of multiple signals (Bettinazzi *et al.*, 2024) further suggests that credibility emerges relationally across signals and over time. Recent theoretical assessments consequently highlight multiple signals, consistency, temporal dynamics, and receiver heterogeneity as central directions for signaling research (Bafera & Kleinert, 2023; Connelly *et al.*, 2025). Conversely, deceptive signaling demonstrates that observable cues may deliberately misrepresent underlying qualities, reinforcing the need to explain how receivers distinguish credible configurations from misleading ones (Steigenberger, 2025).

2.2 Economic Uncertainty as a Signaling Environment

Economic uncertainty is treated here not merely as a contextual moderator but as a signaling environment that changes the informational conditions under which firms and external audiences interact. As uncertainty rises, established expectations become less dependable, historical performance provides weaker guidance about future conduct, and competing interpretations of organizational actions become more plausible. Strategy research shows that uncertainty can generate framing contests in which actors construct different interpretations of ambiguous conditions and attempt to influence which interpretation becomes strategically salient (Kaplan, 2008). The resulting environment therefore affects both the information firms seek to communicate and the interpretive processes through which receivers evaluate it.

This distinction matters because receivers do not respond mechanically to organizational signals. Economic conditions can alter perceived signal credibility and the inferences drawn from otherwise similar information. Sekerci *et al.* (2022), for instance, demonstrate that contextual conditions influence investor responses to corporate social responsibility signals, illustrating how credibility assessments depend partly on the environment surrounding the signal. Under Knightian uncertainty, decision makers also rely on different cognitive heuristics depending on how uncertainty is framed, indicating that interpretation itself changes as predictability deteriorates (Smit, 2023).

Economic uncertainty can intensify information asymmetry while increasing reliance on diagnostic signals. Such dependence does not increase signalers' control, as receiver attention, prior expectations, competing cues, and contextual interpretation continue to shape signal effects (Connelly *et al.*, 2011). Recent signaling theory further highlights receiver heterogeneity, signal interactions, and environmental contingencies (Connelly *et al.*, 2025). SCFT thus conceptualizes economic uncertainty as an interpretive environment in which credibility becomes more valuable but harder to establish. The central issue is whether firms can configure signals that remain diagnostic and credible as informational needs and external interpretations evolve.

2.3 From Signaling Activity to Organizational Capability

Signaling theory explains why actors communicate observable information, but it provides a less developed account of why some organizations may be systematically better than others at adapting their signaling to changing environments. Dynamic capabilities research provides a foundation for addressing this question. Dynamic capabilities concern an organization's capacity to integrate, build, and reconfigure competencies in response to environmental change (Teece *et al.*, 1997). Teece (2007) further specifies the importance of sensing changes, seizing opportunities, and transforming organizational assets and structures. From this perspective, adaptation depends not on possessing a fixed set of resources but on repeatedly modifying their configuration as circumstances evolve.

The managerial foundations of this process are equally important. Dynamic managerial capabilities influence how executives perceive opportunities, make strategic choices, and mobilize organizational resources (Helfat & Martin, 2015), while managerial cognitive capabilities shape the sensing and interpretation processes underlying strategic adaptation (Helfat & Peteraf, 2015). Reviews of the dynamic capability literature likewise emphasize that capabilities acquire theoretical significance when they explain patterned organizational responses to changing environments rather than isolated managerial actions (Schilke *et al.*, 2018).

Resource orchestration provides a complementary insight. Resources do not generate value automatically; managers must structure, bundle, and leverage them in configurations suited to organizational objectives and environmental conditions (Sirmon *et al.*, 2007, 2011). Empirical work similarly demonstrates that purposeful orchestration can connect organizational systems and managerial priorities with firm-level outcomes (Chadwick *et al.*, 2015). The same reasoning can be extended to market signaling. Signals are not merely emitted. They must be selected from available alternatives, combined with other signals, sequenced across time, coordinated with observable conduct, monitored for receiver response, and reconfigured when their diagnostic value changes.

This shifts the analytical focus from signaling as an activity to signaling as an organizational capability. A single credible announcement may result from circumstance or managerial discretion, whereas a capability implies a repeatable organizational capacity to produce appropriate signal configurations across changing situations. SCFT builds on this distinction by proposing that firms differ in their market signaling capability, particularly in their ability to adapt external signaling when economic uncertainty disrupts established informational relationships.

2.4 Sensemaking, Attention, and Adaptive Signaling

Conceptualizing signaling as a capability requires specifying its microfoundations. Before organizations can select or reconfigure market signals, decision makers must notice environmental changes and construct an interpretation of what those changes mean. Sensemaking research explains this process as the ongoing construction of meaning from ambiguous or equivocal circumstances. Crisis conditions make this especially visible because organizational actors simultaneously interpret and enact the environments to which they respond (Weick, 1988). More generally, sensemaking links extracted cues with plausible interpretations that enable coordinated organizational action (Weick *et al.*, 2005).

Strategic change additionally involves sensegiving: attempts to influence how other actors understand emerging circumstances and organizational responses to them (Gioia & Chittipeddi, 1991). This connection is particularly relevant to signaling because external signals are produced only after organizational actors have interpreted which changes matter and which meanings should be communicated. Subsequent research demonstrates that sensemaking is shaped by triggers, social interactions, prior interpretations, and organizational contexts rather than occurring as an automatic response to environmental information (Maitlis & Christianson, 2014; Cristofaro, 2022).

Attention determines which elements of a complex environment enter this interpretive process. The attention-based view argues that organizational behavior depends substantially on how decision makers allocate limited attention across issues and opportunities (Ocasio, 1997). Communication itself can redirect attention and reshape strategic change processes (Ocasio *et al.*, 2018). Consequently, two firms facing similar uncertainty may identify different informational problems and select different signals because managerial attention is directed toward different environmental cues.

Managerial cognition provides a further microfoundation. Established cognitive representations can facilitate interpretation but can also create inertia when managers persist with assumptions that no longer correspond to changing market conditions (Tripsas & Gavetti, 2000). Managerial cognitive capabilities therefore matter for recognizing when existing interpretations and strategic responses require modification (Helfat & Peteraf, 2015). Adaptive signaling consequently rests on an interconnected process of environmental sensing, interpretation, selective attention, signal selection, orchestration, and subsequent assessment of receiver interpretation. These mechanisms provide the microfoundational bridge between environmental uncertainty and the organizational-level construct of market signaling capability developed in the following section.

These theoretical perspectives converge around a common organizational challenge: translating changing informational conditions into adaptive signaling practices that enable external audiences to form credible interpretations of otherwise uncertain organizational qualities.

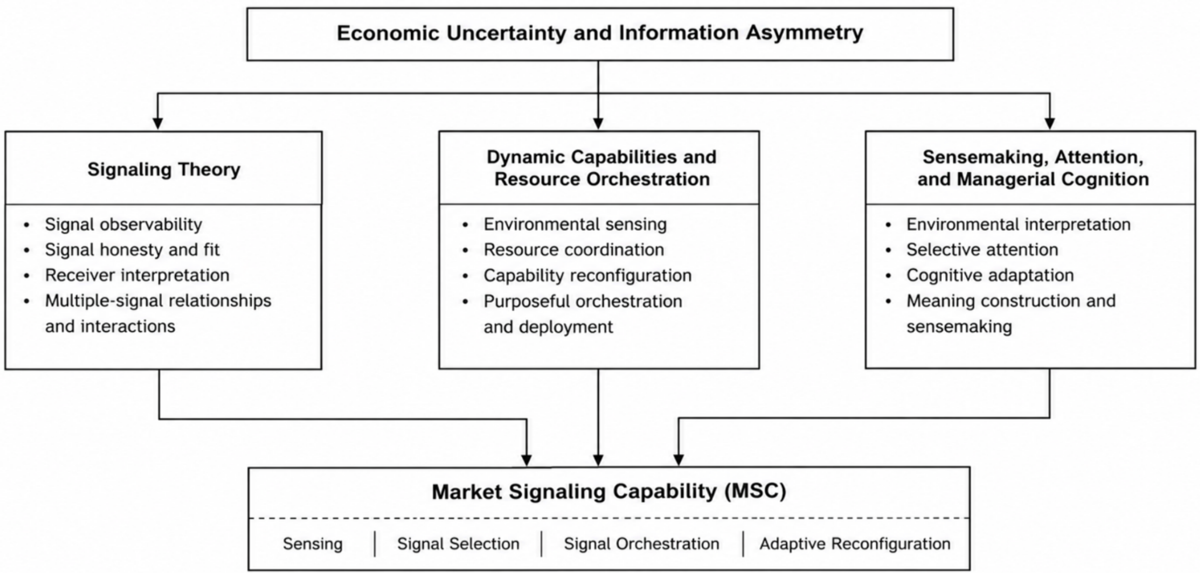

Figure 1. Theoretical Foundations of Market Signaling Capability

Source: Authors' conceptualization based on Spence (1973), Ocasio (1997), Teece et al. (1997), Sirmon et al. (2007, 2011), Connelly et al. (2011, 2025), Helfat and Peteraf (2015), and Schilke et al. (2018).

Figure 1 positions MSC at the intersection of three complementary theoretical foundations. Signaling theory explains informational exchange and receiver interpretation, dynamic capabilities and resource orchestration explain purposeful adaptation and reconfiguration, while sensemaking, attention, and managerial cognition explain how relevant environmental cues become organizationally actionable. Their integration establishes MSC as a repeatable organizational capability rather than an isolated signaling activity or communication practice.

3. Domain Specification

The theoretical value of Strategic Credibility Formation Theory (SCFT) depends on distinguishing its central constructs from established concepts in signaling, communication, and organization research. This section therefore specifies the domains of market signaling capability and strategic credibility formation, including their defining properties and conceptual boundaries.

3.1 Definition of Market Signaling Capability

Market signaling capability (MSC) is defined as an organization's repeatable capacity to sense changes in external information needs and to select, configure, coordinate, and adapt observable market signals so that external audiences can make credible inferences about otherwise uncertain organizational qualities and intentions. The emphasis on repeatability distinguishes a capability from an isolated signaling decision. Consistent with dynamic capability reasoning, MSC concerns patterned organizational capacity to modify signaling configurations as environmental and informational conditions change (Teece, 2007; Helfat & Peteraf, 2015; Schilke *et al.*, 2018).

MSC comprises four intrinsically connected elements. Sensing concerns recognizing changes in environmental conditions, receiver expectations, and information gaps. Signal selection concerns determining which observable cues can most diagnostically communicate relevant organizational qualities or intentions. Signal orchestration involves coordinating multiple signals across actions, commitments, channels, and time so that their combined informational content remains interpretable and coherent. Adaptive reconfiguration refers to modifying, replacing, resequencing, or reinforcing existing signals when environmental change alters their relevance or credibility. This orchestration perspective is consistent with the proposition that resources generate value through purposeful configuration rather than mere possession (Sirmon *et al.*, 2007, 2011), while signaling research increasingly demonstrates the importance of interactions among multiple signals (Bettinazzi *et al.*, 2024; Connelly *et al.*, 2025).

3.2 Definition of Strategic Credibility Formation

Strategic credibility formation (SCF) is defined as the evolving process through which external receivers develop confidence that a firm's observable signals reliably correspond to its underlying capabilities, intentions, and likely future conduct. The construct emphasizes credibility as an evolving process, rather than a fixed organizational attribute or an inherent characteristic of an individual signal.

Receivers continually reassess organizational claims against other signals, subsequent actions, and realized outcomes. Consequently, credibility can accumulate, weaken, or be restored as new information becomes available. Evidence that signal incongruence alters external evaluations (Paruchuri *et al.*, 2021), while coherence between communication and organizational action influences shareholder trust (Hersel *et al.*, 2023), supports this processual interpretation. Strategic credibility therefore emerges through repeated correspondence between what organizations signal and what external receivers subsequently observe.

3.3 Construct Distinctiveness

MSC is broader than marketing communication. Marketing communication primarily concerns the transmission of messages to market audiences, whereas MSC encompasses any observable organizational action capable of conveying information about otherwise uncertain qualities or intentions. Such signals may include commitments, affiliations, resource deployments, pricing decisions, strategic announcements, governance arrangements, investments, and observable organizational conduct (Heil & Robertson, 1991; Kirmani & Rao, 2000). MSC therefore concerns the organizational capacity governing signal configurations rather than communication activity alone.

SCF must also be distinguished from reputation, legitimacy, and trust. Reputation reflects accumulated evaluations based largely on past conduct, whereas strategic credibility concerns the believability of current and prospective signals. Legitimacy concerns social appropriateness, while credibility reflects perceived correspondence between signals and organizational reality. Trust additionally involves willingness to accept vulnerability. SCF therefore explains how credible strategic claims emerge and evolve before informing broader judgments of reputation, legitimacy, or trust.

Establishing construct distinctiveness requires specifying not only what MSC and SCF represent, but also their defining properties and the conceptual boundaries separating them from established neighboring constructs in organizational research.

Table 1. Construct Specification and Conceptual Boundaries of SCFT

Construct	Core Meaning	Defining Properties	Key Conceptual Boundary
Market Signaling Capability (MSC)	Repeatable organizational capacity to manage	Sensing; signal selection; orchestration; adaptive reconfiguration	Marketing communication: message transmission rather than organizational

Construct	Core Meaning	Defining Properties	Key Conceptual Boundary
	observable market signals adaptively		signal-management capability
Strategic Credibility Formation (SCF)	Evolving receiver confidence in correspondence between signals and organizational reality	Receiver-based; relational; temporal; revisable	Reputation: accumulated evaluation rather than current/prospective signal believability
SCF	Evolving credibility judgment	Signal–reality correspondence	Legitimacy: social appropriateness rather than correspondence between signals and underlying reality
SCF	Precursor to broader relational judgments	Can accumulate, erode, and recover	Trust: willingness to accept vulnerability rather than confidence in signal reliability

Source: Authors' conceptualization based on Connelly et al. (2011, 2025), Teece (2007), Helfat and Peteraf (2015), Paruchuri et al. (2021), Hersel et al. (2023), and Bettinazzi et al. (2024).

Table 1 establishes the discriminant domain of SCFT's central constructs. MSC captures a repeatable organizational capability for configuring and adapting signals, whereas SCF captures an evolving receiver judgment concerning signal–reality correspondence. Their distinction from marketing communication, reputation, legitimacy, and trust prevents conceptual substitution and clarifies that SCFT addresses adaptive signaling capability and credibility formation rather than established communication or evaluation constructs.

Clarifying these conceptual boundaries requires distinguishing the internal architecture of market signaling capability from the evolving credibility process it enables and from adjacent constructs that capture fundamentally different organizational phenomena.

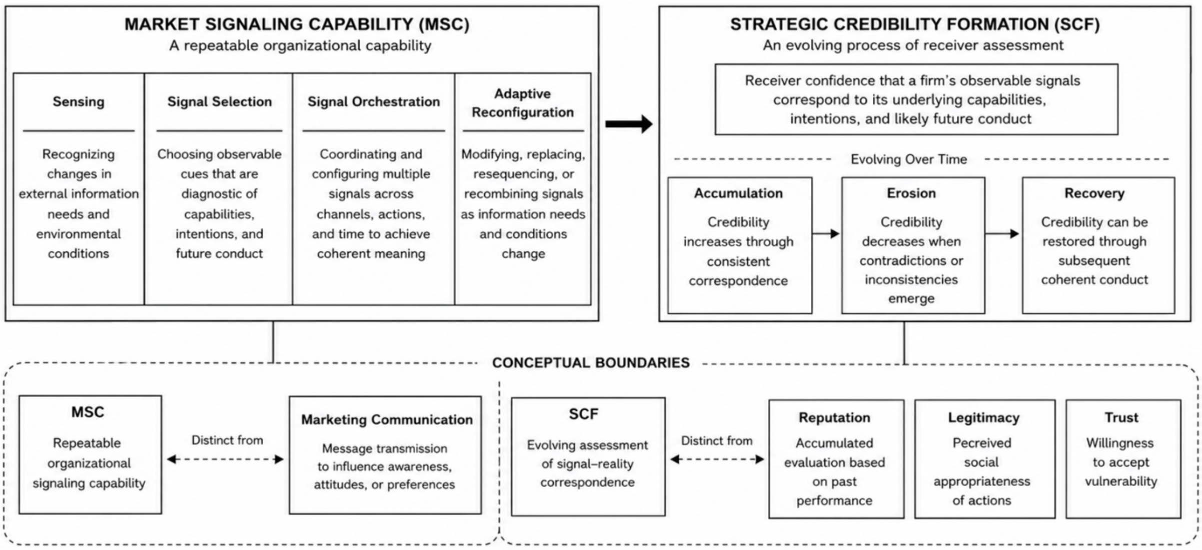

Figure 2. Domain Architecture of Market Signaling Capability and Strategic Credibility Formation
Source: Authors' conceptualization based on Connelly et al. (2011, 2025), Sirmon et al. (2007, 2011), Teece (2007), Helfat and Peteraf (2015), Paruchuri et al. (2021), Hersel et al. (2023), and Bettinazzi et al. (2024).

Figure 2 delineates MSC as a repeatable organizational capability comprising sensing, signal selection, orchestration, and adaptive reconfiguration, while SCF represents an evolving receiver assessment that may accumulate, erode, or recover over time. The conceptual boundaries further distinguish these constructs from marketing communication, reputation, legitimacy, and trust, thereby establishing their specific theoretical domains and reducing potential construct redundancy within SCFT.

4. Theory Building: Strategic Credibility Formation Theory

4.1 Core Architecture of SCFT

Strategic Credibility Formation Theory (SCFT) explains how firms develop external credibility when economic uncertainty weakens the informational value of established market cues. Its central premise is that strategic credibility is neither an automatic consequence of signaling nor an inherent property of particular signals. Instead, credibility emerges from an organizational capability to manage signals as interdependent configurations whose meaning is continually evaluated by external receivers.

SCFT begins with economic uncertainty as a condition that increases information ambiguity and makes organizational qualities, intentions, and future conduct more difficult to evaluate. Greater ambiguity increases receiver dependence on observable signals, while simultaneously making those signals more difficult to interpret consistently. Market signaling capability (MSC) addresses this informational problem by enabling firms to identify changing information needs and construct signal configurations characterized by diagnosticity, consistency, coherence, and temporal continuity. These configurations provide the informational basis from which strategic credibility develops.

The architecture is recursive rather than linear. Receiver responses provide new information about how signals have been interpreted. Organizations attend to this feedback, reassess the diagnostic value of existing signals, and may subsequently reinforce, withdraw, resequence, or recombine them. Strategic credibility is therefore continuously reproduced through interaction between organizational signaling and external interpretation rather than established through a single signaling episode.

These relationships form a recursive theoretical architecture in which uncertainty shapes signaling dependence, organizational capability generates credible signal configurations, and receiver responses continually inform subsequent attention, interpretation, and signaling adaptation.

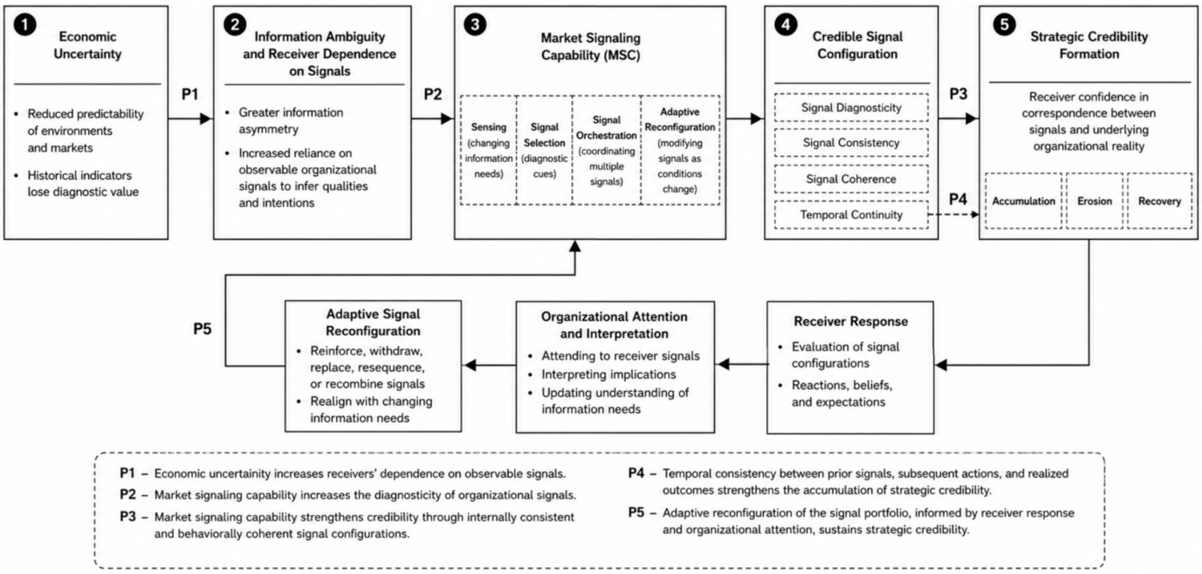

Figure 3. Strategic Credibility Formation Theory: A Recursive Model under Economic Uncertainty
Source: Authors' conceptualization based on Spence (1973), Teece et al. (1997), Teece (2007), Kaplan (2008), Connelly et al. (2011, 2025), Sirmon et al. (2011), Helfat and Peteraf (2015), Paruchuri et al. (2021), Hersel et al. (2023), and Bettinazzi et al. (2024).

Figure 3 depicts SCFT as a recursive credibility-formation process rather than a linear signaling sequence. Economic uncertainty increases receiver dependence on signals, while MSC generates diagnostic, consistent, coherent, and temporally aligned signal configurations that support strategic credibility. Receiver responses subsequently redirect organizational attention and interpretation, enabling adaptive signal reconfiguration and initiating renewed cycles of signaling, evaluation, and credibility updating.

4.2 Economic Uncertainty and Signaling Dependence

Signaling becomes especially consequential when receivers cannot directly observe decision-relevant qualities. Observable signals derive informational value from this underlying asymmetry (Spence, 1973), which uncertainty intensifies by making current attributes and future conduct harder to infer (Connelly *et al.*, 2011). Although historical performance, prior commitments, and familiar market indicators remain observable, their predictive value may deteriorate substantially as economic conditions change.

Uncertainty also increases interpretive plurality. Kaplan (2008) demonstrates that ambiguous strategic conditions can generate competing frames through which actors assign different meanings to the same circumstances. Similarly, managerial responses under Knightian uncertainty vary according to cognitive framing and the heuristics employed to interpret uncertain conditions (Smit, 2023). External receivers should therefore not be understood as homogeneous processors of objectively meaningful signals. They interpret signals through expectations, available alternatives, and changing assessments of environmental conditions.

Evidence from investor responses reinforces this contextual character of signal credibility. Sekerci *et al.* (2022) show that the interpretation of corporate signals varies with organizational and economic conditions. Economic uncertainty therefore creates a dual informational effect. It raises demand for observable cues because direct prediction becomes more difficult, while increasing the possibility that receivers will disagree about what those cues imply. Consequently, external audiences become more dependent on signaling at precisely the point when signaling becomes more interpretively demanding.

Proposition 1.
Economic uncertainty increases external receivers' dependence on observable organizational signals for evaluating otherwise uncertain firm qualities and intentions.

4.3 Market Signaling Capability and Signal Diagnosticity

Increased receiver dependence on signals does not imply that firms benefit from producing more signals. The relevant distinction is between signal quantity and signal diagnosticity, understood here as the extent to which an observable cue enables receivers to discriminate among alternative interpretations of an organization's underlying qualities or intentions. Competitive market signals vary substantially in informational value because different actions communicate different strategic implications (Heil & Robertson, 1991). Similarly, marketing signals become credible when their observable characteristics provide receivers with meaningful information about qualities that cannot otherwise be verified easily (Kirmani & Rao, 2000).

MSC enhances diagnosticity by coordinating several organizational tasks. First, firms must recognize which informational uncertainties have become salient to particular external audiences. Second, they must select signals whose observable content bears a meaningful relationship to the qualities being inferred. Third, they must consider timing because a potentially informative signal may lose relevance when transmitted after receiver expectations or environmental conditions have changed. Finally, organizations must combine communicative claims with observable commitments that make those claims more interpretable. Research on exporters' signaling strategies demonstrates that different signals convey different informational value and credibility to external audiences (Jean & Kim, 2021), while recent signaling theory emphasizes the importance of signal characteristics, interactions, receivers, and changing contexts (Connelly *et al.*, 2025).

This logic parallels dynamic capability theory. Sensing environmental change is valuable when it enables organizations to modify their subsequent responses rather than simply recognize disruption (Teece, 2007). Managerial cognitive capabilities likewise influence the ability to identify relevant environmental developments and formulate appropriate strategic responses (Helfat & Peteraf, 2015). MSC applies this adaptive logic to external information relationships. Firms with stronger MSC should be better able to recognize changing receiver information needs and translate that recognition into observable cues with greater discriminating value.

Proposition 2.
Market signaling capability increases the diagnosticity of organizational signals by improving their relevance, observability, and alignment with receiver information needs.

4.4 Signal Configuration: Consistency and Coherence

The central mechanism of SCFT concerns how individual signals become part of a credible configuration. External receivers rarely encounter organizational signals independently. A firm may simultaneously make strategic announcements, allocate resources, change prices, enter alliances, communicate performance expectations, modify governance arrangements, and undertake observable market actions. Receivers can therefore compare signals against one another and evaluate whether they collectively support a plausible interpretation of organizational qualities and intentions.

SCFT distinguishes signal consistency from signal coherence. Signal consistency refers to compatibility among the informational implications conveyed by multiple organizational signals. Consistent signals need not be identical; rather, they should not produce materially contradictory inferences about the same underlying quality or intention. Paruchuri *et al.* (2021) demonstrate the importance of such relationships by showing that incongruence across capability and integrity signals affects investor reactions. Research in digital commerce similarly indicates that signal consistency can reduce perceived uncertainty (Chen *et al.*, 2023).

Signal coherence concerns a deeper correspondence between communicated signals, observable actions, and underlying organizational conduct. An organization may communicate internally consistent messages while behaving in ways that undermine them. Hersel *et al.* (2023) show that coherence between crisis communication and subsequent organizational responses influences shareholder trust following misconduct. Thus, consistency operates primarily across signals, whereas coherence connects signaling claims with what the organization demonstrably does.

This distinction becomes more important as receivers confront signal portfolios rather than isolated cues. Bettinazzi *et al.* (2024) show that external evaluations can depend on configurations of multiple signals, while Connelly *et al.* (2025) identify multiple-signal relationships as central to the continuing development of signaling theory. MSC enables firms to manage these interdependencies deliberately. Strategic credibility should therefore arise not from the presumed credibility of any individual signal but from receivers repeatedly encountering configurations whose constituent signals support compatible interpretations and remain aligned with observable organizational conduct.

Proposition 3.
Market signaling capability strengthens strategic credibility formation through the creation of internally consistent and behaviorally coherent signal configurations.

4.5 Temporal Continuity and Credibility Updating

Credibility has an inherently temporal character. External receivers rarely evaluate a firm without reference to prior information. New strategic claims can be compared with earlier commitments, historical behavior, subsequent actions, and realized outcomes. Strategic credibility is consequently subject to continuous updating rather than established permanently after a successful signaling episode.

Organizational research provides important foundations for this processual view. Dutton and Dukerich (1991) show that organizational image and identity interact with interpretations of unfolding issues, while Gioia *et al.* (2000) conceptualize organizational image as dynamic and potentially destabilized by changing external perceptions. For SCFT, the implication is that receivers maintain evolving interpretations of what organizational signals signify. New information may reinforce these interpretations or require their revision.

Temporal credibility therefore depends on correspondence across signaling episodes. When commitments are followed by compatible conduct and outcomes, subsequent signals can inherit credibility from a history of demonstrated correspondence. Conversely, repeated discrepancies create reasons for receivers to discount even otherwise plausible claims. Hersel *et al.* (2023) illustrate the importance of matching communication with subsequent organizational responses, and Connelly *et al.* (2025) emphasize temporal dynamics as an important frontier in signaling research.

This produces a cumulative but revisable conception of strategic credibility. Past consistency does not guarantee future credibility, but it provides receivers with evidence for evaluating new claims. Similarly, one discrepancy need not permanently eliminate credibility, although it changes the informational history against which subsequent signals are interpreted.

Proposition 4.
Temporal consistency between prior signals, subsequent organizational actions, and realized outcomes strengthens the accumulation of strategic credibility over time.

4.6 Adaptive Reconfiguration

A capability-based account of signaling requires explaining how firms respond when previously effective signals lose informational value. Environmental change can alter receiver concerns, competitive benchmarks, available information, and expectations regarding organizational conduct. Consequently, a signal that once credibly differentiated a firm may become commonplace, ambiguous, irrelevant, or even counterproductive. Persistent use of such signals represents signaling inertia rather than capability.

Dynamic capability theory provides the conceptual logic for adaptation. Firms sustain alignment with changing environments by integrating and reconfiguring competencies rather than relying indefinitely on established configurations (Teece *et al.*, 1997; Teece, 2007). Resource orchestration similarly emphasizes the purposeful restructuring and recombination of resources as circumstances change (Sirmon *et al.*, 2011). Strategic renewal research extends this reasoning by showing that organizational adaptation may require reconsideration of established strategic assumptions and patterns rather than incremental continuation alone (Agarwal & Helfat, 2009; Schmitt *et al.*, 2018).

Within SCFT, adaptive reconfiguration refers to purposeful changes in a firm's signal portfolio following shifts in environmental conditions or receiver interpretation. Such changes may involve withdrawing signals that have become misleading, reinforcing signals whose diagnostic value has increased, replacing obsolete cues, resequencing commitments, or recombining previously separate signals into a more coherent configuration. Importantly, reconfiguration does not imply constant signaling change. Excessive alteration can itself create inconsistency. Adaptive capability instead requires discriminating between signals whose continuity reinforces credibility and those whose persistence increasingly communicates outdated information.

Receiver response is central to this process. Observable reactions provide feedback about whether intended meanings are being inferred and whether informational needs have shifted.

MSC therefore involves not only transmitting signals but learning from their reception and selectively adjusting the portfolio without undermining accumulated credibility.

Proposition 5.
Under changing economic conditions, adaptive reconfiguration of a firm's signal portfolio sustains strategic credibility more effectively than persistence in previously credible but increasingly non-diagnostic signals.

4.7 Credibility Failure and Boundary Conditions

MSC increases the organizational capacity to construct credible signaling configurations, but it cannot guarantee credibility. The ultimate interpretation of signals remains external to the firm, and several conditions can disrupt the proposed relationship. Deceptive signaling is one obvious failure mechanism because signals that systematically misrepresent underlying qualities undermine the informational foundation on which credibility depends (Steigenberger, 2025). Less deliberate contradictions can have similar consequences when multiple signals generate incompatible inferences (Paruchuri *et al.*, 2021).

Credibility can also deteriorate when organizational conduct contradicts communicated commitments. Communication–action incoherence provides receivers with directly observable evidence that expressed claims may not reliably indicate actual organizational intentions (Hersel *et al.*, 2023). Receiver heterogeneity introduces an additional limitation because different audiences may assign different meanings or diagnostic value to the same signal configuration (Connelly *et al.*, 2025). Excessive signaling may further reduce clarity when numerous cues compete for attention, while legacy commitments can constrain the credibility of newly introduced signals that conflict with established organizational behavior.

These conditions establish an important boundary around SCFT: signaling capability matters only insofar as observable organizational reality can sustain the inferences that signals invite receivers to make. Capability cannot indefinitely compensate for contradiction between representation and conduct.

Proposition 6.
The positive effect of market signaling capability on strategic credibility formation weakens when observable organizational conduct contradicts the claims embedded in the firm's market signals.

Strategic credibility therefore evolves through repeated comparisons between organizational signals and subsequent evidence, producing divergent trajectories depending on whether signal configurations remain coherent with observable conduct and realized outcomes.

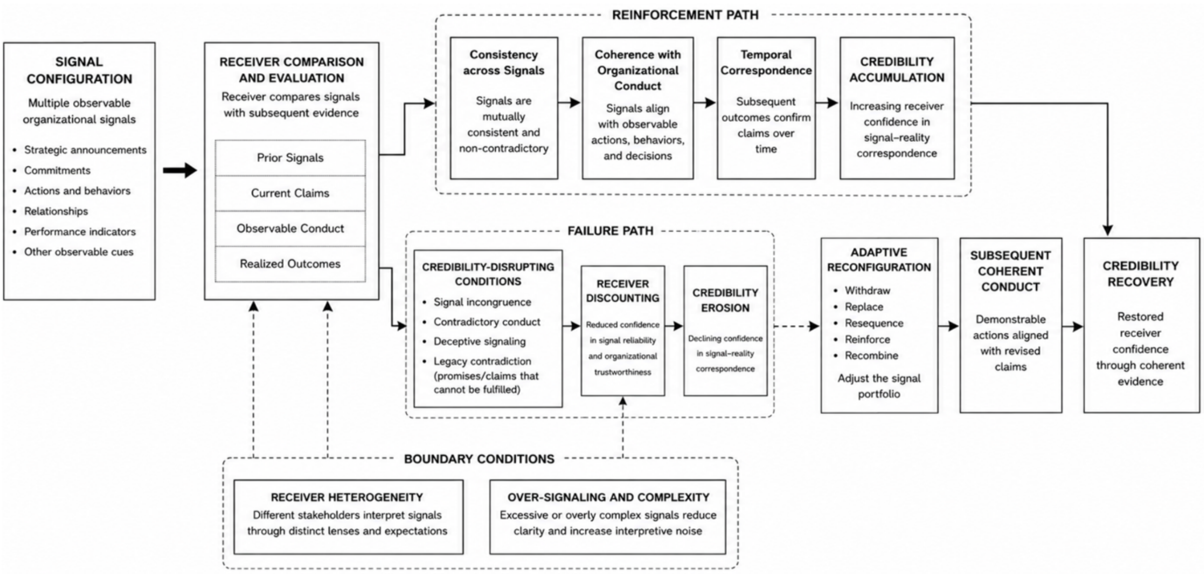

Figure 4. Credibility Formation, Updating, and Failure within SCFT

Source: Authors' conceptualization based on Gioia et al. (2000), Paruchuri et al. (2021), Hersel et al. (2023), Bettinazzi et al. (2024), Connelly et al. (2025), and Steigenberger (2025).

Figure 4 illustrates strategic credibility as a continuously updated receiver judgment rather than a stable organizational asset. Consistent signals, coherent conduct, and temporal correspondence reinforce credibility, whereas incongruence, contradiction, and deception encourage receiver discounting and erosion. Importantly, credibility loss need not be permanent: adaptive signal reconfiguration followed by coherent conduct can support recovery, subject to receiver heterogeneity and signaling complexity.

The propositions specify distinct but interconnected mechanisms through which uncertainty, signaling capability, signal configuration, temporal adaptation, and organizational conduct jointly shape the formation and maintenance of strategic credibility.

Table 2. Propositional Architecture and Causal Mechanisms of SCFT

Proposition & Theoretical Condition		Core Mechanism	Expected Theoretical Consequence
P1	Economic uncertainty	Greater information ambiguity and signal dependence	Increased receiver reliance on observable organizational signals
P2	Market signaling capability	Relevant, observable, receiver-aligned signal selection	Greater signal diagnosticity
P3	Multiple signal configuration	Internal consistency and behavioral coherence	Stronger strategic credibility formation
P4	Repeated signaling over time	Correspondence among prior signals, actions, and realized outcomes	Accumulation of strategic credibility
P5	Changing economic conditions	Adaptive reconfiguration of increasingly non-diagnostic signals	Sustained strategic credibility
P6	Signal–conduct contradiction	Receiver discounting of organizational claims	Weakened effect of MSC on strategic credibility formation

Source: Authors' conceptualization based on Spence (1973), Teece et al. (1997), Teece (2007), Kaplan (2008), Connelly et al. (2011, 2025), Sirmon et al. (2011), Helfat and Peteraf (2015), Paruchuri et al. (2021), Hersel et al. (2023), and Steigenberger (2025).

Table 2 demonstrates that SCFT comprises complementary rather than interchangeable propositions. P1 establishes the informational condition, P2 and P3 specify capability and configurational mechanisms, P4 introduces temporal credibility accumulation, P5 explains adaptive maintenance, and P6 identifies a failure condition. Together, these relationships make strategic credibility theoretically contingent on both effective signal orchestration and continuing correspondence between organizational claims and observable conduct.

5. Discussion

5.1 Theoretical Contributions

Strategic Credibility Formation Theory (SCFT) makes three related contributions to signaling research. The first is a shift from signals to signaling capability. Signaling theory has traditionally concentrated on why signals are sent, which characteristics make them informative, and how receivers respond to them (Spence, 1973; Kirmani & Rao, 2000; Connelly *et al.*, 2011). More recent research has substantially enriched this account by examining signal credibility, receiver characteristics, environmental contingencies, and interactions among signals (Bafera & Kleinert, 2023; Connelly *et al.*, 2025). SCFT extends this literature by locating an organizational capability prior to effective signaling. It asks not only which signals are credible, but why some firms are systematically better able to recognize changing informational needs, select diagnostic cues, coordinate their signals, and revise signaling configurations when environmental conditions change. Market signaling capability therefore introduces organizational heterogeneity into explanations of signaling effectiveness.

The second contribution is a shift from isolated signals to signal configurations. Research increasingly demonstrates that receivers evaluate multiple cues whose informational implications may reinforce or contradict one another (Paruchuri *et al.*, 2021; Bettinazzi *et al.*, 2024). SCFT treats the relevant unit of explanation as a configured portfolio of interdependent signals. This perspective distinguishes consistency among signals from coherence between signals and observable organizational conduct. Credibility consequently depends on relationships among signals rather than solely on the attributes of individual cues.

Third, SCFT shifts attention from credibility as a signal property to credibility formation as a process. Describing a signal as credible can obscure the temporal and relational mechanisms through which receivers come to believe it. SCFT instead conceptualizes credibility as continuously updated through comparisons among prior claims, current signals, subsequent actions, and realized outcomes. This processual perspective explains how credibility can accumulate through repeated correspondence, erode through contradiction, and potentially recover through subsequent coherent conduct (Hersel *et al.*, 2023; Connelly *et al.*, 2025). The theoretical question therefore moves beyond whether a particular signal is credible to how strategic credibility emerges, persists, deteriorates, and is reconstructed over time.

5.2 Integration with Dynamic Capabilities

SCFT also extends dynamic capability reasoning by incorporating an external interpretive dimension into organizational adaptation. Dynamic capability theory explains how firms respond to changing environments by sensing developments, mobilizing responses, and transforming or reconfiguring organizational resources and competencies (Teece *et al.*, 1997; Teece, 2007). Subsequent research has clarified the importance of managerial cognition, managerial capabilities, and resource orchestration in enabling these adaptive processes (Sirmon *et al.*, 2011; Helfat & Martin, 2015; Helfat & Peteraf, 2015; Schilke *et al.*, 2018). The dominant analytical concern, however, remains whether organizations can modify their resource and capability configurations effectively.

SCFT argues that adaptation also has an informational consequence. External audiences cannot necessarily observe the underlying processes through which a firm senses threats, reallocates resources, develops new competencies, or transforms its strategy. They instead encounter partial manifestations of those changes through announcements, investments, commitments, alliances, pricing decisions, governance arrangements, and subsequent market conduct. Organizational adaptation is therefore not equivalent to externally credible adaptation. A firm may successfully transform its internal capabilities while failing to produce signals that allow relevant audiences to recognize or believe that transformation.

Market signaling capability connects these two domains. It concerns the capacity to make strategically relevant organizational change observable and interpretable without reducing signaling to promotional communication. SCFT thus complements dynamic capability theory by explaining how internal adaptation acquires credible external meaning. This integration is especially consequential under uncertainty, when organizational transformation may be most necessary while receivers simultaneously have greater difficulty assessing whether claims about such transformation are reliable.

5.3 Boundary Conditions

SCFT is deliberately formulated as a middle-range theory rather than a universal account of organizational communication. Its explanatory relevance should be strongest under conditions of substantial information asymmetry, when organizational qualities or intentions cannot be directly observed and receivers must infer them from incomplete evidence. This condition follows the foundational signaling problem in which observable cues become valuable because underlying qualities remain imperfectly known (Spence, 1973; Connelly *et al.*, 2011).

A second boundary concerns receiver discretion. SCFT assumes that external audiences can evaluate, discount, reinterpret, or ignore organizational signals. Where receivers have little discretion or where signal meanings are institutionally predetermined, variation in signaling capability should have less explanatory power. Third, the theory is particularly relevant in dynamic environments where historical indicators lose some diagnostic value and informational requirements change. Under these conditions, adaptive reconfiguration becomes consequential because previously effective signals may cease to address receiver uncertainty.

Conversely, SCFT should have weaker explanatory relevance where relevant organizational qualities are directly observable, independently verifiable, or nearly perfectly disclosed. If receivers can determine underlying quality without inference, signaling capability adds little informational value. The theory should likewise be less consequential in highly stable environments where established signals retain consistent meanings and adaptive reconfiguration is rarely required. These boundaries make the theory empirically contestable rather than treating signaling capability as universally beneficial.

5.4 Research Agenda

SCFT creates several testable directions for empirical research. First, research should develop and validate a multidimensional measure of market signaling capability. Its proposed dimensions of sensing, signal selection, signal orchestration, and adaptive reconfiguration require discriminant validation against related constructs such as marketing communication capability and dynamic capabilities. A corresponding measure of strategic credibility formation should capture receiver assessments of correspondence among organizational claims, underlying capabilities, intentions, and anticipated conduct rather than relying on reputation or trust as proxies.

Second, longitudinal research is needed to examine credibility updating. Repeated observations of organizational signals, subsequent actions, and receiver evaluations could establish whether temporal consistency produces cumulative credibility and how rapidly contradictions erode it. Third, event studies and experiments could isolate the effects of signal consistency and communication–action coherence by manipulating or observing combinations of reinforcing and contradictory cues.

Fourth, multilevel designs should examine signaling simultaneously at signaler, signal, and receiver levels. Such designs could test whether the same configuration produces different credibility assessments across investors, customers, business partners, or other audiences, directly addressing receiver heterogeneity emphasized in contemporary signaling theory (Connelly *et al.*, 2025).

Fifth, digital signaling environments provide a particularly useful empirical setting because organizations generate frequent, observable, and temporally traceable signals while receivers respond rapidly across multiple channels. Finally, comparative studies across high- and low-uncertainty environments could test a central scope condition of SCFT: whether market signaling capability becomes more consequential as established information loses diagnostic value. Together, these research directions would permit SCFT to move from conceptual specification toward cumulative empirical testing while preserving its central focus on the capability, configuration, and temporal processes through which strategic credibility is formed.

Advancing SCFT requires empirical designs that test its construct validity, causal mechanisms, temporal dynamics, receiver heterogeneity, and contextual dependence while preserving the theory's capability-based and processual foundations across research settings.

Table 3. Empirical Research Agenda for Testing SCFT

Research Priority	Core Research Question	Suggested Empirical Approach	SCFT Element Tested
Construct validation	Is MSC empirically distinct from adjacent organizational capabilities?	Scale development; CFA; SEM	MSC dimensions and discriminant validity
Credibility updating	How does credibility accumulate, erode, and recover over time?	Longitudinal or panel design	Temporal continuity; P4–P5
Signal configuration	How do consistency and coherence shape credibility judgments?	Experiment; event study	Signal configuration; P2–P3
Receiver heterogeneity	Do identical signals produce different receiver evaluations?	Multilevel analysis	Receiver interpretation; P6 boundary
Uncertainty comparison	Does MSC become more consequential as uncertainty increases?	Cross-context comparative design	Economic uncertainty; P1, P2, P5
Digital signaling	How do rapid sequential signals affect credibility updating?	Digital trace and longitudinal event data	Recursive signaling and feedback process

Source: Authors' conceptualization based on the theoretical propositions and research agenda developed in this study.

Table 3 translates SCFT into a cumulative empirical research program spanning construct validation, causal testing, temporal analysis, receiver heterogeneity, and contextual comparison. These approaches enable researchers to examine both individual propositions and the broader recursive architecture of the theory. Importantly, empirical development should preserve SCFT's distinction between organizational signaling capability, configured signals, receiver interpretation, and strategic credibility as an evolving process.

6. Conclusion

Economic uncertainty creates a fundamental signaling problem: external audiences become increasingly dependent on observable organizational cues precisely when established indicators lose diagnostic value and future organizational conduct becomes more difficult to infer. Although signaling theory has substantially explained signal characteristics, credibility, and receiver responses, it provides a less developed account of the organizational capability through which firms continuously select, coordinate, and adapt multiple signals as informational conditions change (Connelly *et al.*, 2011, 2025). Addressing this gap, this study develops Strategic Credibility Formation Theory (SCFT), a middle-range theory that reconceptualizes effective signaling as a capability-based, configurational, and temporally evolving process. Its central theoretical advancement is the concept of market signaling capability, through which firms sense changing external information needs, select diagnostic cues, orchestrate coherent signal configurations, and adapt those configurations without unnecessarily sacrificing accumulated credibility. SCFT further advances existing theory by shifting credibility from a presumed property of individual signals to an evolving receiver judgment that can accumulate through consistency between claims, conduct, and outcomes, but can also deteriorate when those elements diverge. The six propositions specify how economic uncertainty intensifies signal dependence, how market signaling capability improves diagnosticity, how consistency and behavioral coherence facilitate credibility formation, and how temporal continuity and adaptive reconfiguration sustain credibility while observable contradictions constrain it. This integration also extends dynamic capability reasoning by demonstrating that successful internal adaptation does not necessarily constitute externally credible adaptation: organizational transformation must become observable, interpretable, and believable to relevant audiences (Teece, 2007; Helfat & Peteraf, 2015).

For managers, this argument implies that credibility cannot be managed simply by increasing communication intensity; it requires coordinated attention to what the organization claims, commits, and demonstrably does over time. The theory nevertheless remains bounded by its conceptual nature and intended domain. Its propositions require empirical testing, and its explanatory power should be weaker where organizational qualities are directly observable, information asymmetry is limited, or environmental stability preserves the diagnostic value of established signals. Future research should therefore operationalize and validate the multidimensional structure of market signaling capability and strategic credibility formation, examine credibility updating longitudinally, test signal consistency and coherence experimentally, and investigate receiver heterogeneity across different levels of economic uncertainty. Ultimately, SCFT suggests that under uncertainty, strategic credibility is neither communicated into existence nor secured by isolated credible acts. It is continually earned through an organization's capacity to align what it signals with what it can substantiate, while adapting that alignment as markets, information needs, and external interpretations evolve.

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