THE SYMBOLIC MANAGEMENT OF STRATEGIC CHANGE:

SENSEGIVING VIA FRAMING AND DECOUPLING*

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ABSTRACT

This study develops a symbolic management perspective of strategic change to predict and test the antecedents and consequences of how firms frame strategic change. Using data from a sample of contemporary German corporations, we find support for our predictions that firms (1) use specific framing language that fits better with their divergent stakeholder preferences, (2) use language that decouples espousal vs. actual implementation of strategic change, and (3) realize positive market responses to institutionally appropriate frame of change.

The topic of strategic change, defined as an alteration in an organization's alignment with its external environment (Rajagopalan & Spreitzer, 1996; Van de Ven & Poole, 1995), has been at the center of a growing literature in both the strategy and organizational theory fields (e.g. Fombrun, 1993; Ginsberg, 1988; Hofer & Schendel, 1978; Johnson, 1987; Zajac & Shortell, 1989; for a review, see Rajagopalan & Spreitzer, 1997). An important development in this literature is that strategic change is increasingly seen as not only a shift in structures and processes, but also as a cognitive reorientation of the organization (Barr, 1998; Barr, Simper & Huff, 1992; Gioia & Chittipeddi, 1991; Reger, Gustafson, Demarie & Mullane, 1994), involving "a redefinition of the organization's mission and purpose or a substantial shift in overall priorities and goals" (Gioia, Thomas, Clark & Chittipeddi, 1994). Most of the research in this direction has so far focused on how managerial cognitions and sensemaking processes affect the likelihood and content of strategic change (e.g. Barr, 1998; Meindl, Stubbart & Porac, 1994; Nutt, 1998; Reger et al., 1994; Walsh, 1995). However, an important implication of this emerging cognitive perspective is that the success of strategic change will depend not only on an organization's ability to implement new structures and processes, but also on the organization's ability to convey the new mission and priorities to its many stakeholders (cf. Smirich, 1983). Since an organization's survival over time often depends on its conforming to normative expectations rather than simply operating with greater efficiency (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991), the importance of ensuring both understanding and acceptance of new strategies among key constituents is a central element of the legitimacy imperative for organizations.

While most prior studies have highlighted the substantive importance of strategic change for organizational survival, the processes by which organizations aim to present this change to both internal and external constituents have rarely been studied. However, strategic change

frequently involves symbolic struggles over the purpose and direction of the organization. As numerous works in the change management literature have pointed out, "buy in" by constituents is crucial for change to succeed (e.g. Kotter, 1996; Quinn, 1996). As such, previous theories of sense*making* regarding strategic change need to be complemented by a better understanding of sense*giving* (Gioia & Chittipeddi, 1991), the latter referring to the processes by which strategic change is framed and disseminated to the organization's constituents. Since strategic change generally involves the reordering of priorities and the disruption of established relationships, such change tends to be controversial—both internally and externally—and almost always presents a justification problem. We therefore suggest that more attention needs to be paid to the symbolic processes that aim to create and legitimate the meaning of strategic change (Dutton & Duncan, 1987; Gioia et al., 1994; Zajac & Westphal, 1995).

To better understand how symbolic struggles over the meaning of strategic change play out, this study connects to the recent framing perspective in the social movement literature, which emphasizes the struggle over symbols as the key to successful change (e.g. Benford & Snow, 2000; Snow, Rochford, Worden & Benford, 1986). By employing the concept of framing, we examine how organizations present strategic change to key stakeholders, and what factors determine the choice of different framing approaches. Furthermore, we also examine the relationship between framing and implementation of strategic change, and whether symbolic action may be substituted for substantive change (Westphal & Zajac, 1994, 1998).

Strategic Change and Framing Processes

A growing stream of research has suggested that cognitive sensemaking processes are important in the strategic decision making process by determining reference points and suggesting possible outcomes (Fiol, 1994; Nutt, 1998; Reger et al., 1994). In this "cognitive lens

perspective" (Rajagopalan & Spreitzer, 1996), the concept of framing has mostly been used to refer to cognitive processes by which managers understand and enact the organizational environment (Daft & Weick, 1984; Pondy & Huff, 1988; Reger et al., 1994). However, the idea of framing may well be expanded beyond the formulation of strategic change to cover the mobilization for and legitimation of strategic change (Gioia & Chittipeddi, 1991). To do so, we suggest that it is useful to draw on the concept of framing as it is used in the literature on social movements (Benford & Snow, 2000; Gamson, Croteau, Hoynes & Sasson, 1992; Snow & Benford, 1988). Scholars studying social movement organizations have long argued that one of the primary goals of organizations is to affect the interpretations of events among various audiences (e.g. Benford, 1993; Benford & Snow, 2000; Haines, 1996; Snow et al., 1986). Frames in this sense are best understood as "schemata of interpretation" (Snow et al., 1986) that are used by actors to affect the interpretation of events among different audiences. Frames simplify and condense the "world out there" by selectively punctuating and encoding events in order to render them meaningful (Hunt, Benford & Snow, 1994), keeping some elements in view while hiding others (Williams & Benford, 1996). This use of framing recognizes the importance of strategic action in framing activities (Hensmans, 2003) and emphasizes the potential for conflict as different actors promote their particular versions of reality to target audiences (e.g. Benford, 1993; Coles, 1998; Haines, 1996). For Kellner (1992: 58), the concept of frame disputes "represents society and culture as contested terrain and depicts various social groups and movements as struggling for power," suggesting that is would be fruitful to apply the concept of framing to organizational phenomena (e.g. Hensmans, 2003; McAdam & Scott, forthcoming).

For the literature on strategic change, the concept of framing thus provides an attractive approach for understanding the process of sensegiving, particular when such change may be highly controversial. By framing strategic change and thereby articulating a particular version of

reality, organizations may secure both the understanding and support of key stakeholders for their new strategic orientation (Benford, 1993; Haines, 1996). An important question, then, is *how* organizations will frame strategic change and what circumstances will predict the use of different frames. In this study, we suggest that the choice of different frames for strategic change can be determined by a number of specific structural and interest-based factors. Our use of frame analysis thus connects to previous work on the organizational representations, and particular prior work on organizational impression management (e.g. Arndt & Bigelow, 2000; Dutton & Dukerich, 1991; Elsbach, 1994; Elsbach & Sutton, 1992; Elsbach, Sutton, & Principe, 1998). Drawing on Pfeffer's argument that one of the key tasks of management is to "provide explanations, rationalizations, and legitimation for the activities undertaken in the organization" (1981: 4), this literature has examined the ways in which organizations aim to restore legitimacy after controversial events (Elsbach, 1994), ward off stigma (Sutton & Callahan, 1987), or otherwise buffer the organization from negative events (Elsbach et al., 1998; Meznar & Nigh, 1995). However, this research has mostly examined the diversity and effectiveness of different impression management tactics. With few exceptions (e.g. Zajac & Westphal, 1995), factors predicting the use of different impression management strategies have been less well studied. Our current study thus extends prior research on the study of organizational representations by examining both the antecedents and consequences of different framing activities.

The current study also expands on prior work by examining how framing processes may interact with the presence or absence of actual changes in the organization's strategy. Prior research on symbolic management has pointed to the importance of decoupling processes in organizational settings, i.e. situations where compliance with external expectations may be merely symbolic rather than substantive, leaving the original relations within the organization largely unchanged (e.g. Edelman, 1990, 1992; Westphal & Zajac, 1994, 1998, 2001). However,

we know little about how decoupling may affect framing processes. It seems plausible that implementation and decoupling will result in the use of different framing approaches, either to distract outside stakeholders from closer scrutiny or to appease stakeholders opposed to actual implementation. The current study will thus examine the interplay between both forms of symbolic management—framing and decoupling—to establish a deeper understanding of the ways in which their respective mechanisms interact.

The Empirical Context: Shareholder Value Management among German Firms

To study the framing of strategic change, the very recent shift towards a shareholder value orientation among German firms presents a particularly interesting case (Fiss and Zajac, 2004). Traditionally, the German business environment has been characterized by a view of the corporation as a coalition between three equally legitimate stakeholder groups: management, employees, and shareholders. This view of the corporation is reflected both in the system of co-determination (Bradley, Schipani, Sundaram & Walsh, 1999) and in a managerial ideology that stressed long-term growth over high returns for shareholders. For these reasons, Germany has been frequently cited as the classic case of a non-shareholder orientation (e.g. Jürgens, Naumann, & Rupp, 2000).

However, since the early 1990s, a growing number of publicly listed German firms have publicly proclaimed their switch towards shareholder-oriented policy. For example, Jürgen Schrempp, successor of Edzard Reuter as the CEO of Daimler-Benz, declared in his inauguration speech that his goal would be to create "profit, profit, profit!" (*Der Spiegel*, 3/17/1997). Similarly, Ulrich Hartmann, CEO of VEBA, aggressively promoted a move towards a shareholder-centered strategy. This presents a major shift in the stated corporate mission and goals with the potential for having significant organization-wide impact on top management

behavior and firm value. A shareholder-oriented strategy, by placing the interests of the shareholders above those of other constituents, presents a clear and highly controversial break with the traditional German stakeholder model of the corporation and a major shift in the firm's priorities. Furthermore, the considerable resistance to this policy change (Fiss & Zajac 2004; Jürgens et al. 2000) highlights the extent to which this change is strategically important. As such, it offers a particularly interesting opportunity to study the framing of controversial strategic change, since it involves a paradigm shift that brings into question the organizational constituents' most basic assumptions about the nature of the firm (Bartunek, 1984; Reger et al., 1994).[1] In this study, we go beyond examining the factors causing a move towards a shareholder value orientation (e.g., Fiss & Zajac, 2004) and focus instead on how and why firms used alternative frames to give sense to this consequential shift, as well as the shareholder reactions to these alternative frames.

Two Framing Approaches: Acquiescence and Balancing

Strategic changes from an existing status quo can be seen fundamentally either as a departure from the old (a substitution effect) or as an addition to the old (an addition effect). In the context of framing a strategic shift towards shareholder value management by German firms, this suggests two different framing approaches that correspond to these substitution and addition

[1] Our current study thus connects most closely to the cognitive perspective on strategic change, where such change is defined as "a combination of changes in the content of strategy as well as accompanying organizational and environmental conditions" (Rajagopalan & Spreitzer 1996: 62). A shift of German firms from their traditional stakeholder-sensitive policy towards a shareholder-oriented policy represents just such a change in strategic direction with accompanying changes in organizational structures (e.g., incentive mechanisms and control systems) and larger environmental conditions (cf. Fiss & Zajac, 2004; Jürgens et. al., 2000). We are not claiming to identify whether there is a specific change in a firm's product/market positioning, but that is of course not the only corporate change that would qualify as strategic.

effects. Following Oliver's (1991) classification of strategic responses to institutional processes, these frames may be categorized as *acquiescence* and *balancing.*

Acquiescence. An acquiescence frame emphasizes that the organization is consciously obedient to norms and institutional processes (Oliver, 1991). Regarding a shareholder value orientation, this means a firm breaks with the traditional German stakeholder orientation and publicly expresses its compliance with the demands of primarily one stakeholder group: the shareholders. Indeed, in using an acquiescence frame, the firm is eager to demonstrate its compliance with a moral order that places the demands of shareholders first. For example, in 1995, the AGIV annual report proclaimed that

> The overriding goal of all the necessary changes is to unleash the full value and profit potential of all the AGIV companies in accordance with consistent shareholder value management (AGIV, 1995: 8)

The Metallgesellschaft report for the same year gives shareholder value management an equally central position:

> … boosting shareholder value is at the centre of the Metallgesellschaft Group's strategies and decisions (Metallgesellschaft, 1995: 5)

Balancing. However, not all corporations resorted to an acquiescence framing that expresses full compliance with a strategy of placing shareholders first. Instead, a number of firms resorted to a balancing framing of the shift to shareholder value management that aimed to address the diverging interests of different constituents. For example, the 1997 reports by Lufthansa and VIAG explicitly balance the interests of the shareholders against those of other stakeholders:

> The management of Lufthansa sees it as an imperative strategic task to achieve a harmonious balance between the respective interests of customers, employees,

> and shareholders. Only in this way can the company's value be augmented on a lasting basis. (Lufthansa, 1997: 5)
>
> The primary entrepreneurial goal of VIAG is to ensure the long-term growth of the company's value while at the same time safeguarding the interest of employees and costumers. (VIAG, 1997: 3)

The same is true for the Bayer AG annual report, which stated that the company's managerial incentive plan involving stock options in fact "shows Bayer's success in achieving a balance between stockholder value, value management and employees' interests" (Bayer, 1997: 25). Figure 1 provides an overview of the emergence and distribution of acquiescence and balancing framing in the annual reports of the 112 largest German corporations between 1990 and 2000.

Insert Figure 1 about here

HYPOTHESES

Stakeholder Exposure

What factors influence how firms frame their strategic change? First, the framing of strategic change will be affected by stakeholder interests, and these interests may frequently lead to conflicting pressures even in the presence of broader pressures for conformity (Friedland & Alford, 1991; Oliver, 1991; Pfeffer & Salancik, 1978). Incompatible demands may make unilateral conformity difficult if not impossible, since attending to the demands of one stakeholder may involve neglecting or defying the demands of another. However, some firms are more vulnerable to pressures from their environment than others (Pfeffer & Salancik, 1978). Specifically, the extent of a firm's insulation from versus exposure to diverse stakeholder groups

is likely to affect the firm's positioning of its actions (Oliver, 1991). This suggests that firms with differing levels of visibility are likely to frame strategic change in different ways. While visibility might be measured using for example firm size (e.g. Pollock, Fisher, and Wade 2002), a more direct indicator or such visibility is the number of times a firm is mentioned in mainstream media such as newspapers (Meznar and Nigh, 1995). Because of the resulting exposure to multiple stakeholder groups, firms with greater visibility in the media should face greater pressures to adapt the framing of their actions to pressure from multiple sources. Regarding a strategic shift towards a shareholder value orientation, this suggests that firms with greater visibility should exhibit a greater likelihood of using a balancing framing.

> *Hypothesis 1: The greater the visibility of a German firm in the news media, the more likely a firm will espouse a shareholder value orientation using a balancing framing.*

Stakeholder Ownership Power

Stakeholder exposure represents only one aspect of how stakeholders affect the framing of strategic change. Resource dependence theory (Pfeffer & Salancik, 1978; Salancik, 1979) suggests that framing will also likely depend on the power and interests of different stakeholder groups. Greater organizational dependence on any specific stakeholder group suggests greater acquiescence to the demands of that group, while decreasing dependence may increase the likelihood of compromise or avoidance behavior (Oliver, 1991). An important question then is which groups exert the greatest power over the corporation and what are their interests for impelling vs. impeding the contested policy.

For corporations, ultimate power over the enterprise lies with ownership, and the importance and interests of different ownership groups should figure prominently in the formulation and framing of strategic change. In this study, we examine the power and interests of

primarily three groups of owners that figure prominently among German shareholders: government entities, families, and domestic banks. These are arguably three of the most important ownership groups in the German context and have been previously linked to the adoption of a shareholder value orientation (cf. Fiss & Zajac, 2004).[2] Greater ownership by these groups and thus greater organizational dependence on them should therefore affect the likelihood that a firm chooses a specific framing of a move towards a shareholder value orientation.

Government ownership. Domestic governmental entities have to attend to the interests of several corporate stakeholders, making them less likely to support a strategic shift that privileges the interests of one stakeholder group over those of others (Shleifer & Vishny, 1994). As a shareholder value orientation has been the subject of fervent critique from employees and unions, government actors stand to lose significant numbers of votes from supporting a shareholder value approach. In line with this argument, a number of high-ranking German party leaders and government officials have criticized the emergence of U.S.-style management among German firms. For example, German Chancellor Gerhard Schroeder has been quoted as saying that recent corporate governance scandals in the U.S. are attributable to management's singular attention to the interests of shareholders at the expense of other stakeholders (*Chicago Tribune*, 2002). German firms with large blocks of shares controlled by German government entities should thus be likely to use a more balanced framing of shareholder value management:

Family ownership. Family ownership is common and significant among German corporations (Whittington & Mayer, 2000). Family owners tend to have a long association with the firms they originally founded (Kang & Sørensen, 1999), making them more likely to subscribe to the traditional governance view of the firm which stresses long-term capital

[2] Fiss and Zajac (2004) also mention non-financial firms as a fourth ownership group of interest. While data limitations prevent us from advancing and testing more specific hypotheses about this ownership group, we do control for this ownership group in our analyses.

investment and firm survival with the intention of passing the firm on to descendents (e.g. Casson, 1999). This suggests that family owners should prefer a balancing framing of the shareholder value orientation that is more in accordance with the local business environment.

Domestic bank ownership. German banks occupy a central role in the German corporate governance system since they act as the primary suppliers of capital and representatives of shareholder interests. Traditionally, German banks have followed a model of "patient capital" that treated shareholdings as a long-term investment rather than asset management activity (Jürgens et al., 2000; Schroeder & Schrader, 1998). However, during the 1990s a number of German banks became increasingly concerned with the yield on their shareholdings and announced a move towards a shareholder value orientation (Fiss & Zajac, 2004). In announcing this shift, these banks themselves also relied on acquiescence or balancing framing. We therefore expect that the banks would use their ownership influence to likewise affect the framing of this strategic change in firms where they hold ownership stakes. Accordingly, we expect to find a differential effect for bank ownership that depends on the framing used by the shareholding bank. The prior discussion thus suggests the following hypotheses regarding the power and interests of different ownership groups:

> *Hypothesis 2a: The higher a firm's ownership by German federal or state government, the more likely a firm will espouse a shareholder value orientation using a balancing framing.*
>
> *Hypothesis 2b: The higher a firm's ownership by German families, the more likely a firm will espouse a shareholder value orientation using a balancing framing.*
>
> *Hypothesis 2c: The higher a firm's ownership by German banks that have themselves espoused a shareholder value orientation using a balancing framing, the more likely a firm will espouse a shareholder value orientation using a balancing framing.*

Framing and Implementation of Structural Changes

The framing of strategic change should furthermore be influenced by the presence of actions that convey a credible commitment to the new strategy. One way to view this relationship is that acquiescence to demands for shareholder value management will be accompanied by structural changes consistent with such a strategy. Similarly, the absence of structural implementation and implied hesitation to make changes should by accompanied by a balancing framing. This view would suggest consistency between framing and implementation on part of the firm.

However, a number of studies taking a symbolic management perspective have argued that symbolic adoption (i.e., adoption in name only) can represent a mechanism by which organizational legitimacy is enhanced while leaving internal power relations largely unchanged. For example, in their study of long term incentive plan adoption, Westphal & Zajac (1994) found that public announcement of adoption is frequently decoupled from actual implementation. Likewise, the announcement of stock repurchasing programs is often decoupled from their actual implementation (Westphal & Zajac, 2001). In these studies, legitimacy is not achieved through actual compliance but rather by actions that appear to reveal compliance but in fact conceal nonconformity (cf. Edelman, 1992; Elsbach & Sutton, 1992).

Regarding the framing of strategic change, this symbolic management argument suggests that firms opting not to undergo the substantive structural changes implied by a strategic re-orientation might be substituting symbolic compliance for structural implementation. The notion of symbolic rather than substantive compliance suggests the possibility that a clear-cut acquiescence frame might in fact not be accompanied by actual implementation of structural changes. Furthermore, given the controversial nature of the change examined in this study, those German firms implementing significant structural changes favoring shareholders may also see

advantages in using a balancing frame to blunt potential criticisms from other stakeholders. Taken together, these arguments suggest the following hypothesis:

> *Hypothesis 3: German firms that engage in practices commensurate with a shareholder value orientation are more likely to use a balancing framing.*

Market Reaction to Framing

The framing of strategic change is likely to have significant consequences for the organization. In this study, we examine the effect of frame choice on the evaluation of the firm by financial markets. So far, only a few studies have explored how stock markets react to symbolic actions (Westphal & Zajac, 1998; Zajac & Westphal, 2004). The sociological perspective on financial markets proposed by these studies holds that the institutional and historical context influences the logic of appropriateness that financial markets use in evaluating firm actions (Fligstein, 2001; Zajac & Westphal, 1995). Regarding the effect of frame choice on financial markets, this perspective would suggest that markets will respond more positively if the firm's framing of strategic change is in line with the institutional context. While a shareholder-centered strategy originated in a very different institutional context, it seems likely that as a guide for firm actions it will "have to pass through a powerful filter of the more local cultural and structural opportunities and constraints in order to mobilize consensus" (Meyer, 2004a: 5). Given the controversial nature of a move towards a shareholder value orientation, a framing that describes the strategic change as "translated" (Czarniawska & Joerges, 1996; Meyer, 2004a) and adapted to local circumstances should therefore be more likely to elicit a favorable reaction than a framing that is insensitive to local context. These considerations lead to the following hypothesis:

Hypothesis 4: German firms using a balancing framing will tend to be rewarded with higher stock evaluations.

METHOD

The sample for this study comprises the 100 largest publicly traded German companies as measured by sales and market capitalization in 1990. Both lists overlap to a large extent, resulting in a sample of 123 companies, with complete data available for a total of 112 companies. These firms include most of the corporate leaders representing a variety of industries in Germany, and our sample accounts for more than 80% of the total capitalization of the German stock market in 1990. The observation period begins in 1990 and ends in 2000.

Measures

Dependent variables. The current study employs two dependent variables: the framing of strategic change towards shareholder value and actual returns to shareholders. Data on the firms' choice of acquiescence or balancing framing come from a content analysis of the companies' annual reports, the corporate communications most commonly examined in prior research (e.g. Abrahamson & Hambrick, 1997; Abrahamson & Park, 1994; Bettman & Weitz, 1983; D'Aveni & MacMillan, 1990; Fiol, 1994). Most corporate executives consider annual reports to be their most important communication channel (Abrahamson & Park, 1994; Goodman, 1980), and prior research suggests that the content of annual reports significantly affects shareholder decisions (e.g. Buhner & Moller 1985; Staw, McKechnie, & Puffer 1983). For German firms in particular, the annual report is still the most important means of self-presentation and the appropriate vehicle for announcing strategic change and communicating with shareholders as well as other

stakeholders. Such reports furthermore have the advantage of allowing comparability across firms and years, making them particularly sensible for our study.

Coding for the presence of frames largely follows the procedure for frame analysis described by Benford (1993) and was conducted in three stages. During the first stage, two independent coders read all annual reports and coded for statements indicating the company's espousal of a shareholder value orientation. Both coders were native speakers of German and were instructed to only consider statements that included either the English term "shareholder value" or its German equivalent, "Unternehmenswertsteigerung," and its derived forms. Our interest is specifically in the framing of the move towards a shareholder value approach, and we therefore only consider statements from annual reports if they explicitly relate to this issue. Many of these annual reports were not available in machine-readable format, making an automated search infeasible. Any disagreements between the coders occurring at this stage stemmed from the fact that some occurrences of shareholder value were missed, and differences could be easily resolved by comparing the coding to the original text.

Based on Oliver's (1991) theoretical categorization of strategic responses, we then reviewed a sample of these statements and developed descriptions of acquiescence and balancing frames regarding a shareholder value orientation. For an *acquiescence* frame, this meant a statement had to indicate the organization's explicit espousal of a shareholder value orientation without qualification or alteration. An example of this frame comes from the Brau und Brunnen AG: "The business policy of Braun und Brunnen AG is marked by a focus on core competencies and … the recasting towards and alignment with the principles of shareholder value." (Brau und Brunnen, 1998: 24; our translation). The same frame is evident in the annual report of VEBA AG: "The group-wide implementation of cash-flow controlling instruments has made VEBA a

pioneer of value-oriented management in Germany and Europe … The shareholder value principle is evident in our corporate strategies and policies." (VEBA, 1995: 15).

In contrast, a *balancing* frame was indicated if the organization stated that it adhered to shareholder value management, but qualified this statement by simultaneously affirming the legitimacy of claims by other stakeholder groups. An example of this is provided by the Daimler Benz AG, which defined value-based management as follows: "The permanent and continuous expansion of our company's value is only possible when the interests of all groups that contribute to our success are given the appropriate degree of consideration. Our economic performance and satisfactory returns for our shareholders depend on motivated employees, satisfied customers, and reliable and innovative suppliers…Management at Daimler Benz is therefore dedicated to increasing the value of the Company for the benefit of everyone involved." (Daimler Benz, 1996: 44). The same balancing frame is evident in Bewag AG's discussion of its strategy: "Bewag avows of value-oriented company leadership … however, we will however continue in the future to take into account, in well-balanced proportion, the interests of our customers and shareholders, as well as employees and partners." (Bewag, 1996: 13; our translation).

At the third stage, we provided these descriptions of acquiescence and balancing framing to the two coders who then independently classified each of the statements as indicating either acquiescence or balancing framing. The coding scheme contained very little ambiguity and intercoder reliability for frame choice was high with Cohen's kappa of 0.904. Any disagreements were resolved through discussion between the coders.

Finally, to assess the consequences of strategic changes for shareholders, we use total stock market returns (defined as capital gains plus dividends), one of the most widely used measures of firm performance regarding shareholder interests.[3]

Independent Variables. We measure firm *visibility* using the total number of German news media articles mentioning a firm (cf. Meznar & Nigh, 1995). The data were collected from four daily newspapers: the *Handelsblatt*, German's most important newspaper focusing on economics and business; the *Süddeutsche Zeitung*, the largest daily with a more left-liberal orientation; and the *Frankfurter Allgemeine Zeitung*, Germany's flagship conservative newspaper, and the *Frankfurter Rundschau*, another national broadsheet with generally left-liberal views. By collecting data from the most important daily business and general interest papers, we aimed to cover the full economic and political spectrum. We combined article counts from these sources into an index of visibility that showed excellent reliability (Cronbach's alpha = .92). A principal component factor analysis confirmed that all four items loaded highly and positively on a single factor that accounted for 85 percent of the variance. Factor loadings ranged between .92 and .93. All data were collected from *GENIOS*, a full-text media archive (http://www.genios.de), and from the online archive of the *Frankfurter Allgemeine Zeitung* (http://www.faz-archiv.de/).

Data on the levels of government, family, and domestic bank *ownership* came from *Worldscope* and were crosschecked with data from *Wer gehört zu Wem?*, a directory of German

[3] The determinants of dividends and share price differ in that management tends to have more control over dividends—traditionally the primary way by which profits were distributed to shareholders—and less control over the share prices, since these are more strongly affected by market forces and outsider expectations. While the dividend irrelevance theory of efficient markets holds that, in principle, shareholders should be indifferent between returns realized through dividends or capital gains, we agree with more behaviorally oriented works in financial economics that see this theory as based on unrealistic assumptions (e.g. Hirshleifer, 2001; Shleifer, 2000). We therefore also assessed models that control for a firm's dividends, but results remained essentially unaffected.

firms published triennially by the Commerzbank AG. We follow prior research (Elston & Goldberg, 1999; Fiss & Zajac, 2004) in establishing mutually exclusive categories of blockholders whose influence is measured on a scale ranging from 0 to 4. The coding was tied to substantively significant thresholds: 5 percent is the level at which owners have to disclose their identity and blockholding and provides minimal minority protection, 25 percent (blocking minority) give veto powers on a number of governance issues, 50 percent present a controlling majority, and 75 percent or more present a supermajority with extensive rights in terms of control agreements and supervisory board elections.

To measure *structural change*, we use three different governance practices that suggest a commitment to a shareholder value orientation: (a) "value-based" management control systems, (b) stock option plans for the management, (c) internationally accepted accounting standards. "Value-based" management control systems are an important way in which shareholder value management is implemented and are often linked to profitability goals specified by division or activity (Jürgens et al., 2000). They present a "financialization" of management by explicitly tying performance evaluation to the interests of the shareholder, and are frequently coupled with the second practice measured: stock option plans for managers. These stock-based incentive programs are generally considered powerful tool for aligning the interests of management with those of the firm's owners and for implementing a shareholder value approach (e.g. Meyers, 1981). Our third measure of structural change is the adoption of internationally accepted accounting standards such as US-GAAP or IAS. For years, international analysts have criticized German corporations for not being investor friendly, since German accounting rules easily allow the firms to hide large cash reserves or improve the balance sheet (Tuschke & Sanders, 2003). The adoption of international accounting standards reduces the ability of managers to hide their assets and significantly strengthens the position of shareholders.

Data on these three measures came from the firms' annual reports and were cross-checked by directly contacting all firms still operating at the time the data were collected. All three measures were coded as dummy variables.

Control variables. The presence and framing of strategic change may also depend on a firm's financial record, with poor prior records indicating a greater need for change. We therefore control for prior performance using an accounting-based variable and a market based variable; namely, return on assets (ROA) and total returns, respectively. For models where total returns is the dependent variable, these performance measures were not included.

The size of a firm may also affect its visibility, since smaller firms may be able to better avoid public scrutiny (Meznar & Nigh, 1995; Pfeffer & Salancik, 1978). We control for organizational size using the log of market capitalization. Since diversification and internationalization may also affect the number of stakeholder groups to which a firm is exposed, we control for diversification using the number of four-digit SIC industries in which a firm operated and for internationalization using the ratio of foreign sales to total sales (Sullivan, 1994).

Since ownership effects may differ to the extent that the firm uses external finance, we control for a firm's reliance on the stock market for financing using the firm's debt-to-equity ratio corrected for the share of equity held by outsiders (cf. La Porta, Lopez-de-Silanes & Shleifer, 1997). Furthermore, the emergence of the shareholder value movement in the U.S. has been linked to ownership by institutional investors (e.g. Hansmann & Kraakman, 2001; Useem, 1993). We control for blockholdings by foreign banks, foreign and domestic insurance firms, and other widely-held financial institutions such as investment and pension (cf. Gorton & Schmid, 2000). We also control for ownership by other domestic firms, another ownership category that has been linked to the emergence of a shareholder value orientation (Fiss & Zajac, 2004). To

contrast the effect of owner interests, we additionally control for the ownership level of banks that have used a balancing rather than an acquiescence framing.

A strategic change towards a shareholder-oriented policy is likely to meet resistance from other stakeholder groups, such as the firm's employees. Employee unions have been vocal opponents of a shareholder value management in Germany, and their influence might therefore also affect how a firm presents its new policy. However, unions have at times also sided with shareholders in calling for greater transparency in accounting standards and tying managerial compensation more closely to performance (Höpner, 2001). We therefore control for union strength using unionization of works councilors, measured as the percentage of works council seats captured by union representatives in a firm's corresponding industry (cf. Fiss & Zajac, 2004). In Germany, works councilors have considerable rights co-determination regarding firm policy, and the unionization of works councilors thus presents a good measure of union strength. Data on the works council elections held in 1990, 1994, and 1998 come from the *Institut der Deutschen Wirtschaft*, Cologne.

A firm's framing choice may also depend on the firm's embeddedness in director networks, since centrality in these networks increases a firm's visibility (Knoke and Burt, 1983). We control for a firm's network centrality using Freeman's (1979) measure of degree centrality, calculated as the total number of ties a firm has with other firms in the sample.[4] We collected the data on board membership from the firms' annual reports and updated them annually. Since Germany has a two-tiered board structure, we include members of both the management and

[4] When compared to alternative measures of network centrality such as Bonacich's (1972) power index, Freeman's degree centrality presents a conservative choice that results in slightly larger standard errors for the coefficients of most of our independent variables of interest.

supervisory board in our analysis, as members of the management board often sit on the supervisory board of other companies.

For models where stock evaluation rather than framing choice is the dependent variable, we also include firm visibility as a control. For these models that use the complete set of firms, data for the *Handelsblatt* were available for the complete observation period, but data for the *Süddeutsche Zeitung*, *Frankfurter Allgemeine Zeitung*, and *Frankfurter Rundschau* were only available as of 1993 or later. When using visibility as a control rather than as a variable of interest, we therefore only use article counts from the *Handelsblatt*. This approach is preferable since, as discussed earlier, analyses of reliability and factor structure showed that data from all three tapped into the same construct, and using incomplete data from the other two sources would lead to selection bias from excluding almost a third of all firm-years in the original sample.

Previous research has indicated that the emergence of a shareholder value orientation among German firms has been contested, leading to an uneven outcome with considerable variation across firms (e.g. Fiss & Zajac, 2004; Jürgens et al., 2000). However, to account for the possible influence of an overall shift in the German business environment towards a shareholder value orientation, we control for the effect of time by using a year count variable. Finally, we control for possible industry differences by including dummy variables for the two-digit SIC codes, except when using fixed-effect models where such dummies are not necessary. Due to the large number of variables, coefficients for industry dummies are not reported in the tables.

Analysis

To examine the choice of acquiescence versus balancing framing, we estimate maximum-likelihood logistic regression models (Long 1997).[5] This analysis is restricted to those firms in the sample that do announce a move towards a shareholder value strategy, and where a framing of this change could thus be observed. Since we have data with repeated observations on firms, we estimate robust standard errors using the Huber/White sandwich estimator (White, 1980). To analyze the relationship between different frames and outcomes for shareholders, we use fixed-effects pooled time-series regression analysis (Allison, 1994; Johnson, 1995).[6] The fixed effects model is statistically equivalent to a change-score model and removes all between-firm differences, leaving only within-firm variation to be explained by the independent variables. The coefficients are thus not biased by any observed or unobserved unchanging firm differences. These features make the fixed effects model particularly suitable for situations such as ours where the main interest is in the effect of an intervention (frame choice) and the cases do not constitute a random sample of a population (Hsiao, 1985; Petersen, 1993). A Hausman test

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[5] In the interest of robustness, we also estimated Heckman selection models (Heckman 1979), using the model described by Fiss and Zajac (2004) for the prediction of shareholder value espousal as the selection equation. Given that these analyses did not indicate selection bias, a simple logit is more appropriate due to its greater robustness relative to the selection model (Manning, Duan, & Rogers, 1987).

[6] While previous studies of stock market reactions have tended to examine the difference between a firm's observed and expected returns during a specified observation window (Patell, 1976), this event study methodology appears inappropriate for the current situation for two reasons. First, event study methodology assumes that events of interest were unanticipated and provide the markets with new information not previously known (McWilliams and Siegel, 1997). However, the framing of strategic change is unlikely to satisfy this assumption, since this framing is most likely not a single, unanticipated event. Rather, management will provide information about a shift in the firm's orientation at various times, such as meetings with analysts, press releases etc. Such leakages render standard event study methodology problematic, and stock market reaction would not be expected to be as punctuated as with other events, such as the announcement of an impending merger or new CEO. We therefore use the total return in the year following the announcement of a shift towards shareholder value management as our dependent variable.

indicated that the fixed-effects model is the appropriate choice (chi-squared=119.01, d.f.=19, p<.001). To allow contrasting the effect of using either frame, these fixed effects analyses were conducted on all firms in the sample. Finally, all independent and control variables in our models were lagged by one year, with the exception of our structural change measures, since we are interested in the co-occurrence of framing and structural change.

RESULTS

Table 1 provides descriptive statistics and correlations between all variables in the smaller sample, while Table 2 provides the results for the logit models predicting the choice of acquiescence vs. balancing framing. The results lend support to the importance of stakeholder exposure for framing strategic change. Consistent with H1, the findings indicate that that our measure of media exposure is positively correlated with the use of a balancing framing.

Insert Tables 1 and 2 about here

We also find considerable support for the importance of stakeholder power. The results confirm significant coefficients for the level of government ownership (H2a) and ownership by domestic banks that themselves have used a balancing framing (H2c). For family ownership (H2b), the coefficient is significant and in the predicted direction in model 3, but drops below significance in the fully specified model. In sum, these findings indicate that stakeholder power strongly affects a firm's choice of framing the move towards a shareholder value strategy.

Regarding the implementation of structural changes, we find support for H3, which posited that firms actually implementing practices commensurate with a shareholder value approach are more likely to use a balancing framing, rather than an acquiescence framing. For

two of the three shareholder value practices, implementation was significantly associated with the use of balancing framing.

Table 3 provides descriptive statistics and correlations for all variables in the full sample, while Table 4 shows the results of our fixed-effects time-series analysis of how different frames affect shareholder outcomes. The results offer support of H4, which held that German firms using a balancing framing to justify their shareholder value orientation will experience higher stock evaluations, relative to those German firms offering an acquiescence framing experience.

Insert Tables 3 and 4 about here

DISCUSSION

We began by suggesting that strategic change in major corporations can be quite controversial with a firm's internal and external constituents, presenting the firm with the challenge of presenting and justifying significant strategic change to important constituents. We proposed that constituent sensemaking of such strategic changes can be significantly shaped by firms' efforts at constituent sensegiving via specific forms of language framing and decoupling. Specifically, we used extensive longitudinal data on contemporary German firms that have adopted a shareholder value orientation (a strategic change that remains controversial in Germany) to posit and test multiple predictions regarding: (1) the role of stakeholder exposure and stakeholder power as drivers of firms' choosing alternative forms of language framing (balancing vs. acquiescence); (2) the relationship between language frames and substantial change; and (3) the financial market consequences of a firm's choice of language frames. We find that firms tend to employ language frames that suggest sensitivity to the level of a firm's stakeholder exposure and stakeholder

power, that there is an interesting disconnect between framing and action, and that the balancing framing, with its emphasis on harmonizing the interests of shareholders and traditional German stakeholders, tends to be valued higher by German financial markets. The implications and relevance of our theoretical perspective and empirical findings are discussed below.

Theoretically, to understand better the process of sensegiving, we have employed the concept of framing from the social movements literature. As we have argued, this concept offers an attractive and theoretically mature basis for understanding how organizations aim to influence the interpretation of organizational actions by various audiences. At the same time, the concept of framing recognizes that the meaning of events may make for differing experiences of the 'same' data, since frames imply boundaries that reveal certain aspects while keeping others out of sight (Williams & Benford, 1996). A focus on the framing of organizational actions thus highlights the inherently strategic and political nature of meaning construction and presentation (Hensmans, 2003). Framing thus recognizes that there are frequently competing interpretations and ways of presenting organizational actions (Oliver, 1991). In line with these assumptions, our findings show that the framing of strategic change is strongly affected by structural determinants such as stakeholder exposure and dependence as organizations aim to negotiate constituent demands. Furthermore, the concept of sensegiving we employ here points to an inherent instability in the meaning of organizational actions (Gioia & Chittipeddi, 1991). While this instability opens up opportunities for meaning manipulation, our study also suggests that the eventual framing of actions is closer to a negotiated outcome, with the influence of different stakeholder groups carrying significant weight.

Our study also contributes to the literature on symbolic management and organizational decoupling. While a number of studies have established the role of decoupling announcement from implementation (e.g. Westphal & Zajac, 1994, 1998), we show in this study that decoupling

is not simply a binary choice (i.e., say vs. do), but can be more nuanced and may involve multiple ways of presenting and justifying organizational actions, with some justifications more likely than others to be decoupled from real changes. Our results suggest that some firms may utilize an acquiescence framing to substitute symbolic compliance for structural implementation, while other firms utilize a balancing framing to reduce potential controversy when implementing major structural changes. The theoretical perspective and research design of our study thus enable us to uncover an interestingly ironic situation, in which those firms fervently proclaiming their conformity to demands for strategic change are in fact less likely to actually implement structural changes, while those that do implement such changes may often feel compelled to downplay their conformity.

This finding also raises some intriguing questions regarding the sustainability of a symbolic management approach that substitutes surface compliance for actual implementation. While previous research indicates that investors may not necessarily devalue firms despite growing evidence of decoupling activities (Zajac & Westphal, 2004), a more subtle force towards reconciling external representation and internal workings may come from inside the firm. If there are continuing inconsistencies between the image projected by an organization and the way the members of the organization themselves see it, then such cognitive inconsistencies are likely to eventually precipitate corrective action (Dutton & Dukerich, 1991). As such, the time that an organization is able to “talk the talk” but not “walk the walk” may be limited not only because outsiders will enforce full compliance, but because this discrepancy may over time lead to an identity transformation on part of the insiders.

Our study likewise contributes to previous work on organizational impression management (e.g. Dutton & Dukerich, 1991; Elsbach, 1994; Elsbach & Sutton, 1992). While much of this prior research has used in-depth case studies to explore the effectiveness of

organizational accounts, the current study has taken a different approach by using a larger sample of organizations and quantitative methods to assess the factors that predict the use of different frames. While our approach thus explores a different facet of the impression management process, our findings reinforce some of the results of this prior qualitative research, such as the importance of "legitimated accounts" for corporate restructuring (Arndt & Bigelow, 2000) and that impression management tactics that connect to institutionalized characteristics tend to be more effective (Elsbach, 1994). Our findings highlight the fruitfulness of linking impression management and institutional theories (cf. Elsbach & Sutton, 1992).

An important task for future research would be to further examine the relationship between different forms of substantive and symbolic actions. Particularly regarding the subject of strategic change, we still have much to learn about the nature and effectiveness of proactive organizational actions vis-à-vis the environment (Rajagopalan & Spreitzer, 1996). For example, while we have shown how specific frames may substitute for implementation, future studies might examine under which conditions specific frames might instead be reinforced by the presence of commensurate actions, and what factors may make these different processes more or less effective. While prior research in symbolic management has tended to focus on either behavior or communications, we are only beginning to understand the interactions between both forms of organizational actions.

Future research might also continue to explore the framing of strategic change by connecting a large-scale sample approach with more qualitative, interpretive analysis of organizational communications. Such research could also explore alternative framing dimensions. For example, in presenting strategic change, an organization might take a heroic stance by portraying itself as a pioneer searching for new growth opportunities. Alternatively, an organization might perhaps take a mundane stance by portraying itself as pragmatically pursuing

"realpolitik."[7] An important step in this direction is the work of Meyer (2004b), who offers a detailed analysis of different interpretive frames in the public discourse over shareholder value management in Austria during the 1990s. By combining qualitative and quantitative analysis of frames across different groups of actors and time periods, such research would allow to embed organizational impression management activities within a larger discursive landscape.

Another promising avenue for future research would be to expand the study of stakeholder reactions to include new and different groups. Similar to previous studies (Westphal & Zajac, 1998; Zajac & Westphal, 2004), the present research has focused on the reaction of financial markets to framing choices. However, there are a number of other stakeholder groups whose reaction is also relevant to the firm, such as employees (where one observable reaction could be the incidence of labor strikes), debtors (credit ratings as reactions), government agencies (political commentary), customers (sales), or even boards of directors (CEO tenure and compensation). An important question would be how effective different frames are regarding these different audiences. Such research would allow us to gain a better understanding of how the embeddedness in different stakeholder communities not only affects frame choice and trade-offs (i.e., the antecedents of framing), but also frame effectiveness (i.e., the consequences of framing). Furthermore, a closer analysis of different stakeholder groups might also find that firms are not necessarily consistent in their communication to different audiences. By expanding the analysis to other and different channels of communication beyond the annual report, future research could also examine how firms may tailor the framing of their message in different media, such as press releases, "road shows" for the investor community, or speeches targeted at employees or activist groups. If there are inconsistent messages to different audiences, then firms

[7] We thank one of the anonymous reviewers for suggesting this line of inquiry.

may additionally face the task of explaining such inconsistencies, or may perhaps use anticipatory means of impression management to defuse criticism (cf. Elsbach et al., 1998).

We have shown that firms' efforts at constituent sensegiving via framing and decoupling is not a purely "American" phenomena and can be successfully studied in an international corporate context. In this way, we hope our study can also lay the groundwork for a theory of symbolic management that transcends national contexts. Such a theory would emphasize that frames are embedded in societal processes and that a comprehensive analysis of framing processes would benefit from considering the historical, cultural, and structural contexts that filter and shape the perceptions of organizational constituents. For example, our hypothesis that the German stock market today would generally favor a balancing framing over an acquiescence framing is context-specific, given Germany's history, culture, and business structure—we would not posit this relationship for the U.S. stock market.

However, the notion that stock markets react to firm's framing of strategic change is clearly not bounded by international borders. Future research might explore whether different domestic stock markets react differently to specific strategic changes (e.g., the move from a cost leadership position to a product leadership position) due to differences in the fit between such actions (and/or the framing accompanying such actions) and the dominant social values found in those countries. Of course, differences in stock market reaction to a similar corporate action can also be studied in a single country over time if one can identify when and how shifts in institutional logics would lead to a change in investor sentiments regarding that action (e.g., Zajac and Westphal, 2004).

Fundamentally, we believe that our study has highlighted the value of considering a symbolic management perspective to understand better the changing behaviors of firms and the consequences associated with such changes. We find the perspective useful because of its

simultaneous acceptance of two notions: (1) that the predictors and the outcomes associated with different language frames depend largely on frame resonance with the cultural and institutional environment (Diani, 1996; Kubal, 1998) *and* (2) that firms can provide sensegiving to relevant constituents via framing and decoupling to generate this needed resonance. Moreover, a symbolic management perspective allows for the possibility that firms' cultural and institutional environments are themselves open to change, and that the strategic actions of firms and other purposive actors often provide the impetus for such change. Thus, we hope that our study stimulates future strategy and organizational research not only on the sensegiving process for a given context, but also on the sensegiving process by which the context itself is constructed, maintained, and replaced.

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TABLE 1: Descriptive Statistics and Pearson Correlation Coefficients[a]

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Balancing frame	0.49	0.86									
2. Visibility	165.61	194.40	0.07								
3. Government ownership	0.25	0.69	-0.03	0.01							
4. Family ownership	0.64	1.13	0.11	-0.20	-0.20						
5. Bank ownership (balancing framing)	2.03	7.84	0.06	0.00	-0.03	-0.13					
6. Bank ownership (acquiescence framing)	1.40	5.11	0.12	-0.09	-0.10	-0.06	0.12				
7. Value-based accounting systems	0.33	0.47	0.26	0.26	-0.13	-0.03	0.23	0.03			
8. Stock options	0.29	0.45	0.14	0.23	-0.12	-0.08	-0.02	0.25	0.29		
9. International accounting standards	0.26	0.44	0.31	0.35	-0.18	0.00	-0.03	0.12	0.30	0.42	
10. Return on assets	3.87	4.19	0.21	0.00	-0.14	0.42	-0.04	-0.09	0.06	0.14	0.10
11. Total investment return	19.30	37.07	0.05	0.16	0.00	0.02	0.04	-0.11	0.00	0.07	-0.04
12. Debt / external market capitalization	0.05	0.23	-0.09	0.00	0.22	-0.10	-0.03	-0.04	-0.12	-0.07	0.05
13. Other firm ownership	0.62	1.12	-0.04	-0.26	0.02	-0.23	-0.02	-0.10	-0.24	-0.16	-0.15
14. Institutional investor ownership	0.68	0.90	0.04	-0.01	-0.10	-0.22	0.06	0.06	0.03	0.05	0.22
15. Log of market capitalization	8.17	1.60	0.13	0.66	0.12	-0.25	0.04	-0.03	0.32	0.29	0.42
16. Diversification	3.56	1.68	-0.13	0.07	0.01	-0.16	0.00	0.08	0.20	0.00	-0.08
17. Internationalization	43.75	26.69	0.16	0.11	-0.39	0.33	0.03	0.16	0.19	0.18	0.14
18. Union strength	69.89	20.47	0.03	0.05	-0.12	0.27	-0.24	-0.04	0.22	0.06	-0.08
19. Network centrality	23.45	18.60	-0.04	0.62	0.11	-0.44	0.05	0.09	0.33	0.14	0.24
20. Time	7.96	1.71	0.27	-0.03	-0.10	0.05	0.05	0.22	0.14	0.40	0.36

	10	11	12	13	14	15	16	17	18	19
11. Total investment return	0.28									
12. Debt / external market capitalization	-0.18	-0.02								
13. Other firm ownership	0.00	-0.04	-0.08							
14. Institutional investor ownership	-0.24	0.04	0.26	-0.30						
15. Log of market capitalization	0.13	0.32	0.00	-0.29	0.23					
16. Diversification	0.01	-0.08	-0.13	0.15	-0.21	0.00				
17. Internationalization	0.28	0.01	-0.17	-0.19	-0.12	0.02	0.03			
18. Union strength	0.43	0.00	-0.34	0.16	-0.62	-0.20	0.29	0.47		
19. Network centrality	-0.21	0.02	-0.06	-0.18	0.11	0.66	0.33	-0.01	-0.09	
20. Time	0.01	-0.05	0.09	0.04	0.13	-0.05	-0.07	0.12	0.01	-0.18

[a] n = 221 Correlations equal to or greater than .14 are significant at $p<.05$.

TABLE 2: Logit Models Predicting Use of a Balancing Frame[a]

Independent Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Visibility		0.003*						0.007***
		(0.002)						(0.002)
Government ownership			0.979**					1.753***
			(0.350)					(0.557)
Family ownership			0.641*					0.386
			(0.323)					(0.427)
Bank ownership (acquiescence frame)			0.029					0.009
			(0.042)					(0.042)
Bank ownership (balancing frame)			0.094*					0.169***
			(0.051)					(0.053)
Value-based accounting				1.528**			1.480**	2.106**
				(0.512)			(0.539)	(0.728)
Stock options					-0.243		-0.662	-1.573*
					(0.494)		(0.533)	(0.692)
International accounting standards						1.198*	1.228*	2.001**
						(0.577)	(0.567)	(0.685)
Return on assets	-0.001	0.009	-0.033	0.023	-0.004	-0.009	0.014	0.050
	(0.058)	(0.052)	(0.061)	(0.074)	(0.057)	(0.063)	(0.075)	(0.057)
Total return	0.004	0.005	0.006	0.006	0.004	0.007	0.009*	0.016**
	(0.004)	(0.005)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)
Debt / external market capitalization	0.320	0.489	-0.516	0.457	0.241	0.368	0.351	-1.008
	(0.638)	(0.669)	(0.732)	(0.654)	(0.617)	(0.701)	(0.701)	(0.714)
Other firm ownership	0.092	0.079	0.501	0.178	0.093	0.079	0.150	0.587
	(0.199)	(0.226)	(0.300)	(0.210)	(0.197)	(0.192)	(0.205)	(0.419)
Institutional investor ownership	-0.436	-0.481	0.080	-0.529	-0.427	-0.544	-0.629	-0.014
	(0.414)	(0.468)	(0.450)	(0.455)	(0.411)	(0.469)	(0.486)	(0.734)
Log of market capitalization	0.041	-0.199	0.122	-0.130	0.070	-0.091	-0.220	-0.760*
	(0.240)	(0.310)	(0.238)	(0.270)	(0.254)	(0.255)	(0.286)	(0.364)
Diversification	-0.267	-0.311	-0.236	-0.296	-0.272	-0.232	-0.268	-0.293
	(0.235)	(0.277)	(0.209)	(0.255)	(0.242)	(0.234)	(0.258)	(0.253)
Internationalization	0.018	0.018	0.027	0.016	0.018	0.014	0.016	0.038
	(0.014)	(0.014)	(0.015)	(0.015)	(0.013)	(0.014)	(0.015)	(0.020)
Union strength	-0.008	-0.027	0.016	-0.022	-0.005	-0.014	-0.024	-0.054
	(0.039)	(0.041)	(0.040)	(0.040)	(0.038)	(0.037)	(0.039)	(0.043)
Network Centrality	0.001	-0.008	0.006	-0.004	-0.001	-0.002	-0.004	-0.037
	(0.019)	(0.021)	(0.021)	(0.022)	(0.020)	(0.020)	(0.021)	(0.028)
Time	0.083	0.075	0.019	-0.007	0.118	-0.035	-0.035	-0.170

	(0.130)	(0.138)	(0.149)	(0.134)	(0.134)	(0.128)	(0.141)	(0.238)
Constant	-0.983	2.336	-5.177	1.964	-1.572	1.382	3.029	7.188
	(4.097)	(4.675)	(4.679)	(4.360)	(3.830)	(4.022)	(4.254)	(5.732)
Wald Chi-square	28.71	34.30	59.15	35.50	29.47	38.66	47.94	98.47
D.f.	19	20	23	20	20	20	22	27
Observations	240	223	240	238	238	238	238	221

[a] Robust standard errors in parentheses. All models also control for industry and year (dummy variables).
* $p \leq .05$; ** $p \leq .01$; *** $p \leq .001$; Significance tests are one-tailed for directional hypotheses and two tailed for control variables.

TABLE 3: Descriptive Statistics and Pearson Correlation Coefficients[a]

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Total investment return	10.57	34.59									
2. Acquiescence frame	0.12	0.33	0.10								
3. Balancing frame	0.13	0.49	0.07	-0.10							
4. Visibility	182.70	256.77	0.12	0.16	0.17						
5. Government ownership	0.24	0.74	0.04	-0.01	0.01	0.03					
6. Family ownership	0.62	1.16	0.00	-0.02	0.07	-0.10	-0.17				
7. Bank ownership (balancing frame)	0.37	2.91	0.05	0.15	0.23	0.07	0.00	-0.06			
8. Bank ownership (acquiescence frame)	0.41	2.81	-0.03	0.21	0.20	-0.02	-0.05	-0.03	0.27		
9. Value-based accounting systems	0.07	0.26	0.11	0.27	0.27	0.28	-0.06	-0.04	0.17	0.20	
10. Stock options	0.04	0.21	0.07	0.24	0.25	0.25	-0.04	-0.02	0.12	0.23	0.33
11. International accounting standards	0.05	0.22	0.07	0.13	0.33	0.34	-0.03	0.03	0.07	0.13	0.33
12. Debt / external market capitalization	0.09	0.64	-0.01	-0.01	-0.03	-0.03	0.04	-0.06	-0.01	-0.02	-0.04
13. Other firm ownership	1.08	1.47	-0.01	-0.11	-0.08	-0.27	-0.07	-0.30	-0.07	-0.08	-0.16
14. Institutional investor ownership	0.39	0.76	0.05	0.17	0.05	0.07	-0.04	-0.16	0.16	0.09	0.13
15. Log of market capitalization	7.53	1.31	0.28	0.21	0.20	0.67	0.12	-0.18	0.18	0.06	0.31
16. Diversification	3.27	1.57	-0.03	0.12	-0.01	0.18	-0.08	-0.03	0.01	0.08	0.16
17. Internationalization	34.95	27.41	0.02	0.08	0.17	0.20	-0.23	0.30	0.03	0.13	0.20
18. Union strength	72.93	17.26	-0.04	-0.07	0.00	-0.03	-0.07	0.18	-0.16	-0.04	0.07
19. Network centrality	20.44	16.53	0.05	0.10	0.03	0.58	0.03	-0.34	0.11	0.08	0.23
20. Time	5.37	2.80	0.14	0.38	0.30	0.15	-0.01	0.02	0.12	0.20	0.31

	10	11	12	13	14	15	16	17	18	19
11. International accounting standards	0.41									
12. Debt / external market capitalization	-0.02	0.00								
13. Other firm ownership	-0.11	-0.14	-0.09							
14. Institutional investor ownership	0.10	0.15	0.01	-0.24						
15. Log of market capitalization	0.26	0.31	-0.02	-0.25	0.27					
16. Diversification	0.00	0.01	-0.15	-0.05	-0.04	0.04				
17. Internationalization	0.16	0.10	-0.14	-0.30	-0.04	0.11	0.18			
18. Union strength	-0.02	-0.07	-0.27	0.18	-0.51	-0.22	0.21	0.41		
19. Network centrality	0.10	0.14	0.03	-0.16	0.26	0.65	0.23	0.11	-0.14	
20. Time	0.31	0.27	-0.02	-0.05	0.13	0.15	0.00	0.14	-0.01	-0.05

[a] n = 970 Correlations equal to or greater than .06 are significant at $p<.05$.

TABLE 4: Fixed-Effects Time-Series Regression Models Predicting Total Investment Returns[a]

Independent Variable	Model 1	Model 2
Acquiescence Frame		7.482
		(4.974)
Balancing Frame		5.295*
		(2.990)
Visibility	0.047*	0.048**
	(0.018)	(0.018)
Government ownership	3.460	4.010
	(3.728)	(3.742)
Family ownership	3.624	4.431
	(4.450)	(4.468)
Bank ownership (acquiescence frame)	0.688	0.490
	(0.517)	(0.528)
Bank ownership (balancing frame)	-0.926*	-1.146*
	(0.458)	(0.471)
Value-based accounting	17.454**	16.267**
	(6.006)	(6.028)
Stock options	-6.798	-8.379
	(7.055)	(7.109)
International accounting standards	-3.524	-4.346
	(6.975)	(7.091)
Debt / external market capitalization	0.984	0.525
	(7.092)	(7.089)
Other firm ownership	0.484	0.401
	(2.266)	(2.268)
Institutional investor ownership	-3.037	-4.679
	(4.297)	(4.419)
Log of market capitalization	-30.971***	-32.078***
	(3.255)	(3.303)
Diversification	-7.444	-6.710
	(16.378)	(16.368)
Internationalization	0.062	0.048
	(0.119)	(0.119)
Union Strength	-0.976*	-0.917
	(0.471)	(0.473)
Network Centrality	-0.273	-0.277
	(0.213)	(0.213)
Time	2.499***	2.156***
	(0.521)	(0.550)
Constant	319.143***	321.890***
	(68.476)	(68.449)
Observations	924	924

[a] Robust standard errors in parentheses. All models also control for industry and year (dummy variables). * $p \leq .05$; ** $p \leq .01$; *** $p \leq .001$; Significance tests are one-tailed for directional hypotheses and two tailed for control variables.
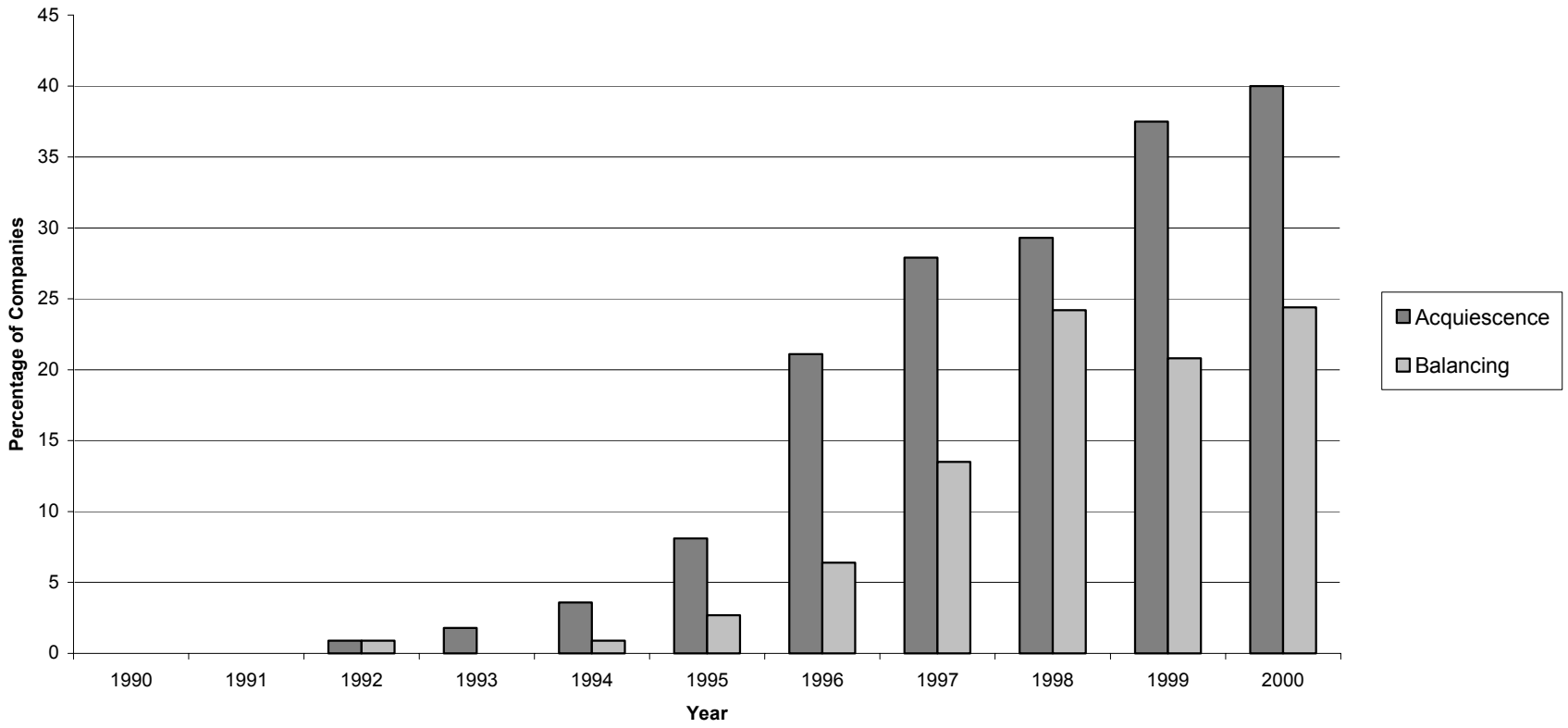
FIGURE 1: Use of Acquiescence and Balancing Framing in Annual Reports by the 112 Largest German Corporations, 1990 to 2000