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THE SYMBOLIC MANAGEMENT OF STRATEGIC CHANGE: SENSEGIVING VIA FRAMING AND DECOUPLING

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This study develops a symbolic management perspective on 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 and actual implementation of strategic change, and (3) realize positive market responses to institutionally appropriate frames 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 organizational reorientation (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: 364). 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. Smircich, 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.

Although most prior studies have highlighted the substantive importance of strategic change for organizational survival, the processes by which organizations aim to present such change to both internal and external constituents have rarely been studied. However, strategic change frequently involves symbolic struggles over the purpose and direction of an 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 an organization's constituents. Since strategic change generally involves the reordering of priorities and the disruption of estab-

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lished 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, in this study we connect to the recent framing perspective in the social movement literature, which emphasizes 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).

THEORETICAL BACKGROUND

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" their 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 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 these organizations is to affect 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 actors use 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, 2000). This use of framing encompasses 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, the concept of frame disputes "represents society and culture as contested terrain and depicts various social groups and movements as struggling for power" (1992: 58), suggesting that it would be fruitful to apply the concept of framing to organizational phenomena (e.g., Hensmans, 2003; McAdam & Scott, 2005).

For the literature on strategic change, the concept of framing thus provides an attractive approach for understanding the process of sensegiving, particularly when such change may be highly controversial. By framing strategic change and thereby articulating a specific 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 frame strategic change and what circumstances 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 organizational representations and, particularly, to 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 protect themselves 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 a 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 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 an organization's strategy. Prior research on symbolic management has pointed to the importance of decoupling in organizational settings—that is, situations where compliance with external expectations may be merely symbolic rather than substantive, leaving the original relations within an organization largely unchanged (e.g., Edelman, 1990, 1992; Westphal & Zajac, 1994, 1998, 2001). However, little is known about how decoupling may affect framing processes. It seems plausible that implementation and decoupling result in the use of different framing approaches, either to distract outside stakeholders from closer scrutiny or to appease stakeholders opposed to actual implementation. In the current study we thus examined 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 and how the phenomenon of sensegiving applies to both espoused and realized strategic change.

The Empirical Context: Shareholder Value Management among German Firms

The very recent shift toward a shareholder value orientation among German firms presents a particularly interesting case within which to study the framing of strategic change. Traditionally, the German business environment has been characterized by a view of corporations as coalitions between three equally legitimate stakeholder groups: management, employees, and shareholders. This view of corporations is reflected both in the system of codetermination (Bradley, Schipani, Sundaram, & Walsh, 1999) and in a managerial ideology that stresses long-term growth over high returns for shareholders. For these reasons, Germany has been frequently cited as the classic case of nonshareholder 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 toward 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*, 1997). Similarly, Ulrich Hartmann, CEO of VEBA, aggressively promoted a move toward a shareholder-centered strategy. These were major shifts in 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 shareholders above those of other constituents, represents a clear and highly controversial break with the traditional German stakeholder model of corporations and a major shift in firms' priorities. Furthermore, the considerable resistance to this policy change (Fiss & Zajac, 2004; Jürgens et al., 2000; Sanders & Tuschke, 2007) has highlighted 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 organizational constituents' most basic assumptions about the nature of the firm (Bartunek, 1984; Reger et al., 1994).[1] Although prior research has examined the factors causing a move toward a shareholder value orientation (e.g., Fiss & Zajac, 2004), the current study shifts the focus to the strategies used by firms to frame this consequential shift, as well as market reactions to such framing activity.

Two Framing Approaches: Acquiescence and Balancing

Strategic changes may be seen fundamentally either as a departure from the old (a substitution effect) or as an addition to the old (an addition effect). In framing a strategic shift toward shareholder value management, German firms utilized two different framing approaches that corresponded to these substitution and addition effects. Following Oliver's (1991) classification of strategic responses to institutional processes, one can categorize these frames as *acquiescence* and *balancing.*

Acquiescence. An acquiescence frame implies that an organization is consciously obedient to norms and institutional processes (Oliver, 1991).

[1] Our current study thus connects most closely to the cognitive perspective on strategic change, in which 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). The shift of German firms from their traditional stakeholder-sensitive policy toward a shareholder-oriented policy represents just such a shift in the content of strategy and has likewise been accompanied by changes in organizational structures, particularly incentive mechanisms and control systems, as well as larger environmental conditions (cf. Fiss & Zajac, 2004; Jürgens et al., 2000). We are not claiming to identify specific changes in product-market positioning, but that is of course not the only corporate change that would qualify as strategic.

Regarding a shareholder value orientation, use of this frame means a firm publicly expresses its acquiescence to the globally diffusing "standard" model of shareholder-oriented governance (Hansmann & Kraakman, 2001). Indeed, in using an acquiescence frame, the firm shows it is eager to demonstrate its compliance with a moral order that places the demands of shareholders first. For example, in 1995, the annual report of one firm, AGIV, proclaimed this: "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." The annual report of another firm, Metallgesellschaft, 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."

Balancing. However, not all corporations resorted to an acquiescence framing that indicated full compliance with a strategy of placing shareholders first. Instead, a number of firms deviated from the "standard" model by resorting to a balancing frame, seeking to accommodate the diverging interests of different constituents. For example, the 1997 reports by Lufthansa and VIAG explicitly speak about balancing the interests of 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.

> 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 customers.

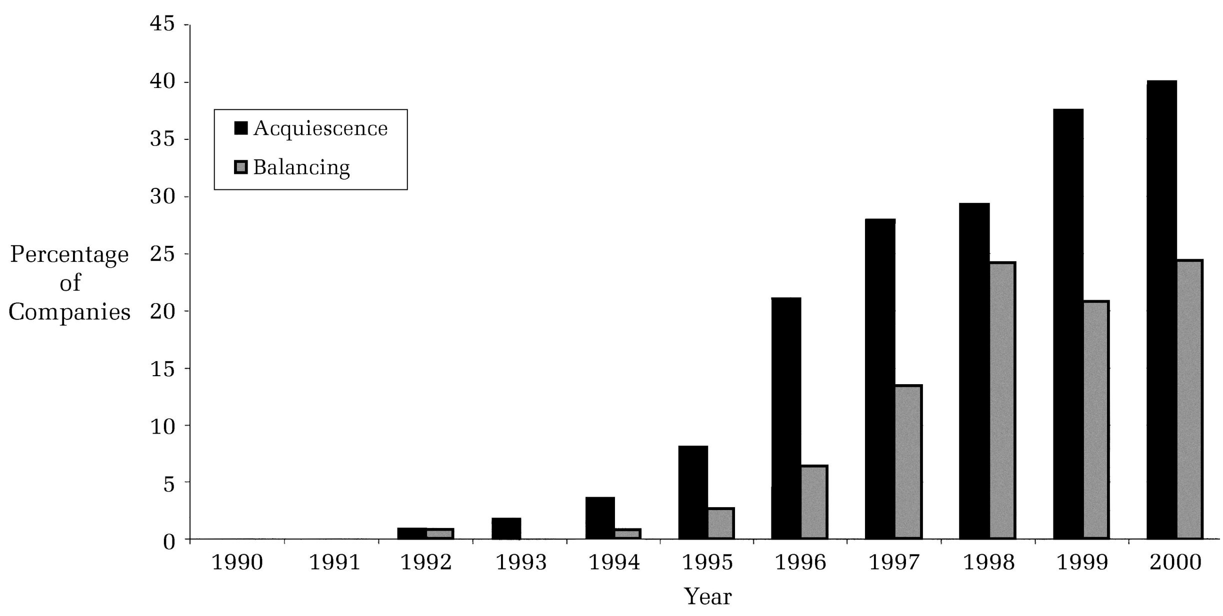
The same is true for the 1997 Bayer AG annual report, which stated that the company's managerial incentive plan involving stock options in fact "shows Bayer's success in achieving a balance between stockholder value, value management and employees' interests." Figure 1 provides an overview of the emergence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

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

FIGURE 1
Use of Acquiescence and Balancing Framing in Annual Reports by the 112 Largest German Corporations, 1990–2000



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 argument suggests that firms with differing levels of visibility are likely to frame strategic change in different ways. Visibility can be measured indirectly, for example as firm size (e.g., Pollock, Fisher, & Wade 2002); however, a more direct indicator of visibility is the number of times a firm is mentioned in mainstream media such as newspapers (Meznar & 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. Thus, regarding a strategic shift toward a shareholder value orientation, 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 it 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 a corporation and what their interests are in impelling or impeding a contested policy.

Ultimate power over a corporate 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 primarily examined the power and interests of 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 they 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 toward a shareholder value orientation. Furthermore, the interests of these owners are likely to be more complex than those of the standard public shareholder, suggesting these owners may be more likely to favor framing in which compromise and balancing interests are emphasized.

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 United States–style management among German firms. For example, then German chancellor Gerhard Schröder has been quoted as saying that recent corporate governance scandals in the United States are attributable to managements' 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 governmental 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 long associations with the firms they founded (Kang & Sørensen, 1999), making them more likely to subscribe to the traditional view of firm governance, which stresses long-term capital investment, survival of the firm, and the intention of passing the firm on to descendents (e.g., Casson, 1999). These emphases suggest that family owners should prefer a balancing framing of shareholder value management, a framing that is more in accordance with the local business environment.

[2] In addition to these three focal groups, Fiss and Zajac (2004) mentioned nonfinancial firms as a fourth ownership group of interest. Although data limitations prevented us from testing more specific hypotheses about this ownership group, we do control such firm ownership in our analyses.

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 followed a model of "patient capital" in which shareholding was as a long-term investment rather than an 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 toward a shareholder value orientation (Fiss & Zajac, 2004). In announcing this shift, these banks themselves also relied on an acquiescence or a balancing framing. We therefore expect that banks will use their ownership influence to likewise affect the framing of this strategic change in firms in which 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 the extent of a firm's ownership by German federal or state government, the more likely the firm will espouse a shareholder value orientation using a balancing framing.

Hypothesis 2b. The higher the extent of a firm's ownership by German families, the more likely the firm will espouse a shareholder value orientation using a balancing framing.

Hypothesis 2c. The higher the extent of a firm's ownership by German banks that have themselves espoused a shareholder value orientation using a balancing framing, the more likely the 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 a new strategy. One way to view this relationship is that acquiescence to demands for shareholder value management will be accompanied by structural changes that are consistent with such a strategy. Similarly, the absence of structural implementation and implied hesitation to make changes should be accompanied by a balancing framing. This view would suggest consistency between framing and implementation on the part of a firm.

However, a number of studies taking a symbolic management perspective have argued that symbolic adoption (i.e., adoption in name only) is a mechanism by which organizational legitimacy is enhanced while internal power relations are left largely unchanged. For example, in their study of long-term incentive plan adoption, Westphal and Zajac (1994) found that public announcement of adoption was frequently decoupled from actual implementation. Likewise, the announcement of stock repurchasing programs was often decoupled from their actual implementation (Westphal & Zajac, 2001). In these studies, legitimacy was achieved not through actual compliance but rather, by actions that appeared to reveal compliance but in fact concealed 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 reorientation 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, the present context also suggests that German corporations that actually implement significant structural changes favoring shareholders may also be motivated to use a language frame (i.e., a balancing frame) that will "soften the blow" and fend off stakeholder criticisms. 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 an organization. In this study, we examined the effect of frame choice on the evaluation of a 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). According to the sociological perspective on financial markets proposed in these studies, 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 a firm's framing of strategic change is in line with the institutional context. Although shareholder-centered strategy originated in an institutional context very different from the setting that was studied here, it seems likely that as a guide for firm actions the shareholder-centered strategy 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 toward 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 be rewarded with higher stock evaluations.

METHODS

For this study's sample, we determined the 100 largest publicly traded German companies in 1990 in terms of sales and market capitalization. Overlap between the list based on sales and the list based on capitalization resulted in a sample of 123 companies, with complete data available for 112 companies. These firms, which represent a variety of industries, included most of the corporate leaders of Germany and accounted for more than 80 percent of the total capitalization of the German stock market in 1990. The observation period began in 1990 and ended in 2000.

Measures

Dependent variables. The current study employed two dependent variables: the framing of strategic change toward shareholder value and actual returns to shareholders. Data on the firms' choice of an acquiescence or a balancing framing came 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 has suggested 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 followed the procedure for frame analysis described by Benford (1993) and was conducted in three stages. During the first stage, two independent coders read each annual report and coded for statements indicating a 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 was specifically in the framing of a move toward a shareholder value approach, and we therefore only considered statements from annual reports if they explicitly related 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.

Using 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. To represent an *acquiescence* frame, a statement had to indicate the reporting organization's explicit espousal of a shareholder value orientation without qualification or alteration. An example of this frame comes from the 1998 annual report of the firm Brau und Brunnen AG: "The business policy of Braun und Brunnen AG is marked by a focus on core competencies and . . . the recasting toward and alignment with the principles of shareholder value" (our translation). The same frame is evident in the 1995 annual report of VEBA AG: "The groupwide 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."

In contrast, a *balancing* frame was indicated if a firm's annual report stated that it adhered to shareholder value management but qualified this statement by simultaneously affirming the legitimacy of the claims of other stakeholder groups. An example of this is provided in the Daimler Benz AG 1996 annual report, 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.

The same balancing frame is evident in Bewag AG's 1996 discussion of its strategy: "Bewag avows value-oriented company leadership. . . . However, we will 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" (our translation).

In the third stage, we provided these descriptions of acquiescence and balancing frames to the two coders, who then independently classified each statement as indicating either an acquiescence or a balancing framing. The coding scheme contained very little ambiguity, and intercoder reliability for frame choice was high (Cohen's κ = .90). Any disagreements were resolved through discussion between the coders.

Finally, to assess the consequences of strategic changes in terms of shareholder value, we used total stock market returns (defined as capital gains plus dividends), one of the most widely used measures of firm performance regarding shareholder interests.[3] We also used total market returns because the strategic change studied here was communicated via annual reports, rather than via single press releases tied to particular days. In other words, it was appropriate to treat evidence of strategic change toward shareholder value and its consequences differently from one-day announcements, such as those concerning CEO succession, and their same- or next-day market reaction consequences.

Independent variables. We measured firm *visibility* using the total number of German news 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 relatively left-liberal orientation; 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 (α = .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 cross-checked with data from *Wer gehört zu wem?*, a directory of German firms published triennially by the Commerzbank AG. We followed prior research (Elston & Goldberg, 1999; Fiss & Zajac, 2004) in establishing mutually exclusive categories of blockholders whose influence was measured on a scale ranging from 0 to 4. The coding was tied to substantively significant thresholds: 5 percent is the level of holdings at which owners have to disclose their identity and blockholding, and this level of ownership provides minimal minority protection; 25 percent (a blocking minority) gives veto powers on a number of governance issues; 50 percent represents a controlling majority; and 75 percent or more ownership constitutes a supermajority with extensive rights in terms of corporate control and supervisory board elections.

To measure *structural change*, we used three different governance practices: (1) value-based management control systems, (2) stock option plans for company management, and (3) internationally accepted accounting standards. All of these practices

[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 are distributed to shareholders—and less control over share prices, since these are more strongly affected by market forces and outsider expectations. Although, according to the dividend irrelevance theory of efficient markets, shareholders should be indifferent to whether returns are realized through dividends or capital gains, we agree with the view of more behaviorally oriented works in financial economics that this theory is based on unrealistic assumptions (e.g., Hirshleifer, 2001; Shleifer, 2000). We therefore also assessed models that controlled for a firm's dividends; results were essentially unaffected.

can be seen as demonstrating credible commitment to a shareholder value orientation.

Value-based management control systems, an important way in which shareholder value management is implemented, are often linked to profitability goals specified by division or activity (Jürgens et al., 2000). They represent a "financialization" of management in that performance evaluation is explicitly tied to the interests of shareholders.

Value-based management systems are frequently coupled with stock incentive plans for managers. These plans are generally considered a powerful tool for aligning the interests of management with those of a firm's owners and for implementing a shareholder value approach (e.g., Meyers, 1981).

Our third measure of structural change was the adoption of international accounting standards such as U.S. generally accepted accounting principles (US-GAAP) or international accounting standards (IAS). For years, international analysts have criticized German corporations for not being investor friendly, since German accounting rules easily allow firms to hide large cash reserves or improve their balance sheets. The adoption of internationally accepted 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 we cross-checked the data 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 controlled for prior performance using an accounting-based variable and a market- based variable; these were return on assets (ROA) and total returns, respectively. We omitted these performance measures from models in which total investment returns was the dependent variable.

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 therefore controlled 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 controlled for diversification using the number of four-digit SIC industries in which a firm operated, and we controlled for internationalization using the ratio of foreign sales to total sales (Sullivan, 1994).

Since ownership effects may differ to the extent that a firm uses external finance, we controlled for reliance on the stock market for financing using a 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 United States has been linked to ownership by institutional investors and the diffusion of share ownership (e.g., Hansmann & Kraakman, 2001; Useem, 1993). We therefore controlled for blockholdings by foreign banks, foreign and domestic insurance firms, and other widely held financial institutions, such as investment and pension funds (cf. Gorton & Schmid, 2000), and for the percentage of shares dispersed. We likewise controlled 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 effects of different bank owner interests, we additionally controlled for the ownership level of banks that have used a balancing rather than an acquiescence framing.

A strategic change toward a shareholder-oriented policy is likely to meet resistance from other stakeholder groups, such as a firm's employees. Employee unions have been vocal opponents of shareholder value management in Germany, and their influence might therefore also affect how a firm presents such a new policy. However, unions have at times also sided with shareholders in calling for greater transparency in accounting standards and for tying managerial compensation more closely to performance (Höpner, 2001). We therefore controlled 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 councils are the principal employee representation body. They are legally mandated and nearly universal in firms with 500 workers or more (Addison, Bellmann, Schnabel, & Wagner, 2004). Works councilors are elected by a firm's employees and hold considerable information, consultation, and codetermination rights regarding firm policy; 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 came from the Institut der Deutschen Wirtschaft in 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 & Burt, 1983). We therefore controlled 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 a 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 included members of both a firm's management and supervisory boards in our analysis, as members of the management board often sit on the supervisory boards of other companies.[5]

Since framing activity may apply to both realized and unrealized changes, we controlled for firms that fully decoupled by including in our analyses a dummy variable coded 1 if a firm had not implemented any of the three practices in any given year.[6] For models in which stock evaluation rather than framing choice was the dependent variable, we also included firm visibility as a control. For models that used 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 used article counts from the *Handelsblatt*. This approach was preferable because reliability and factor analyses determined that data from all three tapped the same construct, and using incomplete data from the other two sources would have led 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 toward a shareholder value orientation, we controlled for the effect of time by using a year count variable. Finally, we controlled for possible industry differences by including dummy variables for two-digit SIC codes, except when using fixed-effects models in which such dummies were not necessary. Owing 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 estimated maximum-likelihood logistic regression models (Long, 1997).[7] This analysis was restricted to those firms in the sample that announced moves toward a shareholder value strategy and whose framing of this change could thus be observed. Since we had data with repeated observations on firms, we estimated robust standard errors using the Huber-White sandwich estimator (White, 1980).

To analyze the relationship between different frames and outcomes for shareholders, we used fixed-effects pooled time series regression analysis (Allison, 1994; Johnson, 1995).[8] A 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

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

[5] In the German two-tiered governance system, the management board is responsible for running an enterprise, and the supervisory board appoints and oversees the management board.

[6] Conversely, we found essentially no evidence of implementation without framing among firms in our sample.

[7] In the interests 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. However, these analyses led to substantially identical results.

[8] Although 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 appeared inappropriate here for two reasons. First, an assumption of event study methodology is that events of interest are unanticipated and provide the markets with information not previously known (McWilliams & 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 a firm's orientation through various means, such as meetings with analysts, press releases, etc. Such leakage rendered use of 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 used the total return in the year following the announcement of a shift toward shareholder value management as our dependent variable.

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 indicated that the fixed-effects model was the appropriate choice ($\chi^2 = 148.56$, $df = 21$, $p < .001$). To allow contrasting the effects of one or the other frame, we conducted these fixed-effects analyses on all firms in the sample. The fixed-effects models thus focus on the unique effect of choosing a frame while controlling for implementation and between-firm differences. Finally, all independent and control variables in our models were lagged by one year, with the exception of our structural change measures in models predicting frame choice, since we were 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, and Table 2 provides the results for the logit models predicting the choice of acquiescence or balancing framing. The results support the view that stakeholder exposure is important for framing strategic change. Consistently with Hypothesis 1, the findings indicate that that our measure of media exposure is positively correlated with the use of balancing framing.

We also find considerable support for the importance of stakeholder power. The results confirm significant coefficients for the level of government ownership (Hypothesis 2a) and ownership by domestic banks that themselves have used a balancing framing (Hypothesis 2c). For family ownership (Hypothesis 2b), 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 a move toward a shareholder value strategy.

Regarding the implementation of structural changes, we find support for Hypothesis 3, which posits 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, and Table 4 shows the results of our fixed-effects time series analysis of how the use of different frames affects shareholder outcomes while simultaneously controlling for the implementation of commensurate practices. The results offer support for Hypothesis 4, which holds that German firms using a balancing framing to justify their shareholder value orientation will experience significantly higher stock evaluations. Not surprisingly, both framing coefficients are positive, but only the coefficient for a balancing framing is significant. We found no significant effect for German firms offering an acquiescence framing of their strategic change.

Regarding the control variables, the adoption of value-based accounting methods has a large, positive effect on changes in investment return, indicating financial markets reacted positively to the adoption of this practice. On the other hand, the use of stock option plans and international accounting standards was not associated with a change in total returns. It would be helpful to have more detailed data on stock option plans to further examine this finding, but such data are unfortunately not available in the German context. Finally, the models show a significant, negative correlation between the log of market capitalization and total returns. A possible explanation for this finding is the substantial number of German firms with large market capitalization and low sales (particularly utility firms) that are marked by fairly stable share prices and stable but modest dividend payments.

DISCUSSION

We began by suggesting that strategic change in major corporations can be quite controversial with a firm's internal and external constituents, confronting 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 roles 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 found that firms tended to employ language frames that suggested sensitivity to the level of a firm's stakeholder exposure and stakeholder power; that an interesting disconnect between framing and action existed; and that a balancing framing, with

TABLE 1
Descriptive Statistics and Pearson Correlation Coefficients[a]

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1. Balancing frame	0.49	0.86																					
2. Visibility	165.61	194.40	.07																				
3. Government ownership	0.25	0.69	−.03	.01																			
4. Family ownership	0.64	1.13	.11	−.20	−.20																		
5. Bank ownership: Acquiescence framing	0.12	0.41	.07	.00	.03	−.15																	
6. Bank ownership: Balancing framing	0.10	0.35	.12	−.09	−.10	−.06	.13																
7. Value-based accounting systems	0.33	0.47	.26	.26	−.13	−.03	.18	.02															
8. Stock options	0.29	0.45	.14	.23	−.12	−.08	−.01	.21	.29														
9. International accounting standards	0.26	0.44	.31	.35	−.18	.00	−.04	.08	.30	.42													
10. Return on assets	3.87	4.19	.21	.00	−.14	.42	−.08	−.09	.06	.14	.10												
11. Total investment return	19.30	37.07	.05	.16	.00	.02	.06	−.12	.00	.07	−.04	.28											
12. Debt/external market capitalization	0.05	0.23	−.09	.00	.22	−.10	−.02	−.04	−.12	−.07	.05	−.18	−.02										
13. Other firm ownership	0.62	1.12	−.04	−.26	.02	−.23	−.05	−.09	−.24	−.16	−.15	.00	−.04	−.08									
14. Institutional investor ownership	0.68	0.90	.04	−.01	−.10	−.22	.10	.07	.03	.05	.22	−.24	.04	.26	−.30								
15. Percentage of shares dispersed	55.70	26.31	−.03	.52	−.21	−.27	−.11	−.04	.34	.24	.14	−.02	.03	−.17	−.48	−.13							
16. Log of market capitalization	8.17	1.60	.13	.66	.12	−.25	.10	−.05	.32	.29	.42	.13	.32	.00	−.29	.23	.38						
17. Diversification	3.56	1.68	−.13	.07	.01	−.16	.01	.09	.20	.00	−.08	.01	−.08	−.13	.15	−.21	.11	.00					
18. Internationalization	43.75	26.69	.16	.11	−.39	.33	.01	.14	.19	.18	.14	.28	.01	−.17	−.19	−.12	.21	.02	.03				
19. No implementation	0.49	0.50	−.22	−.33	.19	.08	−.10	−.20	−.68	−.62	−.58	−.15	−.01	.04	.20	−.10	−.30	−.38	−.10	−.26			
20. Union strength	69.89	20.47	.03	.05	−.12	.27	−.28	−.05	.22	.06	−.08	.43	.00	−.34	.16	−.62	.17	−.20	.29	.47	−.11		
21. Network centrality	23.45	18.60	−.04	.62	.11	−.44	.10	.06	.33	.14	.24	−.21	.02	−.06	−.18	.11	.45	.66	.33	−.01	−.29	−.09	
22. Time	7.96	1.71	.27	−.03	−.10	.05	.05	.20	.14	.40	.36	.01	−.05	.09	.04	.13	−.15	−.05	−.07	.12	−.40	.01	−.18

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

TABLE 2
Results of Logit Regression Analysis Predicting Use of a Balancing Frame[a]

Independent Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Visibility		0.00** (0.00)						0.01*** (0.00)
Government ownership			0.08* (0.45)					1.20* (0.69)
Family ownership			0.44 (0.45)					−0.19 (0.54)
Bank ownership: Acquiescence frame			0.25 (0.54)					0.06 (0.52)
Bank ownership: Balancing frame			1.37* (0.80)					2.59** (0.92)
Value-based accounting systems				2.00** (0.66)			2.15** (0.72)	3.07*** (0.74)
Stock options					−0.50 (0.66)		−0.24* (0.66)	−1.42 (0.81)
International accounting standards						1.28* (0.62)	1.60* (0.69)	2.43*** (0.77)
Return on assets	−0.04 (0.07)	−0.03 (0.06)	−0.04 (0.07)	−0.01 (0.08)	−0.05 (0.06)	−0.05 (0.07)	−0.01 (0.08)	0.06 (0.06)
Total investment return	0.01 (0.00)	0.01 (0.01)	0.01 (0.00)	0.01 (0.00)	0.01 (0.00)	0.01 (0.01)	0.01* (0.01)	0.02** (0.01)
Debt/external market capitalization	−0.55 (0.73)	−0.50 (0.75)	−0.68 (0.80)	−0.58 (0.74)	−0.72 (0.71)	−0.56 (0.73)	−0.54 (0.74)	−1.61* (0.82)
Other firm ownership	−0.21 (0.21)	−0.26 (0.24)	0.26 (0.45)	−0.11 (0.23)	−0.23 (0.21)	−0.25 (0.21)	−0.15 (0.23)	0.01 (0.61)
Institutional investor ownership	−0.63 (0.41)	−0.64 (0.47)	−0.15 (0.55)	−0.68 (0.42)	−0.62 (0.40)	−0.71 (0.46)	−0.78 (0.47)	−0.58 (0.81)
Percentage of shares dispersed	−0.04** (0.02)	−0.05* (0.02)	−0.02 (0.02)	−0.04** (0.02)	−0.04** (0.02)	−0.04** (0.02)	−0.04 (0.02)	−0.04 (0.03)
Market capitalization[b]	0.12 (0.24)	−0.18 (0.30)	0.11 (0.25)	0.04 (0.25)	0.14 (0.24)	0.04 (0.26)	−0.09 (0.27)	−0.71 (0.37)
Diversification	−0.26 (0.23)	−0.29 (0.28)	−0.25 (0.21)	−0.32 (0.25)	−0.27 (0.25)	−0.23 (0.22)	−0.27 (0.27)	−0.41 (0.26)
Internationalization	0.02 (0.01)	0.02 (0.01)	0.03 (0.02)	0.03 (0.01)	0.02 (0.01)	0.02 (0.01)	0.02 (0.01)	0.04* (0.02)
No implementation	−0.50 (0.50)	−0.56 (0.55)	−0.49 (0.56)	0.70 (0.62)	−0.70 (0.60)	−0.07 (0.57)	1.11 (0.82)	1.45 (0.99)
Union strength	0.02 (0.04)	−0.00 (0.04)	0.02 (0.04)	0.01 (0.04)	0.02 (0.04)	0.01 (0.04)	−0.00 (0.04)	−0.05 (0.05)
Network centrality	0.01 (0.02)	0.00 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	−0.03 (0.03)
Time	0.00 (0.16)	−0.01 (0.18)	−0.05 (0.18)	0.04 (0.16)	0.04 (0.16)	−0.06 (0.15)	−0.04 (0.16)	−0.07 (0.25)
Constant	−0.39 (4.20)	3.30 (5.13)	−3.07 (4.89)	−0.72 (4.29)	−0.76 (4.21)	0.57 (4.02)	1.03 (4.28)	7.31 (5.82)
Wald χ^2	45.95	52.03	62.82	54.14	45.17	59.66	73.31	129.44
df	21	22	25	22	22	22	24	29
n	240	223	240	238	238	238	238	221

[a] Robust standard errors are in parentheses. All models include dummy variables controlling for industry. Significance tests are one-tailed for directional hypotheses and two-tailed for control variables.

[b] Logarithm.

* $p \leq .05$

** $p \leq .01$

*** $p \leq .001$

TABLE 3
Descriptive Statistics and Pearson Correlation Coefficients[a]

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1. Total investment return	10.57	34.59																					
2. Acquiescence frame	0.12	0.33	.10																				
3. Balancing frame	0.13	0.49	.07	−.10																			
4. Visibility	182.70	256.77	.12	.16	.17																		
5. Government ownership	0.24	0.74	.04	−.01	.01	.03																	
6. Family ownership	0.62	1.16	.00	−.02	.07	−.10	−.17																
7. Bank ownership, acquiescence frame	0.03	0.19	.06	.18	.21	.06	.03	−.06															
8. Bank ownership, balancing frame	0.03	0.19	−.04	.21	.20	−.02	−.05	−.03	.26														
9. Value-based accounting systems	0.07	0.26	.11	.27	.27	.28	−.06	−.04	.15	.15													
10. Stock options	0.04	0.21	.07	.24	.25	.25	−.04	−.02	.10	.20	.33												
11. International accounting standards	0.05	0.22	.07	.13	.33	.34	−.03	.03	.04	.11	.33	.41											
12. Debt/external market capitalization	0.09	0.64	−.01	−.01	−.03	−.03	.04	−.06	−.01	−.02	−.04	−.02	.00										
13. Other firm ownership	1.08	1.47	−.01	−.11	−.08	−.27	−.07	−.30	−.08	−.08	−.16	−.11	−.14	−.09									
14. International investor ownership	0.39	0.76	.05	.17	.05	.07	−.04	−.16	.15	.10	.13	.10	.15	.01	−.24								
15. Percentage of shares dispersed	42.79	28.62	.01	.21	.10	.50	−.11	−.08	.02	.05	.30	.17	.14	−.14	−.45	.01							
16. Market capitalization[b]	7.53	1.31	.28	.21	.20	.67	.12	−.18	.18	.04	.31	.26	.31	−.02	−.25	.27	.35						
17. Diversification	3.28	1.57	−.04	.12	−.01	.18	−.08	−.03	.03	.08	.16	.00	.01	−.15	−.05	−.04	.24	.04					
18. Internationalization	34.95	27.41	.02	.08	.17	.20	−.23	.30	.03	.12	.20	.16	.10	−.14	−.30	−.04	.38	.11	.18				
19. No implementation	0.13	0.33	.09	.32	.13	−.02	.06	.05	.11	−.01	−.09	−.08	−.09	−.02	−.05	.08	.06	.01	.04	.03			
20. Union strength	72.93	17.26	−.04	−.07	.00	−.03	−.07	−.18	.19	−.05	.07	−.02	−.07	−.27	.18	−.51	−.01	−.22	.21	.41	−.10		
21. Network centrality	20.44	16.53	.05	.10	.03	.58	.03	−.34	.12	.06	.23	.10	.14	.03	−.16	.26	.38	.65	.23	.11	−.05	−.14	
22. Time	5.37	2.80	.14	.38	.30	.15	−.01	.02	.13	.19	.31	.31	.27	−.02	−.05	.13	.02	.15	.00	.14	.26	−.01	−.05

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

TABLE 4
Results of Fixed-Effects Time Series Regression Analyses for Total Investment Returns[a]

Independent Variable	Model 1		Model 2	
Acquiescence frame			6.49	(5.04)
Balancing frame			5.20*	(3.01)
Visibility	0.05**	(0.02)	0.05**	(0.02)
Government ownership	0.72	(3.82)	1.18	(3.83)
Family ownership	−1.06	(4.69)	−0.40	(4.70)
Bank ownership, acquiescence frame	10.20	(7.21)	7.63	(7.38)
Bank ownership, balancing frame	−13.59*	(6.51)	−16.82*	(6.75)
Value-based accounting systems	20.27**	(6.02)	18.78**	(6.07)
Stock options	−3.65	(7.05)	−5.23	(7.12)
International accounting standards	−2.51	(6.96)	−3.75	(7.07)
Debt/external market capitalization	−0.86	(7.06)	−1.30	(7.06)
Other firm ownership	−2.53	(2.51)	−2.71	(2.51)
Institutional investor ownership	−7.61	(4.52)	−9.08	(4.64)
Percentage of shares dispersed	−0.41**	(0.14)	−0.43**	(0.14)
Market capitalization[b]	−32.41***	(3.25)	−33.40***	(3.30)
Diversification	1.43	(11.88)	1.59	(11.87)
Internationalization	0.08	(0.12)	0.07	(0.12)
No implementation	8.83*	(4.01)	7.63	(4.07)
Union strength	−1.00*	(0.47)	−0.94*	(0.47)
Network centrality	−0.77	(0.21)	−0.37	(0.21)
Time	2.13***	(0.54)	1.87***	(0.56)
Constant	331.11***	(57.09)	335.20***	(57.17)
Observations	924		924	

[a] Robust standard errors are in parentheses. Significance tests are one-tailed for directional hypotheses and two-tailed for control variables.
[b] Logarithm.
* $p < .05$
** $p < .01$
*** $p < .001$

its emphasis on harmonizing the interests of shareholders and traditional German stakeholders, tended to be valued higher by German financial markets, even when we controlled for the implementation of commensurate shareholder value practices. The implications and relevance of our theoretical perspective and empirical findings are discussed below.

To better understand the process of sensegiving, we 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 implies 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, 2000). A focus on the framing of organizational actions thus highlights the inherently strategic and political nature of meaning construction and presentation (Hensmans, 2003). Framing implies that there are frequently competing interpretations and ways of presenting organizational actions (Oliver, 1991). In line with these assumptions, our findings show that structural determinants, such as stakeholder exposure and dependence, strongly affect the framing of strategic change as organizations try 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). Although 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 literatures on symbolic management and organizational decoupling. A number of studies have established the role of decoupling announcement from implementation (e.g., Westphal & Zajac, 1994, 1998), yet 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 use an acquiescence framing to substitute symbolic compliance for structural implementation, and other firms may use a balancing framing to "soften the blow" when implementing major structural changes. The theoretical perspective and research design of our study thus enabled us to uncover an interestingly ironic situation: those organizations that fervently proclaim their conformity to demands for strategic change are in fact less likely to be the ones that 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. Although previous research indicates that investors may not necessarily devalue firms that exhibit growing evidence of decoupling activities (Zajac & Westphal, 2004), a more subtle force toward reconciling external representation and internal workings may come from inside such firms. If the image projected by an organization and the way the members of the organization themselves see it are persistently inconsistent, these cognitive inconsistencies are likely to eventually precipitate corrective action (Dutton & Dukerich, 1991). Thus, the amount of 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 also because insiders will experience an identity transformation. Such a view also finds support in theoretical arguments that organizational identity is dynamic and unstable, emerging from a negotiated process that is particularly influenced by insider perceptions of outsider impressions (Gioia, Schultz, & Corley, 2000).

Our study likewise contributes to previous work on organizational impression management (e.g., Dutton & Dukerich, 1991; Elsbach, 1994; Elsbach & Sutton, 1992). Much of this prior research has used in-depth case studies to explore the effectiveness of organizational accounts; in the current study we took a different approach by using a larger sample of organizations and quantitative methods to assess the factors that predict the use of different frames. Although 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 the view 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).

Our study also has implications for the literature on corporate governance, particularly regarding the adoption of governance practices such as stock options and accounting standards (e.g., Fiss & Zajac, 2004; Sanders & Tuschke, 2007; Tuschke & Sanders, 2003). Our analyses indicated a strongly positive market reaction to the implementation of value-based accounting systems, yet we observed no such effect for the adoption of stock options or internationally accepted accounting standards. That stock options were an inconsistent predictor of framing suggests that such plans may themselves be ambiguous in terms of how they are perceived by organizational constituents, a phenomenon that is also currently apparent in the United States, as firms have to some extent begun to move away from using executive stock options. Regarding accounting standards, a possible explanation for the absence of a positive market reaction to the adoption of such standards in Germany is that the market perhaps does not perceive these governance changes to be effective devices for controlling and monitoring managerial actions. However, more research would be needed to more clearly determine whether this is indeed the case.

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, researchers still have much to learn about the nature and effectiveness of proactive organizational actions vis-à-vis their environments (Rajagopalan & Spreitzer, 1996). For example, although 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. Prior research in symbolic management has tended to focus on either behavior or communications, and though this study has examined symbolic management practices as they relate to both espoused and realized change, scholars are still 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."[9] An important step in this direction is the work of Meyer (2004b), who offered 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 embedding 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. As have previous studies (Westphal & Zajac, 1998; Zajac & Westphal, 2004), the present research focused on the reaction of financial markets to framing choices. However, a number of other stakeholder groups' reactions are also relevant to firms, such as employees (one observable reaction could be the incidence of labor strikes), debtors (credit ratings as reactions), government agencies (political commentary or hearings), customers (sales), and 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 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 demonstrate that firms are not necessarily consistent in their communication to different audiences. By expanding the analysis to channels of communication other than annual reports, future research could also examine how firms may tailor the framing of their messages in different media, such as press releases, "road shows" for the investor community, and speeches targeted at employees or activist groups. If the firms' messages to different audiences are inconsistent, then firms 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 hope our study can also lay the groundwork for a theory of symbolic management that transcends national contexts. We have shown here that framing and decoupling are not purely American phenomena and may be successfully studied in an international corporate context. Such a theory would emphasize that frames are embedded in societal processes and that a comprehensive analysis of framing processes would benefit from addressing the historical, cultural, and structural contexts that filter and shape the perceptions of organizational constituents. For example, our hypothesis that the German stock market 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 firms' framing of strategic change is clearly not bounded by international borders. Future research might explore whether different stock markets react differently to the same organizational actions because of cultural differences in host countries.

Growing globalization and other macro social changes furthermore suggest that it may be fruitful for future research to study whether the effectiveness of frames for organizational actions differs over time, and how such processes interact with the presence of commensurate actions. It seems possible that frames lose their potency for mobilizing organizational constituents, either owing to exhaustion of their potential or—in the case of substitution for substantive actions—owing to learning effects on the part of different audiences. Current research regarding, for example, processes of market learning about firm actions seems to suggest that markets may in fact be "teachable" (Zajac & Westphal, 2004). Regarding the role of framing, this idea also suggests that evaluations of different frames may not only depend on frame resonance with a cultural and institutional environment (Diani, 1996; Kubal, 1998), but that that this frame resonance may likewise be influenced by strategic actions aimed at influencing dominant institutional logics. Thus, we hope that our study stimulates future research not only on the factors and processes that affect which frames firms use and how they are evaluated, but also on the factors and the processes by which the evaluation context itself is constructed and maintained.

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