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Man Cyndi ZHANG

Singapore Management University, cyndizhang@smu.edu.sg

Xiaowei Luo

INSEAD

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An Affair not to Remember? It Might Help to Change Your Name

Cyndi Man ZHANG
Singapore Management University

Rose Xiaowei LUO
INSEAD

Abstract. While a growing body of research has examined how organizations respond to institutional change, less examined is how institutional change can create opportunities for organizations to manage their public image. We propose that institutional change allows firms to leverage the ambiguity around the motive for image management and thus minimize audience's unfavorable attribution of the motive. Specifically, we focus on an organization's name change as a means of image management. From the audience's standpoint, an organization could change its name as a result of having responded to institutional change, or to convey new strategic directions, or to manipulate the public perception. Institutional change allows a window of opportunity when audiences are confronted with the ambiguity over the motive for name change. Based on this framework, we predict that firms with poor image are more likely to engage in name change during institutional change, and that they are more likely to engage in the type of name change that indicates new strategic direction to further benefit from the ambiguity. Similarly, we also predict that name changes engaged this way are likely to generate more favorable market reactions. We test our framework in the context of the name change by publicly listed Chinese firms during the government-mandated corporate governance reform.

Institutional change can confront organizations with a new set of rules of the game and normative expectations. A growing body of literature has looked at how organizations respond. Most of the studies have focused on why and how organizations conform to, resist, or symbolically adopt the new institutional framework (Ahmadjian & Robbins, 2005; Fiss & Zajac, 2004; Kraatz & Zajac, 1996; Westphal & Zajac, 2001). Recently, a few studies have started to consider how institutional change can create opportunities for entrepreneurship, because the established players in the field have been made less legitimate or the new institutional framework has enabled more risk-taking behavior (Hiatt, Sine, & Tolbert, 2009; Sine, Haveman, & Tolbert, 2005). However, whether and how institutional change can create opportunities for organizations to manage their public image has not been explored.

Understanding the link between institutional change and organizations' image management is critical to unveiling the strategic responses by organizations to institutional change. As institutional change creates new standards for organizational legitimacy and hence constraints over organizational actions, it also gives rise to a window of opportunity in which audience have to bear with some ambiguity over the motive and extent of organizational change. Such ambiguity can be leveraged by organizations to minimize audiences' negative attribution and to advance their own interests behind audiences' perception.

In this study, we focus on organizations' name change as a key means of image management, and propose a framework to understand whether and how organizations can exploit institutional change to manage their public image strategically. As an interface between an organization and its audience, an organization's name is a powerful symbol (Pfeffer, 1981) that confers identity and myth-like reputational status (Kraatz & Block, 2008), and projects an organizational image (Glynn, 2008; Hamilton & Gioia, 2009; Lyon & Maxwell, 2011). Name

change can be motivated by external reasons, such as the trend of certain names becoming more legitimate (Glynn & Abzug, 2002), or internal reasons, such as conveying new strategic directions or manipulating audience perceptions (Cooper, Gulen, & Rau, 2005). Audience attribute name change to potential causes, and the attribution will affect audience assessment and approval of these organizations. Specifically, the attribution of name change to mere obliteration of a bad record can hurt an organization's public image. We suggest that as institutional change calls for organizational change, it creates ambiguity in audience's perception over what is the true trigger for name change. Name change that happens in this time window can be motivated by organizational change as a result of responding to the new institutional mandate, or by the new strategic directions organizations plan to take in addition to responding to the new institutional mandate, or by mere impression management, or by a combination of these causes. Such ambiguity around the trigger for name change can minimize audience's unfavorable attribution of the motive for change.

Based on this framework, we argue that firms with a poor public image are most likely to leverage the ambiguity created during the institutional change to engage in name change. Furthermore, if they engage in the type of name change that substantively indicates new strategic directions, they are more likely to maintain the ambiguity around the cause for name change and hide their motivation of erasing a bad record from public perception. Accordingly, we also predict that name changes undertaken in such circumstances and fashion are likely to generate more positive audience reactions.

The empirical context for our study is the name change by publicly listed Chinese firms during the government-mandated corporate governance reform. Prior to 2005, listed firms in China had a split structure of corporate governance, partially tradable and partially non-tradable.

Non-tradable shares were strictly forbidden to transact on the public market and accounted for a majority of 64% of total shares in an average listed firm. In 2005, following the transformation from state-socialism to market-capitalism, the central government problematized the existing institutions and mandated non-tradable shareholders to convert their shares into tradable shares. This has been the most influential financial policy change on China's stock market. By the end of 2009, 66 batches of 1,267 firms in total had completed or at least initiated the adoption of the reform, accounting for 90% of all firms that were subject to the reform. Among these 1267 firms, 310 firms changed their names listed on the stock market immediately after adopting the governance reform and resuming trading on the market. By examining what drives name change during the reform and how effective different types of name change are in influencing audiences' perception of the firms, we show that firms with poor image are more likely to engage in name change during institutional change, and that they are more likely to engage in the type of name change that indicates new strategic direction to further benefit from the ambiguity. Similarly, we also show that name changes engaged this way are likely to generate more favorable market reactions.

Our study contributes to research on institutional change and organizational response by proposing a framework on how institutional change creates opportunities for strategic management of public image. We also contribute to the literature on symbolic management by integrating institutional contexts and organizational agency. We highlight that institutional change provides the ambiguity around the change rationale for firms so that they can maneuver the perceptions and expectations of audiences.

EXPLOITING AMBIGUITY CREATED BY INSTITUTIONAL CHANGE

Firms and key agents are found to deploy meanings, labels, vocabulary (Nigam & Ocasio, 2010), rhetoric (Suddaby & Greenwood, 2005), stories (Wry, Lounsbury, & Glynn, 2011), and

verbal impression management (Westphal & Graebner, 2010) to manipulate how external audiences assess the image of the firms. Among various narrative constructions and organizational symbols, an organizational name is one of the most important means to communicate appropriateness and image to external audiences (Ashforth & Gibbs, 1990).

Audiences are “collections of agents with an interest in a domain and control over material and symbolic resources that affect the success and failure of the claimants in the categorical domain” (Hsu & Hannan, 2005). Audiences are critical because they assess the viability of an organization’s claim. The more clearly an organization meets the expectations that audiences associate with the claim, the more likely an organization is to be judged as positive and legitimate (Hannan, Polos, & Carroll, 2007; Hsu, 2006; Hsu & Hannan, 2005; Navis & Glynn, 2010; Zuckerman, 1999). When a name change occurs, audiences search for information in the external environment and in firm’s internal practice in order to make sense of firm’s rationale of name change as well as assessing what the new name attempts to convey.

However, as human beings, audiences are also somewhat used to a degree of ambiguity in understanding the relevance, priority, and coherence in organizational choice (March, 1978, 1987), how unrealistic acting totally rationally is, and settle for being only semi-intelligent in their judgments. If audiences assess firms within a system without complete consciousness of their history, the sensible action is to evaluate without complete comprehension of their justification. The nature of such bounded rationality simplifies audience assessments of organizations and weakens their accuracy because of the difficulties of anticipating or considering all alternatives and all information (Lindblom, 1959; March & Simon, 1958).

Due to the above-mentioned limitation, when audiences evaluate organizations, they tolerate the political nature of organizational symbols. As long as the construal of image follows

rules of logic, and as long as the firm makes it both understandable and appealing (Kennedy, Lo, & Lounsbury, 2011), audiences engage in sense-making to sort, order and assess firms in the market with limited suspicion. As a result, firms can separate current reasoning from current action when they see a benefit in it, and make good use of such scant regard as a means of symbolic management (March, 1978).

Institutional change can create ambiguity around the motivations for organizations' name change. Organizational theory literature has viewed name change as externally driven by cognitive legitimacy that organizations try to resonate with public audiences and institutionalized patterns, triggering a conformity of organizational names as a result of symbolic isomorphism (Glynn & Abzug, 2002). The finance literature, on the other hand, has viewed name change as internally driven and as a pre-play communication with stakeholders to credibly coordinate subsequent business strategies (Cooper, DeJonig, Forsythe, & Ross, 1992; Wu, 2010), such as a major corporate and competitive strategy reconfiguration in its corporate/product portfolio (Bosch & Hirschey, 1989; Horsky & Swyngeduw, 1987; Karpoff & Rankine, 1994), a change in business focus, disposal of subsidiaries, or a major new investment, etc. During a major institutional change, a name change can be either internally or externally driven, can embody various purposes ranging from isomorphism to strategic repositioning, hence it is ambiguous what the real trigger is and what the organization's rationale is behind the way it changes its name. However, few studies have considered that organizations can take advantage of such ambiguity to manage their image through organizational symbols.

We aim to address this gap by showing that organizations are capable of incorporating a tolerable level of ambiguity provided by institutional change to invoke audiences' multiple interpretations of a name change as well as favorable attributions and expectations of the firms'

forthcoming activities. In particular, we speculate that if a name change occurs upon an institutional change, the purpose of it will be initially associated with complying with cognitive legitimacy (Glynn & Abzug, 1998) after the firm's adoption of the institutional change. However, a name denotes multiple divisions of information about an organization, such as region, industry, product, or corporate nature of the firm, etc. A change in any component will trigger audiences' association with a real firm change in the respective area, invoking a desired assumption that some essential organizational-level change will be undertaken. Therefore, even a pure symbolic act of name change can potentially be interpreted or expected to be an announcement of substantive change. As March and Olsen (1983) nicely put it, "After all, politics are important to symbols."

Ambiguity of Change Time

Firms need flexibility to conjure an envisioned image that promises the audiences what ought to be achieved (Gioia & Thomas, 1996). Too much precision and articulation of firm image do not allow for audiences' favorable interpretations and aspirational anticipations. A recent stream of literature has observed that firms strategically straddle multiple categories to dilute audiences' attention to negative associations (Vergne, 2012) and create ambiguous classification scheme that allows organizations to hide behind perceptions of audiences in order to protect their own interest (Fleischer, 2009). Therefore organizations are the often suspects of invoking favorable reference (Albert & Whetten, 1985; Glynn, 2000) through a claim-making process that aims to convey the desired image to the audience with flexibility.

Ambiguity can be beneficial to organizations' symbolic management when it allows multiple interpretations by audiences (Eisenberg, 1984) and hopefully invokes the favorable ones. But audiences do not necessarily interpret firms' designed images as the firms wish for. In a

stable environment, audiences are not so easily “tricked” by firms’ maneuver using ambiguity because they naturally follow the standard evaluation procedures and make sure they punish those who do not clearly communicate with audiences on the market (Zerubavel, 1996; Zuckerman, 2000). On the contrary, in an unstable environment, audiences’ bounded rationality grows salient in such way that they become more tolerable with uncertainty and ambiguity during their assessment of firms, more open to multiple interpretations and possibilities of firms’ choices, and aspire to see firms’ essential change into a better future. Thus, taking advantage of an opportunity window of institutional change to maneuver audiences’ perceptions is more likely to be successful because audiences are more willing to follow unconventional standards to develop their own evaluation standards to compensate for the ambiguity (Fleischer, 2009; Padgett & Ansell, 1993).

Firms are aware of the audiences’ bounded rationality embedded in a web of other claims in the contextual environment that demand their attention (Cohen, March, & Olsen, 1972; March, 1978). Firms prefer coinciding name change with institutional change to exploit the ambiguity of time. When name change occurs upon an institutional change, such as a policy shock imposed on firms, audiences tend to associate the name change with the policy because such policy shock can shift audiences’ attention from monitoring firms’ ordinary conduct-performance to evaluating the firms’ response to change and their post-change reconfiguration. For instance, during a financial reform, firms may face corporate restructuring, changes in controlling shareholders or management, capital reorganizations, share repurchases, etc. If the firm changes name, audiences would naturally associate it as a response to the macro-level dynamics rather than suspecting the motive of name change. Timing name change together with institutional change can also convince audiences that the firm is intent on change because various

organizational improvements and new strategies are expected to be undertaken during this period. Audiences are already expecting to see substantial improvement from the firm as they assess firm's response to the institutional change.

If a firm intends to let go audiences' "bad memories" about the firm, changing name is the least costly method of repairing image via communicating with audiences (employees, suppliers, financiers, customers, and the stock market) that it has resolved to undertake improvements, such as organizational changes, product changes, diversification, etc., even without actually launching performance-enhancing mechanisms. However, in seeking to interpret name change and their evaluations of the firm, audiences typically ask "Why change name and why change now?" If firms were to manipulate audience impressions every time they faced performance crisis, it would naturally arouse suspicion—audiences would eventually see through the deception after multiple "false alarms" on the market. Hence, the timing of name change is important to allay any suspicion about a firm's real motive for the new image.

Because of audiences' tendency of associating name change with institutional change, choosing a major institutional rule change as the timing for name change can camouflage firm's hidden agenda when firms intend to conceal their real motives of name change, such as disassociating itself from poor performance or bad reputation in the past. Moreover, changing name during an institutional change shows the feasibility, credibility and appropriateness of firm's rebuilding image, so that the image of underperformance will fade in the new era. Managers and investment analysts frequently claim that name changes convey favorable information about the firm's future performance (Karpoff & Rankine, 1994). In other words, even if the new name per se does not capture how performance will improve, the mere act of changing name and the implicit promise of future change create a positive impression. Audiences therefore are more likely to

anticipate an improvement and look forward to forming a positive opinion of the firm. In this way, ‘dishonored’ firms can hide a past that they are not proud of and convince their audience that actual improvements are being undertaken.

Conversely, for firms that have accumulated goodwill in the form of name recognition, company image, or out-performing the stock market, the cost of changing name is high because the name advantage will be lost (Horsky & Swyngedouw, 1987) and even run the risk of anonymity (Kohli & Hemnes, 1995). They are reluctant to risk losing their good name. In other words, firms with a troubled past history, such as having low performance or ruined reputations, welcome more the opportunity window of institutional change to rebuild image via name change. We thus posit that:

Hypothesis 1: Firms with poor public image are more likely to engage in name change during the window of opportunity offered by institutional change.

Ambiguity of Change Rationale

How well a name change can effectively influence audiences’ perceptions depends on how the firm changes its name. As the firm changes name, it needs to change one or all divisions of labels that denote contents of the firm in its name, such as region, industry, product, or the corporate nature of the firm. Audiences appreciate the abundance of information that can be accessed for them to make a judgment of a firm. The bigger the change that a new name suggests, the more the audiences apply their anticipation of the firm’s future growth in their assessment. A name change that embodies future strategic direction change can usually satisfy audiences’ demand of information from a name change. In contrary, when a firm changes its name in a way that no clear implication of future business change involved or the name change itself is easily taken-for-granted, e.g. name change can be easily associated with the broader institutional dynamics rather than firm’s individual practice, the new name thus likely frustrates audiences

who wants to “know more”.

Because name change manifest the intended image of the firm, both firms and audiences have their preferences for certain image over others. The construal of new image reflecting firm’s corresponding new strategic direction needs to be understandable, believable, and appealing for audiences to assess firms with confidence. In order to manipulate audiences sharing a positive view of the firm, the key is to frame future change and embrace it in the new name in aspirational terms (Gioia & Thomas, 1996). Feasibility is another crucial factor determining whether a name change is effective. Audiences need to believe in firms’ capabilities of realizing their desired objectives. Therefore the “brighter future” suggested by the new name has to be logical and plausible.

Name change that suggests greater opportunity of growth is usually favorable by audiences (Karpoff & Rankine, 1994). Some firms also choose to reflect a changed business strategy in the new name, implying that the firm’s switching to another industry or product to focus, that the name is no longer as closely associated with the firm’s previous line of business, and that the firm is pursuing, or plans to pursue, business operations that are better described by the new name than the old. However, some names themselves possess no such intrinsic value, but that the act of name change itself announces a departure from the past. Firms thus use such ambiguity of change rationale to make audiences believe that a new name is based on careful screening to ensure that it is consistent with firm’s intended strategic direction and image but, instead, they are simply assessing firms based the cosmetic act of name change.

The effectiveness of the ambiguity of change rationale is enhanced by the ambiguity of change time. As audiences shift their attention to digging out layers of meaning in a name change, they delve their minds in interpreting name change as a firm’s attempt to accurately match its

image or identity to its current resolution. However, in the process audiences are likely to fail to perceive that even when name change coincides with a real organizational change due to the field-level dynamics, it may still just be a symbolic action for a different agenda, designed to capitalize on the ambiguity of change time. Perceptions and assessment on “made-believe” changes are self-enforced by audiences due to their tolerance of ambiguity in their judgment. Firms, on the other hand, are somewhat intelligent in exploiting the ambiguity to maneuver audiences’ perceptions.

Setting: China’s Split-Share Structure Reform

Prior to 2005, listed firms in China had a split structure of corporate governance, partially tradable and partially non-tradable. The governance structure of a typical Chinese listed firm consists of three major categories of ownership (Qi, Wu, & Zhang, 2000): (1) state shares owned by the central or provincial governments; (2) legal person shares owned by a mix of various domestic institutions comprising private companies, non-bank financial institutions and partially-privatized SOEs; (3) publicly tradable shares that are widely distributed and free to trade on stock exchanges, owned by individual investors as well as private institutional investors. Some firms also have foreign shares in the structure. State shares and legal person shares comprised non-tradable shares. Up to 2004, they were strictly forbidden to transact on the public market and accounted for a majority of 64% of total shares in an average listed firm. In 2005, following the transformation from state-socialism to market-capitalism, the central government problematized the existing institutions and mandated non-tradable shareholders to convert their shares into tradable shares. This has been the most influential financial policy on China’s stock market. By the end of 2009, 66 batches of 1,267 firms in total had completed or at least initiated the adoption of the reform, accounting for 90% of all firms that were subject to the reform. Among these 1267 firms, 310 firms changed their names on the

stock market immediately upon their adoption of the governance reform after they resumed trading on the market.

Each stock name of listed firms on China's stock market is composed of categories or divisions with maximum four Chinese characters that denote their contents. Every one or two characters denote information on one aspect of the firm, such as region, industry, product, or corporate nature of the firm. Traditionally, a firm chooses two or three aspects of the firm to include in its stock name in order to identify itself on the stock market. For example, the stock name “上海汽车” means “Shanghai Automobile”, whereas “上海” means “Shanghai” and “汽车” means “Automobile”, indicating both the region and industry that the firm operates in. Having a combination of region and industry is a common choice of stock name. Some firms have the name of its holding company as a unique identifier to combine with either region or industry. Based on the criteria of abundance of information on change, feasibility of change, and taken-for-grantedness of change, we distinguish 3 groups of name change and evaluate the effectiveness of each one.

Change in Region (Drop Region). Corporations often include their geographical region in the name even though they have already expanded their operations to other areas over time. In a market that is becoming increasingly global, a regional image may be restrictive for conveying a promise of growing market share on a national or even a global scale (Kohli & Hemnes, 1995). Shedding a regional image to show firm's determination of expanding geographically by dropping the region component of a name seems to be a logical choice. Observing the firm from a comfortable level of ambiguity about its motive for changing name, dropping region is quite sufficient information for audiences to presume that the firm feels burdened by the narrow association with its region as it becomes a national or global player. Such an assumption implies

better growth opportunities and a brighter future for the firm, even without knowing the firm's exact plan. Therefore, dropping region is likely to be considered as reflecting an actual organizational change.

Change in industry or product (Drop/Add). Some firms indicated the prominent industry in which the firms engage their business in their names. Some firms included the brand names of their most well-known products as their stock names. As firms expand their business to other related products, or diversify into unrelated products, a name that includes precise descriptions of product or industry becomes misleading, and most importantly, too narrowly-focused. Particularly under environment change, firms can be expected to break away from identities that constrain them, and incorporate images that offer more flexibility, if association with a particular product or industry does not fit well with the trend in market expectations. We therefore observe firms opting to drop the branded product name from their stock names, or drop the industry sector that the firm operates in. In this way they deliberately disassociate themselves from one particular product or business in favor of a broader focus. Conversely, some firms adopt names of a branded product or its most prominent industry sector to strengthen their position in a particular field. To some extent it shows confidence in the prospect of profitability in the specified product or industry area. Either dropping or adding a firm's distinctive product or industry in its name predicts a strategic reconfiguration. The presumed rationale of name change in this way appears logical, understandable and feasible to audiences, who will anticipate real firm-level changes even if the firm ultimately does not implement the expected reconfiguration.

Change in Holding Company Title (Drop/Add/Change). Some firms made name change in the component of its holding company title. In our research context, all name changes are made upon the adoption of a corporate governance reform. Thus, making change of the holding

company component to the stock name seems to be an obvious approach of name change with respect to governance change. Compared with the other two types of name change, change in holding company does not clearly imply what the firm is becoming by its strategic effort. The message embodied by such name change—tighter/looser/shift in control by the holding company is likely to be taken-for-granted by audiences, or even frustrate audiences by failing to disclose no further information about the future business plan.

Both changes in region and changes in product/industry hold out a promise of organizational effort to improve the current business, although the name does not reveal firms' concrete plans. Nevertheless, such promise gives audiences hope for a brighter future, thanks to a combination of ambiguity and indefinite possibility. As Gioia and Thomas suggested (1996), formulating a compelling future image that allows audiences to associate with can ease the effort of firms to justify their commitment to the change. Change in the holding company name, on the other hand, generates only taken-for-grantedness and less appreciation of firms' potential improvement. Eventually, audiences prefer information that provides more flexibility and positive possibility than information they were already expecting.

Hypothesis 2: Firms with poor public image are more likely to engage in substantive name change indicating new strategic directions (change in region and change in product/industry in this context) during the window of opportunity offered by institutional change.

Market Reactions towards Name Change

Previous studies suggest that a name change may signal information to a major audience on the stock market, i.e., investors, (Bosch & Hirschey, 1989; Horsky & Swyngeduw, 1987; Howe, 1982) but provide mixed findings on how much value name change yields. Some have shown that increased stock price (Cooper, Dimitrov, & Rau, 2001; Marcial, 1991; Smith, 1987), abnormal financial performances (Argenti, Hansen, & Neslin, 1988; Bosch & Hirschey, 1989; Horsky

& Swyngedouw, 1987) and significant organizational upheaval (Cooper, Khorana, Osobov, Patel, & Rau, 2005; Wu, 2010) on the stock market often follow a name change. Responses to open-ended questions in a study by Manning and his colleagues (2005) suggest that many analysts read information into the company's choice of name. The notion that a company's name affects its price-earnings ratio is widely accepted among investment analysts (Karpoff & Rankine, 1994; Manning, Selvage, & Lee (New York, 1985). However, contrary to the popular opinion that corporate name changes have a significant effect on valuation, some studies have documented a failure to affect short-term stock performance; anecdotal evidence of a positive average stock price reaction to name changes around the announcement date turns out to be modest and transitory (Bosch & Hirschey, 1989), short-term (Kot, 2011), and sensitive to sample selection (Karpoff & Rankine, 1994). Evidence has been found of negative abnormal returns in the Australian capital market on the days corporations announced name changes (Josev, Chan, & Faff, 2004), and of a decline in trading volume accompanied by a significant decline in abnormal returns on the day of a voluntary change in ticker symbol (Kadapakkam & Misra, 2007). These mixed results suggest that corporate name change may serve a purpose but have only small short-term valuation effects or tend to be anticipated by investors (Kot, 2011).

In contrast to the rash of studies on short-term stock market returns towards name change, few long-term market reaction studies have been conducted. Wu's (2010) study on name changes on the U.S. market suggested that radical name changes prompt negative stock responses over longer horizons, but name changes tied to refocusing the scope of business can have positive peer-matched, adjusted excess returns in the long run. Kot's (2011) study on name changes among Hong Kong listed firms showed very weak evidence of a relationship between long-run abnormal stock returns and corporate name changes. Andrikopoulos and his colleagues

(2008) found that on average the long-term performance of renamed firms underperformed the market, based on a study of the U.K. market.

Theoretical explanations of the above mixed findings on market reactions towards name change center on the debate on whether a firm's subsequent economic performance is tied to changes in direction that the type of name change foreshadows (Wu, 2010), or whether cues about operating in a different line of business conveyed by the name change do not influence how investors treat the firm at all (Karpoff & Rankine, 1994). Simply put, the existing empirical evidence casts doubt on whether name change conveys the intended information to the market and whether audiences such as investors and stock analysts 'buy' the signal of name change.

Based on the theory of exploiting ambiguity and our analysis on the three types of name change in the given context, we posit that during an environmental shock firms take advantage of audiences' assumptions that real change will be undertaken in order to improve their perceptions of the firms. The effectiveness of such opportunistic identity management via name change will depend on whether the strategic direction that the new name attempts to communicate is perceived to promise a bright future. When it does, even if there is no actual firm-level change to strengthen performance, we speculate that the firm may still be rewarded for saying "what audiences want to hear" via the new name. Despite the mixed findings in literature on market response to name change, we predict the market reaction towards different types of name change in this context will exhibit the following patterns:

Hypothesis 3: Firms with poor public image that engage in name change during institutional change are likely to generate better market reaction, compared with otherwise.

Hypothesis 4: Firms with poor public image that engage in substantive name change during institutional change are likely to generate better market reaction, compared with otherwise.

The effect of name changers could also experience an increasing market evaluation over the long run. Over time, audiences gradually forget their initial worries about the uncertainty of name change and pay more attention to asking what kind of future the firms can expect (from reading the new name). As a result, a firm's name change strategy becomes more effective and the bright future it intends to portray begins to influence audiences after a certain period of time. We therefore examine both the immediate market reaction and the long-term market reaction.

DATA AND METHODOLOGY

Sample and Data

We tested our hypotheses among 1267 listed firms on China's domestic stock market exchange that had adopted a corporate governance reform—the split-share structure reform—of which a quarter had changed their stock names upon adoption. The China Stock Market and Accounting Research (CSMAR) database and WIND database constitute our main sources of data. The CSMAR database is developed by Guo Tai An Technology Company (GTA), a Hong Kong-based firm that cooperates with University of Hong Kong and the China Accounting and Finance Research Center of Hong Kong Polytechnic University to meet the needs for economic analysis in China. The CSMAR database covers ownership structure and financial performances of all listed firms in China since 1992, including daily stock prices and returns. The data format of CSMAR resembles the CRSP and Compustat databases. It has been widely used in finance (Li, Moshirian, Nguyen, & Tan, 2007; Lin & Su, 2008) and economics research (Rousseau & Xiao, 2008). Our data on China's split-share structure reform and name change come from the WIND database, produced by a Shanghai-based leading data and financial software vendor from mainland China. It has been widely used by investment banks in China and Chinese scholars doing firm-level research. WIND provides detailed information on firms' split-share structure reform adoption, including the

announcement date of reform, whether and how the firm changed stock name after the reform, and the date of the firm resuming on the stock market, etc. In addition, it also provides information on whether firms have committed frauds and the disclosure dates.

Method for Examining the Likelihood of Name Change

Estimation method and dependent variable. We obtained 1,267 firms that had adopted the split-share structure reform and were subject to name change between 2005 and 2009. Among them, 310 firms changed their names on the stock market right after they resumed trading on the stock market. To examine what drove such name change, we merged the WIND database on name change adoption with WIND database on financial fraud, and one-year lagged CSMAR fiscal year-end performance data. We used the binary outcome Logit model to analyze the likelihood of name change. Naturally, we coded a firm's choice of name change as 1, no name change as 0.

Independent variables. Both organizational theorists (Greve, 1998) and economists (Nelson & Winter, 1982) assume that poor performance stimulates organizational change. Under Hypothesis 1a, firms are more likely to exploit the new governance policy opportunity to change names if their past performance was unsatisfactory. We included two one-year lagged performance measures, return on asset (ROA) and Tobin's q to test the hypothesis. We selected the most frequently used measure ROA as the performance measure since it has been widely used as a performance proxy that can be compared across industries (Bromiley, 1991; Miller & Chen, 1994). Tobin's q is defined as the ratio of market value to the replacement cost of the firm. It has been widely used as performance measure in industrial organization research (Lindenberg & Ross, 1981; Montgomery & Wernerfelt, 1988) because of its attractive properties in minimizing industry-related biases, such as systematic risk, disequilibria, tax laws and accounting conventions, factors that tend to vary more across industries than within them. In addition, it provides a more subtle equity market evaluation since our argument

emphasizes on how low performance on the stock market motivates firms to change names.

Under Hypothesis 1b, previous disclosed frauds lead to a higher likelihood of name change because firms that are publicly known to have committed fraud have a higher incentive to rebuild their reputation. We coded 3 types of disclosed frauds based on the classification in the WIND database and set 3 dummy variables for each type of fraud: (1) false financial disclosure in recent two years; (2) significant delay of financial disclosure in recent two years; (3) irresponsibility in disclosure process in the recent two years.

Control variables. We controlled for the age of a listed firm since its founding to account for how long the firm has been operating on the stock market. A firm's size can also significantly influence name change decision because names of big firms are usually well-established and well-known among audiences such as investors and consumers, making them potentially reluctant to abandon their renown. We took the log of a firm's total asset to control for the impact of firm size on name change. We also controlled for industry effects by including all 22 industry dummies and region effects by including all 31 province dummies.

Every Chinese listed firm with state shares reports to the respective controlling state agency across national, provincial and local hierarchical levels. For each level of authority, a collective of specialized government economic agencies, the State-owned Assets Supervision and Administration Commissions (SASACs), assert the legitimate right of the state's shareholding in the firms. An association with different state hierarchies may influence a firm's decision on name change due to differences in the liberty to change a well-established name. For instance, firms that are associated with the central government and the central SASAC often belong to crucial industries that are subject to national operation. It would be difficult or even unrealistic for them to actually change their image on the stock market. In contrast, some listed firms have no direct state control and are least formally

connected to the state, so enjoy more freedom to send symbolic signals to the market, or simply indulge in more impression management compared with their government-related peers due to relatively less state support. We generated three dummy variables to indicate to which hierarchical level does firms report to: (1) *Center*, firms that are supervised by the central government, central SASAC and central SOEs; (2) *Provincial*, firms supervised by provincial and local governments, provincial and local SASACs, and provincial and local SOEs; (3) *Individual*, firms that have no state-related supervising agency but only report to shareholders such as private funds, individual investors, foreign firms, and universities. We included *Provincial* and *Individual* as controls in all logit models in the analysis.

We took into account the impact of firm's crucial agents on name change—the president of the board and the CEO. The decision to initiate an identity reshaping on the stock market can be influenced by the change dynamics in the upper echelons (Bigley & Wiersema, 2002; Hambrick & Mason, 1984; Wiersema & Bantel, 1992), especially the succession of the president of the board and the CEO since key agents are often the locomotives to push impression management (Westphal & Graebner, 2010). We included one dummy variable *Change of head* incorporating a firm's change of CEO or a change of president of the board in the previous year. We also included the ratio of a firm's board's shareholding as a control variable.

We added the number of M&As in the past year (Haleblian & Finkelstein, 1999) to control for how likely firms are to engage in name change due to actual firm-level scope change. We also included the diversification level of a firm by calculating how many diverse industries a firm engages in and a dummy indicating whether there has been a change in a firm's diversification level in the previous year. In addition, according to theory on herd behavior, firms tend to mimetically adopt a practice if others have adopted it. They believe that the decisions of others are rational so that their

adoptions infer positive information about the practice (Greve, 1996). We therefore included the number of name changes during the reform period by peer firms prior to the focal firm's decision on name change.

We posit that, even facing an external policy shock, name change is still likely to be driven by poor reputational history such as low performance or disclosed fraud. To rule out the impact of a firm's governance change in response to the reform policy on the likelihood of name change, we controlled for how many non-tradable shares a firm needs to convert during the reform to take into account the magnitude of influence of the policy change. In addition, during the reform, two major categories of compensation method paid to tradable shareholders were employed: (1) *the standard plan*, the most frequently used compensation method in the reform, whereby non-tradable shareholders issued a negotiated ratio of bonus shares to compensate tradable shareholders. This method was transparent, suggested by the CSRC, and regarded as the most legitimate form of implementation during the reform process. (2) A set of alternative decoupled methods comprised the *tailored plan* that involved internal asset and debt configuration to compensate tradable shareholders, such as offering call or put warrants, guaranteeing stock buy-backs at pre-set prices, cancelling a fraction of non-tradable shares, paying cash, transferring assets and writing-off debts, etc. This method was less transparent, adjusted by individual firms, and subject to firms' financial and operational conditions as long as it did not deviate too far from the guidelines. We took into account the *decoupling* effect on the likelihood of name change since firms adopting the tailored plan may have had a bigger incentive to change name. If our argument that a firm tends to exploit the opportunity of an external shock to reshape identity in order to erase its audiences' bad memories holds, the impacts of the volume of non-tradable shares and the decoupling behavior on the likelihood of name change should be very weak.

Methods for Examining Market Reactions towards Name Change

Independent Variables. We classified name changes into 3 categories and coded them into dummy variables: *dropping region* (delete the regional origin of the firm in its stock name), Change in industry/product (e.g., drop or adopt its well-recognized branded products or its prominent industry), and Change in holding company (add or drop the name of the mother holding company to firm's stock name). The baseline group opposing to these 3 groups of name change firms in our analysis is firms that have not opted to change their names during their adoption of the reform. To estimate the market reaction towards name change, both short-term and long-term market reaction are measured by continuous dependent variables, therefore ordinary least squares regression (OLS) is appropriate in both cases.

Short-term reaction. To test Hypothesis 2 and Hypothesis 3 predicting relationships between name change and immediate market reaction, we used standard event study methods. Our events of interest were name changes on the stock market when firms resumed trading after their adoption of the split-share structure reform. We computed the cumulative abnormal returns (CAR) in different time windows around the time of name change and assessed differences in market reaction across different types of name change. A differential market reaction would constitute evidence that the market anticipates a different future performance from firms depending on how they change names. CARs for each firm i in the event window $[t_1, t_2]$ around name change announcement q are calculated as follows:

$$CAR_{iq}(t_1, t_2) = \sum_{t_1}^{t_2} (Daily\ Stock\ Return_{it} - Daily\ Aggregated\ Market\ Return_t)$$

Long-term reaction. To test Hypothesis 3 comparing the long-term market reaction with the immediate market returns, we chose to examine the increasing/decreasing trend of a firm's Tobin's q

after name change to capture the long-term market reaction towards name change. To isolate the causal effect of the independent variable—different types of name change, we created instrumental variables with a two-stage least square regression. The first stage of the model regressed different types of name change on three exogenous variables. We selected 3 exogenous variables as our instruments: (1) the ratio of shareholding by the board; (2) the ownership concentration of the focal firm; and (3) the number of name changes by other firms during the reform adoption prior to the focal firm. In the second stage of the regression, the endogenous variables, different types of name change, were replaced with predicted values produced from the first stage regression, which produced consistent and unbiased regression estimates. To assess the fitness of these 3 exogenous variables as out instruments, we conducted 2 post-estimation tests to rule out the possibility of weak instruments and over-identification. The F-statistic for the joint significance of the 3 instruments in the first-stage regression was statistically significant across all name change types, which allowed me to reject the null hypothesis that these are weak instruments. In addition, Wooldridge’s score test of over-identifying restrictions was not statistically significant, which indicated that our instruments were uncorrelated with the structural error term. We therefore assumed that the exogenous variables were adequate instruments.

RESULT

Likelihood of Name Change

Descriptive statistics and correlations for the Logit model of determinants of name change analysis in a sample of 1267 firms are shown in Table 1. Overall the table does not suggest any significant data problems.

Insert Table 1 about here

The specification of the model examined the differing likelihood of name change upon the governance reform depending on a firm's past performance and disclosed fraud. We entered controlled covariates, ROA, Tobin's q, and 3 types of disclosed fraud step by step in 4 different models to examine their impacts. Results are presented in Table 2. Model 1 includes only the control variables.

Insert Table 2 about here

Using Model 2 and Model 3, we tested our prediction in Hypothesis 1. In Model 2, the negative sign of the coefficient of ROA supports this hypothesis with marginal significance. In Model 3, we added Tobin's q in the model. As we predicted, the negative sign of the coefficient gives support to hypothesis 1 that the lower the performance on the stock market, the less growth opportunity of the firm perceived by the market reflected by Tobin's q here, the more likely it is for the firm to change its name. We proceeded to test the impact of disclosed fraud in the recent past. In Model 4, we entered 3 dummy variables indicating 3 different types of fraud disclosed. The results show that false financial disclosure and significant delay in financial disclosure in the last 2 years do not significantly increase the likelihood of name change. However, when firms have been accused of being irresponsible in their disclosure process in the past 2 years, they are more likely to change names. Hypothesis 1b is partially supported. The difference between the first two fraud types and the third one is that the first two both clearly state that the firm has committed frauds in its financial reporting, whereas the third one is relatively vague in terms of what the firm has done. Thus, we speculate that changing name on the stock market after the first two fraud types reveals too much of the firm's real purpose and name change would become less of a wise symbolic management tactic. In contrast, the third type fraud still allows firms to amend their image through name change since audiences have not yet formed a strong impression of them

being responsible for financial misconduct. Combining the results in Model 2, Model 3, and Model 4, Hypothesis 1 is supported.

The effects of control variables remain similar across all the models in Table 2. Both age and size influence the likelihood of name change. Firms that do not officially report to the government are more likely to engage in name change as we predicted. The change of CEO or president of the board has no influence. Instead, the ratio of board members' shareholding of the firm has a significantly negative impact on name change decision. Firms are more likely to change name if there have been M&As in the previous year that altered the corporate portfolio. The negative impact of the number of name changes by peer firms prior to the focal firm suggests that instead of herding, a 'snob' effect is possibly taking place whereby organizations do not want to look like others in their environment (Abrahamson & Rosenkopf, 1993). As predicted, the amount of non-tradable shares that the firm needs to convert during the reform and whether the firm has adopted a decoupling approach to implement the reform have no influence on the likelihood of a firm's use of name change, reinforcing our theoretical argument that firms exploit the policy shock as an opportunity for symbolic management instead of being driven by it.

Short-term Market Reaction: Event Study using Cumulative Abnormal Returns

Given that low performance and the disclosure of fraud have been found to make name change more likely, one issue to address before examining market reaction towards different name change strategies is that of whether firms' previous underperformance and/or fraud leads to them choosing a certain type of name change method, and thereby influence the market reaction towards that particular name change strategy—in other words, whether it is a firm's prior condition or its choice of name change strategy that influence the subsequent market reaction. We did a cross-tabulation of performance and fraud conditions prior to firms' choice of name change and found no

such pattern, as shown in Table 3. Therefore hypothesis 2 is not supported.

Insert Table 3 about here

In the event study, we computed and tested cumulative abnormal returns to firms adopting the governance reform for several alternative event windows to allow for information leakage prior to the announcement of name change and for post-event adjustment periods of various lengths. Table 4 presents the results of the event study analyses and the tests of Hypothesis 3. We controlled for the similar covariates as we did in the previous models. The baseline comparison group across columns is firms with no name change during their adoptions of the reform. The results are presented as % cumulative abnormal returns in the respective event window with day=0 set on the date of listed firm resuming trading on the stock market with new name announcement.

Insert Table 4 about here

We find a negative but statistically significant market reaction to the name change announcement for the sample of firms adopting the reform as a whole, shown in Table 4 Column 1. The name change firms thus realize about -1.8% (ranging from 1.43% to 2.12%) negative returns around the announcement date comparing with firms with no name change. Hypothesis 3 in terms of short-term market reaction is not supported. One plausible explanation of why market does not react positively immediately is that even the most insensitive audiences can detect the risk of trusting a name-changed firm on the stock market given the reason for name change is not fully understood, and the future after the name change is even harder to predict. Therefore audiences' initial response to name change will be less optimistic.

Results in our tests also show that significant differences exist in the market reaction to name changes and these differences are associated with the choice of name change strategy. In the days

immediately surrounding the name change announcement, firms having change in holding companies to their new names (Table 4, Column 4) realize significant negative returns of -2.47% in the [-1; 3] event window. Firms dropping region (Table 4, Column 2) and changing industry/product (Table 4, Column 3) also realize negative returns of 0.1% in the [-1; 3] event window, but not significantly.

We tested the sensitivity of our findings to alternative event window definitions. Some information leakage might occur prior to the name change announcement. Thus we also examined event windows spanning the few days prior to the announcement, but found no significant leakage effects. Table 4 presents CARs for [-1; 3], [-10; 1], [-3; 3], and [-5; 5] event windows. The CARs in these alternative event windows do not differ significantly. To allow for a longer window for new name disclosure, we extended the event study tests to one and two weeks (5 and 10 days) post-announcement. Table 4 presents [-1; 5], [-1; 10], and [-5; 5] event window CARs. All are consistent with the findings we observe in other event windows. Across all windows, we find significantly more negative market reaction to changing holding company than to dropping region and changing industry/product, supporting Hypothesis 4 in terms of short-term market reaction.

Insert Figure 1 and Figure 2 about here

Long-term Market Reaction: Instrumented Ordinary Least Squares Regression

Figure 1 presents the plotted means of cumulative abnormal returns to our sampled firms starting from the announcement date of name change until 365 days later (1-year hold). Figure 2 presents the plotted means of cumulative abnormal returns to firms across three types of name change. From the graphs, we observe that within a year the cumulative abnormal returns to firms that opted to change names take off and eventually exceed those that did not change names. Among name

change strategies, dropping region yields the highest long-term accumulative abnormal returns; dropping/adding product/industry follows, and adding holding company comes last.

 Insert Table 5 about here

We used instrumented OLS regressions to examine the impact of different types of name change on the increasing/decreasing trend of a firm's Tobin's q to capture the long-term market reaction. If a firm changes its name in year t , we independently regressed different types of name change on Tobin's $q_t - \text{Tobin's } q_{t-1}$, Tobin's $q_{t+1} - \text{Tobin's } q_t$, and Tobin's $q_{t+2} - \text{Tobin's } q_{t+1}$. Table 5 shows all the second-stage instrumented regression results on the above three dependent variables. The controls presented in Table 5 across 4 columns are generated from regressions on Tobin's $q_t - \text{Tobin's } q_{t-1}$. The results for controls in regressions on the other two dependent variables do not change significantly. We therefore exclude them from the table and show only the regression outcomes of different name change types on the alternative dependent variables Tobin's $q_{t+1} - \text{Tobin's } q_t$ and Tobin's $q_{t+2} - \text{Tobin's } q_{t+1}$ for easy comparison of the trend of market evaluation towards name change. As predicted, the Tobin's q tends to go up in the following 2 years for firms that have changed their names (Table 5, Column 1), supporting Hypothesis 3. In particular, dropping location (Table 5, Column 2) and dropping/adding product/industry (Table 5, Column 3) generate increasing Tobin's q, indicating positive long-term market reaction, supporting Hypothesis 4. Not surprisingly, adding holding company (Table 5, Column 4) does not significantly improve market's evaluation of the firm, even after a longer period of time.

An alternative explanation for the increasing market evaluation towards name change: firms with name change may have actually implemented the strategic change promised by their new names and improved their performance. In order to rule out this explanation, our analysis examined the association between firm's name change and its actual performance over a long

time span. We followed similar steps as in the analysis of Tobin's q , and replaced Tobin's q with ROA. Table 6 shows the long-term shift in firm performance after name change. From the results across 4 columns, we observe that ROA, which we employed to proximate a firm's actual performance, does not increase over the long-run after name change, even though the market evaluation of the firm significantly increases. The results provide a robustness check for Hypothesis 3: the market reacts favorably towards name change after a longer period of time, even when there is no actual performance improvement.

Insert Table 6 about here

DISCUSSION

In this study, we propose that institutional change allows firms to leverage the ambiguity around the trigger for image management and thus minimize audience's unfavorable attribution of the trigger. Specifically, we focus on an organization's name change as a means of image management. We test our argument in an empirical setting, among 1267 listed firms on China's domestic stock market exchange that adopted the state-mandated split-share structure reform; a quarter of these firms changed their stock names upon the adoption of the reform. Even though they choose to change names after a policy shock, we find that policy-related factors are not the drivers of name change. Instead, firms guilty by low performance or financial fraud in the recent past are more likely to engage in name change, suggesting that firms tend to repair image in the window of environmental change. We further analyze that due to the ambiguity of change time and the ambiguity of change rationale, firms are able to manipulate audiences' perceptions by convincing them via name change that effective firm-level change is likely to be undertaken. To strengthen our theoretical argument, we distinguish three types of name change and undertake

both event study using the cumulative abnormal returns analysis and instrumented regressions to assess the short-term and long-term value implications of different types of name change strategies on the stock market. We find significant differences in the immediate market reaction to name change upon the policy adoption across 3 name change types: firms changing holding company experience significant negative market reaction at the time of implementing new stock names, whereas firms dropping region and changing product/industry do not. Importantly, we also find significant differences in the long-term market evaluation across 3 name change strategies: over a period of time, firms dropping region and changing product/industry in their stock names outperform firms adding holding company and firms that have not changed their names at all upon the policy shock. Overall, the immediate and long-term value implications of dropping a firm's region and changing product/industry are significantly more positive than those of making change in the holding company name.

Firms differ in name change strategies and subsequent performance outcomes, suggesting a variation in their ability to use symbolic management tactics to manage image in order to cope with change. Ironically, our results also show that though name change becomes effective in influencing audiences' perceptions of the firms reflected in an increasing market evaluation in the long-run, actual firm performance does not improve. The contrast between market perceptions and actual profitability confirms our argument that firms are able to maneuver audiences' impressions through name change by convincing them that effective firm-level change is likely to be undertaken.

Our theoretical and empirical analyses make several contributions to the theory of image and symbolic management. First, we emphasize how institutional change provides firms with the opportunity of exploiting the ambiguity of change time and the ambiguity of change rationale to

manipulate audiences' perceptions of the firms. In previous studies, institutional change has been described as generating new pressures and constraints that shape firms' response strategies. There has been a surge in research focusing on the use of decoupling as a coping response for handling institutional complexity (Binder, 2007; Boxenbaum & Jonsson, 2008; George, Chattopadhyay, Sitkin, & Barden, 2006; Lok, 2010; Tilcsik, 2010; Westphal & Zajac, 2001). Nevertheless, we seldom see studies exploring how dynamism in the institutional environment can also create opportunities at a particular point in time for firms to exercise strategic efforts that serve their purposes effectively. We still lack the theoretical language to talk about the value creation outcome of symbolic strategies in general for that matter. Our theoretical perspectives and empirical evidences shed some light on this issue by showing that how firms can take up the opportunity provided by institutional change and employ symbolic management techniques to marginalize or eliminate the tensions created by institutional transition as well as creating long-term value for the firms.

Second, our theoretical discussion on ambiguity of change time and ambiguity of change rationale provides a nuanced perspective to combine behavioral theory with institutional change and symbolic management literature. Ambiguity in the theory of decision making has not gained much attention in empirical research, yet it provides a sound logic for various firm behaviors. Image management cannot be effective if ultimate clarity is always emphasized in audiences' sense-making and decision-making process. Our theoretical stand indicates a new direction for scholars interested in image management and symbolic actions to consider the psychological roots that support the employment of impression and the political nature of symbols.

Third, this study shows empirically how name change can be at once symbolic and substantial. In using name change upon the adoption of new policy, firms link the environment

change to the description of a desired future strategic change, thus generating the anticipated congruence between their new image and assumptions about improved practices widely held within the financial community. This congruence enhances the aspiration of audiences by creating the perception of “a brighter future” that is self-reinforced by audiences who want to believe in firms’ realization of their desired objectives (Meyer & Rowan, 1977; Scott, 2002; Westphal and Graebner, 2010). To obtain an increasing positive perception from the market, the key is to frame future change and embrace it in the new name in aspirational terms (Gioia and Thomas, 1996), and to portray a credibly attractive future image that will trigger audiences to reevaluate, envision and believe in the strategic change. The value of such impression management may be especially high among firms guilty of low performance or frauds in the recent past since the investors and financial analysts have rendered relatively negative assessments of the firm’s performance already. By improving audiences’ assessment of a firm’s future, effective name change can increase the likelihood of having more optimistic earnings forecasts, thus attracting more investors to the firm. The market reaction analyses show that crucial audiences pay attention to the name change, and their construal of why firms change names offers a touchstone for shifting the market’s evaluation of the firms.

Fourth, we find that firms use name change as a basis for attention mobilization, and some firms are able to select name change strategies on the basis of how well they communicate, reinforce, or repair image that can exercise effective impression management to enhance confidence in their future operations. Previous research suggests that impression management tactics are mostly effective when they speak to the motives or intentions of a focal actor, and not merely to the capabilities (Aerts, 2005; Wayne & Kacmar, 1991; Westphal & Graebner, 2010). Name change, implying a departure from the past, without articulating how much better the firms

will become, serves to persuade audiences to accept the message they attempt to convey, and thus becomes an ideal technique to shift attention to favorable attributions of firm change. Firms' ability to mobilize attention is vividly illustrated by the empirical evidence here. For instance, the finding that only firms accused of being irresponsible during the financial disclosure process are likely to change names suggests that even though disassociating themselves from their dishonored past is the major motive for name change, firms are aware that only when the cause of fraud is unclear can they use name change to erase such memory, otherwise the motive of name change becomes too obvious, thus turns less effective.

Fifth, the results indicate that ups and downs on the financial market ensue from the interplay between audience judgments and the active agency of listed firms that promote favored interpretations of their activities. Here, the choice of a new name can be seen as a reflection of the internal strategy for national expansion (dropping location) or a managerial commitment to successful integration and re-structuring of a firm's corporate portfolio (dropping/adding specifics). Although audiences may be pluralistic in their construal of other aspects of an organization's identity (Glynn, 2000), with differing levels of exposure to organizations, they do not differ significantly in their understanding of organizational names or in their sensitivity to the symbolic conformity of those names (Glynn & Abzug, 2002). As a result, the market tends to price according to what it anticipates to happen so may not be able to properly price intangible assets such as firm name at the time a name change occurs, and tends to be overly optimistic about the prospects of a firm's change over time. The long-term optimism towards name change and whether there is an overvaluation of certain types of names are research directions that deserve future exploration.

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FIGURE 1:

This figure shows the plotted mean of the cumulative abnormal returns since the starting date of a firm's announcement of name change

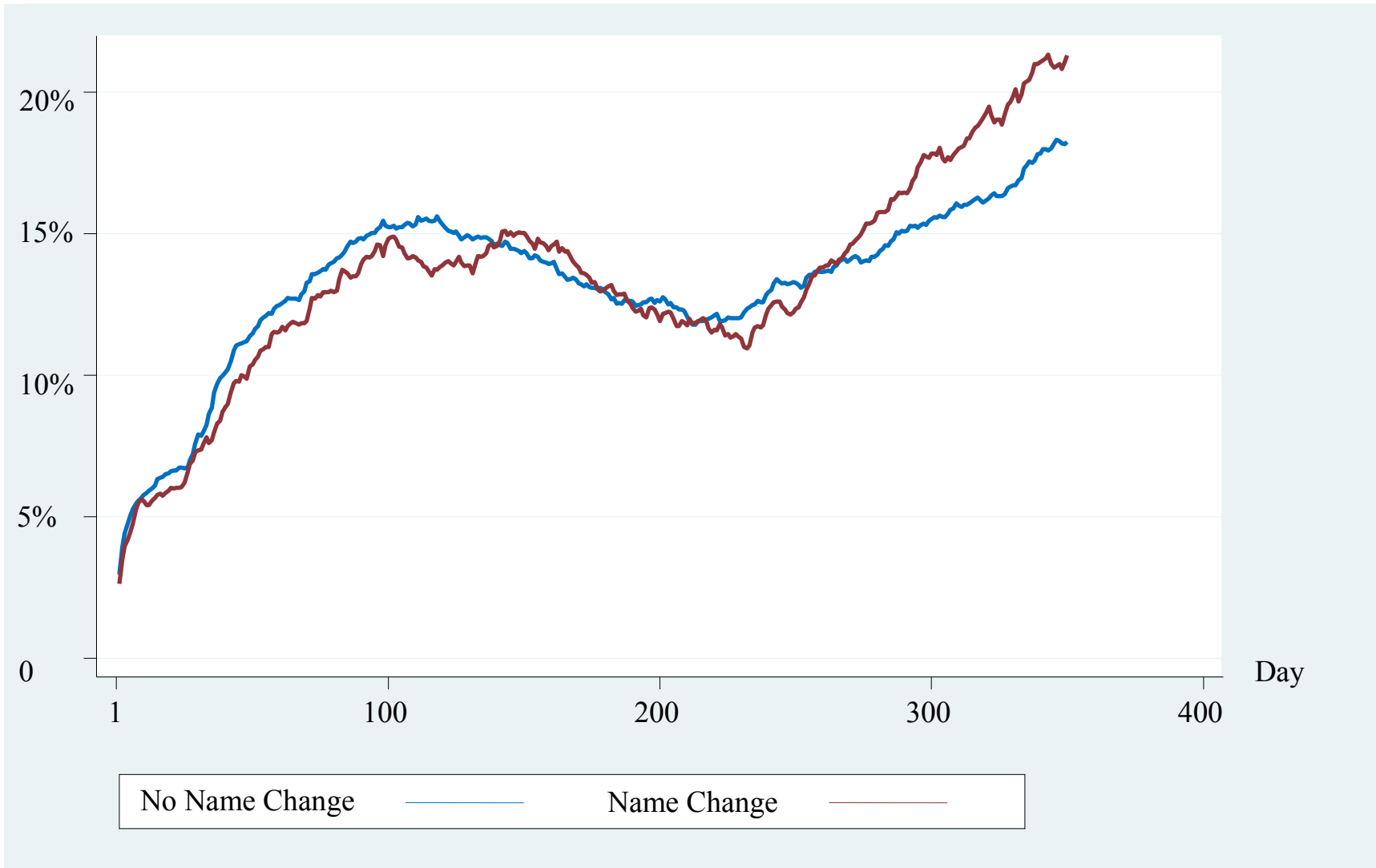


FIGURE 2:

This figure shows the plotted mean of the cumulative abnormal returns since the starting date of a firm's announcement of name change across different types of name change

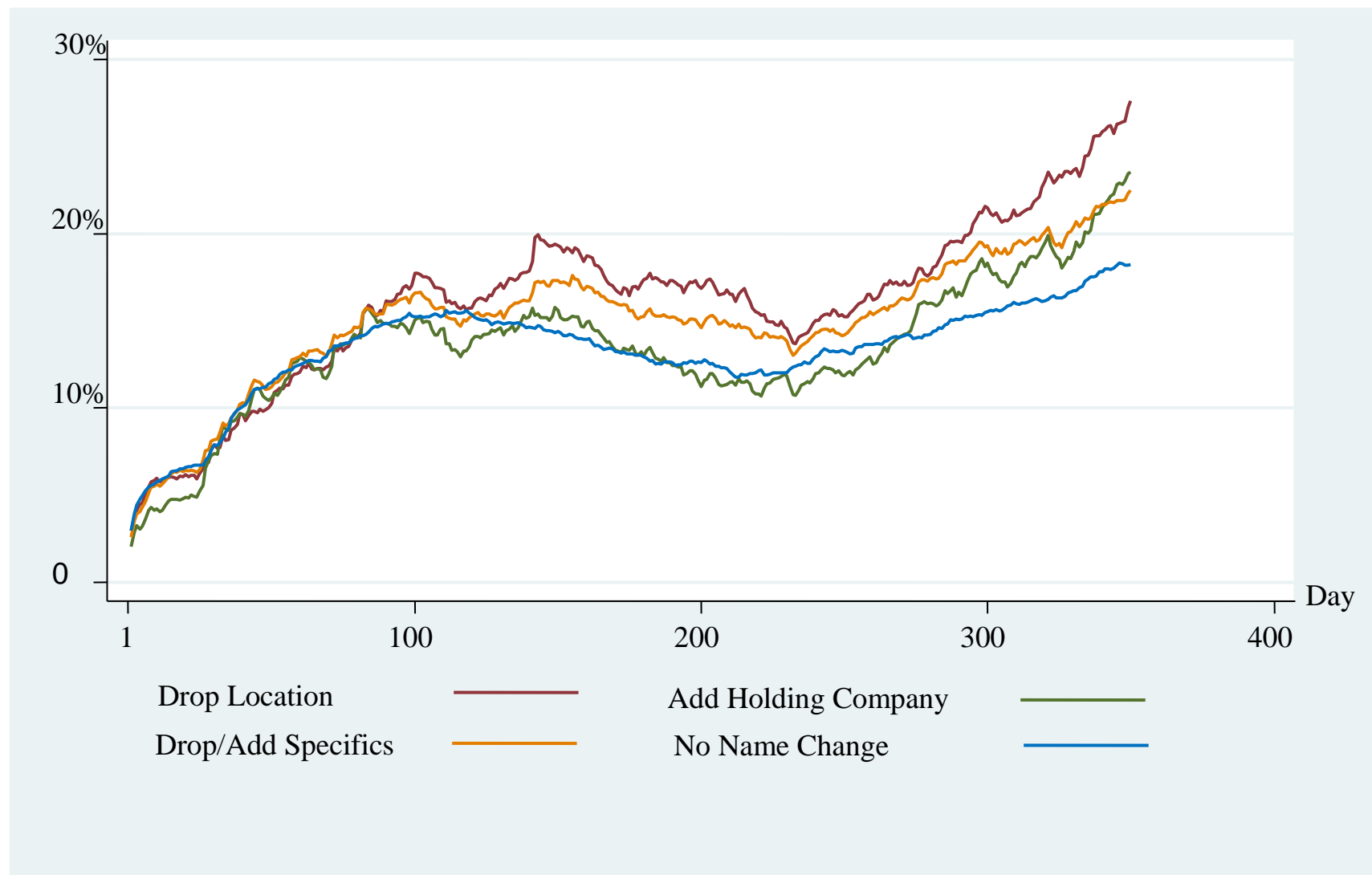


TABLE 1: Descriptive Statistics and Correlations for the Logit Model ^a

Variables	Mean	s. d.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. (Name Change)	0.24	0.43	0	1															
2. Age	7.77	3.54	0.87	17.46	0.30														
3. Size	9.20	0.46	6.95	11.71	-0.13	0.01													
4. Provincial	0.60	0.40	0	1	0.04	0.02	-0.17												
5. Individual	0.36	0.48	0	1	0.10	-0.07	-0.30	0.27											
6. Change of Head	0.38	0.49	0	1	0.07	0.11	-0.10	-0.10	-0.01										
7. Ratio of Board's Shareholding	0.24	0.30	0	1	-0.11	0.04	0.19	0.06	-0.01	-0.17									
8. Number of M&As in Prior Year	0.80	1.03	0	6	0.09	0.01	0.09	0.00	-0.00	0.06	-0.05								
9. Number of Name Changes by Peers	140.7	91.20	0	308	0.07	0.30	-0.21	-0.05	0.00	0.18	-0.16	-0.05							
10. Nontradable shares conversion	0.23	0.22	0.11	0.84	-0.10	-0.30	-0.12	-0.03	-0.02	-0.01	-0.16	0.02	-0.15						
11. Decoupling	0.33	0.47	0	1	0.10	0.26	-0.13	0.06	0.12	0.13	-0.07	0.04	0.34	0.18					
12. ROA	0.016	0.20	-2.75	2.57	-0.04	-0.01	0.04	-0.02	-0.03	-0.08	0.03	-0.03	-0.13	0.03	-0.08				
13. Tobin's q	0.81	0.25	0.38	6.13	-0.02	0.07	-0.21	0.04	0.07	0.04	-0.05	-0.01	0.18	0.14	0.11	-0.13			
14. False Financial Disclosure	0.07	0.26	0	1	0.07	0.10	-0.12	0.01	0.03	0.06	-0.05	0.07	0.15	-0.09	0.16	-0.00	0.08		
15. Delay of Financial Disclosure	0.13	0.34	0	1	0.05	0.12	-0.20	0.02	0.10	0.11	-0.09	0.05	0.26	-0.05	0.23	-0.09	0.17	0.33	
16. Irresponsibility in Disclosure Process	0.04	0.19	0	1	0.06	0.01	-0.04	0.06	0.07	0.01	-0.01	0.01	0.04	-0.03	0.05	0.02	0.03	0.22	0.24

^a A total of 1267 firms and 1267 firm-year observations comprise the data.

TABLE 2: Results for Logit Model ^a

Variables_{t-1}	Model1	Model2	Model3	Model4
Age	0.31** (0.03)	0.31** (0.03)	0.31** (0.03)	0.32** (0.03)
Size	-0.85**(0.22)	-0.84**(0.22)	-0.96**(0.23)	-0.98**(0.24)
Industry	YES	YES	YES	YES
Region	YES	YES	YES	YES
Provincial	-0.05 (0.24)	-0.06 (0.24)	-0.05 (0.24)	-0.07 (0.24)
Individual	0.50* (0.20)	0.50* (0.20)	0.51* (0.20)	0.50* (0.20)
Change of CEO/President	0.21 (0.18)	0.21 (0.18)	0.21 (0.18)	0.21 (0.18)
Ratio of Board's Shareholding	-0.77*(0.34)	-0.78* (0.34)	-0.74* (0.34)	-0.75* (0.35)
Number of M&As in Prior Year	0.22**(0.08)	0.22**(0.08)	0.22**(0.08)	0.21**(0.08)
Diversification level	0.01 (0.05)	0.01(0.05)	0.01(0.05)	0.01(0.05)
Number of Name Changes by Peer Firms	-0.00** (0.00)	-0.00** (0.00)	-0.00**(0.00)	-0.00** (0.00)
Nontradable shares conversion	-0.14 (0.40)	-0.15 (0.40)	0.01 (0.41)	0.06 (0.42)
Decoupling	0.19 (0.20)	0.17 (0.20)	0.19 (0.20)	0.18 (0.20)
ROA		-0.57 (0.40)	-0.93+ (0.53)	-1.01+ (0.56)
Tobin's Q			-0.92* (0.41)	-0.92* (0.41)
False Financial Disclosure				0.18 (0.34)
Delay of Financial Disclosure				-0.33 (0.29)
Irresponsibility in Disclosure Process				0.78+ (0.42)
Constant	4.63+ (2.63)	4.57+ (2.63)	6.28* (2.73)	6.43* (2.74)
Observations	1267	1267	1267	1267
Likelihood ratio (<i>df</i>)	292.64**(73)	295.65**(74)	302.13**(75)	308.15**(78)
Likelihood-ratio test vs. Model 1 (<i>df</i>)		3.01* (1)	9.49**(2)	15.51**(5)
Likelihood-ratio test vs. Model 2 (<i>df</i>)			6.48**(1)	12.50*(4)
Likelihood-ratio test vs. Model 3 (<i>df</i>)				6.02+(3)

^a A total of 1267 firms and 1267 firm-year observations comprise the data. Standard errors are in parentheses. Two sided t-tests for coefficients. Standard errors in parentheses, ** p<0.01, * p<0.05, + p<0.1

TABLE 3: Descriptive Summary of Conditions Prior to Name Change

	Column 1 All Firms N=1267	Column 2 Name Change N=310	Column 3 Drop Location N=133	Column 4 Drop/Add Specifics N=186	Column 5 Add Holding Company N=101
ROA (mean) (std. dev.)	0.016 (0.20)	0.001 (0.09)	0.003 (0.06)	-0.004 (0.17)	0.002 (0.10)
Tobin's Q (mean) (std. dev.)	0.81 (0.25)	0.80 (0.15)	0.78 (0.10)	0.81 (0.17)	0.82 (0.15)
False Financial Disclosure (count) (percentage)	91	32 (35.2%)	12 (13.2%)	11 (12.1%)	9 (9.9%)
Delay of Financial Disclosure (count) (percentage)	166	49 (29.5%)	17 (10.2%)	18 (10.8%)	14 (8.4%)
Irresponsibility in Disclosure Process (count) (percentage)	47	28 (59.6%)	9 (22.0%)	11 (23.4%)	8 (17.0%)

TABLE 4: Results for the Cumulative Abnormal Returns Analysis on Immediate Market Reactions

	Column 1 All Name Change N=310 No change: N=957	Column 2 Drop Location N=133 No change: N=957	Column 3 Drop/Add Specifics N=186 No change: N=957	Column 4 Add Holding Company N=101 No change: N=957
Event Window				
[-1;3] Window	-1.69%* (0.0075)	-0.80% (0.0101)	-0.98% (0.0106)	-2.47%* (0.0112)
[-1;5] Window	-1.89%* (0.0086)	-0.71% (0.0115)	-1.07% (0.0121)	-2.60%* (0.0128)
[-1;10] Window	-2.12%* (0.0099)	-0.26% (0.0133)	-1.15% (0.0140)	-2.89%+ (0.0148)
[-10;1] Window	-1.43%* (0.0066)	-1.18% (0.0089)	-0.75% (0.0094)	-1.91%+ (0.0100)
[-3;3] Window	-1.70%* (0.0075)	-0.88% (0.0101)	-1.00% (0.0106)	-2.50%* (0.0112)
[-5;5] Window	-1.94%* (0.0086)	-1.10% (0.0116)	-1.04% (0.0122)	-2.49%+ (0.0129)

TABLE 5: Results for the Instrumented OLS Regressions on Tobin's q

VARIABLES	Column 1 All name change	Column 2 Drop location	Column 3 Drop/Add specifics	Column 4 Add holding company
Age	-0.01 (0.01)	-0.01+(0.00)	-0.01+(0.00)	-0.00(0.00)
Size	0.06**(0.02)	0.05**(0.01)	0.05**(0.02)	0.05**(0.02)
Industry	YES	YES	YES	YES
Region	YES	YES	YES	YES
Provincial	-0.03*(0.01)	-0.03*(0.01)	-0.03*(0.01)	-0.03*(0.01)
Individual	0.04**(0.01)	0.04**(0.01)	0.04**(0.01)	0.04**(0.02)
Change of Head	-0.00(0.01)	-0.00(0.01)	-0.00(0.01)	0.00(0.01)
Number of M&As in Prior Year	-0.00(0.01)	0.00(0.01)	-0.00(0.01)	0.00(0.01)
Change in diversification level	-0.01(0.01)	-0.01(0.01)	-0.01(0.01)	-0.01(0.01)
Nontradable shares conversion	0.01(0.022)	0.01(0.02)	0.01(0.02)	0.01(0.02)
Decoupling	-0.02+(0.01)	-0.02(0.01)	-0.02(0.01)	-0.02+(0.01)
False Financial Disclosure	-0.04*(0.02)	-0.04*(0.02)	-0.04+(0.02)	-0.04+(0.02)
Delay of Financial Disclosure	0.00(0.02)	0.00(0.02)	-0.00(0.02)	-0.00(0.02)
Irresponsibility in Disclosure Process	0.03(0.03)	0.05+(0.03)	0.04(0.03)	0.04(0.03)
ROA in previous year	-0.04(0.02)	-0.05*(0.02)	-0.05*(0.02)	-0.05+(0.03)
Dependent Variables:				
Tobin's q_t – Tobin's q_{t-1}				
Name change type ^b	0.14(0.15)	0.11(0.13)	0.12(0.14)	0.04(0.24)
Alternative Dependent Variables ^c:				
Tobin's q_{t+1} – Tobin's q_t				
Name change type ^b	0.70*(0.35)	0.33+(0.18)	0.56+(0.31)	-0.79(0.61)
Tobin's q_{t+2} – Tobin's q_{t+1}				
Name change type ^b	1.21*(0.56)	0.72**(0.35)	0.90*(0.40)	-0.70(0.88)

^b The independent variable name change type includes: All name change, Drop location, Drop/Add specifics, and Add holding company. The regression results for each name change type under 3 alternative dependent variables are presented in different columns.

^c Results for the full regressions are available from the authors.

Standard errors in parentheses, ** p<0.01, * p<0.05, + p<0.1

TABLE 6: Results for the Instrumented OLS regressions on ROA

VARIABLES	Column 1 All name change	Column 2 Drop location	Column 3 Drop/Add specifics	Column 4 Add holding company
Age	0.00(0.01)	-0.00(0.01)	0.00(0.01)	-0.00(0.01)
Size	-0.04(0.04)	-0.01(0.02)	-0.02(0.03)	-0.01(0.03)
Industry	YES	YES	YES	YES
Region	YES	YES	YES	YES
Provincial	-0.01(0.02)	-0.01(0.02)	-0.01(0.02)	-0.01(0.02)
Individual	0.01(0.03)	0.00(0.02)	0.01(0.02)	-0.00(0.03)
Change of Head	0.04*(0.02)	0.03*(0.02)	0.03*(0.02)	0.03*(0.02)
Number of M&As in Prior Year	0.02+(0.01)	0.01+(0.01)	0.02+(0.01)	0.01(0.01)
Change in diversification level	-0.01(0.01)	-0.01(0.01)	-0.01(0.01)	-0.01(0.01)
Nontradable shares conversion	-0.09*(0.04)	-0.10**(0.04)	-0.10*(0.04)	-0.09**(0.04)
Decoupling	-0.01(0.02)	-0.02(0.02)	-0.01(0.02)	-0.01(0.02)
False Financial Disclosure	-0.05(0.04)	-0.05(0.03)	-0.06+(0.03)	-0.06+(0.03)
Delay of Financial Disclosure	-0.02(0.03)	-0.02(0.03)	-0.02(0.03)	-0.01(0.03)
Irresponsibility in Disclosure Process	0.01(0.05)	-0.01(0.04)	0.00(0.05)	-0.02(0.05)
Tobin's q in previous year	0.26**(0.04)	0.28**(0.03)	0.28**(0.03)	0.29**(0.03)
Dependent Variables:				
ROA_t – ROA_{t-1}				
Name change type ^b	-0.11(0.26)	-0.05(0.21)	-0.08(0.22)	-0.10(0.37)
Alternative Dependent Variables ^c:				
ROA_{t+1} – ROA_t				
Name change type ^b	-0.13(0.20)	-0.11(0.17)	-0.13(0.19)	-0.02(0.29)
ROA_{t+2} – ROA_{t+1}				
Name change type ^b	-0.71*(0.36)	-0.62*(0.28)	-0.64*(0.29)	-0.51(0.58)

^b The independent variable name change type includes: All name change, Drop location, Drop/Add specifics, and Add holding company. The regression results for each name change type under 3 alternative dependent variables are presented in different columns.

^c Results for the full regressions are available from the authors.

Standard errors in parentheses, ** p<0.01, * p<0.05, + p<0.1