

# **Behavioral Aspects of Corporate Decision- Making and Employment Restructuring**

**Rico Kremer**

**Dissertation**

zur Erlangung des Grads  
eines Doktors Wirtschaftswissenschaft (Dr. rer. pol.)  
der Universität Erfurt, Staatswissenschaftliche Fakultät

2022

Uniform Resource Name:

urn:nbn:de:gbv:547-202200329

Gutachterin und Gutachter

Prof. Dr. Miriam Zschoche (Universität Erfurt)

Prof. Dr. Till Talaulicar (Universität Erfurt)

Prof. Dr. Norbert Bach (Technische Universität  
Ilmenau)

Datum der Disputation: 28.04.2022

# Table of Contents

<b>List of Figures .....</b>	<b>VI</b>
<b>List of Tables.....</b>	<b>VI</b>
<b>List of Abbreviations.....</b>	<b>IX</b>
<b>Acknowledgements .....</b>	<b>XII</b>
<b>Author Contribution Statement.....</b>	<b>XIV</b>
<b>Abstract .....</b>	<b>XVIII</b>
<b>CHAPTER 1. General Introduction .....</b>	<b>1</b>
1.1 Employment Restructuring.....	1
1.2 Antecedents of Employment Restructuring.....	3
1.3 Consequences of Employment Restructuring .....	6
1.4 Socio-cognitive Perspectives in Strategic Management.	9
1.5 Research Aim, Questions, and Contributions.....	14
1.6 Research Designs .....	24
<b>CHAPTER 2. Opening up their Moral Stances: How CEO Moral Foundations Influence Downsizing Decisions .....</b>	<b>32</b>
2.1 Introduction .....	33
2.2 Theory and Hypotheses .....	39
2.2.1 The Empirical Context: Downsizing Decisions in Germany .....	39
2.2.2 CEO Values.....	43
2.2.3 CEO Moral Foundations and Downsizing.....	47
2.2.4 Managerial Discretion .....	53
2.2.5 CEO Age .....	55
2.3 Methodological Approach.....	58

2.3.1 Sample .....	58
2.3.2 Measures.....	60
2.3.3 Analysis .....	71
2.4 Results .....	72
2.4.1 Supplemental Analyses .....	79
2.4.2 Endogeneity Assessment .....	82
2.5 Discussion .....	86
2.5.1 Theoretical Contributions.....	87
2.5.2 Practical Implications .....	90
2.5.2 Limitations and Directions for Future Research....	91
2.6 Conclusion.....	93
<b>CHAPTER 3. A Question of Communication: Influencing Media Reactions on Downsizing Announcements .....</b>	<b>95</b>
3.1 Introduction .....	96
3.2 Theory and Hypotheses.....	102
3.2.1 External Reactions to Downsizing Announcements .....	102
3.2.2 Media Coverage and Social Approval Assets .....	105
3.2.3 Expectancy Violations and Cognitive Dissonance .....	109
3.2.4 Framing as Anticipatory Impression Management .....	113
3.2.5 Construal-Level Framing Techniques .....	116
3.2.5.1 Social Distance in Downsizing Announcement .....	119

3.2.5.2 Language Abstraction in Downsizing Announcement.....	122
3.3 Methodological Approach.....	125
3.3.1 Sample and Data Collection .....	125
3.3.2 Measures.....	128
3.3.3 Analysis .....	139
3.4 Results .....	140
3.4.1 Supplemental Analyses .....	146
3.4.2 Endogeneity Assessment.....	149
3.5 Discussion .....	153
3.5.1 Theoretical Contributions.....	154
3.5.2 Practical Implications .....	159
3.5.3 Limitations and Directions for Future Research..	160
3.6 Conclusion.....	163
<b>CHAPTER 4. The Benefits and Burdens of High and Low Social Approval Assets in Employment Restructuring...</b>	<b>164</b>
4.1 Introduction .....	166
4.2 Literature Review .....	174
4.2.1 Social Approval of Firms .....	174
4.2.1.1 High Social Approval – Benefit or Burden?	175
4.2.1.2 Low Social Approval – Benefit or Burden? .	177
4.3 Theory and Hypotheses .....	180
4.3.1 Study Context: Media Coverage about Restructuring Announcements .....	180
4.3.2 Family Firms as High Social Approval Actors ...	184

4.3.2.1 Downsizing Announcements by Family Firms .....	185
4.3.2.2 Upsizing Announcements by Family Firms .....	188
4.3.3 Foreign Firms as Low Social Approval Actors ...	190
4.3.3.1 Downsizing Announcements by Foreign Firms .....	191
4.3.3.2 Upsizing Announcements by Foreign Firms .....	193
4.4 Methodological Approach .....	195
4.4.1 Samples .....	195
4.4.2 Measures .....	197
4.4.3 Analysis .....	205
4.5 Results .....	206
4.5.1 Supplemental Analyses .....	213
4.5.2 Endogeneity Assessment .....	216
4.6 Discussion .....	218
4.6.1 Theoretical Contributions .....	219
4.6.2 Practical Implications .....	222
4.6.3 Limitations and Directions for Future Research .....	223
4.7 Conclusion .....	226
<b>CHAPTER 5. Concluding Remarks .....</b>	<b>228</b>
<b>Appendix A - Supplemental Analyses and Endogeneity Assessment (Study 1).....</b>	<b>236</b>
<b>Appendix B - Supplemental Analyses and Endogeneity Assessment (Study 2).....</b>	<b>251</b>
<b>Appendix C - Supplemental Analyses and Endogeneity Assessment (Study 3).....</b>	<b>262</b>

<b>Bibliography .....</b>	<b>277</b>
<b>Declaration of Thesis.....</b>	<b>X</b>
<b>Curriculum Vitae .....</b>	<b>XII</b>

## **List of Figures**

Figure 1 Research Framework.....	15
Figure 2 Individualizing Foundations by Managerial Discretion .....	78
Figure 3 Individualizing Foundations by CEO Age.....	79
Figure 4 Downsizing Severity by Social Distance .....	144
Figure 5 Downsizing Severity by Language Abstraction.....	146
Figure 6 Hypothesis Overview (Study 3).....	184
Figure 7 ITCV-Analyses (Study 1) .....	246
Figure 8 ITCV-Analyses (Study 2) .....	261

## **List of Tables**

Table 1 Overview of Dissertation Studies.....	30
Table 2 Descriptive Statistics and Correlations.....	74
Table 3 Tobit Regression Predicting the Severity of Downsizing Decisions.....	75
Table 4 Descriptive Statistics and Correlations.....	141
Table 5 GLS Regression Predicting the Media Tenor of Downsizing Announcements.....	142



Table 6 Descriptive Statistics and Correlations Analysis I (Downsizing Context) .....	207
Table 7 Descriptive Statistics and Correlations Analysis II (Upsizing Context) .....	208
Table 8 GEE Models Predicting Negative Media Coverage Surrounding Downsizing Announcements (Analysis I).....	209
Table 9 GEE Models Predicting Positive Media Coverage Surrounding Upsizing Announcements (Analysis II) .....	211
Table 10 GEE Tobit Regression Predicting the Severity of Downsizing Decisions.....	238
Table 11 Tobit Regression Predicting the Severity of Downsizing Decisions.....	240
Table 12 Ordered Logistic Regression Predicting the <i>Harshness</i> of Downsizing Decisions.....	242
Table 13 OLS Regression Predicting the Individualizing Foundations of CEOs .....	244
Table 14 OLS Regression Predicting the Severity of Downsizing Decisions.....	247
Table 15 <i>Fixed-Effects Regression</i> Predicting the Severity of Downsizing Decisions.....	250
Table 16 GLS Regression Predicting the Media Tenor of Downsizing Decisions.....	252
Table 17 GLS Regression Predicting the Media Tenor of Downsizing Decisions.....	254

Table 18 GLS Regression Predicting the Media Tenor with <i>Cut-Off-Level 55 Percent</i> of Downsizing Decisions .....	256
Table 19 GLS Regression Predicting the Media Tenor with <i>Cut-Off-Level 65 Percent</i> of Downsizing Decisions .....	257
Table 20 OLS Regression Predicting the Severity of Downsizing Decisions .....	259
Table 21 GEE Models Predicting <i>Negative</i> Media Coverage Pertaining to Downsizing Decisions .....	264
Table 22 Tobit Regression Predicting the <i>Average Words</i> of Media Articles Pertaining to Downsizing Decisions.....	265
Table 23 <i>Random Effects</i> Regression Predicting <i>Negative</i> Media Coverage Pertaining to Downsizing Decisions .....	267
Table 24 GEE Models Predicting <i>Positive</i> Media Coverage Pertaining to Upsizing Decisions .....	268
Table 25 Tobit Regression Predicting the <i>Average Words</i> of Media Articles Pertaining to Upsizing Decisions.....	270
Table 26 <i>Random-Effects</i> Regression Predicting <i>Positive</i> Media Coverage Pertaining to Upsizing Decisions.....	271
Table 27 GEE Models Predicting <i>Negative</i> Media Coverage Pertaining to Downsizing Decisions .....	273
Table 28 GEE Models Predicting <i>Positive</i> Media Coverage Pertaining to Upsizing Decisions .....	276

## List of Abbreviations

BMW	Bayerische Motoren Werke Aktiengesellschaft
BCI	Brysbart Abstractness / Concreteness Index
BUTTER	Basis Unit Transposable Text Experimentation Resource
CEO	Chief Executive Officer
cf.	<i>conferatur</i> (compare)
CFO	Chief Financial Officer
Chi <sup>2</sup>	Pearson Chi-square-statistic
C-level	Corporate Level
CLT	Construal Level Theory
COO	Chief Operating Officer
COVID-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
DAX	Deutscher Aktienindex (German Stock Index)
e.g.	<i>exempli gratia</i> (for example)
EBIT	Earnings Before Interest and Taxes
ed.	Edition
Ed.	Editor
Eds.	Editors
eMFD	Extended Moral Foundations Dictionary

et al.	<i>et alii</i> (and others)
etc.	<i>et cetera</i>
EVT	Expectancy Violation Theory
F	F-Statistics
FAZ	Frankfurter Allgemeine Zeitung
FD	Fair Disclosure (Wire Database)
GEE	Generalized Estimation Equations
GICS	Global Industry Classification Standard
GLS	General Least Squares
HIX	Hohenheimer Verständlichkeits-Index
i.e.	<i>id est</i> (that is)
JF-coefficient	Janis-Fader Coefficient
LIWC	Linguistic Inquiry Word Count; DE-LIWC is the corresponding version for German language
LSS	Latent Semantic Similarity
M	Mean
MDAX	Mid Cap Dax (German Stock Index)
MFT	Moral Foundations Theory
n	Number of Observations
NLTK'	Natural Language Toolkit
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
p	P-value

p.	Page
PR	Public Relations
Prob	Probability
r	Match Coefficient (Reliability)
R&D	Research and Development
R <sup>2</sup>	Coefficient of Determination
S&P 500	Standard & Poors 500 (Stock Market Index)
S.D.	Standard Deviation
SDAX	Small Caps Index (German Stock Index)
SG&A	Selling, General, Administrative Expense
STATA	General-purpose statistical software package developed by StataCorp
TecDAX	Technology Companies Index (German Stock Index)
TMT	Top Management Team
TUI	Touristik Union International
U.S.	United States
UET	Upper Echelon Theory
VIF	Variance Inflation Factor
vs.	Versus
$\beta$	Regression coefficient
2SLS	Two-stage Least Squares

## **Acknowledgements**

The past four years of my doctoral journey have been extremely rewarding. Along the way I had the support of some significant individuals to whom I would like to express my sincere gratitude. My doctoral supervisor, Prof. Dr. Miriam Zschoche, deserves special thanks. She encouraged me to start my career in academia, provided excellent feedback on the way, and mentored me throughout my journey. Without her guidance, I would never have had the chance of experiencing the virtuosity of research. I also feel indebted to Prof. Dr. Sebastian P. L. Fourné. During challenging COVID-19 times, he managed and enabled a research visit at the Lazaridis School of Business and Economics in Waterloo, Canada. Thank you for an insightful exchange of ideas and your knowledge to advance research in every aspect. The lively discussions in person are greatly missed. I am also grateful to Prof. Dr. Till Talaulicar and Prof. Dr. Norbert Bach for having kindly agreed to be the second supervisors of my thesis. I also thank Marie Vöge and Michel Kutteneuler for their tremendous data collection efforts.

On a personal note, I am particularly thankful to my parents, Ina and Henning Kremer, who always supported me and prepared me well for academic tasks. I thank my brother Rene´ Kremer for always being there and helping me to find the right balance in life. I am grateful to many friends who supported me at various stages in life: Joseph P. McGuigan (and family), Johannes Schillert, Steffen Mingenbach, Lukas Kalkowsky, Fabian Stahmer, Simon Stehr, Ömer Tiryaki, John P. Myers (and family), and many, many more.

And most of all, I thank Marie Vöge for her enduring support during those four years. I owe her more than I can express here.

Rico Kremer

*University of Erfurt*

January 2022

## **Author Contribution Statement**

The authors confirm their contribution to each chapter as follows:

---

### **Chapter 1: Introduction**

- The author of this dissertation confirms sole responsibility for the following: Review, literature sourcing, tables, and chapter preparation.

---

### **Chapter 2: Opening up their moral stances: How CEO moral foundations influence downsizing decisions**

- The author of this dissertation confirms sole responsibility for the following: Study conception and design, data collection, analysis – including robustness checks – and interpretation of results, and manuscript preparation.

---

### **Chapter 3: A Question of Communication: Influencing Media Reactions on Downsizing Announcements**

- Joint work together with Prof. Dr. Miriam Zschoche.
- Own contribution: Conception and study design 90%, data collection 100%, data operationalization



and software usage 100%, data analyses, tables, and figures 95%, robustness checks 100%, discussion of results 100%, manuscript writing 100%. Final revision 50%.

- The study was designed by Rico Kremer (RK) with suggestions for literature and sample generation by Prof. Dr. Miriam Zschoche (MZ). RK collected all data (supported by two student assistants, see also acknowledgements), and operationalized all relevant constructs by using computerized-content analysis and/or machine learning. The data was analyzed by RK in *STATA*, including the output for all regression tables, figures, and robustness checks. MZ undertook plausibility checks. RK interpreted and discussed the results. The manuscript writing was done by RK. Revision of parts in the manuscript was done by RK and MZ
- Both authors reviewed the results and approved the final version of the manuscript.

---

## **Chapter 4: The Benefits and Burdens of High and Low Social Approval in Employment Restructuring**

- Joint work together with Prof. Dr. Miriam Zschoche and Prof. Dr. Sebastian P. L. Fourné.
- Own contribution: Conception and study design 80%, data collection 100%, data operationalization and software usage 95%, data analyses, tables, and figures 90%, robustness checks 100%, discussion of results 100%, manuscript writing 75%. Final revision 40%.
- The study was designed by Rico Kremer (RK) with suggestions for structure, literature and sample generation by Prof. Dr. Miriam Zschoche (MZ) and Prof. Dr. Sebastian P. L. Fourné (SB). RK collected all data (supported by two student assistants, see also acknowledgements), and operationalized all relevant constructs by using computerized-content analysis and/or machine learning. MZ instructed RK for using a three-way indicator independent variable. The data was analyzed by RK in *STATA*, including the output for all regression tables, figures, and robustness checks. MZ undertook plausibility checks. RK interpreted and discussed the results. The manuscript

writing was done primarily by RK with comments and suggestions by SB and MZ. Revision of parts in the manuscript was done by RK, MZ and SB.

- All authors reviewed the results and approved the final version of the manuscript.

Even if the Chapters 1, 2 and 5 are single-authored, the term “we” is used in the whole thesis for a better reading comprehension and to draw the reader into the discussion at hand.

## **Abstract**

Employment restructuring represents a core strategic decision with far-reaching impact on a firm's course of action (e.g., Cascio, Chatrath and Christie-David, 2021). Although having high practical relevance, prior research remains inconsistent regarding the *antecedents* (i.e., why firms restructure) and *consequences* (i.e., evaluative judgment by external stakeholders) of employment restructuring. To provide new nuances and insights to the antecedents and consequences of employment restructuring, this cumulative dissertation draws on the emerging socio-cognitive perspective in strategic management. Grounded in social psychology and socio-cognitive research, this perspective focuses on a) how the strategists' socially construct perceptions influence their decision-making; and b) how stakeholders socio-cognitively perceive, interpret, and make sense of firms at the collective level (Rindova, Reger and Dalpiaz, 2012; Barnett, 2014; Pfarrer et al., 2019).

Chapter 1 of this dissertations draws on the socio-cognitive perspective to examine how the socially influenced decision-maker inside an organization shapes employment restructuring (i.e., Study 1). Based on moral foundations theory (Haidt and Graham, 2007), the study argues and finds

that CEOs moral stances impact the decision to restructure a firm's workforce. Methodologically, the large-scale archival approval in chapter 1 leverages recent advances in digital technology and uses a novel psycholinguistic approach to operationalize the CEOs moral stances to understand their impact on employment restructuring (n = 218 observations).

Chapter 2 and 3 incorporate socio-cognitive theories to understand how the mass media socio-cognitively perceives and makes sense of employment restructuring. For chapter 2 (i.e., Study 2), expectancy violation theory (Burgoon, 1993) and construal-level theory (Liberian and Trope, 2008) are employed to understand the impact of firms' issuing employment restructuring on the tenor of media coverage as well as socio-cognitive framing tools to influence their behavior (n = 267 observations). Chapter 3, on the other hand (i.e., Study 3), examines media agents' socio-cognitive construction processes to understand their sensemaking about employment restructuring (downsizing n = 527; upsizing n = 389). Dependent on the social approval of a firm, the underlying argument here is that media agents draft their stories about employment restructuring differently, as prior social approval act as a 'cognitive shorthand' to help them make sense of an organization's action (Bitektine,

2011; Mishina, Block and Mannoer, 2012; Pfarrer et al., 2019). The two studies in chapter 2 and 3 employ computer-aided content-analysis to measure the media tenor about employment restructuring, finding strong support for the hypotheses.

*Keywords:* Employment restructuring, behavioral strategy, moral foundations theory, expectancy violations theory, construal-level theory, downsizing, upsizing, media coverage, social approval

# **CHAPTER 1. General Introduction**

## **1.1 Employment Restructuring**

Restructuring decisions are part of everyday business life and represent an integral element of corporate strategy (e.g., Cascio, Chatrath and Christie-David, 2021). Especially in times of macroeconomic turbulences, firms face pressure to critically examine their cost structure. For instance, during the peak of the COVID-19 crisis, about 20% of German firms planned to adjust their resources by initiating large-scale restructuring programs (Ifo-Institut, 2020). Among them prominent examples, including BMW, Lufthansa, Volkswagen, and TUI. Although common in times of financial distress, restructuring programs also unfold in stable economic conditions as firms face constant competitive pressure to allocate their resources. Firms must find the right balance of their resources to tackle important questions of the 21<sup>st</sup> century. As such, restructuring decisions had, and will continue to have strong relevance for employees, organizations, and local communities (Brookman, Chang and Rennie, 2007; Datta et al., 2010; Brauer and Laamanen, 2014; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021).

In their scope and breadth, restructuring decisions can encompass many different strategic tools, such as acquisitions (e.g., O’shaughnessy and Flanagan, 1998), portfolio reconfigurations (e.g., Brauer and Wiersema, 2012), divestments (e.g., Flickinger and Zschoche, 2018), downscoping (e.g., Hoskisson and Hitt, 1994), downsizing (e.g., Brauer and Zimmermann, 2019), or upsizing (e.g., Cascio, Chatrath and Christie-David, 2021). In this dissertation, the focus lies exclusively on those restructuring decisions associated with human resources. Employment restructuring captures both, workforce *downsizing* and workforce *upsizing*. Whereas workforce downsizing deals with intentional organizational policies aimed to reduce the overall headcount (e.g., Brauer and Laamanen, 2014; Brauer and Zimmermann, 2019), upsizing decisions have the opposite purpose. They involve strategic programs to scale up or add employees (e.g., Cascio, Chatrath and Christie-David, 2021).

A substantial body of research exists that addresses multifarious questions pertaining to both types of employment restructuring. Given the conceptual overlap to many disciplines, scholars have employed multiple theoretical constructs from disciplines such as economics,



finance, sociology, and organizational behavior to explain workforce down- and upsizing (for overviews, see Datta et al., (2010) and Hansson and Gandofi (2011)). Although it is beyond the scope of this introductory part to discuss them in detail, scholars have centered around two major streams within employment restructuring. One stresses the antecedents of employment restructuring – or why restructuring decisions occur – and the other explains the consequences of employment restructuring. Here, scholars have dealt with questions whether employment restructuring results in improved performance or how stakeholders perceive restructuring decisions. These two streams are briefly reviewed below.

## **1.2 Antecedents of Employment Restructuring**

Both types of employment restructuring, downsizing and upsizing, share the same principal objective; to achieve financial or organizational benefits by adjusting organizational structures (e.g., Ahmadjian & Robinson, 2001; Hillier et al., 2007; Love & Nohria, 2005), renewing the business model (e.g., Brauer and Wiersema, 2012; Flickinger and Zschoche, 2018), or to cope with the competitive landscape through efficient allocation of human

resources (e.g., Brauer and Laamanen, 2014). Scholars typically envision employment restructuring as a rational tool, where managers employ a sub-set of financial and/or strategic considerations. The key assumptions are that “firms are rational, self-interest seeking, and efficiency-driven, and that managerial actions and their outcomes are tightly coupled” (Cascio, Chatrath and Christie-David, 2021, p. 588).

To make the argument more vivid, consider workforce downsizing. The studies available have largely identified efficiency-based considerations as motivations for dismissing employees (Datta et al., 2010; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021). Importantly, prior research has identified the discrepancy between expected and actual outcomes as main reasons for workforce downsizing, with performance declines resulting in employee reductions (Ahmadjian and Robinson, 2001; Budros, 2002; Love and Nohria, 2005; Coucke, Pennings and Sleuwaegen, 2007; Brauer and Laamanen, 2014; Cascio, Chatrath and Christie-David, 2021). The main rationale is that employee downsizing is a viable strategy to reduce labor costs while increasing fixed factor (capital) utilization (Freeman and Cameron, 1993).

Besides low profitability as an antecedent of downsizing, strategic considerations, such as shifting human resources to locations where they are expected to work more efficiently (Iurkov and Benito, 2020) or initiating them to meet analysts' consensus estimates (Schulz and Wiersema, 2018), are also considered as drivers of workforce downsizing.

Many suggestions from textbooks support the notion that employment restructuring is the product of well-balanced financial and/or strategic managerial actions (e.g., Baumol, Blinder and Wolff, 2003). But the fundamental question remains whether employment restructuring represents an exclusive strategy seeking to lower costs, to enhance efficiency, and to improve productivity. At least a considerable amount of empirical research has failed to support this notion. Employment restructuring does not systematically enhance either productivity or efficiency (De Meuse et al., 2004; Love and Nohria, 2005; Guthrie and Datta, 2008; Cascio, Chatrath and Christie-David, 2021). As such, it is likely that the causal factors driving restructuring decisions are more complex than what prior research findings suggest.

### **1.3 Consequences of Employment Restructuring**

A similar one-sided view exists toward the consequences of employment restructuring. Research typically distinguishes between individual or organizational consequences associated with employment restructuring. Many studies highlight how restructuring decisions affect individual attitudes and behavior before, during, or after employment restructuring. Among other individual consequences, employment restructuring can affect the motivation of employees, their organizational commitment, job performance, morale, and corporate citizenship behavior (Freeman and Cameron, 1993; Mishra and Mishra, 1994; Spreitzer and Mishra, 2002; Brockner et al., 2004; De Meuse et al., 2004; Travaglione and Cross, 2006; Trevor and Nyberg, 2008).

Besides individual outcomes, a large proportion of studies also focus on organizational consequences. For example, research has addressed how investors react to restructuring decisions by measuring the abnormal returns or cumulative prediction errors around the announcement day (e.g., Worrell, Davidson and Sharma, 1991; Lee, 1997; Hallock, 1998; Nixon et al., 2004; Brookman, Chang and Rennie,

2007; Hillier et al., 2007; Marshall, Mccolgan and Mcleish, 2012; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021). And others have shown how employment restructuring affect customer behavior, such as firm-supplier relationships and purchasing behavior (e.g., Lewin and Johnston, 2008; Lewin, 2009; Lewin, Biemans and Ulaga, 2010; Homburg, Klarmann and Staritz, 2012).

Yet, extent research suggests that a number of other external observers make frequent evaluations of firms' strategic decisions, including employment restructuring. Particularly the mass media provides high visibility to employment restructuring, "in prominent feature articles in popular business publications" (Bowman and Singh, 1993, p. 6). For instance, the *Wallstreet Journal* regularly covers employment restructuring decisions to provide investors with relevant information cues (some studies even construct their samples by using the *Wallstreet Journal*, see Nixon et al. (2004); Norman et al. (2013)). Besides a proliferation of business news, restructuring announcements also receive extensive media coverage in weekly or bi-weekly newspapers (Datta et al., 2010). As a more recent example, consider the layoff announcement of over 7,000 employees by DHL (a division of the Deutsche Post) that was featured

in the global news media, including popular TV-programs (Datta and Basuil, 2015).

At least theoretically, the way the media reports about employment restructuring has important ramifications for firms. Due to its role as society's dominant information provider, the mass media records public knowledge, directs public attention, and influences outsiders' interest on certain issues (Carroll and McCombs, 2003; Rindova, Pollock and Hayward, 2006; Petkova, Rindova and Gupta, 2013). Media outlets not only implicitly identify which issues are important in comparison to others of similar type, but media agents also filter relevant information about new developments (Hoffman and Ocasio, 2001; Pollock, Rindova and Maggitti, 2008). By selecting which issues to cover and how to frame them, the media directs public opinion about a firm and has the potential to damage or to leverage social approval assets, including reputation (Deephouse, 2000), legitimacy (Pollock and Rindova, 2003), and status (Graffin et al., 2013). These social approval assets are critical to a firm's success because they determine whether stakeholders are willing to exchange resources with a firm or not (Pfarrer, Pollock and Rindova, 2010; Zavyalova et al., 2012; Bundy and Pfarrer, 2015).

Although anecdotal evidence is rich and media coverage has important ramifications for firms, the relationship between restructuring announcements and media coverage has not yet been systematically examined. This is surprising given the high incidence of employee restructuring and its implications from a social standpoint. The media particularly focuses their attention on such decisions as they can be dramatized and made entertaining (e.g., Deephouse, 2000; Rindova, Pollock and Hayward, 2006; Wiesenfeld, Wurthmann and Hambrick, 2008). For them, it is critical to appeal to the largest market possible by reporting about events that provide a human-interest factor, such as employment restructuring (Petkova, Rindova and Gupta, 2013; Gamache and McNamara, 2019). What is therefore missing is a direct assessment of how the media forms evaluative judgment about restructuring announcements, as well as what firms can do to influence these media reactions.

#### **1.4 Socio-cognitive Perspectives in Strategic Management**

So far, the main research gaps in research on employment restructuring were identified. To provide new perspectives to examine a) other than financially driven antecedents of

employment restructuring, and b) evaluative judgment by the media pertaining to employment restructuring, this dissertation draws on the emerging ‘behavioral strategy’-paradigm.

While the term ‘behavioral’ frequently leads to a wide array of interpretations (for a critique, see Hambrick and Crossland, 2018), ‘behavioral strategy’ aims to merge psychology research with strategic management theory and practice. Its overall goal is “to bring realistic assumptions about human cognition, emotions, and social behavior to the strategic management of organizations and, thereby, to enrich strategy theory, empirical research, and real-world practice” (Powell, Lovallo and Fox, 2011, p. 1371). The psychological foundations of behavioral strategy are now widely recognized (Gavetti, 2012), and have been shown to influence almost all facets of strategy making (Powell, Lovallo and Fox, 2011; Sibony, Lovallo and Powell, 2017).

The historical roots of behavioral strategy overlap with assumptions from bounded rationality (Simon, 1959; Cyert and March, 1963) and prospect theory (Tversky and Kahneman, 1974; Kahneman and Tversky, 1979). This research stream emphasizes that individual decision-makers



inside organizations are bounded in their ability to make rational choices due to them having restricted computational capabilities, including finite amount of time to access and filter relevant information (Cyert and March, 1963; Ocasio, 1997; Gavetti and Rivkin, 2007). Given these restrictions, organizational decision-makers are reported to use heuristics, or ‘mental’ shortcuts, to simplify complex decision situations. Although these ‘mental shortcuts’ are useful in specific conditions (e.g., Bingham and Eisenhardt, 2011), they can bias managerial judgment-processes in systematic and predictable ways (Garbuio, King and Lovallo, 2011). Since then, diverse approaches have enriched the field by highlighting the impact of cognitive limitations inside organizations, such as anchoring (Zur and Shaver, 2014), escalation of commitment (Staw, 1981), categorical cognition (Lee, Adbi and Singh, 2020), 1/n bias (Bardolet, Fox and Lovallo, 2011), or overconfidence (Malmendier and Tate, 2005).

Alas these findings, more recent voices question whether behavioral strategy should continue to solely focus on cognitive limitations of strategists. As it has been argued, real strategy phenomena substantially differ from settings where researchers are able to specify *ex ante* rationality and

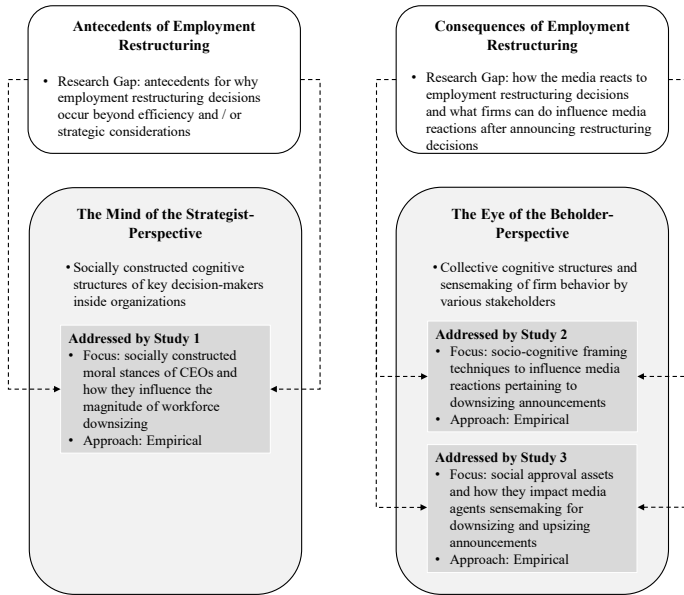
optimality (Levinthal, 2011; Hambrick and Crossland, 2018). The fact that firms are not simply a collection of individuals with strategy problems clearly delineated has led researchers to shift the focus on socially influenced characteristics and preferences (Sibony, Lovallo and Powell, 2017; Pfarrer et al., 2019). Grounded in social psychology and socio-cognitive theory, the focus has shifted on the strategists' attention and "the bounded rationality of their cognitions, intuitions, and emotions; and the use of biases and heuristics to *socially* construct 'perceptual answers' to traditional strategic management questions about how firms obtain and sustain competitive advantage" (Pfarrer et al., 2019, p. 768, emphasis added). Labelled as the '*mind of the strategist*'-perspective (Rindova, Reger and Dalpiaz, 2012), these socio-cognitive approaches can move on from the prevailing analytical setup of individual decision-making that has limited relevance for addressing complex strategic decisions (Sibony, Lovallo and Powell, 2017; Hambrick and Crossland, 2018). Rather, they offer more nuanced explanations into how individuals and collectives gather and interpret information from complex environments to sustain competitive advantage (Rindova, Reger and Dalpiaz, 2012; Hambrick and Crossland, 2018).

Another major stream within the socio-cognitive perspective in behavioral strategy has expanded their interest beyond the socially influenced decision-maker. Instead of examining how strategists collectively navigate courses of action, researchers begun to examine how stakeholders perceive, interpret, and make sense of firms at the collective level (Bitektine, 2011; Mishina, Block and Mannoer, 2012; Rindova, Reger and Dalpiaz, 2012; Barnett, 2014; Pfarrer et al., 2019); “and what consequences these collective cognitive and interpretative processes and structures have for [firm] performance” (Rindova, Reger and Dalpiaz, 2012, p. 156). Thus, the main focus of this so-called ‘*eye of the beholder*’-perspective is directed at understanding the impact of firms’ strategic announcements on the perceptions of various stakeholders. The underlying notion is that because perceptions vary in cognitive content, so do the corresponding reactions by stakeholders (Rindova et al., 2005; Pollock, Rindova and Maggitti, 2008; Zavyalova et al., 2012; Busenbark et al., 2019; Blagoeva, Kavusan and Jansen, 2020).

## **1.5 Research Aim, Questions, and Contributions**

The overall goal of this cumulative dissertation is to incorporate assumptions from the socio-cognitive perspective in strategic management to address the gaps identified in employment restructuring. Specifically, one research aim of this dissertation is to depart from the efficiency-based view prevalent in employment restructuring. Instead, this dissertation draws on assumptions from the '*mind of the strategist*'-perspective to examine how the socially influenced decision-maker inside an organization shapes employment restructuring (Study 1). The second research aim of this dissertation is to follow the '*eye of the beholder*'-perspective to understand how the mass media socio-cognitively perceives and makes sense of employment restructuring decisions. Theories from social psychology are applied to not only examine differences in media agents' sensemaking of restructuring decisions, but also to understand if firms can socio-cognitively influence the mass media to garner more positive reactions (Study 2 and Study 3). Figure 1 provides an overview on the research framework for this dissertation.

**Figure 1 Research Framework**



Along the ‘*mind of the strategist*’ – perspective, **Study 1** addresses how CEOs socio-cognitively approach workforce downsizing as one form of employment restructuring. More precise, Study 1 focuses on the social psychological enacted moral stances of CEOs by asking: *Do CEOs’ moral stances matter when they undertake core strategic decisions? If so, what are the psychological processes by which CEOs moral values enter their decision making?*

The starting point to answer these research questions is moral foundations theory (MFT) from social psychology research. MFT suggests that individuals draw from the same broadly defined psychological moral stances to coordinate their decision-making (Haidt and Graham, 2007; Haidt, Graham and Joseph, 2009; Graham et al., 2011). According to MFT, these moral stances deal with protections of and care for others (e.g., protection from harm, from inequality). Not only are the moral stances activated when it comes to the treatment of others, but some decision-makers have higher intuitive, broad conceptions of moral stances as part of their value system on which they draw when evaluating strategic choices (Haidt and Kesebir, 2008; Graham et al., 2013).

Given that layoff decisions generally create uncertainties among CEOs (Gupta, Nadkarni and Mariam, 2019) and they experience psychological discomfort when executing them (Karakaya, 2000), workforce downsizing provides an ideal context to employ assumptions from MFT to understand differences in final decision-making outcomes. This is because under conditions of uncertainty, decision-makers simplify their cognitive task by relying on their personal frames, such as their moral stances (Stanovich and West, 2000; Graham et al., 2013; Weaver, Reynolds and Brown,

2014). Based on MFT, the argument here is that CEOs with higher moral stances feel morally obliged to their employees, which leads them to pursue less severe downsizing approaches. In contrast, CEOs with lower moral stances view workforce downsizing as an essential strategy that needs to be deployed periodically to readjust the current situation of the firm. Part of the explanation is that they are morally disconnected to others, meaning they have lower sympathy for their employees.

The results of Study 1 contribute to and advance existing literature in several ways. By studying the impact of CEOs moral stances, Study 1 departs from the prevalent efficiency-perspective in workforce downsizing by showing that CEOs shape the character of restructuring decisions. Or differently stated, instead of a simple search for efficiency and profits, Study 1 empirically shows that hard-wired, psychological mechanisms – in this case, the moral stances of CEOs – likely shape CEOs' field of vision and selective perception. As such, Study 1 highlights socio-cognitive decision-making mechanisms in addition to (well documented) efficiency-enhancing and strategic considerations to explain workforce downsizing.

Regarding the ‘*eye of the beholder*’ – perspective, two studies were conducted to understand media reactions pertaining to employment restructuring announcements. While prior research has thoroughly examined investor and customer reactions to the news of employment restructuring (Nixon et al., 2004; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021), surprisingly research has yet to examine how the media reacts to such assertions. Understanding how the media reports about restructuring announcements is important in several ways. As described above, the media not only constitutes society’s dominant information provider but also sets the agenda for discourse. By selecting which issues to cover and how to frame them, the media directs public opinion about a firm and has the potential to damage or to leverage social approval assets, such as reputation, status and legitimacy (Deephouse, 2000; Pollock and Rindova, 2003).

Given the media’s ability to influence the formation of a firm’s social approval assets, the purpose of **Study 2** is to answer two interrelated questions: (1) *What are the consequences of a firm announcing a permanent reduction of personnel on the tenor of media coverage?* Besides examining the direct consequences on the tenor of media



coverage, Study 2 applies theory by asking: (2) *What are ways for firms to influence these media reactions?*

To answer both research questions, socio-cognitive findings are transferred to the downsizing context. This is because socio-cognitive research offers useful lenses through which to view how the media makes sense of downsizing decisions and how they are – at the same time – constrained in their ability to notice, assess, and thereafter punish firm behavior (Mishina, Block and Mannoer, 2012; Barnett, 2014; Pfarrer et al., 2019). The main argumentation in Study 2 draws on two prominent theories from socio-cognitive research; expectancy violations theory (EVT) (Burgoon, 1993) to explain why the media will report negatively about news of downsizing and construal-level theory (CLT) (Liberman and Trope, 2008) to examine firms' options to influence media coverage.

The first research stream suggests that coverage by the media depends on perceived violations of publicly held standards (Zavyalova et al., 2012). Particularly workforce downsizing signals a violation of public held values as it places employees and other stakeholders at risk (Love and Kraatz, 2009), which increases the likelihood of negative evaluative

judgment by the media (Pfarrer, Pollock and Rindova, 2010). The second research stream suggest that amid violations of stakeholders' expectations, firms have specific socio-cognitive impression management techniques at their disposal to manage perceptions of their behavior (e.g., Graffin, Haleblan and Kiley, 2016). More precise, they can 'frame' their downsizing message in a specific way that allows them to garner more positive reactions from the media (e.g., Rhee and Fiss, 2014). By following CLT, the main argument in Study 2 is that if firms socially distance themselves from the focal layoff decision and if they use more abstract language, then they can socio-cognitively change the way media agents perceive and, as a consequence, report about news of downsizing (Liberian and Trope, 2008; Trope and Liberman, 2010).

Based on this conceptualization, Study 2 makes several contributions to theory and practice. Not only does Study 2 delineate strategies for firms to 'whitewash' their downsizing message so that external observers make more favorable judgments, but the study also responds to general calls in the literature for examining how firms can socio-cognitively influence the way infomediaries covering them, as well as the process of the loss and recovery of a firm's social

approval (e.g., Pollock, Rindova and Maggitti, 2008; Rindova, Reger and Dalpiaz, 2012; Pfarrer et al., 2019). By explicating socio-cognitive tools for executives in managing outsiders' perceptions of firm behavior, Study 2 also offers implications for management practice. Particularly in the aftermath of the COVID-19 crisis, and as anecdotal evidence recently demonstrates, several firms already announced massive layoff decisions and numerous firms are expected to follow. What these firms will need is guidance in announcing their downsizing decision to the public – Study 2 fills this gap by offering cost-effective ways to manage media reactions to a negatively perceived event.

*Study 3* focuses on media agents' socio-cognitive construction processes to examine how journalists draft their stories about employment restructuring. A strong claim in recent literature is that media agents rely on prior social approval as a 'cognitive shorthand' to help them make sense of an organization's action (Bitektine, 2011; Mishina, Block and Mannoer, 2012; Pfarrer et al., 2019). This is because due to complexity and time constraints, media agents revert "to familiar and relatively simple explanations of firm performance" (Hayward, Rindova and Pollock, 2004, p. 641), including the social approval of a firm. This social

approval, or the general affinity toward an organization, including its inherent goodness or badness (Bundy and Pfarrer, 2015), facilitates the evaluation of firm behavior as it makes it easier for media agents to craft a storyline that likely resonates with an audience (Pfarrer, Pollock and Rindova, 2010; Hubbard et al., 2018; Chandler, Polidoro and Yang, 2020). As such, prior social approval may act as interpretative frames through which media agents filter information, influencing them in their sensemaking of firm behavior.

Interestingly, the literature remains unsettled as to the extent to which *high* and *low* social approval offers a ‘benefit’ or ‘burden’. For instance, some scholars have argued that high and low social approval of a firm can act as a ‘benefit’ to reduce negative perceptions or to translate into positive assessments of these actors (e.g., Godfrey, Merrill and Hansen, 2009; Pfarrer, Pollock and Rindova, 2010; Kim and King, 2014; Park and Rogan, 2019). Others, in contrast, have emphasized that *high* and *low* social approval of a firm can act as a ‘burden’ to increase negative perceptions, thereby inviting more critical evaluation (Rhee and Haunschild, 2006; Wade et al., 2006; Graffin et al., 2013; Parachuri, Han and Prakash, 2021). Thus, past research about the effects of

both low and high social approval on external observers' sensemaking remains inconclusive. Accordingly, the central impetus of this study is to reconcile these opposing sets of findings by exploring the boundary condition under which an organization's (low or high) social approval might shift from a benefit to a burden and vice-versa. Study 3 therefore seeks to answer the following research question: *(1) When do high and low social approval assets shift from a benefit to a burden and vice versa?*

The overall contribution of Study 3 is that restructuring announcements (upsizing and downsizing) are processed in different ways by the media, to contrasting effects depending on the social approval of a firm. The broader implications of Study 3 are that although the media is set to deliver the objective *facts*, "in reality journalists socially construct the news" (Chandler et al., p.1238). Study 3 highlights that media agents not only assess the characteristics of the act but also the character of the actor (Greve, Palmer and Pozner, 2010; Barnett, 2014; Chandler, Polidoro and Yang, 2020). As such, by focusing on both a negative (downsizing) and positive (upsizing) context to assess the impact of social approval assets on media agents' sensemaking, Study 3 reveals what otherwise would be hidden; when high social

approval is of a benefit *and* burden for the same organization and when low social approval assets may be beneficial *and* burdensome.

## **1.6 Research Designs**

Different research designs have been adopted to conduct the studies that form the basis of this dissertation. Each study is based on a unique dataset to investigate how a) CEOs moral stances impact downsizing decisions (Study 1), b) media reactions to the news of downsizing and ways for firms to influence them (Study 2), and c) differences in media reporting depending on the social approval of a firm (Study 3).

***Study 1*** comprises a large-scale archival approach. It draws on a sample of German firms (and their CEOs) listed on the German Prime-Index (DAX, MDAX, SDAX, TecDAX) in 2020. For each firm listed on the Prime-Index in 2020, downsizing instances were gathered for the period 2005 – 2019 by systematically searching media outlets, including *Frankfurter Allgemeine Zeitung*, *Börsen Zeitung* and *Euro am Sonntag*. This search generated a finale sample of 218 workforce downsizing announcements made by 137 CEOs.

Methodologically, Study 1 leverages recent advances in digital technology to conduct computer-aided text analysis. More precise, the study uses a novel psycholinguistic approach to operationalize the CEOs moral stances to understand their impact on workforce downsizing. The underlying premise is that CEOs' socially influenced thought processes, including their moral stances (Hopp et al., 2020), are reflected in their spoken and written language (Nadkarni and Chen, 2014; Gamache and McNamara, 2019; Shi, Zhang and Hoskisson, 2019; Graf-Vlachy, Bundy and Hambrick, 2020). Based on several sources of relevant communication at various points in time, the study analyzes > 5,500,000 spoken words by the sampled CEOs to assess their moral stances. It measures the CEOs moral stances by relying on the extended moral foundations dictionary (eMFD) (Hopp et al., 2020).

***Study 2*** likewise comprises a large scale-archival approach. A sample was constructed by systematically gathering downsizing announcements of firms based in Germany for the period 2010 – 2019. After identifying relevant announcements, press-releases were collected directly related to the downsizing announcement from companies' websites, Google search, and specific PR-

websites. Press releases represented the primary source of information as journalists frequently base their articles on them and because they are reports that firms themselves view as important (Zavyalova et al., 2012; Nadkarni, Pan and Chen, 2019). They therefore allow to examine how firms can socio-cognitively frame their downsizing messages to garner more positive media reactions. Due to some missing data, the final sample consists of 253 downsizing announcements (i.e., original press releases) made by 167 firms.

To capture the corresponding media reactions pertaining to those downsizing announcements, all media articles published in the 20 largest German newspapers by circulation were downloaded. It was ensured to only capture media articles related to the downsizing announcement of the focal firm over a 15-day period (i.e., -1 day prior to +14 days after the announcement). This ensured to capture media reactions directly related to the focal firms' downsizing announcement and not some technical issues (Gamache and McNamara, 2019). On the basis of this careful data collection approach, 3,147 media articles were collected, explicitly covering the 253 downsizing announcements of interest.



In order to measure the media tenor and underlying socio-cognitive framing tools, two content analysis software programs were utilized. First, the German version of the ‘Linguistic Inquiry Word Count’ (DE-‘LIWC’) software (Meier et al., 2018). LIWC is a program with built in dictionaries that have been demonstrated to be internally reliable and externally valid (Pennebaker, Booth and Francis, 2007), particularly in measuring the positive and negative affective content of media articles (e.g., Zavyalova et al., 2012; Bednar, Boivie and Prince, 2013; Titus, Parker and Erin Bass, 2018; Gamache and McNamara, 2019). Second, prior machine-learning outputs were uploaded into the ‘Basis Unit Transposable Text Experimentation Resource’ (‘BUTTER; Version 0.9.4.1.) to scan each downsizing announcement on the proposed socio-cognitive framing tools.

**Study 3** also draws on large data sets to empirically examine the impact of social approval assets on media agents’ sensemaking. Recall that Study 3 focuses on both, downsizing and upsizing announcements, to understand how social approval assets act as interpretive frames for journalists to draft their stories. As such, two samples were generated. For the period 2006 – 2019, 527 downsizing

announcements and 389 upsizing announcements with corresponding media coverage were utilized. In contrast to above, Study 3 captures media reactions in the year the focal firm announced the restructuring decision (downsizing vs. upsizing) to capture the general perception of the media toward the event.

To capture relevant media reactions, articles were downloaded from the 20 largest German newspapers by circulation. All articles were manually reviewed and filtered with German synonyms for the word ‘downsizing’ and ‘upsizing’. Altogether, 16,888 media articles corresponding to the 527 sampled downsizing announcements, and 2,457 media articles corresponding to the 389 upsizing instances were analyzed.

The positive and negative affective content about a firm’s restructuring announcement (downsizing vs. upsizing) was then measured with the aforementioned DE-LIWC-Software (Pennebaker, Booth and Francis, 2007; Meier et al., 2018). To further operationalize high or low social approval firms, Study 3 specifically accounts for the ownership structure. As outlined in-depth below, family firms are characterized as high social approval firms due to them having higher levels

of reputation, status, legitimacy, and image (Cennamo et al., 2012; Deephouse and Jaskiewicz, 2013; Sageder, Mitter and Feldbauer-Durstmüller, 2018). Foreign firms on the other hand are classified as low social approval actors as they face the ‘liabilities of being foreign’ (for an overview, see Denk, Kaufmann and Roesch, 2012). As such, they possess lower social approval among external observers, including the media.

Table 1 provides an overview on the three studies conducted that form the basis of this dissertation. The table emphasizes the main research questions, theoretical lenses employed, the methods, and main findings. They are discussed with more detail below, with each study chronologically representing one chapter in this dissertation. The final chapter concludes this dissertation thesis.

**Table 1 Overview of Dissertation Studies**

	Research Questions	Theory	Method	Finding(s)
<i>Study 1</i>	Do CEOs moral stances matter when they undertake core strategic decisions? If so, what are the psychological processes by which CEOs moral stances enter their decision making?	<ul style="list-style-type: none"> <li>• Moral foundations theory</li> <li>• Upper echelon theory</li> </ul>	<ul style="list-style-type: none"> <li>• Computer-aided text analysis of 5,5 million spoken words of 137 CEOs issuing 218 downsizing decisions</li> </ul>	Moral stances impact the conflict laden decision to lay off employees; this is moderated by managerial discretion and CEO age
<i>Study 2</i>	What are the consequences of a firm announcing a permanent reduction of personnel on the tenor of media coverage? What are ways for firms to influence media coverage when announcing these decisions to the public?	<ul style="list-style-type: none"> <li>• Expectancy violation theory</li> <li>• Cognitive dissonance theory</li> <li>• Construal-level theory</li> </ul>	<ul style="list-style-type: none"> <li>• Computer aided text analysis of 3,147 media articles and 267 press releases linked to each downsizing event</li> </ul>	The higher the downsizing severity, the more negative the tenor. But firms can frame their downsizing messages by using social distance cues and more abstract language (both are socio-cognitive stimuli)

---

<i>Study</i> 3	When do high and low social approval assets shift from a benefit to a burden and vice versa?	<ul style="list-style-type: none"> <li>• Expectancy violation theory</li> <li>• Social approval assets</li> </ul>	<ul style="list-style-type: none"> <li>• Computer-aided text analysis of 16,888 media articles pertaining to downsizing announcements</li> <li>• Computer-aided text analysis of 2,457 media articles pertaining to upsizing announcements</li> </ul>	<p>In the negative downsizing setting, higher social approval has a burdening effect, whereas low social approval is beneficial</p> <p>This reverses to the opposite in the positive upsizing context. Here, high social approval reinforces the positive attitude toward the organization, whereas low social approval is burdensome</p>
-------------------	----------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

---

## **CHAPTER 2. Opening up their Moral Stances: How CEO Moral Foundations Influence Downsizing Decisions**

### **Abstract**

*This study traces the moral foundations of CEOs as part of their underlying value system to understand their impact on one of the most conflict-laden decisions a CEO must undertake: The decision to downsize the overall workforce. Based on moral foundations theory, we argue that higher moral foundations of a CEO lead to less severe downsizing approaches. To provide a more nuanced picture on the impact of moral foundations, we also test whether the moral stances are enacted by managerial discretion and CEO age. According to our theorizing, both increase the proclivities of CEOs to embed them in their decision making. On the basis of a novel psycholinguistic measurement approach, we find strong support for our hypotheses in the context of all downsizing decisions made by CEOs in German firms spanning the time frame 2005-2019.*

**Keywords:** Downsizing, Behavioral Strategy, Moral Foundations Theory, Upper-Echelon

## **2.1 Introduction**

Hambrick and Mason (1984) formalized upper echelon theory (UET) to explain how CEOs (and other members of the TMT) process, distill, and attend to complex information and how they choose among different strategic options (e.g., Carpenter, Geletkancz and Sanders, 2004; Hambrick, 2007; Finkelstein, Hambrick and Canella, 2009). The central tenet of UET is that CEOs inject a great deal of themselves into their strategic decision-making. As CEOs differ in their observable characteristics and their psychological attributes (Finkelstein, Hambrick and Canella, 2009), there is great variation of decision-making outcomes, often leading to performance differences (Wang et al., 2016; Dong, Greg and Guoli, 2018, for recent review on the psychological attributes, see Bromiley and Rau, 2016).

Although UET combines both dimensions – observable characteristics and psychological attributes – to explain differences in strategic decision-making, prior research has devoted much attention on demographical characteristics or used demographical cues as proxies for their underlying psychological orientation (e.g., Hambrick, 2007; Neely et al., 2020). While some research is available on CEOs' thinking,

particularly information processing (Bromiley and Rau, 2016), a prominent gap pertains to the psychological enactment of CEOs' values (Chatterjee and Hambrick, 2007; Chin, Hambrick and Treviño, 2013; Gupta, Briscoe and Hambrick, 2018). Values, defined as trans-situational goals that differ across individuals (Schwartz, 2007, p. 712), serve as guiding principles in life of a person. They are psychological-enacted, mold expectations and evaluations of decision situations (Schwartz, 2007; Berson, Oreg and Dvir, 2008). Given their importance and because values represent the least studied of executives' psychological attributes (e.g., Gupta, Briscoe and Hambrick, 2018), the present study applies theory by asking: Do CEOs' values matter when they undertake core strategic decisions? If so, what are the psychological processes by which CEOs values enter their decision making?

The starting point to answer these research questions is moral foundations theory (MFT). MFT provides a coherent framework that delineates the range of decision-makers moral stances as part of their multifarious value-system. The theory suggests that individuals draw from the same broadly defined moral foundations to coordinate their decision-making (Haidt and Graham, 2007; Haidt, Graham and



Joseph, 2009; Graham et al., 2011). According to the current conceptualization of MFT, the moral foundations of individuals fall into two broad categories: Besides the so-called binding foundations, focused on the protection of a social group, the *individualizing foundations* of MFT specifically deal with protections of and care for others (e.g., protection from harm, from inequity). These individualizing foundations are activated during perceptions of individuals' plight, suffering, needs, rights, and welfare (Haidt and Kesebir, 2008; Graham et al., 2013). MFT therefore suggests that when it comes to the treatment of others, some decision-makers have higher intuitive, broad conceptions of moral stances as part of their value system on which they draw when evaluating strategic choices.

Since these individualizing foundations explain systematic differences in the moralization of issues at the individual-level, the present study seeks to transfer the core components of MFT to an emotional, yet crucial managerial choice: The decision to downsize the overall firm's workforce (Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021). Downsizing decisions differ from other strategic decisions because CEOs are the executioners accountable for job losses (Datta et al., 2010) and they

experience psychological discomfort when undertaking them (Karakaya, 2000). As decision-makers particularly rely on their personal frames when confronted with such ambiguity and complexity, workforce downsizing represents an ideal context to connect UET with assumptions from MFT to understand the psychological impact of underlying CEO values on strategic decision-making. Based on MFT, the argument is built that CEOs with higher individualizing foundations feel morally obliged to their employees, which leads them to pursue less severe downsizing approaches. In contrast, CEOs with lower individualizing foundations are morally disconnected to their employees and, as such, undertake more severe downsizing decisions.

Importantly, not all CEOs operate with the same latitude of action. According to the managerial discretion framework (for an overview, see Wangrow, Schepker and Barker, 2015), some CEOs have more leeway in their decision-making. As a consequence, they can inject more of their ‘personal givens’, including their moral stances, to pursue a wider range of strategic change initiatives, such as workforce downsizing (e.g., Hambrick and Abrahamson, 1995; Graffin, Carpenter and Boivie, 2011; Quigley et al., 2020). Another important moderating effect with influences on the activation

of moral stances is the age of a CEO. Evidence from social psychology suggests that older decision-makers exhibit more idealistic beliefs compared to their younger counterparts (e.g., McNair et al., 2019). As such, we argue that older CEOs rely more strongly on their moral stances in guiding their decision to dismiss employees.

As our empirical setting, we rely on downsizing decisions made by German firms listed on the German Prime Index (DAX, TecDAX, MDAX, SDAX). As we highlight in-depth below, this context is particularly suitable to research underlying moral stances as CEOs in German firms face considerable ambiguity and complexity when approaching the decision to downsize employees. To cope with such ambiguity and complexity, decision-makers often rely on their personal frames to make sense of a situation, including their underlying value-system (Chin, Hambrick and Treviño, 2013; Gupta and Wowak, 2017; Gupta, Briscoe and Hambrick, 2018).

A novel psycholinguistic assessment of 137 CEOs conducting 218 large-scale downsizing decisions from 2005 – 2019 provides strong support for the hypothesized relationships. These results contribute to and advance

existing literature in several ways. First, the present study extends our understanding of moral foundations that influence CEO strategic decision-making. By studying the impact of moral foundations, we look at hard-wired, psychological mechanisms likely to shape executives' field of vision and selective perception. While prior research has predominantly focused on observable characteristics to explain strategic decisions (Bromiley and Rau, 2016; Neely et al., 2020), this is the first study to assess psychological-oriented values of CEOs and how they impact a critical firm decision. Doing so brings the moral foundations directly into the information filtering and processing mechanisms outlined in UET. Second, the study contributes to MFT by empirically testing its application in a complex and emotionally laden decision-situation. Although the value of the moral foundation perspective has been demonstrated in multiple fields (e.g., psychology, anthropology, evolutionary psychology, cognitive science, behavioral economics), its application in organizational contexts is limited (Weaver, Reynolds and Brown, 2014; Solinger, Jansen and Cornelissen, 2020). Connected to this contribution is the analytical centerpiece of the present study. Following extensive theory of measurement, we use a recently and

novel-based approach to assess underlying CEO moral foundations (Hopp et al., 2020). So far, such an approach has not been utilized – especially not in the organizational context. A final contribution pertains to research on workforce downsizing. While extensive knowledge is available on the financial antecedents (e.g., Cascio, Chatrath and Christie-David, 2021), a particular gap remains toward the impact “owners, directors, and executives bring to the firm that might shape the timing and character of downsizing events” (Datta et al., 2010, p. 341). By extracting underlying CEO moral foundations, we provide a new perspective to the fragmented field on workforce downsizing.

## **2.2 Theory and Hypotheses**

### **2.2.1 The Empirical Context: Downsizing Decisions in Germany**

Although firms across the globe undertake downsizing decisions to “improve efficiency, productivity, and/or competitiveness” (Freeman and Cameron, 1993, p. 12), there are regional and cultural differences about the frequency and the envisioned effectiveness of those decisions. Social anthropologists have long argued that country-specific laws

and institutions establish explicit and implicit rights, which manifest themselves in social norms (Fiss and Zajac, 2006). Similarly, there are cross-cultural differences on how employees and stakeholders perceive the fairness of dismissals. One important source to determine fairness perceptions in the employment relationship is the 'psychological contract' between the employer and the employees. This contract refers to unwritten perceptions about a set of reciprocal obligations that binds employees and employers. For the employer, these expectations lay in the promise of stable employment, positive work environment, and opportunities for career advancement (e.g., Brockner et al., 2004; De Meuse et al., 2004). By announcing a downsizing decision, however, the employer reneges on these implicit 'psychological contracts' with their employees. The result is an erosion of trust- and loyalty-levels (e.g., Mishra and Mishra, 1994; Love and Kraatz, 2009).

The perceived violation of the psychological contract varies in content and across countries. Whereas North American workers perceive a layoff decision as a milder violation of the psychological contract, German workers perceive a layoff announcement as a form of betrayal that is contagious

and likely to be transmitted to external constituents. The broader societal concerns to downsizing in Germany root back to the traditional German business environment in the post-war era. Starting after the ‘*Wirtschaftswunder*’ (i.e., the Miracle on the Rhine), the German business environment was characterized by a view of corporations as “coalitions between three equally legitimate stakeholders: Managers, employees, and shareholders” (Fiss and Zajac, 2006, p. 1175). Such a form of non-shareholder orientation stresses managerial ideology that is proactive in terms of their commitment toward employees (Jürgens, Naumann and Rupp, 2000; Pfeifer, 2007). For these reasons, large-scale downsizing programs are rather uncommon and, if pursued, perceived as violating underlying social expectations.

There are also strong national branding images (‘*made in Germany*’ and German ‘*Mittelstand*’) and high self-perceptions of German citizens toward Germany as a favorable business location (Fiss and Zajac, 2006). Furthermore, the German labor market is much more regulated than, for instance, the U.S. labor market. It places more emphasis on employment security (Pfeifer, 2007). Instead of a flexible labor market, the German labor market is also considered rather static where dismissed employees

remain unemployed for a significant longer time (OECD, 2004). This has the effect that when a firm undertakes a downsizing decision in Germany, workers and other stakeholders will perceive the downsizing decision as most unfair, because it undermines the well-being of employees and the German business environment as a whole.

Albeit these cultural differences, German managers undertaking downsizing decisions must also weigh the merits of those decisions. While studies highlight positive investor responses (e.g., Brookman, Chang and Rennie, 2007; Marshall, Mccolgan and Mcleish, 2012), investors react, on average, negatively to the news of workforce downsizing, particularly if a firm publicizes a large-scale downsizing decision (e.g., Elayan et al., 1998; Brauer and Zimmermann, 2019). These negative investor responses are amplified when firms announce permanent layoff decisions (e.g., Worrell, Davidson and Sharma, 1991; Lin and Rozeff, 1993; Elayan et al., 1998; Hallock, 1998), but mitigated when firms issue reallocation strategies (Nixon et al., 2004), or when they have sufficient financial slack (Love and Nohria, 2005). Other factors that have been shown to influence investor responses associated with downsizing announcements are union



presence (Abraham, 2006) and the nature of industry (Cagle, Sen and Pawlukiewicz, 2009).

Given such ambiguity about the reactions from workers, external constituents and investors, the question arises why German firms (and their CEOs) frequently engage in workforce downsizing and to what extent. We propose that a firm's adoption of a downsizing strategy results from the CEO's intrinsic value system – an idea that studies on downsizing have emphasized early on. As an example, consider McKinely et al. (2000, p. 231) who denoted that a CEO's downsizing approach must be “consistent with his or her individual values or priorities”. Because the CEO is the chief decision-making body for crafting downsizing decisions (e.g., Mishra and Mishra, 1994; Datta et al., 2010), and they experience psychological discomfort during those decisions (Karakaya, 2000), their personal values should heavily influence the decision to lay off employees, particularly in the complex and uncertain German context.

### **2.2.2 CEO Values**

The claim that CEO personal values matter and shape firm decisions, including workforce downsizing, is echoed by the overarching UET-paradigm. Sparked by the seminal work of

Hambrick and Mason (1984), UET argues that top-level executives inject a great deal of themselves in their decision-making, ultimately impacting a variety of firm outcomes (for recent overviews on upper-echelon research, see Bromiley and Rau, 2016; Neely et al., 2020). The central claim of UET is that no two strategists will necessarily identify the same array of strategic options. This is because CEOs differ in their observable characteristics (e.g., age and education) and psychological attributes (e.g., cognitive base and values) that they inject in their decision-making (Hambrick, 1989; Carpenter, Geletkancz and Sanders, 2004; Chatterjee and Hambrick, 2007).

Even though there is this conceptual duality, the majority of empirical studies have assumed or inferred from observable characteristics to examine CEO decision-making (Carpenter, Geletkancz and Sanders, 2004). Some researchers have even used CEO demographic characteristics as proxies for their psychological orientation and argued that their cognitive base influences strategic decisions, including workforce downsizing (e.g., Mishra and Mishra, 1994; Hallock, 1998). But the underlying psychological attributes that affect strategic decisions still largely remain, what Hambrick (1984) calls, ‘a proverbial black box’. As he denotes in his

update on upper echelon research, “the use of demographic indicators leaves us at a loss to the real psychological and social processes that are driving executive behavior” (Hambrick, 2007, p. 335).

While some research is available on CEOs’ thinking, particularly information processing (Bromiley and Rau, 2016), a prominent gap pertains to the psychological enactment of CEO values (Chatterjee and Hambrick, 2007; Chin, Hambrick and Treviño, 2013; Gupta, Briscoe and Hambrick, 2018). By building on the concept of bounded rationality (Cyert and March, 1963), UET specifically suggests that CEOs structure the strategic situation through an individualized lens formed by their values (Chin, Hambrick and Treviño, 2013; Gupta and Wowak, 2017). Values are psychological-generated frames of reference, or personal ‘givens’. They represent “trans-situational goals that vary in importance and serve as guiding principles in life of a person” (Schwartz, 2007, p. 712). Because values mold expectations and shape personal lenses, CEOs are motivated to construe the decision situation in a manner that is consistent with their underlying value system (e.g., Berson, Oreg and Dvir, 2008; Chin, Hambrick and Treviño, 2013;

Gupta and Wowak, 2017; Gupta, Briscoe and Hambrick, 2018).

More recent research provides evidence to how CEO values (e.g., collectivism, novelty, self-direction, benevolence, organizational identification, and political liberalism) impact a range of strategic decision-making outcomes, such as performance, sales growth, shareholderism, employee wages, and corporate social responsibility (Bromiley and Rau, 2016). Although these studies provided new insights regarding the effect of values on strategic decisions, the focus lies almost exclusively on North America (e.g., Chin, Hambrick and Treviño, 2013; Gupta and Wowak, 2017; Gupta, Briscoe and Hambrick, 2018). Another problem is the measurement approach. For example, researchers have focused on political donations in the U.S. to understand underlying CEO values, because in the U.S., political donations serve as a reflection of different ideologies on the American conservatism-liberalism continuum (e.g., Chin, Hambrick and Treviño, 2013; Gupta, Briscoe and Hambrick, 2018). But inferring from political donations in one context to another is, at least, troublesome as political ideologies may not likewise represent the ‘personal givens’ of a CEO in a different context. Other studies (e.g., Berson, Oreg and Dvir,

2008) have used survey designs to encode underlying CEO values, but this stands at the expense of biased results as response rates at the C-level are often low (e.g., Nadkarni and Chen, 2014; Gupta, Nadkarni and Mariam, 2019).

The problem of reliably detecting hard-wired, psychological values of CEO has thus far limited our understanding of their impact. This is problematic as “a vast array of values might be eligible for study” (Gupta, Briscoe and Hambrick, 2018, p. 1848). Or differently stated, there are many values affecting strategic choices, but we simply cannot explain their impact so far. On the basis of a novel measurement approach, we offer a new perspective by showing how the moral foundations of CEOs are part of an underlying value system and how they affect the strategic decision to lay off employees. Thus, we follow research on CEO values but at the same time depart from it. Below, we start by explaining how moral foundations connect to an underlying value system to then show how they affect the strategic decision to downsize the overall workforce.

### **2.2.3 CEO Moral Foundations and Downsizing**

As marked by social psychologist, “many values are *moral* values” (Graham et al., 2011). The ability to leverage

morality as means of an underlying value system has long been subject to social and moral psychology research (Haidt, 2007; Graham et al., 2011; Weaver, Reynolds and Brown, 2014). At the core of this research agenda, scholars have dealt with questions of moral judgment, the way morality influences decision-making processes, and how morality and values complement each other (Haidt and Kesebir, 2008; Haidt, Graham and Joseph, 2009). Inspired by cultural studies (e.g., Shweder et al., 1997), Haidt (2008) saw the necessity to redefine morality to shift the focus away from a list of specific content areas (e.g., justice, rights, and welfare; see Nosek et al. (Graham et al., 2011)). He proposed an alternative definition of moral systems that needs to progress along their function: As Haidt (2008, p.70, own emphasis) stressed, moral systems are “interlocking sets of *values* [...] and evolved psychological mechanisms that work together to suppress or regulate selfishness and make social life possible”. Based on this definition, and to fill the need for a systematic theory of morality, Haidt and colleagues then developed Moral Foundations Theory (MFT). The overall goal of MFT is to understand the multifarious and contextualized moral judgments people make (Weaver, Reynolds and Brown, 2014). Besides a broad assessment,

MFT is set to combine morality with underlying values to describe the wide array of moralized judgment (Haidt, 2007; Graham et al., 2011, 2013).

So far, six core psychological ‘moral foundations’ were identified upon which individuals create an enormous variety of moralized judgment (Haidt, Graham and Joseph, 2009; Graham et al., 2011, 2013). According to the current conceptualization of MFT, the six moral foundations are: Care (vs. harm), fairness (vs. cheating), loyalty (vs. betrayal), authority (vs. subversion), sanctity (vs. degradation), liberty (vs. oppression). These six moral foundations are innate, hard-wired features of the evolving moral mind. Together, they guide moral judgment before reasoning and deliberation can contribute. As such, MFT suggests that the moral stances generally occur associative, fast, effortless and closely to automatic processing, also known as System 1 thinking in psychology (Stanovich and West, 2000; Graham et al., 2013; Weaver, Reynolds and Brown, 2014). Or differently stated, individuals incorporate these moral foundations when evaluating issues, and they do so in a largely intuitive and subconscious manner (Graham et al., 2011; Weaver, Reynolds and Brown, 2014; Solinger, Jansen and Cornelissen, 2020).

The first two foundations – (1) care (vs. harm) and (2) fairness (vs. cheating) – stem from prior work in ethics of autonomy (Shweder et al., 1997). They fall into the broad category known as the *individualizing* foundations of MFT, and comprise the main focus of this study.<sup>1</sup> The individualizing foundations are primarily attuned to individuals as subjects of moral action since they are focused on protections of and care for other individuals (Weaver, Reynolds and Brown, 2014; Simpson, 2017). (1) Care (vs. harm) deals with “basic concerns for the suffering of others, including virtues of caring and compassion” (Haidt and Kesebir, 2008; Haidt, Graham and Joseph, 2009). This includes an empathic concern, harm reduction, and its alleviation. On the other hand, (2) fairness (vs. cheating) is oriented toward “concerns about unfair treatment, inequality, and more abstract notions of justice” (Haidt, Graham and Joseph, 2009, p. 111). Thus, this foundation entails a concern

---

<sup>1</sup> The focus lies exclusively on the individualizing foundations of MFT. The other identified moral foundations – loyalty (vs. betrayal), authority (vs. subversion), sanctity (vs. degradation), liberty (vs. oppression) – are not applicable to the focus of this study as they focus on the ethics of community and divinity. These foundations support or undermine the ingroup in terms of its integrity, intergroup standing, and traditions, thus are about binding people together into larger groups, but not the decision-maker (Haidt, 2007; Graham et al., 2013).



for the utilization of established equality, reciprocity, and justice (Fehr, Yam and Dang, 2015). Each of the two individualizing foundations of MFT encompasses an array of interrelated components, including constellations of values (i.e., abstract, transsituational notions of what is good, right, and desirable; Haidt, Graham and Joseph, 2009; Weaver, Reynolds and Brown, 2014). As such, the two individualizing foundations provide a causal explanation for interpersonal treatment upon moral concerns that varies across individuals.

Prior research shows that the two individualizing foundations are most relevant in situations where individuals face normative (moral) materiality, uncertainty, and social tensions (Weaver, Reynolds and Brown, 2014; Fehr, Yam and Dang, 2015). Given that downsizing decisions in Germany generally create uncertainty among workers, external constituents, and investors, we believe that they best qualify to examine the individualizing foundations as part of a CEOs value system. Or in other words, the morality of CEOs may have their strongest amplitude when making a conflict-laden decision, such as dismissing employees in Germany.

Based on MFT, we build the following line of argumentation: Because individuals vary in the strength of their individualizing foundations (Haidt, 2007, 2008), those CEOs who score higher on care (vs. harm) and fairness (vs. cheating) are more reluctant to downsize their workforce. Their individualizing foundations should impact their moral stances, such that they view employee downsizing only as a last resort in extreme circumstances. This is because CEOs with higher levels of the individualizing foundations are more trustworthy and concerned when it comes to the treatment of their employees. Not only do they show greater concerns for their employees, but they should also sense greater levels of protection for their employees (triggered through higher care over harm). Furthermore, those CEOs with higher individualizing foundations should place more emphasis on equality, compassion, and harm reduction. This includes fair treatment of their employees and an upholding of justice principles (triggered through higher fairness over cheating). In contrast, CEOs who possess lower levels of individualizing foundations should view downsizing as an essential strategy that needs to be deployed periodically to readjust the current situation of the firm. Part of the explanation is that they are morally disconnected to

others, meaning they have lower sympathy for their employees. As they also sense lower levels of social responsibility (Weaver, Reynolds and Brown, 2014; Solinger, Jansen and Cornelissen, 2020) and fairness toward others, they should assign less importance to employment security. More formally, we hypothesize the following:

***Hypothesis 1:*** The greater the individualizing foundations of a CEO, the lower the downsizing severity (i.e., percentage of employees dismissed).

#### **2.2.4 Managerial Discretion**

Along the UET perspective, efforts continue to stress the importance of managerial discretion as a key moderating variable (Wangrow, Schepker and Barker, 2015). The concept of managerial discretion deals with the question of when CEOs exert influence on firm strategies and how much influence they have on their organizations (Finkelstein, Hambrick and Canella, 2009; Graffin, Carpenter and Boivie, 2011; Quigley et al., 2020). Managerial discretion, or latitude of executive action, refers to the extent to which CEOs have a broad or narrow range of strategic options available at their

disposal. Low-discretion settings are characterized by resource constraints and industry norms. In contrast, high-discretion settings have greater means-end ambiguity and there is a relative absence of constraints (Hambrick and Mason, 1984; Hambrick and Abrahamson, 1995). Since levels of discretion varies across firms and industries, CEOs in high discretion-settings have more opportunity to pursue unique strategies and to influence firm-level outcomes compared to CEOs in low discretion-settings (Graffin, Carpenter and Boivie, 2011; Quigley et al., 2020).

There are three different managerial discretion forces that affect a CEOs leeway over an array of organizational decisions: Task-environment, managerial characteristics, and internal organization (Hambrick and Mason, 1984; Wangrow, Schepker and Barker, 2015). The latter force is particularly relevant for assessing the influence a CEO has on organizational outcomes as discretion at the firm considerably influences their willingness and ability to exercise strategic actions (Wangrow, Schepker and Barker, 2015). Prior studies have indicated that, for instance, firm size, financial slack, and technology-level of a firm affect the range of options available to CEOs (e.g., Graffin, Carpenter and Boivie, 2011).

Consistent with the managerial discretion framework, the greater the amount of discretion at a firm, the stronger the impact of CEOs and their moral foundations on firm decisions. Transferred to the downsizing context, this would suggest that CEOs in high discretion settings are likely to have greater latitude in the way they craft the decision to lay off employees. In contrast, in settings where they face low discretion, they enjoy lower latitude or freedom in their decision-making. As such, they will have fewer opportunities to influence downsizing decisions through their personal preferences. As such, we hypothesize the following:

***Hypothesis 2:*** Firm-level managerial discretion moderates the association between a CEO's individualizing foundations and downsizing severity, such that the greater the managerial discretion, the stronger that association.

### **2.2.5 CEO Age**

Besides managerial discretion as a potential moderating effect, other instrumental variables may also influence the relationship between the individualizing foundations and downsizing severity. One such factor is increasing CEO age. Although CEO age is commonly used as a control variable

in UET-related research, it has been barely used as a moderating effect (Belenzon, Shamshur and Zarutskie, 2019). The few studies available have shown that younger CEOs tend to be more risk-seeking (e.g., Matta and Beamish, 2008; Serfling, 2014), whereas older CEOs tend to follow the status quo by systematically engaging in less strategic change activities (Hambrick, Geletkanycz and Fredrickson, 1993; McClelland, Liang and Barker, 2010). Even though these patterns exist, there is little understanding of what causes older CEOs to favor more conservative strategic initiatives. Or differently stated, changes that occur *within* CEOs over time, especially with an increase of their age, is an important topic, but empirical verification has been lacking.

Evidence from social psychology suggests that values vary between people but are also considered to evolve normatively across adulthood (Carstensen and Mikels, 2005; Carstensen, 2006; Scheibe and Carstensen, 2010). Much of this research links the enactment of values to affective and deliberative processes. According to this research stream, older decision-makers make more use of affective reasoning, whereas younger decision-makers rely on deliberative skills to perform meaningful tasks (Finucane et al., 2002). Building on these insights, more recent research has connected age-

related differences in affective vs. deliberative reasoning on the propensity to make moralized judgments (Hess, 2014; McNair et al., 2019). In a series of experiments, McNair et al. (2019) find that younger decision-makers make more utilitarian judgments (i.e., do what is best for the majority) because their thinking-style follows deliberative processes. Older decision-makers, on the other hand, rely on affective reasoning, which triggers them to make more deontological moral judgment (i.e., do not harm others). Other streams of thought in psychology support the notion that older decision-makers exhibit more morally idealistic beliefs, whereas younger decision-makers embed more deliberative processes in their decision-making (e.g., Arnett, 2000; Heckhausen, Wrosch and Schulz, 2010).

In sum, findings from social psychology indicate that older decision-makers embed more morally idealistic beliefs as part of their underlying value system compared to younger decision-makers. Transferred to the downsizing context, this would suggest that older CEOs more often rely on their individualizing foundations from MFT (i.e., their morally idealistic beliefs) as part of their underlying motivational traits (i.e., their values) to structure the complex decision situation to lay off employees. Therefore, higher CEO age

should applicate the individualizing foundations of a CEO, leading to less severe downsizing decisions. As such, we hypothesize:

***Hypothesis 3:*** CEO age moderates the association between a CEO's individualizing foundations and downsizing severity, such that the greater the CEO age, the stronger that association.

## **2.3 Methodological Approach**

### **2.3.1 Sample**

The hypothesis testing was done with the help of a large-scale archival study. For data quality reasons and to follow prior work on downsizing (e.g., Brauer and Zimmermann, 2019), we constructed a sample of public firms. As we are specifically focusing on the German context, we sampled all German public firms listed on the German Prime-Index (DAX, MDAX, SDAX, TecDax) in 2020. The Prime-Index comprises the largest stock corporations in Germany. To identify downsizing decisions for each of those firms listed on the Prime-Index in 2020, we systematically searched German business outlets, spanning the time frame 2005 to 2019 – a common approach in downsizing research to



generate downsizing instances (e.g., Nixon et al., 2004; Norman, Butler and Ranft, 2013). The German business outlets we utilized were *Börsen Zeitung*, *Euro am Sonntag*, and *Frankfurter Allgemeine Zeitung*.

Both Ahmadjan and Robinson (2001) and Cascio et al. (1997) conclude that a 3 percent reduction represents a significant event and likely indicates an intentional reduction of employees. Consistent with this approach, we only included workforce reductions greater than 3 percent in the empirical analysis (this also includes all robustness checks). In addition, we eliminated all bankruptcies and all ‘acquisition-related downsizing’ events because they are conducted with different motives (O’Shaughnessy and Flanagan, 1998). This procedure generated a list of 237 German public firms announcing a downsizing decision to the public. Due to some missing data on financial metrics and the CEO moral foundations, the final sample consists of 218 workforce downsizing announcements made by 137 CEOs (i.e., some CEOs announced more than one downsizing decision and served on more than one board during the time frame). Because we utilized several data sources, we will report them as we describe our measures.

### 2.3.2 Measures

**Independent variable.** Finding valid and reliable data sources to assess a CEOs *individualizing foundation* is difficult. Given that CEOs of large public companies rarely participate in survey designs, there is a stronger likelihood of biased results when using them (e.g., Nadkarni and Chen, 2014; Gupta, Nadkarni and Mariam, 2019). More recently, and because of these shortcomings, management researchers have emphasized the need to use unobtrusive approaches to measure psychological attributes of CEOs (Chatterjee and Hambrick, 2007; Nadkarni and Chen, 2014; Gamache and McNamara, 2019; Graf-Vlachy, Bundy and Hambrick, 2020). Applying the widely accepted premise that individuals' thought processes are reflected in the language they use (Tausczik and Pennebaker, 2010), we conducted a psycholinguistic assessment of CEOs' language to encode their moral foundations. The archival approach to psychological assessment involves analyzing recurring and persistent patterns of relevant attributes in the communication of CEOs over a relatively long period of time. Either written or spoken words, analyzing a CEO's communication allows researchers to tap into psychological

constructs, including their underlying values (Gamache and McNamara, 2019; Graf-Vlachy, Bundy and Hambrick, 2020).

Researchers focusing on communication related assertions have long followed a bi- or triangulation path and assessed psychological attributes through the usage of letters to shareholders (e.g., Gamache and McNamara, 2019) or CEO speeches during investor conferences (e.g., Shi, Zhang and Hoskisson, 2019). Letters to shareholders offer a particular advantage because writing those letters forces CEOs to structure their thoughts, think broadly about both past and present, and address major priorities, including references to downsizing decisions. Because CEOs have a large impact on the content of letters to shareholders, they have been used extensively in prior CEO studies (e.g., Chatterjee and Hambrick, 2007; Gamache et al., 2015; Gamache and McNamara, 2019). But to considerably improve the validity and reliability of derived psycholinguistic measures, researchers should embed additional sources of communication (Shi, Zhang and Hoskisson, 2019). This is because relying on a single archival source, such as letters to shareholders, may lead to attribution biases or framing issues (Nadkarni and Chen, 2014). Using CEO speeches during

investor conferences – including earning calls, annual analyst calls, and capital market days – is a suitable complement to the psycholinguistic approach (Shi, Zhang and Hoskisson, 2019).

Relying on the idea that researchers should use multiple sources of communication to assess CEOs underlying psychological attributes, we obtained letters from the focal firm’s annual report in the year it announced the downsizing decision to the public. Complementing this source of communication, we then saved all available transcripts of investor conferences where the CEOs in our sample interacted with investment analysts. The transcripts were obtained from FD Wire Disclosure Database. Overall, we managed to obtain 218 letters to shareholders in the year of the focal firm’s downsizing announcement (i.e., for each sampled firm one letter) and 1,116 transcripts of investor conferences where CEOs interacted verbally with the investment community.

One problem arising when using investor conferences is the communication of multiple sources or speakers that may bias the psycholinguistic analysis. During investor conferences, several investment analysts interact with the CEO by asking

questions. While the CEO addresses most of the questions from the investment community, some questions are specifically reserved for the CFO. To overcome these shortcomings, and to ensure reliable psycholinguistic analysis, we dropped all investor conference transcripts where the CEO was not present and dissected each transcript with the help of the ‘Basis Unit Transposable Text Experimentation Resource’-Software (‘BUTTER’, Version 0.9.4.1)<sup>2</sup> to only capture words spoken by the CEO. From the initial 1,116 transcripts, 907 dissected transcripts were included in the analysis to assess the CEOs moral foundations. In a final step, we then merged the text from the two sources – letter to shareholders and investor conferences – into a single document separately for each year. We ensured that each yearly CEO information included at least one letter to shareholders and one speech during the investor conferences. In total, we were able to obtain >5,500,000 spoken words by the sampled CEOs to assess their underlying moral foundations.

After collecting different sources of text, we then advanced by measuring the pre-generated bodies of text with the help

---

<sup>2</sup> More information on the BUTTER-software can be obtained here: <https://www.butter.tools/>

of computer-aided text analysis. Several researchers have used advances in digital technology to examine the impact of, for instance, CEO temporal orientation (Nadkarni and Chen, 2014), CEO regulatory focus (Gamache et al., 2015) or CEO cognitive complexity (Graf-Vlachy, Bundy and Hambrick, 2020). Common to the automated content-analysis of CEOs' communication is the usage of software tools, where researchers rely on dictionaries that were previously developed and validated for content, convergent, and discriminant validity. On the basis of this premise, we measured the CEO moral foundations by relying on the extended moral foundations dictionary (eMFD) (Hopp et al., 2020). The eMFD is a dictionary-based approach that aims to detect the rate at which MFT-keywords appear in a text.

In comparison to earlier dictionary-based approaches for extracting moral content from a text (Haidt, Graham and Joseph, 2009), the recently published eMFD offers several advantages. While previous approaches in this area relied on manually compiled lists of moral words assembled by a small group of experts, the eMFD is based on a large-scale crowd-sourced annotation procedure. Constructing the eMFD with the help of a heterogenous crowd of human annotators helps to increase "the ecological validity and practical applicability

of the moral signal captured by the eMFD” (Hopp et al., 2020, p. 242). Another advantage of the eMFD is the context-aware, multi-foundation scoring procedure rather than a simple bags of words approach. Since the eMFD more accurately predicts the presence of morally relevant words and effectively detects individuals’ moral foundations, we used the dictionary developed by Hopp et al. (2020) and uploaded it into the Linguistic Inquiry and Word Count (LIWC) Software. LIWC is a computer-aided content analysis software that includes both built-in dictionaries and the ability for users to upload other dictionaries (Pennebaker, Booth and Francis, 2007). Since the focus lies on the *individualizing foundation* alone, we only included the *care/harm* and *fairness/cheating* scores. These scores were then summed and divided by two to generate an individualizing score per CEO.

**Dependent variable.** The dependent variable – *downsizing severity* – was operationalized by relying on an established approach in downsizing research (e.g., Brauer and Zimmermann, 2019). This variable measures how many employees are dismissed in relation to the overall workforce in Germany.

**Moderator variables.** As *managerial discretion* varies across firms and industries, one needs to be cautious in selecting the correct measurement. As argued above, CEOs of high firm-level discretion should have more opportunity to influence firm-level outcomes than CEOs of low discretion firms. While there are many ways to operationalize managerial discretion (Wangrow, Schepker and Barker, 2015), we are focusing specifically on firm-level managerial discretion as this discretion framework is pertinent for considering the effects of CEO values on strategic change (Gupta, Briscoe and Hambrick, 2018). By following previous approaches (e.g., Graffin, Carpenter and Boivie, 2011), we used five indicators to assess the firm-level discretion over a five-year window before the focal firm downsizing event (for example, if a downsizing decision was announced in 2010, we calculated managerial discretion over the years 2009–2005). All five indicators were retrieved from Reuters Knowledge Direct and the firms’ annual reports. The five indicators were: Market growth (calculated as average annual percentage change in firm sales); demand instability (measured as standard deviation of the average annual change in firm sales); average annual research and development intensity (R&D/Sales) and average annual



selling, general, administrative expense (SG&A / sales). Finally, we included average annual capital intensity (dividing net value of property, plant, and equipment by number of employees). This product was then multiplied by -1 so that lower scores are associated with less discretion. Standardization and summation of these five measures provided an overall measure of firm discretion.

The other moderating effect – *CEO Age* – was measured in number of years, thereby following established approaches in management research (Chatterjee and Hambrick, 2007; Gamache et al., 2015).

**Control variables.** There are a number of potential controls to consider that could impact a firm’s downsizing activity, including CEO-level, firm-level and industry-level controls. Except for one control variable (i.e., reputation, see below), all other controls were obtained from Amadeus Database, Who is Who Database, Munzinger’s Online, and Reuters Knowledge Direct. As data for German firms is not thoroughly stored in finance-based databases, we collected some missing information from the firms’ annual reports.

***CEO-level controls.*** Since this study focuses on the CEO and how s/he approaches downsizing decisions, a careful

consideration of CEO-related control variables is necessary. Similar to research on acquisitions (e.g., Gamache and McNamara, 2019), CEOs with experience in downsizing should be more open to engage in another downsizing activity. *CEO downsizing experience* was measured by prior downsizing decisions made by the CEO during their tenure as CEO of the focal firm. Consistent with prior research, we calculated each CEO's downsizing experience for the four years (1,460 days) prior to the focal downsizing date. *CEO turnover* may also impact the level of firm downsizing and the scrutiny that investors place on downsizing decisions (Chin, Hambrick and Treviño, 2013). As such, we included a control for CEO turnover with a dichotomous variable yielding '1' if there was a turnover event one year prior to the downsizing announcement, and '0' otherwise. Because CEOs with longer tenure are generally more risk-averse than CEOs with shorter tenures (Chatterjee and Hambrick, 2007), we also controlled for *CEO tenure* to assess its influence on downsizing decisions. Another important CEO control is the background. Budros (2002) found in a number of studies that the incidence of downsizing was higher in firms that had CEOs with a finance background. *CEO finance background* was operationalized as a dichotomous

variable that takes the value of '1' if the CEO had a finance background, and '0' if not. We also attempted to control for CEO gender, but we only sampled one female CEO undertaking downsizing decisions.

***Firm-level controls.*** There exist a number of firm-level influences with consequences for a focal firm's downsizing decision. One of them is the size of the firm because size may affect the proclivities of a firm (and a CEO) to undertake downsizing decisions (e.g., Coucke, Pennings and Sleuwaegen, 2007). We controlled for *firm size* by taking the natural log of the number of employees worldwide. Because studies by Ahmadjian and Robinson (2001) and Coucke et al. (2007) found that layoffs were more common in younger firms, we also controlled for *firm age* in number of years. Performance downfall may also influence a CEO's eagerness to engage in downsizing. Prior findings generally indicate that performance is an important catalyst in accelerating downsizing decisions, with performance declines triggering workforce reductions (e.g., Cascio, Chatrath and Christie-David, 2021). To control for *performance decline*, we divided net income by average total assets in year  $t_0$  and subtracted it from year  $t_1$ . To include another performance-related metric, we also controlled for the *net profit margin* of

a firm (Coucke, Pennings and Sleuwaegen, 2007). Another important financial metric with influence on downsizing decisions is firm leverage. Firms with higher leverage are expected to undertake more downsizing decisions, because they must undertake immediate cost-saving actions. To control for *firm leverage*, we calculated a firm's total debt to total equity in the year prior to the downsizing announcement (Brauer and Zimmermann, 2019). In addition, we controlled for *family ownership*. A study by Stavrou, Kassinis, and Filotheou (2007) revealed that firms with high levels of family ownership engaged in less severe downsizing. The variable for family ownership is dichotomous; family firms ('1') are defined as those in which the founder or a member of his family by blood or marriage is an officer, director, or blockholder, either individually or as a group (Feldman, Amit and Villalonga, 2016). Lastly, at the firm-level, we controlled for *high reputation* firms because CEOs in these firms face substantial outside pressure to undertake big actions, including pressure to dismiss employees (Datta et al., 2010). Consistent with prior work, we coded this variable dichotomous as '1' if the firm was listed on the Fortune's 'Most Admired Companies Germany' list, and '0' otherwise (Pfarrer, Pollock and Rindova, 2010).

***Industry-level controls.*** Characteristics of the industry as well as the actions of firms' intra-industry competitors may also influence the focal firms' tendency to engage in downsizing. Similar to previous work (e.g., Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021), we controlled for *downsizing activity in industry* as this may affect the propensity of dismissing employees. Downsizing activity was calculated by the total number of downsizing announcements of companies in the same industry over year prior to the focal downsizing announcement. The *industry sector* was classified along the 'Global Industry Classification Standard'.

### **2.3.3 Analysis**

Except for managerial discretion (the standardization was done by building the composite measure), we first standardized all variables that were part of the interaction terms. For our estimation procedure, we used Tobit regression in STATA – an estimation procedure that fits a linear regression model for a censored continuous outcome. Tobit regression is suitable for this study, as the dependent variable *downsizing severity* is a continuous variable taking on non-negative values, thereby having a right-censored

outcome variable. Contemporary literature treats this and similar cases as a “corner solution model” because a “nontrivial fraction of the population” would choose zero (Woolridge, 2009, p. 574). As such, Tobit models are appropriate for dependent variables that are continuous and that are bounded from above, below, or both (Woolridge, 2009; Gamache et al., 2015; Gamache and McNamara, 2019). To overcome the problem of non-normal distributions of the residuals and violations of homoscedasticity, we clustered robust standard errors by the CEOs, as some CEOs made more than one downsizing decision. Clustering the standard errors in that way is recommended in recent approaches, as “clustered robust standard errors correct for violations of the independence and homoscedasticity assumptions of ordinary least squares resulting from within-cluster correlation of observations and between-cluster differences in variances” (Gamache and McNamara, 2019, p. 1320).

## **2.4 Results**

Table 2 reports the descriptive statistics and intercorrelations for the variables examined in this study. The mean of the

severity of downsizing decisions is 0.08 (or percentage of dismissed employees in relation to the overall workforce in Germany), indicating rather large-scale restructuring processes by the sampled firms. The Tobit regression results for the main effects of the individualizing foundations of a CEO and downsizing severity are shown in Table 3.

**Table 2 Descriptive Statistics and Correlations**

Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) Downsizing Severity	0.08	0.08	1.00															
(2) Individualizing Foundation <sup>a</sup>	-0.00	0.15	-0.28	1.00														
(3) Managerial Discretion <sup>a</sup>	-0.00	0.91	-0.07	0.04	1.00													
(4) CEO Age <sup>a</sup>	-0.00	5.51	-0.17	0.11	-0.05	1.00												
(5) Firm Size <sup>b</sup>	23.30	1.88	-0.33	0.16	0.04	0.18	1.00											
(6) Net Profit Margin	2.50	8.38	-0.20	0.24	0.06	0.07	0.23	1.00										
(7) Firm Age	77.71	65.10	-0.18	0.25	0.03	0.29	0.10	0.14	1.00									
(8) Performance Decline	-0.02	0.22	-0.02	0.12	0.03	-0.03	-0.01	0.04	0.08	1.00								
(9) Firm Leverage	1.33	3.44	0.10	-0.06	0.06	-0.05	-0.01	-0.16	-0.07	-0.00	1.00							
(10) Family Ownership	0.19	0.39	-0.01	-0.02	-0.03	0.06	-0.07	0.05	0.14	0.02	-0.07	1.00						
(11) Downsizing Activity in Industry	4.22	3.22	-0.12	-0.10	-0.06	0.12	-0.04	0.01	0.09	0.10	0.09	0.11	1.00					
(12) High Reputation	0.42	0.49	-0.18	0.16	-0.03	0.16	0.32	0.12	0.15	0.07	0.11	-0.10	0.03	1.00				
(13) CEO Downsizing Experience	0.40	0.49	-0.18	0.13	0.02	0.09	0.32	0.01	0.14	0.05	0.08	-0.13	0.02	0.28	1.00			
(14) CEO Turnover	0.25	0.44	0.04	-0.08	0.07	-0.20	0.05	-0.05	-0.04	-0.09	0.16	-0.04	-0.06	-0.02	-0.28	1.00		
(15) CEO Finance Background	0.39	0.49	-0.01	0.01	-0.02	-0.30	-0.00	0.00	-0.15	-0.13	0.18	-0.15	-0.05	0.08	0.15	0.07	1.00	
(16) CEO Tenure	4.84	4.22	0.06	0.03	-0.08	0.23	-0.12	0.01	0.02	0.04	-0.08	0.03	0.10	-0.13	0.23	-0.29	-0.11	1.00

Notes: n = 218. Correlations greater than 0.133 or less than -0.133 are significant at p < .05. Year dummies are not included in this table. S.D., standard deviation.

<sup>a</sup> Standardized

<sup>b</sup> Logarithm transformation



**Table 3 Tobit Regression Predicting the Severity of Downsizing Decisions**

	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	0.437*** (0.102)	0.421*** (0.102)	0.423*** (0.102)	0.388*** (0.098)	0.390*** (0.099)
<i>Controls</i>					
Firm Size	-0.015*** (0.004)	-0.015** (0.004)	-0.015** (0.005)	-0.013** (0.004)	-0.013** (0.004)
High Reputation	0.010 (0.011)	0.012 (0.011)	0.011 (0.011)	0.008 (0.011)	0.007 (0.011)
Firm Age	-0.000+ (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000+ (0.000)	-0.000+ (0.000)
Performance Decline	0.006 (0.017)	0.012 (0.016)	0.012 (0.016)	0.014 (0.014)	0.015 (0.014)
Net Profit Margin	-0.001 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)
Firm Leverage	0.002+ (0.001)	0.002+ (0.001)	0.002* (0.001)	0.002 (0.001)	0.002 (0.001)
Family Ownership	-0.006 (0.014)	-0.007 (0.013)	-0.005 (0.013)	-0.006 (0.013)	-0.004 (0.013)
Downsizing Activity in Industry	-0.004* (0.001)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.001)	-0.004** (0.001)
CEO Downsizing Experience	-0.007 (0.011)	-0.008 (0.011)	-0.008 (0.011)	-0.008 (0.010)	-0.008 (0.010)
CEO Turnover	0.016 (0.014)	0.013 (0.014)	0.014 (0.014)	0.013 (0.014)	0.014 (0.014)
CEO Finance Background	-0.016 (0.012)	-0.015 (0.011)	-0.015 (0.011)	-0.014 (0.011)	-0.014 (0.011)
CEO Tenure	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)
Managerial Discretion	-0.007* (0.003)	-0.007* (0.003)	-0.009** (0.003)	-0.006+ (0.003)	-0.008** (0.003)
CEO Age	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
<i>Independent Variable</i>					
Individualizing Foundation		-0.095** (0.030)	-0.091** (0.029)	-0.114*** (0.030)	-0.110*** (0.030)
<i>Interaction terms</i>					
Individualizing Foundation x Managerial Discretion			-0.041** (0.014)		-0.046** (0.014)
Individualizing Foundation x CEO Age				-0.015** (0.005)	-0.015** (0.005)
Probability > F	0.000	0.000	0.000	0.000	0.000

Notes: n = 218 for each model. Clustered standard errors in parentheses. Year dummy variables included but not reported. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

Model 1 in Table 3 includes all control variables, some of which are significant. Interestingly, performance decline or a

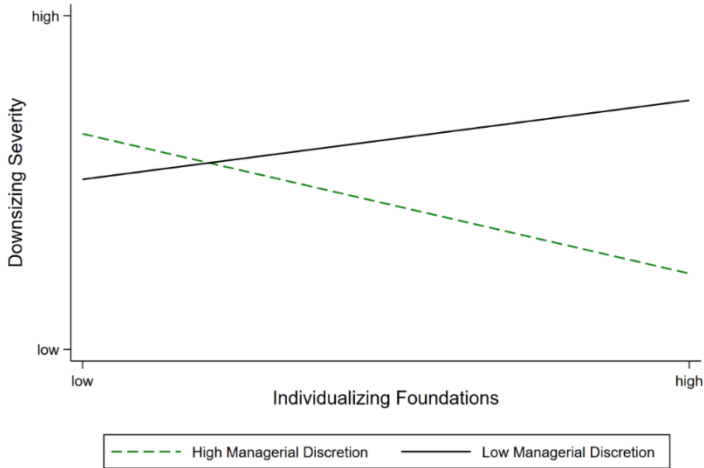
decrease of firm leverage does not seem to influence the severity of downsizing decisions. This is striking as they are emphasized as prominent antecedents in most recent downsizing research (see for example, Cascio, Chatrath and Christie-David, 2021). Model 2 adds the impact of the individualizing foundations of CEOs on the severity of downsizing decisions. Model 3 and Model 4 add the interactions between the individualizing foundations and managerial discretion and CEO age. Model 5 includes the full model, containing of all interactions, the independent variable and control variables.

Hypothesis 1 proposed that the individualizing foundations of CEOs will relate negatively to the severity of downsizing decisions. As shown in Table 3 (Model 2), the coefficient for the variable *individualizing foundation* is negative and significant ( $\beta = -0.095$ ;  $p = 0.001$ ) suggesting that, the higher the individualizing foundations of a CEO, the lower the downsizing severity. This strong finding is consistent among all models, which provides support for Hypothesis 1.

Hypothesis 2 predicted a moderating effect of managerial discretion on the relationship between the individualizing foundations and downsizing severity. According to the above

theorizing, we expected a strengthening effect on the main relationship. To test this hypothesis, an interaction term was created by computing the product of individualizing foundations and managerial discretion. As evident in Table 3 (Model 3), the coefficient for the interaction term *individualizing foundation x managerial discretion* is negative and significant ( $\beta = -0.041$ ;  $p = 0.008$ ). Figure 2 plots the interaction effect. As shown in Figure 2, the individualizing foundations of CEOs have a negative relationship with downsizing severity when there is higher managerial discretion. This relationship disappears when there is low managerial discretion. As such, managerial discretion appears to strengthen the negative relationship between the CEOs individualizing foundations and downsizing severity. The statistical analysis and interaction plot therefore provide strong support for Hypothesis 2.

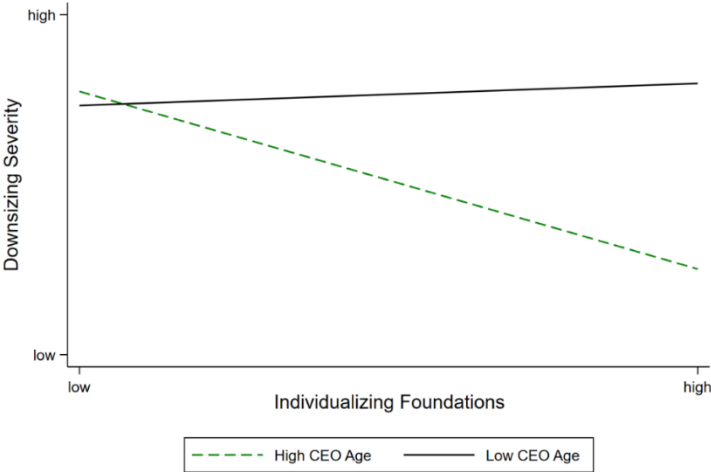
**Figure 2 Individualizing Foundations by Managerial Discretion**



Hypothesis 3 on the other hand predicted that CEO age strengthens the relationship between the individualizing foundations and downsizing severity. Again, an interaction term was created by computing the product of individualizing foundations and CEO age. As evident in Model 4 (Table 3), the coefficient *individualizing foundation X CEO age* is negative and statistically significant ( $\beta = -0.015$ ;  $p = 0.007$ ). Figure 3 plots the interaction between the individualizing foundations and CEO age on the severity of downsizing decisions. The figure shows that the individualizing foundations have a negative relationship with

the severity of downsizing decisions when there is high CEO age. This relationship disappears, and makes the severity of downsizing decisions more negative, when there is low CEO age. Thus, the statistical analysis and graphical visualization provide strong support for Hypothesis 3.

**Figure 3 Individualizing Foundations by CEO Age**



### 2.4.1 Supplemental Analyses

Several additional analyses were conducted to confirm the robustness of the results (for a more detailed overview, see Appendix A). First, we used additional controls from behavioral strategy to rule out their impact on the severity of downsizing decisions. Among them is CEO positive

emotionality (Gamache and McNamara, 2019), CEO temporal focus (Nadkarni and Chen, 2014), and the regulatory focus of CEOs (Gamache et al., 2015 all expressed in letters to shareholders and measured by pre-validated dictionaries using the LIWC software). They did not have a statistically significant impact on the severity of downsizing decisions, thereby not representing an individual, psychological-oriented antecedent of downsizing decisions (all  $p > 0.1$ ).

Second, we tested interactions between the CEO individualizing foundations and other demographic variables – including turnover, tenure, experience, and finance background – on our dependent variable (see for example, Quigley and Hambrick, 2012). None had a statistically significant impact (all  $p > 0.1$ ).

Finally, we also considered the German institutional context by addressing regulatory forces. The most important institutional settlements are the workers codetermination law (*‘Betriebsverfassungsgesetz’*) and the employment protection law (*‘Kündigungsschutzgesetz’*). These laws apply to all employees in companies whose workforce exceeds ten employees, and who have been employed for this

company for at least six months. If a firm undertakes a large-scale downsizing decision, the same company has to consider social issues, like the duration of service in the company, age, obligations to pay maintenance and chances of re-employment (Fiss and Zajac, 2006; Pfeifer, 2007). To account for these regulatory forces, we constructed another dependent variable called downsizing *harshness*. Based on prior research (Iverson and Zatzick, 2007), this variable was measured categorical as a continuum, ranging from low downsizing harshness to high downsizing harshness. ‘1’ captures all downsizing strategies with low harshness (alternative strategies, such as attrition and redeployment), whereas ‘2’ accommodates for moderate low downsizing harshness by capturing voluntary layoffs and/or early retirement schemes. ‘3’ captures moderate harsh downsizing strategies, including a combination of voluntary and compulsory layoffs. ‘4’ on the other hand displays high downsizing harshness with compulsory layoffs. Given the categorical and ordinal structure of this dependent variable, we used ordinal logistic regression analysis. Supporting the result of our main analysis, the coefficient for the *individualizing foundations* of a CEO was negative and significant ( $\beta = -1.534$ ;  $p = 0.000$ ), meaning that CEOs with

higher individualizing foundations pursue less harsh downsizing approaches.

### **2.4.2 Endogeneity Assessment**

Endogeneity refers to a correlation between the independent variable and the equation's error term (also known as 'disturbance' or 'residual'), and may arise from a number of possibilities, including omitted variables, reverse causality, and others. All are threats that can bias the assertions that researchers make regarding hypothesized effects (Semadeni, Withers and Certo, 2014). To account for an omitted variable, researchers typically use several instrumental variables to then conduct a two stage least squares approach. Apart from marginally related systematic evidence, no research thus far has identified suitable instruments for the underlying individualizing foundations of a CEO. As such, developing a baseline first-stage model of the drivers of underlying individualizing foundations of a CEO is outside the scope of this paper.

Another approach is to determine the impact threshold for a confounding variable by calculating how strongly correlated an omitted variable would have to be in order to change the main results (e.g., Frank, 2000; Busenbark et al., 2021). To



do so, we first included an array of controls to check for potential alternative explanations relating to the CEO individualizing foundations (as our independent variable) and downsizing severity (as our dependent variable). A total of 34 control variables were considered, but not all of them included in the main analysis (see Gamache and McNamara, 2019 for a similar approach). Based on the inclusion of these controls, we then calculated the impact threshold for a confounding variable. To perform this computation, we used the user-written *konfound* command in STATA (Xu et al., 2019). This analysis suggested that, for an omitted variable to invalidate our findings, it would have to be correlated with both the CEO individualizing foundations and downsizing severity at  $r > 0.336$  ( $\alpha = 0.10$ ) and  $r > -0.336$  ( $\alpha = 0.10$ ). The strongest correlated variable with the dependent variable *downsizing severity* is the utilities sector, at  $r = 0.349$ , which is only correlated with the CEO *individualizing foundations* at  $r = -0.033$ . Similarly, the strongest correlated variable with the individualizing foundations is the health care sector, at  $r = 0.469$ , but this is only correlated at  $r = -0.0392$  with downsizing severity. Since no control variable had a higher correlation than the impact threshold with both of these

variables, it is unlikely that there exists an omitted variable invalidating our results.

In an additional attempt to cope with an omitted variable bias, we followed the approach advised by Wiersema and Zhang (2011). This required us to first regress the CEOs individualizing foundations on all control variables in the respective models and then calculate residual values of the CEOs' individualizing foundations. The residuals obtained were then integrated in the main analysis, replacing the observed values of CEOs individualizing foundations. Therefore, the goal was to test whether the component of CEOs individualizing foundations that was uncorrelated with our control variables had a significant effect on the downsizing severity (see also, König et al., 2018). As the coefficient of the residuals was negative and significant ( $\beta = -0.954$ ;  $p = 0.006$ ), there seems to be no problem of unobserved heterogeneity.

To further rule out the possibility of an omitted variable bias, we used fixed-effects regression because this estimation procedure deals with unobserved heterogeneity as it “factors out all time-variant between-firm variance in the independent and dependent variables” (Gupta and Wowak, 2017, p. 15).

As our results remained unchanged, and on the basis on the two other approaches used, it appears that no omitted variable invalidates our findings.

The other common endogeneity threat involves reverse causality. According to the attraction-selection-attrition theory, individuals may be drawn to specific contexts. Or in our case, CEOs with specific values may be attracted to a certain industry sector with specific preexisting moral foundations (Chatterjee and Hambrick, 2007; Chin, Hambrick and Treviño, 2013; Gupta and Wowak, 2017). To assess the potential for reverse causality, we regressed the CEOs individualizing foundations on industry dummies (Chin, Hambrick and Treviño, 2013). Except for the health care sector, all other industry dummies remained insignificant (the coefficient for health care was positive, suggesting that CEOs with higher individualizing foundations are attracted to that sector). We also used the regression coefficients to compute each CEOs individualizing foundation score and included these scores in the main analysis. The results were consistent with those of the main analysis, thereby indicating no evidence of reverse causality.

## 2.5 Discussion

At the core of strategic management lies the question whether and how CEOs matter with respect to firm related outcomes (Hambrick and Mason, 1984; Carpenter, Geletkancz and Sanders, 2004; Hambrick, 2007; Finkelstein, Hambrick and Canella, 2009). More recent evidence suggests that executives today have even greater impact on firm actions and performance than they did in the past (Quigley and Hambrick, 2012; Nadkarni and Chen, 2014; Gamache and McNamara, 2019; Graf-Vlachy, Bundy and Hambrick, 2020). In line with this prediction, the present study shows that the CEOs moral foundations impact an emotionally laden and conflicting strategic choice: The decision to downsize the overall workforce. These effects are particularly strong when CEOs have more managerial discretion as leeway in the decision-making allows CEOs to infuse his or her values into the downsizing process. We also predicted and found that older CEOs rely to a stronger degree on their moral foundations as part of their underlying value-system.

### **2.5.1 Theoretical Contributions**

These findings advance existing literature in several ways. First and foremost, the present study contributes to the fragmented research about the extent to which CEOs inject their values, or ‘personal givens’, into important strategic decisions. While executives’ values were initially emphasized as a core aspect of the UET-paradigm (Hambrick and Mason, 1984; later accentuated by Hambrick, 2007), prior research has predominantly focused on observable characteristics – especially the CEOs’ experiences, tenure, and functional background – to explain organizational outcomes (Bromiley and Rau, 2016; Neely et al., 2020). Not only represent values the least-studied of executives attributes (e.g., Chin, Hambrick and Treviño, 2013; Gupta, Briscoe and Hambrick, 2018), but the few available studies also conceptualized them in terms of political ideologies on the American conservatism-liberalism continuum. With the help of a novel measurement approach, we depart from that one-sided view and leverage recent technology advances in studying underlying CEO values to argue that workforce downsizing decisions are traceable, in part, to the moral foundations of CEOs. Based on these findings, we can reinforce the central tenet of UET, namely: Organizations

become reflections of their top-executives because executives inject a great deal of their ‘personal givens’ into their decision-making (Hambrick and Mason, 1984; Carpenter, Geletkancz and Sanders, 2004; Hambrick, 2007; Finkelstein, Hambrick and Canella, 2009). As importantly, we find that managerial discretion and CEO age enact the impact of a CEOs underlying moral foundations. Particularly the latter has never been subject to a systematic and more psychological-oriented investigation (Belenzon, Shamshur and Zarutskie, 2019).

Besides these fine-grained contributions to UET, the present study also advances research on MFT by empirically testing its application in the organizational setting. Prior research has examined the value of the moral intuition perspective in multiple fields, ranging from anthropology, evolutionary psychology, cognitive science to behavioral economics (Weaver, Reynolds and Brown, 2014; Solinger, Jansen and Cornelissen, 2020). Although extracting moral stances in those fields was and is critical for developing a holistic understanding of how moral behavior unfolds, the studies available have relied on hypothetical scenarios as the main empirical approach. Recent calls in social psychology advocate for a shift, including to examine the moral

foundations perspective in more naturalistic and real-world contexts (Weaver, Reynolds and Brown, 2014; Fehr, Yam and Dang, 2015). As downsizing decisions in Germany particularly share normative materiality, uncertainty, and social tensions, they fit to provide a more nuanced picture of how moral foundations unfold in a more-realistic setting. At the same time, we used extensive theory of measurement to analyze the moral foundations of CEOs. Based on a recently and novel-based approach (e.g., Hopp et al., 2020), we content-analyzed several sources of CEO communication to extract the moral content to then infer a CEOs underlying moral foundations. So far, using such a tool for extracting moral content from textual corpora has not been utilized – especially not in the organizational context.

Our study also informs research on downsizing, which has largely adopted the view that workforce downsizing is a direct result of financial and/or strategic considerations (e.g., Norman, Butler and Ranft, 2013; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021). Whether and how CEOs inject a great deal of themselves into downsizing decisions has, however, not been thoroughly examined. For example, in their in-depth review of downsizing decisions, Datta et al. (2010) clustered several

research streams on the causes and effects of employee downsizing. Out of 91 studies considered, only one study has assessed workforce downsizing through a UET lens (although the authors used demographic characteristics of CEOs, see Hallock et al. (1998)). By extracting underlying CEO moral foundations, we provide a new perspective to research on workforce downsizing as we show how the ‘personal givens’ of CEOs shape the character of downsizing events as requested by Datta et al. (2010).

### **2.5.2 Practical Implications**

In addition to these theoretical contributions, this paper also has important practical implications. The findings presented here suggest that top-level executives should be aware of their own natural tendencies when it comes to important strategic decision-making processes. Dependent on the decision-situation, some CEOs may seek to establish a more conservative strategy due to their moral stances, whereas other CEOs are apt to follow high-stake strategies. This is not to say that a certain CEO should be favored. The overall message here is that CEOs differ in their moral stances and, as such, differ in their final decision-making. To ensure that CEOs select an appropriate strategy in either way, firms can



embed thinking strategies to ‘modify the decision-maker’ or adapt the choice architecture – including tools such as formality, information, participation, and layering – to reduce the impact of the moral foundations of CEOs (e.g., Soll, Milkman and Payne, 2015; Sibony, Lovallo and Powell, 2017).

### **2.5.2 Limitations and Directions for Future Research**

As with any study, this one has limitations that may suggest avenues for future research. Although CEOs function as the final decision-making body for crafting downsizing decisions (Gupta, Nadkarni and Mariam, 2019), there are, of course, other members of the top-management team (CFO, COO, etc.) involved in guiding strategic decisions, including the decision to lay off employees (Datta et al., 2010). Future research could test, for instance, the individualizing foundations of CFOs and how they shape the decision to downsize the workforce by voicing in their concerns (e.g., Shi, Zhang and Hoskisson, 2019). Another fruitful avenue for future research pertains to the perceptions and actions of other external constituents involved in the downsizing process, including the media, investors, and politicians. For example, there may be the possibility that CEOs with higher

moral stances are perceived differently, and possibly in a better light, as compared to a CEO with lower moral stances (e.g., Rhee and Fiss, 2014; Gao, Yu and Cannella, 2016). Connected to this suggestion, future research can explore the impact of underlying CEO values on the performance of strategic change (e.g., Herrmann and Nadkarni, 2013). In this study, we tested how the moral foundations affect the initiation of a strategic change process. But how do the moral foundations affect the effective implementation of downsizing decisions? Are CEOs with higher moral stances more successful in pushing the strategic agenda because they communicate more transparently and share the concerns of employees, thereby minimizing resistance? Or is it the exact opposite because CEOs with higher moral stances may be more reserved in using available resources? Furthermore, we sampled all firms (and their respective CEOs) with downsizing instances but did not examine if CEOs decided for or against a downsizing decision. For example, some CEOs may be more reserved in initiating downsizing decisions as they are influenced through their personal frames. More work remains to be done insofar as developing a complete understanding of the impact of underlying moral foundations on strategic change performance. Finally, it

would be interesting to test the baseline hypotheses in other organizational and national settings. As mentioned above, the moral foundations of decision-makers vary greatly across individuals and also across cultures (Haidt, 2007; Haidt, Graham and Joseph, 2009; Graham et al., 2013). We leave it to future research to test the application of underlying moral foundations in other national contexts.

## **2.6 Conclusion**

In summary, this study takes a novel approach by examining the moral foundations of CEOs to understand their impact on downsizing decisions. We find that higher moral stances lead to less severe downsizing approaches, but this is dependent on managerial discretion and CEO age. Based on these findings, we believe that our study can make important contributions to UET by moving away from the widely adopted demographic approach. Instead, we focus on underlying values, which have been neglected in prior research. The findings here also warrant more general acknowledgment: Finding that CEOs rely on their moral foundations when making conflict-laden decisions may revise their common image in the general public. Most often,

they are perceived as mere technical optimizers with little or no empathy toward their employees or as opportunistic agents. By examining the impact of moral foundations, we provide a new perspective to explain CEO behavior, hoping to help bolstering this important research stream.

## **CHAPTER 3. A Question of Communication: Influencing Media Reactions on Downsizing Announcements**

### **Abstract**

*Although media response to the announcement of strategic decisions has important ramifications for firms, previous research delivers no insights on how the media covers the announcement of downsizing decisions. In this study, we apply a socio-cognitive view and expect that media coverage is negative in such a situation, thus threatening a firm's social approval assets. Besides assessing the direct consequences, we use construal-level theory to examine how firms can 'frame the message'. Our core argumentation follows the logic that if firms socially distance themselves from the downsizing decision and if they use more abstract language, then they can garner more positive reaction from the media. We test our theory in the context of all downsizing announcements of firms based in Germany between 2010 and 2019 and find support for our hypotheses.*

**Keywords:** Media Coverage, Downsizing, Behavioral Strategy, Construal-Level Theory, Framing

### **3.1 Introduction**

Announcing a downsizing decision, understood as an intentional, permanent, and systematic reduction of an organization's workforce (e.g., Freeman and Cameron, 1993), to the public represents a challenging task (Worrell, Davidson and Sharma, 1991; Nixon et al., 2004; Love and Nohria, 2005; Norman, Butler and Ranft, 2013). With its perceived uncertainty for stakeholders and employees (Love and Kraatz, 2009), it often triggers immediate coverage by external observers, including investors, customers, and the media (Datta et al., 2010; Norman, Butler and Ranft, 2013; Brauer and Zimmermann, 2019). While a number of studies examine investor and customer responses to news of downsizing (e.g., Worrell, Davidson and Sharma, 1991; Lee, 1997; Nixon et al., 2004; Homburg, Klarmann and Staritz, 2012; Brauer and Zimmermann, 2019), the relationship between the announcement of a downsizing decision and media coverage has not yet been systematically examined.

Understanding how the media reports about a downsizing announcement is important in several ways: The media not only constitutes society's dominant information provider but also sets the agenda for public discourse (Carroll and

McCombs, 2003; Rindova, Pollock and Hayward, 2006; Petkova, Rindova and Gupta, 2013). By selecting which issues to cover and how to frame them, the media directs public opinion about a firm and has the potential to damage or to leverage social approval assets, including reputation (Deephouse, 2000), legitimacy (Pollock and Rindova, 2003), and status (Graffin et al., 2013). These social approval assets are critical to a firm's success because they determine whether stakeholders are willing to exchange resources with a firm or not (Pfarrer, Pollock and Rindova, 2010; Zavyalova et al., 2012; Bundy and Pfarrer, 2015). Prior studies indicate that if coverage about a firm decision is negative, then firms face the threat of putting these social approval assets at risk (Deephouse, 2000; Pollock and Rindova, 2003).

Given its ability to influence the formation of a firm's social approval assets, the purpose of this study is to answer two interrelated questions: (1) What are the consequences of a firm announcing a permanent reduction of personnel on the tenor of media coverage? Besides examining the direct consequences on the tenor of media coverage, we apply theory by asking: (2) What are ways for firms to influence media coverage when announcing these decisions to the public?

Both research questions respond to recent calls in the strategy and management literature because our approach aims to integrate assumptions from socio-cognitive research to transfer it to the downsizing context (McKinley, Zhao and Rust, 2000; Rindova, Reger and Dalpiaz, 2012; Pfarrer et al., 2019). Socio-cognitive research offers useful lenses through which to view how the media makes sense of strategic decisions and how they are – at the same time – constrained in their ability to notice, assess, and thereafter punish firm behavior (Pollock and Rindova, 2003; Barnett, 2014). We develop our argumentation by drawing on prominent theories from social psychology; (1) expectancy violations and cognitive dissonance to explain evaluative judgment by the media about news of downsizing (Burgoon, 1993) and (2) construal-level theory (CLT) to examine ways for firms to influence media coverage, particularly before or contemporaneously to when the downsizing decision becomes publicly available (Lieberman and Trope, 2008).

The first research stream suggests that coverage by the media depends on perceived violations of publicly held standards and if firm behavior creates a state of cognitive dissonance (Westphal and Deephouse, 2011; Zavyalova et al., 2012). As we highlight in depth below, news of downsizing signal a



violation of public held values as it places employees and other stakeholders at risk (Brockner et al., 2004; Love and Kraatz, 2009), thereby attracting negative attention from media agents (Pfarrer, Pollock and Rindova, 2010; Jonsson and Buhr, 2011). In addition, a downsizing announcement evokes a state of cognitive dissonance in which media agents are likely to disagree with the firm's current course of action and, as such, cover a permanent reduction of personnel more unfavorably (see also, Zavyalova et al., 2012; Bundy and Pfarrer, 2015).

The second research stream suggest that amid violations of stakeholders' expectations, firms have specific socio-cognitive impression management techniques at their disposal which enables them to manage perceptions of their behavior (Elsbach, Sutton and Principe, 1998; Graffin, Haleblan and Kiley, 2016). More precise, they can 'frame' their downsizing message in a specific way that allows them to garner more positive reactions from the media (e.g., Fiss and Zajac, 2006; Rhee and Fiss, 2014; Giorgi, 2017; Nadkarni, Pan and Chen, 2019). Although prior studies have suggested that language, words, numbers, or phrases can influence coverage by the media, prior research thus far has failed to provide causal mechanisms for why some firms are

more effective in ‘framing the message’ than others (Rhee and Fiss, 2014). Building on construal-level theory (CLT), we argue that if firms socially distance themselves from the focal layoff decision and if they use more abstract language, then they can socio-cognitively change the way media agents perceive and, as a consequence, report about news of downsizing (Liberman and Trope, 2008; Trope and Liberman, 2010). Both are language cues that shift media agents’ attention on desirability aspects and lead to a positive affective state (e.g., Carter, Bobocel and Brockner, 2020; Huang et al., 2020; Falchetti, Cattani and Ferriani, 2021). As the empirical setting, we test our hypothesized relationships in a sample (2010 – 2019) of all downsizing announcements of firms based in Germany, finding strong support for our theory.

With our conceptualization, we make several contributions to theory. First, the socio-cognitive perspective we adopt corresponds to a general emphasis in the downsizing literature. Several scholars recommend to take a more nuanced look at the way media agents respond to news of downsizing (Datta et al., 2010) and strategies for firms to ‘whitewash’ their downsizing messages so that external observers make more favorable judgments (Brauer and

Zimmermann, 2019). Second, through the theoretical development of these constructs, we respond to general calls in the literature for examining how firms can socio-cognitively influence the way infomediaries covering them, as well as the process of the loss and recovery of a firm's social approval. Both have been identified as understudied areas in management and strategy research (e.g., Pollock, Rindova and Maggitti, 2008; Rindova, Reger and Dalpiaz, 2012; Pfarrer et al., 2019). By explicating socio-cognitive accounts to mitigate negative media coverage, we provide effective tools for firms to manage perceptions off, and reactions to, the news of downsizing (Fiss and Zajac, 2006; Rhee and Fiss, 2014). Lastly, our study contributes to research on CLT. Whereas socio-cognitive scholars have discussed and evolved the construct over the last two decades (Soderberg et al., 2015), CLT only recently emerged in strategy and management research (Steinbach, Gamache and Johnson, 2019). CLT is highly applicable as the theory emphasizes how external observers socially construct their 'perceptual answers' to firm behavior (e.g., Reyt and Wiesenfeld, 2015; Wiesenfeld et al., 2017; Steinbach, Gamache and Johnson, 2019).

## **3.2 Theory and Hypotheses**

### **3.2.1 External Reactions to Downsizing Announcements**

Extant research suggests that a number of external stakeholders (or observers) make frequent evaluations of firms' strategic decisions, including investors, customers, and the media (e.g., Zavyalova et al., 2012; Harrison et al., 2018). Similar effects arise when firms announce a downsizing decision to the public (Nixon et al., 2004; Datta et al., 2010; Brauer and Zimmermann, 2019). A downsizing announcement, understood as a deliberate management statement with the aim of reducing an organization's workforce (e.g., Freeman and Cameron, 1993), is not only a highly visible and a readily available signal, but also provides firm-related information to external observers (Love and Kraatz, 2009). These announcements typically include a short description of the downsizing severity (i.e., percentage of downsized employees or total number), guided by additional information about a firm's current condition as well as information about expected future benefits (e.g., Nixon et al., 2004; Jung, 2016; Brauer and Zimmermann, 2019).

How external observers respond to these announcements has been predominantly researched by examining investor reactions (Datta et al., 2010; Datta and Basuil, 2015). While some studies highlight positive investor responses (e.g., Chalos and Chen, 2002; Brookman, Chang and Rennie, 2007; Marshall, Mccolgan and Mcleish, 2012), investors react, on average, negatively to news of workforce downsizing (e.g., Lin and Rozeff, 1993; Chatrath, Ramchander and Song, 1995; Lee, 1997; McKnight, Lowrie and Coles, 2002; Nixon et al., 2004; Hillier et al., 2007), particularly if a firm publicizes a large-scale downsizing decision (e.g., Elayan et al., 1998; Brauer and Zimmermann, 2019). Similarly, research has devoted much attention on customer responses to the news of downsizing. They found lower purchasing behavior (e.g., Lewin, 2001, 2003; Homburg, Klarmann and Staritz, 2012) and detrimental effects on firm-supplier relationships (e.g., Lewin and Johnston, 2008; Lewin, 2009; Lewin, Biemans and Ulaga, 2010). By focusing on either customer satisfaction or customer uncertainty, these studies contend negative perception effects when firms announce layoff decisions (Homburg, Klarmann and Staritz, 2012), making them

perceive the organization as more ‘bad’ (Flanagan and O’Shaughnessy, 2005).

Besides investor and customer responses to the news of downsizing, another important external observer is the mass media. This is because their reporting affects public knowledge, directs public attention, and influences other stakeholders’ attention toward certain issues that guide a downsizing announcement (Bowman and Singh, 1993; Datta et al., 2010). As Bowman and Singh (1993, p. 6) denote: “The press provides high visibility to such assertions, in prominent feature articles in popular business publications”. Next to a proliferation of business news, downsizing announcements also receive extensive media coverage in weekly or bi-weekly newspapers (Cascio, Young and Morris, 1997; Datta et al., 2010).

Given the high incidence and its implications from a social standpoint, it is surprising, however, that only one empirical study has thus far addressed media-related questions in the context of layoff announcements. In their study, Swinnen and Heinz (2015) highlight an increased ‘media bias’ toward reporting on job shedding rather than on job creation. What is therefore missing is a direct assessment of how the media

forms evaluative judgment about a downsizing announcement, as well as what firms can do to influence these media reactions.

### **3.2.2 Media Coverage and Social Approval Assets**

Media coverage is ubiquitous and its output (the news) is consequential (Pollock and Rindova, 2003; Graf-Vlachy et al., 2020). Whether printed or online, in newspapers or business formats, different media outlets form analytical judgments about strategic decisions (for a review, see Graf-Vlachy et al., 2020). Due to its role as society's dominant information provider, the mass media records public knowledge, directs public attention, and influences outsiders' interest on certain issues, including decisions such as laying off employees (Carroll and McCombs, 2003). Communications research has long indicated that the media influences what information becomes available and to what extent (Petkova, Rindova and Gupta, 2013). Media outlets further have the power to report from an unlimited set of options, which enables them to place a topic on the 'public agenda' (McCombs and Shaw, 1972). They not only implicitly identify which issues are important in comparison to others of similar type, but media agents also filter relevant

information about new developments. The way they filter information directs public discourse and dominates public perceptions about selected issues (Rindova, Pollock and Hayward, 2006; Petkova, Rindova and Gupta, 2013), often stimulating media consumers to develop cognitive patterns and beliefs (Jonsson and Buhr, 2011). Both aspects, filtering and selecting, therefore shape consumer preferences for issues, events, and actors (Hoffman and Ocasio, 2001; Pollock, Rindova and Maggitti, 2008), which, in turn, allows media agents to form perception at the macro-level (McCombs and Shaw, 1972; Carroll and McCombs, 2003).

In a similar vein, management and strategy scholars have suggested that the mass media serves as a social arbiter in the business community (e.g., Pollock and Rindova, 2003; Wiesenfeld, Wurthmann and Hambrick, 2008; Zavyalova et al., 2012; Harrison et al., 2018). According to this view, media outlets “are prominent and legitimate platforms for rendering assessments of firms and the individuals associated with them” (Wiesenfeld, Wurthmann and Hambrick, 2008, p. 234). By selecting specific issues, the media plays a powerful role in recording, understanding, and evaluating business practices (Deephouse, 2000; Petkova, Rindova and Gupta, 2013). In line with assumptions from communication



research, management scholars have conceptualized the media as a transmitter that sets the ‘agenda’ for public discourse about firm behavior (Pollock, Rindova and Maggitti, 2008; Zavyalova et al., 2012; König et al., 2018; Titus, Parker and Erin Bass, 2018). Besides setting the agenda for discourse, the media also influences how stakeholders perceive, for instance, the overall quality of products or the trustworthiness of an organization (Mishina, Block and Mannoer, 2012). Reporting by and coverage in the media can therefore affect a firm’s social approval assets because they “derive their value from favorable collective perceptions” (Pfarrer, Pollock and Rindova, 2010, p. 1131).

Along with status (Graffin et al., 2013) and legitimacy (Pollock and Rindova, 2003), the media actively shapes a firm’s identity and reputational level (Deephouse, 2000). These social approval assets are essential to a firm in gaining and sustaining competitive advantages (Deephouse, 2000; Pfarrer, Pollock and Rindova, 2010; Zavyalova et al., 2012; Bundy and Pfarrer, 2015). Not surprisingly, the ability of the media to shape social approval assets has led to a common observation: Firms value positive media coverage because they can transform these social approval assets into a competitive advantage and profit – in a later stage – from

increased performance (Zavyalova et al., 2012; Gamache and McNamara, 2019; Shipilov, Greve and Rowley, 2019). Positive media coverage also enhances an organization's chance of survival (Durand and Vergne, 2015). In contrast, firms fear negative media coverage because it threatens their social approval assets. Whenever they face lower social approval, it increases the likelihood in a loss of revenue (Pfarrer, Pollock and Rindova, 2010; Jonsson and Buhr, 2011).

How media agents therefore report about a strategic decision has important ramifications for firms. This study not only focuses on downsizing announcements because a layoff decision represents a major strategic decision, but also because there is anecdotal evidence that media agents form evaluative judgment about layoff announcements and that these announcements, in turn, can influence a firm's social approval assets. In the following we highlight why media agents will form negative evaluative judgment about a downsizing announcement. We do so, by drawing on socio-cognitive research on how stakeholders form evaluative judgment about firm behavior (e.g., Pollock and Rindova, 2003; Mishina, Block and Mannoer, 2012; Zavyalova et al., 2012). By taking such a socio-cognitive view, we correspond

to recent emphasis in the downsizing literature. As McKinley et al. (2000, p. 228) denote: “To fully understand downsizing, management scholars need to explore [...] the sociocognitive perspective”.

### **3.2.3 Expectancy Violations and Cognitive Dissonance**

Socio-cognitive research and findings on social deviance offer useful lenses through which to view how media agents respond to behaviors that deviate from existing social norms. Whenever firms act contrary to social norms, they increase the likelihood of unfavorable press, thus placing a firm’s social approval assets at risk (Deephouse, 2000; Pollock and Rindova, 2003; Rindova, Pollock and Hayward, 2006). This is in line with expectancy violation theory – a theory of interpersonal communication that describes how individuals respond to unanticipated violations of social norms. According to the theory, individuals hold *expectancies*, or “an enduring pattern of anticipated behavior” (Burgoon, 1993, p. 31), to which an actor is expected to conform. The underlying argument is that observers (media) hold expectations regarding how an actor (firm) should behave in a given situation. Once a firm violates these expectations, media agents are more likely to seek new information about

the firm for publication because the event is more salient, arousing and distracting, and because the violation displays a deviance from commonly held expectations (Zavyalova et al., 2012; Graffin, Haleblan and Kiley, 2016). It is important to note that the tenor of media coverage depends on the severity of norm violation. An impactful violation linked to a firm is more likely to capture the interest and attention given by media agents (Rindova, Pollock and Hayward, 2006). Furthermore, if a negative expectancy violation is viewed as intentional by media agents, the magnitude of the perceived violation will be amplified (Bachman and Guerrero, 2006; Blagoeva, Kavusan and Jansen, 2020).

Violating expectations can come in many forms, but systematically reducing an organization's workforce lessens the firm's credibility and exerts strong negative effects on reputation (Flanagan and O'Shaughnessy, 2005). Such conduct not only violates acceptable firm behavior as it places employees at risk, but it is also connoted with opportunism. Downsizing signals that a firm is an untrustworthy actor that "might not be trusted to keep their commitments to other constituencies in the future" (Love and Kraatz, 2009, p. 315). External evaluators may also begin to suspect that 'ulterior motives' were behind a downsizing

decision, causing them to question the organizations motivations and behaviors (Mishina, Block and Mannoer, 2012). In addition, downsizing induces uncertainty among employees, labor unions and staff councils. Particularly employees view layoff announcements “as a violation of the psychological contract between [them] and their employers” (Datta and Basuil, 2015, p. 201). By announcing a downsizing decision, the employer reneges on these implicit ‘psychological contracts’ with their employees and destroys trust- and loyalty-levels. Being interpreted as a form of betrayal, downsizing announcements trigger discretionary effort through diminished ‘organizational citizenship behavior’ that is contagious and likely to be transmitted to the media (Mishra and Mishra, 1994; Love and Kraatz, 2009).

When firms violate expectations, it also creates a state of psychological discomfort in which external evaluators are likely to disagree with a current course of action (Westphal and Deephouse, 2011). While conforming behavior remains largely unnoticed, a violation of social norms intensifies psychological discomfort, also known as *cognitive dissonance* (for a review on cognitive dissonance research, see Hinojosa et al., 2017). This is because violating public

held expectations generates “negative emotional responses [...] by altering individuals’ view of the way things should be” (Zavyalova et al., 2012, p. 1082). Research shows that when observers experience cognitive dissonance, it increases their information search and often triggers them to recalibrate their impressions (Zavyalova et al., 2012; Bundy and Pfarrer, 2015). Since downsizing announcements also alter journalists’ view of acceptable firm behavior, they are more likely to disagree with a firm’s current course of action and, as such, cover the announcement of a permanent workforce reduction in a negative tone.

Taken together, a downsizing announcement signals a violation of certain expectations. Media agents rely on such cues and seek additional information because a negative perceived downsizing announcement leads them to experience cognitive dissonance. As such, we expect that media agents will form negative evaluative judgment about downsizing announcements. This, however, depends on the severity of norm violation. A greater reduction in the firm’s workforce will result in a more unfavorable media tenor. Thus, we hypothesize the following:

*Hypothesis 1:* The greater the severity of downsizing, the more negative the media tenor about the downsizing announcement.

### **3.2.4 Framing as Anticipatory Impression Management**

Whenever firms face the threat of negative media coverage, they can employ strategies from anticipatory impression management to mitigate the effect of unfavorable press coverage (e.g., Lamin and Zaheer, 2012; Zavyalova et al., 2012; McDonnell and King, 2013). Defined as any action purposefully designed and carried out to influence an audience's perceptions before or contemporaneous to an event (Elsbach, Sutton and Principe, 1998, p. 68), anticipatory impression management helps “to manage perceptions of – and reactions to – negative expectancy violations” (Graffin, Haleblan and Kiley, 2016, p. 234). The way firms engage in anticipatory impression management is in line with a recent emphasis in the downsizing literature (Nixon et al., 2004; Brauer and Zimmermann, 2019). As Zimmerman and Brauer (2019, p. 1797) highlight, there is a need to “more closely examine the [anticipatory] impression management techniques that managers might use to ‘whitewash’ downsizing decisions”.

One prominent way to influence public perceptions before or contemporaneous to a negative perceived event involves strategically ‘framing’ the message in a way so that external observers interpret the situation more favorably (e.g., Rhee and Fiss, 2014; Nadkarni, Pan and Chen, 2019). Using framing techniques as a strategic tool to elicit favorable responses from external observers has long been an important topic in the strategy and management literature (for a review, see Gao, Yu and Cannella, 2016). A frame is a strategic rhetorical device by which firms assemble words, phrases, and sentences to selectively present a situation, making the good aspects more salient and hiding others. The overall goal of deploying frames is to shape audiences’ perception and influence their thinking of the meaning of an event (e.g., Fiss and Hirsch, 2005; Fiss and Zajac, 2006; Rhee and Fiss, 2014; Giorgi, 2017; Nadkarni, Pan and Chen, 2019). For instance, Crilly, Hansen and Zollo (2016, p. 708) concurred that firms “use language strategically to persuade others and to present themselves in the best light”. Similarly, Nadkarni, Pen and Chen (2019, p. 119) argue that strategic framing “entails intentional crafting of language to influence stakeholders’ reactions”. According to them, framing is set “to steer their reasoning toward a particular line of causal



reasoning about [the firms] future outcomes” (Nadkarni, Pan and Chen, 2019, p. 119). What these studies therefore combine is the idea that strategic framing is a key tool of anticipatory impression management.

In an attempt to understand how firms can frame important messages so that external observers form more favorable judgments, management and strategy scholars have recently shifted their focus on the role of observers’ attention and “the bounded rationality of *their* cognitions, intuitions, and emotions” (Pfarrer 2019; 768; own emphasis). The underlying notion is that external observers are constrained in their ability to notice, assess, and thereafter punish firm misconduct (Rindova, Reger and Dalpiaz, 2012; Barnett, 2014; Pfarrer et al., 2019). Others have directly recommended to consider the cognitive mindsets of external observers to construct their framing approach in the context of negative perceived strategic decisions (e.g., Kennedy and Fiss, 2009; Giorgi, 2017). Applying a socio-cognitive perspective helps to explain why some firms are more effective in ‘framing the message’ – and influencing audiences’ perceptions – than others (Rhee and Fiss, 2014; Giorgi, 2017; Nadkarni, Pan and Chen, 2019).

We contribute to this gap by incorporating theory from social psychology to explain how firms can socio-cognitively ‘frame’ their downsizing announcements so that media coverage is more favorable. As we argue below, firms can effectively ‘frame the message’ by socially distancing themselves from the decision to lay off employees and by using more abstract language. Both are socio-cognitive stimuli that trigger media agents to form positive evaluative judgment about the focal firm’s downsizing announcement. We base our theorizing on construal-level theory (CLT) to examine how firms can mitigate external constituents’ negative effects (Liberman and Trope, 1998; Trope and Liberman, 2010).

### **3.2.5 Construal-Level Framing Techniques**

CLT is a highly influential theory in social psychology research (e.g., Soderberg et al., 2015) with far-reaching implications on how individuals recalibrate their impressions of others (Joshi et al., 2016; Reyt, Wiesenfeld and Trope, 2016; Holt, Bobocel and Chen, 2020; Wakslak and Joshi, 2020). As such, CLT paves the path for framing controversial issues in the organizational context (e.g., Huang et al., 2020; Falchetti, Cattani and Ferriani, 2021), including downsizing

decisions (Carter, Bobocel and Brockner, 2020). Conceptually, CLT aims to explain how individuals transcend themselves from the present to imagine hypothetical realities by forming mental construals. According to CLT, the level of mental construal is tied to psychological distance such that individuals tend to think in specific ways about objects and events psychological close to them, and in general ways about objects and events perceived as distant (Liberman and Trope, 2008; Trope and Liberman, 2010; Steinbach, Gamache and Johnson, 2019). CLT thus has two key components: The mental construal levels of individuals and the psychological distance they perceive that affects their mental construal.

Whereas lower-level construals are specific, detailed, and contextualized representations in which individuals focus their attention on essential features of those events, higher-level construals are mental representations of events that are more schematic, decontextualized and general (Liberman and Trope, 1998, 2008). As an example, the activity to ‘make a presentation’ can be construed at a high-level construal as to ‘convey information to an audience’ or at a low level as ‘project slides and talk’ (Wiesenfeld et al., 2017, p. 368). Adopting a lower-level construal leads people to focus on

practical and context-specific features of the decision situation, thereby focusing on the feasibility of short-term goals and the means for attaining them (*how* actions are performed) (Liberman and Trope, 1998; Trope and Liberman, 2010). In contrast, higher-level construals reflect individuals' implicit choices regarding which features of an object (or situation) they perceive as central or which they perceive as peripheral. Higher-level construals therefore involve reasoning that focuses on the desirability of distal end-states and the meaning of actions (*why* actions are taken) (see also Reyt and Wiesenfeld, 2015; Steinbach, Gamache and Johnson, 2019).

A key variable that influences the level of mental construal is the psychological distance individuals perceive. Psychological distance refers to “a subjective experience that something is close or far away from the self, here, and now” (Trope and Liberman, 2010, p. 440). The core premise of CLT is to systematically link mental construal-levels to distinct dimensions of psychological distance to examine how both mechanisms affect individuals' everyday cognition (Wilson, Crisp and Mortensen, 2013; Reyt and Wiesenfeld, 2015). Empirical studies support the notion that psychological distant events evoke higher-level construals,

whereas psychological proximal events are construed at lower construals (e.g., Sagristano, Trope and Liberman, 2002; Fujita et al., 2006; Wakslak et al., 2006; Liviatan, Trope and Liberman, 2008).

### ***3.2.5.1 Social Distance in Downsizing Announcement***

Besides other forms of psychological distance, CLT specifically posits that social distance – “the (dis-)similarity to others” (Liberman, Trope and Wakslak, 2007) – changes the way individuals construe events. Experimental studies have highlighted how interpersonal (dis-)similarity must function as a form of psychological distance because the less similar someone is to oneself, the more socially distant they typically seem (Liviatan, Trope and Liberman, 2008; Stephan, Liberman and Trope, 2011). With dissimilar others being perceived as socially distant to oneself than similar ones, the degree of social distance one perceives must change the way individuals mentally represent objects (or events) (Liberman and Trope, 1998; Liviatan, Trope and Liberman, 2008; Stephan, Liberman and Trope, 2011; Snefjella and Kuperman, 2015). More directly connected to the core conceptual foundation of CLT, Liviatan, Trope and Liberman (2008) highlight that when individuals perceive a

social distant event, they adopt a higher-level construal and give greater importance to event features associated with what they desire (see also Stephan, Liberman and Trope, 2011; Snefjella and Kuperman, 2015; Joshi et al., 2016). In contrast, individuals who perform in a socially close event tend to reason on more central grounds or low-level construals, focusing on “the ease or difficulty of reaching the end state” (Liberman and Trope, 1998, p. 410). Thus, CLT posits that when an event is socially more distant to the individual, decision-makers reason on higher-level construals, which strongly influences evaluations and choices toward desirability aspects (e.g., attractiveness of the outcomes). A socially close event on the other hand leads individuals to form lower-level construals, which prompts them to guide their decision-making on feasibility aspects (Liberman and Trope, 1998; Wiesenfeld et al., 2017).

We transfer these findings to the media context and argue that if firms use language frames to socially distance themselves from the firm’s focal downsizing event, then they can influence how journalists perceive the downsizing announcement. With more communication devices embedded in the downsizing announcement signaling social distance, media agents will represent this downsizing

announcement by increasingly higher construal-levels. Under such circumstances, individuals are more likely to process the remaining information they perceive based on its meaning toward a desirable future status (Liberman and Trope, 2008; Steinbach, Gamache and Johnson, 2019). It also causes them to downgrade the importance of the downsizing decision because their construed reality is more superordinate, general, and follows simpler structures of reasoning (Liberman and Trope, 1998; Nussbaum, Liberman and Trope, 2006), often leading individuals to formulate more pros over cons (Herzog, Hansen and Wänke, 2007). Furthermore, perceived higher social distance broadens individuals' mental horizons (Yudkin et al., 2019). It enables people to 'zoom out' from the present situation to consider more distant possibilities (Reyt and Wiesenfeld, 2015) and leads to greater authenticity (Giacomantonio et al., 2010). All of these aspects trigger individuals – and journalists alike – to develop an overall positive affective state (Liberman and Trope, 2008; Joshi et al., 2016; Wiesenfeld et al., 2017; Yudkin et al., 2019).

Building on these insights, we expect that language emphasizing social distance in the downsizing announcement is an important catalyst for firms to socio-

cognitively ‘frame’ their downsizing messages. With more language cues signaling social distance in the announcement, firms can elicit more favorable judgment by the media because those cues shift observers’ cognition on higher-level construals. Accordingly, we expect that higher social distance in the downsizing announcement weakens the relationship between the severity of a downsizing decision and the tenor of media coverage:

***Hypothesis 2:*** The negative relationship between the severity of downsizing and the media tenor will be moderated by the social distance. Specifically, the higher the social distance in the downsizing announcement, the weaker the relationship.

### ***3.2.5.2 Language Abstraction in Downsizing Announcement***

Importantly, construal level influences individuals’ cognitive behavioral reactions via its relations with social distance and perceptual scope (Liberian and Förster, 2009; Sneffjella and Kuperman, 2015). Perceptual scope refers to the level of language usage to describe events, persons, or objects. Several researchers have shown how the communication style – more abstract vs. concrete – affects the level of mental



construal. The core finding is that abstract language induces higher-level construals, whereas concrete language evokes lower-level construals (Fujita et al., 2006; Reyt and Wiesenfeld, 2015; Carter, Bobocel and Brockner, 2020; Holt, Bobocel and Chen, 2020; Huang et al., 2020).

The link between communicative abstraction and construal-level has an important impact on observers' judgements. A higher-level construal induced through communicative abstraction elicits positive attitudes, including desirability reasoning with greater perceptions of vision and higher expectations of expertise (Reyt, Wiesenfeld and Trope, 2016). Furthermore, abstract language encourages "a greater willingness to consider and accept other possible worlds" (Yudkin et al., 2019, p. 902). By expanding mental horizons, individuals receiving abstract messages also develop an overall understanding of decision situations, as higher-level construals socio-cognitively influence them on a problem-solving mindset (Reyt and Wiesenfeld, 2015).

Based on these findings, recent research has built linkages of using abstract language on the enactment of interactional justice in managing unfavorable messages. According to them, a higher construal-level induced through abstract

language enacts interactional justice because it induces individuals to apply justice principles more broadly (Carter, Bobocel and Brockner, 2020; Holt, Bobocel and Chen, 2020). Part of the explanation is that abstract communication shifts the focus on the *why* of the situation. Highlighting the *why* of a decision situation increases the ability to identify other peoples' feelings as it leads individuals to "use target-specific information to determine whether the target was entitled to fair treatment" (Wiesenfeld et al., 2017, p. 377), thereby increasing the acceptance of undesirable workplace policies (Carter, Bobocel and Brockner, 2020). Because a higher-level construal induced through abstract communication enhances fairness perceptions and support, we believe that abstract language used in the downsizing announcement is a socio-cognitive stimulus that influences the way media agents perceive the focal downsizing event. With more abstract language used in the downsizing announcement, we expect a weaker relationship between the severity of a downsizing decision and media tenor:

***Hypothesis 3:*** The negative relationship between the severity of a downsizing and media tenor will be moderated by the level of abstract language. Specifically, the higher the language abstraction in the announcement, the weaker the relationship.

### **3.3 Methodological Approach**

#### **3.3.1 Sample and Data Collection**

We tested our hypothesized relationships with the help of a large-scale archival study. By utilizing the *Frankfurter Allgemeine Zeitung (FAZ)*, a leading German newspaper, we constructed a sample consisting of all downsizing announcements of firms based in Germany between 2010 and 2019. The FAZ was suitable for our purpose since it provides quarterly updates on downsizing announcements of firms in Germany. Our systematic search generated a list of 522 downsizing instances for the observation period. From this initial sample, we eliminated all bankruptcies and all ‘acquisition-related downsizing’ events because they are conducted with different motives (O’Shaughnessy and Flanagan, 1998). This reduced the sample to 447 downsizing instances.

After identifying the relevant downsizing instances, we proceeded by hand-collecting press releases directly related to the layoff announcements from companies’ archives, Google search, and by using Lexis-Nexis Database. In addition, we searched specific PR-websites where companies publicize their press releases, including

<https://www.lifepr.de/>, <https://www.pressebox.de/>,  
<https://www.presseportal.de/>. We chose press releases as the primary source of information as journalists lack access to the actual realities behind a firm's actions. They typically rely on firm announcements as easily accessible sources in evaluating firm behavior (Rindova, Pollock and Hayward, 2006). Aside from their frequent use by journalists, firms themselves view press releases as an important tool to influence media reactions (Zavyalova et al., 2012). Explicitly authored and advised by their top-level executives, these information subsidies are “designed for dissemination to the media and are stored in the original, unedited form” (Fiss and Hirsch, 2005, p. 34). They also contain “words and text [...] with specific strategic intent” (Gao, Yu and Cannella, 2016, p. 22). Therefore, the original press releases of the firms' focal downsizing announcement provided a coherent framework for framing analysis (Rhee and Fiss, 2014; Nadkarni, Pan and Chen, 2019).

From the 447 downsizing instances, we were able to obtain 267 original press releases issued by the sampled firms (i.e., 41% of the firms did not have a corresponding original press release). Part of the explanation is that firms enjoy greater discretion in their decision to issue or not issue a press release

(Gao, Yu and Cannella, 2016). Due to some missing data, the final sample consists of 253 downsizing announcements (with original press releases) made by 167 firms. On average, the firms in our sample announced a dismissal of 950 employees per downsizing event with a downsizing severity rate of 12.8% (number of dismissed employees relative to total number of employees), indicating rather large-scale layoff decisions. But more importantly, the firms in our final sample stem from different industry backgrounds, differ in size and have different ownership structures. Prior research has overwhelmingly focused on *Fortune 500* or *S&P 500* firms but neglected to consider, for instance, non-public firms (Datta et al., 2010; Norman, Butler and Ranft, 2013).

In order to capture media reactions, we downloaded all media articles published in the 20 largest German newspapers by circulation related to the downsizing announcement of the focal firm over a 15-day period (i.e., -1 day prior to +14 days after the downsizing announcement). This is a common approach in media-related research and ensures to capture media reactions related to the focal downsizing announcement and not some technical issues (Pollock and Rindova, 2003; Gamache and McNamara, 2019; Shipilov, Greve and Rowley, 2019). To identify articles in the 20

largest German newspapers for our time window, we utilized Lexis-Nexis database, Genios database and the newspapers archives. To filter the relevant media articles, we not only selected the exact time-window but also employed German synonyms for the word ‘downsizing’ (i.e., *Stellenabbau*, *Jobabbau*, *Entlassungen*, etc.). These synonyms have been previously validated in an experimental setting (Heinz and Swinnen, 2015). On the basis of this careful data collecting approach, we were able to obtain 3,147 media articles published in the 20 largest German newspapers, explicitly covering the 253 downsizing announcements for whom we could obtain press releases.

### **3.3.2 Measures**

**Independent variable.** The independent variable – *downsizing severity* – measures how many employees are dismissed in relation to the overall workforce in Germany (e.g., Nixon et al., 2004; Norman, Butler and Ranft, 2013; Brauer and Zimmermann, 2019). Both Ahmadjan and Robinson (2001) and Cascio et al. (1997) conclude that a 3 percent reduction represents a significant event and likely indicates an intentional reduction of employees. Consistent

with this approach, we only included downsizing announcements with workforce reductions greater than 3 percent in our empirical analysis (this also includes all robustness checks).

**Dependent variable.** To capture the *media tenor*, we employed the following steps: (1) We analyzed the content of each article by using the German version of the Linguistic Inquiry and Word Count (DE-LIWC) 2015 software (Meier et al., 2018). LIWC is a word counting software with built-in dictionaries that contains pre-designed and pre-validated words analyzing the positive and negative emotion (valence) of a text passage (Pennebaker, Booth and Francis, 2007). Many strategy scholars have employed LIWC to measure media content (e.g., Bednar, 2012; Gamache and McNamara, 2019; Shipilov, Greve and Rowley, 2019). Based on this content analysis, we then (2) coded each article as positive if its total affective content was at least 60% positive, and as negative if its total affective content was at least 60% negative. Although this is a common approach, one ‘bias’ that may arise from coding the affective content of entire articles through LIWC is a distortion due to multiple mentions of firms in the article. It might be possible that the

affective content of the article is negative, but the overall assertion of the focal firm is positive (Zavyalova et al., 2012).

To ensure reliable coding of media coverage about a firm's downsizing announcement through LIWC and to follow established practices in content analysis methodology, we randomly selected 50 articles and recoded them (Pollock, Rindova and Maggitti, 2008; Desai, 2011; Zavyalova et al., 2012; Bednar, Boivie and Prince, 2013). One student assistant blind to the empirical set-up reread the articles and highlighted discrepancies between the tenor of an entire article and the tenor of coverage of a specific firm. We found no systematic differences to results from LIWC. In the final step (3), we measured the media tenor about a focal firm's downsizing announcement by employing the Janis-Fader coefficient of imbalance (for details see, Deephouse, 2000). Similar to Pollock and Rindova (2003), we calculated the Janis-Fader coefficient by using the following formula:

$$Tenor = (P^2 - PN) / V^2 \text{ if } P > N; 0 \text{ if}$$

$$P = N, \text{ and } ((PN - N^2) / V^2 \text{ if } N > P)$$

where  $P$  is the number of positive articles about a firm,  $N$  is the number of negative articles about it, and  $V$  is the total



amount of articles about it, including articles that are neutral in tenor (i.e., all < 60% positive and < 60% negative). The range of this variable is -1 to +1, where -1 equals ‘all negative coverage’ and +1 equals ‘all positive coverage’.

**Moderator variables.** The operationalization of the moderating variable embedded *social distance* in the downsizing announcement follows assumptions from sociolinguistics. Prior work in sociolinguistics suggests that language provides a window to understand social thought and psychological processes (Holtgraves and Kashima, 2008). Language is not only a tool for constructing and exchanging meaning, but some language elements signal interpersonal closeness whereas others highlight social distance. Specifically, the use of pronouns – *I, he, she, they, you, we* – are strategic predicates in regulating social distance. Pronouns can indicate representations of the ‘self versus other’ (i.e., signaling social exclusiveness) and representations of ‘self and other’ (i.e., signaling social inclusiveness) (Agnew et al., 1998; Fitzsimons and Kay, 2004; Semin, 2007).

The pronoun *we* as opposed to other pronouns leads to perceptions of social proximity. This is because the use of *we*

activates a sense of group or category membership. For example, Agnew et al. (1998) provide evidence that people in a relationship who feel committed to each other make more use of the pronoun *we* to describe their relationship. Other studies have shown how the experimentally induced use of the pronoun *we* activates the perceptions of social inclusiveness, thereby marking social proximity (Fitzsimons and Kay, 2004; Holtgraves and Kashima, 2008). On the other hand, the use of *I, he, she, they, you* in a text tracks social distance as they activate a sense of social exclusiveness. They activate representations of ‘self and other’ and imply a disjunction between receivers of a text (Semin, 2007). In sum, according to sociolinguistic research, the more generic form of co-reference (*we*) reduces perceptions of social distance, whereas the more concrete form (*I, he, she, they, you*) increases social distance.

Building on these insights, we content-analyzed each press release about a focal firm’s downsizing event on the degree of embedded social distance language. We did so by using the above-mentioned LIWC software, as the application of LIWC to CLT is internally reliable and externally valid (Seih, Beier and Pennebaker, 2017). Along with the DE-LIWC2015, we generated a percentage output of the usage

of personal pronouns. The personal pronouns LIWC output labels were *you\_total*, *I*, *Shehe*, *they*, *we*.

We then calculated the embedded social distance in each downsizing announcement using the following formula (for more details on formula structure, see Shi et al. (2019)):

*Social Distance*

$$= 1 - \frac{(I + Shehe + You_{total} + they - we)}{(I + Shehe + You_{total} + they + we + 0.01)}$$

In the denominator, 0.01 is added to allow for meaningful values when either term was zero. A larger number represents higher embedded social distance in the focal firms downsizing announcement.

The operationalization of our second moderating effect derived from CLT – *language abstraction* in the downsizing announcement – requires a similar in-depth measurement since it aims to capture a socio-cognitively phenomenon through the usage of language. As hypothesized above, more abstract language in the press releases induces higher-level reasoning, and therefore more favorable judgment by the media (Fujita et al., 2006; Reyt and Wiesenfeld, 2015;

Carter, Bobocel and Brockner, 2020; Holt, Bobocel and Chen, 2020; Huang et al., 2020). Prior research on CLT used the Brysbaert Abstractness / Concreteness Index (BCI) to analyze both shorter and longer texts on the degree of abstract language (Snefjella and Kuperman, 2015). However, the BCI relies on abstraction norms created for 40,000 commonly used word lemmas in contemporary English (Brysbaert, Warriner and Kuperman, 2014). As we are focusing on downsizing announcements made in German, we utilized a language corpus developed by Köper and Schulte im Walde (2016). They developed a German dictionary on the basis of the BCI and rated 350,000 German words along abstractness and concreteness levels. All ratings were obtained via a supervised learning algorithm that automatically calculated a numerical rating for each word.

To calculate an overall estimate of abstract language used in each downsizing announcement, we first tokenized each downsizing announcement by using the NLTK's Twitter-Aware tokenizer. A tokenizer is a function that splits a string of text into words. After tokenizing every press release to generate a total amount of words, we proceeded by employing the 'Basis Unit Transposable Text Experimentation Resource' ('BUTTER' Version 0.9.4.1).

BUTTER is a freely available software tool for uploading, scanning, and calculating indices of language from text files. Accordingly, we uploaded the dictionary provided by Köper and Schulte im Walde (2016) into BUTTER and then scanned each downsizing announcement to generate a German-BCI score. In a final step, we divided the score retrieved from BUTTER by the overall tokens. A higher score indicates more abstract language used in each downsizing announcement.

**Control Variables.** Several alternative explanations can affect the media tenor surrounding downsizing announcements. The data for the control variables were obtained from several sources, including Amadeus Database, Reuters Knowledge Direct and/ or from annual reports.

One important control is *firm income*, as it may affect the amount and type of attention it receives from the media. Firms with higher income are more publicly visible and generally receive more media attention (e.g., Fiss and Zajac, 2006; Bednar, Boivie and Prince, 2013). We measured firm income by taking the natural log of the operating profit (normalized EBIT). As the financial situation is an important catalyst for journalists to construct their stories (Pollock and

Rindova, 2003), we also included the *net profit margin* of a firm as a control variable. The net profit margin specifically addresses how much net income is generated as a percentage of revenues a firm received in the year of a downsizing announcement. As the media also relies on prior social evaluations as a cognitive shorthand to help them make sense of an organization's actions (Mishina, Block and Mannoer, 2012), the ownership structure becomes an important source to control for. Because German family firms enjoy higher levels of reputation, status, image, and legitimacy among national observers (e.g., Sageder, Mitter and Feldbauer-Durstmüller, 2018), we explicitly controlled for *german family ownership*. This variable is dichotomous; family firms ('1') are defined as those in which the founder or a member of his family by blood or marriage is an officer, director, or blockholder, either individually or as a group (Feldman, Amit and Villalonga, 2016). Characteristics of the industry as well as the actions of firms' intra-industry competitors may also influence press coverage of a particular firm. Similar to previous work (e.g., Gamache and McNamara, 2019), we controlled for *downsizing activity in industry* as this may drive media coverage. We did so by calculating the total number of downsizing announcements of the companies

in the focal industry over the year prior to the focal firm's downsizing announcement. Similarly, prior firm behavior, including downsizing decisions in the past, may also affect journalists' attention to the focal event (e.g., König et al., 2018). As such, we controlled for *prior downsizing activity* of a firm by determining whether or not the firm announced a downsizing decision in Germany one year prior to the focal event ('1' if yes, '0' otherwise). Another important aspect to control for are regulatory forces. In contrast to Anglo-Saxon countries where rigid employee downsizing approaches are more common, firms operating in Germany are required by law to first consider social issues, like the duration of service in the company, age, obligations to pay maintenance and chances of re-employment (Pfeifer, 2007). Only after the firm has offered a social compatible approach, the firm is allowed to issue employee termination for operational reasons (Fiss and Zajac, 2006).<sup>3</sup> As a *social compatible*

---

<sup>3</sup> The most important institutional settlements are the employment protection law (*'Kündigungsschutzgesetz'*) and the workers codetermination law (*'Betriebsverfassungsgesetz'*). Although these regulatory forces apply and restrict rigid employee downsizing, they do not regulate the scope or width of employee downsizing. This means that firms operating in Germany can announce large-scale downsizing programs with a number of dismissed employees that is suitable to reach their goals. However, if they do so, they are obliged

*downsizing* approach naturally creates favorable cognitions among external observers, we controlled whether the firm announced a social compatible downsizing ('1' if yes) or an employee termination for operational reasons ('0' if yes). Because media agents are also more likely to punish firms active in specific sectors (e.g., Durand and Vergne, 2015), we controlled for *contested sector*. We coded the industry as a contested one when it belonged to the tobacco, gambling, global arms, or oil industry. At the level of the downsizing announcement, we controlled for the *number of press releases* issued by the focal firm in the time window (i.e., -1 and +14 days within the downsizing window), as other press releases are intended to affect the scope and tone of reporting by journalists (e.g., Graffin, Halebian and Kiley, 2016). In addition, we controlled for *positive emotion* in the press release as scholars have recently argued that positive emotions in a given text increases the overall reactions toward it (e.g., Rhee and Fiss, 2014). We measured positive emotion in a downsizing announcement by using LIWC's output dimension called 'emotional tone'. Based on the assumption that media agents may appreciate easy-to-

---

to issue first a social compatible downsizing approach ('sozialverträglich').



understand communication (e.g., König et al., 2018), we also controlled for *language simplicity* in the press releases. To measure language simplicity in each announcement, we used the software TextLab® and the ‘Hohenheimer Verständlichkeits-Index (HIX)’ (the ‘HIX’ is similar to the English Flesch-Reading-Ease-Index). A higher HIX-score in the downsizing announcement signals easier to understand messages. Lastly, we controlled for the *industry sector* with the help of ‘Global Industry Classification Standard’. The different industry sectors were embedded in the analysis but are not reported in the regression table below.

### **3.3.3 Analysis**

Before conducting any statistical analysis, we standardized all variables with relevance for the interaction terms to account for possible multicollinearity between them and the main effect. Due to heteroskedasticity in the data and non-normal distribution of the residuals, we employed general least squares (GLS) regression as this estimation technique corrects for and provides consistent estimates in the presence of such violations. Another reason for employing GLS regression was the structure of the data. We do not have periodical observations for a set of firms but observe firms

only when they announce a downsizing decision to the public. When confronted with cross-sectional observations such as ours, researchers are advised to use GLS regression as the preferable estimation technique (Woolridge, 2009).

### **3.4 Results**

Table 4 reports the descriptive statistics and intercorrelations among the study variables. Interesting is the mean level for the media tenor variable. Unexpected, we find a slightly positive media tenor on downsizing announcements ( $M = +0.101$ ). Prior research reported similar findings by demonstrating a positivity bias in the media toward firm behavior (e.g., Bednar, Boivie and Prince, 2013; Gamache and McNamara, 2019). This bias is ascribed to the fact that firms have large public relation teams (Pollock and Rindova, 2003). The GLS regression results for the main effect and interaction terms are reported in Table 5.

**Table 4 Descriptive Statistics and Correlations**

Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Media Tenor	0.10	0.46	1.00													
(2) Downsizing Severity <sup>a</sup>	0.00	0.13	-0.23	1.00												
(3) Language Abstraction <sup>a</sup>	0.00	4.97	0.08	-0.03	1.00											
(4) Social Distance <sup>a</sup>	-0.00	0.55	0.09	-0.08	0.04	1.00										
(5) Firm Income <sup>b</sup>	24.91	0.28	0.04	-0.09	0.03	0.03	1.00									
(6) Net Profit Margin	0.54	10.79	0.09	-0.00	0.10	0.01	0.23	1.00								
(7) German Family Ownership	0.26	0.44	0.10	-0.20	0.01	-0.02	0.00	-0.01	1.00							
(8) Downsizing Activity in Industry	5.28	4.13	0.03	-0.02	-0.08	-0.16	0.02	0.07	0.04	1.00						
(9) Prior Downsizing Activity	0.22	0.41	0.04	-0.06	-0.16	0.01	0.05	0.10	0.00	0.15	1.00					
(10) Social Compatible Downsizing	0.57	0.50	0.09	-0.12	0.12	0.09	0.13	0.10	0.10	0.02	0.11	1.00				
(11) Contested Sector	0.01	0.12	0.05	0.19	-0.00	0.11	0.05	0.14	-0.07	-0.04	-0.06	-0.08	1.00			
(12) Positive Emotion	50.67	19.25	0.11	-0.00	-0.11	0.12	-0.14	-0.02	-0.10	-0.05	0.03	-0.04	-0.11	1.00		
(13) Number of Press Releases	2.18	3.18	0.03	-0.18	-0.14	0.13	0.07	0.08	-0.03	0.04	0.22	0.15	-0.05	0.05	1.00	
(14) Language Simplicity	7.96	2.30	-0.12	-0.08	0.06	0.15	0.06	-0.01	-0.23	-0.04	-0.05	-0.04	0.01	0.03	0.07	1.00

Notes: n = 253. Correlations greater than 0.126 or less than -0.126 are significant at  $p < .05$ . Firm dummies are not included in this table. S.D., standard deviation.

<sup>a</sup> Standardized

<sup>b</sup> Logarithm transformation

**Table 5 GLS Regression Predicting the Media Tenor of Downsizing Announcements**

	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Controls</i>					
Firm Income	-0.007 (0.104)	-0.023 (0.102)	-0.046 (0.102)	-0.014 (0.102)	-0.036 (0.102)
Net Profit Margin	0.003 (0.003)	0.002 (0.003)	0.002 (0.003)	0.003 (0.003)	0.003 (0.003)
German Family Ownership	0.235** (0.075)	0.175* (0.076)	0.176* (0.076)	0.183* (0.076)	0.183* (0.075)
Downsizing Activity in Industry	0.010 (0.010)	0.012 (0.010)	0.013 (0.010)	0.010 (0.010)	0.011 (0.010)
Prior Downsizing Activity	0.014 (0.073)	0.013 (0.072)	0.022 (0.071)	0.013 (0.071)	0.023 (0.071)
Social Compatible Downsizing	0.016 (0.062)	0.015 (0.061)	0.028 (0.060)	0.030 (0.061)	0.042 (0.060)
Contested Sector	0.263 (0.238)	0.399+ (0.238)	0.409+ (0.236)	0.242 (0.249)	0.253 (0.247)
Number of Press releases	0.005 (0.010)	0.002 (0.009)	0.002 (0.009)	0.003 (0.010)	0.003 (0.009)
Positive Emotion	0.004** (0.002)	0.004** (0.002)	0.004** (0.002)	0.004** (0.002)	0.004* (0.001)
Language Simplicity	-0.018 (0.014)	-0.020 (0.013)	-0.019 (0.013)	-0.017 (0.013)	-0.016 (0.013)
Language Abstraction	0.016** (0.006)	0.015* (0.006)	0.016** (0.006)	0.015* (0.006)	0.015** (0.006)
Social Distance	0.087 (0.056)	0.078 (0.055)	0.078 (0.054)	0.087 (0.055)	0.087 (0.054)
<i>Independent Variable</i>					
Downsizing Severity		-0.710** (0.233)	-0.675** (0.232)	-0.557* (0.245)	-0.525* (0.242)
<i>Interaction Terms</i>					
Downsizing Severity x Language Abstraction			0.109* (0.051)		0.109* (0.050)
Downsizing Severity x Social Distance				0.892* (0.446)	0.894* (0.441)
<i>Industry Dummies</i>					
Prob > chi2	Yes 0.001	Yes 0.000	Yes 0.000	Yes 0.000	Yes 0.000
Overall R <sup>2</sup>	0.171	0.202	0.218	0.216	0.232

Notes: n = 253 for each model. Standard errors in parentheses (two-tailed) \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1. A negative sign indicates that the tenor of media coverage is getting more unfavorable. The positive signs for the interaction terms indicate that the negative relationship between downsizing severity and the tenor of media coverage is weakened.

We used established stepwise moderation approach to test for the effects of downsizing severity, language abstraction and

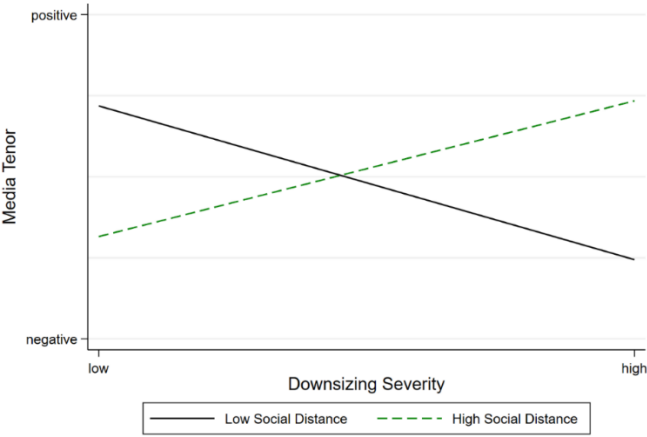
social distance on the media tenor. Model 1 in Table 5 includes all control variables, some of which are significant. Model 2 adds the independent variable downsizing severity to the baseline model. Model 3 and Model 4 add the interactions between the severity of workforce downsizing and language abstraction and social distance. Model 5 includes the full model, containing all interactions, the independent variable and control variables.

Hypothesis 1 proposed that the severity of downsizing decisions has a negative impact on the media tenor. As reported in Table 5 (Model 2), the coefficient for the variable *downsizing severity* is negative and significant ( $\beta = -0.710$ ;  $p = 0.002$ ), thus providing statistical evidence that, the higher the downsizing severity, the more negative the media tenor. The coefficient is negative and significant across all models, thereby providing strong support for Hypothesis 1.

Turning to our hypothesized interactions, Hypothesis 2 predicted that embedded social distance in the downsizing announcements weaken the negative relationship between downsizing severity and media tenor. An interaction term was created by computing the product of downsizing severity and social distance. As shown in Table 5 (Model 4), the

interaction term *downsizing severity x social distance* is positive and significant ( $\beta = 0.892$ ;  $p = 0.044$ ). Importantly, this interaction term retains its positive sign in the fully specified Model 5 in Table 5, thereby providing evidence in favor of Hypothesis 2. Figure 4 graphically depicts the interaction effect. The figure shows that, the more socially distant the downsizing announcements, the more positive the corresponding media tenor, even if the severity increases.

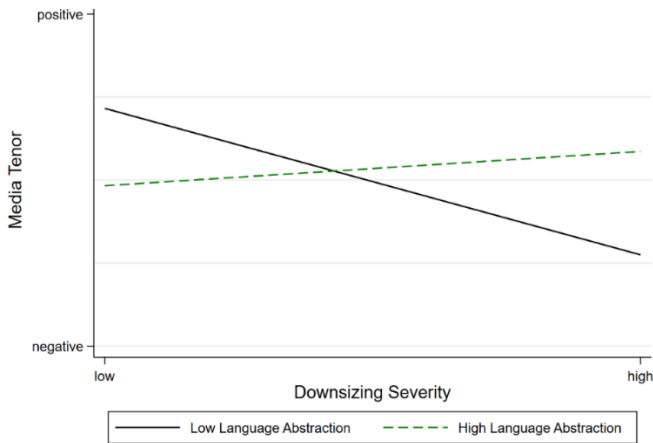
**Figure 4 Downsizing Severity by Social Distance**



Model 3 in Tables 5 breaks down the results for Hypothesis 3. Hypothesis 3 predicted that more abstract language used in the downsizing announcements weaken the main effect, thereby making the media tenor more positive. To test this

moderating effect, an interaction term was created by computing the product of downsizing severity and language abstraction. As shown in Table 5 (Model 3), the coefficient for the interaction term *downsizing severity x language abstraction* is positive and significant ( $\beta = 0.109$ ;  $p = 0.031$ ). Equal significant findings are found in the fully specified model (Model 5). Figure 5 plots the interplay between language abstraction on the baseline relationship. As it is visually evident in Figure 5, the downsizing severity has a positive relationship on the media tenor when there is high language abstraction used in the downsizing announcements. This relationship disappears, and makes the tenor more negative, when there is low language abstraction. Both, the statistical analysis and the graphical visualization, thus provide strong support for Hypothesis 3.

**Figure 5 Downsizing Severity by Language Abstraction**



In summary, we find strong support for all three hypothesized relationships. To ensure the robustness of our results and to rule out other potential factors driving the media tenor of downsizing announcements, we conducted several supplemental analyses and undertook several steps to address possible endogeneity concerns. They are reported below.

### **3.4.1 Supplemental Analyses**

Several additional analyses were conducted to confirm the robustness of the results (for a more detailed overview, see Appendix B). First, we identified language similarity among the media articles as media outlets face constant pressure to



appeal to large and diverse audiences and to deliver the ‘latest news’ (Graf-Vlachy et al. 2020; Petkova et al. 2013). Furthermore, journalists have significant time constraints in explaining complex and uncertain phenomena, including workforce downsizing, and are often expected to cover a wide array of areas, ranging from stock market to social issues (Rindova, Pollock and Hayward, 2006; Zavyalova et al., 2012). Therefore, there may be the possibility that some journalists rely on prior published articles to construct one’s own ‘news’. To account for this, and to ensure rather low-levels of language similarity, we employed latent semantic similarity (LSS) analysis of media articles for each focal firm’s downsizing announcement. LSS-analysis is a method to compare the contextual meaning of different text sources to examine how statistically similar the text sources are (Babcock, Ta and Ickes, 2014). We performed the LSS-analysis by uploading the language corpus developed by Köper and Schulte im Walde (2016) into BUTTER as the software allows to perform LSS-analysis based on pre-trained language dictionaries. The output ranges from -1 to +1, where positive values indicate strong similarity, and negative values less textual similarity. Overall, the LSS-

score across all media articles was  $M = -0.041$ , thereby indicating no problems of language similarity across articles.

Second, to rule out that a few firms are driving the results, we created an outlier dummy variable that we coded as '1' if a firm announced more than three downsizing events in our time window, and '0' otherwise (e.g., Chandler, Polidoro and Yang, 2020; 21 firms met this criteria). This coefficient, however, was statistically not significant, thereby indicating that outlier effects are not driving the regression results ( $\beta = -0.126$ ;  $p = 0.618$ ).

Third, we also tested additional ways of measuring our independent and dependent variable. Although anecdotal evidence from an interview with a financial editor suggested that journalists tend to understand the impact of a downsizing decision by comparing it to how many employees are dismissed in relation to the overall workforce, we re-ran our models by using the total *amount* of employees dismissed as the independent variable. Our rationale was that the number of dismissed employees may serve as a cognitive anchor. In line with our prediction, and as anecdotal evidence suggested, this coefficient was not significant ( $\beta = -0.000$ ;  $p = 0.671$ ). For our dependent variable media tenor, we also

tested alternative operationalizations by using different cut-off levels to code articles (e.g., Zavyalova et al., 2012; Titus, Parker and Erin Bass, 2018). As described above, in our main analysis, we coded each media article as positive if the total affective content was at least 60% positive and as negative if the total affective content was at least 60% negative. We varied these cut-off levels to code articles at the 55% and 65% affective content threshold. The results remained unchanged.

### **3.4.2 Endogeneity Assessment**

Given the fact that the media reflects and influences firm actions, it is important to consider the effect of potential endogeneity in our models. Endogeneity is a common problem in strategy and management research which may lead to biased coefficients (Bettis et al., 2014; Semadeni, Withers and Certo, 2014). It refers to a correlation between the independent variable and the equation's error term (also known as 'disturbance' or 'residual'), and may arise from a number of possibilities, including sample-selection bias, reverse causality, omitted variables, and others (Semadeni, Withers and Certo, 2014; Busenbark et al., 2021). As our sample was restricted to firms receiving media coverage, one

might suspect a sample-selection bias. However, in only three cases where a press release was available, we could not obtain any media coverage. As such, we believe that sample-selection is not biasing our results (see also Bednar, Boivie and Prince, 2013).

Another endogeneity problem may stem from reverse causality. For example, media coverage may be the source for a firm's overall decision to start a downsizing program. To assess the potential for reverse causality, we counted all media articles one year prior to the focal firms downsizing event to check for (unwanted) scrutiny (Titus, Parker and Erin Bass, 2018). We then regressed the total amount of media articles one year prior to the downsizing announcement on the severity of each downsizing decision. The coefficient was negative but not significant ( $\beta = -0.000$ ;  $p = 0.106$ ), thereby indicating no evidence of reverse causality.

The other constant threat of endogeneity involves biased estimates from omitted variables. For instance, the media might overly focus on the 'sins of saints' (Kölbel, Busch and Jancso, 2017; Harrison et al., 2018). By including a broad set of firm performance measures, such as firm size and net

profit margin, we reduced this concern to some extent. Although our models included many relevant controls, researchers are advised to use rigorous econometric techniques to reduce the potential effect of omitted variables. A more recent approach to investigate whether omitted variables are biasing estimates involves testing for the ‘Impact Threshold of a Confounding Variable’ (ITCV). The ITCV test allows researchers to determine how strongly correlated an omitted variable would have to be to invalidate a given inference (e.g., Frank, 2000; Busenbark et al., 2021). To conduct the ITCV analysis, we used the user-written *konfound* command in STATA (Xu et al., 2019). This command facilitates the computation of both the effect size of the confounding variable and size of the correlations between the confounding variable and the independent as well as dependent variable(s) required to invalidate an inference. For our main effects, an omitted variable would have to be correlated at  $r > 0.281$  ( $\alpha = 0.10$ ) and  $r > -0.281$  ( $\alpha = 0.10$ ) with both the *downsizing severity* and *media tenor*. To ensure as much as possible that we were accounting for the potential of endogeneity biasing our findings due to omitted variable bias, we included 29 control variables (some of these were not included in our final analysis, based on a

similar approach by Gamache et al. 2019). Out of these 29 control variables, only *firm size* had a strong correlation with the independent variable *downsizing severity* ( $r = -0.300$ ), but not with the dependent variable *media tenor* ( $r = 0.092$ ). This strong evidence suggests that it is unlikely that an unmeasured variable would be strongly correlated with both key variables, thereby invalidating our findings (Harrison et al., 2018; Gamache and McNamara, 2019). Another approach to test for an omitted variable is to conduct a two-stage least squares (2SLS) procedure (see Semadeni, Withers and Certo, 2014). To do so, it is necessary to identify at least two instrumental variables that must fulfill two conditions: They must be both theoretically and empirically unrelated to the dependent variable (here, *media tenor*) but at the same time individually and jointly significant predictors of the potentially endogenous independent variable (here, *downsizing severity*). As acknowledged by Semedani, Withers, and Certo (2014, p. 1072), finding multiple instruments – as opposed to a single one – is the most difficult aspect because in “practice it remains difficult to find variables that correlate strongly with the endogenous variable but not with the error term in the second stage”. We attempted to find valid instruments, but unfortunately, we

were not successful in these efforts. Nevertheless, based on the steps employed, we believe that endogeneity is not biasing our results.

### **3.5 Discussion**

Although media response to the announcement of a strategic decision has important ramifications for firms, previous research delivers no insights on how the media covers the announcement of a permanent reduction of personnel. This study responds to recent calls and takes a socio-cognitive view to capture media reactions on downsizing announcements (Bitektine, 2011; Rindova, Reger and Dalpiaz, 2012; Zavyalova et al., 2012; Barnett, 2014; Pfarrer et al., 2019). As hypothesized above, negative media coverage is likely to follow such an announcement, but some firms are more effective in ‘framing the message’ than others. Against prior studies that fail to provide causal mechanisms for why a particular framing technique works, we suggest that embedded social distance and abstract language in downsizing announcements are socio-cognitive stimuli for media agents to form more positive judgements.

### **3.5.1 Theoretical Contributions**

By explicating such socio-cognitive accounts, the present study contributes to and extends theory in several ways. First, we extend our understanding of the impact of announcing a downsizing decision on the tenor of media coverage. Despite a substantial body of work examining investor and customer responses to the news of downsizing (e.g., Homburg, Klarmann and Staritz, 2012; Brauer and Zimmermann, 2019), prior research has largely neglected to consider reactions from other key external constituents, including the media as the most important infomediary (Deephouse, 2000; Pollock, Rindova and Maggitti, 2008; König et al., 2018; Graf-Vlachy et al., 2020). The media constitutes society's dominant information transmitter of firm related action to the general public (e.g., Pollock and Rindova, 2003; Wiesenfeld, Wurthmann and Hambrick, 2008; Zavyalova et al., 2012; Harrison et al., 2018). Reporting in the media influences public perceptions at the macro-level and, at the micro-level, individuals' cognitive beliefs (McCombs and Shaw, 1972; Deephouse, 2000). Guided by socio-cognitive research, our study reveals negative media reactions to a downsizing announcement because such a decision signals a violation of acceptable firm behavior. This is important to highlight as



other stakeholders and investors use such media-disseminated information in their decision to transact with a firm (Deephouse, 2000; Pfarrer, Pollock and Rindova, 2010; Zavyalova et al., 2012; Bundy and Pfarrer, 2015). Studies focusing on the long-run capital market effects or customer responses should therefore at least consider media reactions as an important contingency factor in determining their reactions to workforce downsizing.

Along the downsizing perspective, our study also expands limited research on factors that moderate the relationship between a downsizing announcement and reactions from external constituents. As requested in their extensive review on the downsizing process, Datta et al. (2010, p. 339) emphasized the need to make more extensive use of moderating-effects to help enrich “our understanding of the downsizing phenomenon”. We focus specifically on two moderating effects: Embedded social distance and language abstraction in the downsizing announcement. By addressing these socio-cognitive accounts, we help shed light on the unresolved question of ‘how firms effectively downsize’ rather than finding answer to ‘why firms downsize’ and ‘to what effect’ (Brauer, 2006; Brauer and Zimmermann, 2019).

At the same time, through the theoretical development of these constructs, we also respond to general calls in the literature for examining how firms can socio-cognitively influence the way infomediaries covering them, as well as the process of the loss and recovery of a firm's social approval. Both have been generally identified as understudied areas (e.g., Pollock, Rindova and Maggitti, 2008; Rindova, Reger and Dalpiaz, 2012; Pfarrer et al., 2019), and more specifically as a strong research gap in downsizing research. For example, prior research on downsizing has advocated to use textanalytical methods to examine strategies for firms to 'whitewash' their strategic announcements so that external observers make more favorable judgments (Brauer and Zimmermann, 2019). The use of advanced content analysis recognizes the importance of trying to open the 'black box' regarding underlying socio-cognitive processes that help to explain why media agents differ in their reporting.

Connected to these contributions are important implications for framing research. Although a bulk of research exists that addresses ways for firms to influence external constituents through the usage of language (e.g., Fiss and Hirsch, 2005; Kennedy and Fiss, 2009; Gao, Yu and Cannella, 2016), prior

studies have overwhelmingly focused on frame alignment (e.g., Fiss and Zajac, 2006), thereby answering questions why firms use language as a strategic tool to influence others. While these studies have been important to offer new insights, the causal mechanisms underlying the effectiveness of framing remain poorly understood (Rhee and Fiss, 2014; Crilly, Hansen and Zollo, 2016; Nadkarni, Pan and Chen, 2019). By incorporating insights from social psychology, we go beyond the prevalent view about frame alignment. Specifically, we shift the focus on external observers' cognitive mindset and how their cognitive biases constrain the process of meaning making through framing. Examining underlying cognitive processes by which certain framing techniques influence external observers in their ability to notice, assess, and thereafter punish firm behavior allows for a meaningful causal claim (Kennedy and Fiss, 2009; Barnett, 2014; Crilly, Hansen and Zollo, 2016; Giorgi, 2017; Nadkarni, Pan and Chen, 2019). Therefore, by linking socio-cognitive research with framing research, this study expands existing literature as we provide socio-cognitive mechanisms for why some firms are more effective in 'framing the message' than others.

A final contribution pertains to CLT. Whereas socio-cognitive scholars have discussed and evolved the construct over the last two decades (Soderberg et al., 2015), its application in strategy and management research has been limited (Wiesenfeld et al., 2017; Steinbach, Gamache and Johnson, 2019). This is a constant drawback because CLT is “particularly applicable to organizational behavior” (Wiesenfeld et al., 2017, p. 370). Not only is firm behavior typically goal oriented – i.e., the functional aspect of construals – but construal-levels also shape social perceptions, including ways to influence the mindset of others. Not surprisingly, several socio-cognitive researchers have illustrated the importance to transfer assumptions from CLT to complex organizational decisions where firms receive substantial external reactions (Reyt, Wiesenfeld and Trope, 2016; Wiesenfeld et al., 2017; Carter, Bobocel and Brockner, 2020). By showing that embedded social distance and language abstraction is a CLT-related stimulus to influence media reactions, we generate new insights to understand how external observers socially construct their ‘perceptual answers’ to firm behavior. Besides transferring assumptions from CLT to the organizational context, we also provide evidence to the question of when and why

communication abstraction is functional. Most recent research has highlighted that abstract language is a tool to recalibrate the impression of others (Carter, Bobocel and Brockner, 2020; Holt, Bobocel and Chen, 2020; Huang et al. 2020; Mount et al. 2020; Wakslak and Joshi, 2020).

### **3.5.2 Practical Implications**

Besides fine-grained theoretical implications, the results of this study also offer practical implications. With our approach, we are able to delineate specific and cost-effective socio-cognitive tools for firms in managing outsiders' perceptions of firm behavior. Previous research highlights rather resource intensive impression management techniques to manage media reactions, such as issuing prosocial claims (McDonnell and King, 2013) or announcing ceremonial vs. technical actions (Zavyalova et al., 2012). Our study suggests that firms should embed abstract language and use social distant cues to mitigate the effects of negative media coverage. Having such socio-cognitive tools at their disposal enables firms to maintain a stable level of social approval, even after announcing a negative perceived event to the public. This is essential because the tone of media coverage can affect the social approval of the firm. As depicted above,

the social approval determines whether or not stakeholders are willing to exchange resources with the firm (Pfarrer, Pollock and Rindova, 2010; Zavyalova et al., 2012; Bundy and Pfarrer, 2015). As a consequence, the socio-cognitive tools identified here allow firms to develop a competitive advantage (Deephouse, 2000; Pollock and Rindova, 2003). Moreover, these socio-cognitive accounts become increasingly important in current times. In the aftermath of the COVID-19 crisis, and as anecdotal evidence recently demonstrates, several firms already announced massive layoff decisions and numerous firms are expected to follow this ‘path’. What these firms will need is guidance in announcing their downsizing decision to the public – our study offers cost-effective ways to manage media reactions surrounding a downsizing decision.

### **3.5.3 Limitations and Directions for Future Research**

Despite the contributions of our study, it also has some limitations that provide opportunities for future research. First, it is important to consider that our results are based on a sample of firms operating in Germany. While prior work on workforce downsizing highlights the importance to focus on international samples to understand the downsizing

process outside the U.S. (e.g., Datta et al., 2010; Brauer and Zimmermann, 2019; Cascio, Chatrath and Christie-David, 2021), it remains unclear how our results apply to other contexts. For example, external observers in Germany may have a different understanding of the effectiveness of a downsizing decision opposed to observers in Anglo-Saxon countries. Different political and cultural views may shape the degree to which downsizing announcements are connotated with an erosion of trust- and loyalty-levels (e.g., Mishra and Mishra, 1994; Love and Kraatz, 2009). Although we found a slightly positive (and unexpected) media tenor, it would be interesting to assess media reactions pertaining to downsizing announcements in a cross-cultural study.

Second, we cannot infer whether social distance and abstract language used in the downsizing announcement influences other external constituents in the same way. Different audiences may have different interpretations of the same language because those audiences often have divergent or even conflicting interests (Gao, Yu and Cannella, 2016), but that is beyond the scope of our research. We leave it to future research to examine how different audiences filter and make sense of socio-cognitive accounts that are set to influence them.

Third, we did not examine the construal fit between the focal firm's downsizing announcement and involved media agents. A construal fit occurs when communicative information fits the observers' construal expectations (Joshi et al., 2016; Carter, Bobocel and Brockner, 2020). As an example, consider Carter, Bobocel and Brockner (2020) who found that individuals at higher level of construal responded more positive to a why account (i.e., more abstract language), whereas individuals at lower levels of construal responded more positively to an interpersonal how account (i.e., more concrete language). From our data set, we cannot infer whether there is a fit between the firm's downsizing announcement and the media agent's construal-level expectations. Future research could test this relationship by using survey designs analyzing journalists' construal-level and their expectations. This helps to understand how firms can match the situational characteristics in which they construe the information.

Finally, we place emphasis on press releases as the main information subsidy from which media agents construct their stories. As depicted above, however, firms enjoy greater discretion in their decision to issue or not issue a press release (Gao, Yu and Cannella, 2016). Firms may therefore use press



releases as a strategic tool – in some circumstances, they save announcements, whereas in others, they might be disadvantaged to do so (Titus, Parker and Erin Bass, 2018). Future research could examine which factors determine firms to use press releases as a strategic tool to ‘sell their bad messages’.

### **3.6 Conclusion**

Although workforce downsizing is frequently employed and among the most important organizational restructuring processes, prior research has not yet explored how the media reacts to such assertions. By demonstrating a negative media tenor dependent on the severity of downsizing announcements, and by explicating socio-cognitive tools to manage negative media reactions surrounding these decisions, we hope to have contributed to a more nuanced understanding of socio-cognitive determinants and influencing factors affecting workforce downsizing.

## **CHAPTER 4. The Benefits and Burdens of High and Low Social Approval Assets in Employment Restructuring**

### **Abstract**

*Prior research remains divided whether social approval assets offer a benefit or burden when external observers make sense of firm behavior. By drawing on expectancy violation theory in the context of announcements of different types of restructuring decisions (i.e., downsizing and upsizing), we examine the conditions under which high and low social approval assets provide a benefit and burden. We do so by assessing the corresponding media coverage about these decisions. Our results of all restructuring announcements of firms in Germany between 2006 – 2019 suggest the following: High social approval firms face a burden in negatively perceived situations (i.e., downsizing announcements), whereas low social approval firms enjoy a buffer as media coverage is not as negative. In contrast, in positive situations (i.e., upsizing announcements), high social approval is of benefit as it translates into more favorable media coverage, whereas low social approval is a burden. The results of this study contribute to the discussion*

*about the equivocal effects of social approval assets on external observers sensemaking. Our theorizing and empirical results explain when, depending on the situation, high or low social approval can be beneficial and burdensome for the same organization. Specifically, the context in which a high or low social approval actors operate helps explain which mechanisms is more dominant.*

**Keywords:** Social Approval Assets, Employment Restructuring, Media Coverage, Expectancy Violation Theory, Social Judgment Formation

## **4.1 Introduction**

The social approval of a firm has gained renewed interest in the management literature (e.g., Zavyalova et al., 2016; Hubbard et al., 2018; McDonnell and King, 2018; Busenbark et al., 2019; Park and Rogan, 2019; Kakkar, Sivanathan and Gobel, 2020). Defined as the general affinity toward an organization, including perceptions of its inherent goodness or badness (Zavyalova et al., 2012; Bundy and Pfarrer, 2015), social approval of a firm is not directly observable and not directly controlled by the firm (Pollock et al., 2019). Rather, it is a socially constructed, collective assessment based on a firm's prior status, reputation, legitimacy, and celebrity (Bitektine, 2011; Lange and Washburn, 2012). These intangible assets are posited to translate into tangible outcomes with higher approval organizations enjoying a competitive advantage over firms lacking these assets (Vergne, 2012; Titus 2018; Rindova, 1999; Deephouse 2000; Pollock and Rindova 2003; Pfarrer et al. 2010).

More recently, however, scholars have shifted the perspective to consider the effects of high and low social approval on external observers' sensemaking beyond reducing information asymmetries (e.g., Zavyalova et al.,

2016; McDonnell and King, 2018; Dewan and Jensen, 2020; Kakkar, Sivanathan and Gobel, 2020; Bundy, Iqbal and Pfarrer, 2021; Parachuri, Han and Prakash, 2021). The underlying notion is that external observers' form their social evaluative judgments by benchmarking a relevant set of information against the prevailing social approval assets a firm possess (Bitektine, 2011; Mishina, Block and Mannoer, 2012; Bundy and Pfarrer, 2015).

How social approval influences evaluative judgment has been predominantly examined by actors possessing increasingly positive perceptions. According to this research stream, high social approval functions as a *benefit* to shield the firm from negative outcomes (e.g., Pfarrer, Pollock and Rindova, 2010; Kim and King, 2014). At the same time, higher social approval reinforces the positive affinity toward an organization as these actors are seen as more trustworthy and authentic, and external observers disregard information that defies their expectations (e.g., Schnietz and Epstein, 2005; Godfrey, Merrill and Hansen, 2009; Dewan and Jensen, 2020). Interestingly, a second body of research supports a contrary proposition that high social approval can be a *burden*, insofar as higher approval firms are more strongly repudiated for their behavior (Rhee and Haunschild,

2006; Wade et al., 2006; Graffin et al., 2013). Higher social approval firms face greater expectations. When they fall short, they trigger negative emotional responses by external observers (Rhee and Haunschild, 2006; Halebian, Pfarrer and Kiley, 2017).

While there is considerable, but equivocal research regarding the effects of high social approval, scholars have done comparably little research on the consequences of low social approval on external observers' evaluative judgments (Bundy and Pfarrer, 2015). Management, psychology, and sociology research nevertheless points to similar bi-directional effects, insofar as low social approval may be beneficial or burdensome. Unlike for a higher approval firm, however, the *benefit*-perspective results from external observers' reduced standards for the lower-approval organization (Bundy and Pfarrer, 2015) – what we term 'flying under the radar'. As a result, they act below a threshold of public awareness, thereby reducing the chances of violating external observers' expectations to a similar extent as higher approval firms (Rhee and Haunschild, 2006; Wade et al., 2006). In contrast, the *burden*-perspective of low social approval indicates that low social approval actors are

more severely punished regardless of their behavior (Devers et al., 2009; Bundy and Pfarrer, 2015).

Taken together, the literature to date remains inconclusive and continues to debate the effects of high or low social approval on external observers sensemaking. Some conceptualize high and low social approval as a benefit, leading to positive assessments of these actors, whereas others describe it as a burden, inviting more critical evaluation. In this paper, we attempt to reconcile this theoretical inconsistency by exploring the boundary condition under which an organization's (low or high) social approval might shift from a benefit to a burden and vice-versa. We theorize and find that the context in which high or low social approval firms operate helps explain which mechanism is more dominant.

To disentangle the differential effects of high and low social approval, we draw on expectancy violation theory (EVT; Burgoon, 1993) and are specifically focusing on media agents reporting about restructuring announcements. The motivation to do so is threefold: First, EVT has been used to examine the impact of high social approval assets on external observers sensemaking (Zavyalova et al., 2016) and offers

opportunities for extending the theory to low social approval assets. While expectations play a key role as media agents try to make sense of firm announcements, the ‘who’ committing the act becomes an essential factor in narrowing the range of interpretations considered plausible (Burgoon and Le Poire, 1993; Burgoon and Hubbard, 2005). Second, the media is particularly susceptible to incorporate prior social approval assets as a cognitive shorthand to help them make sense of an organization’s action (Bitektine, 2011; Mishina, Block and Mannoer, 2012). Not only do media agents draw on prior social approval to mitigate any residual uncertainty, but journalists possess rather generalist than specialist expertise to explain complex and uncertainty firm behavior, such as corporate restructuring. To cope with complexity and uncertainty, they are reported to reduce their cognitive task by reverting to familiar and relatively simple explanations of firm behavior, including the social approval of a firm (Hayward, Rindova and Pollock, 2004; Schultz, 2007; Chandler, Polidoro and Yang, 2020). Third, restructuring announcements, understood as either workforce downsizing (i.e., reduction of headcount) or workforce upsizing (i.e., intentional increase of workforce), yield a negative and positive context – which we deem critical to examine



whether and when social approval assets can be of a benefit or a burden for the very same organization. Whereas downsizing announcements are generally negatively perceived as it places employees and other stakeholders at risk (Love and Kraatz, 2009), upsizing announcements exceed typical firm behavior. It buttresses the firm's social approval locally and sometimes even globally (Casco, Chatrath and Christie-David, 2021). As such, restructuring announcements provide an ideal context to disentangle the mechanisms for the benefit and burden perspective of social approval as negative or positive situations may reveal one or the other for the same firm.

Empirically, we test our benefit and burden theorizing by investigating all downsizing and upsizing announcements of firms with different ownership structure based in Germany for the 2006 – 2019 period. More specifically, we differentiated and examined restructuring decisions by domestic family and foreign firms. Our main rationale was that domestic family firms possess high social approval among national observers (e.g., Cennamo et al., 2012; Deephouse and Jaskiewicz, 2013; Sageder, Mitter and Feldbauer-Durstmüller, 2018), including the media, whereas foreign firms are generally confronted with low social

approval (e.g., Zaheer, 1995; Denk, Kaufmann and Roesch, 2012). Altogether, we investigated 527 downsizing announcements with 16,888 corresponding media articles, and 389 upsizing announcements with 2,457 corresponding media articles, respectively. Our findings show that family firms as high social approval actors face a liability in the negative perceived downsizing context, whereas foreign firms as low social approval actors enjoy a buffer. This finding reverses to the opposite in the positive upsizing context. Here, foreign firms as low social approval firms face a liability by being punished, whereas family firms as high social approval actors can reinforce the favorable affinity toward them as they receive more positive media coverage.

Our theory and findings contribute to the emergent research stream about the differential effects of social approval on external observers sensemaking (Zavyalova et al., 2016; McDonnell and King, 2018; Busenbark et al., 2019; Kakkar, Sivanathan and Gobel, 2020). As we are focusing on both a negative (downsizing) and positive (upsizing) context to assess the impact of social approval on media agents' sensemaking, we reveal what otherwise would be hidden: When high social approval is of a benefit *and* burden for the same organization and when low social approval may be

beneficial *and* burdensome. In so doing, we set out to reconcile the conditions under which each type of reaction to social approval assets is more dominant. Relatedly, we extend prior research by including the two bases of social approval (high and low) as they both color observers' evaluative judgments about firm behavior. Prior research has mostly focused on high social approval firms and conceptualized it as a benefit or burden (e.g., Schnietz and Epstein, 2005; Rhee and Haunschild, 2006; Godfrey, Merrill and Hansen, 2009; Pfarrer, Pollock and Rindova, 2010). By building upon the social approval of a firm, we also show that media agents socially construct the news with coverage driven by factors other than the facts (Greve, Palmer and Pozner, 2010; Barnett, 2014; Chandler, Polidoro and Yang, 2020). Our results indicate that the media not only assess the objective characteristics of the act but also the character of the actor. Expectations or lack thereof, and the 'who' violating them, plays an important role in their sensemaking. As such, we extend EVT with the application in the restructuring context and with a focus on both high as well as low expectations and try to disentangle different mechanisms for violations of these expectations in negative and positive situations.

## **4.2 Literature Review**

### **4.2.1 Social Approval of Firms**

The social approval of firms is a socially constructed, collective assessment by external observers who negotiate the appropriate judgment based on a firm's prior status, reputation, legitimacy, and celebrity (Bitektine, 2011; Lange and Washburn, 2012). These intangible assets are neither observable nor directly controlled by the focal firms (e.g., Pollock et al., 2019). Rather, they reflect an external observer's "general affinity toward an organization, including perceptions of its inherent goodness or badness, attractiveness, or likability" (Bundy and Pfarrer, 2015, p. 324). From a conceptual point of view, therefore, social approval varies along a continuum, ranging from low to high. Higher social approval results in increasingly positive perceptions toward the firm, whereas lower social approval denotes increasingly negative perceptions to them (Bitektine, 2011; Bundy and Pfarrer, 2015).

How high and low social approval assets influence external observers' perceptions of firm behavior has been an important topic in recent management research (e.g., Zavyalova et al., 2016; McDonnell and King, 2018;

Busenbark et al., 2019; Park and Rogan, 2019; Kakkar, Sivanathan and Gobel, 2020). Some conceptualize high and low social approval as a *benefit*, triggering more positive evaluative judgment (e.g., Godfrey, Merrill and Hansen, 2009; Pfarrer, Pollock and Rindova, 2010; Kim and King, 2014; Park and Rogan, 2019), whereas others describe it as a *burden*, leading to stronger punishments for their behavior (Rhee and Haunschild, 2006; Wade et al., 2006; Graffin et al., 2013; Parachuri, Han and Prakash, 2021). We review the benefit and burden perspective for both, high and low social approval, below.

#### ***4.2.1.1 High Social Approval – Benefit or Burden?***

Along the *benefit*-perspective of high social approval, scholars have identified several mechanisms for why it can lead to more favorable responses by external observers, including the media. In conflicting situations, for example, high social approval acts as a buffer against loss as external observers give higher approval organizations the ‘benefit of the doubt’ when disconfirming information arises (e.g., Schnietz and Epstein, 2005; Godfrey, Merrill and Hansen, 2009; Pfarrer, Pollock and Rindova, 2010). Stakeholders are more lenient toward an organization that is known for ‘good

behavior' (Love and Kraatz, 2009) and may be hesitant to conclude that such an organization is responsible for wrongdoing (Pfarrer, Pollock and Rindova, 2010; Kim and King, 2014; Park and Rogan, 2019). Higher social approval not only functions as a buffer, but external observers also draw on a figurative 'reservoir of goodwill' when evaluating actions of these actors (Jones, Jones and Little, 2000; Zavyalova et al., 2016; Busenbark et al., 2019). This concept suggests that a high social approval organization can accrue goodwill with its stakeholders that increases the zone of accepted behavior and practices. It can even make an ambiguous practice be seen as legitimate (Jones, Jones and Little, 2000; Schnietz and Epstein, 2005; Bundy and Pfarrer, 2015; Park and Rogan, 2019).

Despite a focus on the benefits associated with high social approval, scholars offer compelling reasons for why high social approval can be a *burden* to firms, "insofar as it can translate into increased scrutiny and harsher reactions from audience members" (McDonnell and King, 2018, p. 62). Higher social approval actors are more visible in their actions, so negative events stand out more than they otherwise would (Rhee and Haunschild, 2006; Zavyalova et al., 2016; Bundy et al., 2017). Besides attracting a

disproportionate share of negative publicity, high social approval firms face greater expectations as stakeholders have heightened standards for organizations they view positively (Graffin et al., 2013; Bundy and Pfarrer, 2015; Halebian, Pfarrer and Kiley, 2017). This has the effect that when high social approval actors fall short of these expectations, they trigger negative emotions and cognitive inconsistencies among external observers (Burgoon, 1993). As empirically shown, failing to meet expectations leads to a disproportionate penalty where high social approval actors are more strongly repudiated for their behavior (Rhee and Haunschild, 2006; Graffin et al., 2013; Dewan and Jensen, 2020; Parachuri, Han and Prakash, 2021), including severer media coverage (Zavyalova et al., 2012; Chandler, Polidoro and Yang, 2020).

#### ***4.2.1.2 Low Social Approval – Benefit or Burden?***

Although much less studied, scholars from different disciplines across sociology, psychology, and management provide insight as to how low social approval can color external observers' judgments in similar bi-directional ways. Unlike for a higher approval firm, however, the *benefit-*perspective for low social approval does not result from

higher salience and a reservoir of goodwill. Rather, it results from external observers' reduced standards for the lower-approval organization (e.g., Bundy and Pfarrer, 2015) – what we label 'flying under the radar'. Given reduced standards, low social approval firms cannot violate expectations to a similar extent compared to higher approval organizations (e.g., Rhee and Haunschild, 2006; Wade et al., 2006). As Chandler, Polidoro and Yang (2020, p.1237) highlight, an offense by a low social approval firm adds little or no pertinent new information— “it is redundant and, as such, is less interesting, thus decreasing the likelihood of negative arousal by external stakeholders”. The reduced standards for low social approval actors also have ramifications for when these firms exceed expectations. Research findings on the psychology of expectancy violations suggest that a positive violation that exceeds prior expectations tends to result in greater satisfaction with the outcome (Burgoon, 1993; see for empirical evidence also, Blagoeva, Kavusan and Jansen, 2020). In this sense, when low social approval actors engage in positive firm behavior, they can more easily exceed expectations, thereby triggering more positive emotional responses by external observers.



Against the benefit perspective of low social approval, the *burden*-perspective suggests a contrary outcome. External observers punish lower approval actors regardless of their behavior (Fehr and Gächter, 2000; Ballinger and Rockmann, 2010). Most often, external observers “actively impose harmful social and economic sanctions on them [low social approval actors]” (Devers et al., 2009, p. 157) as evaluators will not be surprised when such firms engage in wrongdoing (Burgoon, 1993). For example, Bundy and Pfarrer (2015) argue that external evaluators impose ‘durable changes to the rules’ when low social approval actors engage in wrongdoing, punishing them even for other repeated failures in the past (e.g., Ballinger and Rockmann, 2010). Part of the explanation is that low social approval firms face even more doubts, public scrutiny, and suspicion among stakeholders (Vergne, 2012; Titus, Parker and Erin Bass, 2018).

In sum, past research about the effects of both low and high social approval on external observers sensemaking remains inconclusive, offers contradictory insights focused on either high or low social approval, and often has been conceptualized as either a benefit *or* burden. Accordingly, the central impetus of this study is to reconcile these opposing sets of findings by exploring the boundary

condition under which an organization's (low or high) social approval might shift from a benefit to a burden and vice-versa. To disentangle the differential effects of social approval, we are specifically focusing on media agents reporting about restructuring announcements as the media relies on prior social approval assets as a "cognitive shorthand" to "gauge the probable outcomes of interacting with [an organization]" (Mishina, Block and Mannoer, 2012, p. 460). Benchmarking a relevant set of information against the prevailing social approval assets makes it easier for media agents to craft a storyline that likely resonates with an audience (Hayward, Rindova and Pollock, 2004; Schultz, 2007; Chandler, Polidoro and Yang, 2020).

## **4.3 Theory and Hypotheses**

### **4.3.1 Study Context: Media Coverage about Restructuring Announcements**

Before delving into an analysis of how low and high social approval affects media agents' sensemaking differently, it is necessary to clarify what restructuring decisions are. Under restructuring decisions, we subsume both, downsizing and upsizing decisions (Cascio, Chatrath and Christie-David,

2021). Whereas downsizing aims to reduce an organizations workforce (e.g., Love and Kraatz, 2009; Brauer and Zimmermann, 2019), upsizing decisions have the opposite purpose. They signal that a firm has the intention of scaling up or adding employees (Cascio, Chatrath and Christie-David, 2021). Both decisions are highly visible and attract the attention and interest given by the media (Bowman & Sing 1993; Heinz & Swinnen, 2015; Datta et al. 2010).

Down- and upsizing announcements differ in their contextual nature, and so should the corresponding media coverage. According to expectancy violation theory (EVT), external observers, including the media, hold *expectancies* regarding how firms should behave (Balagaova, 2020; Zavyalova et al., 2012; Zavyalova et al. 2016). These expectancies serve as framing devices and perceptual filters influencing how social information is processed (Burgoon, 1993, p. 32). Failure to conform to expectancies results in an expectancy violation that is “distracting and redirects attention toward the actor and the violation” (Burgoon, 1993, p. 35). EVT posits that whenever firms exceed expectations, they are perceived as positive expectancy violations and are rewarded by external observers, including the media. In contrast, actions violating expectations are punished, thereby intensifying both the

uncertainty about the organization and the degree to which external observers withdraw support (e.g., Zavyalova et al., 2012, 2016; Busenbark et al., 2019; Blagoeva, Kavusan and Jansen, 2020).

Given that positive and negative expectancy violations trigger an evaluation process whereby external observers try to make sense of the event causing the violation, EVT provides a coherent framework for understanding media responses to the news of restructuring. Downsizing decisions on the one hand signal a violation of acceptable firm behavior as firms break commitment and renege on implicit ‘psychological contract’ with their employees (Mishra and Mishra, 1994; Morrison and Robinson, 1997; Love and Kraatz, 2009). By being interpreted as a betrayal to employees and to the local communities in which a firm operates, downsizing decisions violate media agents expectations (Love and Kraatz, 2009). In contrast, upsizing announcements exceed typical firm behavior as these decisions lead to a pleasant surprise (Cascio, Chatrath and Christie-David, 2021). It buttresses the firm’s social approval locally and sometimes even globally (Cascio, Young and Morris, 1997), thereby inviting more positive media reactions.

Yet, a key and often overlooked premise of EVT is that communication expectations “are influenced by communicator characteristics, and more specifically, the valences attached to those characteristics” (Burgoon and Hubbard, 2005, p. 154). Thus, the ‘who’ committing a positive or negative expectancy violation becomes an essential factor in narrowing the range of interpretations considered plausible (cf., Burgoon, 1993; Burgoon and Le Poire, 1993). However, external observers, including the media, simplify their cognitive task by benchmarking a relevant set of information against the prevailing social approval a firm possess (e.g., Bitektine, 2011; Mishina, Block and Mannoer, 2012). These qualitative differences then suggest that negative or positive expectancy violations of restructuring announcements by firms will be processed in different ways by the media, to contrasting effects depending on the social approval of a firm. In the sections below, we connect assumptions from EVT with the two bases of social approval to examine the differential effects of high and low social approval on media agents sensemaking about restructuring announcements. Figure 6 summarizes our theorizing. We start by disentangling the effects of high social approval by identifying firm constructs possessing

high social approval among external observers: Family firms.

**Figure 6 Hypothesis Overview (Study 3)**

	High Social Approval Actors (i.e., Family Firms)	Low Social Approval Actors (i.e., Foreign Firms)
Downsizing Announcement (i.e., negative context)	H1a (Benefit) Negative media coverage ↓	H3a (Benefit) Negative media coverage ↓
	H1b (Burden) Negative media coverage ↑	H3b (Burden) Negative media coverage ↑
Upsizing Announcement (i.e., positive context)	H2a (Benefit) Positive media coverage ↑	H4a (Benefit) Positive media coverage ↑
	H2b (Burden) Positive media coverage ↓	H4b (Burden) Positive media coverage ↓

↓ Decrease    ↑ Increase

### 4.3.2 Family Firms as High Social Approval Actors

Family firms are prototypical for high social approval actors as they enjoy higher reputation (e.g., Deephouse and Jaskiewicz, 2013), higher status (e.g., Cennamo et al., 2012), higher image (e.g., Sageder, Mitter and Feldbauer-Durstmüller, 2018) and legitimacy (e.g., Gomez-Mejia, Berrone and Larraza, 2010) among external observers. The emphasis on social approval creates positive externalities as family firms are perceived as more reliable (Bennedsen and Fan, 2014) and as entities to consistently deliver valued outcomes (Deephouse and Jaskiewicz, 2013). As family

firms are also renowned for their greater stability of personnel (Miller and Le Breton-Miller, 2006; Berrone, Cruz and Gomez-Mejia, 2012; Neckebrouck, Schulze and Zellweger, 2018), they develop cognitive patterns of heightened expectations among stakeholders, especially with respect to maintaining long-term employment, in many instances even offering lifetime employment. These heightened expectations are lasting and sticky (e.g., Love and Kraatz, 2009; Bitektine, 2011), and stakeholders subconsciously expect that this outcome will continue in the future (e.g., Parker, Krause and Devers, 2019). As they also invest relatively more resources in gaining and sustaining a favorable public image than non-family firms (Gomez-Mejia, Berrone and Larraza, 2010; Cennamo et al., 2012), family firms stand out more in their behavior, thereby creating greater stakeholder attention.

#### ***4.3.2.1 Downsizing Announcements by Family Firms***

Looking at the bi-directional effects of high social approval, the question arises whether family firms attract less (i.e., benefit of high social approval) or more (i.e., burden of high social approval) negative media coverage for when they announce negative perceived downsizing decisions to the public.

The *benefit* perspective of high social approval suggests that family firms have a buffer when announcing downsizing decisions. With their better treatment of and commitment toward employees (e.g., Neckebrouck, Schulze and Zellweger, 2018) and their close embeddedness in their ecosystem (e.g., Hennart, Majocchi and Forlani, 2019; Ciravegna, Kano and Rattalino, 2020), they have accumulated a ‘reservoir of goodwill’. This goodwill reduces the impact of negative violations, which is in line with EVT. Research on expectancy violations suggests that higher approval firms “are granted a wider latitude in deviating from social norms before their behavior is regarded as unexpected” (Burgoon and Hubbard, 2005, p. 158). Moreover, this accumulation of goodwill prompts stakeholders to give family firms the ‘benefit of the doubt’ (Pfarrer, Pollock and Rindova, 2010; Park and Rogan, 2019; Dewan and Jensen, 2020). Instead of blaming the family firm for engaging in workforce downsizing, stakeholders attribute the event to circumstances beyond the family firm’s control (e.g., Busenbark et al., 2019).

In contrast, the *burden* perspective suggests that family firms as high social approval actors face adverse effects “of a negative event on stakeholders’ perceptions of and support



toward [them]” (Zavyalova et al., 2016, p. 256). Family firms offer greater job security (Neckebrouck, Schulze and Zellweger, 2018) and are renowned for “minimum layoff policies” (Miller and Le Breton-Miller, 2006, p. 82). More is expected of family firms on which external constituents, including the media, have conferred their high approval (Hennart, Majocchi and Forlani, 2019; Ciravegna, Kano and Rattalino, 2020). Thus, when they engage in workforce downsizing, family firms do not accord to their high social approval, triggering an even greater violation of media agents’ expectations. Moreover, as family firms invest more resources in gaining and sustaining a favorable public image (Sageder, Mitter and Feldbauer-Durstmüller, 2018), their behavior is more salient, so negative perceived downsizing announcements stand out more than similar events in other organizations (e.g., Zavyalova et al., 2016; Busenbark et al., 2019). In sum, while the benefit perspective of high social approval predicts less negative emotional responses by the media, the burden perspective leads us to expect more negative media coverage for when family firms announce downsizing decisions to the public. Stated more formally:

***Hypothesis 1a:*** Domestic family firms receive *less negative* media coverage than non-domestic-family firms when announcing a downsizing decision to the public.

***Hypothesis 1b:*** Domestic family firms receive *more negative* media coverage than non-domestic-family firms when announcing a downsizing decision to the public.

#### ***4.3.2.2 Upsizing Announcements by Family Firms***

The high social approval of family firms also allows theorizing contrasting effects in positive situations, such as workforce upsizing. Recall from above that upsizing decisions exceed typical firm behavior, thereby positively violating media agents' expectations (Cascio, Chatrath and Christie-David, 2021). The *benefit* perspective suggests that the positive affinity toward family firms and the salience of their behavior translates into subsequent positive reactions by the media. Exceeding expectations triggers greater and more positive emotional responses (Burgoon, 1993), but prior positive expectations can heighten this effect. As Burgoon and Le Poire (1993, p. 72) denote: "When [expectancies and actual interaction behavior] are consonant with one another, the behavioral evidence serves to confirm and reinforce the expectancies."

The *burden* perspective for high social approval reverses this logic. Given their stock of social capital developed over time (Berrone, Cruz and Gomez-Mejia, 2012; Cennamo et al., 2012) and their socially oriented human-resource strategies (Neckebrouck, Schulze and Zellweger, 2018), family firms are expected to maintain and even increase their workforce. Their larger bandwidth of expected positive behavior means they have to engage in more extreme behaviors before their actions qualify as positive violations (Burgoon, 1993; Burgoon and Le Poire, 1993). Or differently stated, upsizing decisions by family firms do not alter journalists view of the way things should be as it does not provide new interest factor (Zavyalova et al., 2012). Summing up, while the benefit perspective of high social approval points to more positive media coverage, the burden perspective suggests that family firms receive less positive media reactions for when they announce positive decisions, such as workforce upsizing, to the public. Taken together, the above arguments lead us to hypothesize the following:

***Hypothesis 2a:*** Domestic family firms receive *more positive* media coverage than non-domestic-family firms when announcing an upsizing decision to the public.

*Hypothesis 2b:* Domestic family firms receive *less positive* media coverage than non-domestic-family firms when announcing an upsizing decision to the public.

### **4.3.3 Foreign Firms as Low Social Approval Actors**

So far, we have focused on the differential effects of high social approval on media agents sensemaking about restructuring announcements. To disentangle the effects of low social approval, we now turn our attention on foreign firms as they are generally associated as firms with low social approval among external observers.

International business scholars have long emphasized that foreign firms face substantial barriers to operating abroad (e.g., Zaheer, 1995). They struggle for social access and acceptance due to discriminatory hazards originating in nationalistic tendencies and strong pressures for institutional conformity (for an overview on the liabilities of being foreign, see Denk, Kaufmann and Roesch, 2012). The liability of foreignness often influences stakeholders' assessment of firm behavior in a negative light. For example, foreign firms are perceived as less attractive places of employment (Newburry, Gardberg and Belkin, 2006) and are seen as work entities with lower quality perceptions

(Balabanis and Diamantopoulos, 2008). Compared to domestic firms, therefore, foreign firms are confronted with lower social approval, leading to less salient behavior and lower expectations among external observers (e.g., Moeller et al., 2013; Mithani, 2017).<sup>4</sup> This, in turn, may unfold differential effects when external observers must make sense of their firm behavior, such as employment restructuring.

#### ***4.3.3.1 Downsizing Announcements by Foreign Firms***

To start, the *benefit* perspective of low social approval suggests that downsizing decisions by foreign firms remain largely unnoticed and are not perceived as negatively as for domestic firms. As they attract fewer interest and attention given by the media, they tend to ‘fly under the radar’, thereby not creating a state of cognitive dissonance among external observers (Zavyalova et al., 2012). Furthermore, foreign firms as low social approval actors are not held to high standards and external observers tend to rationalize negative events for low social approval actors without attributing it to

---

<sup>4</sup> There are of course exceptions for this assumption. If for example a foreign celebrity firm, say Tesla, Apple, or Microsoft, engages in a specific context, they naturally create more stakeholder attention. We address this and other factors driving media coverage in several sensitivity analyses below.

wrongdoing (Burgoon, 1993; Burgoon and Le Poire, 1993). Thus, whenever foreign firms announce a downsizing decision, they therefore do not breach the implied social contract between them and its stakeholders to a similar degree as firms with high social approval that come with higher expectations toward maintaining employment.

In contrast, the *burden* perspective of low social approval indicates that foreign firms are more severely punished for when they engage in wrongdoing, such as workforce downsizing (Fehr and Gächter, 2000; Devers et al., 2009; Ballinger and Rockmann, 2010). Given lack of root in a host country and lower embeddedness with stakeholders, foreign firms often face prejudice in the form of negative discrimination (Bell, Filatotchev and Rasheed, 2012; Edman, 2016). In line with EVT, a negative expectancy violation “committed by a disliked other may be interpreted as an affront [...]” (Burgoon and Hubbard, 2005, p. 156). Therefore, reactions to foreign firms as lower-approval organizations may be more negative than for domestic firms and media outlets may likewise hold discriminatory beliefs and disadvantage them. Consequently, the benefit perspective of low social approval leads us to expect less negative media coverage, while the burden perspective of

low social approval suggests that foreign firms receive more negative media coverage when announcing downsizing decisions to the public. More formally, we hypothesize:

***Hypothesis 3a:*** Foreign firms receive *less negative* media coverage than domestic firms when announcing a downsizing decision to the public.

***Hypothesis 3b:*** Foreign firms receive *more negative* media coverage than domestic firms when announcing a downsizing decision to the public.

#### ***4.3.3.2 Upsizing Announcements by Foreign Firms***

Just as low social approval of foreign firms may have differential effects on the sensemaking of media agents for negative perceived events, it may also bear its implications in a positive context, such as workforce upsizing. The *benefit* perspective of low social approval assets suggests the following: As foreign firms are held to reduced expectations, an upsizing announcement provides arousing and distracting information as their enacted behavior is more positively valenced than the expected. For foreign firms, the gap between expected and enacted behavior is quite large, “making it easier for a negative valence communicator to commit a positive violation” (Burgoon and Hubbard, 2005,

p. 158). As mentioned above, whenever firm actions are anticipated to exceed expectations, they are rewarded by external observers, such as the media (Burgoon, 1993; Bundy and Pfarrer, 2015).

The *burden* perspective of low social approval, however, points to the opposite. Foreign firms as low approval organizations are “screened out of consideration” in the first place as they are less salient (Phillips and Zuckerman, 2001, p. 383) and evaluators are likely to be less motivated to engage in extensive sensemaking when an organization they perceive negatively is associated with a positive announcement (Bundy and Pfarrer, 2015). As foreign firms are often perceived as ‘worse’ than domestic firms, a positive upsizing announcement does not alter journalists’ perception of the event. In sum, the benefit perspective suggests that foreign firms are rewarded by the media as they exceed expectations to a stronger degree, while the burden perspective suggests that media agents tend to punish foreign firms regardless of their behavior. We therefore hypothesize:

***Hypothesis 4a:*** Foreign firms receive *more positive* media coverage than domestic firms when announcing an upsizing decision to the public.



**Hypothesis 4b:** Foreign firms receive *less positive* media coverage than domestic firms when announcing an upsizing decision to the public.

## **4.4 Methodological Approach**

### **4.4.1 Samples**

Given the systematic differences in data on journalists' perceptions about firm behavior in a negative (i.e., downsizing) and positive (i.e., upsizing) restructuring setting, two analyses were conducted. Analysis I captures media reactions pertaining to downsizing announcements, whereas Analysis II estimates journalists' evaluations of upsizing announcements.

We drew our samples by capturing all restructuring announcements by firms based in Germany for the period 2006 – 2019 (we excluded the year 2020 due to effects arising from COVID-19). To do so, we utilized quarterly information on restructuring announcements of firms in Germany provided by the *Frankfurter Allgemeine Zeitung* (FAZ) – one of the leading German newspapers.

For Analysis I (downsizing context), our systematic search generated a list of 645 downsizing announcements by firms

in Germany. From this initial sample, we eliminated all bankruptcies and all ‘acquisition-related downsizing’ events because they are conducted with different motives (O’shaughnessy and Flanagan, 1998). This reduced the sample to 590 observations. Due to some missing data on media coverage and financial controls, the final sample consists of 527 observations with corresponding media coverage. On average, the firms in the downsizing sample announced a dismissal of 1,217 employees per event (or 7,7% employees dismissed in relation to the overall workforce in Germany), indicating rather large-scale restructuring decisions.

For Analysis II (upsizing context), we employed the same steps and first generated a list of upsizing instances by systematically searching the FAZ database. This procedure generated a list of 635 upsizing announcements by firms based in Germany. To our surprise, ‘only’ 61% received any media coverage at all (despite the fact they had been identified as ‘significant’). Part of the explanation for why media agents may rely more heavily on downsizing announcements is that negative events tend to carry more weight in the formation of impressions and are more interesting than positive events (Rozin and Royzman, 2001).

Nevertheless, our finale sample consists of 389 upsizing announcements. On average, the firms announced an upscaling of 1,624 employees per event (or 8.4% employees added in relation to the overall workforce in Germany).

#### **4.4.2 Measures**

**Independent variable.** Our theorizing follows the logic that media agents rely on prior social approval as a cognitive shorthand to help them make sense of an organization's action (Mishina, Block and Mannoer, 2012). We argue that domestic family firms generally possess higher social approval due to them having higher levels of reputation, status, image, and legitimacy among national observers. On the other hand, foreign firms face the liabilities of being foreign, leading to low social approval among external observers. To account for the *ownership structure* in both contexts (Analysis I and II), we constructed a three-way indicator variable: 0 = *domestic non-family firm*; 1 = *domestic family firm*; 2 = *foreign firm (non-family only)*.

*Domestic family firms* ('1') are defined as those German firms in which the founder or a member of his family by blood or marriage is an officer, director, or blockholder,

either individually or as a group (Feldman, Amit and Villalonga, 2016), and ‘0’ otherwise. *Foreign firms* were classified as those when the focal firms headquarter was located outside of Germany (‘1’), and ‘0’ otherwise.

**Dependent variable analysis I (downsizing): Negative media coverage.** In order to capture media reactions, we downloaded all media articles published in the 20 largest German newspapers by circulation related to the downsizing announcement of the focal firm in the year it announced the decision (e.g., Bednar, Boivie and Prince, 2013; Titus, Parker and Erin Bass, 2018). To identify articles in the 20 largest German newspapers for our time window, we utilized Lexis-Nexis database, Genios database and the newspapers archives. To filter relevant media articles, we employed German synonyms for the word ‘downsizing’ (i.e., *Stellenabbau*, *Jobabbau*, *Entlassungen*, etc.) (Heinz and Swinnen, 2015). We manually reviewed all articles and removed all articles not directly about the focal company and the downsizing decision. We also removed any duplicate articles and any articles that were an exact reprint of a press release (Titus, Parker and Erin Bass, 2018; Gamache and McNamara, 2019). On the basis of this careful data collecting

approach, we were able to obtain 16,888 media articles explicitly covering the 527 downsizing instances we sampled (on average, 32 articles per downsizing and  $M = 549.62$  words per article).

*Negative media coverage* about a downsizing announcement was then analyzed by using the German Version of the Linguistic Inquiry and Word Count (LIWC) software (Pennebaker, Booth and Francis, 2007; Meier et al., 2018). LIWC is a widely adopted dictionary software tool featured in automated text analysis studies (Tausczik and Pennebaker, 2010). Its built-in dictionaries have been demonstrated to be internally reliable and externally valid, particularly in measuring the affective content of media articles (e.g., Zavyalova et al., 2012; Bednar, Boivie and Prince, 2013; Gamache and McNamara, 2019). Methodologically, LIWC measures each construct by counting the number of words in a given text that map onto predefined linguistic variables, including a breakdown of percentage words that match the ‘negative emotion’ category. This specific content category was used to operationalize the negative affective content of media articles. The resulting measure was the average of all articles’ negative valence scores in a given firm-year related to the downsizing announcement. The higher the value, the

more negative the media coverage surrounding a focal firm's downsizing announcement (Titus, Parker and Erin Bass, 2018; Gamache and McNamara, 2019).<sup>5</sup>

**Dependent variable analysis II (upsizing): Positive media coverage.** For the upsizing context, we followed the same steps and systematically searched for media articles published in the same 20 German newspapers related to the upsizing announcement of the focal firm in the year it announced the decision. Relevant articles were filtered by employing German synonyms for the word 'upsizing' (i.e.,

---

<sup>5</sup> One alternative approach to measure media coverage is employing the Janis-Fader (JF) coefficient of imbalance (e.g., Deephouse, 2000). The JF-coefficient ranges from -1 to +1, where -1 equals 'all negative coverage', and +1 equals 'all positive coverage'. However, the JF coefficient was not suitable for this study as there was high variance in the amount of media coverage. The problem, as Zavyalova et al. (2012) emphasize, is that "high variance in the amount of coverage among firms may contribute to low criterion validity of JF coefficient". As an example, consider a firm with one positive article and no negative one, and a firm with 100 positive articles and no negative ones. Both firms will receive a JF score of +1, equaling all positive media coverage. Similarly, a firm with one positive article retrieves a higher score (JF coefficient = +1) than a firm having 99 positive articles and one negative article (JF coefficient = +0.9745). Therefore, employing the JF coefficient of imbalance is restricted to samples with low variance in media coverage (e.g., Gamache and McNamara, 2019; Zavyalova et al., 2012). As we sampled public and non-public firms, firms with different ownership structure, and firms differing substantially in size, the JF coefficient appeared not suitable for this study.

*Neueinstellung, Jobs schaffen, Neue Jobs, etc.*) (Heinz and Swinnen, 2015). We reviewed all articles manually, and removed all duplicates and articles not directly linked to a focal firm's upsizing event (Titus, Parker and Erin Bass, 2018; Gamache and McNamara, 2019). This careful data collecting approach allowed us to obtain 2,457 media articles explicitly targeting the 389 upsizing instances of interest (on average, 6 articles per upsizing and  $M = 740.98$  words per article).

*Positive media coverage* about a focal firm's upsizing announcement was then measured by the 'positive emotion' category using the German Version of the LIWC-software (Pennebaker, Booth and Francis, 2007; Meier et al., 2018). The resulting measure was the average of all articles' positive valence scores in a given firm-year related to the upsizing announcement (Titus, Parker and Erin Bass, 2018; Gamache and McNamara, 2019). Similar to above, the higher the value of this variable, the more positive the media coverage about the focal firms upsizing announcement.

**Control variables analysis I (downsizing).** Several alternative explanations can affect the sensemaking process of journalists' about firm behavior. As such, we controlled

for numerous explanations that have been identified as prior antecedents of media coverage. All data for the control variables was retrieved from several sources, including Amadeus Database, Reuters Knowledge Direct and/ or from annual reports.

An important control is *firm income (EBIT)* as it affects the general scrutiny given by the media (Titus, Parker and Erin Bass, 2018). This variable was measured by taking the natural log of the operating profit (normalized EBIT). We also controlled for *net profit margin* of a firm as the financial situation of a firm influences the degree of attention given to a firm (Pollock and Rindova, 2003). As journalists may also be anchored on numerical cues (Bednar, Boivie and Prince, 2013) and they may draft their stories by referring to the magnitude of the event (Zavyalova et al., 2012; Gamache and McNamara, 2019), we further controlled for the total *amount* of employees dismissed and *downsizing severity* (measured as total employees dismissed in relation to the overall workforce in Germany). It was also necessary to control for the nature of each downsizing event. In contrast to Anglo-Saxon countries, firms operating in Germany are required by law to first offer a social compatible downsizing decision. Only then, a firm is allowed to issue employee termination



for operational reasons (Fiss and Zajac, 2006).<sup>6</sup> As a *social compatible* downsizing approach naturally creates favorable cognitions among external observers, we controlled whether the firm announced a social compatible downsizing ('1' if yes) or an employee termination for operational reasons ('0' if yes). In line with this control, we also determined whether *union presence* affected media agents sensemaking ('1' if yes, '0' otherwise). Furthermore, *prior media visibility* may likewise influence the general salience of a firm, thus coloring media agents to objectively assess a firm decision (e.g., Zavyalova et al., 2012; Bednar, Boivie and Prince, 2013; Gamache and McNamara, 2019). We measured prior media visibility as the total articles a firm received one year prior to the focal firm downsizing announcement. Similarly, prior firm behavior may affect journalists attention to the focal event (e.g., König et al., 2018). As such, we controlled

---

<sup>6</sup> As already described above (see Footnote 3), the most important institutional settlements are the employment protection law ('*Kündigungsschutzgesetz*') and the workers codetermination law ('*Betriebsverfassungsgesetz*'). While these regulatory forces influence firms in their downsizing strategy, they do not regulate the scope or magnitude of employee downsizing. This means that firms operating in Germany can announce large-scale downsizing programs with a number of dismissed employees that is suitable to reach their goals. To do so, they must consider social issues ('*sozialverträglich*'), like the duration of service in the company, age, obligations to pay maintenance and chances of re-employment.

for *scandal* and *contested* sector. Scandal was coded as ‘1’ if the company experienced a scandal observed by the media one year prior to the focal downsizing event, and ‘0’ otherwise. In contrast, we coded the industry as a contested one when it belonged to the tobacco, gambling, global arms, or oil industry (‘1’ if yes), and ‘0’ otherwise. We further controlled for *prior downsizing* by determining whether or not the firm announced a downsizing decision in Germany one year prior to the focal event (‘1’ if yes, ‘0’ otherwise). Characteristics of the industry as well as the actions of firms’ intra-industry competitors may likewise influence media coverage. Similar to previous work (e.g., Gamache and McNamara, 2019), we controlled for *downsizing activity* in the industry as this may drive media coverage. We did so by calculating the total number of downsizing announcements of the companies in the focal industry over the year prior to the focal firm’s downsizing event. Finally, we included a dummy for the *financial crisis* in 2007 and 2008 because media agents might react differently to firm behavior in such times.

**Control variables analysis II (upsizing).** For Analysis II, we included all control variables from Analysis I, except for

union presence and the social nature of the announcement (they do not apply to workforce upsizing). Some controls were labeled differently, although they follow the same logic as in Analysis I. This includes *upsizing scale* (how many employees are added in relation to the overall workforce), *prior upsizing* (whether the firm announced an upsizing decision one year prior to the focal event), and *upsizing activity* in industry (total number of upsizing announcements of the companies in the focal industry over the year prior to the firms upsizing announcements).

#### **4.4.3 Analysis**

Given the longitudinal data for Analysis I and Analysis II, an OLS regression is not appropriate (Certo and Semadeni, 2006). More recently, strategy scholars have emphasized the need to use generalized estimating equations (GEE) models to analyze nested data, such as ours (Certo, Withers and Semadeni, 2017). Unlike fixed-effects models that prevent researchers from gaining any insights about between-firm relationships, GEE models adjust for “both between- and within-firm variance” (Certo, Withers and Semadeni, 2017, p. 1541). As such, GEE models provide significant advantages to fixed- or random-effects models. For Analysis

I and II, we therefore used GEE models with exchangeable correlation structure to account for nonindependence in firm observations over time.

## 4.5 Results

Table 6 presents means, standard deviations, and correlations among the variables for *Analysis I (downsizing context)*. The correlations between covariates are sufficiently low enough that we do not expect estimation problems stemming from multicollinearity (Mean VIF = 1.15).

Table 7 reports the descriptive statistics and intercorrelations for the variables examined in Analysis II (upsizing context). All correlations are at acceptable levels, thereby not indicating problems of multicollinearity (Mean VIF = 1.26). Both tables are reported below.

In Table 8, we report GEE estimation results for Analysis I (downsizing context). The results for Analysis II (upsizing context) are reported in Table 9.

**Table 6 Descriptive Statistics and Correlations Analysis I (Downsizing Context)**

Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Negative Coverage	1.08	0.52	1.00													
(2) Ownership Structure	0.69	0.82	-0.08	1.00												
(3) Firm Income (EBIT) <sup>a</sup>	24.92	0.16	-0.09	0.24	1.00											
(4) Net Profit Margin	1.32	9.47	-0.10	0.12	0.19	1.00										
(5) Amount	1217.78	1761.89	0.12	-0.10	0.08	0.03	1.00									
(6) Downsizing Severity	0.08	0.11	0.11	-0.20	-0.16	-0.24	-0.01	1.00								
(7) Prior Media Visibility	256.98	4579.51	0.05	-0.24	0.04	-0.01	0.34	-0.19	1.00							
(8) Scandal	0.07	0.26	0.03	-0.14	0.03	0.03	0.29	-0.07	0.32	1.00						
(9) Social Compatible	0.54	0.50	-0.03	-0.15	0.08	0.07	0.19	-0.12	0.14	0.09	1.00					
(10) Union Presence	0.44	0.50	0.07	-0.00	0.04	0.05	0.17	-0.10	0.10	0.11	0.07	1.00				
(11) Prior Downsizing	0.20	0.40	0.04	-0.00	0.07	0.06	0.19	-0.07	0.14	0.19	0.08	0.10	1.00			
(12) Financial Crisis	0.10	0.30	0.10	0.03	0.02	-0.00	0.14	0.03	0.02	0.03	-0.06	0.06	0.03	1.00		
(13) Downsizing Activity	4.58	3.33	-0.12	-0.11	-0.08	0.01	-0.04	0.07	0.02	-0.03	0.07	-0.04	0.06	-0.13	1.00	
(14) Contested	0.01	0.11	-0.03	0.17	0.09	0.09	-0.02	-0.06	-0.03	-0.03	-0.03	-0.00	-0.06	-0.04	-0.08	1.00

Notes: n = 527. Correlations greater than 0.119 or less than -0.119 are significant at  $p < .05$ . Firm dummies are not included in this table. S.D., standard deviation.

<sup>a</sup>Logarithm transformation

**Table 7 Descriptive Statistics and Correlations Analysis II (Upsizing Context)**

Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Positive Coverage	1.97	0.72	1.00											
(2) Ownership Structure	0.99	0.84	-0.05	1.00										
(3) Firm Income (EBIT) <sup>a</sup>	24.97	0.24	-0.07	0.26	1.00									
(4) Net Profit Margin	3.44	12.77	0.06	0.13	0.08	1.00								
(5) Amount	1624.53	2713.91	-0.10	-0.09	-0.02	-0.01	1.00							
(6) Upsizing Scale	0.08	0.10	-0.07	0.20	-0.01	0.04	0.26	1.00						
(7) Prior Media Visibility	883.09	1254.20	-0.10	-0.29	0.05	-0.02	0.18	-0.27	1.00					
(8) Scandal	0.11	0.32	-0.05	-0.10	0.04	0.01	0.22	-0.08	0.25	1.00				
(9) Prior Upsizing	0.38	0.48	-0.10	0.08	0.22	0.04	0.19	-0.03	0.22	0.06	1.00			
(10) Financial Crisis	0.12	0.32	-0.02	-0.03	-0.05	-0.01	0.12	0.17	0.02	0.05	-0.07	1.00		
(11) Upsizing Activity	11.33	7.20	0.02	-0.09	-0.06	-0.00	0.09	-0.12	0.23	-0.03	0.08	-0.23	1.00	
(12) Contested	0.04	0.19	-0.08	0.18	-0.06	-0.01	0.30	0.35	-0.13	-0.03	-0.04	0.09	-0.02	1.00

Notes: n = 389. Correlations greater than 0.103 or less than -0.103 are significant at  $p < .05$ . Firm dummies are not included in this table. S.D., standard deviation.

<sup>a</sup>Logarithm transformation

**Table 8 GEE Models Predicting *Negative* Media Coverage Surrounding Downsizing Announcements (Analysis I)**

	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		0.128* (0.058)
Ownership Structure = 2, Foreign Firm		-0.108+ (0.061)
Firm Income (EBIT)	-0.257+ (0.147)	-0.170 (0.149)
Net Profit Margin	-0.004 (0.002)	-0.003 (0.002)
Amount	0.000+ (0.000)	0.000+ (0.000)
Downsizing Severity	0.448* (0.208)	0.355+ (0.211)
Prior Media Visibility	0.000 (0.000)	0.000 (0.000)
Scandal	-0.020 (0.091)	-0.026 (0.090)
Social Compatible	-0.024 (0.045)	-0.040 (0.046)
Union Presence	0.062 (0.045)	0.062 (0.045)
Prior Downsizing	0.055 (0.057)	0.051 (0.057)
Financial Crisis	0.101 (0.086)	0.125 (0.091)
Downsizing Activity	-0.010 (0.008)	-0.011 (0.008)
Contested	0.014 (0.194)	0.083 (0.194)
Wald Chi2	54.95	66.67
Prob > Chi2	0.000	0.000

Notes: N = 527 for each model. Ownership is a three-way indicator variable: 0 = domestic non-family firm; 1 = domestic family firm; 2 = foreign firm. Standard errors in parentheses. Industry dummy variables included but not reported. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

We used established stepwise approach to test for the effects of social approval on media coverage. Model 1 in Table 8 includes all control variables, some of which are significant. Model 2 in Table 8 adds the impact of the independent variable *ownership structure* (1 = *domestic family firm*; 2 =

*foreign firm*) to predict *negative media coverage* surrounding downsizing announcements. As shown in Model 2 (Table 8), the coefficient for *domestic family firm* is positive and significant ( $\beta = 0.128$ ;  $p = 0.028$ ). This suggests that domestic family firms receive more negative media coverage when announcing a downsizing decision to the public. As such, higher social approval appears to be a burden in a negative restructuring context, thus providing support for Hypothesis 1b. Turning to low social approval actors, the coefficient for *foreign firm* is negative and marginally significant ( $\beta = -0.108$ ;  $p = 0.076$ ). A negative coefficient indicates that foreign firms are less punished, as they receive less negative media coverage when announcing downsizing decisions. Therefore, low social approval is beneficial in a negative context, providing support for Hypothesis 3a.



**Table 9 GEE Models Predicting *Positive* Media Coverage Surrounding Upsizing Announcements (Analysis II)**

	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		0.648*** (0.082)
Ownership Structure = 2, Foreign Firm		-0.261** (0.093)
Firm Income (EBIT)	-0.086 (0.160)	0.040 (0.144)
Net Profit Margin	0.002 (0.003)	0.002 (0.003)
Amount	-0.000 (0.000)	-0.000 (0.000)
Upsizing Scale	-0.243 (0.415)	0.104 (0.371)
Prior Media Visibility	-0.000* (0.000)	-0.000+ (0.000)
Scandal	0.024 (0.121)	0.089 (0.108)
Prior Upsizing	-0.058 (0.082)	-0.035 (0.073)
Financial Crisis	-0.033 (0.137)	-0.102 (0.124)
Upsizing Activity	0.001 (0.007)	-0.004 (0.006)
Contested	-0.308 (0.215)	-0.006 (0.198)
Wald Chi2	27.77	38.63
Prob > Chi2	0.065	0.000

Notes: N = 389 for each model. Ownership is a three-way indicator variable: 0 = domestic non-family firm; 1 = domestic family firm; 2 = foreign firm. Standard errors in parentheses. Industry dummy variables included but not reported. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

Following established stepwise approach to test for the effects of social approval on media coverage, we first regressed all control variables on the dependent variable (Model 1 in Table 9). Model 2 in Table 9 adds the impact of

the independent variable *ownership structure* (1 = *domestic family firm*; 2 = *foreign firm*) to predict *positive media coverage* of upsizing announcements. As evident in Model 2 (Table 9), the coefficient for *domestic family firm* is positive and significant ( $\beta = 0.648$ ;  $p = 0.000$ ). This indicates that domestic family firms receive more positive evaluative judgment by the media when announcing an upsizing decision. Therefore, in a positive decision-context, high social approval functions as a benefit, thus supporting Hypothesis 2a. Model 2 in Table 9 also displays the coefficient for *foreign firms*. As evident, this coefficient is negative and significant ( $\beta = -0.261$ ;  $p = 0.005$ ). This indicates that foreign firms receive fewer positive evaluative judgments from the media. As such, they face a potential burden when announcing positive perceived upsizing decisions, which supports Hypothesis 4b.

In summary, we find that high social approval actors are punished by the media in a negative context (i.e., downsizing), whereas low social approval actors enjoy a buffer. This finding reverses to the opposite in a positive setting (i.e., upsizing). Here, low social approval actors face a liability, whereas high social approval actors can reinforce

the favorable affinity toward an organization as they receive more positive media coverage.

#### **4.5.1 Supplemental Analyses**

Several additional analyses were conducted to confirm the robustness of the results (for a more detailed overview, see Appendix C). Although we make the claim that time constraints pressure journalists to revert to the social approval of a firm, it may also trigger them to rely on other published articles to construct their own ‘news’ (e.g., Hayward, Rindova and Pollock, 2004; Rindova, Pollock and Hayward, 2006). To account for this, we employed latent semantic similarity (LSS) analysis of media articles capturing each focal firm’s restructuring announcement. LSS is a computational method from linguistics research that allows to analyze how statistically similar two or more text sources are (Babcock, Ta and Ickes, 2014). To perform the computation, we employed the ‘Basis Unit Transposable Text Experimentation Resource’ (‘BUTTER’ Version 0.9.4.1) and uploaded a pre-trained text corpus focusing the German language (Köper and Schulte im Walde, 2016) into the software. The final output from BUTTER for the LSS

analysis ranges from -1 to +1, where positive values indicate strong semantic similarity, and negative values low semantic similarity. The overall LSS score for Analysis I (downsizing context) was  $M = -0.128$ , whereas for Analysis II (upsizing context) the average LSS score was  $M = -0.194$ . Thus, the results indicated no signs of strong language similarity among the media articles.

While we controlled for prior restructuring announcements as a potential driver affecting media coverage, firms with several restructuring announcements in the past may have attracted much more public scrutiny. To rule out that a few firms are driving the results, we created an *outlier* dummy variable, coded as '1' if a firm announced more than three downsizing (upsizing) events in our time window, and '0' otherwise (e.g., Chandler, Polidoro and Yang, 2020). For Analysis I (downsizing context), this coefficient was statistically not significant ( $\beta = 0.092$ ;  $p = 0.312$ ). Similarly, this coefficient displayed no statistical significance ( $\beta = -0.060$ ;  $p = 0.437$ ) in Analysis II (upsizing context).

We further run models by utilizing an alternative way of capturing the sensemaking of journalists. Besides the affective content, we also examined whether the social

approval affected journalists thought processes differently, reflected in the *number of words* used to describe the restructuring event (see for similar approach, Chandler, Polidoro and Yang, 2020). As this dependent variable is a count measure, we used Tobit regression to estimate the influence of high and low social approval on media agents' sensemaking. Interestingly, for Analysis I (downsizing context), journalists embed significant more words to describe downsizing events by family firms ( $\beta = 146.11$ ;  $p = 0.000$ ), whereas for foreign firms they use fewer words ( $\beta = -99.50$ ;  $p = 0.003$ ). This finding reverses in Analysis II (upsizing context). Here, journalists use fewer words to describe upsizing announcements by family firms ( $\beta = -102.67$ ;  $p = 0.034$ ), but significantly more words to describe upsizing announcements by foreign firms ( $\beta = 154.84$ ;  $p = 0.005$ ). It appears that the social approval of firms plays a role by influencing the number of words used to describe restructuring events. This increases confidence in our findings across an alternative dependent variable.

Finally, we explored the robustness of our results by employing random effects models. As shown in Appendix C, we obtained highly similar results to those reported in the main analysis.

### 4.5.2 Endogeneity Assessment

Given the fact that the media reflects and influences firm actions, it is important to consider the effect of potential endogeneity in our models. Endogeneity can stem from many different sources, such as autoregression, reverse causality, measurement error, but the most pervasive issues in management research are omitted variables (Semadeni, Withers and Certo, 2014; Busenbark et al., 2021). Omitted variables are those that have an influence on the dependent variable and independent variable by “assigning undue variance to the independent variable such that its coefficient is larger in the absence of omitted variables” (Busenbark et al., 2021, p. 20). To assess the impact of omitted variables, we determined journalists’ situational expectations toward firm behavior as this may influence their sensemaking about restructuring announcements. As described above, a cognitive feature is a negative violation or a positive exceedance of regular firm behavior (Burgoon, 1993; Bundy, Iqbal and Pfarrer, 2021). While we embedded the *severity* of downsizing and the *scale* of upsizing announcements as controls, we further aimed to isolate the primary mechanism by introducing moderating effects that capture variance in

media agents' situational expectations across violation (exceedance) types.

For Analysis I (downsizing context), we created two interaction terms by computing the product of family and foreign firm with downsizing severity. This is because severity – or degree of employees dismissed in relation to the overall workforce – can act as a dimension of journalists' situational expectations, with more severe downsizing announcements increasing the likelihood of unfavorable coverage. Thus, downsizing severity may increase the salience of certain events, thereby intertwining with the social approval of a firm (e.g., Bundy, Iqbal and Pfarrer, 2021). In line with our prediction, the coefficients for *family firm x downsizing severity* ( $\beta = -0.173$ ;  $p = 0.708$ ) and *foreign firm x downsizing severity* ( $\beta = -0.378$ ;  $p = 0.531$ ) are statistically not significant. This indicates that for downsizing announcements situational expectations are not overlapping with our primary mechanism: The social approval of firms.

For Analysis II (upsizing context), we followed similar steps, but focused on exceeding situational expectations. To do so, we computed the product of family and foreign firm with

upsizing scale. Upsizing scale – or degree of employees added in relation to the overall workforce – can likewise influence journalists’ situational expectations. This is because greater upsizing scale can trigger more positive reactions by the media as it is more salient and displays a positive deviance from commonly held expectations (e.g., Bundy, Iqbal and Pfarrer, 2021). Importantly, the coefficients for *family firm x upsizing scale* ( $\beta = 0.715$ ;  $p = 0.571$ ) and *foreign firm x upsizing scale* ( $\beta = 1.120$ ;  $p = 0.197$ ) are statistically not significant. This provides further evidence that situational expectations are not influencing journalists sensemaking approaches. Overall, these results provide additional support that the social approval of a firm is the primary mechanism explaining how media agents construct their stories about firms’ restructuring announcements.

## 4.6 Discussion

Many researchers argue that corporations receive deferential treatment by the general public. Sometimes external observers give firms the benefit of the doubt when disconfirming information arises, and sometimes firm



conduct is overlooked or attributed to causes beyond the organization's control (Godfrey, Merrill and Hansen, 2009; Pfarrer, Pollock and Rindova, 2010; Kim and King, 2014; Park and Rogan, 2019). Yet in others, firms face severe consequences as external observers allocate significant effort to punish their behavior (Rhee and Haunschild, 2006; Graffin et al., 2013; Parachuri, Han and Prakash, 2021). The present study seeks to reconcile these contradictory findings by investigating the boundary conditions for when firms are more reprimanded for their behavior, while at others, they are excused for similar behavior. Based on EVT, we theorize and find that high and low social approval affects external observers sensemaking differently when taking the context into account. Specifically, high social approval has its benefits in a positive setting but leads to burden in a negative one. In contrast, low social approval actors enjoy a buffer in a negative setting, while they face a liability in a positive one.

#### **4.6.1 Theoretical Contributions**

Finding that similar actions by different firms are judged differently based on the social approval of a firm advances extant research in several ways. First, we extend the debate about social approval by shedding light on the associated

benefits and burdens in both a positive and negative context. The impact of social approval has only been tested in situations of negative events and announcements (e.g., Rhee and Haunschild, 2006; Love and Kraatz, 2009; Pfarrer, Pollock and Rindova, 2010), with the predominant view that they are either a benefit *or* burden (for notable exceptions, see Zavyalova et al., 2016; McDonnell and King, 2018; Kakkar, Sivanathan and Gobel, 2020). By building on EVT, our study is among the first to contrast both negative and positive situations (in the context of restructuring), thereby revealing when social approval can be a benefit *and* burden to the same organization. Doing so, helps to resolve a contradiction in the literature as we provide new nuances for the conditions underlying the social approval of a firm.

Second, we infer when firms may benefit from a lack of social approval. While prior research has focused almost exclusively on high approval firms (e.g., Kim and King, 2014; Zavyalova et al., 2016; Park and Rogan, 2019; Parachuri, Han and Prakash, 2021), in reality, firm constructs exist with low or almost no social approval. Unlike for a higher approval organization, however, the mechanisms affecting the sensemaking of lower approval firms stem from reduced expectations and lower salience (Bundy and Pfarrer,

2015). We transfer assumptions from EVT to develop contrasting effects on how low social approval likewise colors observers' evaluative judgments. By drawing on the two bases of social approval, we further attempt to reconcile the contradictory role of social approval assets on external observers' sensemaking.

Third and finally, in terms of research on the formation of stakeholder perceptions, in particular media reactions, we show that different types of firms – family-owned and foreign – may face different evaluations of their announcements. This finding deserves special attention: While the media is set to be an objectively social control agent (e.g., Deephouse, 2000), journalists socially construct the news by referring to the social approval of a firm. Thus, the broader finding of this study is that although the media is set to deliver the objective facts, they not only assess the characteristics of the act but also the character of the actor (Greve, Palmer and Pozner, 2010; Barnett, 2014; Chandler, Polidoro and Yang, 2020). We show that expectations or lack thereof, and the 'who' committing the violation, plays an important role in how the media makes sense of restructuring decisions. As such, we extend EVT with the application in the restructuring context and with a focus on both high as

well as low expectations and try to disentangle different mechanisms for violations of these expectations in negative and positive situations.

#### **4.6.2 Practical Implications**

The results of this study also carry practical implications. With media coverage driven by factors other than the facts, firms face the challenge to find the right balance of their impression management to influence outsiders' perceptions of the firm. One finding of this study is that high social approval firms face a liability in a negative context, thus they want to employ a repertoire of impression management strategies to mitigate the effects of unfavorable coverage (e.g., Graffin, Carpenter and Boivie, 2011; Graffin, Haleblian and Kiley, 2016). For example, in our case, family firms as high social approval actors may want to shift the attention of the media away by strategically confounding downsizing announcements. This can diminish media agents' attention and inhibits their ability to consider the effects of this particular event in isolation (e.g., Graffin, Haleblian and Kiley, 2016; Busenbark, Lange and Certo, 2017). On the other hand, foreign firms as low social approval actors are punished in a positive setting, which

requires them to employ a different set of anticipatory impression management tactics. To set the stage so that external observers, including the media, interpret a positive firm announcement more favorably, low social approval actors can use specific framing techniques or project positive images before or concurrent to the event. Both shape audiences' perceptions and influence their thinking of an event by inducing favorable cognitions (e.g., Rhee and Fiss, 2014; Nadkarni, Pan and Chen, 2019).

#### **4.6.3 Limitations and Directions for Future Research**

As with any study, this one has limitations that warrant acknowledgement but that also build linkages for future research and extension of these initial findings. A possible limitation are contingency factors that may overlap with the social approval of a firm, thereby driving media results (e.g., Zavyalova et al., 2016; McDonnell and King, 2018; Kakkar, Sivanathan and Gobel, 2020). For example, Zavyalova et al. (2016) show in the context of negative perceived infractions that the cognitive and emotional connection to an organization explains when reputation is a benefit and a burden. McDonnell and King (2018) on the other hand find that the shift of social approval from a liability to a burden

(and vice versa) depends on a firm's blameworthiness when they are charged with a transgression. We acknowledge that media agents' identification and/or perceived blameworthiness are likely to vary considerably among journalists, which introduces measurement error. Further work is needed to shed light on the precise manner in which these contingency factors overlap with the social approval of a firm in both, a negative and positive context.

Although we show *that* high and low social approval may be beneficial and burdensome, we cannot delineate the causal mechanisms to examine *why* they shape media agents sensemaking differently (e.g., Zavyalova et al., 2016; Kakkar, Sivanathan and Gobel, 2020). We have highlighted some potential arguments above, but each of the mechanisms merits further exploration in its own right. In-depth case studies, surveys, or experiments with journalists would be useful in establishing exactly which of the mechanisms account for the effect of high and low social approval being a benefit and burden (Clayman and Reisner, 1998; Schultz, 2007). We therefore encourage future research to examine more closely the sensemaking of journalists as positive and negative events unfold. This helps to explore the exact nature of the theoretical mechanisms identified in this study.

Furthermore, it is not clear how our findings might be transferable to other national settings. As an example, consider workforce downsizing. As we have argued above, laying off employees displays a violation of media agents' expectations, which, in turn, serves as the intellectual bridge to propose the contrasting effects of high and low social approval. But the perceived violation that downsizing decisions trigger may vary across countries and continents. For example, the U.S. media landscape may perceive a layoff decision as a milder violation opposed to media outlets we have sampled in Germany. The German context we study is different: Dismissed employees remain unemployed for a significant longer time and the German labor market places more emphasis on employment security (OECD, 2004). This has the effect when a firm undertakes a downsizing decision in Germany, external observers will perceive such conduct as more unfair as it undermines the well-being of employees (Pfeifer, 2007). We leave it to future research to test how high and low social approval function as a benefit and burden in other restructuring settings.

Finally, and perhaps most striking, we theorized about the effects of low and high social on media agents sensemaking but did not measure social approval directly. Rather, we used

two proxies – family firms to account for higher approval organizations, and foreign firms to account for low approval firms. We did so as it remains challenging to reliably detect the social approval of a firm (for a critical overview, see Pollock et al., 2019). More recent research aims to fill this void by providing more in-depth measurements (e.g., Lovelace et al., 2021), but research is far from being complete. We therefore encourage future research to seek more direct measures of a firm’s social approval to test the robustness of our findings.

## **4.7 Conclusion**

In times of a media informed society with immediate feedback cycles, firms need to know when their behavior results in more positive or more negative evaluative judgment. Our study challenges and extends existing understanding as it focuses on the impact of social approval on external observers’ sensemaking. Rather than conceptualizing social approval as either a benefit or a burden, we show that it can be both, a benefit and burden to the same organization. This effect depends on the positive or negative nature of a particular event. In doing so, we offer



new understanding on the effects of social approval – a phenomenon that scholars need to understand more completely.

## CHAPTER 5. Concluding Remarks

With their goal of finding the right allocation of human resources, employment restructuring ranks among the most important strategic decisions inside a firm. Firms often revert to employment restructuring in times of macroeconomic turbulences. As evident during COVID-19, firms employed and keep on employing corporate restructuring as a strategic tool to overcome the envisioned economical setbacks. This is particularly true for Europe. According to a survey by *McKinsey & Company* in early 2020, 92 percent of European restructuring experts anticipated to see overall restructuring activity rise for 2020-2021. A trend that they expected to have its highest impact in (Western) Europe (*McKinsey & Company*, 2021). A more recent restructuring report by *Eurofound* (European Foundation for the Improvement of Living and Working Conditions) mirrors these expectations. Alone in the European Union, the COVID-19 pandemic has led to a doubling of restructuring instances in the first half of 2020 to the rolling average (*Eurofound*, 2020).

Aligning human resources is, however, not only a phenomenon to different kinds of financial threats or economical setbacks. The chief rationale that firms often cite

for engaging in employment restructuring is an intentional and deliberate approach toward a better use of staff. It is therefore not an understatement to describe employment restructuring as a ubiquitous corporate strategy of modern-day organizational life. Now, more than ever, firms and their respective decision-makers are dependent on new and fine-grained research outputs to understand the phenomenon of employment restructuring.

While some research exists that addresses this complex issue, scientific output remains surprisingly scarce. This is especially striking when comparing employment restructuring to research output that focuses on expansionary strategies, including mergers and acquisitions, joint ventures, and alliance formations. Although expansionary strategies aim to increase the scope of a firm, and employment restructurings aim to reduce a firm's boundaries, they both share the same strategic intent: In which business fields to participate, and in which not. Despite sharing the same strategic goal, significantly more academic research has been conducted about the former than the latter. In the last 5 years, for instance, the *Strategic Management Journal*, *Academy of Management Journal*, *Journal of Management*, *Journal of Management Studies*, *Administrative Science Quarterly*, and

*Organization Science* published 198 articles unpacking research questions for mergers and acquisitions, joint ventures and/or alliance formations. In contrast, 49 articles were published during the same period addressing employment restructuring (with a large proportion dealing with employment downsizing rather than upsizing).<sup>7</sup> Many open gaps exist, and there is the need to monitor employment restructuring more closely through alternative theoretical lenses. This includes more fine-grained research outputs along the antecedents and consequences of employment restructuring.

The overall goal of this dissertation was to respond to these calls by transferring assumptions from social psychology and socio-cognitive research to employment restructuring. Specifically, this dissertation sheds new light to the question of why organizations initiate restructuring decisions (i.e., antecedents). At the same time, the findings presented here inform organizations about the potential damages on their social approval when announcing restructuring decisions, as

---

<sup>7</sup> This analysis was conducted with the help of Web of Science, using the following keywords (presented with their variants): *merg\**, *acqui\**, *M&A*, *alliance\**, *joint ventur\**, *JV* (=expansionary strategies), *restruc\**, *downsi\**, *upsiz\**, *divest\**, *asset restructuring* (=employment restructuring).

well as socio-cognitive framing techniques to sell their restructuring ‘news’ (i.e., consequences). All findings are based on novel and rigorous empirical analyses, thereby advancing theory and practice in several ways.

The study reported in Chapter 2 focuses on key decision-makers responsible for crafting employment restructuring decisions. By highlighting how CEOs socially influenced moral stances shape the character of these decisions, new insights were generated beyond the prevalent (and well documented) efficiency perspective in employment restructuring. This is not to say that the moral stances of CEOs are the ultimate truth or the only socio-cognitive antecedents affecting employment restructuring. Rather, it is a first step in trying to open up the human component of employment restructuring. Many other socio-cognitive impediments are suitable to study, several of which were identified in the discussion section. The study in Chapter 2 is therefore to be seen as the initial starting point to stimulate further work in this regard.

The study described in Chapter 3 identifies socio-cognitive framing tools for firms to ‘whitewash’ their restructuring decisions. The study suggests that firms can use cost-

effective socio-cognitive framing tools to garner more positive media reactions when announcing negative perceived downsizing decisions to the public. The findings are among the first to delineate causal mechanisms for socio-cognitive framing effectiveness. In current times, such a finding warrants specific acknowledgment: With news spreading in seconds all over the globe and immediate feedback cycles, firms cannot restrict themselves to initiate time consuming impression management techniques – CSR, technical or ceremonial actions – to mitigate the effects of negative perceived firm decisions, such as workforce downsizing. What they need are effective tools that are set to garner more positive reactions before or contemporaneous to an event. More generally, the approach in Chapter 3 also differs from other approaches that apply a socio-cognitive perspective. Instead of showing how (social) psychological may be used to explain inefficient decision-making, psychological mechanisms can have its merits to the firm and should be more strongly embedded in impression management. The study presented in Chapter 3 is the first to build such socio-cognitive linkages, hoping to bolster this important research stream.

The study in Chapter 4 shifts the focus on social approval assets of firms. It examines the degree to which journalists incorporate prior social approval in their sensemaking about restructuring announcements. As shown above, journalists are selective in their allocation of attention, with prior social approval coloring the way they filter information. The broader implications are that although the media is set to deliver the objective facts about firm behavior, in reality media coverage is driven by factors other than the facts. The study in Chapter 4 emphasizes that journalists not only assess the characteristics of the act, but the character of the actor. This is theoretically and practically relevant. As the study focuses on both a negative (downsizing) and positive (upsizing) context to assess the impact of social approval on media agents sensemaking, it can reveal what otherwise would be hidden: When high social approval is of a benefit *and* burden for the same organization and when low social approval may be beneficial *and* burdensome. Firms need to know when their social approval (high vs. low) is of a benefit and burden. Only then they can employ the tools necessary to mitigate the effects of unfavorable media coverage. In its closing, the study in Chapter 4 builds several linkages to future research avenues. This is an area where scientific

research has potentially a lot to give for the strategic management of organizations.

In summary, this dissertation provides new perspectives to the antecedents and consequences of employment restructuring by applying theories from socio-cognitive and social psychology research. Of course, one research stream alone is not sufficient to explain the complex nature of employment restructuring (it can never be). Many other schools of thought are just as important – for example, the institutional environment or the firm’s resources, capabilities, and competencies. But these research streams have been used exhaustively in the past to explain why some firms are more successful than others, and why it leads to a competitive advantage when they undertake strategic decisions, including employment restructuring.

The emerging socio-cognitive perspective in strategic management expands the theoretical underpinnings of strategy making. It broadens the focus by examining how the socially influenced decision-maker inside the firm shapes strategic decisions. Beyond the decision-maker, the socio-cognitive perspective also addresses the roles of observers’ attention and their bounded rationality, which, in turn,



impacts their sensemaking of firms' actions, performance, and other outcomes. This work has only begun to scratch the surface, but combined, they allow to provide new nuances to the question of how firms obtain and sustain competitive advantage. With its relevance to explain 'real world' decision-making outcomes, and the focus of the interplay between perceiver and perceived, the socio-cognitive perspective in strategic management provides the opportunity to conduct exciting research along several other strategic decisions. Employment restructuring represents just one crucial strategic decision. Many more are eligible to study through a socio-cognitive lens.

## **Appendix A - Supplemental Analyses and Endogeneity Assessment (Study 1)**

As described in the main body of text, several additional analyses were conducted to confirm the robustness of the results for the study “Opening up their Moral Stances: How CEO Moral Foundations Influence Downsizing Decisions” (Study 1). These supplemental analyses are reported below and confirm that a) the individualizing foundations of CEOs impact the severity of downsizing decisions and b) that this baseline relationship is moderated by managerial discretion and CEO age.

To further rule out that omitted variables and reverse causality are not biasing the assertions made in this study, several endogeneity assessments were conducted. These results are also reported below. All results for the supplemental analyses and endogeneity assessments were performed in STATA. We begin by describing the results for the supplemental analyses. The results for the endogeneity assessment are presented afterwards.

## Supplemental Analyses

### *Additional behavioral mechanisms*

Several additional controls from behavioral strategy were embedded to rule out their impact on the severity of downsizing decisions. Among them is *CEO emotionality* (Gamache and McNamara, 2019), *CEO future, present, and past focus* (Nadkarni and Chen, 2014), and the *CEO promotion focus* (Gamache et al., 2015). These behavioral mechanisms represent important antecedents of CEO strategic decision-making in various contexts, including acquisitions, alliance formations, and others. They were measured by relying on prior established dictionaries that were uploaded into the Linguistic Inquiry Word Count (LIWC)–software (Pennebaker, Booth and Francis, 2007).

The results of these behavioral mechanisms affecting the severity of downsizing decisions are reported in Table 10 (see next page). As shown in the regression output below, neither of them had a statistically relevant impact on the severity of downsizing decisions (all  $p > 0.1$ ).

**Table 10 GEE Tobit Regression Predicting the Severity of Downsizing Decisions**

Variables	Model 1 (Control Model)	Model 2 (Temporal Focus)	Model 3 (Promotion Focus)	Model 4 (Positive Emotion)	Model 5 (Full Model)
Firm Size	-0.014** (0.005)	-0.015** (0.006)	-0.014* (0.005)	-0.013* (0.005)	-0.014* (0.006)
High Reputation	0.011 (0.011)	0.011 (0.011)	0.011 (0.011)	0.009 (0.011)	0.010 (0.011)
Firm Age	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Performance Decline	-0.002 (0.014)	-0.006 (0.015)	-0.003 (0.014)	-0.007 (0.015)	-0.008 (0.015)
Net Profit Margin	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001+ (0.001)	-0.001 (0.001)
Firm Leverage	0.002* (0.001)	0.003* (0.001)	0.002* (0.001)	0.002+ (0.001)	0.002* (0.001)
Family Ownership	-0.004 (0.014)	-0.005 (0.014)	-0.004 (0.014)	-0.006 (0.015)	-0.006 (0.014)
Downsizing Activity	-0.003* (0.001)	-0.003* (0.001)	-0.003* (0.001)	-0.003* (0.001)	-0.003* (0.001)
CEO Experience	-0.017 (0.010)	-0.015 (0.011)	-0.017 (0.010)	-0.016 (0.010)	-0.014 (0.011)
CEO Turnover	0.011 (0.014)	0.007 (0.014)	0.011 (0.014)	0.011 (0.014)	0.008 (0.014)
CEO Background	-0.011 (0.012)	-0.012 (0.012)	-0.011 (0.012)	-0.012 (0.012)	-0.013 (0.012)
CEO Tenure	0.003 (0.002)	0.002 (0.002)	0.003 (0.002)	0.003 (0.002)	0.002 (0.002)
CEO Age	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)
Managerial Discretion	-0.005+ (0.002)	-0.005* (0.003)	-0.005+ (0.002)	-0.005+ (0.003)	-0.006* (0.003)
CEO Past Focus		0.000 (0.008)			0.001 (0.008)
CEO Present Focus		-0.001 (0.003)			-0.002 (0.003)
CEO Future Focus		0.019 (0.012)			0.181 (0.003)
CEO Promotion Focus			0.003 (0.016)		-0.005 (0.019)
CEO Emotionality				0.005 (0.005)	0.005 (0.007)
Probability > F	0.000	0.000	0.000	0.000	0.000

Notes: n = 218 for each model. Clustered standard errors in parentheses. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

### ***Background interactions***

Furthermore, alternative interactions between the CEOs' individualizing foundations and other demographic variables – including turnover, tenure, experience, and finance

background – on the dependent variable were tested. To do so, the following interaction terms were computed: *individualizing foundation x financial background*, *individualizing foundation x tenure*, *individualizing foundation x turnover*, *individualizing foundation x experience*. The main rationale was that other person-invariant mechanisms may strengthen or weaken the activation of CEOs individualizing foundations. For example, Graf-Vlachy, Bundy, and Hambrick (2020) show that advancing tenure activates cognitive complexity. In line with this, other research has shown that, for instance, longer tenure impacts (older) CEOs to undertake fewer and smaller strategic initiatives (e.g., Hambrick, Geletkanycz and Fredrickson, 1993). These results are shown in Table 11 (see next page). As evident, no interaction term is significant (all  $p > 0.1$ ), thereby indicating that they do not shape the effect of the individualizing foundations on the severity of downsizing decisions. As such, neither turnover, tenure, experience, or finance background are mechanisms influencing the activation of moral stances (which is supportive of theoretical considerations proposed here).

**Table 11 Tobit Regression Predicting the Severity of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Individualizing Foundation	-0.095** (0.030)	-0.085** (0.032)	-0.084** (0.027)	-0.074** (0.028)	-0.123** (0.037)
Firm Size	-0.839 (0.273)	-0.029*** (0.005)	-0.028*** (0.005)	-0.028*** (0.004)	-0.028*** (0.004)
High Reputation	0.012 (0.011)	0.031** (0.010)	0.031** (0.010)	0.030** (0.010)	0.031** (0.010)
Firm Age	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Performance Decline	0.012 (0.016)	0.006 (0.011)	0.007 (0.011)	0.010 (0.012)	0.009 (0.011)
Net Profit Margin	-0.000 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.000 (0.001)	-0.001 (0.001)
Firm Leverage	0.002+ (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Family Ownership	-0.007 (0.013)	-0.010 (0.013)	-0.010 (0.013)	-0.010 (0.013)	-0.011 (0.012)
Downsizing Activity	-0.004** (0.002)	-0.004* (0.002)	-0.004** (0.001)	-0.004** (0.001)	-0.004** (0.001)
CEO Experience	-0.008 (0.011)	0.008 (0.010)	0.008 (0.010)	0.007 (0.010)	0.007 (0.010)
CEO Turnover	0.013 (0.014)	0.018 (0.014)	0.018 (0.013)	0.017 (0.013)	0.019 (0.013)
CEO Background	-0.015 (0.011)	-0.010 (0.011)	-0.010 (0.011)	-0.010 (0.011)	-0.011 (0.011)
CEO Tenure	0.002 (0.002)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
CEO Age	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Managerial Discretion	-0.007* (0.003)	-0.005+ (0.003)	-0.005+ (0.003)	-0.005+ (0.003)	-0.005* (0.003)
<i>Individualizing Foundation x Financial Background</i>		0.006 (0.061)			
<i>Individualizing Foundation x Tenure</i>			0.002 (0.007)		
<i>Individualizing Foundation x Turnover</i>				-0.060 (0.057)	
<i>Individualizing Foundation x Experience</i>					0.089 (0.046)
Probability > F	0.000	0.000	0.000	0.000	0.000

Notes: n = 218 for each model. Clustered standard errors in parentheses. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

## ***Regulatory forces***

Another important supplemental analysis addresses regulatory forces in the German context. As highlighted in the main text above, there are some important institutional settlements to which firms (and their respective CEOs) must adhere to. The most important ones are the employment

protection law (*‘Kündigungsschutzgesetz’*) and the workers codetermination law (*‘Betriebsverfassungsgesetz’*). These laws apply to all employees in companies whose workforce exceeds ten employees, and who have been employed for this company for at least six months. If a firm undertakes a large-scale downsizing decision, the same company has to consider social issues, like the duration of service in the company, age, obligations to pay maintenance and chances of re-employment (Fiss and Zajac, 2006; Pfeifer, 2007).

To account for these regulatory forces, another dependent variable called downsizing harshness was constructed. Based on prior research (Iverson and Zatzick, 2007), this variable was measured categorical as a continuum, ranging from low downsizing harshness to high downsizing harshness. ‘1’ captures all downsizing strategies with low harshness (alternative strategies, such as attrition and redeployment), whereas ‘2’ accommodates for moderate low downsizing harshness by capturing voluntary layoffs and/or early retirement schemes. ‘3’ captures moderate harsh downsizing strategies, including a combination of voluntary and compulsory layoffs. ‘4’ on the other hand displays high downsizing harshness with compulsory layoffs. Given the categorical and ordinal structure of this dependent variable,

ordinal logistic regression analysis was used to predict the effect of the individualizing foundations on the harshness of downsizing decisions. They are reported in Table 12.

**Table 12 Ordered Logistic Regression Predicting the *Harshness* of Downsizing Decisions**

Variables	Model 1	Model 2
Firm Size	-0.030 (0.102)	0.057 (0.1119)
High Reputation	-0.410 (0.383)	-0.182 (0.469)
Firm Age	-0.004 (0.002)	-0.000 (0.002)
Performance Decline	-1.037+ (0.625)	-0.144+ (0.756)
Net Profit Margin	-0.027 (0.018)	0.015 (0.022)
Firm Leverage	-0.021 (0.044)	-0.014 (0.058)
Family Ownership	0.191 (0.373)	0.141 (0.450)
Downsizing Activity	-0.002 (0.050)	-0.140 (0.063)
CEO Downsizing Experience	0.043 (0.345)	0.055 (0.421)
CEO Turnover	-0.144 (0.422)	-0.559 (0.509)
CEO Background	-0.167 (0.314)	-0.530 (0.385)
CEO Tenure	-0.014 (0.043)	-0.014 (0.049)
CEO Age	-0.067* (0.030)	-0.081* (0.036)
Managerial Discretion	-0.108 (0.159)	-0.039 (0.217)
Individualizing Foundations		-1.534*** (0.419)
Prob > chi2	0.043	0.000
Pseudo R <sup>2</sup>	0.096	0.207

Notes: n = 218 for each model. Clustered standard errors in parentheses. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1



As shown in the regression output below, the coefficient for the individualizing foundations of a CEO was negative and significant ( $\beta = -1.534$ ;  $p = 0.000$ ), meaning that CEOs with higher individualizing foundations pursue less harsh downsizing approaches.

### **Endogeneity Assessment**

Endogeneity refers to a correlation between the independent variable and the equation's error term (also known as 'disturbance' or 'residual'), and may bias the assertions that researchers make regarding hypothesized effects (Semadeni, Withers and Certo, 2014).

#### ***Reverse causality***

According to the attraction-selection-attrition theory, individuals may be drawn to specific contexts. Or in the present case, CEOs with specific values may be attracted to a certain industry sector with specific preexisting moral foundations (Chatterjee and Hambrick, 2007; Chin, Hambrick and Treviño, 2013; Gupta and Wowak, 2017). To assess the potential for reverse causality, the CEOs individualizing foundations were regressed on the following industry dummies (Chin, Hambrick and Treviño, 2013):

Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, IT, Utilities. As shown in Table 13 (see next page), except for the health care sector ( $\beta = 0.331$ ;  $p = 0.000$ ), all other industry dummies remained insignificant (all  $p > 0.1$ ). As such, reverse causality seems not to bias the results regarding the effect of the individualizing foundations on the severity of downsizing decisions.

**Table 13 OLS Regression Predicting the Individualizing Foundations of CEOs**

Variables	Model 1
Energy	0.032 (0.041)
Materials	-0.065 (0.038)
Industrials	-0.007 (0.038)
Consumer Discretionary	-0.011 (0.033)
Consumer Staples	0.013 (0.040)
Health Care	0.331*** (0.082)
Financials	0.014 (0.035)
IT	0.045 (0.038)
Utilities	-0.025 (0.038)
Prob > F	0.000
R-squared	0.239

Notes: n = 218. Robust standard errors in parentheses \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

### ***Omitted variable***

To account for an omitted variable bias, the ‘Impact Threshold of a Confounding Variable’ – (ITCV)-test was performed. The ITCV test allows researchers to determine how strongly correlated an omitted variable would have to be to invalidate a given inference (e.g., Frank, 2000; Harrison et al., 2018; Gamache and McNamara, 2019). An array of control variables was included to check for potential alternative explanations relating to the CEO individualizing foundations (as independent variable) and downsizing severity (as dependent variable). A total of 34 control variables were considered, but not all of them included in the main analysis (see Gamache et al. (2019) for a similar approach). Based on the inclusion of these controls, the impact threshold for a confounding variable was calculated with the help of the user-written `konfound` command in STATA (Xu et al., 2019).

According to the `konfound` command, an omitted variable would have to be correlated at 0.336 and at -0.336 with the predictor of interest (conditioning on observed covariates. signs are interchangeable) and dependent variable to invalidate an inference. These thresholds can be compared

with the impacts of observed covariates below. As shown in Figure 7, no variable met this threshold.

**Figure 7 ITCV-Analyses (Study 1)**

Raw	Cor(v, X)	Cor(v, Y)	Impact
sector	.0959	.1977	.019
pos_emo	.1324	.1214	.0161
consumer_d-y	-.0768	-.1625	.0125
activity	-.098	-.0977	.0096
industrials	-.1053	-.0603	.0064
futurefocus	.054	.0837	.0045
materials	-.1148	-.0326	.0037
decline	.1192	.0188	.0022
IT	.0291	.0266	.0008
tenure	.0022	.0983	.0002
family	-.001	-.1085	.0001
consumer_s-s	.0047	-.0745	-.0003
financials	-.0114	.072	-.0008
communicat-s	-.0399	.0413	-.0016
focuspresent	.0592	-.0324	-.0019
leverage	-.0372	.058	-.0022
background	.0346	-.0724	-.0025
promotion	.127	-.0223	-.0028
discretion	.0405	-.0729	-.003
turnover	-.0702	.0609	-.0043
equity	-.0383	.1292	-.0049
margin	.1717	-.0401	-.0069
ceo_age	.0934	-.128	-.012
focuspast	-.1475	.0927	-.0137
health_care	.469	-.0392	-.0184
experience	.1047	-.1812	-.019
reputation	.1507	-.1275	-.0192
logsales	.1154	-.2592	-.0299
firm_age	.2257	-.139	-.0314
logincome	.19	-.2322	-.0441

Partial	Cor(v, X)	Cor(v, Y)	Impact
consumer_d-y	-.04	-.2258	.009
pos_emo	.1324	.0552	.0073
materials	-.1112	-.0644	.0072
family	-.1034	-.0501	.0052
industrials	-.0371	-.1341	.005
communicat-s	-.0159	-.1408	.0022
margin	.0315	.0486	.0015
logincome	.0143	.0394	.0006
futurefocus	.0018	.0873	.0002
decline	.107	-.0027	-.0003
financials	.006	-.1782	-.0011
reputation	-.025	.0516	-.0013
activity	.0209	-.074	-.0015
promotion	.0553	-.0383	-.0021
ceo_age	.036	-.0723	-.0026
equity	-.0286	.1002	-.0029
turnover	-.0293	.1143	-.0033
logsales	.0398	-.116	-.0046
focuspresent	-.0891	.0541	-.0048
discretion	.0503	-.0946	-.0048
consumer_s-s	.0441	-.1424	-.0063
sector	-.0256	.2627	-.0067
background	.0391	-.1793	-.007
IT	.0349	-.2044	-.0071
firm_age	.1494	-.0496	-.0074
leverage	-.0612	.1343	-.0082
focuspast	-.0797	.1438	-.0115
tenure	-.0633	.1864	-.0118
experience	.1255	-.1038	-.013
health_care	.3925	-.2274	-.0893

In an additional attempt to cope with an omitted variable bias, we followed the approach advised by Wiersema and Zhang (2011). This required us to first regress the CEOs' individualizing foundations on all control variables in the respective models and then calculate residual values of the CEOs individualizing foundations. The residuals obtained were then integrated in the main analysis, replacing the observed values of CEOs individualizing foundations. Therefore, the goal was to test whether the component of

CEOs individualizing foundations that was uncorrelated with our control variables had a significant effect on the downsizing severity (see also, König et al., 2018). The results are reported in the Table 14 (coefficient for *individualizing foundation (residuals)*).

**Table 14 OLS Regression Predicting the Severity of Downsizing Decisions**

Variables	Model 1	Model 2
Firm Size	0.006 (0.007)	-0.015 (0.003)
High Reputation	0.024 (0.027)	0.009 (0.013)
Firm Age	0.000** (0.000)	-0.000+ (0.000)
Performance Decline	0.066 (0.046)	0.005 (0.023)
Net Profit Margin	0.003* (0.001)	0.000 (0.000)
Firm Leverage	-0.000 (0.003)	-0.001 (0.001)
Family Ownership	-0.008 (0.026)	-0.006 (0.013)
Downsizing Activity	-0.007* (0.003)	-0.003* (0.001)
CEO Experience	-0.003 (0.024)	-0.007 (0.012)
CEO Turnover	-0.029 (0.030)	-0.015 (0.015)
CEO Background	0.011 (0.022)	-0.015 (0.011)
CEO Tenure	0.000 (0.003)	0.001 (0.001)
CEO Age	0.001 (0.002)	-0.001 (0.001)
Managerial Discretion	0.005 (0.011)	-0.007 (0.005)
<i>Individualizing Foundation (Residuals)</i>		-0.095** (0.369)
Prob > F	0.003	0.000
R-squared	0.231	0.307

Notes: n = 218 for each model. Standard errors in parentheses. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

As it is evident from the output, the coefficient for *individualizing foundation (residuals)* is negative and significant ( $\beta = -0.954$ ;  $p = 0.006$ ), thereby increasing the confidence in the results that the individualizing foundations of CEOs impact the severity of downsizing decisions.

To further rule out the possibility of an omitted variable bias, we used *fixed-effects regression* analysis because this estimation procedure deals with unobserved heterogeneity as it “factors out all time-variant between-firm variance in the independent and dependent variables” (Gupta and Wowak, 2017, p. 15). These results are presented below.

As shown in the Table 15 (see next page), fixed-effects regression yields similar results to those obtained from the main analysis. That is, the coefficient for the individualizing foundations of CEOs is negative and significant ( $\beta = -0.095$ ;  $p = 0.032$ ), suggesting that the higher the moral stances, the lower the downsizing severity. Similarly, for the interaction terms, results remained unchanged to those observed in the main analysis. Not only is the interaction term *individualizing foundation x managerial discretion* negative and significant ( $\beta = -0.041$ ;  $p = 0.075$ ), but also the other

interaction term *individualizing foundation x CEO age* is significant and negative ( $\beta = -0.015$ ;  $p = 0.015$ ). This suggests that they strengthen the baseline relationship between the individualizing foundations and downsizing severity. Based on the endogeneity assessments conducted, it appears unlikely that an omitted variable invalidates the findings from the main analysis.

**Table 15 *Fixed-Effects Regression* Predicting the Severity of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Firm Size	-0.015*** (0.004)	-0.015*** (0.004)	-0.015*** (0.004)	-0.013*** (0.004)	-0.013*** (0.003)
High Reputation	0.010 (0.014)	0.012 (0.014)	0.011 (0.014)	0.008 (0.014)	0.007 (0.013)
Firm Age	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Performance Decline	0.006 (0.024)	0.012 (0.023)	0.012 (0.023)	0.014 (0.023)	0.014 (0.023)
Net Profit Margin	-0.001 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.000)
Firm Leverage	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.001 (0.001)
Family Ownership	-0.006 (0.013)	-0.007 (0.013)	-0.005 (0.013)	-0.006 (0.013)	-0.003 (0.013)
Downsizing Activity	-0.004+ (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.003* (0.001)
CEO Downsizing Experience	-0.007 (0.012)	-0.008 (0.012)	-0.008 (0.012)	-0.008 (0.012)	-0.007 (0.012)
CEO Turnover	0.016 (0.015)	0.013 (0.015)	0.014 (0.015)	0.013 (0.015)	0.014 (0.014)
CEO Background	-0.016 (0.011)	-0.015 (0.011)	-0.015 (0.011)	-0.014 (0.011)	-0.014 (0.011)
CEO Tenure	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.001 (0.001)
CEO Age	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.000 (0.001)
Managerial Discretion	-0.007 (0.006)	-0.007 (0.006)	-0.009 (0.006)	-0.006 (0.006)	-0.007 (0.006)
Individualizing Foundation		-0.095* (0.037)	-0.091* (0.037)	-0.114** (0.038)	-0.109** (0.037)
Individualizing Foundation x Discretion			-0.041+ (0.043)		-0.046+ (0.042)
Individualizing Foundation x CEO Age				-0.015* (0.007)	-0.016* (0.006)
Prob > F	0.000	0.000	0.000	0.000	0.000
Overall R	0.185	0.221	0.225	0.241	0.245

Notes: n = 218 for each model. Clustered standard errors in parentheses. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1



## **Appendix B - Supplemental Analyses and Endogeneity Assessment (Study 2)**

As described in the main body of text, several additional analyses were conducted to confirm the robustness of the results for the study “A Question of Communication: Influencing Media Reactions on Downsizing Announcements” (Study 2). They address potential factors driving the media tenor surrounding downsizing announcements. Furthermore, several steps were employed to address possible endogeneity concerns. We start by describing the supplemental analyses with statistical results retrieved from STATA. Afterwards we describe and present results for our endogeneity assessments.

### **Supplemental Analyses**

#### ***Outlier effect***

Although we aimed to rule out that prior firm behavior is affecting the media tenor surrounding downsizing announcements (for example by embedding prior downsizing activity as a control variable), extreme behavior may bias the overall perceptions of media agents. To rule out that a few firms are driving the results, we created an *outlier*

dummy variable that we coded as ‘1’ if a firm announced more than three downsizing events in our time window, and ‘0’ otherwise (see for a similar approach, Chandler, Polidoro and Yang, 2020). The results are reported in Table 16.

**Table 16 GLS Regression Predicting the Media Tenor of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Outlier</i>	-0.085 (0.084)	-0.121 (0.083)	-0.128 (0.082)	-0.118 (0.082)	-0.126 (0.081)
Firm Income, EBIT	-0.008 (0.104)	-0.028 (0.102)	-0.051 (0.102)	-0.018 (0.102)	-0.041 (0.243)
Net Profit Margin	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)
German Family Ownership	0.233** (0.075)	0.173* (0.076)	0.174* (0.075)	0.180* (0.076)	0.180* (0.079)
Downsizing Activity in Industry	0.011 (0.010)	0.013 (0.010)	0.014 (0.010)	0.011 (0.010)	0.012 (0.010)
Prior Downsizing Activity	0.043 (0.078)	0.052 (0.076)	0.064 (0.076)	0.051 (0.076)	0.063 (0.075)
Social Compatible Announcement	0.019 (0.062)	0.018 (0.060)	0.031 (0.060)	0.032 (0.060)	0.044 (0.060)
Contested Sector	0.271 (0.238)	0.415+ (0.237)	0.426+ (0.236)	0.260 (0.248)	0.271 (0.246)
Number of Press releases	0.007 (0.009)	0.003 (0.009)	0.003 (0.009)	0.004 (0.009)	0.003 (0.009)
Positive Emotion	0.005** (0.002)	0.004** (0.002)	0.004** (0.001)	0.004** (0.002)	0.003** (0.001)
Language Simplicity	-0.016 (0.014)	-0.019 (0.013)	-0.017 (0.013)	-0.015 (0.013)	-0.014 (0.013)
Language Abstraction	0.015* (0.006)	0.015* (0.006)	0.015** (0.006)	0.014* (0.006)	0.014* (0.006)
Social Distance	0.083 (0.056)	0.073 (0.055)	0.074 (0.054)	0.082 (0.055)	0.082 (0.054)
Downsizing Severity		-0.756** (0.234)	-0.723** (0.233)	-0.606* (0.245)	-0.573* (0.243)
Severity x Abstraction			0.112* (0.050)		0.112* (0.050)
Severity x Socialdistance				0.885* (0.443)	0.884* (0.439)
Industry Dummies	Yes	Yes	Yes	Yes	Yes
Prob > chi2	0.001	0.000	0.000	0.000	0.000
Overall R <sup>2</sup>	0.173	0.209	0.226	0.223	0.236

Notes: n = 253 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

As shown in the in Table 16, extreme outlier effects are not influencing the media tenor as the coefficient is statistically not significant in any of the models (in all models,  $p > 0.1$ ). At the same time, the main variables of interest retain their significant signs and correspond to those values observed in the main analysis.

### *Alternative measure of independent variable*

As described in the main body, we also included a different way of measuring the independent variable to predict the media tenor. Naturally, there are many different ways to do so. We decided to use the total *amount* of employees dismissed per downsizing announcement (represented in total numbers of employees dismissed). Following psychological considerations, the main rationale was that the number of dismissed employees may serve as a cognitive anchor.

As shown in the in Table 17 (see next page), this coefficient is not significant in any model (in all models,  $p > 0.1$ ). We also created interaction terms between the *amount* of dismissed employees and our socio-cognitive stimuli of interest – social distance and abstract language in the

downsizing announcements. Both terms, *amount x socialdistance* and *amount x abstraction*, are statistically not significant (all,  $p > 0.1$ ), which is in line with our theoretical considerations.

**Table 17 GLS Regression Predicting the Media Tenor of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4
Firm Income, EBIT	-0.003 (0.104)	-0.004 (0.105)	-0.002 (0.105)	-0.002 (0.104)
Net Profit Margin	0.002 (0.003)	0.003 (0.003)	0.002 (0.003)	0.002 (0.002)
German Family Ownership	0.231** (0.075)	0.231** (0.076)	0.225** (0.076)	0.225** (0.076)
Downsizing Activity in Industry	0.010 (0.010)	0.010 (0.010)	0.010 (0.010)	0.010 (0.010)
Prior Downsizing Activity	0.017 (0.073)	0.016 (0.073)	0.014 (0.073)	0.013 (0.073)
Social Compatible Announcement	0.021 (0.062)	0.023 (0.063)	0.022 (0.062)	0.022 (0.062)
Contested Sector	0.275 (0.239)	0.280 (0.240)	0.276 (0.240)	0.281 (0.240)
Number of Press releases	0.008 (0.010)	0.009 (0.010)	0.007 (0.010)	0.008 (0.010)
Positive Emotion	0.005** (0.002)	0.005** (0.002)	0.005** (0.002)	0.004** (0.001)
Language Simplicity	-0.017 (0.014)	-0.017 (0.014)	-0.017 (0.014)	-0.016 (0.013)
Language Abstraction	0.015* (0.006)	0.015* (0.006)	0.014* (0.007)	0.013* (0.006)
Social Distance	0.083 (0.056)	0.078 (0.058)	0.082 (0.056)	0.076 (0.058)
<i>Amount</i>	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
<i>Amount x Socialdistance</i>		-0.000 (0.000)		-0.000 (0.000)
<i>Amount x Abstraction</i>			-0.000 (0.000)	-0.000 (0.000)
Industry Dummies	Yes	Yes	Yes	Yes
Prob > chi2	0.001	0.002	0.001	0.002
Overall R <sup>2</sup>	0.170	0.171	0.171	0.172

Notes: n = 253 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

### *Alternative measure of dependent variable*

Furthermore, we also tested alternative operationalizations for our dependent variable ('media tenor'). Recall that we analyzed the media content by using the German version of the LIWC-Software, which has pre-validated and pre-designed dictionaries of words measuring the positive and negative emotion (valance) of a given text. We then followed the common approach in media-related research. That is, we coded media articles as positive if the total affective content was at least 60% positive, and negative if its total affective content was at least 60% negative. In a final step, we measured the media tenor about a focal firm's downsizing announcement by employing the Janis-Fader coefficient of imbalance. To account for the fact that this measure allocates heavier weight to articles that are strongly positive or strongly negative, we used different cutoff-levels for the coding of articles. Specifically, for the supplemental analyses, we coded articles as 'positive' or 'negative' at the 55 and 65 percent levels of positive (negative) affective content (e.g., Pfarrer, Pollock and Rindova, 2010; Titus, Parker and Erin Bass, 2018).

In Table 18 the regression results are emphasized for the dependent variable (media tenor) operationalized at the 55 percent cut-off-level.

**Table 18 GLS Regression Predicting the Media Tenor with Cut-Off-Level 55 Percent of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4
Firm Income, EBIT	-0.016 (0.113)	-0.037 (0.113)	-0.011 (0.113)	-0.032 (0.1112)
Net Profit Margin	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.002)
German Family Ownership	0.155+ (0.084)	0.152+ (0.083)	0.160+ (0.084)	0.157+ (0.083)
Downsizing Activity in Industry	0.002 (0.013)	0.003 (0.013)	0.000 (0.013)	0.001 (0.012)
Prior Downsizing Activity	0.013 (0.080)	0.024 (0.080)	0.011 (0.080)	0.021 (0.079)
Social Compatible Downsizing	0.034 (0.066)	0.045 (0.066)	0.045 (0.066)	0.055 (0.066)
Contested Sector	0.444+ (0.263)	0.459+ (0.262)	0.332 (0.276)	0.348 (0.274)
Number of Press releases	0.000 (0.010)	-0.001 (0.010)	0.001 (0.010)	0.000 (0.010)
Positive Emotion	0.004** (0.002)	0.004* (0.002)	0.004* (0.002)	0.003* (0.001)
Language Simplicity	-0.021 (0.015)	-0.021 (0.015)	-0.018 (0.015)	-0.018 (0.015)
Language Abstraction	0.012+ (0.007)	0.013+ (0.007)	0.012+ (0.007)	0.012+ (0.006)
Social Distance	0.058 (0.062)	0.061 (0.062)	0.061 (0.062)	0.064 (0.061)
Downsizing Severity	-1.094*** (0.257)	-1.077*** (0.256)	-0.980*** (0.271)	-0.963*** (0.269)
Severity x Abstraction		0.093+ (0.055)		0.092+ (0.055)
Severity x Socialdistance			0.645* (0.481)	0.639* (0.479)
Industry Dummies	Yes	Yes	Yes	Yes
Prob > chi2	0.000	0.000	0.000	0.000
Overall R <sup>2</sup>	0.230	0.240	0.236	0.239

Notes: n = 253 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

The next regression output in Table 19 (see next page) displays the results for the dependent variable (media tenor) measured at the 65 percent cut-off-level.

**Table 19 GLS Regression Predicting the Media Tenor with Cut-Off-Level 65 Percent of Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4
Firm Income, EBIT	0.022 (0.104)	0.003 (0.105)	0.027 (0.104)	0.008 (0.104)
Net Profit Margin	0.003 (0.003)	0.003 (0.003)	0.003 (0.003)	0.003 (0.002)
German Family Ownership	0.205** (0.078)	0.203** (0.077)	0.211** (0.077)	0.200** (0.077)
Downsizing Activity in Industry	-0.003 (0.012)	-0.003 (0.012)	-0.005 (0.012)	-0.004 (0.011)
Prior Downsizing Activity	0.007 (0.074)	0.016 (0.074)	0.004 (0.074)	0.013 (0.073)
Social Compatible Downsizing	0.059 (0.061)	0.068 (0.061)	0.071 (0.061)	0.080 (0.061)
Contested Sector	0.475+ (0.244)	0.488* (0.243)	0.353 (0.255)	0.366 (0.254)
Number of Press releases	-0.001 (0.010)	-0.001 (0.010)	0.000 (0.010)	-0.000 (0.009)
Positive Emotion	0.005** (0.002)	0.004** (0.002)	0.004** (0.002)	0.004** (0.002)
Language Simplicity	-0.024+ (0.014)	-0.024+ (0.014)	-0.021 (0.014)	-0.020 (0.013)
Language Abstraction	0.011+ (0.006)	0.011+ (0.006)	0.010+ (0.006)	0.010+ (0.006)
Social Distance	0.036 (0.058)	0.039 (0.057)	0.040 (0.057)	0.043 (0.057)
Downsizing Severity	-0.988*** (0.238)	-0.973*** (0.238)	-0.864*** (0.250)	-0.850*** (0.249)
Severity x Abstraction		0.079+ (0.051)		0.078+ (0.051)
Severity x Socialdistance			0.702+ (0.445)	0.697+ (0.443)
Industry Dummies	Yes	Yes	Yes	Yes
Prob > chi2	0.000	0.000	0.000	0.000
Overall R <sup>2</sup>	0.232	0.239	0.240	0.264

Notes: n = 253 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

Overall, at neither the 55 or 65 cut-off-level, the results changed, showing that a) the greater the severity of downsizing the more negative the media tenor (both coefficients for downsizing severity are negative and significant; in all models  $p < 0.001$ ); and b) that abstract language and social distance are socio-cognitive stimuli

mitigating the effects of unfavorable coverage (in both analyses, these coefficients are positive and significant, thereby mitigating the effects of negative coverage).

### **Endogeneity Assessment**

Endogeneity is a common problem in strategy and management research which may lead to biased coefficients (Bettis et al., 2014; Semadeni, Withers and Certo, 2014). It refers to a correlation between the independent variable and the equation's error term (also known as "disturbance" or "residual"), and may arise from a number of possibilities, including reverse causality and omitted variables.

#### ***Reverse causality***

Reverse causality may bias our results as *prior media visibility* may be the source for a firm's overall decision to start a downsizing program. To assess the potential for reverse causality, we counted all media articles one year prior to the focal firms downsizing event to check for (unwanted) scrutiny. We then regressed the total amounts of media articles one year prior to the downsizing announcement on the severity of downsizing decisions. We also included a subset of important financial and industry related controls.



As shown in Table 20, the coefficient for *prior media visibility* is negative but not significant ( $p > 0.1$ ), suggesting that reverse causality is not biasing the results.

**Table 20 OLS Regression Predicting the Severity of Downsizing Decisions**

Variables	Model 1	Model 2
Firm Income, EBIT	-0.024 (0.029)	-0.023 (0.029)
Net Profit Margin	0.000 (0.001)	0.000 (0.001)
High Reputation Firms	-0.053** (0.020)	-0.033 (0.023)
German Family Ownership	-0.082*** (0.020)	-0.082*** (0.020)
Energy	-0.074 (0.052)	-0.061 (0.052)
Materials	-0.033 (0.052)	-0.029 (0.052)
Industrials	-0.071 (0.046)	-0.065 (0.046)
Consumer Discretionary	-0.033 (0.048)	-0.026 (0.048)
Consumer Staples	0.006 (0.048)	0.010 (0.048)
Financials	-0.018 (0.046)	-0.005 (0.046)
IT-Sector	-0.043 (0.048)	-0.037 (0.048)
Communication Services	0.040 (0.056)	0.047 (0.056)
Utilities	0.039 (0.050)	0.044 (0.050)
<i>Prior Media Visibility</i>		-0.000 (0.000)
Prob > F	0.000	0.000
R-squared	0.165	0.174

Notes: n = 253 for each model. Standard errors in parentheses \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

### ***Omitted variable***

The other constant threat of endogeneity involves biased estimates from omitted variables. For instance, the media might overly focus on the ‘sins of saints’ (Kölbel, Busch and Jancso, 2017; Harrison et al., 2018). We included a subset of firm performance measures to reduce this concern to some extent. A more recent approach to investigate whether omitted variables are biasing estimates involves testing for the ‘Impact Threshold of a Confounding Variable’ (ITCV). The ITCV test allows researchers to determine how strongly correlated an omitted variable would have to be to invalidate a given inference (e.g., Frank, 2000; Harrison et al., 2018; Gamache and McNamara, 2019). To conduct the ITCV analyses, we used the user-written *konfound* command in STATA (Xu et al., 2019). This command facilitates the computation of both the effect size of the confounding variable and size of the correlations between the confounding variable and the independent as well as dependent variables required to invalidate an inference.

According to the *konfound* command, an omitted variable would have to be correlated at 0.281 and at -.281 with the predictor of interest (conditioning on observed covariates. signs are interchangeable) and the dependent variable to

invalidate an inference. These thresholds can be compared with the impacts of observed covariates below. As shown in Figure 8, no variable met this threshold.

**Figure 8 ITCV-Analyses (Study 2)**

Raw	Cor(v, X)	Cor(v, Y)	Impact
contested	.1852	.0454	.0084
length	-.0509	-.1206	.0061
simplicity	-.0647	-.0918	.0059
financials	.0851	-.065	.0055
reputation	-.1773	-.0395	.0054
consumer_dwy	-.1066	-.0322	.0034
union	-.026	-.0947	.0025
foreign	.2274	.0056	.0013
health_care	.0103	.059	.0006
materials	.0039	.0045	0
industry_acc	-.0014	.0803	-.0001
netmargin	-.0044	.0939	-.0004
IT	-.0669	.01	-.0007
consumer_svs	.0352	-.0378	-.0013
emotion	-.02	.1236	-.0025
prior_acc	-.064	.0462	-.003
abs_con	-.0336	.1173	-.0039
logincome	-.0939	.044	-.0041
industrials	-.147	.0318	-.0047
number_press	-.1802	.0283	-.0051
prior_media	-.1654	.0326	-.0054
energy	-.054	.1326	-.0072
socialdistwe	-.0857	.1093	-.0094
proximal	.0962	-.1051	-.0101
compatible	-.1208	.0895	-.0108
utilities	.181	-.1188	-.0215
family	-.2168	.1143	-.0248
logsize	-.3004	.0929	-.0279

Partial	Cor(v, X)	Cor(v, Y)	Impact
contested	-.1584	.0629	.01
length	-.0812	-.1037	.0084
simplicity	-.0751	-.0919	.0069
foreign	.2393	.0136	.0033
industry_acc	.0532	.0606	.0032
compatible	.0422	.0365	.0015
netmargin	.0101	.0577	.0006
logincome	-.0526	-.001	.0001
prior_acc	-.0129	.0237	-.0003
prior_media	-.0035	.076	-.0003
proximal	.0064	-.0472	-.0003
utilities	-.0056	.06	-.0003
consumer_dwy	-.0647	.0533	-.0034
consumer_svs	-.0636	.0696	-.0044
health_care	-.0293	.1593	-.0047
number_press	-.0661	.0737	-.0049
reputation	.0535	-.0978	-.0052
socialdistwe	-.0574	.0932	-.0054
abs_con	-.091	.0734	-.007
IT	-.0628	.1115	-.0075
materials	-.0553	.1359	-.0075
emotion	-.0519	.1924	-.01
union	.1132	-.1145	-.013
logsize	-.2419	.0595	-.0144
energy	-.0933	.159	-.0148
financials	-.0927	.1636	-.0152
industrials	-.1386	.1287	-.0178
family	-.1719	.1777	-.0306

## **Appendix C - Supplemental Analyses and Endogeneity Assessment (Study 3)**

As described in the main body of text, several additional analyses were conducted to confirm the robustness of the results for the study “The Benefits and Burdens of High and Low Social Approval Assets in Employment Restructuring” (Study 3). They predominantly address potential factors driving media coverage surrounding restructuring decisions. We start by describing the results conducted for Analysis I (downsizing context). Next, we highlight the results for all supplemental analyses conducted for Analysis II (upsizing context). We then highlight the results for our endogeneity assessments performed for Analysis I and Analysis II.

All statistical tests were conducted in STATA (note: Those that cannot be conducted via STATA are not reported; they are the result of a direct software output and are available from authors upon request).

## **Supplemental Analyses for Analysis I (Downsizing Context)**

### ***Outlier effect***

Although we controlled for prior downsizing announcements as a potential driver affecting media coverage (for example by embedding prior downsizing activity as a control variable), extreme behavior may bias the overall perception of media agents. To rule out that a few firms are driving the results, we created an *outlier* dummy variable that we coded as ‘1’ if a firm announced more than three downsizing events in our time window, and ‘0’ otherwise (see for a similar approach, Chandler, Polidoro and Yang, 2020). The results are reported in Table 21 (see next page).

As shown in the regression output, extreme outlier effects are not influencing the media tenor as the coefficient is not significant in any of the models (in all models,  $p > 0.1$ ). At the same time, the main variables of interest retain their significant signs and correspond to those values observed in the main analysis.

**Table 21 GEE Models Predicting *Negative Media Coverage Pertaining to Downsizing Decisions***

Variables	Model 1	Model 2
<i>Outlier</i>	0.113 (0.072)	0.092 (0.072)
Firm Income (EBIT)	-0.250+ (0.146)	-0.167 (0.149)
Net Profit Margin	-0.003 (0.002)	-0.003 (0.002)
Amount	0.000+ (0.000)	0.000+ (0.000)
Downsizing Severity	0.474* (0.209)	0.380+ (0.212)
Media Visibility	0.000 (0.000)	0.000 (0.000)
Scandal	-0.027 (0.091)	-0.031 (0.090)
Social Compatible	-0.027 (0.045)	-0.041 (0.046)
Union Presence	0.058 (0.045)	0.058 (0.045)
Prior Downsizing	0.038 (0.058)	0.037 (0.058)
Financial Crisis	0.099 (0.085)	0.122 (0.090)
Downsizing Activity	-0.011 (0.008)	-0.011 (0.008)
Contested	0.017 (0.193)	0.083 (0.194)
Ownership Structure = 1, Domestic Family Firm		0.124* (0.058)
Ownership Structure = 2, Foreign Firm		-0.104+ (0.061)
Wald chi2	55.76	66.55
Prob > chi2	0.000	0.000

Notes: n = 527 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

### ***Dependent variable***

Another important step was to use alternative ways of measuring the dependent variable to ensure the robustness of our results. Besides the affective content, we also examined whether the social approval affected journalists thought processes, reflected in the *average words* used to describe the

restructuring event (see for similar approach, Chandler, Polidoro and Yang, 2020). As this dependent variable is a count measure, we used Tobit regression to estimate the influence of high and low social approval on media agents' sensemaking. They are reported in Table 22.

**Table 22 Tobit Regression Predicting the *Average Words of Media Articles Pertaining to Downsizing Decisions***

Variables	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		148.607*** (28.314)
Ownership Structure = 2, Foreign Firm		-89.487** (29.712)
Firm Income (EBIT)	-176.698* (73.916)	-89.838 (72.540)
Net Profit Margin	0.089 (1.229)	0.108 (1.173)
Amount	0.005 (0.007)	0.004 (0.007)
Downsizing Severity	-59.575 (105.180)	-137.652 (102.966)
Media Visibility	0.006* (0.003)	0.006* (0.003)
Scandal	-26.781 (45.792)	-30.036 (43.858)
Social Compatible	56.814* (22.906)	40.890+ (22.237)
Union Presence	29.904 (22.722)	32.622 (21.693)
Prior Downsizing	42.514 (28.972)	36.036 (27.681)
Financial Crisis	-83.280* (38.760)	-57.513 (37.179)
Downsizing Activity	-3.178 (3.898)	-3.739 (3.722)
Contested	-111.179 (97.640)	-56.426 (94.400)
Pseudo R <sup>2</sup>	0.075	0.142
Prob > chi2	0.000	0.000

Notes: n = 527 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

As shown in that regression output, journalists embed significant more words to describe downsizing events by domestic family firms ( $\beta = 146.11$ ;  $p = 0.000$ ), whereas for

foreign firms they use fewer words ( $\beta = -99.50$ ;  $p = 0.003$ ). It appears that the social approval plays a role by influencing the number of words used to describe restructuring events, thereby increasing confidence in our findings across an alternative dependent variable.

### ***Estimation specification***

Finally, we explored the robustness of our results by employing *random-effects models* (e.g., Titus et al., 2018). As shown in Table 23 (see next page), the results are highly similar to those obtained in the main analysis. Both, the variable for *domestic family firm* and *foreign firm* is statistically significant ( $p < 0.1$ ).



**Table 23 *Random Effects Regression Predicting Negative Media Coverage Pertaining to Downsizing Decisions***

Variables	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		0.114+ (0.060)
Ownership Structure = 2, Foreign Firm		-0.111+ (0.063)
Firm Income (EBIT)	-0.245 (0.150)	-0.153 (0.153)
Net Profit Margin	-0.004 (0.002)	-0.004 (0.002)
Amount	0.000+ (0.000)	0.000+ (0.000)
Downsizing Severity	0.454* (0.213)	0.362+ (0.217)
Media Visibility	0.000 (0.000)	0.000 (0.000)
Scandal	-0.019 (0.093)	-0.026 (0.092)
Social Compatible	-0.029 (0.046)	-0.047 (0.047)
Union Presence	0.067 (0.046)	0.069 (0.046)
Prior Downsizing	0.055 (0.059)	0.050 (0.058)
Financial Crisis	0.104 (0.079)	0.127 (0.078)
Downsizing Activity	-0.011 (0.008)	-0.011 (0.008)
Contested	0.005 (0.198)	0.069 (0.199)
Wald chi2	54.88	65.51
Prob > chi2	0.000	0.000

Notes: n = 527 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

## **Supplemental Analyses for Analysis II (Upsizing Context)**

### ***Outlier effect***

We first tested whether *outlier* effects are driving the media coverage surrounding upsizing decisions. Here the same

logic applies: Extreme behavior in the past may influence journalists sensemaking processes. To rule out that a few firms are driving the results, we created an outlier dummy variable, coded as ‘1’ if a firm announced more than three upsizing events, and ‘0’ otherwise (e.g., Chandler, Polidoro and Yang, 2020). The results are reported in Table 24.

**Table 24 GEE Models Predicting *Positive* Media Coverage Pertaining to Upsizing Decisions**

Variables	Model 1	Model 2
<i>Outlier</i>	-0.049 (0.086)	-0.060 (0.077)
Ownership Structure = 1, Domestic Family Firm		0.650*** (0.082)
Ownership Structure = 2, Foreign Firm		-0.259** (0.093)
Firm Income (EBIT)	-0.084 (0.160)	0.042 (0.144)
Net Profit Margin	0.002 (0.003)	0.002 (0.003)
Amount	-0.000 (0.000)	-0.000 (0.000)
Upsizing Scale	-0.249 (0.415)	0.097 (0.371)
Media Visibility	-0.000+ (0.000)	-0.000+ (0.000)
Scandal	0.027 (0.121)	0.093 (0.108)
Prior Upsizing	-0.050 (0.083)	-0.026 (0.074)
Financial Crisis	-0.033 (0.138)	-0.103 (0.125)
Upsizing Activity	0.001 (0.007)	-0.004 (0.006)
Contested	-0.301 (0.215)	0.002 (0.198)
Wald chi2	28.08	39.42
Prob > chi2	0.081	0.000

Note: n = 389 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

As evident in Table 24, the coefficient for outlier is statistically not significant in any of the models (in all,  $p > 0.1$ ). This suggests that extreme behavior is not affecting the sensemaking of journalists about upsizing announcements.

### ***Dependent variable***

Furthermore, we used alternative ways of measuring the dependent variable to ensure that journalists construct their stories by benchmarking a relevant set of information against the prevailing social approval assets a firm possess. Specifically, we examined whether the social approval affected journalists thought processes, reflected in the *average words* used to describe the upsizing event (see for similar approach, Chandler et al., 2020). As this dependent variable is a count measure, we used Tobit regression to estimate the influence of high and low social approval on media agents' sensemaking. They are reported in Table 25 (see next page).

As shown in the output, journalists use fewer words to describe upsizing announcements by domestic family firms ( $\beta = -102.67$ ;  $p = 0.034$ ), but significantly more words to describe upsizing announcements by foreign firms ( $\beta =$

154.84;  $p = 0.005$ ). Again, and compared to the results for downsizing decisions, there is a ‘flip’ in the results, thereby increasing confidence in our findings across an alternative dependent variable.

**Table 25 Tobit Regression Predicting the *Average Words of Media Articles Pertaining to Upsizing Decisions***

Variables	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		-102.671* (46.878)
Ownership Structure = 2, Foreign Firm		154.846** (53.571)
Firm Income (EBIT)	81.349 (83.793)	26.908 (82.994)
Net Profit Margin	1.116 (1.531)	0.962 (1.496)
Amount	-0.010 (0.008)	-0.009 (0.008)
Upsizing Scale	-68.646 (216.930)	-173.427 (212.544)
Media Visibility	0.022 (0.018)	0.026 (0.018)
Scandal	-2.209 (63.315)	-14.782 (61.791)
Prior Upsizing	38.249 (42.705)	28.019 (41.690)
Financial Crisis	83.961 (63.961)	102.458 (62.425)
Upsizing Activity	7.655* (3.690)	8.398* (3.612)
Contested	141.599 (112.463)	25.737 (113.421)
Pseudo R <sup>2</sup>	0.075	0.117
Observations	0.001	0.000

Note: n = 389 for each model. Standard errors in parentheses \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

### *Estimation specification*

Finally, we explored the robustness of our results by employing *random effects models* (e.g., Titus et al., 2018). As shown in Table 26 (see next page), the results are highly similar to those obtained in the main analysis. Both the variable for *domestic family firm* and *foreign firm* are statistically significant ( $p < 0.1$ ).

**Table 26 Random-Effects Regression Predicting Positive Media Coverage Pertaining to Upsizing Decisions**

Variables	Model 1	Model 2
Ownership Structure = 1, Domestic Family Firm		0.651*** (0.084)
Ownership Structure = 2, Foreign Firm		-0.275** (0.096)
Firm Income (EBIT)	-0.095 (0.164)	0.034 (0.149)
Net Profit Margin	0.003 (0.003)	0.003 (0.003)
Amount	-0.000 (0.000)	-0.000 (0.000)
Upsizing Scale	-0.217 (0.423)	0.135 (0.379)
Media Visibility	-0.000+ (0.000)	-0.000+ (0.000)
Scandal	0.018 (0.124)	0.086 (0.111)
Prior Upsizing	-0.067 (0.084)	-0.043 (0.075)
Financial Crisis	-0.099 (0.110)	-0.183+ (0.098)
Upsizing Activity	-0.000 (0.007)	-0.006 (0.007)
Contested	-0.310 (0.220)	0.006 (0.203)
Wald chi2	27.94	35.27
Prob > chi2	0.063	0.000

Note: n = 389 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

## **Endogeneity Assessment for Analysis I (Downsizing Context)**

As described in the main body, we checked for omitted variables that influence the dependent variable of interest but are not included in the analytical model. To rule out incorrect estimates, we tested whether journalists' situational expectations are influencing their sensemaking about restructuring announcements. The main rationale was related to expectancy violation theory (EVT) (Burgoon, 1993). That is, a greater negative violation of expectations – such as a more severer downsizing decision – triggers negative emotional responses and creates cognitive dissonance by altering individuals' views of the way things should be (e.g., Zavyalova et al., 2012). This, in turn, intensifies both the uncertainty about the organization and the degree to which observers recalibrate their impressions. Therefore, we further aimed to isolate the primary mechanism by introducing moderating effects that capture variance in media agents' situational expectations across violation types. For Analysis I (downsizing context), we created two interaction terms (*family firm x severity* and *foreign firm x severity*) by computing the product of family and foreign firm with downsizing severity. This is because severity – or degree of

employees dismissed in relation to the overall workforce – can act as a dimension of journalists’ situational expectations, with more severe downsizing announcements increasing the likelihood of unfavorable coverage. The results are shown in Table 27.

**Table 27 GEE Models Predicting *Negative Media Coverage* Pertaining to Downsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4
Downsizing Severity	0.355+ (0.211)	0.383 (0.246)	0.401+ (0.227)	0.458+ (0.274)
<i>Family Firm x Severity</i>		-0.100 (0.447)		-0.173 (0.462)
<i>Foreign Firm x Severity</i>			-0.321 (0.582)	-0.378 (0.602)
German Family Ownership	0.128* (0.058)	0.129* (0.059)	0.130* (0.058)	0.132* (0.059)
Foreign Ownership	-0.108+ (0.061)	-0.106+ (0.061)	-0.116+ (0.063)	-0.115+ (0.063)
Firm Income (EBIT)	-0.170 (0.149)	-0.169 (0.149)	-0.180 (0.150)	-0.179 (0.150)
Net Profit Margin	-0.003 (0.002)	-0.003 (0.002)	-0.003 (0.002)	-0.003 (0.002)
Amount	0.000+ (0.000)	0.000+ (0.000)	0.000+ (0.000)	0.000+ (0.000)
Media Visibility	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Scandal	-0.026 (0.090)	-0.026 (0.090)	-0.024 (0.090)	-0.024 (0.090)
Social Compatible	-0.040 (0.046)	-0.040 (0.046)	-0.037 (0.046)	-0.038 (0.046)
Union Presence	0.062 (0.045)	0.062 (0.045)	0.064 (0.045)	0.065 (0.045)
Prior Downsizing	0.051 (0.057)	0.053 (0.057)	0.050 (0.057)	0.052 (0.057)
Financial Crisis	0.125 (0.091)	0.126 (0.091)	0.123 (0.092)	0.124 (0.092)
Downsizing Activity	-0.011 (0.008)	-0.011 (0.008)	-0.011 (0.008)	-0.011 (0.008)
Contested	0.083 (0.194)	0.083 (0.194)	0.078 (0.194)	0.077 (0.194)
Wald Chi2	66.67	66.74	66.97	67.14
Prob > chi <sup>2</sup>	0.000	0.000	0.000	0.000

Notes: n = 527 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

As shown in Table 27 (see next page), the coefficients *family firm x severity* and *foreign firm x severity* are not significant in any model (in all models,  $p > 0.1$ ). Interestingly, the coefficient for downsizing severity remains slightly significant ( $p < 0.1$ ), suggesting that for downsizing announcements situational expectations are not overlapping with our primary mechanism: The social approval of firms.

### **Endogeneity Assessment for Analysis II (Upsizing Context)**

The same logic was applied to Analysis II. Journalists may have certain situational expectations toward firm behavior, influencing them in their sensemaking approach, which can bias conclusions drawn from the main analysis. Following EVT, an important cognitive feature is whether a firm exceeds positive behavior to a stronger degree. Whenever firms deviate from commonly held expectations to how they normally behave, they elicit salience and trigger positive expectancy violations. This, in turn, enhances perceptions of prominence, leading to more favorable media coverage (Burgoon, 1993; Zavyalova et al., 2012; Graffin, Haleblan and Kiley, 2016). As such, to isolate the primary mechanism,



we embedded moderating effects that capture variance in media agents' situational expectations across violation types.

For Analysis II (upsizing context), we followed similar steps to above, but focused on exceeding situational expectations. To do so, we computed the product of family and foreign firm with upsizing scale (*family firm x scale* and *foreign firm x scale*). Upsizing scale – or degree of employees added in relation to the overall workforce – can influence journalists' situational expectations. This is because greater upsizing scale can trigger more positive reactions by the media as it is more salient and displays a positive deviance from commonly held expectations.

As shown in Table 28 (see next page), the coefficients *family firm x scale* and *foreign firm x scale* are not significant in any model (in all models,  $p > 0.1$ ). This suggests that for upsizing announcements situational expectations are not overlapping with our primary mechanism: The social approval of firms.

**Table 28 GEE Models Predicting *Positive* Media Coverage Pertaining to Upsizing Decisions**

Variables	Model 1	Model 2	Model 3	Model 4
Upsizing Scale	-0.243 (0.415)	-0.243 (0.432)	-0.802 (0.635)	-1.012 (0.736)
<i>Family Firm x Scale</i>		-0.005 (1.133)		0.715 (1.261)
<i>Foreign Firm x Scale</i>			0.902 (0.778)	1.120 (0.868)
Firm Income (EBIT)	-0.086 (0.160)	-0.086 (0.160)	-0.078 (0.160)	-0.077 (0.160)
Net Profit Margin	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)
Amount	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Upsizing Scale	-0.243 (0.415)	-0.243 (0.432)	-0.802 (0.635)	-1.012 (0.736)
Media Visibility	-0.000* (0.000)	-0.000* (0.000)	-0.000* (0.000)	-0.000* (0.000)
Scandal	0.024 (0.121)	0.024 (0.121)	0.013 (0.121)	0.012 (0.121)
Prior Upsizing	-0.058 (0.082)	-0.058 (0.082)	-0.060 (0.082)	-0.057 (0.082)
Financial Crisis	-0.033 (0.137)	-0.033 (0.137)	-0.024 (0.138)	-0.020 (0.138)
Upsizing Activity	0.001 (0.007)	0.001 (0.007)	0.001 (0.007)	0.001 (0.007)
Contested	-0.308 (0.215)	-0.308 (0.215)	-0.345 (0.217)	-0.349 (0.217)
Wald Chi2	27.77	27.77	29.91	29.53
Prob > chi2	0.0657	0.088	0.063	0.077

Note: n = 389 for each model. Standard errors in parentheses \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1

## Bibliography

- Abraham, S. E. (2006) 'The market reaction to layoff announcements: A union-nonunion comparison', *International Journal of Manpower*, 27(5), pp. 452–466.
- Agnew, C. R., Van Lange, P. A., Rusbult, C. E. and Langston, C. A. (1998) 'Cognitive interdependence: Commitment and the mental representation of close relationships', *Journal of Personality and Social Psychology*, 74(4), pp. 939–954.
- Ahmadjian, C. L. and Robinson, P. (2001) 'Safety in numbers: Downsizing and the deinstitutionalization of permanent employment in Japan', *Administrative Science Quarterly*, 46(4), pp. 622–654.
- Arnett, J. J. (2000) 'Emerging adulthood: A theory of development from the late teens through the twenties', *American Psychologist*, 55(5), pp. 469–480.
- Babcock, M. J., Ta, V. P. and Ickes, W. (2014) 'Latent semantic similarity and language style matching in initial dyadic interactions', *Journal of Language and Social Psychology*, 33(1), pp. 78–88.
- Bachman, G. F. and Guerrero, L. K. (2006) 'Relational quality and communicative responses following hurtful events in dating relationships: An expectancy violations analysis', *Journal of Social and Personal Relationships*, 23(6), pp. 943–963.
- Balabanis, G. and Diamantopoulos, A. (2008) 'Brand origin identification by consumers: A classification perspective', *Journal of International Marketing*, 16(1), pp. 39–71.
- Ballinger, G. and Rockmann, K. (2010) 'Chutes versus ladders: Anchoring events and a punctuated-equilibrium perspective on social exchange relationships', *Academy of Management Review*, 35(3), pp. 373–391.
- Bardolet, D., Fox, C. R. and Lovallo, D. (2011) 'Corporate capital allocation: A behavioral perspective', *Strategic Management Journal*, 32(13), pp. 1465–1483.
- Barnett, M. L. (2014) 'Why stakeholders ignore firm

- misconduct: A cognitive view', *Journal of Management*, 40(3), pp. 676–702.
- Baumol, W. j., Blinder, A. S. and Wolff, E. N. (2003) 'Downsizing and the press: Perception and reality', in Baumol, W. j., Blinder, A. S., and Wolff, E. N. (eds) *Downsizing in America - Reality, Causes, and Consequences*. Russell Sage Foundation, pp. 28–62.
- Bednar, M. K. (2012) 'Watchdog or lapdog? A behavioral view of the media as a corporate governance mechanism', *Academy of Management Journal*, 55(1), pp. 131–150.
- Bednar, M. K., Boivie, S. and Prince, N. R. (2013) 'Burr under the saddle: How media coverage influences strategic change', *Organization Science*, 24(3), pp. 910–925.
- Belenzon, S., Shamshur, A. and Zarutskie, R. (2019) 'CEO's age and the performance of closely held firms', *Strategic Management Journal*, 40(6), pp. 917–944.
- Bell, R. G., Filatotchev, I. and Rasheed, A. A. (2012) 'The liability of foreignness in capital markets: Sources and remedies', *Journal of International Business Studies*, 43(2), pp. 107–122.
- Bennedsen, M. and Fan, J. P. (2014) *The family business map*. Palgrave Macmillan UK.
- Berrone, P., Cruz, C. and Gomez-Mejia, L. R. (2012) 'Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research', *Family Business Review*, 25(3), pp. 258–279.
- Berson, Y., Oreg, S. and Dvir, T. (2008) 'CEO values, organizational culture and firm outcomes', *Journal of Organizational Behavior*, 29(1), pp. 615–633.
- Bettis, R., Gambardella, A., Helfat, C. and Mitchell, W. (2014) 'Quantitative empirical analysis in strategic management', *Strategic Management Journal*, 35(4), pp. 949–953.
- Bingham, C. and Eisenhardt, K. M. (2011) 'Rational heuristics: The "simple rules" that strategists learn from process experience', *Strategic Management Journal*, 32(13), pp. 1437–1464.

- Bitektine, A. (2011) 'Toward a theory of social judgments of organizations: The case of legitimacy, reputation, and status', *Academy of Management Review*, 36(1), pp. 151–179.
- Blagoeva, R. R., Kavusan, K. and Jansen, J. J. (2020) 'Who violates expectations when? How firms' growth and dividend reputations affect investors' reactions to acquisitions', *Strategic Management Journal*, pp. 1–31.
- Bowman, E. H. and Singh, H. (1993) 'Corporate restructuring: Reconfiguring the firm', *Strategic Management Journal*, 14(Special Issue), pp. 5–14.
- Brauer, M. (2006) 'What have we acquired and what should we acquire in divestiture research? A review and research agenda', *Journal of Management*, 32(6), pp. 751–785.
- Brauer, M. and Laamanen, T. (2014) 'Workforce downsizing and firm performance: An organizational routine perspective', *Journal of Management Studies*, 51(8), pp. 1311–1333.
- Brauer, M. and Wiersema, M. (2012) 'Industry divestiture waves: How a firm's position influences investor returns', *Academy of Management Journal*, 55(6), pp. 1472–1492.
- Brauer, M. and Zimmermann, M. (2019) 'Investor response to workforce downsizing: The influence of industry waves, macroeconomic outlook, and firm performance', *Journal of Management*, 45(5), pp. 1775–1801.
- Brockner, J., Spreitzer, G., Mishra, A., Hochwarter, W., Pepper, L. and Weinberg, J. (2004) 'Perceived control as an antidote to the negative effects of layoffs on survivors organizational commitment and job performance', *Administrative Science Quarterly*, 49(1), pp. 76–100.
- Bromiley, P. and Rau, D. (2016) 'Social, behavioral, and cognitive influences on upper echelons during strategy process: A literature review', *Journal of Management*, 42(1), pp. 174–202.
- Brookman, J. T., Chang, S. and Rennie, C. G. (2007) 'CEO cash and stock-based compensation changes, layoff

- decisions, and shareholder value', *Financial Review*, 42(1), pp. 99–119.
- Brysaert, M., Warriner, A. B. and Kuperman, V. (2014) 'Concreteness ratings for 40 thousand generally known English word lemmas', *Behavior Research Methods*, 46(3), pp. 904–911.
- Budros, A. (2002) 'The mean and lean firm and downsizing: Causes of involuntary and voluntary downsizing strategies', *Sociological Forum*, 17(2), pp. 307–342.
- Bundy, J., Pfarrer, M. D., Short, C. E. and Coombs, W. T. (2017) 'Crises and crisis management: Integration, interpretation, and research development', *Journal of Management*, 43(6), pp.1661–1692.
- Bundy, J., Iqbal, F. and Pfarrer, M. D. (2021) 'Reputations in flux: How a firm defends its multiple reputations in response to different violations', *Strategic Management Journal*, 42(6), pp. 1109–1138.
- Bundy, J. and Pfarrer, M. D. (2015) 'A burden of responsibility: The role of social approval at the onset of a crisis', *Academy of Management Review*, 40(3), pp. 345–369.
- Burgoon, J. K. (1993) 'Interpersonal expectations, expectancy violations, and emotional communication', *Journal of Language and Social Psychology*, 12(1–2), pp. 30–48.
- Burgoon, J. K. and Hubbard, A. E. (2005) 'Cross-cultural and intercultural applications of expectancy violations theory and interaction adaptation theory', in Gudykunst, W. (ed.) *Theorizing about intercultural communication*. SAGE Publications, pp. 149–171.
- Burgoon, J. K. and Le Poire, B. A. (1993) 'Effects of communication expectancies, actual communication, and expectancy disconfirmation on evaluations of communicators and their communication behavior', *Human Communication Research*, 20(1), pp. 67–96.
- Busenbark, J. R., Marshall, N. T., Miller, B. P. and Pfarrer, M. D. (2019) 'How the severity gap influences the effect of top

- actor performance on outcomes following a violation’, *Strategic Management Journal*, 40(12), pp. 2078–2104.
- Busenbark, J. R., Yoon, H. E., Gamache, D. L. and Withers, M. C. (2021) ‘Omitted variable bias: Examining management research with the impact threshold of a confounding variable (ITCV)’, *Journal of Management*, 48(1), pp. 17–48.
- Busenbark, J. R., Lange, D. and Certo, S. T. (2017) ‘Foreshadowing as impression management: Illuminating the path for security analysts’, *Strategic Management Journal*, 38(12), pp. 2486–2507.
- Cagle, J. A., Sen, A. and Pawlukiewicz, J. E. (2009) ‘Inter-industry differences in layoff announcement effects for financial institutions’, *Journal of Economics and Finance*, 33(1), pp. 100–110.
- Carpenter, M. A., Geletkancz, M. A. and Sanders, W. G. (2004) ‘Upper echelons research revisited: Antecedents, elements, and consequences of top management team composition’, *Journal of Management*, 30(6), pp. 749–778.
- Carroll, C. E. and McCombs, M. (2003) ‘Agenda-setting effects of business news on the public’s images and opinions about major corporations’, *Corporate Reputation Review*, 6(1), pp. 36–46.
- Carstensen, L. L. (2006) ‘The Influence of a sense of time on human development’, *Science*, 312(5782), pp. 1913–1915.
- Carstensen, L. L. and Mikels, J. A. (2005) ‘At the intersection of emotion and cognition: Aging and the positivity effect’, *Current Directions in Psychological Science*, 14(3), pp. 117–121.
- Carter, A. B., Bobocel, D. R. and Brockner, J. (2020) ‘When to explain why or how it happened: Tailoring accounts to fit observers’ construal level’, *Journal of Experimental Psychology: Applied*, 26(1), pp. 158–170.
- Cascio, W. F., Chatrath, A. and Christie-David, R. A. (2021) ‘Antecedents and consequences of employee engagement’, *Academy of Management Journal*, 64(2), pp. 587–613.

- Cascio, W. F., Young, C. E. and Morris, J. R. (1997) 'Financial consequences of employment-change decisions in major U.S. corporations', *Academy of Management Journal*, 40(5), pp. 1175–1189.
- Cennamo, C., Berrone, P., Cruz, C. and Gomez-Mejia, L. R. (2012) 'Socioemotional wealth and proactive stakeholder engagement: Why family-controlled firms care more about their stakeholders', *Entrepreneurship Theory and Practice*, 36(6), pp. 1153–1173.
- Certo, S. T. and Semadeni, M. (2006) 'Strategy research and panel data: Evidence and implications', *Journal of Management*, 32(3), pp. 449–471.
- Certo, S. T., Withers, M. C. and Semadeni, M. (2017) 'A tale of two effects: Using longitudinal data to compare within- and between-firm effects', *Strategic Management Journal*, 38(7), pp. 1536–1556.
- Chalos, P. and Chen, C. J. (2002) 'Employee downsizing strategies: Market reaction and post announcement financial performance', *Journal of Business Finance and Accounting*, 29(5–6), pp. 847–870.
- Chandler, D., Polidoro, F. and Yang, W. (2020) 'When is it good to be bad? Contrasting effects of multiple reputations for bad behavior on media coverage of serious organizational errors', *Academy of Management Journal*, 63(4), pp. 1236–1265.
- Chatrath, A., Ramchander, S. and Song, F. (1995) 'Are market perceptions of corporate layoffs changing?', *Economics Letters*, 47(3–4), pp. 335–342.
- Chatterjee, A. and Hambrick, D. C. (2007) 'It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance', *Administrative Science Quarterly*, 52(3), pp. 351–386.
- Chin, M. K., Hambrick, D. C. and Treviño, L. K. (2013) 'Political ideologies of CEOs: The influence of executives' values on corporate social responsibility', *Administrative Science Quarterly*, 58(2), pp. 197–232.



- Ciravegna, L., Kano, L. and Rattalino, F. (2020) 'Corporate diplomacy and family firm longevity', *Entrepreneurship Theory and Practice*, 44(1), pp. 109–133.
- Clayman, S. E. and Reisner, A. (1998) 'Gatekeeping in action: Editorial conferences and assessments of newsworthiness', *American Sociological Review*, 63(2), pp. 178–199.
- Coucke, K., Pennings, E. and Sleuwaegen, L. (2007) 'Employee layoff under different modes of restructuring: Exit, downsizing or relocation', *Industrial and Corporate Change*, 16(2), pp. 161–182.
- Crilly, D., Hansen, M. and Zollo, M. (2016) 'The grammar of decoupling: A cognitive-linguistic perspective on firms' sustainability claims and stakeholders' interpretation', *Academy of Management Journal*, 59(2), pp. 705–729.
- Cyert, R. M. and March, J. G. (1963) *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice Hall/Pearson Education.
- Datta, D. K., Guthrie, J. P., Basuil, D. and Pandey, A. (2010) 'Causes and effects of employee downsizing: A review and synthesis', *Journal of Management*, 36(1), pp. 281–348.
- Datta, D. K. and Basuil, D. A. (2015) 'Does employee downsizing really work?', in M. Andresen and Nowak, C. (eds) *Human Resource Practices*. Springer International Publishing, pp. 197–221.
- Deephouse, D. L. (2000) 'Media reputation as a strategic resource: An integration of mass communication and resource-based theories', *Journal of Management*, 26(6), pp. 1091–1112.
- Deephouse, D. L. and Jaskiewicz, P. (2013) 'Do family firms have better reputations than non-family firms? An integration of socioemotional wealth and social identity theories', *Journal of Management Studies*, 50(3), pp. 337–360.
- Denk, N., Kaufmann, L. and Roesch, J. F. (2012) 'Liabilities of foreignness revisited: A review of contemporary studies and recommendations for future research', *Journal of*

- International Management*, 18(4), pp. 322–334.
- Desai, V. M. (2011) ‘Mass media and massive failures: Determining organizational efforts to defend field legitimacy following crises’, *Academy of Management Journal*, 54(2), pp. 263–278.
- Devers, C. E., Dewett, T., Mishina, Y. and Belsito, C.A. (2009) ‘A general theory of organizational stigma’, *Organization Science*, 20(1), pp. 154–171.
- Dewan, Y. and Jensen, M. (2020) ‘Catching the big fish: The role of scandals in making status a liability’, *Academy of Management Journal*, 63(5), pp. 1652–1678.
- Dong, L., Greg, F. and Guoli, C. (2018) ‘CEO attributes and firm performance: A sequential mediation process model’, *Academy of Management Annals*, 12(2), pp. 789–816.
- Durand, R. and Vergne, J.-P. (2015) ‘Asset divestment as a response to media attacks in stigmatized industries’, *Strategic Management Journal*, 36(8), pp. 1205–1223.
- Edman, J. (2016) ‘Reconciling the advantages and liabilities of foreignness: Towards an identity-based framework’, *Journal of International Business Studies.*, 47(6), pp. 674–694.
- Elayan, F. A., Swales, G. S., Maris, B. A. and Scott, J. R. (1998) ‘Market reactions, characteristics, and the effectiveness of corporate layoffs’, *Journal of Business Finance and Accounting*, 25(3–4), pp. 329–351.
- Elsbach, K. D., Sutton, R. I. and Principe, K. E. (1998) ‘Averting expected challenges through anticipatory impression management: A study of hospital billing’, *Organization Science*, 9(1), pp. 68–86.
- Eurofound (2020) *ERM report 2020: Restructuring across borders*. Available at: <https://www.eurofound.europa.eu/publications/report/2020/erm-report-2020-restructuring-across-borders> (Accessed: 09 October 2021).
- Falchetti, D., Cattani, G. and Ferriani, S. (2021) ‘Start with “why,” but only if you have to: The strategic framing of

- novel ideas across different audiences’, *Strategic Management Journal*, In Press.
- Fehr, E. and Gächter, S. (2000) ‘Cooperation and punishment in public goods experiments’, *The American Economic Review*, 90(4), pp. 980–994.
- Fehr, R., Yam, K. C. and Dang, C. (2015) ‘Moralized leadership: The construction and consequences of ethical leader perceptions’, *Academy of Management Review*, 40(2), pp. 182–209.
- Feldman, E. R., Amit, R. and Villalonga, B. (2016) ‘Corporate divestitures and family control’, *Strategic Management Journal*, 37(3), pp. 429–446.
- Finkelstein, S., Hambrick, D. C. and Canella, A. A. (2009) *Strategic Leadership: Theory and Research on Executives, Top Management Teams, and Boards*. New York: Oxford University Press.
- Finucane, M. L., Slovic, P., Hibbard, J. H., Peters, E., Mertz, C. K. and MacGregor, D. G. (2002) ‘Aging and decision-making competence: An analysis of comprehension and consistency skills in older versus younger adults considering health-plan options’, *Journal of Behavioral Decision Making*, 15(2), pp. 141–164.
- Fiss, P. C. and Hirsch, P. M. (2005) ‘The discourse of globalization: Framing and sensemaking of an emerging concept’, *American Sociological Review*, 70(1), pp. 29–52.
- Fiss, P. C. and Zajac, E. J. (2006) ‘The symbolic management of strategic change: Sensegiving via framing and decoupling’, *Academy of Management Journal*, 49(6), pp. 1173–1193.
- Fitzsimons, G. M. and Kay, A. C. (2004) ‘Language and interpersonal cognition: Causal effects of variations in pronoun usage on perceptions of closeness’, *Personality and Social Psychology Bulletin*, 30(5), pp. 547–557.
- Flanagan, D. J. and O’Shaughnessy, K. C. (2005) ‘The effect of layoffs on firm reputation’, *Journal of Management*, 31(3), pp. 445–463.

- Flickinger, M. and Zschoche, M. (2018) 'Corporate divestiture and performance: An institutional view', *Journal of Management and Governance*, 22(1), pp. 111–131.
- Frank, K. A. (2000) 'Impact of a confounding variable on a regression coefficient', *Sociological Methods and Research*, 29(2), pp. 147–194.
- Freeman, S. J. and Cameron, K. S. (1993) 'Organizational downsizing: A convergence and reorientation framework', *Organization Science*, 4(1), pp. 10–29.
- Fujita, K., Henderson, M. D., Eng, J., Trope, Y. and Liberman, N. (2006) 'Spatial distance and mental construal of social events', *Psychological Science*, 17(4), pp. 278–280.
- Gamache, D. L., McNamara, G., Mannor, M. J. and Johnson, R. E. (2015) 'Motivated to acquire? The impact of CEO regulatory focus on firm acquisitions', *Academy of Management Journal*, 58(4), pp. 1261–1282.
- Gamache, D. L. and McNamara, G. (2019) 'Responding to bad press: How CEO temporal focus influences the sensitivity to negative media coverage of acquisitions', *Academy of Management Journal*, 62(3), pp. 918–943.
- Gandolfi, F. and Hansson, M. (2011) 'Causes and consequences of downsizing: Towards an integrative framework', *Journal of Management & Organization*, 17(4), pp. 498–521.
- Gao, H., Yu, T. and Cannella, A. A. (2016) 'The use of public language in strategy: A multidisciplinary review and research agenda', *Journal of Management*, 42(1), pp. 21–54.
- Garbuio, M., King, A. W. and Lovallo, D. (2011) 'Looking inside: Psychological influences on structuring a firm's portfolio of resources', *Journal of Management*, 37(5), pp. 1444–1463.
- Gavetti, G. (2012) 'Toward a behavioral theory of strategy', *Organization Science*, 23(1), pp. 267–285.
- Gavetti, G. and Rivkin, J. W. (2007) 'On the origin of strategy: Action and cognition over time', *Organization*

- Science*, 18(3), pp. 420–439.
- Giacomantonio, M., de Dreu, C. K., Shalvi, S., Sligte, D. and Leder, S. (2010) ‘Psychological distance boosts value-behavior correspondence in ultimatum bargaining and integrative negotiation’, *Journal of Experimental Social Psychology*, 46(5), pp. 824–829.
- Giorgi, S. (2017) ‘The mind and heart of resonance: The role of cognition and emotions in frame effectiveness’, *Journal of Management Studies*, 54(5), pp. 711–738.
- Godfrey, P. C., Merrill, C. B. and Hansen, J. M. (2009) ‘The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis’, *Strategic Management Journal*, 30(2), pp. 425–445.
- Gomez-Mejia, L. R., Berrone, P. and Larraza, M. (2010) ‘Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less?’, *Administrative Science Quarterly*, 55(1), pp. 82–113.
- Graf-Vlachy, L., Oliver, A. G., Banfield, R., König, A. and Bundy, J. (2020) ‘Media coverage of firms: Background, integration, and directions for future research’, *Journal of Management*, 46(1), pp. 36–69.
- Graf-Vlachy, L., Bundy, J. and Hambrick, D. C. (2020) ‘Effects of an advancing tenure on CEO cognitive complexity’, *Organization Science*, 31(4), pp. 936–959.
- Graffin, S. D., Bundy, J., Porac, J. F., Wade, J. B. and Quinn, D. P. (2013) ‘Falls from grace and the hazards of high status: The 2009 British MP expense scandal and its impact on parliamentary elites’, *Administrative Science Quarterly*, 58(3), pp. 313–345.
- Graffin, S. D., Carpenter, M. A. and Boivie, S. (2011) ‘What’s all that (strategic) noise? Anticipatory impression management in CEO succession’, *Strategic Management Journal*, 32(7), pp. 748–770.
- Graffin, S. D., Halebian, J. and Kiley, J. T. (2016) ‘Ready,

- aim, acquire: Impression offsetting and acquisitions’, *Academy of Management Journal*, 59(1), pp. 232–252.
- Graham, J., Nosek, B. A., Haidt, J., Iyer, R., Koleva, S. and Ditto, P. H. (2011) ‘Mapping the moral domain’, *Journal of Personality and Social Psychology*, 101(2), pp. 366–385.
- Graham, J., Haidt, J., Koleva, S., Motyl, M., Iyer, R., Wojcik, S. P. and Ditto, P. H. (2013) ‘Moral foundations theory: The pragmatic validity of moral pluralism’, in Devine, P. and Plant, A. (eds.) *Advances in Experimental Social Psychology*. Elsevier, pp. 55–130.
- Greve, H. R., Palmer, D. and Pozner, J. E. (2010) ‘Organizations gone wild: The causes, processes, and consequences of organizational misconduct’, *Academy of Management Annals*, 4(1), pp. 53–107.
- Gupta, A., Briscoe, F. and Hambrick, D. C. (2018) ‘Evenhandedness in resource allocation: Its relationship with CEO ideology, organizational discretion, and firm performance’, *Academy of Management Journal*, 61(5), pp. 1848–1868.
- Gupta, A., Nadkarni, S. and Mariam, M. (2019) ‘Dispositional sources of managerial discretion: CEO ideology, CEO personality, and firm strategies’, *Administrative Science Quarterly*, 64(4), pp. 855–893.
- Gupta, A. and Wowak, A. J. (2017) ‘The elephant (or donkey) in the boardroom: How board political ideology affects CEO pay’, *Administrative Science Quarterly*, 62(1), pp. 1–30.
- Guthrie, J. P. and Datta, D. K. (2008) ‘Dumb and dumber: The impact of downsizing on firm performance as moderated by industry conditions’, *Organization Science*, 19(1), pp. 108–123.
- Haidt, J. (2007) ‘The new synthesis in moral psychology’, *Science*, 316(5827), pp. 998–1002.
- Haidt, J. (2008) ‘Morality’, *Perspectives on Psychological Science*, 3(1), pp. 65–72.
- Haidt, J. and Graham, J. (2007) ‘When morality opposes

- justice: Conservatives have moral intuitions that liberals may not recognize', *Social Justice Research*, 20(1), pp. 98–116.
- Haidt, J., Graham, J. and Joseph, C. (2009) 'Above and below left-right: Ideological narratives and moral foundations', *Psychological Inquiry*, 20(2–3), pp. 110–119.
- Haidt, J. and Kesebir, S. (2010) 'Morality', in Fiske, S., Gilber, D. and Lindzey, G. (eds.) *Handbook of Social Psychology*. Hoboken, NJ: Wiley, pp. 797–832.
- Haleblian, J., Pfarrer, M. D. and Kiley, J. T. (2017) 'High-Reputation firms and their differential acquisition behaviors', *Strategic Management Journal*, 38(3), pp. 2237–2254.
- Hallock, K. F. (1998) 'Layoffs, top executive pay, and firm performance', *American Economic Review*, 88(4), pp. 711–723.
- Hambrick, D. C. (1989) 'Guest editor's introduction: Putting top managers back in the strategy picture', *Strategic Management Journal*, 10(Special Issues), pp. 5–15.
- Hambrick, D. C. (2007) 'Upper echelons theory: An update', *Academy of Management Review*, 32(2), pp. 334–343.
- Hambrick, D. C. and Abrahamson, E. (1995) 'Assessing managerial discretion across industries: A multimethod approach', *Academy of Management Journal*, 38(5), pp. 1427–1441.
- Hambrick, D. C. and Crossland, C. (2018) 'A strategy for behavioral strategy: Appraisal of small, midsize, and large tent conceptions of this embryonic community', in Augier, M., Fang, C. and Rindova, V. P. (eds.) *Behavioral Strategy in Perspective (Advances in Strategic Management, Vol. 39)*. Bingley, UK: Emerald Publishing Limited, pp. 23–29.
- Hambrick, D. C., Geletkanycz, M. A. and Fredrickson, J. W. (1993) 'Top executive commitment to the status quo: Some tests of its determinants', *Strategic Management Journal*, 14(6), pp. 401–418.
- Hambrick, D. C. and Mason, P. A. (1984) 'Upper echelons:

- The organization as a reflection of its top managers', *Academy of Management Review*, 9(2), p. 1984.
- Harrison, J. S., Bovie, S., Sharp, N. Y. and Gentry, R. J. (2018) 'Saving face: How exit in response to negative press and star analyst downgrades reflects reputation maintenance by directors', *Academy of Management Journal*, 61(3), pp. 1131–1157.
- Hayward, M. L. A., Rindova, V. P. and Pollock, T. G. (2004) 'Believing one's own press: The causes and consequences of CEO celebrity', *Strategic Management Journal*, 25(7), pp. 637–653.
- Heckhausen, J., Wrosch, C. and Schulz, R. (2010) 'A motivational theory of life-span development', *Psychological Review*, 117(1), pp. 1–32.
- Heinz, M. and Swinnen, J. (2015) 'Media slant in economic news: A factor 20', *Economics Letters*, 132, pp. 18–20.
- Hennart, J. F., Majocchi, A. and Forlani, E. (2019) 'The myth of the stay-at-home family firm: How family-managed SMEs can overcome their internationalization limitations', *Journal of International Business Studies*, 50(5), pp. 758–782.
- Herrmann, P. and Nadkarni, S. (2013) 'Managing strategic change: The duality of CEO personality', *Strategic Management Journal*, 35(9), pp. 1318–1342.
- Herzog, S. M., Hansen, J. and Wänke, M. (2007) 'Temporal distance and ease of retrieval', *Journal of Experimental Social Psychology*, 43(3), pp. 483–488.
- Hess, T. M. (2014) 'Selective engagement of cognitive resources: Motivational influences on older adults' cognitive functioning', *Perspectives on Psychological Science*, 9(4), pp. 388–407.
- Hillier, D., Marshall, A., McColgan, P. and Werema, S. (2007) 'Employee layoffs, shareholder wealth and firm performance: Evidence from the UK', *Journal of Business Finance and Accounting*, 34(3–4), pp. 467–494.
- Hinojosa, A. S., Gardner, W. L., Walker, H. J., Coglisier, C.



- and Gullifor, D. (2017) 'A review of cognitive dissonance theory in management research: Opportunities for further development', *Journal of Management*, 43(1), pp. 170–199.
- Hoffman, A. J. and Ocasio, W. (2001) 'Not all events are attended equally: Toward a middle-range theory of industry attention to external events', *Organization Science*, 12(4), pp. 414–434.
- Holt, L., Bobocel, D. R. and Chen, V. (2020) 'Delivering bad news fairly: Higher construal level promotes interactional justice enactment through perspective taking', *Journal of Organizational Behavior*, 42(6), pp. 1–18.
- Holtgraves, T. M. and Kashima, Y. (2008) 'Language, meaning, and social cognition', *Personality and Social Psychology Review*, 12(1), pp. 73–94.
- Homburg, C., Klarmann, M. and Staritz, S. (2012) 'Customer uncertainty following downsizing: The effects of extent of downsizing and open communication', *Journal of Marketing*, 76(3), pp. 112–129.
- Hopp, F. R., Fisher, J. T., Cornell, D., Huskey, R. and Weber, R. (2020) 'The extended moral foundations dictionary (eMFD): Development and applications of a crowd-sourced approach to extracting moral intuitions from text', *Behavior Research Methods*, 53, pp. 232–246.
- Hoskisson, R. E. and Hitt, M. A. (1994) *Downsizing: How to Tame the Diversified Firm*. New York: Oxford University Press.
- Huang, L., Joshi, P., Wakslak, C. and Wu, A. (2020) 'Sizing up entrepreneurial potential: Gender differences in communication and investor perceptions of long-term growth and scalability', *Academy of Management Journal*, 64(3), pp. 716–740.
- Hubbard, T. D., Pollock, T. G., Pfarrer, M. D. and Rindova, V. P. (2018) 'Safe bets or hot hands? How status and celebrity influence strategic alliance formations by newly public firms', *Academy of Management Journal*, 61(5), pp. 1976–

- 1999.
- Ifo-Institut (2020) *ifo Beschäftigungsbarometer Ergebnisse der ifo Konjunkturumfragen im April 2020*. Available at: <https://www.ifo.de/node/54948> (Accessed: 11 July 2020).
- Iurkov, V. and Benito, G. R. (2020) 'Change in domestic network centrality, uncertainty, and the foreign divestment decisions of firms', *Journal of International Business Studies*, 51(5), pp. 788–812.
- Iverson, R. D. and Zatzick, C. D. (2007) 'High-commitment work practices and downsizing harshness in australian workplaces', *Industrial Relations*, 46(3), pp. 456–480.
- Jones, G. H., Jones, B. H. and Little, P. (2000) 'Reputation as reservoir: Buffering against loss in times of economic crisis', *Corporate Reputation Review*, 3(1), pp. 21–29.
- Jonsson, S. and Buhr, H. (2011) 'The limits of media effects: Field positions and cultural change in a mutual fund market', *Organization Science*, 22(2), pp. 464–481.
- Joshi, P. D., Wakslak, C., Raj, M. and Trope, Y. (2016) 'Communicating with distant others: The functional use of abstraction', *Social Psychological and Personality Science*, 7(1), pp. 37–44.
- Jung, J. (2016) 'Through the contested terrain: Implementation of downsizing announcements by Large U.S. firms, 1984 to 2005', *American Sociological Review*, 81(2), pp. 347–373.
- Jürgens, U., Naumann, K. and Rupp, J. (2000) 'Shareholder value in an adverse environment: the German case', *Economy and Society*, 29(1), pp. 54–79.
- Kahneman, D. and Tversky, A. (1979) 'Prospect theory: An analysis of decision under risk', *Econometrica*, 47(2), pp. 263–292.
- Kakkar, H., Sivanathan, N. and Gobel, M. S. (2020) 'Fall from grace: The role of dominance and prestige in the punishment of high-status actors', *Academy of Management Journal*, 63(2), pp. 530–553.
- Karakaya, F. (2000) 'Market exit and barriers to exit: Theory and practice', *Psychology and Marketing*, 17(8), pp. 651–

- 668.
- Kennedy, M. and Fiss, P. (2009) 'Institutionalization, framing, and diffusion: The logic of TQM adoption and implementation decisions among U.S. Hospitals', *Academy of Management Journal*, 52(5), pp. 897–918.
- Kim, J. W. and King, B. G. (2014) 'Seeing stars: Matthew effects and status bias in major league baseball umpiring', *Management Science*, 60(11), pp. 2619–2644.
- Kölbel, J. F., Busch, T. and Jancso, L. M. (2017) 'How media coverage of corporate social irresponsibility increases financial risk', *Strategic Management Journal*, 38(11), pp. 2266–2284.
- König, A., Mammen, J., Luger, J., Fehn, A. and Enders, A. (2018) 'Silver bullet or ricochet? CEOs' use of metaphorical communication and infomediaries' evaluations', *Academy of Management Journal*, 61(4), pp. 1196–1230.
- Köper, M. and Schulte im Walde, S. S. (2016) 'Automatically generated affective norms of abstract ness, arousal, imageability and valence for 350 000 German lemmas', *Proceedings of the 10th International Conference on Language Resources and Evaluation, LREC 2016*, (May 2016), pp. 2595–2598.
- Lamin, A. and Zaheer, S. (2012) 'Wall street vs. main street: Firm strategies for defending legitimacy and their impact on different stakeholders', *Organization Science*, 23(1), pp. 47–66.
- Lange, D. and Washburn, N. T. (2012) 'Understanding attributions of corporate social irresponsibility', *Academy of Management Review*, 37(2), pp. 300–326.
- Lee, M., Adbi, A. and Singh, J. (2020) 'Categorical cognition and outcome efficiency in impact investing decisions', *Strategic Management Journal*, 41(1), pp. 86–107.
- Lee, M. P. (1997) 'A comparative analysis of layoff announcements and stock price reactions in the United States and Japan', *Strategic Management Journal*, 18(11),

- pp. 879–894.
- Levinthal, D. A. (2011) ‘A behavioral approach to strategy - What’s the alternative?’, *Strategic Management Journal*, 32(13), pp. 1517–1523.
- Lewin, J. E. (2001) ‘The effects of downsizing on organizational buying behavior: An empirical investigation’, *Journal of the Academy of Marketing Science*, 29(2), pp. 151–164.
- Lewin, J. E. (2003) ‘An empirical investigation of the effects of downsizing on buyer–seller relationships’, *Journal of Business Research*, 56(4), pp. 283–293.
- Lewin, J. E. (2009) ‘Business customers’ satisfaction: What happens when suppliers downsize?’, *Industrial Marketing Management*, 38(3), pp. 283–299.
- Lewin, J. E., Biemans, W. and Ulaga, W. (2010) ‘Firm downsizing and satisfaction among United States and European customers’, *Journal of Business Research*, 64(7), pp. 697–706.
- Lewin, J. E. and Johnston, W. J. (2008) ‘The impact of supplier downsizing on performance, satisfaction over time, and repurchase intentions’, *Journal of Business and Industrial Marketing*, 23(4), pp. 249–255.
- Lieberman, N. and Förster, J. (2009) ‘The effect of psychological distance on perceptual level of construal’, *Cognitive Science*, 33(7), pp. 1330–1341.
- Lieberman, N. and Trope, Y. (1998) ‘The role of feasibility and desirability considerations in near and distant future decisions: A Test of Temporal Construal Theory’, *Journal of Personality and Social Psychology*, 75(1), pp. 5–18.
- Lieberman, N. and Trope, Y. (2008) ‘The psychology of transcending the here and now’, *Science*, 322(5905), pp. 1201–1205.
- Lieberman, N., Trope, Y. and Wakslak, C. (2007) ‘Construal level theory and consumer behavior’, *Journal of Consumer Psychology*, 17(2), pp. 113–117.
- Lin, J. C. and Rozeff, M. S. (1993) ‘Capital market behavior

- and operational announcements of layoffs, operation closings, and pay cuts’, *Review of Quantitative Finance and Accounting*, 3(1), pp. 29–45.
- Liviatan, I., Trope, Y. and Liberman, N. (2008) ‘Interpersonal similarity as a social distance dimension: Implications for perception of others’ Actions’, *Journal of Experimental Psychology*, 44(5), pp. 1256–1269.
- Love, G. E. and Kraatz, M. (2009) ‘Character, conformity, or the bottom line? How and why downsizing affected corporate reputation’, *Academy of Management Journal*, 52(2), pp. 314–335.
- Love, G. E. and Nohria, N. (2005) ‘Reducing slack: The performance consequences of downsizing by large industrial firms, 1977-93’, *Strategic Management Journal*, 26(12), pp. 1087–1108.
- Lovelace, J. B., Bundy, J., Pollock, T. G. and Hambrick, D. C. (2021) ‘The push and pull of attaining CEO celebrity: A media routines perspective’, *Academy of Management Journal*, In Press.
- Malmendier, U. and Tate, G. (2005) ‘CEO overconfidence and corporate tournaments’, *Journal of Finance*, LX(6), pp. 2661–2700.
- Marshall, A., Mccolgan, P. and Mcleish, S. (2012) ‘Why do stock prices decline in response to employee layoffs? UK evidence from the 2008 global financial crisis’, *Journal of Financial Research*, 35(3), pp. 375–396.
- Matta, E. and Beamish, P. W. (2008) ‘The accentuated CEO career horizon problem: Evidence from international acquisitions’, *Strategic Management Journal*, 29(2), pp. 683–700.
- McClelland, P. L., Liang, X. and Barker, V. L. (2010) ‘CEO commitment to the status Quo: Replication and extension using content analysis’, *Journal of Management*, 36(5), pp. 1251–1277.
- McCombs, M. and Shaw, D. (1972) ‘The agenda-setting function of mass media’, *The Public Opinion Quarterly*,

- 36(2), pp. 176–187.
- McDonnell, M. H. and King, B. (2013) ‘Keeping up appearances: reputational threat and impression management after social movement boycotts’, *Administrative Science Quarterly*, 58(3), pp. 387–419.
- McDonnell, M. H. and King, B. G. (2018) ‘Order in the court: How firm status and reputation shape the outcomes of employment discrimination suits’, *American Sociological Review*, 83(1), pp. 61–87.
- McKinley, W., Zhao, J. and Rust, K. G. (2000) ‘A sociocognitive interpretation of organizational downsizing’, *Academy of Management Review*, 25(1), pp. 227–243.
- McKinsey & Company (2021) *Road to recovery: The state of corporate restructuring in europe*. Available at <https://www.mckinsey.com/business-functions/transformation/our-insights/road-to-recovery-the-state-of-corporate-restructuring-in-europe> (Accessed: 05 August 2021).
- McKnight, P. J., Lowrie, A. and Coles, C. (2002) ‘Investor reactions, social implications and layoff announcements in the UK: A comparison between periods’, *Journal of Management and Governance*, 6(1), pp. 83–100.
- McNair, S., Okan, Y., Hadjichristidis, C. and de Bruin, W. B. (2019) ‘Age differences in moral judgment: Older adults are more deontological than younger adults’, *Journal of Behavioral Decision Making*, 32(1), pp. 47–60.
- Meier, T., Boyd, R. L., Pennebaker, J. W., Mehl, M. R., Martin, M., Wolf, M. and Horn, A. B. (2018) ‘“LIWC auf Deutsch”: The development, psychometrics, and introduction of DE- LIWC2015’. Retrieved from <https://osf.io/tfqzc/>.
- de Meuse, K., Bergmann, T. J., Vanderheiden, P. A. and Roraff, C. E. (2004) ‘New evidence regarding organizational downsizing and a firm’s financial performance: A long-term analysis’, *Journal of Managerial Issues*, 16(2), p. 155.

- Miller, D. and Le Breton-Miller, I. (2006) 'Family governance and firm performance: Agency, stewardship, and capabilities', *Family Business Review*, 19(1), pp. 73–87.
- Mishina, Y., Block, E. S. and Mannoer, M. J. (2012) 'The path dependence of organizational reputation: How social judgment influences assessments of capability and character', *Strategic Management Journal*, 33(5), pp. 459–477.
- Mishra, A. K. and Mishra, K. E. (1994) 'The role of mutual trust in effective downsizing strategies', *Human Resource Management*, 33(2), pp. 261–279.
- Mithani, M. A. (2017) 'Liability of foreignness, natural disasters, and corporate philanthropy', *Journal of International Business Studies*, 48(8), pp. 941–963.
- Moeller, M., Harvey, M., Griffith, D. and Richey, G. (2013) 'The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: An examination of the "liability-of-foreignness"', *International Business Review*, 22(1), pp. 89–99.
- Morrison, E. W. and Robinson, S. L. (1997) 'When employees feel betrayed: A model of how psychological contract violation develops', *Academy of Management Journal*, 22(1), pp. 226–256.
- Nadkarni, S. and Chen, J. (2014) 'Bridging yesterday, today, and tomorrow: CEO temporal focus, environmental dynamism, and rate of new product introduction', *Academy of Management Journal*, 57(6), pp. 1810–1833.
- Nadkarni, S., Pan, L. and Chen, T. (2019) 'Only timeline will tell: Temporal framing of competitive announcements and rivals' responses', *Academy of Management Journal*, 62(1), pp. 117–143.
- Neckebrouck, J., Schulze, W. and Zellweger, T. (2018) 'Are family firms good employers?', *Academy of Management Journal*, 61(2), pp. 553–585.
- Neely, B. H., Lovelace, J. B., Cowen, A. P. and Hiller, N. J. (2020) 'Metacritiques of upper echelons theory: Verdicts

- and recommendations for future research’, *Journal of Management*, 46(6), pp. 1029–1062.
- Newbury, W., Gardberg, N. A. and Belkin, L. Y. (2006) ‘Organizational attractiveness is in the eye of the beholder: The interaction of demographic characteristics with foreignness’, *Journal of International Business Studies*, 37(5), pp. 666–686.
- Nixon, R. D., Hitt, M. A., Lee, H. and Joeng, E. (2004) ‘Market reactions to announcements of corporate downsizing actions and implementation strategies’, *Strategic Management Journal*, 25(11), pp. 1121–1129.
- Norman, P. M., Butler, F. C. and Ranft, A. L. (2013) ‘Resources matter: Examining the effects of resources on the state of firms following downsizing’, *Journal of Management*, 39(7), pp. 2009–2038.
- Nussbaum, S., Liberman, N. and Trope, Y. (2006) ‘Predicting the near and distant future’, *Journal of Experimental Psychology: General*, 135(2), pp. 152–161.
- O’shaughnessy, K. C. and Flanagan, D. J. (1998) ‘Determinants of layoff announcements following M&As: An empirical investigation’, *Strategic Management Journal*, 19(10), pp. 1–21.
- Ocasio, W. (1997) ‘Towards an attention-based view of the firm’, *Strategic Management Journal*, 18(1), pp. 187–206.
- OECD (2004) ‘Employment protection regulation and labour market performance’, in *OECD Employment Outlook*. Paris, pp. 61–125.
- Parachuri, S., Han, J. H. and Prakash, P. (2021) ‘Salient expectations? Incongruence across capability and integrity signals and investor reactions to organizational misconduct’, *Academy of Management Journal*, 64(2), pp. 562–586.
- Park, B. and Rogan, M. (2019) ‘Capability reputation, character reputation, and exchange partners’ reactions to adverse events’, *Academy of Management Journal*, 62(2), pp. 553–578.



- Parker, O., Krause, R. and Devers, C. E. (2019) 'How firm reputation shapes managerial discretion', *Academy of Management Review*, 44(2), pp. 254–278.
- Pennebaker, J. W., Booth, R. J. and Francis, M. E. (2007) 'Linguistic inquiry and word count (LIWC): A Computerized Text Analysis Program', *Austin, TX:LIWC.net*.
- Petkova, A. P., Rindova, V. P. and Gupta, A. K. (2013) 'No news is bad news: Sensegiving activities, media attention, and venture capital funding of new technology organizations', *Organization Science*, 24(3), pp. 865–888.
- Pfarrer, M. D., Devers, C. E., Corley, K., Cornelissen, J. P., Lange, D., Makadok, R., Mayer, K. and Weber, L. (2019) 'Sociocognitive perspectives in strategic management', *Academy of Management Review*, 44(4), pp. 767–774.
- Pfarrer, M. D., Pollock, T. G. and Rindova, V. P. (2010) 'A tale of two assets: The effects of firm reputation and celebrity on earnings surprises and Investors' reactions', *Academy of Management Journal*, 53(5), pp. 1131–1152.
- Pfeifer, C. (2007) 'The perceived fairness of layoffs in Germany: Participation, compensation, or avoidance?', *Journal of Business Ethics*, 74(1), pp. 25–36.
- Phillips, D. J. and Zuckerman, E. W. (2001) 'Middle-status conformity: Theoretical restatement and empirical demonstration in two markets', *American Journal of Sociology*, 10(2), pp. 379–429.
- Pollock, T. G., Lashley, K., Rindova, V. P. and Han, J. (2019) 'Which of these things are not like the others? Comparing the rational, emotional, and moral aspects of reputation, status, celebrity, and stigma', *Academy of Management Annals*, 13(2), pp. 444–478.
- Pollock, T. G. and Rindova, V. P. (2003) 'Media legitimation effects in the market for initial public offerings', *Academy of Management Journal*, 46(5), pp. 631–642.
- Pollock, T. G., Rindova, V. P. and Maggitti, P. G. (2008) 'Market watch: Information and availability cascades

- among the media and investors in the U.S. IPO market', *Academy of Management Journal*, 51(2), pp. 335–358.
- Powell, T. C., Lovallo, D. and Fox, C. R. (2011) 'Behavioral strategy', *Strategic Management Journal*, 32(1), pp. 1369–1386.
- Quigley, T. J., Hubbard, T. D., Ward, A. and Graffin, S. D. (2020) 'Unintended consequences: Information releases and CEO stock option grants', *Academy of Management Journal*, 63(1), pp. 155–180.
- Quigley, T. J. and Hambrick, D. C. (2012) 'When the former CEO stays on board as chair: Effects on successor discretion, strategic change, and performance', *Strategic Management Journal*, 33(2), pp. 834–859.
- Reyt, J. N. and Wiesenfeld, B. M. (2015) 'Seeing the forest for the trees: Exploratory learning, mobile technology, and knowledge workers' role integration behaviors', *Academy of Management Journal*, 58(3), pp. 739–762.
- Reyt, J. N., Wiesenfeld, B. M. and Trope, Y. (2016) 'Big picture is better: The social implications of construal level for advice taking', *Organizational Behavior and Human Decision Processes*, 135, pp. 22–31.
- Rhee, E. Y. and Fiss, P. C. (2014) 'Framing controversial actions: Regulatory focus, source credibility, and stock market reaction to poison pill adoption', *Academy of Management Journal*, 57(6), pp. 1734–1758.
- Rhee, M. and Haunschild, P. R. (2006) 'The liability of good reputation: A study of product recalls in the U.S. automobile industry', *Organization Science*, 17(1), pp. 101–117.
- Rindova, V. P., Williamson, I. O., Petkova, A. P., Sever, J. M. (2005) 'Being good or being known: An empirical examination of the dimensions, antecedents, and consequences of organizational reputation', *Academy of Management Journal*, 48(6), pp. 1033–1049.
- Rindova, V. P., Pollock, T. G. and Hayward, M. L. (2006) 'Celebrity firms: The social construction of market

- popularity', *Academy of Management Review*, 31(1), pp. 50–71.
- Rindova, V. P., Reger, R. K. and Dalpiaz, E. (2012) 'The mind of the strategist and the eye of the beholder - The socio-cognitive perspective in strategy research', in Dagino, G. B. (ed.) *Handbook of Research on Competitive Strategy*. Edward Elgar Publishing Ltd., pp. 147–164.
- Rozin, P. and Royzman, E. B. (2001) 'Negativity bias, negativity dominance, and contagion', *Personality and Social Psychology Review*, 5(4), pp. 296–320.
- Sageder, M., Mitter, C. and Feldbauer-Durstmüller, B. (2018) 'Image and reputation of family firms: A systematic literature review of the state of research', *Review of Managerial Science*, 12(1), pp. 335–377.
- Sagristano, M. D., Trope, Y. and Liberman, N. (2002) 'Time-dependent gambling: Odds now, money later', *Journal of Experimental Psychology: General*, 131(3), pp. 364–376.
- Scheibe, S. and Carstensen, L. L. (2010) 'Emotional aging: Recent findings and future trends', *Journals of Gerontology - Series B Psychological Sciences and Social Sciences*, 65 B(2), pp. 135–144.
- Schnietz, K. E. and Epstein, M. J. (2005) 'Exploring the financial value of a reputation for corporate social responsibility during a crisis', *Corporate Reputation Review*, 7(4), pp. 327–345.
- Schultz, I. (2007) 'The journalistic gut feeling: Journalistic doxa, news habitus and orthodox news values', *Journalism Practice*, 1(2), pp. 190–207.
- Schulz, A. C. and Wiersema, M. F. (2018) 'The impact of earnings expectations on corporate downsizing', *Strategic Management Journal*, 39(10), pp. 2691–2702.
- Schwartz, S. H. (2007) 'Universalism values and the inclusiveness of our moral universe', *Journal of Cross-Cultural Psychology*, 38(6), pp. 711–728.
- Seih, Y. T., Beier, S. and Pennebaker, J. W. (2017) 'Development and examination of the linguistic category

- model in a computerized text analysis method’, *Journal of Language and Social Psychology*, 36(3), pp. 343–355.
- Semadeni, M., Withers, M. C. and Certo, S. T. (2014) ‘The perils of endogeneity and instrumental variables in strategy research: Understanding through simulations’, *Strategic Management Journal*, 35(2), pp. 1070–1079.
- Semin, G. R. (2007) ‘Linguistic markers of social distance and proximity’, in Fiedler, K. R. (ed.) *Social Communication*. New York, NY: Psychology Press, pp. 389–408.
- Serfling, M. A. (2014) ‘CEO age and the riskiness of corporate policies’, *Journal of Corporate Finance*, 25, pp. 251–273.
- Shi, W., Zhang, Y. and Hoskisson, R. E. (2019) ‘Examination of CEO–CFO social interaction through language style matching: Outcomes for the CFO and the organization’, *Academy of Management Journal*, 62(2), pp. 383–414.
- Shipilov, A. V., Greve, H. R. and Rowley, T. J. (2019) ‘Is all publicity good publicity? The impact of direct and indirect media pressure on the adoption of governance practices’, *Strategic Management Journal*, 40(9), pp. 1368–1393.
- Shweder, R. A., Much, N. A., Mahapatra, M. and Park, L. (1997) ‘The “big three” of morality (autonomy, community, divinity) and the “big three” explanations of suffering’, in Brandt, A. M. and Rozin, P. (eds) *Morality and health*. Taylor & Frances/Routledge, pp. 119–169.
- Sibony, O., Lovallo, D. and Powell, T. C. (2017) ‘Behavioral strategy and the strategic decision architecture of the firm’, *California Management Review*, 59(3), pp. 5–21.
- Simon, H. A. (1959) ‘Theories of decision-making in economics and behavioral science’, *The American Economic Review*, 49(3), pp. 253–283.
- Simpson, A. (2017) ‘Moral foundations theory: Background, review, and scaffolding for future research’, in Zeigler-Hill, V. and Shackelford, T. K. (eds) *Encyclopedia of Personality and Individual Differences*, Springer, Cham.
- Snefjella, B. and Kuperman, V. (2015) ‘Concreteness and psychological distance in natural language use’,

- Psychological Science*, 26(9), pp. 1449–1460.
- Soderberg, C. K., Callahan, S. P., Kochersberger, A. O., Amit, E. and Ledgerwood, A. (2015) ‘The effects of psychological distance on abstraction: Two meta-analyses’, *Psychological Bulletin*, 141(3), pp. 525–548.
- Solinger, O. N., Jansen, P. G. and Cornelissen, J. P. (2020) ‘The emergence of moral leadership’, *Academy of Management Review*, 45(3), pp. 504–527.
- Soll, J. B., Milkman, K. L. and Payne, J. W. (2015) ‘A user’s guide to debiasing’, in Keren, G. and Wu, G. (eds) *The Wiley Blackwell Handbook of Judgment and Decision Making*. Malden, MA: John Wiley & Sons, pp. 924–952.
- Spreitzer, G. M. and Mishra, A. K. (2002) ‘To stay or to go: Voluntary survivor turnover following an organizational downsizing’, *Journal of Organizational Behavior*, 23(6), pp. 707–729.
- Stanovich, K. E. and West, R. F. (2000) ‘Individual differences in reasoning: Implications for the rationality debate?’, *Behavioral and Brain Sciences*, 23(5), pp. 645–726.
- Stavrou, E., Kassinis, G. and Filotheou, A. (2007) ‘Downsizing and stakeholder orientation among the fortune 500: Does family ownership matter?’, *Journal of Business Ethics*, 72(2), pp. 149–162.
- Staw, B. M. (1981) ‘The escalation of commitment to a course of action’, *Academy of Management Review*, 6(4), pp. 577–587.
- Steinbach, A., Gamache, D. L. and Johnson, R. E. (2019) ‘Don’t get it misconstrued: Construal level shifts and flexibility in the upper echelons’, *Academy of Management Review*, 44(4), pp. 871–895.
- Stephan, E., Liberman, N. and Trope, Y. (2011) ‘The effects of time perspective and level of construal on social distance’, *Journal of Experimental Social Psychology*, 47(2), pp. 397–402.
- Tausczik, Y. R. and Pennebaker, J. W. (2010) ‘The

- psychological meaning of words: LIWC and computerized text analysis methods’, *Journal of Language and Social Psychology*, 29(1), pp. 24–54.
- Titus, V. K., Parker, O. and Erin Bass, A. (2018) ‘Ripping off the band-aid: Scrutiny bundling in the wake of social disapproval’, *Academy of Management Journal*, 61(2), pp. 637–660.
- Travaglione, A. and Cross, B. (2006) ‘Diminishing the social network in organizations: Does there need to be such a phenomenon as “survivor syndrome” after downsizing?’, *Strategic Change*, 15(1), pp. 1–13.
- Trevor, C. O. and Nyberg, A. J. (2008) ‘Keeping your headcount when all about you are losing theirs: Downsizing, voluntary turnover rates, and the moderating role of HR practices’, *Academy of Management Journal*, 51(2), pp. 259–276.
- Trope, Y. and Liberman, N. (2010) ‘Construal-level theory of psychological distance’, *Psychological Review*, 117(2), pp. 440–463.
- Tversky, A. and Kahneman, D. (1974) ‘Judgment under uncertainty: Heuristics and biases’, *Science*, 185(4157), pp. 1124–1131.
- Vergne, J. P. (2012) ‘Stigmatized categories and public disapproval of organizations: A mixed-methods study of the global arms industry, 1996-2007’, *Academy of Management Journal*, 55(5), pp. 1027–1052.
- Wade, J. B., Porac, J. F., Pollock, T. G. and Graffin, S. D. (2006) ‘The burden of celebrity: The impact of CEO certification contests on CEO pay and performance’, *Academy of Management Journal*, 49(4), pp. 643–660.
- Wakslak, C., Trope, Y., Liberman, N. and Alony, R. (2006) ‘Seeing the forest when entry is unlikely: Probability and the mental representation of events’, *Journal of Experimental Psychology: General*, 135(4), pp. 641–653.
- Wakslak, C. and Joshi, P. (2020) ‘Expansive and contractive communication scope: A construal level perspective on the

- relationship between interpersonal distance and communicative abstraction’, *Social and Personality Psychology Compass*, 14(5), pp. 271–284.
- Wang, G., Holmes JR, R. M., Oh, I. S. and Zhu, W. (2016) ‘Do CEOs matter to firm strategic actions and firm performance? A meta-analytic investigation based on upper echelons theory’, *Personnel Psychology*, 69(4), pp. 775–862.
- Wangrow, D. B., Schepker, D. J. and Barker, V. L. (2015) ‘Managerial discretion: An empirical review and focus on future research directions’, *Journal of Management*, 41(1), pp. 99–135.
- Weaver, G. R., Reynolds, S. J. and Brown, M. E. (2014) ‘Moral intuition: Connecting current knowledge to future organizational research and practice’, *Journal of Management*, 40(1), pp. 100–129.
- Westphal, J. D. and Deephouse, D. L. (2011) ‘Avoiding bad press: Interpersonal influence in relations between CEOs and journalists and the consequences for press reporting about firms and their leadership’, *Organization Science*, 22(4), pp. 1061–1086.
- Wiersema, M. F. and Zhang, Y. (2011) ‘CEO dismissal: The role of investment analysts’, *Strategic Management Journal*, 32(11), pp. 1161–1182.
- Wiesenfeld, B. M., Reyt, J. N., Brockner, J. and Trope, Y. (2017) ‘Construal at the interface: Applying construal level theory in organizational research’, *Annual Review of Organizational Psychology and Organizational Behavior*, 4, pp. 367–400.
- Wiesenfeld, B. M., Wurthmann, K. A. and Hambrick, D. C. (2008) ‘The stigmatization and devaluation of elites associated with corporate failures: A process model’, *Academy of Management Journal*, 33(1), pp. 231–251.
- Wilson, J., Crisp, C. B. and Mortensen, M. M. (2013) ‘Extending construal-level theory to distributed groups: Understanding the effects of virtuality’, *Organization*

- Science*, 24(2), pp. 629–644.
- Woolridge, J. M. (2009) *Introductory econometrics: a modern approach*. 4th ed. Mason, OH: South-Western Cengage Learning.
- Worrell, D. L., Davidson, W. N. and Sharma, V. M. (1991) ‘Layoff announcement and stockholder wealth’, *Academy of Management Journal*, 34(3), pp. 662–678.
- Xu, R., Frank, K.A, Maroulis, S. and Rosenberg, J. M. (2019) ‘Konfound: Command to quantify robustness of causal inferences’, *The Stata Journal*, 19(3), pp. 523–550.
- Yudkin, D. A., Pick, R., Hur, E. Y., Liberman, N. and Trope, Y. (2019) ‘Psychological distance promotes exploration in search of a global maximum’, *Personality and Social Psychology Bulletin*, 45(6), pp. 893–906.
- Zaheer, S. (1995) ‘Overcoming the liability of foreignness’, *Academy of Management Journal*, 38(2), pp. 341–363.
- Zavyalova, A., Pfarrer, M. D., Reger, R. K. and Shapiro, D. L. (2012) ‘Managing the message: The effects of firm actions and industry spillovers on media coverage following wrongdoing’, *Academy of Management Journal*, 55(5), pp. 1079–1101.
- Zavyalova, A., Pfarrer, M. D., Reger, R. K., and Hubbard, T. D. (2016) ‘Reputation as a benefit and a burden? How stakeholders’ organizational identification affects the role of reputation following a negative event’, *Academy of Management Journal*, 59(1), pp. 253–276.
- Zur, S. and Shaver, M. J. (2014) ‘Confounding changes in averages with marginal effects: How anchoring can destroy economic value in strategic investment assessments’, *Strategic Management Journal*, 35(10), pp. 1414–1426.



## **Declaration of Thesis**

I hereby affirm that the work I have submitted was done independently and without unauthorized assistance from third parties. All the parts that I took word-for-word or nearly word-for-word from any sort of publication are recognizable as such. I did not use any means or resources other than the literature I have quoted, and all my own works which I have used (including previous publications and other theses) have been properly cited.

For the selection and analysis of materials as well as for the preparation of the manuscript, I received support from the following people (please also see *Author Contribution Statement*):

1. Prof. Dr. Miriam Zschoche
2. Prof. Dr. Sebastian P. L. Fourné

Other people were not involved in the intellectual preparation and production of the work at hand. Specifically, I did not receive help from a doctoral counselor (*‘Promotionsberater’*). No one has received any direct (monetary) or indirect compensation for their

assistance in connection with this doctoral dissertation.  
This work was not submitted in this or any similar form to  
a doctoral examination committee in or outside of  
Germany.

Place and date

---

(Signature of the doctoral candidate)

# Curriculum Vitae

## EDUCATION

---

- 03/2018 – 04/2022 **Doctoral Studies – Strategy and Management**  
University of Erfurt – Germany
- 09/2021 – 11/2021 **Visiting Researcher**  
Lazaridis School of Business and Economics – Waterloo, Canada
- 04/2016 – 02/2018 **M.A. in Economics and Law**  
University of Erfurt – Germany
- 09/2011 – 08/2014 **B.A. in Public Management**  
University of Applied Sciences Hamburg – Germany

## ACADEMIC EXPERIENCE

---

- 03/2018 – 04/2022 **Research and Teaching Assistant – University of Erfurt, Germany**
- Lecturer for Leadership, Behavioral Strategy, Case Studies
  - Supervision of undergraduate students working on research projects
- 05/2017 – 02/2018 **Student Research Assistant – University of Erfurt, Germany**
- Data analytics and academic tutor

## OTHER PUBLICATIONS

---

Kremer, R. (2021) 'Corporate Capital Allocation: A Behavioral Perspective and Guidance for Future Research'. Forthcoming at the: *Journal of Strategy and Management* (DOI: 10.1108/JSMA-01-2020-0014)

## AWARDS

---

- EIBA Best Doctoral Thesis Proposal in International Business Award, 46<sup>th</sup> EIBA Conference: *International Business in the Pandemic and Post-Pandemic Era*
- ANZIBA Most Promising Thesis Proposal Award, ANZIBA Annual Conference: *International business in a virtual world: People, prospects and resilience*