

Institutional Sources of Boundary-Spanning Structures: The Establishment of Investor Relations Departments in the *Fortune* 500 Industrials

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Investor relations departments are diffusing rapidly among U.S. firms, and these new boundary-spanning units are likely to affect corporate governance and management. This article suggests that anti-management resolutions, monitoring by independent financial analysts, and mimetic influences are hastening the diffusion of this structural innovation.

Alan Meyer

Abstract

The authors analyze the coercive and mimetic conditions leading to the establishment of investor relations departments among *Fortune* 500 industrial firms during the 1984–1994 period. The results show that anti-management resolutions brought to a vote by social movement activists significantly contributed to the establishment of investor relations departments. Intense scrutiny by financial analysts also impelled firms to create such departments. Whereas social movement activists framed shareholder rights as a problem and compelled organizations to uphold them, professional analysts subtly coerced organizations to signal their commitment to investor rights by creating boundary-spanning structures. That solution was transmitted through board interlocks to other organizations.

(Corporate Governance; Investor Relations; Shareholder Activism; Institutional Theory; Social Movements; Mimicry)

Institutional theory traces formal organizational structures to legitimated rules that identify social purposes as technical goals and specify the appropriate means to achieve them (Meyer and Rowan 1991). Beliefs, values, and norms become institutionalized rules as a result of coercion from governmental bodies and other powerful

actors, widespread acceptance by peers in an organizational field, and promotion by professionals (DiMaggio and Powell 1983). By designing formal structures that adhere to legitimated rules, an organization demonstrates that it is acting on collectively valued purposes in an effective way (Scott 1995).

An implication of those ideas is that organizations establish boundary-spanning structures (such as affirmative action officers) to signal commitment to institutionalized beliefs and values and to represent the organization to valued constituencies (Aldrich 1979; Edelman 1992, p. 1545). Empirical studies of the origins of boundary-spanning structures have depicted them as organizational responses to governmental mandates and legal pressures. Baron et al. (1986) showed that personnel offices arose as document providers because firms had to file “manning tables” enumerating manpower needs and jobs in response to employment stabilization policies instituted by the federal government during World War II. Edelman (1990) reported that in response to threats from the legal environment, public sector organizations created personnel offices earlier than private sector organizations. In another study of 248 business firms, 50 colleges, and 48 governmental agencies, Edelman (1992) found that educational organizations and federal contractors created affirmative action offices at a faster rate because they were

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more sensitive to legal pressures. She also reported that the presence of a personnel department increased the diffusion of affirmative action offices during the 1970–1979 time period, and interpreted that to mean personnel professionals amplified legal pressures.

However, legal mandates are not the only mechanisms that coerce organizations to design boundary-spanning structures in response to legitimated social rules. Arguably, coercion is not the monopoly of the judicial, legislative, and executive branches of government. Smelser (1963, p. 270) noted that social movements seeking “to protect, modify or create norms in the name of a generalized belief” force organizations to adopt new practices or change current practices. Aldrich (1979) observed that pressure groups can coerce organizations to demonstrate their commitment to a cause by establishing boundary-spanning units.

Moreover, coercion need not involve brute force; it can also take subtler forms (DiMaggio and Powell 1983, Pfeffer 1992). Professionals can subtly induce organizations to design organizational structures that conform to dominant cognitive models and advance their professions’ agenda. For example, personnel experts and labor attorneys can overstate legal threats (Edelman 1992, Sutton and Dobbin 1996) and encourage organizations to institute defenses such as grievance procedures. Professionals sited outside organizations can unobtrusively influence managers’ decision premises through training (DiMaggio and Powell 1983) or systematic evaluation (Pfeffer 1992), and impel organizations to conform to models dominant in the profession. For instance, firms have been shown to disavow diversification when there is a mismatch between the industries in which the firm competes and the industry coverage of the financial analysts who follow it (Useem 1996, Zuckerman 1996).

Finally, mimetic processes can induce organizations to adopt new boundary-spanning structures. Sheer prevalence within an organizational field can cause a boundary-spanning structure to be taken for granted (Scott 1995, pp. 41–45), and organizations may emulate peers to which they have direct ties or may imitate structurally equivalent organizations with which they have no direct ties (Galaskiewicz and Burt 1991). While there is ample evidence that organizations imitate peers in the adoption of strategies (Fligstein 1991, Haveman 1993), research on how mimicry underlies the adoption of boundary-spanning structures is sparse.

Clearly, research on the origins of boundary-spanning units needs to be extended to the effects of direct coercion by social movement activists, subtle coercion by professionals, and mimetic influence. We analyze the rise of a

new boundary-spanning structure, investor relations departments, among *Fortune* 500 industrial firms during the period 1984 through 1994. Our approach is to treat collective action on shareholder rights organized by public pension funds and other activists as a social movement, and test whether their attempts to compel managers to uphold shareholder rights promoted the creation of investor relations departments. We view financial analysts as nascent professionals monitoring the firm on behalf of shareholders, and test whether their scrutiny impelled firms to establish investor relations departments. Finally, we distinguish between mimetic influence stemming from board interlocks with prior adopters and mimetic pressure emanating from structurally equivalent peers in the same industry, and assess their effects on the creation of investor relations departments. Implications for institutional theory and organizational research are then outlined.

The Rise of Investor Relations

The rise of investor relations departments is interesting because shareholders have existed since the formation of the joint-stock corporation, but investor relations departments have appeared primarily during the last decade (Mahoney 1991). In a case study of seven organizations, Useem (1993, p. 132) summarized the development of investor relations departments:

Until the 1980’s, to the extent that shareholders occupied management time at all, investor relations was often the province of the chief financial officer (CFO). As shareholders’ questions would periodically arise, the CFO would take time from a full schedule to respond. Investor relations then entailed little more than public relations and occasional crisis management. . . . At decade’s end, by contrast, the investor relations office had become a full-time professionalized operation. . . . The investor relations manager occupied an office proximate to, if not within, the executive suite in all seven companies.

The rise of investor relations departments warrants study because of the prominent positions they occupy in many organizations. Such departments consist of an office led by a manager or director, or a vice-president, and occupy a central place in the organizational chart. In two surveys of investor relations executives conducted in 1985 and 1989, the National Investor Relations Institute found that two-thirds of the respondents, many of whom worked for firms listed on the New York Stock Exchange, reported to the company’s chief financial officer, chief executive, or chairman. The 1989 survey found that 52% of investor relations executives had personal contact with the board of directors (National Investor Relations Institute 1985, 1989).

Fortune 500 industrial organizations constitute an interesting site for observing the growth of investor relations departments because they include large, visible, diversified, and prominent organizations in the manufacturing sector of the economy (Davis 1991). Figure 1 shows the number of companies among *Fortune* 500 industrial firms that had a formal office or department of investor relations during the 1984–1994 period. Investor relations departments were present in 16% (84 cases) of the sample in 1984 and in 56% (270 cases) of the sample by the end of 1994.

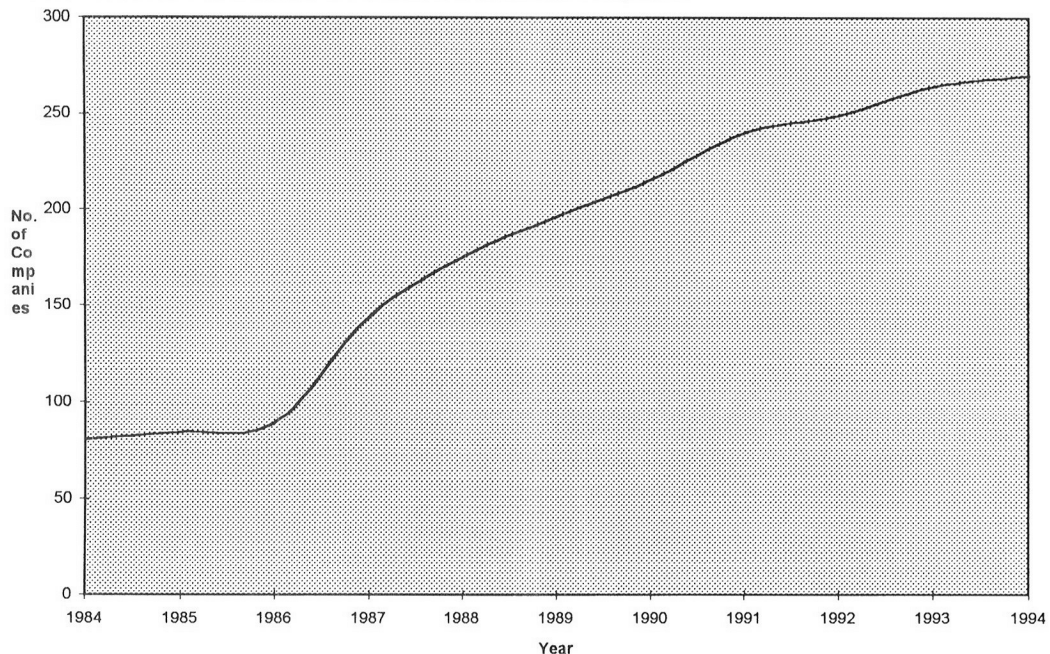
Some observers trace the origins of investor relations departments to technical factors or performance-related considerations. Indeed, a generally accepted definition of investor relations is that it is a “strategic corporate marketing activity, combining the disciplines of finance and communication, which provides present and potential investors with an accurate portrayal of a company’s performance and prospects” (Brown 1994, p. 44). Writers on investor relations hold that the activities of an investor relations department consist of shareholder relations, disclosure, valuation, and capital formation (Mahoney 1991).

Shareholder relations consist of the provision of regular annual reports and proxy statements to stockholders. They include fostering communication between the board and stockholders on matters of corporate governance. Disclosure encompasses the dissemination of information

considered material to the investment process. Investor relations executives are expected to ensure the release of mandated disclosures prescribed by the Securities and Exchange Commission, federal and state governments, and stock exchanges. The purpose is to provide fair and equal announcement of good and bad news, as well as developments that will or might have a material impact on the investment decision (Brown 1994). Regular disclosure topics include quarterly and annual earnings, declaration of dividends, stock splits, and changes in corporate officers. In managing the disclosure process, investor relations executives are expected to present news to financial analysts covering the company, and to convey Wall Street’s perceptions to senior managers and the board.

Valuation consists of activities designed to ensure that the price of a company’s stock reflects realistic prospects for the organization. Investor relations executives are charged with the tasks of managing analyst expectations and correcting misconceptions in the investor and analyst communities. A crucial responsibility of an investor relations executive is to understand the assumptions driving the financial model used by financial analysts, and to influence those assumptions to ensure a realistic assessment of the organization. By managing disclosures to analysts and by influencing their valuation of the organization, investor relations executives can market the organization to potential investors and recruit investors who share the

Figure 1 Investor Relations Departments in *Fortune* 500 Industrial Companies



organization's goals. Hence, investor relations executives are concerned with presenting an "investment story" (the strategy of the company, its growth plans and prospects) to differentiate the company from rivals in capital markets. Michael Flick, First Vice-President, Investor Relations, First Commerce (Halliday 1992, p. 23), summarized the work of the investor relations department as follows.

In a sense, we view them (investors and analysts) like we would our customers. When we go to a meeting, we take notes about what we are asked most frequently—what appear to be the major issues of interest. Then we go back and make sure that in our next quarterly report we specifically address these issues in detail.

The preceding account implies that investor relations offices may have originated as responses to poor performance, variability in performance, growth in the number of institutional investors, issuance of new equity, and increasing organizational size. Those technical considerations may have led to an increased need to routinize shareholder relations, organize voluntary disclosures, and influence the firm's valuation in the market.

Poor performance may have created a need for top managers to justify their performance to investors and analysts, and may have impelled them to create special departments entrusted with managing the disclosure process. Similarly, variability in performance may have been treated as a negative outcome by boards of directors, shareholders (Bromiley 1991), and financial analysts, motivating managers to establish special departments to influence the firm's valuation. The increased presence of institutional investors may have necessitated the establishment of special departments to ensure effective communication between managers and investors. Organizations seeking to issue new equity might have created investor relations departments as marketing tools. Large organizations may also have set up such departments because they anticipated political costs (Watts and Zimmerman 1986) and formalized boundary-spanning roles (Pfeffer and Salancik 1978, p. 273).

An unexamined assumption is that investor relations departments were adopted to routinize shareholder relations, provide voluntary disclosures, and influence market valuations. However, the causation may have been the reverse. That is, investor relations departments could have shaped the ends to be pursued. After their establishment, professionals may have labeled outcomes as problems for which investor relations departments were the solution.¹ Moreover, an exclusive emphasis on intended technical activities deflects attention from the symbolic nature of investor relations departments and the institutional sources of organizational structure.

Institutional Sources of Investor Relations Departments

Sometimes organizations signal their support for social causes by changing their formal structures. Meyer and Rowan (1991, pp. 50–51) observe the following.

The labels of the organizational chart . . . are analogous to the vocabularies of motive used to account for individual activities. . . . Failure to incorporate proper elements of structure is negligent and irrational, the continued flow of support is threatened and internal dissidents are strengthened. . . . Affixing the right labels to activities can change them into valuable services and mobilize the commitment of internal participants and external constituencies.

From an institutional perspective, investor relations departments may be viewed as attempts to incorporate socially valued models of the relationship between a corporation and its investors. We suggest that such departments were created in response to coercive pressure from a social movement dedicated to the expansion of shareholder rights and subtle pressure from financial analysts, who as nascent professionals scrutinized the performance of organizations.

Edelman (1992, p. 1535) notes that when faced with pressure from external sources, top managers seek to comply in a way that safeguards their own autonomy. The creation of special departments to manage investor relations enabled top managers to signal their commitment to investor rights. Because interpretations of whether corporate decisions favor investors are complex, given potential conflicts between short-term and long-term performance, top managers found it rational to hire personnel to buffer themselves from external scrutiny. Investor relations departments also gave top managers an infrastructure for "educating" shareholders and analysts, attracting certain types of investors and retaining them as long-term partners (Useem 1993, pp. 136–140).

Whereas investor rights activists and financial analysts compelled managers to uphold shareholder rights, mimetic influences hastened the spread of the structural innovation among the *Fortune* 500 industrial population. As other directly connected corporations created such subunits and as peers in the industry group adopted the innovation, investor relations departments proliferated and became taken-for-granted elements of the shareholder top management relationship. We next describe the institutional sources of investor relations departments in detail and derive testable hypotheses.

The Investor Rights Movement

Organizational sociologists have long recognized that sociocultural change is often an outcome of collective action by social movement activists or issue entrepreneurs

(Smelser 1963). Collective action by pressure groups can be successful only when resources such as participation, donations, media visibility, and public opinion are mobilized by issue entrepreneurs, that is, activists dedicated to protecting or modifying norms in the name of a generalized belief.

Social movement theorists suggest that effective resource mobilization hinges on the presence of a political opportunity, the articulation of grievances and interests by issue entrepreneurs, and a social infrastructure (McAdam et al. 1988). Issue entrepreneurs can mobilize collective action by fashioning frames, that is, cognitive models that define the interests of aggrieved constituencies, diagnose their problems, identify threats, assign blame, provide a prognosis, and enable collective attribution processes to operate (Snow and Benford 1992). Formal organizations called social movement organizations may be started to ensure that the interests of challengers are routinely taken into account by decision-makers (Zald 1992). As social movement organizations seek to impose their frame on target organizations, conflict ensues around the logic by which an activity is to be organized (Friedland and Alford 1991, Tarrow 1989). Strang and Meyer (1993, p. 495) underscore the importance of social movements as sources of new institutional requirements and promoters of new organizational models as follows.

Diffusion obviously requires support from . . . grassroots activists. Models must make the transition from theoretical formulation to social movement to institutional imperative.

The preceding account fits well with the history of collective action dedicated to the expansion of shareholder rights (Davis and Thompson 1994). Useem (1996, p. 170) notes that modern investor relations management is to shareholder activism what modern human resource management is to union activism. The emergence of investor relations departments resulted from a social movement dedicated to shareholder rights in the mid-1980s that gathered momentum as institutional investors became dominant and corporate managers engaged in self-dealing.

As the proportion of an average firm's equity controlled by institutional investors such as banks, insurance firms, investment companies, mutual funds, and public pension funds rose from 15.8% in 1965 to 42.7% in 1986, ownership of the modern corporation shifted from individual investors to large organizations (Useem 1993, 1996). Because selling out depressed stock prices and harmed the interests of the seller (Davis and Thompson 1994), divestment became costly and activism became more appealing. A growing wave of takeovers in the

1980s also aggravated the conflict between managers of firms and their investors. During the 1980s, 29% of the *Fortune* 500 industrial firms were targets of takeover attempts by outsiders (Davis 1991). Takeovers tended to benefit shareholders by increasing stock prices, but jeopardized the interests of managers. Managers sought to defend themselves through "poison pills", "shark repellents", (mechanisms that depressed share prices and reduced shareholder discretion), "golden parachutes" (handsome pay packages to executives fired in takeovers), and "greenmail" (buying back raiders' shares at a high premium while leaving other shareholders disadvantaged). The takeover controversies spawned innumerable Congressional hearings, and 60 bills to regulate takeovers were introduced during the 1984–1987 period. However, no new legislation was enacted because of the Reagan government's opposition and the attitudes of the Securities and Exchange Commission (Romano 1993).

Private pension funds, banks, and mutual funds were beholden to the managers of business firms and had little incentive to discipline them. In contrast, public pension funds were not captives of managers and were compelled by the ERISA law to discharge their fiduciary responsibilities to their constituents (Monks and Minnow 1996). Public pension fund managers realized that the takeovers market could not discipline managers, and turned to political oversight and activism to check errant managers (Pound 1992, Romano 1993).

Public pension funds such as CalPERS (the largest) and the California State Teachers Retirement Fund founded the Council of Institutional Investors (CII) in January 1985. In 1986, CII endorsed a Shareholder Bill of Rights that asked for shareholder approval for greenmail, poison pills, golden parachutes, and issuance of excessive debt. Its underlying principle was that informed shareholders should have the right to approve fundamental corporate actions to a degree that is proportional to their invested capital at risk. Other public pension funds such as TIAA-CREF also began to articulate shareholders' grievances and presented the exercise of voting rights as the solution to curtail the power of errant corporate managers (Brickley et al. 1988). National organizations such as the National Council of Public Employee Retirement Systems and the National Association of State Retirement Administrators provided the social infrastructure for the investor rights movement.

A favored strategy by which investor rights activists such as CREF sought to pressure managers to accept expanded shareholder rights was to bring governance-related resolutions challenging the management of errant companies. Typically, such resolutions offered a rival slate of directors or asked shareholders to disapprove

management proposals deemed inimical to shareholders' interests. Useem (1996) suggests that such antimanagement resolutions were attempts by investor rights activists to browbeat managers into recognizing shareholders' rights to receive information, influence fundamental business decisions, and set acceptable levels of performance.

Many antimanagement resolutions were drafted, but only some were brought to a vote. However, the act of bringing such a resolution to a vote was a credible threat to both targeted and untargeted managers (Useem 1993); it established the "toughness" of activists to other organizations and induced managers to signal structurally their responsiveness to shareholder interests. In that sense, investor rights activists were analogous to business organizations that establish a reputation for "toughness" by engaging in predatory pricing to deter potential entrants from entering the industry (Milgrom and Roberts 1982). As the number of shareholder-sponsored resolutions that came to a vote increased, corporate managers had incentives to signal their commitment to investors, to "educate" their shareholders, and select compatible investors.

HYPOTHESIS 1. *The greater the number of antimanagement shareholder resolutions sponsored by investor rights activists that are brought to a vote, the more likely the focal organization is to have an investor relations department.*

Financial Analysts as Professionals

Institutional theory accords considerable importance to professionals as sources of organizational structures. Professions are diverse in the scope and sustainability of their jurisdictions; some are nascent (e.g., financial analysts), others are subordinate to more powerful professions (e.g., optometricians in relation to ophthalmologists), and others such as law are ascendant (Abbott 1990). Irrespective of their dominance, professions influence organizational structures by training staff and by providing general models that unobtrusively influence the decision premises of managers (DiMaggio 1991). Strang and Meyer (1993, p. 494) underscore the diversity of professional influence:

We emphasize globally available models imported into local situations or used to inform the construction of new social arrangements. . . . This focus leads to an emphasis on culturally legitimated theorists: scientists (including popular analysts disesteemed within the academic community), intellectuals, policy analysts and professionals. . . . These groups produce especially complex and highly integrated models.

Meyer (1994) suggests that professionals isolate and label properties of cognitive models, define some elements of a model as virtues, and identify the model and

prospective adopter as sharing underlying similarities. In that perspective, professionals are self-interested theorists who provide recipes for successful management, motivate public authorities to dictate or provide incentives for approved forms, and generate rationales for organizations' adoption of new models and practices (Strang and Meyer 1993, pp. 493–497; Pfeffer 1992).² Professionals establish normative rules that add a prescriptive, evaluative, and obligatory dimension to social life (Scott 1995, p. 35) such that compliance with norms is an outcome of a logic of appropriateness (March and Olsen 1989, p. 24). Cole (1985) showed that experts in universities, consulting firms, and national associations were instrumental in the diffusion of quality circles in America.

Those arguments mesh well with the role of financial analysts in capital markets. Financial analysts are independent professionals who serve current and potential investors by scrutinizing the performance of corporate managers. As watchdogs serving investors, financial analysts institutionalize distrust of corporate managers by shareholders (Luhmann 1979).³ As nascent professionals,⁴ financial analysts induce corporate managers to respond to shareholders' concerns and maximize shareholder value. The rhetoric of shareholder value, as Meyer (1994, p. 573) notes, elides the question of how managers' contributions to shareholder value should be measured, but denies any ambiguity as to the meaning of performance. Analysts convert abstract models of investor rights and shareholder value into metrics designed to assess managers' performance, forecast the organization's earnings prospects, and recommend whether a stock ought to be bought, held, or sold.

As watchdogs, analysts conduct independent research on the competitive position of a company by interrogating customers, suppliers, and operating managers of the focal organization. Financial analysts issue forecasts of a company's earnings prospects to prevent managers from misleading current and prospective investors. They interrogate top managers about the problems facing the organization and elicit information on corrective steps, if any. Top managers interact with financial analysts through two institutionalized forums: "the Wall Street briefing" and the "conference call." The former is an organized and often scripted presentation of the managers' point of view and the latter is a more informal conversation, sometimes in response to a sudden crisis. As self-interested watchdogs, financial analysts have incentives to snoop and scoop, and to be the first to report something to investors so that they can make money on it. Schreiner (1994, p. 28) characterizes analysts as individuals who are:

as intrusive as a reporter, as uncontrollable as a car without brakes, and as short-term oriented as a woman in labor.

By providing independent assessments of an organization's performance and prospects, analysts induce corporate managers to uphold shareholders'. Analysts' recommendations have enormous consequences for the fortunes of organizations. In a study of 1,500 recommendations over a three-year period, Womack (1995) reported that a buy recommendation can increase a stock price by 3%, whereas a sell recommendation can reduce it by 4.7%. The greater the number of analysts covering an organization, the more intense is the scrutiny of the organization and the stronger are the incentives for corporate managers to signal their commitment to shareholder rights and interests. Coverage by greater numbers of analysts also induces corporate managers to influence analysts' evaluations. Investor relations offices enable top managers to communicate commitment to shareholder rights, to protect their time from intrusions by analysts, and shape analyst evaluations. In a recent survey of 119 firms with investor relations departments, the National Investor Relations Institute (1996) found that 78% of the respondents frequently reviewed the drafts of analyst reports and 90% reviewed and commented on analyst earning projections before publication. Moreover, special-purpose investor relations units can be a launching pad for offensive operations designed to "capture" analysts. Because analysts often work for companies that also have an investment banking business, investor relations executives could potentially penalize an analyst by threatening to withhold investment banking business to the firm that employs the analyst (Dugar and Nathan 1995).

HYPOTHESIS 2. *The greater the number of analysts following an organization, the more likely the focal organization is to have an investor relations department.*

Mimetic Influences

Scott (1995, pp. 34–35) proposes that mimetic mechanisms provide a cognitive foundation to institutions. Structures become orthodox, conceptually correct and cognitively valid through sheer prevalence. Cohesion models of mimetic pressure focus on direct ties between those at risk of adoption and those that have already adopted. By contrast, structural equivalence arguments hold that even in the absence of direct ties, organizations imitate other organizations that have similar relationships with their environment (Galaskiewicz and Burt 1991).

Proponents of the cohesion model contend that communication with contacts diminishes ambiguity about the value of an innovation and promotes vicarious learning from the experiences of others. One way of operationalizing communication with contacts is to focus on board

interlocks between a focal organization and prior adopters. Board interlocks connect a focal organization with other organizations and structurally embed it in an intercorporate network. Some controversy is evident about the content of director interlocks (Fligstein 1995). Some writers view director interlocks as the outcome of an organization's attempt to manage resource dependencies and coopt external actors (Palmer et al. 1995). Other writers question whether board interlocks presuppose a power structure, instead suggesting that they serve as a conduit for the transmission of information and norms about what is desirable and what is appropriate (Powell and Smith-Doerr 1994). Davis (1991) reported that board interlocks with prior adopters increased the adoption of the poison pill, but prevalence within the SIC category did not. He interpreted that finding to mean that normative models of shareholder-management relationships diffuse through elite groups controlling corporations rather than through industry peers. Haunschild (1993) found that firms imitated the acquisition strategies of prior acquirers with which they had board interlocks. Rao et al. (1997) reported that NASDAQ firms having board interlocks with firms that had defected from NASDAQ to the NYSE were also more likely than others to defect to the NYSE. As direct ties in the form of interlocks with prior adopters increase, investor relations departments become taken-for-granted, acquire facticity, and diffuse rapidly.

HYPOTHESIS 3. *The greater the number of board interlocks with prior adopters, the more likely the focal organization is to have an investor relations department.*

However, mimetic influence can also be transmitted between structurally equivalent organizations: firms that have similar roles and share similar relations with the environment. Network theorists hold that symbolic communication between structurally equivalent organizations is a more important driver of adoption than direct contact, and suggest that organizations imitate their competitors (Burt 1982). Several studies demonstrate that structural equivalence exerts stronger effects than direct ties (Galaskiewicz and Burt 1991, Mizruchi 1996). Competitors who have adopted a procedure or a rule influence the behavior of other organizations even in the absence of direct contacts. Several studies show that firms imitate competitors and adopt their strategies (Fligstein 1991, Haveman 1993). The larger the number of competitors that have adopted an investor relations department, the greater the likelihood that other firms in the industry will establish such a department.

HYPOTHESIS 4. *The greater the number of adopters of an investor relations department in a focal firm's in-*

dustry, the more likely that firm is to have an investor relations department.

Data and Methods

The *Fortune* 500 group of industrial organizations was chosen as the research setting to test the hypotheses. Our window of observation started in 1984 and ended in 1995. The *Fortune* 500 industrial firms comprise large and diversified manufacturing enterprises that play a crucial role in the American economy (Davis 1991). The initial sample included all firms in the 1989 *Fortune* 500 industrial series. After exclusion of wholly owned foreign subsidiaries and firms that were not publicly traded during the study period, our sample consisted of 424 organizations. Of those organizations, 266 had established an investor relations department by the end of the study period, 80 had established them before 1984, and the rest after 1984.⁵

Data on when an organization created an investor relations department were collected through a three-stage process. We first consulted *Standard and Poor's Directory of Corporate Affiliations* to detect whether an organization had an investor relations office and the year of its creation. Then we used the *Dow Jones Electronic News Service* to scan abstracts from 52 newspapers to find the exact date on which a focal organization announced the creation of an investor relations office and the appointment of manager to head the unit. If that information was not available from the *Dow Jones Electronic News Service*, we contacted the investor relations department of the company by telephone to verify the exact date. However, for 80 of the 266 adopters that had established investor relations departments before 1984, the exact dates were not available even from the companies.

Dependent Variable

The event of interest was the adoption of an investor relations office and our dependent variable was expressed as:

$$r_{it} = \lim_{dt \rightarrow 0} \frac{\Pr(t \leq T < t + dt, | T \geq t)}{dt},$$

where r_{it} is the hazard of creating an investor relations department for organization i at time t and $\Pr(\cdot)$ is the probability of an event between times t and $t + dt$, given that the firm is in the sample at risk at time t .

Independent Variables

Yearly data on the number of antimanagement shareholder resolutions that came to a vote were gathered from the Investor Responsibility Research Center. As the focus

was on governance-related investor rights, shareholder-sponsored resolutions asking management to undertake socially responsible activities were not included in the computation of the measure. The number of analysts following each firm was obtained from the IB/E/S database; because larger organizations may be followed by more analysts than small ones, we divided the number of analysts by the size of the organization to create a standardized measure.

To test mimetic arguments based on cohesion, we computed the number of board interlocks with prior adopters as a time-varying continuous variable consisting of all nonduplicate ties to prior adopters in the sample. In testing structural equivalence arguments, we defined competitors as firms sharing the same two-digit SIC code as a focal firm. The number of adopters in a two-digit SIC code was computed as a measure of structural equivalence. All of the variables were lagged by a year.

A constraint in data collection was the fact that 80 of the 266 adopters had established investor relations departments before 1984. As the exact dates on which these new structures were established by the 80 organizations were unknown, we could not compute lagged counts of interlocks with prior adopters or of adopters in the same SIC code for those organizations. Because they were pioneers, they were likely to have had fewer interlocks with prior adopters, and fewer numbers of adopters in their SIC code, and hence, to have been less susceptible to mimetic influence than organizations that established investor relations departments after 1984. It should be noted that other studies that study imitation in acquisitions (Haunschild 1993), adoption of the M-Form (Palmer et al. 1993), and takeovers (Palmer et al. 1995) also faced similar data truncation issues. Hence, we tested mimetic hypotheses using a subsample that included only firms that established an investor relations department after 1984 and in accordance with prior studies involving data truncation problems, we do not generalize the results to the pre-1984 time period.

Control Variables

Because technical activities designed to augment performance may have induced firms to create investor relations departments, we used several control variables. As poor performance creates justification costs for managers and induces them to create buffers (Thompson 1967), net income was one control variable. Variability in performance was the standard deviation of returns to shareholders. (A return is the change in the total value of the investment in common stock over some period of time per dollar of initial investment.) We computed that measure using data on the price of the stock for every day on

which a stock was traded in every year that the company was at risk of adopting an investor relations department. The data were obtained from the Center for Research on Security Prices.

Size (the logarithm of assets) was used as a control variable because several studies suggest that increasing size leads to a greater differentiation and formalization of boundary-spanning roles (Aldrich 1979; Pfeffer and Salancik 1978, p. 273). The amount of new equity issued was also used as a control variable because organizations seeking to issue new equity might have used the investor relations department as a marketing tool. Data were obtained from the COMPUSTAT database and were lagged by one year. Data on the percentage of institutional shareholdings were obtained from proxy statements and Disclosure Inc. and were updated every two years. Institutional shareholders were defined as banks, insurance firms, investment companies, and pension funds that had greater than \$100 million in equity assets. Because investor relations departments may be created as responses to trading activity, the number of days in a year during which the stock of the focal organization was traded was also used as a control variable. Data were obtained from the Center for Research on Security Prices. A time trend measure was used to control for duration dependence and was operationalized as a historical clock that started at the beginning and ended at the close of the study period.

Network analysts propose that board interlocks exert significant effects on corporate action (Burt 1982) and note that the more board interlocks enjoyed by a firm, the more central is its location (Mizruchi 1996). Central organizations are likely to create new structures for two reasons. First, because centrality endows organizations with social capital in the form of information and, as a result, central organizations are able to scan the environment better and adopt innovations earlier than others (Burt 1982, Ch. 5). Second, central organizations are visible, and are vulnerable to pressure from unions, employees, governments, and consumers in the form of demands for wage increases, antitrust suits, and boycotts. Hence, we used centrality as a control and defined it as the number of nonduplicated ties a firm's board had with other firms in the sample, and treated it as a time constant variable. Mariolis and Jones (1982) found that the total number of interlocks was highly stable over time and was the most reliable measure of centrality. Davis (1991) used a similar measure.

Table 1 provides descriptive statistics for the independent and control variables used in the study. There are some strong and significant correlations between the control variables and the independent variables. The log of assets has a strong and significant correlation with the

number of analysts (0.54) and direct ties with prior adopters through board interlocks (0.45). Large organizations are more likely than small ones to be covered by more analysts, and to be connected to prior adopters. Interestingly, net income is only modestly correlated with the number of analysts (0.29) and the number of ties to prior adopters (0.19) but is insignificantly correlated with institutional shareholders and antimanagement resolutions. In general, new equity has significant correlations of less than 0.10 with the institutional variables other than direct ties to prior adopters (0.21). A strong significant correlation exists between centrality and prior ties to adopters (0.54) and the number of analysts (0.27). Central organizations having many interlocks are likely to be connected with prior adopters and are also more prone to greater coverage than others. The clock variable is significantly correlated with antimanagement resolutions (0.89), thereby implying a rise in investor activism over the time period. Variability in annual returns to shareholders has negative correlations with institutional shareholdings (-0.11), number of analysts (-0.15), and direct ties to prior adopters (-0.07). Interestingly, the correlations among the institutional variables are modest: the highest correlation is between the number of adopters in a two-digit SIC group and direct ties to prior adopters (0.43).

Model Specification

The effects of the explanatory variables were estimated by using logistic regression with a logit function:

$$\log(P(t)/[1 - P(t)]) = a + \sum b_i x_i + \sum c_j x_j(t),$$

where $P(t)$ is the probability of having an investor relations office, b_i is the set of coefficients for explanatory variables x_i that do not change over time, c_j is the set of coefficients for explanatory variables $x_j(t)$ that do change with time, and a is a constant. To use time-varying independent variables, the history of all sample organizations was split into one-year records or spells, with all spells except the year of adoption being coded as right-censored. Note that the specification implies that we are constructing discrete hazard rate models rather than continuous time models (Tuma and Hannan 1984). We used the SAS program to estimate logit models of the hazard of having an investor relations department.

Results

Table 2 shows the results obtained through our construction of a series of nested models. Model 1 includes the effects of technical or performance-related control variables: size, net income, trading days, and new equity.

Table 1 Descriptive Statistics for Independent Variables: Means, Standard Deviations, Correlations

Variable	X	S.D.	2	3	4	5	6	7	8	9	10	11	12
1. Log of assets	7.19	1.31	0.48**	0.32**	0.10**	0.63**	-0.05*	0.02	0.25**	0.54**	0.11**	0.45**	0.13**
2. Net income	199.9	653.93		0.08**	-0.02*	0.40**	-0.03*	0.006	0.04	0.29**	0.01	0.19**	0.06**
3. Issue of equity	41.69	199.58			0.02	0.19**	0.07**	-0.13**	-0.04*	0.09**	0.009	0.20**	0.05**
4. Historical Clock	4.1	3.07				-0.12**	0.002	-0.03	0.17**	-0.05**	0.86**	0.36**	0.39**
5. Centrality	6.25	7.08					-0.12**	0.07**	0.25**	0.43**	-0.10**	0.54**	0.01
6. Variability in performance	0.22	1.22						-0.64**	-0.11**	-0.15**	0.01	-0.07**	-0.008
7. # of trading days	250.14	19.36							0.08**	0.14**	-0.03	0.04**	-0.01
8. % Institutional shareholding	45.93	18.55								0.39**	0.15**	0.20**	0.13**
9. # of analysts/organizational size	1.78	1.02									-0.03	0.27**	0.09**
10. # of antimanagement shareholder resolutions	161.28	94.98										0.36**	0.43**
11. Board interlocks with prior adopters	0.82	1.72											0.23**
12. Number of adopters in the same industry group	7.02	9.67											

*Significance at $p = 0.10$

**Significance at $p = 0.05$.

Centrality also is included as a control. Size and variability in performance significantly increase the presence of investor relations departments. The effect of the historical time clock is negative and significant. Net income, centrality, issuance of new equity, percentage of institutional shareholders, and the number of trading days have insignificant effects.

Model 2 includes the effects of antimanagement shareholder resolutions and the number of analysts. It is a significant improvement over model 1, as indicated by the chi-square statistic of 39.06 at two degrees of freedom. The positive and strongly significant effect of shareholder resolutions supports Hypothesis 1, that such resolutions were credible threats used by investor rights activists and induced managers to create investor relations offices. The number of analysts also has positive and highly significant effects and lends credence to Hypothesis 2, that financial analysts were watchdogs who induced managers to create investor relations departments as devices to negotiate favorable identities.

Model 3 tests for the effects of mimetic influence in a subsample of firms that had an investor relations department after 1984. The effects of the control variables in model 3 are similar to those in model 2, with one exception: the number of interlocks becomes marginally significant and negative. However, the effects of variability in performance continue to be positive and significant and all other controls remain unaltered. Model 3 is also similar to model 2 in that the effects of antimanagement resolutions and scrutiny by analysts continue to be positive

and significant for firms that established an investor relations department after 1984. The positive and significant effect of board interlocks with prior adopters supports Hypothesis 3, that investor relations departments spread because of contagion through cohesion. The effect of the number of adoptions by peers sharing the same two-digit SIC code as the focal organization is insignificant and there is no support for Hypothesis 4 which predicts contagion through structural equivalence.

We use model 2 to interpret the significant effects of investor rights activists and analysts. We use model 3 to interpret the significant effects of direct ties with prior adopters but are careful not to generalize to the time period prior to 1984.⁶ In both models, technical variables such as poor performance, issuance of new equity, and the number of trading days have insignificant effects on the presence of investor relations departments in firms. Percentage of institutional shareholdings also has insignificant effects. One reason may be that when institutional shareholders dominate a company, top managers prefer to deal with them directly instead of creating intermediaries such as investor relations departments. Two technical variables have significant positive effects on the establishment of investor relations departments. Size has a marginal significant positive effect in model 2, implying that large organizations create investor relations offices to manage political costs. The effect of variability in returns to shareholders is strong, positive and striking: its

Table 2 Presence of Investor Relations Offices: Maximum Likelihood Estimates

Variable	Model 1	Model 2	Model 3 (with post 1984 subsample)
Constant	-2.655*** (1.001)	-2.398*** (1.026)	-3.500*** (1.21)
Log of assets	0.2084*** (0.0706)	.1274* (0.0768)	.1095* (.0916)
Net income	-0.0001 (0.00009)	-0.0001 (0.0001)	.00005 (.0001)
Issuance of new equity	-.0001 (.0003)	-.00004 (.0003)	-.00004 (.0003)
Historical clock	.0820*** (.0234)	-.2305*** (.0541)	-.0873*** (.0573)
Centrality	-.0019 (.0119)	-.0028 (.0121)	-.0324* (.0200)
Variability in performance	.1078** (.0619)	.1148** (.0623)	.1867*** (0.0751)
No. of trading days	-.0032 (.0035)	-.0044 (.0036)	-.0033 (.0042)
% Institutional shareholding	.0031 (.0037)	0.00006 (0.0041)	.0049 (.0042)
No. of Antimanagement shareholder resolutions		.0053*** (.0015)	.0035*** (.0016)
No. of analysts/organizational size		.2197*** (.0787)	.2577*** (.0909)
Board interlocks with prior adopters			.1183*** (.0599)
No. of adopters in the same industry (SIC) group			-.0024 (.0081)
Spells	2449	2449	2013
Events	266	266	186
Log-Likelihood	-1648.37	-1628.84	-1209.86
d.f.	8	2	12
Chi-square	34.63***	39.06***	47.41***

Figures in parentheses are standard errors. Tests of significance for size, variability in performance, clock and independent variables used to test hypotheses are one-tailed. The baseline model for model 3 is a model with only the constant term.

*Significance at $p = .10$, **Significance at $p = 0.05$, ***Significance at $p = 0.01$.

effect is 1.11 ($e^{0.1129}$), which means that the relative increase in the presence of investor relations departments with respect to the baseline is 11%. Those results suggest that variability in performance imposes justification on managers and induces them to signal commitment to shareholder concerns and rights by creating investor relations departments.

The impact of the institutional variables is striking. Antimanagement resolutions have a multiplier of 1.005 ($e^{0.0053}$), indicating that each antimanagement resolution increases the presence of investor relations departments by an extra 0.5%. As antimanagement resolutions increase from 55 to 294, the multiplier of the rate increases from 1.33 to 4.75, thereby indicating a strong positive

effect over time. Financial analysts have a strong and significant impact; the multiplier of the rate is 1.23 ($e^{0.2197}$) meaning that each additional analyst increases the presence of investor relations departments by 23%. In model 3, board interlocks with prior adopters also have strong effect: the multiplier of the rate is 1.12 ($e^{0.1183}$), meaning that each interlock increases the presence of investor relations departments by 12%.

Discussion

Institutional analyses of boundary-spanning roles have glossed over the effects of coercion from social movements, professionals, and mimetic influences. Our results

show that antimanagement resolutions championed by investor rights activists, monitoring by financial analysts, and board interlocks with prior adopters significantly increased the likelihood that investor relations departments would be established. Those results held when we controlled for the effects of technical variables such as organizational size, financial performance, variability in performance, institutional investors, volume of trading activity, and the issuance of new equity.

Our study enlarges institutional accounts of organizations by showing how social movement activists have compelled organizations to adopt structures that signaled the primacy of shareholder rights. Although institutional scholars emphasize institutional entrepreneurship (DiMaggio 1988, Jepperson 1991) and social movement theorists stress the salience of issue entrepreneurs in the construction of new models (McAdam et al. 1988), there has been little dialogue between the institutional analysts and students of social movements (Davis and Thompson 1994).

Our findings provide strong evidence that the social movement seeking to defend shareholder rights induced organizations to create boundary-spanning units. The antimanagement resolutions brought to a vote by investor activists, irrespective of the focal organization to which they were targeted at, were a credible threat to corporate managers: a signal that those who defied shareholder rights would be punished and dislodged. As posited in Hypothesis 1, as the number of resolutions sponsored by shareholder activists rose, corporate managers responded by creating a boundary-spanning unit to mediate their interaction with shareholders.

Our study extends institutional analyses by showing how professionals, specifically, financial analysts, translated theories of investor rights into metrics of performance and induced managers to create investor relations departments. As watchdogs who institutionalize distrust of managers, analysts are nascent professionals who sustain evaluative expectations of corporate managers and create consistency between an organization's goals and the interests of shareholders. As posited in Hypothesis 2, as the number of analysts increased, corporate managers were more likely to create investor relations offices, presumably not only to cushion the organization from analyst scrutiny, and protect their time, but also to actively negotiate favorable identities. Thus, social control specialists impose normative constraints on organizations and induce organizations to create boundary-spanning units.

Together, the effects of antimanagement resolutions sponsored by investor rights activists and the effects of

financial analysts enrich our understanding of how coercive pressures lead to the establishment of boundary-spanning units. To date, institutional research has tended to equate coercion with the executive, judicial, and legislative arms of government and has finessed the issue of interests and agency among actors (DiMaggio and Powell 1991, Oliver 1991). Our study shows that social movements exert direct coercive pressure on organizations, whereas professionals working outside the organization and evaluating its conduct can exert unobtrusive influences. Strang and Meyer (1993, p. 495) note that for diffusion to occur, models must make the transition from theoretical formulation to social movement to institutional imperative. Both investor rights activists and financial analysts "problematized" investor rights, that is, highlighted the expectations, interests, and rights of investors. Investor rights activists used antimanagement resolutions that were brought to a vote as the tactic to problematize investor rights, whereas financial analysts problematized investor welfare by converting abstract models of investor gain into metrics designed to managers' performance.

Our study also expands institutional theory by illuminating mimetic effects on boundary-spanning roles and addressing the debate on contagion through cohesion and contagion through structural equivalence. Direct ties in the form of board interlocks with prior adopters significantly increased the rate of creation of investor relations departments, confirming Hypothesis 3. However, we found no support for Hypothesis 4, that adoptions by peers in the same two-digit SIC code would increase the creation of investor relations departments. Those results suggest that investor relations departments spread because of contagion sustained by cohesion rather than structural equivalence. Although empirical evidence suggests that structural equivalence exerts stronger effects than direct ties (Galaskiewicz and Burt 1991, Mizuchi 1996), it is most useful, as Strang and Tuma (1993) note, to treat direct ties and structural equivalence as multiple pathways of influence whose effects vary by context. Our results suggest that notions of shareholder rights and appropriate symbolic responses diffused through the boardroom rather than through peers in the same industry. Davis (1991) reported that board interlocks with prior adopters increased the adoption of the poison pill but that prevalence within the SIC category did not, and concluded that normative models of shareholder-management relationships diffuse through elite groups controlling corporations rather than through industry peers. However, our results on contagion through board interlocks cannot be generalized to the establishment of

investor relations departments before 1984. Mimetic effects during this period may have been lower because adopters may have been small and peripheral organizations with few ties to other firms.

Our findings shed light on the relationship between technical and institutional variables. Although older versions of institutional theory portrayed performance-related factors and legitimacy-related considerations as exerting contradictory effects, newer analyses emphasize additive and interactive effects (DiMaggio and Powell 1991). Our findings suggest that technical and institutional factors exerted additive effects on investor relations departments. Variability in performance raised justification costs for managers, and created incentives for top managers to buffer themselves through the creation of investor relations departments. When that effect is juxtaposed with the positive effects of antimanagement resolutions and financial analysts, a more complicated account of the rise of investor relations departments is implied. If investor rights activists and financial analysts "problematized" investor rights and created incentives for top managers to signal commitment, variability in performance amplified the incentives for managers to buffer themselves from external pressure. Formal subunits entrusted with the management of investor relations not only enabled managers to signal their commitment to investors but also to coordinate the disclosure of data to investors and analysts and rationalize the management of shareholders. As marketers concerned with investors rather than consumers, investor relations departments could "educate" shareholders and analysts, attract certain types of investors and retain them as long-term partners (Useem 1993, pp. 136–140).

Taken together, our results illuminate whether the creation of new boundary-spanning structures was a top-down or bottom-up process. DiMaggio (1991) showed that a top-down process led to homogeneity within the arts field because the National Center for the Endowment for the Arts became a central model that was widely imitated in the creation of state-level councils. In contrast, Suchman (1995) reported that lawyers in Silicon Valley consulted with individual companies and "compiled" recipes through an inductive process that later diffused. Dobbin et al. (1993) suggested that top-down and bottom-up processes were at work in the spread of internal labor market mechanisms wherein ambiguous laws were interpreted by personnel professionals, and when solutions became codified they diffused rapidly. Our findings show that the establishment of investor relations departments was not a simple top-down process wherein a central organization imposed structural requirements, but was more of a bottom-up and lateral process. On the one side, investor

rights activists and financial analysts working outside organizations pressured managers to uphold investor rights. On the other side, variability in performance imposed justification costs and created incentives for corporate managers to buffer themselves from external pressure. The creation of investor relations offices enabled top managers to signal their commitment to investor rights. That solution spread through the boardrooms and diffused across the *Fortune* 500 industrial firms.

The limitations of our study suggest some intriguing directions for future research. One is to model explicitly the effects of precipitating events, such as a tender offer or a take-over bid that may have mobilized managers to defend themselves by forming investor relations departments. If such factors were significant, then performance ought to have played a more major role because poorly-performing managers may be subjected to discipline by market mechanisms. However, in analyses not reported here, we found that falling short of analysts' forecasts did not increase the presence of investor relations departments.

Another area for improvement is to enhance the generality of our findings. Our results may not generalize to other populations such as *Fortune* 500 service organizations or the *S&P* 500 or for that matter the *NASDAQ* 500. For example, there may be more variance in size, performance, and the extent of institutional shareholding in the *S&P* 500 or *NASDAQ* 500 than in the *Fortune* 500 industrial firms. Comparative studies of how the same boundary-spanning unit diffused in diverse organizational fields are needed. A second avenue for extending the generality of our results is to compare the establishment of two or more types of boundary-spanning units. Possibly, the salience of social movement activists (the analogues of investor rights activists), professional watchdogs (counterparts of financial analysts), and mimetic influences may be different in the spread of boundary-spanning units such as chief learning officers, chief information officers, and directors of benchmarking. For example, consulting firms and theorizing by business academics might play a crucial role in the diffusion of those units.

We also see a need to deepen our understanding of how investor relations departments diffused. A limitation of our study is that it used logistic regression techniques to model the presence of investor relations departments. Because we lacked data on the exact adoption dates of the 84 organizations that had already adopted by 1984, we could not use heterogeneous diffusion models that require complete data on the adoption dates of the entire population at risk (Strang and Tuma 1993). The main contribution of a heterogeneous diffusion model in comparison

with other hazard models of diffusion is that it treats non-contagious influences (propensity effects) and contagious influences as additive. It also decomposes the contagious influence in terms of the susceptibility of the focal organization to influence by other adopters, the infectiousness of previous adopters, and the social proximity of the focal organization to previous adopters.

A rich topic for future research is the consequences of investor relations departments. Managers of boundary-spanning units are entrepreneurs who construct definitions of environmental demands, articulate organizational identity to external audiences, prescribe organizational policies, and accelerate the diffusion of environmentally preferred ideologies in organizational fields (Dobbin et al. 1993, Sutton and Dobbin 1996). How do investor relations managers communicate the identity of the organization to different classes of investors, such as small investors, large domestic investors, and foreign investors? Do investor relations departments lead organizations to profess that their goal is to increase shareholder value? Although the adoption of investor relations offices may be a signal of compliance with environmental pressures, personnel who occupy these roles can become prominent actors in constructing definitions of compliance and in devising responses to institutional shareholders, shareholder activists, and stock analysts (Edelman 1992). As boundary-spanning personnel push the envelope and exploit their access to the executive suite, the investor relations department may become the base of offensive operations to lure pliable institutional investors, and discredit shareholder rights activists. It could also be a mechanism for restricting the flow of information to analysts, and a device for penalizing analysts who write adverse reports by cutting the flow of business to other departments of the analysts' firms. Therefore, structural signals of compliance, such as the creation of investor relations departments may enable managers to subsequently resist institutional pressure. Hence, conformity and resistance need not be viewed as alternative strategies (Oliver 1991) and instead, must be defined as steps in a sequence of responses to institutional pressure.

Research on the consequences of adopting investor relations departments can also illuminate the endogeneity of the professions. As investor relations departments become prevalent, the costs of collective action in organizing professional associations diminish and opportunities for conflict with adjacent professions increase. In that context, the National Investor Relations Institute claims membership of the investor relations officers of many major corporations. In a parallel vein, the Public Relations Society of America has created an Investor Relations Section. As these professional bodies seek to regulate the

behavior of investor relations officers and establish codes of conduct, jurisdictional conflicts may flare. Alternatively, professionalization of investor relations personnel might lead to standardized techniques of financial marketing and communication and contribute to the rise of investor capitalism (Useem 1996).

A final intriguing topic for future research is the relationship between theorization and mimetic pressures. Our study showed that mimetic influence complemented the effects of theorists such as investor rights activists and financial analysts on the spread of investor relations departments. But Strang and Meyer (1993, p. 499) note that theorization fosters communications between strangers and can provide rationales that run counter to direct mimicry where adopted practices are temporally rather than causally linked. Research on when professionals undermine mimetic influences based on direct ties is sorely needed to illuminate the cognitive foundations of isomorphism.

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Endnotes

¹Sutton and Dobbin (1996) observe that new structures within firms are launching pads from which professionals can establish new jurisdictions and even construct field wide jurisdictions.

²Strang and Meyer (1993) note that theorization by professionals turns diffusion into rational choice.

³Luhmann (1979, p. 57) observes, "In practical terms, control over trust can only be exercised as someone's main occupation. Everybody else must rely on the specialist involved in such control."

⁴A new degree, CFA (Chartered Financial Analyst), analogous to CPA (Certified Public Accountant), is fast becoming a necessary qualification for financial analysts, even when they hold an MBA.

⁵Four organizations that had established an investor relations department before 1984 were not included because of missing data.

⁶We reran model 2 with the raw count of the number of the analysts rather than a size standardized measure of analysts. The results did not change. We also reran model 2 without the time trend variable and found no change in the results.

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