

## LBS Research Online

R Durand, O Hawn and I Ioannou

Willing and Able: A General Model of Organizational Responses to Normative Pressures  
Article

This version is available in the LBS Research Online repository: <https://lbsresearch.london.edu/id/eprint/898/>

Durand, R, Hawn, O and Ioannou, I

(2019)

*Willing and Able: A General Model of Organizational Responses to Normative Pressures.*

Academy of Management Review, 44 (2). pp. 299-320. ISSN 0363-7425

DOI: <https://doi.org/10.5465/amr.2016.0107>

Academy of Management

<http://amr.aom.org/content/early/2017/11/20/amr.20...>

---

Users may download and/or print one copy of any article(s) in LBS Research Online for purposes of research and/or private study. Further distribution of the material, or use for any commercial gain, is not permitted.

**Willing and Able:**  
**A General Model of Organizational Responses to Normative Pressures**

**Rodolphe Durand**

HEC Paris

1 rue de la Liberation. 78351 Jouy en Josas. France

e-mail: durand@hec.fr

**Olga Hawn**

Kenan-Flagler Business School

University of North Carolina Chapel Hill

Tel: (704) 530-5521

e-mail: olga.hawn@gmail.com

**Ioannis Ioannou**

London Business School

Sussex Place, Regent's Park

Tel: +44(0)2070008748

e-mail: iioannou@london.edu

**Abstract:** We develop a conceptual understanding of when and how organizations respond to normative pressures. More precisely, we examine two main factors underlying the willingness and ability of organizations to respond to an issue: (1) issue salience, and (2) the cost-benefit analysis of resource mobilization. We suggest that decision-makers' interpretation of issue salience in conjunction with their perception of the costs and benefits of taking action to address the issue generates five potential responses: symbolic compliance and symbolic conformity, substantive compliance and substantive conformity, and inaction. We extend the baseline model by examining a number of boundary conditions. By focusing on the willingness *and* ability of organizations to respond to normative pressures, and by adopting the issue as the unit of analysis, our model helps explain intra- as well as inter-organizational response heterogeneity to institutional complexity. We contribute to the institutional research tradition and offer useful implications for managerial practice, from strategic management to policy making.

**Keywords:** institutional theory, normative pressures, symbolic, substantive, conformity, compliance, issue salience

In a seminal article, Oliver (1991) identified a number of strategic responses to normative pressures available to organizations, noting (but not really exploring) that the theoretical rationale underlying different responses encompasses both the willingness and the ability of organizations to conform to the institutional environment (Oliver, 1991: 159). Since then, research inspired by the institutional theory tradition has examined a few different responses from Oliver's (1991) lengthy repertoire of strategies (e.g., Kim & Jensen, 2011; Westphal, Gulati, & Shortell, 1997), finding that the nature of the institutional pressures, external demands (Pache & Santos, 2010; Waldron, Navis, & Fisher, 2013), and the salience of issues (Bundy, Shropshire, & Buchholtz, 2013) influence whether organizations are likely to respond. Yet, with few exceptions (e.g., Bundy et al. 2013), prior research has mostly focused on the external environment of organizations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011), as originally inspired by institutional and resource-dependence theories (Oliver, 1991). It has not adequately explored the internal mechanisms in terms of the *willingness and ability* of organizations to engage in specific responses. We seek to address this void in the literature by developing a general model that allows for a joint consideration of internal organizational decision-making processes with external pressures.

In the most recent systematic overview of institutional complexity and organizational responses, Greenwood et al. (2011) explain how organizations explore and respond to seemingly incompatible, socially derived, expectations. As key drivers shaping institutional complexity and organizational responses, they review such field-level structural characteristics and organizational attributes as field fragmentation and centralization, an organization's position within a field (i.e., its centrality), structure, ownership, governance, and identity. Yet, hardly any work reviewed in Greenwood et al. (2011) focuses on the internal mechanisms for the motivation and ability of organizations to respond to situations in which organizations experience a multiplicity of different pressures from a plurality of

institutional demands. In fact, as Oliver pointed out, it is both the willingness *and* ability of organizations to respond to normative pressures that underlie the variegated organizational responses. Therefore, for theoretical reasons, it is important to understand how these two factors influence the repertoire as well as the choice of possible responses (see Scherer, Palazzo and Seidl 2013). It also matters for practical reasons, because a more informed understanding could help policymakers devise and implement more appropriate policies and regulations to address some of the world's most pressing challenges.

Bundy and colleagues (2013) began to unpack the willingness of organizations to respond to normative pressures by developing a strategic cognition view of issue salience. According to this view, issue salience, or “the degree to which a stakeholder issue resonates with and is prioritized by management,” is the key antecedent of firm responsiveness (Bundy et al., 2013: 353). We extend their work by developing a more general model that also accounts for organizational ability to address a focal issue. In particular, drawing on the resource-based view of the firm (Barney, 1991; Penrose, 1959), we suggest that in addition to issue salience, decision-makers inside the firm explicitly consider the available resources and capabilities by conducting a localized, subjective cost-benefit analysis of taking or not taking action on the issue. Thus, in contrast to Bundy et al. (2013), we argue that even when the issue is highly salient to decision-makers, the firm may respond in a symbolic way if the perceived costs outweigh the perceived benefits, and for low levels of issue salience, the firm may still respond in a substantive way if the perceived benefits outweigh the perceived costs (see Bansal, Kim, & Wood, 2017 for an explanation of the difference between attentional grain vs. extent, and the consequences for organizational action). As a result, by simultaneously considering the willingness *and* the ability of organizations to respond to normative pressures, our model helps identify the antecedents of response heterogeneity to normative pressures.

To build the more general model that links the willingness and ability of organizations to their responses, we bridge the neo-institutional literature exploring symbolic and substantive responses (Bromley & Powell, 2012; Waldron et al., 2013; Westphal & Zajac, 1994, 2001) with Oliver's (1991) notions of conformity and compliance. As traditionally defined, conformity consists of meeting and/or exceeding societal (informal) norms and obligations, and compliance, of meeting legal (formal) obligations (Philippe & Durand, 2011; Durand and Jourdan, 2012). Taking into account that corporations both face increasing normative pressures that reach beyond regulatory demands (Crilly, Zollo, & Hansen, 2012; Marquis, Toffel, & Zhou, 2015; McDonnell & King, 2013; Pache & Santos, 2010; Reid & Toffel, 2009; Waldron et al., 2013) and lobby to limit regulatory constraints to bare minimum requirements of doing business (McDonnell & Werner, 2016; Werner, 2015), we posit that conformity characterizes voluntary actions that constitute a response to social and normative expectations not (yet) codified in standards and law, while compliance relates to formal mandatory regulations that typically enact only minimal conditions of institutional acceptability (e.g., Maclean & Behnam, 2010; Wijen, 2014).

We further suggest that, based on the willingness and ability of organizations to respond to normative pressures, conformity and compliance can be either symbolic or substantive. Symbolic responses describe managers' promises to engage in practice changes they have not yet implemented or may not implement, as well as nominal actions to produce impressions of more material change (Waldron et al., 2013; Westphal & Zajac, 1994). Substantive responses, on the other hand, refer to managers' implementation of significant changes that involve material costs and are not easily reversible, such as revamping deep-seated practices (Durand and Jourdan, 2012) and inefficient distribution processes (Waldron et al., 2013), or buying and selling divisions (Durand & Vergne, 2015). While such a distinction in responses is well observed in practice and well established in the literature

(Meyer & Rowan, 1977; Westphal & Zajac, 2001; Tilcsik, 2010), bridging symbolic and substantive responses with conformity and compliance is a distinctive contribution of the model we propose.

Accordingly, in this paper, we offer a more general, yet parsimonious model of organizational responses to normative pressures than the ones found in prior research (e.g., Bundy et al., 2013; Oliver, 1991). We propose that a firm may choose to respond to some issues but not others because not all normative issues are assessed as equally salient, and because resource mobilization aimed at addressing the issue is evaluated through the different prism of costs and benefits depending on the issue as well as the organization. These conditions, we suggest, largely describe the willingness and the ability of the organization to respond to normative pressures, generating a comprehensive repertoire of responses that ranges from inaction to combinations of symbolic and substantive actions with conformity and compliance. In this sense, managerial interpretation of the issue as salient for the firm (Bundy et al., 2013) is a necessary but not sufficient condition for inducing an organizational response. Importantly, our baseline model can be adjusted to fruitfully consider a number of factors that influence managers' interpretation of issue salience and/or of the expected costs and benefits of resource mobilization, such as for example, the cost of resource acquisition, the degree of institutionalization of the issue, primary vs. secondary stakeholders, and the internal attentional or incentive structure that may lead a firm to act on one issue but not another and two comparable firms to respond differently to the same issue.

The main ideas developed in this paper cover a wide range of normative pressures—from sustainability to work conditions—and other numerous issues that emerge as the result of increasing stakeholder demands. The paper generates useful managerial implications while unearthing novel insights on how the salience of a focal issue as well as organizational determinants (and a number of other factors) may affect organizational decision-making.

Although relatively unexplored in previous research (Bundy et al., 2013; Sonenshein, 2016), focusing on the issue as the fundamental unit of analysis offers a nuanced explanation of inter- as well as intra-firm differences in response to normative pressures. This focus is particularly beneficial to understanding the heterogeneity of both the normative pressure and the institutional environment around it as they define issue salience in the minds of decision-makers. In sum, by characterizing the willingness (i.e., through issue salience) and ability (i.e., through situated cost-benefit analysis) of organizations to respond to normative pressures, our model generates useful insights not only for management scholars but also for practice, policymaking, and the conception of rules and incentives that integrate the issue-per-issue functioning of organizations.

### **THEORETICAL MOTIVATION**

The question of how firms respond to normative pressures has been at the heart of the institutional literature since its founding (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Normative pressures are the evaluative and obligatory dimensions of an institutional order that weigh on an organization to gain, maintain, and defend its legitimacy (Scott, 1995; Suchman, 1995). Scholarly attention long centered on why organizations strive for similarity (i.e., isomorphism)—as a means to increase the flow of resources (Zucker, 1987), strengthen their legitimacy, and enhance long-run survival prospects (Meyer & Rowan, 1977: 252). Nonetheless, because institutions evolve and actors and practices vary so much across fields (Greenwood, Oliver, Sahlin, & Suddaby, 2012), attention quickly turned to the heterogeneity of organizational responses.

Oliver (1991) was one of the first to argue that institutional theory can accommodate interest-seeking, active organizational behavior, and that organizational responses to normative pressures and expectations need not be invariably passive and conforming across all institutional conditions (Oliver, 1991: 145-146). Her suggestion that organizational

responses can vary from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential, and from habitual to opportunistic—depending on the pressures to conform exerted on organizations—was and remains extremely powerful for identifying alternative strategies in response to the institutional environment. Her ideas resonate with vibrant streams of research exploring organizational deviance and misconduct (Greve, Palmer, & Pozner, 2010; Jonsson, Greve, & Fujiwara-Greve, 2009; Philippe & Durand, 2011; Zavyalova, Pfarrer, Reger, & Shapiro, 2012) as well as decoupling (Bromley & Powell, 2012; Crilly et al., 2012; Fiss & Zajac, 2006; Tilcsik, 2010; Westphal & Zajac, 2001; Wijen, 2014). Given all the important but varied insights of these literatures, our goal in this paper is to condense them and formulate a simple and generic model in order to develop further propositions, test them, and formulate better practical recommendations.

First, we focus on understanding how firms, and organizations more generally, decide whether to respond to normative pressures. While Oliver (1991) briefly mentions that the willingness and ability of organizations to conform to the institutional environment underlie her theoretical framework, she does not devote sufficient attention to understanding the drivers of that willingness and ability to respond. Hence, there is scope for developing a theoretical model that fully characterizes the underlying intra-firm mechanisms that explain the willingness and ability of organizations to respond (or choose not to respond).

Second, in the interest of parsimony and rigor, and given the findings in the prior literature, we seek to meaningfully consolidate the range of options available to organizations in response to normative pressures. Rather than providing a wide repertoire of potential tactics and strategies available to organizations, we theoretically consolidate the categories of possible organizational responses along two main dimensions: (a) substantive–symbolic, and (b) conformity–compliance. These sets of responses are logically derived from our model describing the willingness and ability of organizations, and they encapsulate many variations



of responses that have been identified in previous research. In addition, we explicitly consider inaction as a fifth option in response to normative pressures. Inaction differs from other responses in that it does not directly address the issue.

Finally, while it is certainly valuable to consider responses to normative pressures at the organizational level, we posit that treating the issue as the main unit of analysis may produce a more nuanced explanation of inter- as well as intra-firm differences in response to simultaneous normative pressures. Issue salience has been argued to affect organizational responses differently for different firms (Bundy et al., 2013; Sonenshein, 2016), so in addition to capturing the willingness of organizations to respond, it adds necessary rigor to the task of exploring how firms, and organizations more generally, evaluate a range of available options when choosing whether and how to respond to normative pressures.

In what follows, prior to fully developing our own model, we sequentially review the concept of issue salience (which characterizes the firm's willingness to respond), resource mobilization costs (which characterize the firm's ability to respond) and the different types of responses that result from the different degrees of organizational willingness and ability to respond to normative pressure.

## **DEFINING KEY CONCEPTS**

**Issue salience.** We adopt the issue as the unit of analysis because firms face a variety of issues each characterized by different levels of normative pressures. For example, in recent years, corporations have faced mounting pressure for greater social and environmental responsibility, accountability, and sustainability (Waddock, 2008). This pressure has become global, even setting precise objectives for the world (e.g., the United Nation's "17 goals to transform the world," adopted in 2016). The fact that modern organizations operate in a complex global landscape and face simultaneous demands and expectations from a wide range of stakeholders—that may often be in conflict with each other (Greenwood et al.,

2011)—raises the variety and intensity of normative pressure to a new level. Indeed, some scholars argue that the role of the corporation in society is fundamentally shifting as companies are increasingly becoming accountable for their socio-environmental performance alongside their financial performance (Eccles, Ioannou, & Serafeim, 2014; Ioannou & Hawn, 2015). Accordingly, the plurality of issues faced by organizations in conjunction with the strength and versatility of normative pressures to address them (den Hond & de Bakker, 2007) make it challenging for firms to adequately respond to each issue.

Issue salience is defined as “the degree to which a stakeholder issue resonates with and is prioritized by management” (Bundy et al., 2013: 352-353). As a result, it is a perceptual outcome of a strategic cognition process (i.e., issue interpretation, Cyert & March, 1963; Daft & Weick, 1984) and a central driver of organizational responsiveness. Following Bundy et al. (2013), issue salience is mainly shaped by the receptivity of decision-makers to an issue vis-à-vis the organizational identity and the instrumental cognitive structures of strategic frames and not primarily by the financial considerations of addressing the issue. Stakeholders raise issues, and therefore, stakeholders’ power, legitimacy, and urgency among other elements (Mitchell, Agle, & Wood, 1997: 868) determine what constitutes a salient issue for the organization and its managers.

We argue that focusing on the “issue” as the unit of analysis is important for two main reasons. First, accounting for issue salience reflects a critical reality that not all issues are of equal importance, either from a societal or from an individual firm’s point of view. Second, issue salience is a perceptual outcome (i.e., the result of a strategic cognition process) and therefore, it is subjectively defined by decision-makers in a given position within the organization at a given point in time. Consequently, relative to prior research on responses to normative pressures, we relax the assumption that firms monolithically respond to stimuli (Crilly & Sloan, 2014; Durand and Jacqueminet, 2015; Kostova & Roth, 2002), and we

consider the heterogeneity of issues for situated decision-makers within organizations.

**Mobilizing limited resources.** Any organizational action translates into the use of firm resources (Barney, 1991), which can be human, technological, financial, non-financial (e.g., networks, social capital, reputation, knowledge, information), or locational, as well as organizational processes and skills (Barney, 1986). These heterogeneous resources create distinct strategic options for a firm that, over time, enable its decision-makers to exploit different levels of economic rents (Peteraf, 1993). Applying the resource-based view of the firm to our context, we propose that organizational responses to normative pressures will depend on the resources the firm is able to mobilize, and that heterogeneity in resources across firms (in conjunction with issue salience) may explain the heterogeneity in responses to normative pressures. More importantly, firm resources are limited; thus, competition for internal resources and the fight for market positions may determine whether and how an organizational entity implements responses to normative expectations, such as for example biodiversity protection and women in management (Durand & Jacqueminet, 2015; Kostova & Roth, 2002). Therefore, limited firm resources directly influence whether and how firms choose to respond to normative pressures (Pache & Santos, 2010; Raffaelli & Glynn, 2014).

Our model is premised precisely on these tensions, suggesting that (limited) resource mobilization to address an issue generates both costs and benefits for the organization as perceived by decision-makers at the time of the decision. Managerial interpretation of the situation as to both the issue salience and the costs and benefits of addressing the issue consequently constitute the main determinants of the willingness and ability of organizations to respond to normative pressure. This key assumption of our model is in line with the behavioral theory of the firm (Cyert & March, 1963) and the resource-based view of the firm, where the dynamic interaction between the *perceived* external and internal environments (Penrose, 1959: 31) helps go inside the “black box” (i.e., the firm). A manager, or a team of

managers, can only act based on their perceptions of both issue salience and costs and benefits of resource mobilization, which may explain why firms could over-respond to some issues (because managers overestimated the benefits or underestimated the costs) and under-respond to others (because managers miscalculated reputational and other penalties).

**Organizational responses.** First, we distinguish whether an organization decides to address an issue or not. The latter is what we call inaction, and the former consists of mainly two options: complying or conforming. Compliance corresponds to obeying the *formal* rules and regulations in force at a given time and place (i.e., laws). Compliance typically enacts minimal conditions of institutional acceptability (e.g., Maclean & Behnam, 2010; Wijen, 2014), which typically means a minimal response to the issue. By meeting legal obligations, compliant firms obtain a license to operate; when they fail to abide by the law, they pay (mainly monetary) penalties (Short & Toffel, 2010). Conformity, on the other hand, refers to meeting the *informal* norms and values of stakeholders that may not have (yet) been codified in rules, standards, and law, and thus, typically go beyond of what is required by law.<sup>1</sup> By meeting and/or exceeding societal expectations, conforming firms gain social status; by failing to do so, they are stigmatized (Marquis & Qian, 2014; Philippe & Durand, 2011). In prior literature, compliance is typically an obligatory corporate practice, whereas conformity is usually voluntary.

Furthermore, firms may respond to normative pressures in either (a) *symbolic* (e.g., by ceremonially adopting a code of ethics) or (b) *substantive* ways (e.g., through managerial and employee training programs for stakeholder engagement). Substantive actions typically

---

<sup>1</sup> Note that sometimes conformity and compliance may not necessarily be mutually exclusive or may even conflict with each other. Most commonly, conformity is a more demanding response than compliance because legal obligations are typically behind social and institutional expectations. We develop our model for this typical case. As noted by an anonymous reviewer however, in some situations, as voluntary behavior or due to political changes, conformity may fall short of compliance, which itself is mandatory. There are also situations (e.g., countries) where there is little room for compliance, as there are no strict or enforced laws or regulations on particular issues, such as diversity or percent of women on the board of directors, and even less room for conformity as the social and institutional expectations are extremely low. The reasoning of our model remains valid in this case, increasing returns being considered for the most demanding alternative, be it compliance or conformity.

require a higher level of firm resource mobilization than symbolic actions do. Hence, substantive actions are likely to be more costly and less reversible than symbolic ones (Durand & Vergne, 2015; Westphal & Zajac, 2001). Accordingly, our model predicts whether an organization responds favorably or not to a normative pressure, and it identifies four main responses: substantive conformity, substantive compliance, symbolic conformity, and symbolic compliance. In the next section, based on the aforementioned theoretical pillars, we derive and fully characterize these organizational responses and, in so doing, we explicitly consider two foundational mechanisms: decision-makers' interpretation of issue salience (i.e., willingness to respond) and idiosyncratic cost-benefit analysis of resource mobilization (i.e., ability to respond).

## **A GENERAL MODEL OF ORGANIZATIONAL RESPONSES TO NORMATIVE PRESSURES**

**Main assumptions.** The main premise of the model is that managers decide how to respond to any focal issue after considering two key factors: (a) the salience of the issue (Bundy et al., 2013), and (b) the perceived costs and benefits of taking versus not taking action. These two underlying mechanisms enable us to comprehensively characterize the heterogeneity of organizational responses to normative pressures within as well as across firms, for three reasons. First, given that managerial attention is limited, some issues may be evaluated as more or less salient than others by decision-makers (Ocasio & Joseph, 2005). Second, given that managerial attention is a function not only of objective external influences but also of how decision-makers conceptualize their firm and its relationship to society (Crilly & Sloan, 2012: 1174)—that is, issue salience is perceptual—the same issue may be differentially evaluated as salient across decision-makers and organizations (Bundy et al., 2013). Third, since every organization is unique in its bundle of tangible and intangible resources (Barney, 1991; Penrose, 1959), and since decision-makers may differentially assess

the costs and benefits of resource mobilization, the derived net benefits of taking or not taking action on the issue will also be idiosyncratic to an organization (Pitelis, 2007).

In other words, the two mechanisms that we posit here are jointly able not only to predict the range of possible responses but also to explain the heterogeneity of responses across firms, as well as across issues at a single firm. Furthermore, because a) we do not assume that decision-makers are hyper-rational, b) both issue salience and costs and benefits are perceived and socially elaborated, our model may be extended to account for potential individual-level factors influencing the decision-making process, such as agency costs, prosocial behaviour, or even individual morality. However, such factors lie mostly outside the scope of the current paper (we discuss possible extensions towards the end).

For example, climate change is arguably a relatively less salient issue for a professional services firm (e.g., a consulting firm) than for an insurance company. This is because climate change may be interpreted as a risk given the exposure of an insurance company's clients to the increasing frequency and intensity of natural disasters often associated with climate change. But even within the insurance industry, different companies may differentially perceive the salience of climate change depending on the extent to which their decision-makers interpret it as a risk (i.e., what Bundy et al. (2013) call an expressive logic) or on the extent to which climate change is seen as an element of the rational pursuit of the insurance company's organizational goals (i.e., what they call an instrumental logic).

**Net benefit of action.** We posit that for any organization, the net benefit of taking action equals the perceived gains derived from mobilizing limited firm resources to address the issue minus the perceived costs of utilizing them. We understand the gains as both economic and social (e.g., reputational, legitimacy), and the costs as direct expenses, any additional required investments in the future, opportunity costs generated by the resource mobilization (i.e., resources mobilized to tackle an issue are not available for other uses or

goals) as well as social costs attributed to addressing a particular issue by, for example, prioritizing a particular stakeholder over others that might in turn protest.

When managers interpret the salience of a certain issue to be close to zero, they are likely to evaluate the cost of using strategic resources to respond to the issue as high: why would one commit resources to anything that is not considered important? At the same time, they are also likely to evaluate the expected gains from responding to a low-salience issue as small or insignificant: what gains can one expect from mobilizing resources to address an unimportant issue? Therefore, we suggest that for very low levels of issue salience (i.e., close to zero), the net benefit of action will be negative (or close to zero).

When the issue is increasingly perceived as more important to the expression of an organization's core values and beliefs and/or if it is perceived as more materially supporting the achievement of the organization's strategic goals, issue salience increases in decision-makers' interpretation (Bundy et al., 2013). We follow prior literature in arguing that more salient issues are characterized by a more material expressive and instrumental relationship with the organization; hence, perceived gains of addressing the issue increase as a function of its salience. At first, the perceived cost of resource mobilization increases as well, but proportionally less than the perceived benefits of addressing the issue. This happens for two primary reasons.

First, addressing issues of low to moderate levels of issue salience, at low to modest mobilization cost, when social and economic gains from taking action seem to outweigh the costs, represents an observed bias in managers' decision-making that favors the "seizing low-hanging fruit" or "achieving quick wins" (King & Lenox, 2000; Spicer & Hyatt, 2017).

Second, whereas perceived benefits belong to the realm of both economic *and* social rewards, perceived costs are first-handedly (but not exclusively) economic. The perceived social costs of addressing or not addressing an issue over another (potentially conflicting issue) at low

levels of issue salience may be non-existent or very low. Indeed, managers assume that stakeholders “pick their battles” and are unlikely to engage in highly damaging attacks on the organization at low levels of issue salience (McDonnell, King, & Soule, 2015). Therefore, for a given cost of resource mobilization to address a somewhat salient issue, decision-makers may conceive of proportionately more gains—directly accruing from the response to the issue as well as from less immediate social gains, such as positive reputation, image, and evaluation (George, Dahlander, Graffin, & Sim, 2016). As a result, for low to moderate levels of issue salience, as issue salience increases, we expect an increasing function of the net benefit of action. Figure 1 represents this function as curve (a), it is derived in Panel A below the figure.

However, there is an upper bound to this relationship: above a certain level of issue salience, the perceived costs of mobilizing resources to address the issue may surpass the perceived gains of doing so. That is, after a threshold point that we call “C” (in Figure 1), we posit diminishing returns to mobilizing limited firm resources to address highly salient issues. Indeed, following the resource-based perspective, firms have a limited endowment of resources they can use to address issues based on the subjective capacity of their leaders to assess opportunities and costs (Penrose, 1959). To the extent that increasingly more salient issues require increasingly more resources from the firm to respond in a material manner (Bundy et al., 2013), increasing resource mobilization will more likely have a negative impact on a firm’s ability to meet the demands of other stakeholders (e.g., shareholders), generating proportionately higher costs—at least as interpreted by decision-makers. This is consistent with diminishing marginal returns to CSR (Flammer, 2013) as well as with the idea that at a certain level of issue salience, the issue is perceived to be in full alignment with a firm’s organizational identity and its strategic frame (Bundy et al., 2013). Beyond that point, issues are no longer fully aligned, do not correspond to the extent and grain of attention of the organization (Bansal et al., 2017), and action taken to address them becomes less likely to



provide any significant benefit to the organization, while the cost of resource mobilization, due to the aforementioned trade-offs, becomes relatively higher and is judged unreasonable by decision-makers. In other words, point C marks the peak after which the sign of the first derivative of the (a) curve changes from positive (being an increasing function of issue salience) to negative (becoming a decreasing function of issue salience).

Returning to the example of insurance companies, this argument implies that mobilizing resources to address climate change may yield significant benefits for a firm over a certain range of issue salience (e.g., up to the point where the firm's efforts reflect full alignment both between climate change and its organizational identity as an environmentally responsible insurance agent, and within the strategic frame by achieving the organizational goal of integrating climate change in the firm's strategy). However, the more salient climate change becomes, the more resources it will likely require, eventually forcing the firm to divert its limited resources from alternative (e.g., core) uses. Doing so will often entail high costs, which, we argue, will end up overtaking any expected gains since the full alignment has already been accomplished. For example, the insurance firm might need to divert resources away from managing other types of (long-term) risks, or away from investing in its relations with employees or customers. Thus, the additional cost of mobilizing resources towards addressing climate change may be higher than the additional benefit derived from doing so. However, newly founded firms (e.g., entrepreneurial ventures) with environmental considerations at the core of their business model (i.e., the issue is well aligned with the firm's identity and its strategic frame) will arguably adopt a very different approach to the issue, compared to what we describe for an established firm, because their issue salience and the respective cost/benefit analysis will be completely different.

At the extreme, highly salient issues, such as global warming, may be far beyond the reach of action of any individual firm, given that no single firm (or government or other type

of organization) alone can sufficiently limit global greenhouse gas emissions (George, Schillebeeckx, & Liak, 2015). As Paul Polman, Unilever’s CEO, once said, “The issues we face are so big and the targets are so challenging that we cannot do it alone [...] When you look at any issue, such as food or water scarcity, it is very clear that no individual institution, government, or company can provide the solution” (Ferraro, Etzion, & Gehman, 2015: 363). But more importantly, based on our model, it is rather unlikely that for highly salient issues (e.g., climate change or income inequality) a single firm will be able to do enough, either symbolically or substantively, to generate benefits for itself that would outweigh the costs it would have to incur to fully address the issue. This departure from prior research is worth emphasizing: while highly salient in decision makers’ mindsets, certain issues lie beyond the scope of their organizations’ actions notably because of their resource mobilization cost structure. In sum, our model postulates that beyond a certain threshold point “C” of issue salience, when resource mobilization costs are perceived by decision-makers to be increasing faster than the expected gains, the net benefit of taking action begins to diminish and may eventually become negative again (see Figure 1).

*Proposition 1: As decision-makers’ interpretation of issue salience increases, so does the perceived net benefit of action, up to a certain point “C,” after which the perceived net benefit of action diminishes (i.e., there is an inverse U-shaped relationship between the net benefit of action and issue salience).*

**\*\*\*Insert Table 1 and Figure 1 about here\*\*\***

**Net benefit of inaction.** Bundy et al. (2013) suggest that “nonissues” generate no response from the firm, yet in our model when managers decide whether and how to respond to normative pressures, they consider not only issue salience but also the costs and benefits of action and inaction. Accordingly, we propose that for any firm, the net benefit of *inaction* represents the gains minus the costs of taking no action to address the issue. In this sense, while the gains comprise the benefits associated with not utilizing any productive resources

(e.g., saving time and sparing resources) and/or the reputational or other social rewards that would accrue to the firm by not responding to the normative demand (Philippe & Durand, 2011), the costs of inaction comprise any reputational and social penalties for not taking action, and potential regulatory fines.

As an example, consider Apple's refusal in 2016 to produce software code that could be used by the U.S. government to break into a locked iPhone. Arguably, inaction represented a social gain for Apple (bolstering its reputation of defending clients against state intrusiveness) and a minimal cost (being fined by the state after a lengthy procedure). Yet sometimes inaction involves more substantial costs, such as continuous penalties imposed by the regulatory authorities (Reid & Toffel, 2009) or costs in the form of a tarnished reputation (Zavyalova, Pfarrer, Reger, & Hubbard, 2016; Zavyalova et al., 2012) or the loss of the social license to operate (Bundy & Pfarrer, 2015). Therefore, inaction may not cost the firm anything in terms of mobilizing its own resources, but it can certainly hurt the firm in other important ways.

For these reasons, we argue that the gains from inaction will be negatively associated, whereas the costs of inaction will be positively associated, with issue salience. As a result, when the salience of the issue is very low or zero for a firm (i.e., the issue is not at all aligned with the firm's identity or its strategic frame), the net benefit of inaction is likely to be (marginally) positive, provided the firm will neither bear any economic cost nor lose anything by not acting. For example, waste management and recycling are relatively less salient issues for insurance companies (i.e., these issues are unrelated or unimportant to their identity or organizational goals); therefore, not mobilizing any resources to address them will likely generate negligible, if any, reputational costs, whereas using scarce organizational resources for other, more strategic purposes instead is likely to generate positive returns.

However, for increasingly more salient issues, the reputational and other social costs

of not acting become increasingly more likely to supersede the economic gains from using resources in a more productive way. For example, as the salience of climate change increases (e.g., because of the Paris agreement of December 2015), the costs of not acting at all will proportionately increase for the insurance companies as climate change generates increasingly more risks (e.g., natural disasters) and higher costs (e.g., higher frequency and intensity of natural disasters, carbon pricing, stranded assets). Thus, we depict the relationship between issue salience and the net benefit of inaction as a downward-sloping line (b) in Figure 1 (it is derived in Panel B below the figure):

*Proposition 2: There is a negative association between perceived issue salience and perceived net benefit of inaction.*

Consequently, according to our model, at any given level of issue salience, the firm decides whether to respond by simultaneously accounting for the perceived net benefits of action and inaction. The two points at which (a) and (b) intersect in Figure 1 define the two areas in which firms will decide not to respond to the issue: specifically, firms do not address the issue when issue salience is not sufficiently high (i.e., before the point of intersection  $IS_1$  in Figure 1) and when it is too high (i.e., beyond the point of intersection  $IS_2$  in Figure 1). Therefore, contrary to Bundy et al. (2013), we posit that extremely salient issues may still elicit no response: issue salience only signifies the willingness of the organization to respond; however, the ability will be determined by the cost-benefit analysis. Therefore,

*Corollary 1: When issue salience is too low (below value  $IS_1$ ) or too high (above value  $IS_2$ ), firms will not address normative pressure.*

*Corollary 2: Within  $[IS_1-IS_2]$ , firms will address normative pressure.*

We characterize the different types of organizational responses as suggested by Corollary 2. The main driver of action on behalf of organizations is managerial evaluation of whether the net benefit of action is (a) positive or negative, and (b) increasing or decreasing

for the issue. While in some cases the net benefit of action dominates the net benefit of inaction, it may still be negative (i.e., it will remain below the X-axis). When decision-makers perceive a positive net benefit of action, they can justify a substantive organizational response; however, when they perceive the net benefit of action to be negative (but less negative than the net benefit of inaction), they favor a symbolic response. In addition, on the one hand, in decision-makers' opinion, conformity is costly but potentially more beneficial than compliance, i.e., firms will typically conform when the net benefit of action is increasing. On the other hand, because compliance is typically a minimal response to the issue, it is less costly and less beneficial than conformity, corresponding to the decreasing net benefit of action (i.e., firms will comply when the net benefit of action is decreasing). Table 1 presents the logic for the four resulting types of expected responses synthesized here:

*Proposition 3: For a given level of issue salience  $IS_n$  (in the range between  $IS_1$  and  $IS_2$ ), the organizational response to normative pressure (i.e., symbolic/substantive conformity, symbolic/substantive compliance) is determined by the sign and slope of the perceived net benefit of action curve (a).*

In what follows, we discuss the four scenarios of distinct organizational responses (see Table 1, Figure 1) generated by managers' interpretation of issue salience (i.e.,  $IS_n$  on the X-axis), and the net benefit of action curve  $a(IS_n)$  in more detail. According to the first scenario, *substantive conformity*, the net benefit of action is positive (i.e., the area is above the horizontal line, suggesting that the perceived benefit of resource mobilization exceeds the perceived cost) and it is growing (the region to the left of point C in Figure 1). Organizations conform to normative pressures because the benefits of taking action are growing in issue salience: they are willing to take action beyond compliance and perceive a better alignment between their response and the organization's identity and/or strategic frames. Moreover, organizations conform in a substantive way (Greening & Gray, 1994) because the benefits of addressing the issue outweigh the costs of doing so (Eccles et al., 2014). This area in Figure 1

illustrates the most significant and substantive response to the issue.

In the second scenario, *substantive compliance*, the net benefit of action is still positive but diminishing (beyond point C in Figure 1). Organizations will comply with laws and regulations in a substantive way yet, they will not strive to differentiate themselves by meeting more demanding informal expectations from their significant audiences (Desai, 2016; Malesky & Taussig, 2016). Beyond point C, the costs of resource mobilization mount faster than the benefits; moreover, issue salience increases past full alignment between the issue and the organization's identity and strategic goals. Hence, it is impossible for the firm to achieve further alignment, and the firm is also more likely to experience binding trade-offs (e.g., increasing opportunity costs) with respect to its resource utilization to address demands and expectations across stakeholders. Consequently, firms will act substantively in accordance with what the rules and laws impose on them. For example, some insurance companies that interpret climate change as an issue of high salience, and that operate in a context where laws and regulations require the incorporation of climate change risk into their overall calculation of risk, will substantively comply but will not go beyond what is required (e.g., they will not devote additional resources to a differentiation strategy based on superior integration of climate change risk) if doing so will require diverting resources from more productive uses (e.g., a current product-differentiation strategy based on customer experience) and if they perceive that their organizational identity and strategic goals are already fully aligned with the climate change issue.

In the third scenario, *symbolic conformity*, the net benefit of action is growing but it is negative (the costs of mobilizing resources are greater than the expected benefits), making organizations conform symbolically rather than substantively. In particular, to alleviate (some of) the normative pressure they are facing, firms will mobilize and use their relatively less expensive resources, portraying themselves as good citizens, communicating on topical

measures and actions to express their sympathy and engagement on the issue and the underlying cause (Weaver, Trevino, & Cochran, 1999). They will also try to associate themselves with the broader group of firms dealing with the issue (the conformity aspect), yet a scrupulous inquiry into the actual means they engage would reveal a modest commitment (Marquis, Toffel, & Zhou, 2016) due to the negative net benefit of resource mobilization (the symbolic aspect). In terms of our example, some insurance companies—for which climate change is a moderately salient issue and for which the net benefits of action on climate change are higher than those of inaction, yet for which the costs of resource mobilization exceed the benefits—will choose to conform symbolically. For example, they may (a) publicly declare their agreement with stakeholders who advocate in favor of the incorporation of climate change risk in risk assessment models, or (b) become signatories to sustainability or sustainable investing principles (incurring no cost of doing so and typically no subsequent monitoring for implementation). But, importantly, they will not otherwise undertake much change in their organizational processes and structures (e.g., to genuinely integrate climate change risk considerations).

In the fourth and final scenario, *symbolic compliance*, the net benefit of action is negative and diminishing (i.e., past the threshold point C and below the X-axis), so the firm will do the minimum by complying symbolically. This response will help reduce the cost of using resources by yielding some benefits, which can move the net benefit of action as close as possible to zero. There is no expectation that the (a) curve will pass the X-axis since the firm is already incurring net costs, and therefore it will pretend (the symbolic aspect) to respect the rules and laws (the compliance aspect) related to the highly salient issue under consideration (Joseph, Ocasio, & McDonnell, 2014; Okhmatovskiy & David, 2012). Returning to the example of the insurance industry, this scenario represents a situation in which an insurance firm will appear to comply with the regulation requiring an increase in

asset reserves to back up risks. However, to achieve this, the firm may simply rename or re-qualify its existing assets or guarantees and claim that they comply with the regulation.

Having presented our theoretical foundation and our baseline model, in what follows, we delve further into the mechanisms that drive these organizational responses to normative pressures by exploring a number of boundary conditions, and extending the baseline model to account for inter- as well as intra-firm heterogeneity.

## MODEL EXTENSIONS

The baseline model can be moderated by several factors, which influence the choice of action that firms pursue on specific issues. In this section, we explore the implications of several moderators in terms of their impact on the net benefit of action and inaction, and in so doing, we discuss how these moderators affect the choice of organizational response; moreover, we include detailed illustrations of these effects.

**\*\*\*Insert Figure 2 about here\*\*\***

**Moderating the net benefit of action—Shifting the (a) curve.** When a certain factor improves the perceived benefit or reduces the perceived cost of resource mobilization (or both), the net benefit of action increases. As a consequence, the net benefit of action curve in our baseline model moves upwards (see Figure 2, where curve (a) moves to (a<sup>^</sup>)).

Importantly, the shift from (a) to (a<sup>^</sup>) *increases* the likelihood with which firms choose to respond substantively (i.e., substantive conformity and substantive compliance). Therefore, we posit:

*Corollary 3. Factors that increase the net benefit of action (either by increasing the perceived gains or by reducing the perceived costs of resource mobilization) increase the likelihood of substantive organizational responses to the issue.*

**Illustration.** We focus on one important organizational factor, namely organizational agility (or structure) that affects the costs of mobilizing resources and therefore the perceived



net benefit of action.<sup>2</sup> Organizational structures influence the amount of attention that decision-makers pay to the issue (Delmas & Toffel, 2008). Crilly and Sloan (2014) show that guided autonomy enables specialized attention and facilitates simultaneous attention to a large number of stakeholders at the level of the individual manager, whereas cascaded control restricts the autonomy of individual managers and leads to redundancy in attention. In turn, firms with broader scopes of attention to stakeholders put greater emphasis on opportunity creation than on threat reduction (Crilly & Sloan, 2012: 1184), which may affect how decision-makers perceive costs.

We suggest that by broadening managerial attention span and facilitating action-taking (Durand & Jacqueminet, 2015; Ocasio & Joseph, 2005), organizational agility (with autonomous decision-making) will likely decrease the perceived costs of action, generating a higher net benefit of action. Equivalently, for more agile organizations, the (a) curve moves up to (a<sup>^</sup>) in Figure 2, resulting in increased space for substantive actions. In contrast, the more rigid an organization is (i.e., the more approval for any decision a manager needs to receive from the control system), the narrower the firm's attention span for its various stakeholders, and as a result, the more likely that the firm views its response as threat reduction, increasing the perceived threats of action (Crilly & Sloan, 2012: 1184). In turn, the higher the perceived costs of action, the lower the (a) curve would move, limiting opportunities for organizations to respond in a substantive way.

To illustrate further, consider the case when firms need to acquire (rather than mobilize) resources to respond to an issue: in this case, their perceived cost of action (e.g., search, assessment, acquisition, and hiring costs) will increase, and therefore, the net benefit

---

<sup>2</sup> Certainly there are other organizational factors that influence the perceived net benefit of action. Here, we focus on agility to illustrate how and why some organizations have more (or fewer) opportunities to undertake substantive actions in response to normative pressures. What is important is that our baseline model can be extended to account for practically any such organizational factors, to the extent that they affect a focal organization's perceived benefits and costs of resource mobilization, generating testable propositions for future (empirical) research.

of action will diminish (assuming the gains of action remain constant). When in-house complementary resources that enable the firm to address the issue are slack or partly utilized, they are more easily available and typically cheaper to use than when the firm must acquire them from the outside (Penrose, 1959). For instance, for insurance companies, hiring actuaries with an understanding of climate-change risk assessment instead of using in-house employees would reduce the net benefit of taking action (assuming the in-house employees possess the relevant knowledge and expertise). Therefore, incorporating these additional costs in our baseline model would translate into a downward shift of the net benefit of action curve, further limiting opportunities for substantive responses by the organization.

**Moderating the net benefit of inaction—Shifting the (b) line.** A number of moderating factors can affect the perceived cost of inaction for a focal issue. As can be seen through the baseline model, from the decision-maker's point of view, any moderating factor that moves the (b) line either upwards or downwards influences the likelihood that an organization will choose to respond to the issue through a symbolic action. More precisely, when the perceived cost of inaction becomes even higher, and thus, the net benefit of inaction even more negative, the (b) line will move downwards, expanding the space for symbolic action by the organization, as can be seen in Figure 2. Therefore, we posit:

*Corollary 4. Factors that decrease the net benefit of inaction (either by decreasing the perceived gain or increasing the perceived cost of not taking action) increase the likelihood of symbolic organizational responses to the issue.*

**Illustration.** Drawing on the neo-institutional theory, we suggest that the costs of inaction critically depend on the degree of institutionalization of the issue, which can be proxied by the presence of evaluators in the industry (Desai, 2016; Marquis et al., 2016). When there is a high degree of heterogeneity in evaluations (Chatterji, Durand, Levine, & Touboul, 2016) or when the public sphere in which the firms operate is void of evaluators (Marquis et al., 2016)—the costs of inaction are lower (equivalently, the net benefit of

inaction is higher). Conversely, under heavy regulatory scrutiny, all organizations (focal firms and their competitors) are more likely to follow through on their commitments (Short & Toffel, 2010): for example, firms enact more substantive CSR actions when they are monitored (Marquis & Qian, 2014). As a result, at a higher level of institutionalization, the net benefit of inaction decreases (from (b) to (b<sup>^</sup>)), while the net benefit of action increases (from (a) to (a<sup>^</sup>)), which interestingly broadens the space for more symbolic *and* more substantive actions (see Figure 2).

These dynamics highlight the versatility and generalizability of the theoretical model we develop in this paper, in that it can (simultaneously) accommodate moderating factors across multiple levels of analysis—issue, organizational, institutional, and individual—if one were to consider the various factors affecting individual decision-makers' interpretations.<sup>3</sup> To further illustrate the plasticity and general applicability of our model, we now turn to discussing inter- and intra-firm heterogeneity.

**Inter-firm heterogeneity.** In addition to the moderating factors discussed above, the model allows us to explore and understand why some firms may respond similarly to or differently from others in their attempt to address the same normative pressure. First, the net benefit of action or inaction varies across firms, critically depending on their existing *firm-specific* resources. In other words, as suggested in the vast literature on the resource-based view of the firm (Barney, 1991), curve (a) and line (b) are idiosyncratic to the individual firm's resource endowment. Second, it is unlikely that any two firms will interpret identically the salience of the issue: this is because the assessment of salience depends on the stakeholders raising the issue and the decision-makers' interpretation of the stakeholders' power, legitimacy, and urgency (Mitchell et al., 1997) and, more specifically, on whether the

---

<sup>3</sup> For the sake of brevity, we do not discuss in detail the effects of potentially numerous other moderating factors. We note, however, that there are also factors that impact the shape of the (a) curve. For example, factors that make the perceived gains of action grow faster than the associated costs of resource mobilization will tend to generate a leptokurtic (a) curve, having an impact on the propensity to act more substantively than symbolically.

issue is material to the firm's identity or its strategic frames (Bundy et al., 2013).

Consequently, any two firms will likely begin their cost-benefit analysis of the same issue at distinct points along the X-axis (Scherer, Palazzo, & Seidl, 2013).

In this spirit, a number of papers show that firms with different levels of commitment to environmental issues vary in terms of managerial perceptions of which groups of stakeholders are important (Buysse & Verbeke, 2003; Eesley & Lenox, 2006; Henriques & Sadosky, 1999). If differences in primary stakeholders are key to explaining differences in environmental commitment, then we can extend this logic to explaining differences or similarities in organizational responses to normative pressures. If decision-makers at two different firms identify the same organizations (e.g., clients, NGOs, unions, communities) as their primary stakeholders, they will be more likely to interpret the issue as having the same or a similar level of salience. This means that they may also respond in similar ways (Hiatt, Grandy, & Lee, 2015) depending on where on the X-axis they are positioned. This idea leads to conceptualizing isomorphism across firms not so much as the result of mimicry but instead, as the result of prioritizing stakeholders in a similar way. As a result of this discussion:

*Corollary 5. The lower the degree of similarity of organizations' resource portfolios, the more heterogeneous their responses to an issue are likely to be.*

*Corollary 6. The lower the degree of similarity of stakeholders that organizations consider with respect to an issue, the more heterogeneous their responses are likely to be to the particular issue.*

**Intra-firm heterogeneity.** At the level of the individual firm, the model allows us to consider the decision-making process for responding to multiple issues simultaneously by utilizing multiple issue-specific (a) curves and (b) lines. Figure 3 presents separate (a) curves and (b) lines for two issues: issue 1, the solid blue lines, and issue 2, the dashed green lines. We note that the two issues have different profiles in terms of response options available to the firm; moreover, the likelihood of substantive and symbolic responses varies greatly across

the issues.

Let us assume that a company-wide policy prescribes that divisions and units must respond to any issue when a salience threshold is reached, for example  $T_1$  in Figure 3. According to the model, at  $T_1$  the firm will conform substantially to the normative pressure for issue 1 but will likely take no action for issue 2. Recycling of bottles by employees, for example, is less costly than recycling of equipment used in the manufacturing process. Indeed, at issue salience threshold point  $T_1$ , the  $(a_1)$  curve dominates the  $(b_1)$  line for issue 1 but the reverse is true for issue 2 (i.e., the net benefit of inaction is higher than the net benefit of action for issue 2). However, if the corporate policy mandates that the firm respond in the same way to both issues (e.g., by setting sustainability goals for the entire organization, such as to create zero waste or to be supplied 100% by renewable energy), the model shows that while there are reasons to respond to issue 1, the arguments are much weaker with respect to issue 2 (given that  $(b_2) > (a_2)$  at  $T_1$ ). At an alternative threshold point  $T_2$ , however, there is some justification for substantive compliance on issue 2 but the response on issue 1 is more likely to be symbolic compliance if the firm were to follow the cost-benefit analysis.

Note that what we represented as issue 1 and issue 2 could also be two occurrences of the same issue as perceived by two distinct decision-makers. Given that individual managers may perceive differently issue salience and costs and benefits to address an issue, issue 1 solid lines in Figure 3 may show the evaluation by manager 1, and issue 2 dashed lines—the evaluation of the same issue by manager 2. There are at least three independent reasons why these two managers diverge in their perceptions. First, incentives may drive attention to and rewards for certain issues, triggering an earlier and more intense response to a given issue by one manager (manager 1 in Figure 3) than by another (Bansal et al, 2017; Durand and Jacqueminet, 2015). Second, some form of agency or hierarchical relationship between the two managers may explain why their response curves and thresholds for a decision to respond

to a given issue may differ (e.g., T2 instead of T1). Third, individuals vary in prosocial inclinations (which may lead them to favor demands from stakeholders with similar inclinations): for example, in order to respond to an issue, a “self-regarder” manager will require higher salience for a given issue and lower net benefit (green dotted curve in Figure 3) than a “reciprocator” who is more receptive and perceives the net benefit of response more positively – blue curve in Figure 3 (Bridoux et al, 2011; Bridoux & Stoelhorst, 2014).

All these factors displace the point at which organizations will address the issue. More specifically, they tend to reduce the portion of the (a) curve for which firms conform, since the actions are undertaken after values on the salience axis reach a threshold (such as T1 or T2). For the sake of brevity, we cannot develop these insights further in this paper, but they reveal our model’s amenability to existing and compatible theories of intra-organizational behavior, be they cognitive, economic, psychosocial, or moral. As a result:

*Corollary 7: As cognitive, economic, psychosocial, and moral factors lead individuals to increase their threshold for responding to an issue, the likelihood of compliance increases over conformity for a given normative pressure.*

**\*\*\*Insert Figure 3 about here\*\*\***

With these three propositions and seven corollaries, the proposed model can explain differences not only across organizations, such as why for the same issue one firm may respond substantially and another symbolically (or even not at all), or why, depending on where on the X-axis each firm lies, one firm may conform while the other may comply, but also differences across issues and decision-makers inside the firm (i.e., the plurality of intra-organizational response heterogeneity). One may consider different issues assessed by the same manager as well as the same issue evaluated by different managers (and/or across different hierarchical levels). Importantly, without having to assume *a priori* any malevolent, opportunistic, deceiving, or unethical organizational attitude or behavior, the model offers a parsimonious and rather comprehensive understanding of why a multiplicity of responses

emerge on the same issue across firms. It is also able to produce testable research propositions, leaving space for future research to ask and answer intriguing questions.

## **DISCUSSION AND CONCLUSION**

The purpose of this paper is to develop a sufficiently general, yet parsimonious theoretical model describing the organizational decision-making process through which organizations choose whether and how to respond to normative pressures. By arguing that decision-makers independently perceive the salience of the issue and concurrently evaluate the costs and benefits of mobilizing resources to address it, we highlight the sources of response heterogeneity across firms and across issues. These two factors account for both the willingness *and* ability of organizations to respond to normative pressures. In addition, they help predict the different responses (inaction, symbolic and substantive conformity and compliance) that advance the neo-institutional literature by streamlining and enriching the more traditional list of strategic responses to institutional pressures (Oliver, 1991). The synthesis of the literatures on symbolic/substantive actions with conformity and compliance offers rich opportunities for subsequent empirical and theoretical research on organizational responses to normative pressures, including, for example, selective coupling (Pache & Santos, 2013), conscious reflection (Gondo & Amis, 2013), structural elaboration (Joseph et al., 2014), adherence to alternative standards to avoid compliance (Okhmatovskiy & David, 2012), lack of compliance in emerging markets (Malesky & Taussig, 2016), meaningful third-party certification to communicate compliance (King, Lenox, & Terlaak, 2005), decoupling due to lack of capacity, and organized hypocrisy due to lack of will (Lim & Tsutsui, 2012).

Our paper offers several important contributions to the literature. First, as the title of our work suggests, unpacking the willingness and ability of organizations to respond to normative pressures addresses an important gap in our knowledge of the drivers of organizational response heterogeneity. Offering an intra-organizational explanation for these

differences opens a valuable gateway to understanding organizational heterogeneity more broadly, and in the institutional literature more specifically. While Oliver (1991) laid the foundation by integrating institutional theory with the resource-dependence perspective, insights from the resource-based view of the firm associated with attention-based mechanisms offered in this paper further enrich our knowledge of the drivers of heterogeneity in organizational responses across firms, even on the same issues. Furthermore, to Greenwood et al.' (2011) model of institutional complexity and organizational responses, and in particular, to the list of 'organizational attributes' (i.e., field position, structure, ownership/ governance, identity), we add resources and capabilities that are important for understanding the limits of organizational responses to institutional demands. We suggest that this contribution completes the comprehensive understanding of how organizations experience multiple institutional pressures, through the lens of individual decision-makers, and how they perceive and construct the repertoire of available responses (Greenwood et al., 2011).

Second, this paper is also a response to the recent call to rethink and redefine the concept of decoupling by more concretely linking theory to practice (Bromley & Powell, 2012: 485; Marquis et al., 2015; Tilcsik, 2010). By integrating the notions of compliance and conformity with the concepts of symbolic and substantive actions, the suggested model characterizes a comprehensive yet parsimonious repertoire of responses that firms have at their disposal. Moreover, discussing inaction as an explicit option and, in fact, as a reasonable choice under certain conditions, enhances the value of our theoretical framework by offering a complete set of choices available to firms. Although extant theories of decoupling are largely silent on organizational resource constraints and issue salience, accounting for these critical components of the decision-making process enables us to characterize the conditions under which each of these responses is more likely to be adopted by firms, and to subsequently associate them with outcomes of interest such as financial performance or social impact.



Third, our contribution to the neo-institutional literature is to develop theory at the organizational level with the issue as the unit of analysis and, in so doing, to uncover novel insights about why different firms may respond differentially when faced with the same issue, or why the same firm may respond differently to different issues. Although past literature has argued that some stakeholders may be more salient than others (Barnett, 2007; Mitchell et al., 1997), the salience of an issue rather than the saliency of a specific stakeholder has been largely ignored (or often, studies have implicitly assumed that a particular issue is equally important across organizations). By relaxing the assumption of an automatic association between stakeholder salience and the salience of issues they advocate for, our work helps build the micro-foundations of institutional response (Crilly et al., 2012; George, Chattopadhyay, Sitkin, & Barden, 2006; Tilcsik, 2010) at the intersection of normative pressures and cognition (Bundy et al., 2013; Hahn, Preuss, Pinkse, & Figge, 2014; Waldron et al., 2013). Contrary to Bundy et al. (2013), we argue that even when an issue is highly salient, the firm may respond in a symbolic way (as opposed to a substantive way) if the perceived costs outweigh the perceived benefits of responding, or it may even not respond at all if the issue is extremely salient and exceeds one firm's ability to effectively address it (i.e., to generate benefits that would outweigh the costs of mobilizing resources). And vice versa, when the issue is less salient, the firm may still respond in a substantive way if the perceived benefits outweigh the perceived costs.

Fourth, our work has implications for research in sustainability and CSR, much of which, when attempting to understand the gap between a firm's talk and action, has focused rather narrowly on the greenwashing phenomenon (Lyon & Montgomery, 2015) and the sustainable development discourse (Scherer et al., 2013). Given that greenwashing involves some form of communication to which the outcomes are then compared (i.e., disclosure–outcome gap), this literature, with the exception of Scherer et al. (2013), has not fully

examined the factors that drive a firm's decision about whether and how to respond to normative pressure in the first place, before even disclosing any information. As a result, most of the insights uncovered in that literature are difficult to generalize beyond contexts in which communication plays an important role. However, greenwashing can be thought of as a special case of the more general model that we present in this paper, and therefore scholars of CSR and sustainability can deepen their understanding and presumably develop more complex typologies of organizational responses to environmental pressures by considering symbolic and substantive actions through compliance and conformity (e.g., Delmas & Toffel, 2008; Philippe & Durand, 2011).

Furthermore, existing literature has argued that greenwashing firms risk being exposed due to monitoring and scrutiny by social actors (Marquis et al., 2015; Waldron et al., 2013). Our model considers a richer set of factors that influence organizational behavior and thus contributes to this literature by suggesting that such a risk may have already been incorporated into firms' decision-making through accounting for the perceived costs and benefits of inaction and/or of firm resource mobilization (Chatterji et al, 2016). A more complex understanding of the underlying risk, and a more nuanced understanding of corporate responses as captured by our model, may also help explain why some studies find that greenwashing can have a beneficial impact on firm performance (Bowen, 2014).

In addition, the model contributes to the CSR literature strand on organizational rationales and motives for engaging in CSR. Specifically, when discussing the reasons why firms respond to normative pressures for responsibility and accountability, the current literature distinguishes instrumental motives from moral and relational ones (Aguilera, Rupp, Williams, & Ganapathi, 2007); in so doing, it often considers non-instrumental motives to be purer (Quinn & Jones, 1995). The model we propose here does not focus on instrumental or non-instrumental motives. Instead, it relies on a more complex and situated cost-benefit

analysis of resource mobilization, and interpretation of issue salience, that lead to symbolic and substantive actions (or inaction.). It helps us explain why firms respond differentially to the same issue, why they can greenwash by, for example, symbolically complying with laws (Corollaries 5 and 6), and why cognitive, economic, psychosocial, and moral factors may push decision-makers toward compliance or conformity (Corollary 7). Therefore, we offer a more realistic view on why and to what degree firms may engage in CSR: while the motives or the willingness to engage in a specific CSR activity may help paint half the picture, the ability to respond to a particular demand (and the inherent cost-benefit analysis) underlies the ultimate decision organizations make at the issue level.

Our model also offers opportunities to move the academic research closer to practice in the context of organizational responses to normative pressures. This is because, as discussed in the Model Extensions section, the model is readily amenable to accommodating factors that influence the net benefits of action (e.g., resource acquisition and organizational characteristics) and inaction (e.g., the degree of issue institutionalization), allowing for calibration towards real-life executive decision-making. With increasing normative pressures in recent years, it is becoming more and more difficult for firms to avoid scrutiny not just about what they choose to do or not to do, but also about what they perceive to be an important issue worthy of their attention, what capacity they have to act on the issue, and what they end up eventually achieving through their response (Margolis & Walsh, 2003). The key lesson for issue advocates inside and outside the organization is that to launch social change or action on the issue, they need to change the willingness of decision-makers to respond by making them perceive greater benefits or lower costs of addressing the issue or aligning the issue with the organizational identity and/or strategic frames more.

Notwithstanding its limitations, our perspective helps advance the understanding of the determinants of organizational response heterogeneity yet, importantly, our approach

neither justifies such practices in any way nor infuses the model with value-laden assumptions, such as managers' malevolence or firms' parasitism (McDonnell & Werner, 2016). Relying on a situated assessment of resource mobilization in addressing more or less salient issues, we explain the different responses to normative pressures and portray them as realistically as possible. In particular, because a manager or a team of managers act based on their perceptions of both issue salience and the costs and benefits of resource mobilization, firms may over-respond to some stakeholders or issues (and waste corporate resources because they overestimated the benefits or underestimated the costs) and under-respond to others (and risk reputational penalties and other costs they miscalculated). In this sense, the aim of the study is predominantly explanatory, although it could also be used normatively. Specifically, if organizations are overwhelmed with institutional complexity and struggle to decide which issues to address (or to address first), they could apply our model to arrive at a starting point. Yet, just like Scherer et al. (2013), we abstain from such a normative turn in the current developments as this would require a more elaborate discussion of wider normative-ethical concerns which are beyond the scope of this paper.

In addition to these key contributions to the existing literature, our model has several noteworthy implications for future theory development efforts, managerial practice, and policymaking. While substantive responses may occur at relatively moderate levels of issue salience, as issues become increasingly more salient, the rising perceived cost of resource mobilization pushes organizations to comply, rather than to conform (assuming the net benefits of action and inaction remain constant). This occurs for two main reasons: (1) the issue is too big and perhaps too complex to be handled by a single firm alone (thus, the perceived costs of addressing it grow faster than the perceived benefits), and/or (2) the resource mobilization diverts existing organizational resources from other essential (or strategic) organizational functions. Furthermore, if organizations are forced to acquire

resources, the costs of taking action increase, while the net benefits decrease, leaving firms with less space for substantive responses.

This important insight suggests that policymakers, governments, NGOs and external raters (e.g., information intermediaries) must seriously consider the *net* benefit of action for a firm, which accounts not only for the benefit of addressing the issue but also for the cost of mobilizing or acquiring the necessary resources. Failure to account for the *net* benefit of action may generate larger spaces between the (b) line (the net benefit of inaction) and the horizontal axis representing the null benefit, creating greater opportunities for symbolic action instead of what would likely be expected by these social actors—substantive action and a real (positive) contribution to addressing issues that affect society at large. To the extent that policymakers are interested in substantive organizational engagement, the model would suggest that they can increase the likelihood of achieving such an outcome in at least two distinct ways. First, by designing rules and regulations that allow or enable firms to use their existing (e.g., slack or underutilized) resources rather than pushing them to acquire new and potentially more costly ones from the outside (e.g., through the help of tax credits). Second, by implementing mechanisms or devising institutions that reduce the cost of acquiring the necessary resources (e.g., through the use of subsidies or co-financing).

For future research, while we discuss potential moderators of the (a) curve and (b) line at the issue, individual, organizational, and institutional levels, scholars could examine the micro or individual level in more detail. As our brief illustration and discussion leading to Corollary 7 suggest, attention biases, agency costs, and individuals' intrinsic motivations may explain how particular decision-makers interpret the same issue differently. More work lies ahead to connect our model with these factors at the individual level of analysis to characterize more fully how decision-makers apprehend issue salience and solve the puzzle of associating the costs of resource mobilization with benefits for the firm and for themselves.

Another interesting avenue to explore in future research is multi-level dynamics and how they affect decision-makers' interpretation of issue salience and the perceived costs and benefits of resource mobilization. For instance, industry dynamics certainly affect profit-seeking behavior of organizations because firms must make choices about highly interdependent productive activities (Lenox, Rockart, & Lewin, 2007). In our context, if the industry has already responded to the issue, for example by self-regulation, the managers' interpretation of the benefits of action may diminish, as they will estimate lower reputational gains (King & Lenox, 2000). Also, examining individual and organizational dynamics in more detail may help address the key limitations of our model—that it is relatively static and uses top management team or decision-makers as a proxy for organizational responses. For example, future research could examine how the context and particular events related to the focal issue can trigger psychological processes that shift issue salience, perceived costs and benefits, and, as a result, future actions. Relatedly, organizations develop attentional structures that may channel and influence issue salience in the first place. In this sense, future work may also consider how individual level decision-making processes within organizations aggregate up to a firm-level response. In other words, applying a more dynamic frame to normative demands at multiple levels of analysis can offer stimulating directions for future research.

In conclusion, we believe this paper develops a rich conceptual understanding of how, when, and why organizations respond to normative pressures by carefully describing the organizational decision-making processes and the criteria that firms apply in choosing their response. Extending Oliver's (1991) fundamental theory, we offer an inside view of the firm that helps fill the gap in our understanding of the willingness *and* ability of organizations to respond to normative pressures. We suggest that, based on issue salience and the cost-benefit analysis of resource mobilization to address the issue, organizations can choose to comply or

conform, substantively or symbolically, or to not address the issue at all. Consequently, our model at the organizational level with the issue as the unit of analysis helps explain why not every socio-environmental issue is resolved or even being addressed—frustrating as it might be for our society. We remain hopeful that the theoretical framework suggested here will resonate not only with the academic but also with the practitioner community.

## REFERENCES

- Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. 2007. Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations *Academy of Management Review*, 32(3): 836-863.
- Bansal, P., Kim, A., & Wood, M. 2017. Hidden in Plain Sight: The Importance of Scale on Organizational Attention to Issues. *Academy of Management Review*.
- Barnett, M. L. 2007. Stakeholder Influence Capacity and the Variability of Financial Returns to Corporate Social Responsibility *Academy of Management Review*, 32(3): 794-816.
- Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1): 99-120.
- Barney, J. B. 1986. Strategic Factor Markets: Expectations, Luck, and Business Strategy. *Management Science*, 32(10): 1231-1241.
- Bowen, F. a. 2014. *After greenwashing : symbolic corporate environmentalism and society*. Cambridge ;New York: Cambridge University Press.
- Bridoux F, Coeurderoy R., & Durand R. 2011. Heterogeneous motives and the creative collection of value, *Academy of Management Review*, 36(4): 711-730
- Bridoux, F., & Stoelhorst, J. W. 2014. Microfoundations for stakeholder theory: Managing stakeholders with heterogeneous motives. *Strategic Management Journal*, 35: 107-125.
- Bromley, P., & Powell, W. W. 2012. From Smoke and Mirrors to Walking the Talk: Decoupling in the Contemporary World. *The Academy of Management Annals*.
- Bundy, J., & 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): 345-369.
- Bundy, J., Shropshire, C., & Buchholtz, A. K. 2013. Strategic Cognition and Issue Salience: Toward an Explanation of Firm Responsiveness to Stakeholder Concerns. *Academy of Management Review*, 38(3): 352-376.
- Buysse, K., & Verbeke, A. 2003. Proactive environmental strategies: a stakeholder management perspective. *Strategic Management Journal*, 24(5): 453-470.
- Chatterji, A. K., Durand, R., Levine, D. I., & Touboul, S. 2016. Do ratings of firms converge? Implications for managers, investors and strategy researchers. *Strategic Management Journal*, 37(8): 1597-1614.
- Crilly, D., & Sloan, P. 2012. Enterprise logic: explaining corporate attention to stakeholders from the 'inside - out' . *Strategic Management Journal*, 33(10): 1174-1193.
- Crilly, D., & Sloan, P. 2014. Autonomy or Control? Organizational Architecture and Corporate Attention to Stakeholders. *Organization Science*, 25(2): 339-355.
- Crilly, D., Zollo, M., & Hansen, M. T. 2012. Faking It or Muddling Through? Understanding Decoupling in Response to Stakeholder Pressures. *Academy of Management Journal*, 55(6): 1429-1448.
- Cyert, R. M., & March, J. G. 1963. *A Behavioral Theory of the Firm*. New York: Blackwell.
- Daft, R. L., & Weick, K. E. 1984. Toward a Model of Organizations as Interpretation Systems. *The Academy of Management Review*, 9(2): 284-295.
- Delmas, M. A., & Toffel, M. W. 2008. Organizational responses to environmental demands: opening the black box. *Strategic Management Journal*, 29(10): 1027-1055.
- den Hond, F., & de Bakker, F. G. A. 2007. IDEOLOGICALLY MOTIVATED ACTIVISM: HOW ACTIVIST GROUPS INFLUENCE CORPORATE SOCIAL CHANGE ACTIVITIES. *Academy of Management Review*, 32(3): 901-924.
- Desai, V. M. 2016. Under the Radar: Regulatory Collaborations and their Selective Use to Facilitate Organizational Compliance. *Academy of Management Journal*, 59(2): 636-657.
- DiMaggio, P. J., & Powell, W. W. 1983. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2): 147-160.
- Durand, R., & Jacqueminet, A. 2015. Peer conformity, attention, and heterogeneous implementation of practices in MNEs. *J Int Bus Stud*, 46(8): 917-937.
- Durand, R., & Jourdan, J. 2012. Jules or Jim: Alternative conformity to minority logics, *Academy of Management Journal*, 55(6): 1295-1315



- Durand, R., & Vergne, J.-P. 2015. Asset divestment as a response to media attacks in stigmatized industries. *Strategic Management Journal*, 36(8): 1205-1223.
- Eccles, R. G., Ioannou, I., & Serafeim, G. 2014. The Impact of Corporate Sustainability on Organizational Processes and Performance. *Management Science*, 60(11): 2835-2857.
- Eesley, C., & Lenox, M. J. 2006. Firm responses to secondary stakeholder action. *Strategic Management Journal*, 27(8): 765-781.
- Ferraro, F., Etzion, D., & Gehman, J. 2015. Tackling Grand Challenges Pragmatically: Robust Action Revisited. *Organization Studies*, 36(3): 363-390.
- Fiss, P. C., & Zajac, E. J. 2006. The symbolic management of strategic change: Sensegiving via framing and decoupling. *Academy of Management Journal*, 49(6): 1173-1193.
- Flammer, C. 2013. Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors *Academy of Management Journal*, 56(3): 758.
- George, E., Chattopadhyay, P., Sitkin, S. B., & Barden, J. 2006. Cognitive Underpinnings of Institutional Persistence and Change: A Framing Perspective. *The Academy of Management Review*, 31(2): 347-365.
- George, G., Dahlander, L., Graffin, S. D., & Sim, S. 2016. Reputation and Status: Expanding the Role of Social Evaluations in Management Research. *Academy of Management Journal*, 59(1): 1-13.
- George, G., Schillebeeckx, S. J. D., & Liak, T. L. 2015. The Management of Natural Resources: An Overview and Research Agenda. *Academy of Management Journal*, 58(6): 1595-1613.
- Gondo, M. B., & Amis, J. M. 2013. Variations in Practice Adoption: The Roles of Conscious Reflection and Discourse. *Academy of Management Review*, 38(2): 229-247.
- Greening, D. W., & Gray, B. 1994. Testing a Model of Organizational Response to Social and Political Issues. *The Academy of Management Journal*, 37(3): 467-498.
- Greenwood, R., Oliver, C., Sahlin, K., & Suddaby, R. 2012. *Institutional Theory in Organization Studies*. London: SAGE.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. 2011. Institutional Complexity and Organizational Responses. *The Academy of Management Annals*, 5(1): 317-371.
- Greve, H. R., Palmer, D., & Pozner, J. 2010. Organizations Gone Wild: The Causes, Processes, and Consequences of Organizational Misconduct. *The Academy of Management Annals*, 4(1): 53-107.
- Hahn, T., Preuss, L., Pinkse, J., & Figge, F. 2014. Cognitive Frames in Corporate Sustainability: Managerial Sensemaking with Paradoxical and Business Case Frames. *Academy of Management Review*, 39(4): 463-487.
- Henriques, I., & Sadorsky, P. 1999. The relationship between environmental commitment and managerial perceptions of stakeholder importance. *Academy of management Journal*, 42(1): 87-99.
- Hiatt, S. R., Grandy, J. B., & Lee, B. H. 2015. Organizational Responses to Public and Private Politics: An Analysis of Climate Change Activists and U.S. Oil and Gas Firms. *Organization Science*, 26(6): 1769-1786.
- Ioannou, I., & Hawn, O. 2015. Redefining the Strategy Field in the Age of Sustainability. Available at SSRN: <https://ssrn.com/abstract=2429870>
- Jonsson, S., Greve, H. R., & Fujiwara-Greve, T. 2009. Undeserved Loss: The Spread of Legitimacy Loss to Innocent Organizations in Response to Reported Corporate Deviance. *Administrative Science Quarterly*, 54(2): 195-228.
- Joseph, J., Ocasio, W., & McDonnell, M.-H. 2014. The Structural Elaboration of Board Independence: Executive Power, Institutional Logics, and the Adoption of CEO-Only Board Structures in U.S. Corporate Governance. *Academy of Management Journal*, 57(6): 1834-1858.
- Kim, B. K., & Jensen, M. 2011. How Product Order Affects Market Identity: Repertoire Ordering in the U.S. Opera Market. *Administrative Science Quarterly*, 56(2): 238-256.
- King, A. A., & Lenox, M. J. 2000. Industry Self-regulation Without Sanctions: The Chemical Industry's Responsible Care Program *Academy of Management Journal*, 43(4): 698-716.

- Kostova, T., & Roth, K. 2002. Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effects. *The Academy of Management Journal*, 45(1): 215-233.
- Lenox, M. J., Rockart, S. F., & Lewin, A. Y. 2007. Interdependency, Competition, and Industry Dynamics. *Management Science*, 53(4): 599-615.
- Lim, A., & Tsutsui, K. 2012. Globalization and Commitment in Corporate Social Responsibility. *American Sociological Review*, 77(1): 69-98.
- Lyon, T. P., & Montgomery, A. W. 2015. The Means and End of Greenwash. *Organization & Environment*.
- Maclean, T. L., & Behnam, M. 2010. The Dangers of Decoupling: The Relationship Between Compliance Programs, Legitimacy Perceptions, and Institutionalized Misconduct *Academy of Management Journal*, 53(6): 1499-1520.
- Malesky, E., & Taussig, M. 2016. THE DANGER OF NOT LISTENING TO FIRMS: GOVERNMENT RESPONSIVENESS AND THE GOAL OF REGULATORY COMPLIANCE. *Academy of Management Journal*.
- Margolis, J. D., & Walsh, J. P. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Science Quarterly*, 48(2): 268-305.
- Marquis, C., & Qian, C. 2014. Corporate Social Responsibility Reporting in China: Symbol or Substance? *Organization Science*, 25(1): 127-148.
- Marquis, C., Toffel, M. W., & Zhou, Y. 2016. Scrutiny, Norms, and Selective Disclosure: A Global Study of Greenwashing. *Organization Science*, 27(2): 483-504.
- McDonnell, M.-H., & King, B. 2013. Keeping up Appearances: Reputational Threat and Impression Management after Social Movement Boycotts. *Administrative Science Quarterly*, 58(3): 387-419.
- McDonnell, M.-H., King, B. G., & Soule, S. A. 2015. A Dynamic Process Model of Private Politics: Activist Targeting and Corporate Receptivity to Social Challenges. *American Sociological Review*, 80(3): 654-678.
- McDonnell, M.-H., & Werner, T. 2016. Blacklisted Businesses: Social Activists' Challenges and the Disruption of Corporate Political Activity. *Administrative Science Quarterly*.
- Meyer, J. W., & Rowan, B. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. *The American Journal of Sociology*, 83(2): 340-363.
- Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *The Academy of Management Review*, 22(4): 853-886.
- Ocasio, W., & Joseph, J. 2005. An attention-based theory of strategy formulation: Linking micro-and macro perspectives in strategy processes. *Advances in Strategic Management*, 22: 39-61.
- Okhmatovskiy, I., & David, R. J. 2012. Setting Your Own Standards: Internal Corporate Governance Codes as a Response to Institutional Pressure. *Organization Science*, 23(1): 155-176.
- Oliver, C. 1991. Strategic Responses to Institutional Processes. *The Academy of Management Review*, 16(1): 145-179.
- Pache, A.-C., & Santos, F. 2010. When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review*, 35(3): 455-476.
- Pache, A.-C., & Santos, F. 2013. Inside the Hybrid Organization: Selective Coupling as a Response to Competing Institutional Logics. *Academy of Management Journal*, 56(4): 972-1001.
- Penrose, E. T. 1959. The theory of the growth of the firm. *Sharpe, New York*.
- Peteraf, M. A. 1993. The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14(3): 179-191.
- Philippe, D., & Durand, R. 2011. The impact of norm-conforming behaviors on firm reputation. *Strategic Management Journal*, 32(9): 969-993.
- Pitelis, C. N. 2007. A Behavioral Resource-Based View of the Firm: The Synergy of Cyert and March (1963) and Penrose (1959). *Organization Science*, 18(3): 478-490.
- Quinn, D. P., & Jones, T. M. 1995. An Agent Morality View of Business Policy. *Academy of Management Review*, 20(1): 22-42.

- Raaijmakers, A. G. M., Vermeulen, P. A. M., Meeus, M. T. H., & Zietsma, C. 2015. I Need Time! Exploring Pathways to Compliance under Institutional Complexity. *Academy of Management Journal*, 58(1): 85-110.
- Raffaelli, R., & Glynn, M. A. 2014. Turnkey or Tailored? Relational Pluralism, Institutional Complexity, and the Organizational Adoption of More or Less Customized Practices. *Academy of Management Journal*, 57(2): 541-562.
- Reid, E. M., & Toffel, M. W. 2009. Responding to public and private politics: corporate disclosure of climate change strategies. *Strategic Management Journal*, 30(11): 1157-1178.
- Scherer, A. G., Palazzo, G., & Seidl, D. 2013. Managing Legitimacy in Complex and Heterogeneous Environments: Sustainable Development in a Globalized World. *Journal of Management Studies*, 50(2): 259-284.
- Scott, R. W. 1995. *Institutions and organizations*: SAGE (Thousand Oaks)
- Short, J. L., & Toffel, M. W. 2010. Making Self-Regulation More Than Merely Symbolic: The Critical Role of the Legal Environment. *Administrative Science Quarterly*, 55(3): 361-396.
- Sonenshein, S. 2016. How Corporations Overcome Issue Illegitimacy and Issue Equivocality to Address Social Welfare: The Role of the Social Change Agent. *Academy of Management Review*, 41(2): 349-366.
- Spicer, A., & Hyatt, D. 2017. Walmart's Emergent Low-Cost Sustainable Product Strategy. *California Management Review*, 59(2): 116-141.
- Sprinkle, G. B., & Maines, L. A. 2010. The benefits and costs of corporate social responsibility. *Business Horizons*, 53(5): 445-453.
- Suchman, M. C. 1995. Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3): 571-610.
- Tilcsik, A. 2010. From Ritual to Reality: Demography, Ideology, and Decoupling in a Post-Communist Government Agency. *Academy of Management Journal*, 53(6): 1474-1498.
- Turban, D. B., & Greening, D. W. 1997. Corporate social performance and organizational attractiveness to prospective employees. *The Academy of Management Journal*, 40(3): 658-672.
- Waddock, S. 2008. *The Difference Makers: How Social and Institutional Entrepreneurs Created the Corporate Responsibility Movement*. Sheffield, UK: Greenleaf Publishing.
- Waldron, T. L., Navis, C., & Fisher, G. 2013. Explaining Differences in Firms' Responses to Activism. *Academy of Management Review*, 38(3): 397-417.
- Weaver, G. R., Trevino, L. K., & Cochran, P. L. 1999. Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures, and Corporate Ethics Practices. *The Academy of Management Journal*, 42(5): 539-552.
- Werner, T. 2015. Gaining Access by Doing Good: The Effect of Sociopolitical Reputation on Firm Participation in Public Policy Making. *Management Science*, 61(8): 1989-2011.
- Westphal, J. D., Gulati, R., & Shortell, S. M. 1997. Customization or Conformity? An Institutional and Network Perspective on the Content and Consequences of TQM Adoption. *Administrative Science Quarterly*, 42(2): 366-394.
- Westphal, J. D., & Zajac, E. J. 2001. Decoupling Policy from Practice: The Case of Stock Repurchase Programs. *Administrative Science Quarterly*, 46(2): 202-228.
- Wijen, F. 2014. Means versus ends in opaque institutional fields: Trading off compliance and achievement in sustainability standard adoption. *Academy of Management Review*, 39(3): 302-323.
- Zavyalova, A., Pfarrer, M. D., Reger, R. K., & 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): 253-276.
- Zavyalova, A., Pfarrer, M. D., Reger, R. K., & 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): 1079-1101.
- Zucker, L. G. 1987. Institutional Theories of Organization. *Annual Review of Sociology*, 13: 443-464.

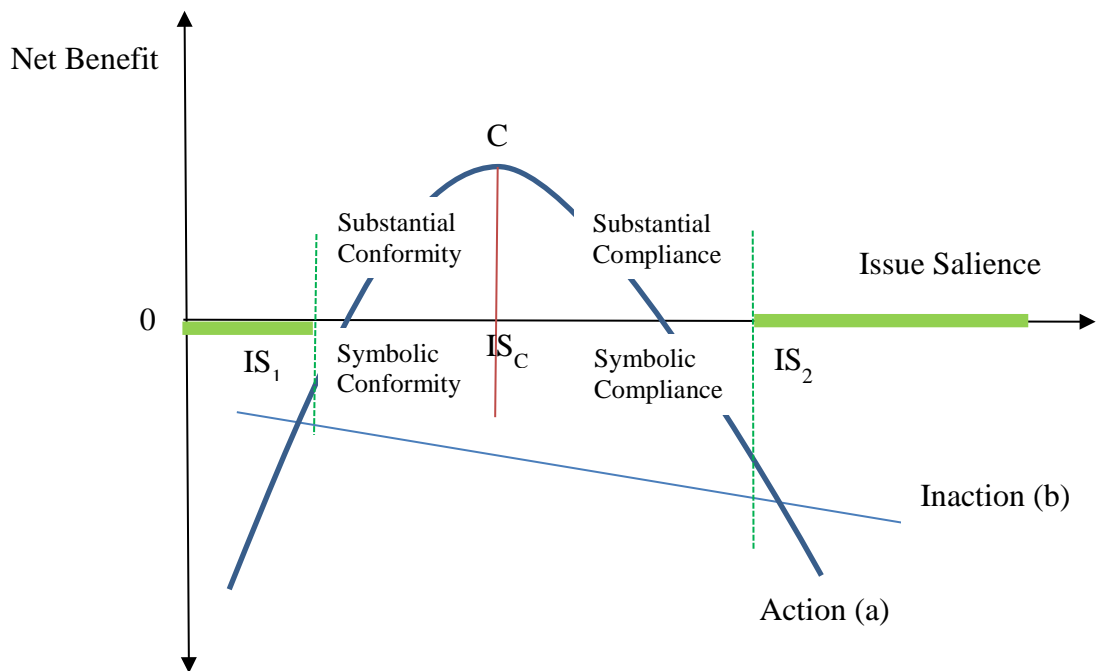
## TABLES

**Table 1**  
**Organizational Responses to Normative Pressures**

For any $IS_n$ such that: $a(IS_n) > b(IS_n)$	<b><math>a(IS_n) &lt; 0</math></b> the net benefit of action is negative	<b><math>a(IS_n) &gt; 0</math></b> the net benefit of action is positive
<b><math>IS_n &lt; IS_C</math></b> (a) is an increasing function of IS	Symbolic Conformity	Substantive Conformity
<b><math>IS_n &gt; IS_C</math></b> (a) is a decreasing function of IS	Symbolic Compliance	Substantive Compliance

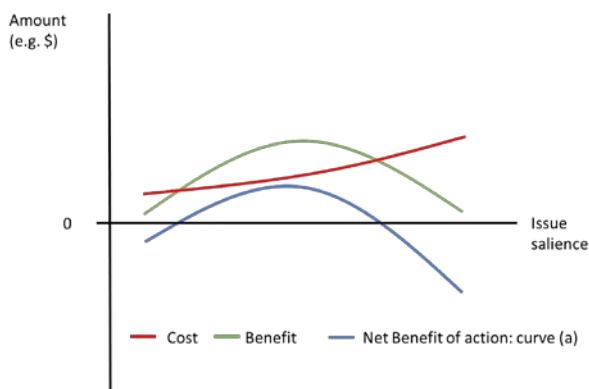
Note: IS denotes issue salience (horizontal axis);  $a(x)$  is the value taken by the action curve (a) for the value  $x$ ;  $b(x)$  is the value taken by the inaction function (b) for the value  $x$ ; C is the vertex (or local extreme value at point of curvature) for the (a) function with coordinates  $IS_C$  and  $a(IS_C)$  at which  $a'(IS_C)=0$ . This table is representative of a canonical situation where conformity to social norms demands more from organizations than what the law imposes. In cases where the law is more demanding than what audiences might expect, the table may be adjusted accordingly, i.e. (a) as an increasing function of IS will correspond to compliance and (a) as a decreasing function of IS to conformity.

**Figure 1**  
**When and How to Respond to Normative Pressure?**

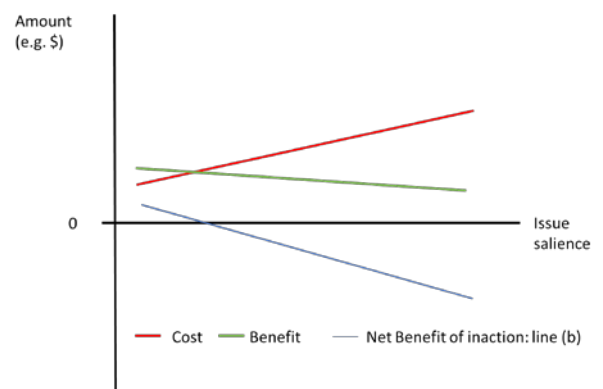


Note: Y-axis represents perceived net benefit at the time of the decision (i.e., benefits minus costs, see the illustrative panels A and B below). X-axis shows perception of issue salience from the perspective of the decision-maker. Green areas to the left from  $IS_1$  and beyond  $IS_2$  show inaction because the (b) line supersedes the (a) curve, i.e.,  $a(IS_n) < b(IS_n)$ . C is the threshold point (the local extreme value at point of curvature for the (a) function with coordinates  $IS_C$  and  $a(IS_C)$  at which  $a'(IS_C)=0$ ), after which the net benefit of action decreases with issue salience.

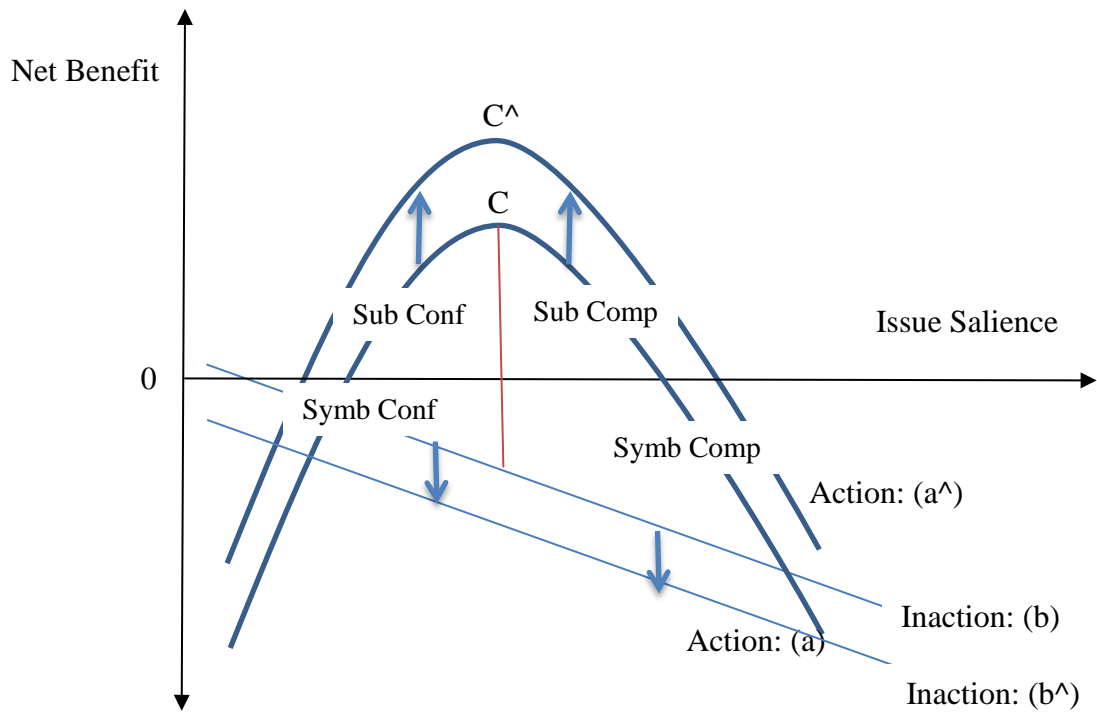
A. Illustrative decomposition of costs and benefits of action, leading to curve (a)



B. Illustrative decomposition of costs and benefits of inaction, leading to line (b)



**Figure 2**  
**Moderators of Organizational Responses**



**Figure 3**  
**Intra-firm Response Heterogeneity**

