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A BEHAVIORAL THEORY OF SOCIAL PERFORMANCE: SOCIAL IDENTITY AND STAKEHOLDER EXPECTATIONS

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Firms use reference points to evaluate financial performance, frame gain or loss positions, and guide strategic behavior. However, there is little theoretical underpinning to explain how social performance is evaluated and integrated into strategic decision making. We fill this void with new theory built on the premise that inherently ambiguous social performance is evaluated and interpreted differently than largely clear financial performance. We propose that firms seek to negotiate a shared social performance reference point with stakeholders who identify with the organization and care about social performance. While incentivized to align with the firm, firm-identified stakeholders provide intense feedback when there are major discrepancies between their expectations and the firm's actual social performance. Firms frame and respond to feedback differently depending on the feedback valence: negative feedback will be framed as a legitimacy threat, and firm responses are likely to be substantive; positive feedback will be framed as an efficiency threat, and firm responses are likely to be symbolic. However, social enterprises face a double standard in evaluations and calibrate responses to social performance feedback differently than do nonsocial enterprises. Our behavioral theory of social performance advances knowledge of organizational evaluations and responses to stakeholder feedback.

Firms use reference points to evaluate performance and frame gain or loss positions (Cyert & March, 1963; Shinkle, 2012). The discrepancy between a reference point and a firm's actual performance, referred to as performance feedback, is used to guide future strategic behavior (Cyert & March, 1963; Shinkle, 2012). A growing body of performance feedback literature (Gavetti, Greve, Levinthal, & Ocasio, 2012) has evaluated readily quantifiable financial indicators, such as return on assets (ROA; Chrisman & Patel, 2012), Altman's Z (Iyer & Miller, 2008), and sales (Greve, 2008), against a firm's own historical performance (Greve, 1998; Massini, Lewin, & Greve, 2005) or the performance of industry peers (Mishina, Dykes, Block, & Pollock, 2010).

However, financial performance is not the sole reference point for firms. Firms are increasingly pushed to engage in societal contributions beyond mere regulatory compliance (Filatotchev & Nakajima, 2014; Foerstl, Azadegan, Leppelt, & Hartmann, 2015). As a result, social performance—voluntary business action(s) with social or third-party effects (Schuler & Cording, 2006)—is now squarely on the strategic agenda of contemporary firms (Waddock, Bodwell, & Graves, 2002). As Porter and Kramer claimed, "Social performance has emerged as an inescapable priority for business leaders in every country" (2006: 1).

We draw on behavioral theory of the firm and social identity theory to build new theory capable of explaining how firms form, frame, and respond to social performance reference points. In doing

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so we elucidate key differences between behavioral theory of the firm grounded in financial performance and our behavioral theory of the firm grounded in social performance. First, there are differences regarding performance feedback *formation*. Behavioral theory of the firm grounded in financial performance tends to assume that firms select their reference point, composed of a criterion and referent, and directly infer performance feedback. For instance, a firm can immediately recognize its position relative to a financial reference point by comparing its ROA (the criterion) against the industry average ROA (the referent). In contrast, social performance lacks clear reference points. There is little consensus about how to measure the criterion of social performance (Aguinis & Glavas, 2012; Clarkson, 1995; Margolis & Walsh, 2003), let alone reliable referents to use as benchmarks. We argue that under these ambiguous conditions firms tend to rely primarily on the expectations of their firm-identified (FI) stakeholders—that is, stakeholders who derive their identity from organizational attributes (Zavyalova, Pfarrer, Reger, & Hubbard, 2016). In particular, we suggest that FI stakeholders who care about social performance are incentivized to provide social performance feedback since they derive their self-concept from the organization, and firms have incentives to heed their feedback because of the power and legitimacy-based salience of FI stakeholders. We define social performance feedback as the visible and active expression of discrepancies between stakeholder expectations and the firm's actual social performance.

Second, there are differences regarding firm *framing* of social performance feedback. Traditionally, firms adopt a loss frame to interpret negative feedback, which triggers problemistic search in order to solve the performance shortfalling (Cyert & March, 1963), whereas firms adopt a gain frame to interpret positive feedback, which induces strategic conservatism due to satisficing and unwillingness to fall below the reference point (Greve, 2003). When assessing social performance, we theorize that a loss frame will manifest as a legitimacy frame and a gain frame will manifest as an efficiency frame. On the one hand, in a loss position, given the threat of losing crucial FI stakeholder support, firms will be concerned about falling too far below FI stakeholder expectations. On the other hand, in a gain position, given the cost and the uncertain financial benefits of social performance (Walters, Kroll, & Wright, 2010; Wood & Jones, 1995), firms will try to avoid undertaking social performance activities too far above FI stakeholder expectations. As a result, we differentiate between weak performance feedback that results from minor discrepancies with FI stakeholder expectations and intense performance feedback that flows from major discrepancies. We theorize that firms are likely to respond only to *intense* social performance feedback involving a critical mass of consistent (negative or positive) FI stakeholder feedback. As such, whereas behavioral theory of the firm grounded in financial performance suggests that strategic responses are most pronounced close to the reference point (Cyert & March, 1963), we theorize that firms are rather content when close to a social performance reference point but use more marked responses when far away from it.

Third, there are critical differences in how firms *respond* to social performance feedback compared to financial performance feedback. The ambiguous nature of social performance allows firms to enact a broader range of strategic responses to address a more malleable reference point of stakeholder expectations. However, firms vary significantly in the importance that they place on social performance, which is likely to influence how firms are evaluated and respond to social performance feedback. We theorize that FI stakeholders are likely to hold social enterprises—firms for which social performance is central to organizational identity—to higher standards than nonsocial enterprises that do not have social performance as central to organizational identity. Since social performance feedback strikes at the core of their self-concept by generating identity threats and opportunities (Crane & Livesey, 2003), social enterprises are likely to enact responses that differentiate them from nonsocial enterprises.

By integrating social performance into behavioral theory of the firm, we advance existing research in three primary ways. First, we address calls to provide theoretical grounding to reference point formation (Holmes, Bromiley, Devers, Holcomb, & McGuire, 2011; Shinkle, 2012), especially under ambiguous conditions (Fang, Kim, & Milliken, 2014). Rather than assuming that a reference point is a static benchmark that is selected by the firm and sequentially adapted from year to year (Chen, 2008; Chrisman & Patel, 2012), or an

empirically driven weight of referents (Greve, 2003, 2007, 2008), we conceptualize reference point formation as a negotiation between FI stakeholder referents and an organization endowed with a broad array of strategic responses to influence those referents.

Second, we explicate the role of identity in social performance reference point formation, framing, and response. We theorize that FI stakeholder identification with a firm generates self-continuity incentives to align expectations with the firm when discrepancies are minor (Cooper & Fazio, 1984; Zavyalova et al., 2016), but identity considerations of self-protection and self-enhancement induce FI stakeholders to provide intense—visible and active—feedback when discrepancies are major. Further, our theory not only contends that identity considerations impact how stakeholders assess social performance activities across firms with different organizational identities but also that organizational identity affects firm responses to performance feedback (Bundy, Shropshire, & Buchholtz, 2013).

Third, we extend the literature on organizational evaluations by examining firm responses to positive evaluations. Burgeoning research on "wrongdoing" (e.g., scandals, product recalls, boycotts) has shed valuable insight into how firms respond to negative social performance feedback with a robust repertoire of defensive measures (McDonnell & King, 2013; Zavyalova et al., 2016). Our theory allows us to also examine when firms are above a social performance reference point and specifies the risks associated with positive social performance feedback, including social performance investments exceeding financial efficiency (Barnett & Salomon, 2006) and increased likelihood of future violations of stakeholder expectations (Graffin, Bundy, Porac, Wade, & Quinn, 2013; Mishina, Block, & Mannor, 2012). In doing so we expound on the benefits and costs of "rightdoing."

REFERENCE POINT FORMATION

Financial Performance Feedback

Performance feedback plays a key role in firms' decisions to adapt their strategies (Argote & Greve, 2007; Cyert & March, 1963; Greve, 2003) as they react to the discrepancy between a reference point and actual performance (Cyert & March, 1963). A reference point is composed of a criterion, which is the specific goal or outcome that is evaluated, and a referent, which is the object of comparison against which the firm is evaluated (Shinkle, 2012).

In the vast majority of work examining the role of performance feedback, scholars have used financial performance as the criterion component of the reference point (Gavetti et al., 2012; Shinkle, 2012). Financial performance is generally clear and readily quantifiable. The presentation of financial performance is institutionalized in annual reports and business plans (Honig & Karlsson, 2004). Furthermore, financial performance feedback mechanisms are easily accessible. Firms can readily review their own historical financial statements and assess their standing within an industry (Watson, 1993), and public companies can rely on capital markets for real-time performance appraisals. This clear and relatively quick financial performance feedback allows firms to adapt strategies accordingly. However, the rise of corporations engaging in social performance activity (Porter & Kramer, 2011) makes it untenable that financial performance is the only criterion on which firm performance is evaluated. We explore another salient criterion of firm performance—social performance—and build important distinctions between behavioral theory of the firm grounded in financial performance and our behavioral theory of the firm grounded in social performance. Table 1 provides a summary of these critical differences, each of which we elaborate on in the following sections.

Social Performance Feedback: An Important Criterion Without Referents

Social performance has become an increasingly important and expected performance criterion of contemporary firms (Porter & Kramer, 2011; Steger, Ionescu-Somers, & Salzmann, 2007). Today's managers are pushed to add social value, beyond that required by regulations, and therefore tend to pursue social performance alongside financial goals (Porter & Kramer, 2006). While social performance constitutes a critical criterion for contemporary firms, evaluation of social performance remains problematic because of a lack of clear, reliable, and easily accessible referents (Table 1, row 1).

The term *social performance* itself has been subject to great definitional debate. Clarkson (1995) pointed to inherent "fuzziness" in the term, while Waddock and Graves (1997) lamented the broad and poor measurement of the construct.

TABLE 1
Contrasting Behavioral Theory Grounded in Financial versus Social Performance

Feature of Theory	Financial Performance	Social Performance
(1) Reference point criterion	Clear	Ambiguous
(2) Reference point referent	Fixed	Malleable
(3) Reference point formation	Selected or imposed	Negotiated
(4) Performance feedback	Inferred	Expressed
(5) Role of social identity	Low	High
(6) Strategic responses	Occur close to reference point	Occur far from reference point

Moreover, social performance activities fall along a wide spectrum, from specific issues such as greenhouse gas emission reduction or governance reform (Bundy et al., 2013) to broad appeals to be good corporate citizens. Thus, while firms may develop specific indicators (e.g., reduced amount of carbon emissions, more transparent reporting practices, improved union relations, fewer product recalls), widely applicable measures and evaluation mechanisms across social performance initiatives and industry boundaries remain elusive (Ballou, Heitger, & Landes, 2006; Kroeger & Weber, 2014). In short, firm social performance is difficult to quantify and evaluate (Luo, Wang, Raithel, & Zheng, 2015). In traditional behavioral theory of the firm terms, firms lack referents for the increasingly important criterion of social performance. We propose that under these ambiguous conditions stakeholder expectations play an important evaluation role by serving as social performance referents.

Stakeholder Expectations As a Social Performance Referent

In behavioral theory of the firm grounded in financial performance, reference points tend to be either selected by the firm or imposed on the firm by external forces (Shinkle, 2012).[1] In contrast, we propose that firms have agency in the degree to which they adopt, rebuff, or shape more malleable social performance reference points (e.g., Suchman, 1995). We view the formation of a social performance reference point as the outcome of a negotiation process between the firm and its stakeholders (Table 1, rows 2 and 3).

In a negotiation process, two parties have their own positions, with a set of expectations and desires (Fisher, Ury, & Patton, 2011), but the full range of expectations is not immediately known by the other party (Fisher et al., 2011). As a result, social performance reference point formation starts with an opening stance—the firm exhibits a certain level of social performance. Stakeholders subsequently assess the firm's social performance relative to their expectations, which define "socially accepted and expected structures or behaviors" (Mitchell, Agle, & Wood, 1997: 866). In this way stakeholder expectations provide a standard—or referent—against which the firm may evaluate its actual social performance.

However, since an accurate accounting of stakeholder expectations is not readily available, firms cannot directly infer social performance feedback as the discrepancy between a reference point and their actual behavior, as they do in the case of behavioral theory of the firm grounded in financial performance (cf. Shinkle, 2012). Instead, stakeholders must express visible and active social performance feedback (Table 1, row 4). The expression of social performance feedback may take many forms, including direct conversations with managers, social media communication, letter writing campaigns, or shareholder proposals. Yet not all stakeholders provide social performance feedback to firms, and not all feedback is addressed by firms (Waldron, Navis, & Fisher, 2013). We draw on social identity theory to offer stakeholder identification with the firm as a theoretical explanation of when and how social performance feedback is likely to be expressed and addressed (Table 1, row 5).

A SOCIAL IDENTITY EXPLANATION FOR SOCIAL PERFORMANCE FEEDBACK

Social identity theory suggests that one's self is defined by membership in social categories or

[1] A notable exception is the negotiation of financial performance expectations with analysts (Bromiley, 1991; Luo et al., 2015) or auditors (Bame-Aldred & Kida, 2007).

groups, including, among others, nationality, sports teams, or religious affiliation (Tajfel & Turner, 1979). Individuals derive value and emotional significance from their identification by perceiving a sense of oneness with other members of the ingroup (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994). Group identification may best be portrayed as a reciprocal relationship such that the individual derives meaning, belonging, and positive distinctiveness that define and enhance the individual's self-concept (Hogg & Terry, 2014; Whetten & Mackey, 2002), while the individual's membership supports and strengthens the group (Ashforth & Mael, 1989).

Social identity has been used to explain the motivation of certain stakeholders to evaluate firms and provide negative social performance feedback. Rowley and Moldoveanu (2003) described how identification with a cause incentivizes stakeholders to mobilize against firms. For such cause-identified activists, negative social performance feedback against a firm represents an opportunity to express shared identity centered around the cause and reinforces their distinctiveness as an outgroup relative to the firm (Ashforth & Mael, 1989). From a social identity perspective, negative feedback from an outgroup is unsurprising (Tajfel & Turner, 1979). In fact, recent research indicates that firms have grown to expect negative feedback from activists and have developed a well-codified repertoire of defensive actions in response (McDonnell & King, 2013). This literature debates the degree to which firms view activists as gadflies (Falconer, 2004), respond meaningfully to hostile sources (Waldron et al., 2013), or are more subtly strategically morphed by cause-identified feedback (McDonnell, King, & Soule, 2015). While the dynamics of "cause identification" have seen extensive developments in the growing social movements literature (Briscoe & Gupta, 2016), we argue that organizational identification represents an important, unexplored, and fundamentally different force undergirding both negative and positive social performance feedback.

Organizational identification provides the means to incorporate a firm's central, distinctive, and enduring characteristics into an individual's self-concept (Albert & Whetten, 1985; Dukerich, Golden, & Shortell, 2002) in order to satisfy the need for self-definition and meaning (Whetten & Mackey, 2002). Indeed, organizational identification fosters a sense of belonging and oneness across the diverse set of stakeholders affiliated with the firm, as stakeholders adopt a common set of values and beliefs so as to conform to an ideal prototype (Hogg, Terry, & White, 1995; Tajfel & Turner, 1979). Such a sense of oneness engenders collective ingroup cohesion and an adherence to the ingroup's (i.e., the firm's) membership norms (Ashforth & Mael, 1989; Dutton et al., 1994; Tajfel & Turner, 1979).

Stakeholders can internalize a firm's central and distinctive organizational features, such as prestige (Mael & Ashforth, 1992), quality (Press & Arnould, 2011), innovativeness (Kreiner & Ashforth, 2004), or social performance (Bhattacharya & Sen, 2004), by affiliating themselves with the organization and participating in firm-related activities (Whetten & Mackey, 2002). For instance, consumers can prominently display their purchases (He, Li, & Harris, 2012; Simoes, Dibb, & Fisk, 2005), employees can participate in voluntary organizational activities outside of work (Dutton & Dukerich, 1991; Smidts, Pruyn, & Van Riel, 2001), university graduates can engage with alumni networks (Mael & Ashforth, 1992; Zavyalova et al., 2016), suppliers can openly collaborate with buyers (Corsten, Gruen, & Peyinghaus, 2011), financiers can invest in organizations that resonate with their values (Bauer & Smeets, 2015), and any stakeholder can become an organizational ambassador (Del Río, Vazquez, & Iglesias, 2001; Gyrd-Jones & Kornum, 2013). These markers of identification enable stakeholders to internalize ingroup characteristics, serve as differentiators from outgroups, and allow organizations to observe, keep track of, and interact with this salient group of stakeholders. We focus on stakeholders who use organizational features to define themselves and who care about social performance. We refer to these important constituents as FI (firm-identified) stakeholders (cf. Zavyalova et al., 2016).

For FI stakeholders, the firm's social performance, positive or negative, spills over into their identity. As Zavyalova and colleagues described highly identified stakeholders, "They may 'bask in the reflected glory' of positive events (Cialdini et al., 1976: 366), and may feel that their personal identities are threatened following negative events (Harrison, Ashforth, & Corley, 2009)" (2016: 258). For instance, in the context of social performance, there was a negative identity spillover for Volkswagen (VW) FI stakeholders when it was revealed that the German car manufacturer cheated on emissions tests, and many VW-identified

customers felt "betrayed" by an organization they perceived as reliable and environmentally friendly (see *AFP TV,* 2015).

Indeed, social performance is of high interest to FI stakeholders (Sen & Bhattacharya, 2001) since it increasingly affects the decision of employees, consumers, and investors alike to engage with an organization (Bhattacharya & Sen, 2004). For instance, more than 70 percent of college students and 50 percent of workers are looking for jobs with social impact, and nearly 60 percent of students are even willing to take a pay cut in order to work for a company that embodies their values. More than 50 percent of consumers would be willing to pay more for goods and services offered by a company that gives back to society (*Net Impact,* 2012). Our theory predicts that the growing set of FI stakeholders who care about social performance is at the source of meaningful social performance evaluation and feedback.

As a result of their identity attachment to the firm, FI stakeholders are incentivized to form clear expectations and closely monitor the social performance activities of the firm they identify with. This stands in marked contrast to stakeholders who are nonidentified (i.e., identify neither with the firm nor a cause). From a social identity perspective, nonidentified stakeholders have little incentive to express social performance feedback since they primarily derive their identity from other membership groups. Rather, following a negative event, nonidentified stakeholders face low identity barriers to the stakeholder relationship and, thus, may be quick to cease their affiliation (Packer, 2008; Zavyalova et al., 2016) or, alternatively, may join more motivated stakeholder groups, such as cause-identified activists (Waldron et al., 2013). However, when a firm exhibits high social performance, nonidentified stakeholders may increase their organizational identification (Bhattacharya & Sen, 2004). We suggest, though, that nonidentified stakeholders are less likely to independently form codified expectations regarding the social performance of a firm, monitor firm activities, or invest efforts to provide visible and active feedback to a firm from which they do not derive identity characteristics.

In contrast, FI stakeholders are not only more likely to closely monitor their firm's social performance activities but also more likely to have strong incentives to agree with the firm's social performance actions. Individuals seek to preserve congruence in all aspects of their life by denying inconsistencies, focusing on consistencies, changing expectations, or altering evaluations (Cooper & Fazio, 1984; Sherman & Gorkin, 1980). We suggest that FI stakeholders seek to maintain coherency regarding their identity by granting the firm they identify with a relatively wide range of acceptable social performance behaviors. On the one hand, when there are minor negative discrepancies between their expectations and the firm's social performance, FI stakeholders will tend to avoid identity conflict when judging the firm's social performance in order to preserve a sense of oneness with the firm (Ashforth & Mael, 1989). For instance, previous research has shown that organizational identification increases resilience by supporting the firm during times of negative attention (Bhattacharya & Sen, 2004; Zavyalova et al., 2016). On the other hand, minor positive discrepancies will fall in line with the FI stakeholders' perceptions of their firm. FI stakeholders will appreciate the positive attributes derived from their firm identification, and it will reinforce FI stakeholders' self-concept.

Thus, to maintain and reinforce self-continuity in their identity, FI stakeholders are likely to tolerate and adapt to minor discrepancies by granting a wide range of acceptable social performance behaviors to their firm. In other words, FI stakeholders' organizational identification drives convergence between stakeholder expectations and a firm's actual social performance, reducing the need to provide visible and active social performance feedback to the firm. However, in the face of major discrepancies, our theory contends that FI stakeholders face other identity incentives to enter a substantial negotiation process with the firm.

NEGOTIATING A SOCIAL PERFORMANCE REFERENCE POINT

While we expect FI stakeholders to grant latitude to a firm's actual social performance when facing minor discrepancies, identity-driven motivations will incentivize FI stakeholders to provide visible and active social performance feedback when they face a major discrepancy. On the negative side, there are limits to the level of discrepancy a stakeholder is willing to endure (Blomqvist & Posner, 2004; Zavyalova et al., 2016); on the positive side, there are benefits to visibly praising an organization a stakeholder identifies with (Cialdini et al., 1976).

Major discrepancies reflect a critical disconnect between firm and FI stakeholder views

regarding the appropriate level of social performance for the firm. Since FI stakeholders and firms have agency regarding their responses, we propose that both firms and FI stakeholders enter a negotiation process aimed at forming a social performance reference point. This negotiation process rests on conflict between stakeholders' desire to maintain a positive self-concept and firms' desire to maintain financial efficiency. As a result, negative feedback emanates from stakeholder concerns around a firm's past social performance activities, and positive feedback creates firm concerns around its future social performance responsibilities. This negotiation may or may not end in a shared social performance reference point.

From the perspective of FI stakeholders, there is a range of strategies available to express social performance feedback. Most broadly, FI stakeholders express feedback by providing or withholding financial, human, social, or natural resources (Frooman, 1999; Rowley, 1997; Rowley & Moldoveanu, 2003). In a direct and conventional fashion, FI stakeholders can write letters or have offline interactions with firm managers to express their expectations. Technological advancements provide contemporary stakeholders with even greater ability to quickly and clearly communicate directly with firms. As of 2014, 83 percent of Fortune 500 companies were on Facebook, 83 percent had Twitter accounts, and 97 were on LinkedIn (Barnes & Lascault, 2015). By utilizing social media, blogs, video platforms, and consumer review websites, stakeholders can air their praise or grievances in a forum that the public will view and firms will monitor (Wang, Wezel, & Forgues, 2016).

From the perspective of the firm, it has incentives to monitor and respond to FI stakeholder feedback. Many firms seek to engender identification among their stakeholders and even actively create FI stakeholders through initiatives developing brand ambassadors, social media influencers, or highly dedicated employees (Malhotra, Malhotra, & See, 2013). In addition, FI stakeholders are often loyal constituents (Mael & Ashforth, 1995) and, thus, provide important resources to the firm (Ashforth & Mael, 1989). Employee identification increases job satisfaction and tenure (Turban & Greening, 1997). Alumni's identification with their alma mater increases the likelihood they will donate (Zavyalova et al., 2016) and encourage their relatives to attend university events (Mael & Ashforth, 1992). As a result, FI stakeholders, as a collective, are likely to be recognized by firms and have high salience with firms owing to stakeholder power and legitimacy (Mitchell et al., 1997; Zavyalova et al., 2016). Power is gained by FI stakeholders' deep engagement with the firm and the material support that would be lost if FI stakeholders exited the relationship, in essence giving FI stakeholders a utilitarian power base to influence the firm (Etzioni, 1964; Mitchell et al., 1997). Legitimacy stems from the notion that FI stakeholders make up a foundation of the firm's most committed and engaged stakeholders.

Given this intimate connection, if a firm cannot satisfy the social performance expectations of its most enthusiastic stakeholders, it will likely not continue in the long run. Together, the power and legitimacy accrued by the collective of FI stakeholders give FI stakeholders' social performance feedback credence with firms. In this way FI stakeholders take an active stance in the stakeholder relationship (Mitchell et al., 1997), and firms are incentivized to monitor FI stakeholder social performance feedback (Hall, 2015; Keys, Malnight, & van der Graaf, 2009).

The social performance feedback expressed by FI stakeholders provides an important benchmark for firm social performance activities. However, firms have agency in responding to stakeholder feedback (Berman, Wicks, Kotha, & Jones, 1999), and they can use a broad array of strategies in their negotiation of the reference point. This repertoire of tools can be broadly categorized into two types: substantive and symbolic (Bundy et al., 2013; Westphal & Zajac, 1998). Table 2 provides an overview of each category of substantive and symbolic strategic responses, including definitions, precedent in the literature, and select examples.

Substantive actions alter firms' actual social performance levels. That is, firms undertake large-scale strategic changes that directly increase or decrease social performance activities. Since measuring social performance is ambiguous, there is flexibility in how aggregate levels of social performance are altered. Substantive actions may be *technical*, which we use to refer to social performance changes to existing operations that address the root cause of the feedback (Zavyalova, Pfarrer, Reger, & Shapiro, 2012). For instance, a clothing company facing criticism for poor labor practices in its manufacturing facilities

TABLE 2
Examples of Strategic Responses to Social Performance Feedback

Strategic Response	Definition	Precedent in the Literature (If Any)	Select Examples from Text
Substantive actions	Actions directed at moving actual social performance closer to expectations	Westphal & Zajac (1998), Zavyalova, Pfarrer, Reger, & Hubbard (2016)	
Substantive technical	Social performance changes to existing operations (addresses the root cause of the feedback)	Godfrey, Merrill, & Hansen (2009), Zavyalova, Pfarrer, Reger, & Shapiro (2012)	Moving manufacturing location to more worker-friendly location
Substantive additive	New social performance initiatives (does not address the root cause of feedback)	Developed in this article	Launching a new line of eco-friendly products
Symbolic actions	Actions attempting to influence stakeholder expectations without changing actual social performance	Ashforth & Gibbs (1990), Westphal & Zajac (1998), Zavyalova et al. (2012)	
Symbolic related	Symbolic actions that are related to social performance	Developed in this article	Press release or social media posting about volunteer activities, philanthropic work, or social performance award
Symbolic unrelated	Symbolic actions that are unrelated to social performance	Developed in this article	Press release or social media posting about product quality award or strong financial performance

may move the location of its manufacturing operations to a more worker-friendly location. Alternatively, substantive actions may be *additive*, which we define as creating new social performance initiatives that do not address the root cause. For instance, the same clothing company may launch a new line of environmentally friendly clothes from recycled materials, without changing the location or conditions of its manufacturing facility. Both substantive-technical and substantive-additive actions are intended to more closely align the firm with FI stakeholder expectations by increasing the aggregate level of firm social performance.

In contrast, symbolic actions are intended to alter stakeholder social performance expectations (Carroll, 1979; Davis & Blomstrom, 1966; Mahon & Wartick, 2003), without changing the actual level of the firm's social performance (cf. Oliver, 1991). Symbolic tactics include public relations and bargaining approaches to manage or manipulate FI stakeholder social performance expectations. Symbolic actions may be related to social performance, such as drawing attention to employee safety initiatives in a corporate social responsibility (CSR) report, or unrelated to social performance, such as drawing attention to a product quality award with a new press release.

Substantive and symbolic responses expand the traditional reactions to performance feedback in behavioral theory of the firm. Behavioral theory of the firm grounded in financial performance largely predicts changes in search behavior—stimulating problemistic search below the reference point and reducing search above the reference point (Cyert & March, 1963; Greve, 2003). We suggest that the ambiguous nature of social performance allows for a different pattern of firm strategic responses than those predicted by extant behavioral theory. First, behavioral theory of the firm grounded in financial performance predicts that pronounced strategic responses will occur close to the reference point, since firms are most sensitive to feedback when they are just above or just below their reference point (Cyert & March, 1963). When it concerns social performance, we suggest that strategic responses will be more pronounced far away from the reference point. That is, firms will tolerate relatively weak feedback and only be induced to make meaningful responses when there are major discrepancies and, thus, intense social performance feedback (Table 1, row 6).

Second, firms may directly increase or decrease social performance (substantive actions) in a manner that is not possible with financial performance. Indeed, while there is certainty in quantifying financial performance, there is little certainty regarding strategies implemented to improve financial performance, and, thus, financial performance must be

adjusted through indirect search behaviors (Gavetti et al., 2012). In contrast, ambiguity in measuring and aggregating social performance actually allows firms to directly adapt it, since more recent initiatives may overshadow past behaviors (Levinthal & March 1993; Wagner, Lutz, & Weitz, 2009) and quickly change stakeholder perceptions.

Third, social performance also allows firms to alter reference points themselves in a manner that is not possible with more fixed financial performance benchmarks. While firms may select different referents when underperforming financially to cast themselves in a more positive light (Jordan & Audia, 2012), they have little to no ability to change a referent itself. Firms cannot substantively change last year's ROA or industry average ROA (Shinkle, 2012). In contrast, stakeholder expectations are malleable (Coombs & Holladay, 2004; Finkelstein & Hambrick, 1988) and, thus, may be altered by symbolic actions that do not involve changing the underlying social performance level. For these reasons, in contrast to traditional behavioral theory of the firm, where a financial performance reference point is selected and feedback is inferred, we suggest that a shared social performance reference point is actively negotiated between FI stakeholders and the firm (Table 1, rows 1–4).

SOCIAL PERFORMANCE FEEDBACK AND STRATEGIC RESPONSES

There are two possible outcomes of the initial negotiation stance: (1) actual social performance is below FI stakeholder expectations (i.e., negative feedback) or (2) actual social performance is above FI stakeholder expectations (i.e., positive feedback). Negative or positive performance feedback is a foundational basis in behavioral theory of the firm; however, we argue that social performance feedback dynamics will also depend on whether social performance is central to organizational identity (i.e., whether the firm is a social enterprise or not). While stakeholder identification with the firm motivates feedback, FI stakeholder perceptions of acceptable social performance will be different when stakeholders identify with the firm *because* of its social performance, as in the case of social enterprises. In addition, given that social performance is at the core of their organizational identity, social enterprises have identity-driven incentives to respond to FI stakeholder social performance feedback and to distinguish their actions from nonsocial enterprises (Table 1, row 5). Figure 1 illustrates the underlying logic and possible initial outcomes of the negotiation process depending on feedback valence (negative or positive) and organizational identity (nonsocial versus social enterprise). Below we unpack this model by describing why and how FI stakeholders and firms negotiate acceptable levels of social performance in each of these four scenarios.

Nonsocial Enterprise Social Performance Below FI Stakeholder Expectations

Expressing intense negative social performance feedback. When FI stakeholders discover that the firm does not perform as well as expected in terms of, for example, recycling and sustainable sourcing, stakeholders may rationalize the behavior. Thoughts of the nature "That is probably standard for the industry" or "Limiting environmental initiatives allows the company to provide reasonable prices to consumers or benefits to employees" essentially dismiss and avoid recognition of discrepancies between expectations and actual firm social performance. However, if the same stakeholders discover that the firm runs sweatshops using child labor, this discovery may create an insurmountable discrepancy with their expectations. For instance, Zavyalova and colleagues (2016) found that, despite initial support, highly identified stakeholders eventually withdraw support from reputable organizations as the level of negative attention to the organization increases.

Because individuals seek to view themselves in a positive light (Tajfel & Turner, 1979), FI stakeholders will be concerned with the negative implications of such low social performance on personal self-concept. This will trigger an identity-driven reaction of self-protection, which is the desire to shelter or defend one's positive self-views in one's own eyes or in the eyes of others (Alicke & Sedikides, 2009; Sedikides, 2009). We propose that self-protection will drive FI stakeholders to provide intense negative social performance feedback—that is, visible and active criticism of the firm. Stakeholders may withhold or provide critical resources (Frooman, 1999; Pfeffer & Salancik, 1978) or may seek to compel change (James & Wooten, 2006; Morrison, 1991). For instance, FI employees may directly express concerns to managers of the firm (O'Connell, Stephens, Betz, Shepard, & Hendry, 2005), decrease productivity

FIGURE 1
Strategic Responses to Social Performance Feedback

Organizational identity		Feedback valence: Negative	Feedback valence: Positive
	Nonsocial enterprise	Legitimacy frame **Substantive-additive responses (P1)**	Efficiency frame **Symbolic-unrelated responses (P2)**
	Social enterprise	Legitimacy + self-protection frames **Substantive-technical responses (P3)**	Efficiency + self-enhancement frames **Symbolic-related responses (P4)**

(Kristof-Brown, Zimmerman, & Johnson, 2005), and threaten to quit (Turban & Greening, 1997). FI consumers may vocalize concerns through the media, decrease consumption, or demand change (Sen & Bhattacharya, 2001). FI suppliers may reduce the exchange of valuable tacit knowledge and explicit information (Dyer & Nobeoka, 2000) or decrease asset-specific investments (Dyer, 1997).

The case of Market Basket provides a compelling example of how FI stakeholders across diverse types can band together to express intense negative social performance feedback. Suppliers, employees, customers, and community members organized visible and active protests online and in person, even boycotting the New England grocery store chain they cherished, to provoke change after new leadership gained power, forced out the beloved CEO, and violated FI stakeholder expectations by cutting the firm's long-standing commitment to community social performance (Newbert & Craig, 2015).

We contend that this intense negative feedback fulfills two self-protection identity purposes for FI stakeholders. First, it protects current stakeholder identity by differentiating the FI stakeholders from negative identity spillover. Individuals protect their identity by distancing themselves from unfavorable events and attempting to cast themselves in a positive light (Hogg & Terry, 2014). When the discrepancy between FI stakeholder expectations and firm social performance is too significant to adapt expectations, intense negative social performance feedback is the mechanism that reconciles the identity threat. Intense negative feedback serves to differentiate the FI stakeholders' firm membership from the firm's lower social performance activities. Second, intense negative feedback seeks to preserve FI stakeholder identity by compelling the firm to realign with FI stakeholders' higher social performance expectations.

While exiting the relationship with a firm that falls far below social performance expectations is an option for non-FI stakeholders, this is not the case for FI stakeholders. FI stakeholders are deeply associated with the firm, to the extent that they derive their self-concept from it. As a result, exiting the relationship means undertaking a

challenging, uncomfortable, time-consuming, and costly process of identity change to disidentify from the firm. External recognition of group membership means that organizational features become entrenched in how FI stakeholders are perceived and categorized by others (Turner & Onorato, 1999). Other groups are unlikely to be willing to accept new and stigmatized members into their own ingroup under unfavorable conditions. In addition, the internal fulfillment of identity from group membership means that removing something from one's identity involves questioning one's beliefs, remodeling mental schemas, and redefining who one is (Burke, 2006). As described above, there are strong self-continuity incentives not to undergo dramatic identity changes. Since disentangling identity once one is highly identified is very difficult, FI stakeholders are likely to view disidentifying and rebuilding identity through other groups as a tactic of last resort (Burke, 2006). However, FI stakeholders' dissent (i.e., attempts to challenge group behavior) can actually signal their loyalty to the firm while showing a willingness to improve the group (Packer, 2008). For these reasons, we suggest that FI stakeholders have strong incentives to provide intense negative feedback that brings about changes in social performance activities to restore the firm and corresponding stakeholder self-identity to a positive light.

Strategic framing and responding to negative social performance feedback. In the context of social performance, we contend that the traditional behavioral theory of the firm's loss frame—which captures concern regarding previous financial performance below the reference point—will manifest as a legitimacy concern. That is, we propose that nonsocial enterprises filter intense negative social performance feedback from FI stakeholders through a strategic frame of legitimacy. When firm social performance falls below FI stakeholder expectations, the firm will question whether it adheres to stakeholders' values and norms of acceptable behavior (Suchman, 1995). Since FI stakeholders are salient stakeholders, violating their expectations has material influence on firm resources (Cragg & Greenbaum, 2002; Pajunen, 2006). If left unchecked, a loss of legitimacy may destabilize operations and even threaten the very survival of the firm (Dowling & Pfeffer, 1975; Suchman, 1995). Furthermore, if FI stakeholders deem firm behaviors to be illegitimate, they can not only withdraw legitimacy endowments but also stimulate legitimacy loss from other stakeholders. Ingroup FI stakeholders may utilize their power to mobilize nonidentified stakeholders or add credibility to the claims of outgroup activist stakeholders (Waldron et al., 2013). Indeed, if loyal stakeholders are unsatisfied with social performance levels, the firm is unlikely to find support from other stakeholder groups. Thus, firms must take FI stakeholders' grievances seriously.

Firms have several options regarding how to respond to this intense negative social performance feedback. First, they could ignore the negative feedback. While some firms may come out relatively unscathed when ignoring cause-identified activists (Waldron et al., 2013), FI stakeholders provide far more support and ultimately confer legitimacy. Thus, we argue that FI stakeholders hold greater bargaining power in the reference point negotiation with the firm than activists and will demand a response. While a firm may consider leaving the negotiation and engendering identification in an alternative set of stakeholders (who can then provide them with legitimacy), this is not likely to be feasible in the midst of intense negative scrutiny.

Second, firms may respond with symbolic actions that seek to appease FI stakeholders and manipulate their expectations. Again, symbolic actions may be an effective tactic when facing activist criticisms, since this tactic can mollify outrage and mitigate the spread of negative attention to other more salient stakeholders (McDonnell & King, 2013; Waldron et al., 2013). However, since FI stakeholders share identity attributes with the firm, they are likely to see through the veil of symbolic actions intended to move stakeholder expectations without changing actual social performance. In fact, attempts to "greenwash" or enact other less meaningful initiatives when facing intense negative social performance feedback may actually exacerbate negative impressions (Zavyalova et al., 2012) and stimulate further backlash against the firm's perceived insincere response to intense identity-driven feedback. As a result, we theorize that firms receiving intense negative feedback from FI stakeholders will move beyond a mere concern with keeping up appearances (cf. McDonnell & King, 2013).

Connelly, Tihanyi, Certo, and Hitt (2010) have made analogous arguments about substantive actions by firms with dedicated institutional investors who have higher ownership concentrations—and,

we suggest, are likely to hold stronger identification with their investments—compared to more transient investors. These authors found that firms with dedicated institutional investors are more likely to enact tangible strategic competitive actions compared to potentially reversible tactical actions. In the case of social performance, we propose that firms will respond to intense negative FI stakeholder feedback with substantive responses that increase actual levels of social performance, rather than more superficial symbolic actions. However, since social performance is ambiguous, its level can be directly increased either by launching new social performance initiatives (substantive additive) or by addressing the root cause of the negative attention (substantive technical).

We suggest that firms for which social performance is not central to organizational identity are likely to enact substantive-additive responses to intense negative performance feedback. Substantive-additive responses are tangible and meaningful social performance actions but do not involve the same level of cost and risk as altering core operational activities. In this way, substantive-additive strategies allow firms to create new social performance activities without making dramatic changes to existing operations. However, the new social initiatives serve the purpose of restoring FI stakeholder alignment with the firm, since overall levels of social performance activity increase. Thus, in this scenario, substantive-additive responses of social performance represent the most viable means to realign expectations and restore legitimacy.

The recent VW "dieselgate" emissions scandal exemplifies the dynamics of negative social performance feedback. VW is generally known for safety, quality, and reliability; hence, stakeholders are likely to identify with these central organizational characteristics. When it was revealed that VW cheated by artificially reducing emissions levels during testing compared to real-world driving, VW's FI stakeholders who cared about social performance were motivated to protect their own identity by voicing intense negative social performance feedback. CNN profiled FI VW drivers who described identity harm arising from being deceived by a car they really believed in (Garcia, 2015). The intense identity reactions of FI stakeholders even became the subject a popular parody featuring FI VW owners expressing their feelings of betrayal to their cars (*Funny or Die*, 2015). Consumer reports created a guide to the emissions scandal that concluded with a "How do I voice my concerns" section, encouraging stakeholders to visibly and actively vocalize feedback across outlets, such as commenting on their stories, contacting the company, or contacting the Environmental Protection Agency (Barlett, Naranjo, & Plungis, 2017). In response, VW announced a new major social performance initiative—an aggressive strategic plan focused on electric cars, with no less than thirty new electric vehicles across its brands by 2025 (Geuss, 2016). This additive approach introduces a new and more legitimately eco-friendly product to its existing line of reliable and high-performance cars.

This practical evidence exemplifies our more formal proposition.

> *Proposition 1: Nonsocial enterprises are likely to respond to intense negative social performance feedback from FI stakeholders with new social performance initiatives (substantive additive).*

Nonsocial Enterprise Social Performance Above FI Stakeholder Expectations

Expressing intense positive social performance feedback. On the positive side of the reference point, when an FI stakeholder realizes that their firm sponsors a local Little League baseball team, they may align expectations with performance through such thoughts as "Of course it does things like this; it's a good corporate citizen" or "That is normal for modern corporations." However, if the same stakeholder discovers that the firm unexpectedly donated $10 million to a local homeless shelter, they are likely to have a more intense response driven by self-enhancement identity considerations. Self-enhancement refers to the desire to amplify the positive aspects of the self in one's own eyes or in the eyes of others (Shore, Cleveland, & Goldberg, 2003). This need for high self-esteem will induce FI stakeholders to further associate their self with the firm.

Self-enhancement will drive FI stakeholders to provide intense positive social performance feedback—that is, visible and active praise for their firm. Visible and active praise allows attractive firm attributes to reflect on and be incorporated into identity (Ashforth & Mael, 1989; Cialdini et al., 1976). In the case of social performance above FI stakeholder expectations, intense positive feedback allows FI stakeholders to reap the positive benefits of firm affiliation. In

doing so, FI stakeholders incorporate the higher levels of social performance into their self-concept, which also raises their future expectations of social performance.

Stakeholders have a broad range of means to communicate visible and active praise to a firm. They may increase their direct contact with the firm through writing letters of appreciation, "@"ing the firm on social media with praise, and producing more favorable reviews (Bhattacharya & Sen, 2004). They may also seek to engage other stakeholder groups in recognition of the firm by mobilizing social media campaigns or garnering more traditional media attention. Employees may increase organizational citizenship and extra-role behaviors (Dutton et al., 1994).

In sum, we suggest that FI stakeholders express the major positive discrepancy between expectations and firm social performance by providing intense positive social performance feedback to enhance their own self-concept.

Strategic framing and responding to positive social performance feedback. In the context of social performance, we suggest that the traditional behavioral theory of the firm's gain frame—which captures the perspective regarding previous financial performance above the reference point—will manifest as an efficiency concern. Intense positive social performance feedback signals to a firm that it is investing in social performance activities that were not demanded or expected. Engaging in social performance activities is costly (Walters et al., 2010; Williamson, Lynch-Wood, & Ramsay, 2006), and these activities' financial returns are not always clear (Ullmann, 1985; Wood & Jones, 1995). As such, the benefits of social performance beyond FI stakeholder expectations are likely to be lower than the costs. In fact, Barnett and Salomon (2006) proposed that the relationship between social performance and financial performance takes an inverted-U shape, indicating that an overabundance of social performance will ultimately conflict with financial performance. We follow this logic and argue that the turning point where social performance activities exhibit diminishing returns is at the level of FI stakeholder expectations. That is, investing in social performance activities beyond what the firm's loyal and influential FI stakeholders expect constitutes investments with limited recompense.

There is further danger to intense positive social performance, beyond costs. As described earlier, when positive attributes of higher social performance are incorporated into an FI stakeholder's self-concept, it raises their future expectations of firm social performance. In this way, firms may face a type of social performance "Red Queen effect" (Derfus, Maggitti, Grimm, & Smith, 2008; van Valen, 1977) such that the more social a firm becomes, the more social performance FI stakeholders will expect. This can create an escalating cycle whereby firms must engage in an increasing level of social performance to satisfy stakeholder demands, which, in turn, causes firms to endure increasing expenditures and risk future legitimacy loss.

As a result, firms for which social performance is not central to organizational identity will take action to mitigate rising social performance expectations. However, managing future expectations under conditions of positive social performance feedback from FI stakeholders is a delicate issue. Whereas embracing positive acclaim makes firms vulnerable to violating rising expectations and experiencing intense negative social performance feedback in the future, rejecting positive social performance feedback risks alienating FI stakeholders who welcome the reputational benefits conferred by higher levels of firm social performance than expected.

We propose that firms address this conundrum by resorting to symbolic actions that attempt to alter stakeholder expectations without changing the actual level of firm social performance. Past research has examined how firms utilize symbolic actions *related* to social performance to address negative feedback from activists (McDonnell & King, 2013; Oliver, 1991; Suchman, 1995), including the use of CSR reports (Feldner & Berg, 2014), social media activity touting philanthropic programs (Gershbein, 2015), or press releases related to social performance awards (Zavyalova et al., 2012). However, we argue that when firms face intense positive social performance feedback, symbolic actions related to social performance may serve to "pile on" social accolades that are likely to exacerbate already rising expectations. In contrast to extant literature, we contend that firms use symbolic actions *unrelated* to social performance to address intense positive feedback from FI stakeholders.

Symbolic actions unrelated to social performance include social media posts emphasizing product quality, annual reports focusing on economic trends, or press releases indicating financial

performance successes. For instance, a firm facing intense positive feedback for introducing sustainable materials into their manufacturing process may respond by featuring a recent product quality award on their Facebook page or issuing a press release to report on recent strong financial performance. These strategies seek to deflect the positive social performance feedback by drawing attention to alternative positive characteristics of the firm (Ashforth & Gibbs, 1990) that are not related to social performance. Such actions will leverage some of the positive attention that the firm is receiving but seek to channel it into building FI stakeholders' perceptions of the firm in a way that does not increase their social performance expectations.

> *Proposition 2: Nonsocial enterprises are likely to respond to intense positive social performance feedback from FI stakeholders with symbolic actions that are unrelated to social performance.*

Social Enterprises' Double Standard

Behavioral theory of the firm grounded in financial performance generally does not consider significant differences across how firms form, frame, and respond to reference points, because financial performance is considered central to all firms' existence. However, firms vary in the centrality of social performance to their organizational identity. In particular, social enterprises view social performance as primary and central (Bacq & Janssen, 2011), and they directly integrate social causes into their firm identity. As examples, Grameen Bank's cause is poverty alleviation through financial inclusion, Aravind Eye Care Systems' cause is to improve universal access to visual health by means of pay-what-you-can surgeries, and Method's cause is environmental sustainability through development of eco-friendly and nontoxic household products.

The distinct identity of social enterprises has two major implications for a behavioral theory of social performance. First, FI stakeholders of a social enterprise identify de facto with its social performance activities—or cause—since they form the core of the social enterprise's organizational identity. As a result, stakeholders who identify with a social enterprise are likely to evaluate the criterion of social performance differently than stakeholders who identify with a nonsocial enterprise. Second, social performance feedback strikes at the identity core of social enterprises, and identity considerations are important drivers of their strategic decision-making process (Fauchart & Gruber, 2011; Wry & York, 2017). Thus, we elaborate below on the social performance feedback consequences of having both firm-specific and cause-specific factors embedded in the firm identity (Wry & York, 2017). We propose that compared to nonsocial enterprises, social enterprises face different social performance evaluation processes and enact different firm strategic responses to FI stakeholder social performance feedback.

The "double identification" with both the firm itself and its social performance activities leads FI stakeholders to evaluate and provide feedback to social enterprises differently than nonsocial enterprises. First, stakeholders who identify with a social enterprise derive part of their own identity from the firm's social performance activities. Drawing on social performance helps these stakeholders not only enhance their self-concept but also increase distinctiveness by differentiating themselves from FI stakeholders of nonsocial enterprises (Ashforth & Mael, 1989). For instance, highly identified employees at a microfinance institution see themselves as different from traditional bank employees, since they view their work as a means to advance social causes of financial inclusion and poverty alleviation (Battilana & Dorado, 2010).

Second, because FI stakeholders of social enterprises also integrate social causes into their self-concept, we argue that they are more likely to draw on higher-level social performance standards to form their social performance expectations. Indeed, cause-identified stakeholders view social performance shortfallings as an opportunity to advance their social cause (Rowley & Moldoveanu, 2003). Since their expectations are not firm specific, we suggest that the expectations of social enterprises' FI stakeholders will be more rigid than rather malleable firm-specific social performance expectations. For instance, there is evidence that activists attempt to hold companies to industry-leading social performance practices (Christmann, 2004; Zadek, 2004). For many firms, this high standard of social performance is unrealistic and may not be particularly relevant since FI stakeholders are unlikely to expect such high levels of social performance. However, in the case of social enterprises, who center organizational identity around a cause, we suggest that FI stakeholders do expect high levels of social performance

in line with the kind of industry-leading standards promoted by activists. This creates a higher level of social performance expectations for social enterprises, relative to nonsocial enterprises. Because FI stakeholders of a social enterprise deem the same level of social performance to be unacceptable for the social enterprise they identify with, but acceptable for a nonsocial enterprise, we refer to this as the "social enterprise double standard."

TOMS shoes provides an example of the social enterprise double standard. When TOMS pioneered the "buy-one, give-one" business model in 2006 by donating a pair of shoes to a child in need for every pair purchased from the company, this appealing social business model drove its stakeholders to identify with the firm and its core cause. Indeed, FI stakeholders deepened their affiliation with TOMS by becoming brand ambassadors on college campuses and volunteers in their "shoe drops." This stakeholder identification allowed TOMS to spend significantly less money than competitors on marketing and operations (Pride & Ferrell, 2015). By 2011 TOMS shoes were carried by hundreds of retailers, and the company had achieved widespread success (Mycoskie, 2011). However, in 2013, after the revelation that TOMS was producing a significant portion of its shoes in Chinese factories, the same identity attachment to TOMS led its FI stakeholders to lambaste the company. Manufacturing in China is seen as standard operating procedure for many globalized firms (even preferable to the emerging lower-wage manufacturing hubs of Bangladesh, Cambodia, and Vietnam; Bradsher, 2013), but for a social enterprise like TOMS, it was deemed a strategy that conflicted with TOMS' core identity and was arguably hurting the interests of the company's core impoverished beneficiaries (Parmar, 2013; Short, 2013). We suggest that while the centrality of social performance to organizational identity influences stakeholder evaluations, it is also likely to affect how social enterprises frame and respond to social performance feedback.

Social Enterprises' Framing and Response to Negative Social Performance Feedback

Because their core identity is grounded in social performance, social enterprises experience identity spillover from the social performance feedback expressed by FI stakeholders. As a result, social enterprises interpret social performance feedback through identity frames that do not apply to nonsocial enterprises and that may congrue or conflict with the strategic frames of legitimacy and efficiency. When facing intense negative social performance feedback, social enterprises will perceive it as an identity threat (e.g., Dutton & Dukerich, 1991), which will trigger self-protection behaviors. Self-protection will cause the firms to want to fundamentally reduce damage and restore their core identity. Indeed, for social enterprises, faltering on social performance undermines their very raison d'être. We have theorized that FI stakeholders protect their identity by providing negative feedback to distinguish themselves from the firm they identify with. Similarly, we suggest that social enterprises protect their identity by taking social performance actions that differentiate them from nonsocial enterprises.

We suggest that this self-protection identity frame is consistent with the strategic frame of legitimacy. In fact, since the legitimacy frame revolves around losing FI stakeholder support, we suggest that identity self-protection considerations will intensify legitimacy concerns. As a result, social enterprises will be highly motivated to make fundamental social performance changes that nonsocial enterprises would be unwilling to make. Specifically, social enterprises will make substantive changes to increase social performance through *technical* actions—that is, social performance changes to existing operations that address the root cause of the feedback. This stands in contrast to nonsocial enterprises that take substantive actions to restore legitimacy by increasing social performance through new social performance initiatives, without necessarily addressing the root cause. Social enterprises will recognize that their FI stakeholders draw on industry-leading social performance standards and that new social performance initiatives will not cover up social performance shortfallings in their existing operations.

For example, we can see how TOMS (a social enterprise) and Nike (a nonsocial enterprise) reacted differently to intense negative social performance feedback regarding their manufacturing operations. On the one hand, TOMS, in response to backlash against its manufacturing facilities in China, decided to relocate one-third of its manufacturing facilities to Haiti, a country where they could have a greater social impact. On the other hand, Nike addressed public outrage regarding abusive labor practices in their facilities by increasing monitoring, pledging to conform to stricter regulations (Nisen, 2013),

and venturing into "green" eco-friendly products (Andersen, 2015; Jana, 2009). But as human rights activists revealed, such monitoring failed to comprehensively address problems, and Nike has been forced to acknowledge widespread issues in its factories, even after claiming to have substantively addressed these root causes in their operations (Nisen, 2013). Compared to TOMS' response, Nike's responses were more substantive-additive actions than TOMS' substantive-technical actions of closing problematic factories and relocating to a more "worker-friendly" location. We suggest that it is a self-protection identity frame coupled with a legitimacy frame that differentiates social enterprises from nonsocial enterprises and drives social enterprises to make substantive-technical social performance changes to their existing operations in response to intense negative social performance feedback. We state this more formally in the following proposition.

> *Proposition 3: Social enterprises are likely to respond to intense negative social performance feedback from FI stakeholders with social performance changes to existing operations (substantive technical).*

Social Enterprises' Framing and Response to Positive Social Performance Feedback

In contrast to nonsocial enterprises, social enterprises facing intense positive social performance feedback will perceive the situation as an identity opportunity (e.g., Dutton & Dukerich, 1991), which will trigger a self-enhancement identity frame. Social enterprises will garner identity benefits from intense positive social performance feedback and, as a result, will desire to quickly incorporate it into their identity. Such desirable social performance feedback resonates with firm identity and presents a strategic opportunity for a social enterprise to differentiate itself from nonsocial enterprises by reinforcing its distinctive status (Ashforth & Mael, 1989; Rowley & Moldoveanu, 2003). Thus, rather than seeking to deflect the positive attention, social enterprises will likely want to relish it and use the momentum to further achieve their social mission.

At the same time, social enterprises also face trade-offs between financial and social performance (Battilana, Sengul, Pache, & Model, 2015; Zhao & Grimes, 2016). Strategically, social enterprises must also view positive social performance feedback through the same efficiency frame as nonsocial enterprises. As such, social enterprises face real constraints to the upper limits of their social performance, since social performance above FI stakeholder expectations may indicate that they are reaching levels that exceed fiscal sustainability.

Thus, when social enterprises face intense positive social performance feedback, their identity frame of self-enhancement, which desires to incorporate positive feedback into firm identity, will conflict with the strategic frame of efficiency, which wants to mitigate rising expectations. Substantive increases in social performance would enhance their self-concept but would also dramatically raise future FI stakeholder expectations. On the other hand, symbolic unrelated actions (the response of nonsocial enterprises) would mitigate rising FI stakeholder expectations but would not provide desired firm identity benefits. Therefore, we suggest that social enterprises will compromise by engaging in symbolic activity that is related to social performance. For instance, a social enterprise experiencing intense positive social performance feedback for its new industry-advancing approach to using recycled products may respond by issuing a press release touting the contributions of its worker volunteer program or the effectiveness of its philanthropic efforts. In contrast to symbolic actions unrelated to social performance, symbolic actions related to social performance will not temper FI stakeholders expectations but, in fact, will moderately raise them. However, this response will reinforce firm identity by enhancing the social enterprise's own self-concept and further differentiating it from nonsocial enterprises without making substantive changes that would increase FI stakeholder expectations too dramatically. We state this more formally in the following proposition.

> *Proposition 4: Social enterprises are likely to respond to intense positive social performance feedback from FI stakeholders with symbolic actions related to social performance.*

DISCUSSION

Social performance is a pervasive topic of public discourse and social import (Scherer & Palazzo, 2007), but how firms approach social performance is hotly debated (Luo & Bhattacharya, 2009; Matten & Moon, 2008; McWilliams, & Siegel, 2001). We suggest that firms neither blindly and

selflessly pursue social performance nor coldly and calculatedly avoid it. Rather, firms follow behavioral responses that involve framing effects and identity considerations.

However, we argue that a behavioral theory of social performance must be fundamentally different from its traditional financial counterpart. The negotiation process that we propose addresses calls to build theory regarding the formation of reference points, especially under ambiguous conditions (Fang et al., 2014; Jordan & Audia, 2012; Shinkle, 2012). In this negotiation we extend research on strategic frames by theorizing that loss or gain strategic frames manifest, respectively, as legitimacy and efficiency frames in the context of social performance. Since there are risks to being far below or far above expectations, FI stakeholder social performance expectations mark a critical calibration point that may serve as an optimal level of social performance for firms.

Our predictions of firm responses to social performance feedback provide an exploration into tactics used to shape this critical point of (potential) social performance reference point agreement. Thus, whereas behavioral theory of the firm grounded in financial performance contends that a firm's ideal position vis-à-vis a reference point is above it rather than below it (Cyert & March, 1963), we contend that a firm's ideal position is close to a social performance reference point (i.e., either just above or just below). In this way a firm's position relative to a social performance reference point may be evaluated more in terms of feedback intensity (i.e., minor versus major discrepancy) than valence (positive versus negative). While weak feedback can be tolerated and managed more easily, it is intense feedback in either valence that induces firm responses (Table 1, row 6). Further, our theory expands the strategic repertoire of firm responses beyond the problemistic search of behavioral theory of the firm grounded in financial performance (Gavetti et al., 2012) and common predictions in the activist literature (Briscoe & Gupta, 2016). We theorize that firms use substantive responses to increase social performance and symbolic responses to mitigate rising FI stakeholder expectations. In addition, since social performance varies in importance across firms, in contrast to behavioral theory of the firm grounded in financial performance, we contend that organizational identity plays an important role by motivating more distinctive responses for social enterprises relative to nonsocial enterprises (Table 1, row 5).

Our behavioral theory of social performance also complements and extends a growing body of literature on "wrongdoing." Research on stakeholder concerns (Bundy et al., 2013), scandal (Graffin et al., 2013), university infractions (Zavyalova et al., 2016), illegal activity (Mishina et al., 2010), product recalls (Rhee & Haunschild, 2006; Zavyalova et al., 2012), boycotts (McDonnell & King, 2013), and crisis (Bundy & Pfarrer, 2015; Coombs & Holladay, 2004) has shed valuable insight into how firms respond to negative evaluations with a robust repertoire of defensive strategies (McDonnell & King, 2013). We extend this literature by examining negative feedback from another group of salient and highly prevalent stakeholders—FI stakeholders. Compared to the relatively frequently studied case of cause identification (i.e., activism; Briscoe & Gupta, 2016), we suggest that organizational identification creates a more intimate relationship between the firm and its FI stakeholders, which, in turn, incentivizes the former to act on the expectations of the latter. Extant research has debated the degree to which firms take seriously and respond to negative social performance feedback (McDonnell et al., 2015; Waldron et al., 2013). Indeed, ignoring or taking symbolic actions may be viable responses to intense negative social performance feedback stemming from activists or less salient stakeholders (McDonnell & King, 2013). However, we suggest that the salience and close relationship with FI stakeholders requires firms to provide substantive responses to intense negative social performance feedback. While the nature of the substantive responses differs between nonsocial enterprises (i.e., additive) and social enterprises (i.e., technical), each represents actions that increase the aggregate level of firm social performance. As such, our theory specifies a condition whereby firms meaningfully respond to intense negative social performance feedback (Waldron et al., 2013)—that is, when the source is FI stakeholders.

Finally, in contrast to the dominant body of work in firm evaluations focused on wrongdoing, we examine "rightdoing." We theorize that while positive social performance feedback confers benefits, there are also risks associated with exceeding FI stakeholder expectations. Social performance investments above FI stakeholder expectations are unlikely to be cost effective.

Since positive attributes are quickly integrated into FI stakeholders' self-concept, firms risk violating the raised standards of FI stakeholder expectations in the future. As a result, we suggest that nonsocial enterprises, rather than resorting to symbolic actions to mollify critics when facing negative social performance feedback (McDonnell & King, 2013), use symbolic actions unrelated to social performance to temper rising FI stakeholder expectations when facing positive social performance feedback. However, social enterprises embrace positive feedback with symbolic actions related to social performance—a decision that our theory suggests may be unsustainable in the long term, unless they are able to resolve conflicts with financial performance. Our theory also contends that social enterprises face unique social performance feedback dynamics. The centrality of social performance to organizational identity and the identified nature of stakeholders create a double standard regarding acceptable social performance levels relative to nonsocial enterprises. As a consequence, social enterprises face asymmetrical social performance feedback such that they are more likely to receive intense negative feedback than intense positive feedback. The unique feedback dynamics of social performance deserves further research attention, and the concept of performance feedback asymmetry may be useful in other domains of behavioral strategy research.

Empirical Testing

Beyond theoretical advancements, our model is conducive to exciting means of empirical testing. Much of the research at the intersection of social performance and evaluations has used content analysis of annual reports, press releases, news articles, and other media reports to capture stakeholder evaluations and firm responses (Krippendorff, 2012; McKenny, Short, & Payne, 2012; Short & Palmer, 2007). By culling indicators of organizational identification, these same sources can be utilized to focus on social performance–related evaluations and firm responses to them. In addition, the rising corporate use of online platforms and social media (Barnes & Lascault, 2015) opens novel means to test our model with a more refined focus on FI stakeholders. While revealing social performance expectations themselves may require dedicated interviews or surveys, stakeholders regularly give visible and active feedback to firms through social media, blogs, video platforms, and consumer review websites. For instance, Wang et al. (2016) analyzed London hoteliers' responses to consumer devaluations on TripAdvisor. Similar stakeholder interactions are constantly playing out on company Twitter accounts and Facebook pages. Content analysis of these public interactions can capture the prevalence of social performance issues, as well as the valence (positive or negative) and intensity (weak or strong) of social performance feedback. The direct nature of interactions allows researchers to match firm strategic response to specific social performance feedback. The authenticity of these online responses could also be compared to data in annual reports or CSR reports announcing both technical and additive substantive firm actions.

Further, information on social media profile backgrounds and past postings is likely to provide a rich set of content that can be used to both distinguish between social and nonsocial enterprises and classify stakeholders' organizational identification. For instance, social enterprises may join or "like" cause-specific groups or form membership affiliations with other social enterprises online. Individual stakeholders who "like" a firm on Facebook may be considered FI stakeholders, and the frequency of liking posts or favoriting tweets can provide an indication of their level of identification. Other means to specify organizational identification include survey scales (Bergami & Bagozzi, 2000; Dukerich et al., 2002), alumni status (Mael & Ashforth, 1992; Zavyalova et al., 2016), or consumer involvement (Traylor, 1981).

Boundary Conditions and Future Research

To provide focus and depth to our theoretical development, we have necessarily made restricting assumptions that place boundaries on our theory. Relaxing these boundary conditions goes beyond the scope of the current theory but may serve as fertile ground for future theoretical development. First, we have isolated the role of FI stakeholders who care about social performance because of their particular salience in expressing social performance feedback, but, in doing so, we have excluded other relevant stakeholders. FI stakeholders who do not care about social performance may also face identity-specific considerations that motivate them to provide feedback.

As discussed, other non-FI stakeholder groups also provide social performance feedback, and some have been addressed extensively in extant social activism literature (Briscoe & Gupta, 2016). In addition, government regulators, analysts (Luo et al., 2015), social movements (McCarthy & Zald, 1977; Pacheco, York, & Hargrave, 2014), and infomediaries (Zavyalova et al., 2012) all play roles in coordinating stakeholder feedback to social issues (Schuler & Cording, 2006). We have suggested that FI stakeholders may seek to engage or mobilize other stakeholder groups (Waldron et al., 2013), but further investigation of the way in which the broader audience and environment influences stakeholders' social performance engagement with firms is warranted. In addition, the firms and FI stakeholders who actively embrace negative social performance provide a unique context to examine potentially deviant social performance feedback dynamics. In any case, exploring social performance feedback dynamics in other stakeholder groups and types of firms would produce a more comprehensive understanding of both our proposed framework and broader behavioral theory.

Second, we have argued and assumed that FI stakeholders have relatively homogeneous expectations regarding aggregate levels of firm social performance. While our theory does imply that social performance expectations may vary depending on the level of identification of the stakeholder, exploring potential antecedents and consequences of differing social performance expectations among FI stakeholders and across other stakeholder groups is likely to be a rich avenue for future inquiry. Social performance expectations may vary over time, across cultural environments (Donthu & Yoo, 1998), between industries (Dowell, Hart & Yeung, 2000), and among stakeholder groups (Mitchell et al., 1997). How firms deal with heterogeneous and potentially conflicting stakeholder social performance feedback provides fruitful future research avenues that lie at the intersection of stakeholder theory and behavioral theory. Stakeholder theory has explored the question of "who and what matters," but we lack a full understanding of what firms do and/or should do when multiple individuals or groups that "matter" provide conflicting feedback. This is likely a daily struggle in large firms with elaborate networks of stakeholders, and elucidating the processes and consequences under such circumstances may better equip managers to maintain and strengthen stakeholder relations. Conflicting social performance expectations may also stem from diverse demands on particular issues (Bundy et al., 2013). We isolate social performance as a single broad criterion; however, future research may apply a more fine-grained examination of specific social performance issues and the potential cross-pollination or spillover across issues.

Third, we assume that managers receive and accurately assess social performance feedback. However, managers may fail to receive feedback, may misinterpret feedback, or may even actively distort performance information (Fang et al., 2014). This interesting consequence of ambiguous performance feedback (Jordan & Audia, 2012) remains fertile territory for extending our theoretical development and integrating theories of managerial cognition (Porac & Thomas, 1990; Porac, Thomas, & Baden-Fuller, 1989).

Fourth, our theory takes the premise that social performance is ambiguous and lacks clear benchmarks. However, this is likely to change as social performance becomes institutionalized and reliable benchmarks are developed. While government regulations certainly may provide a baseline, there are also a growing number of efforts to measure and quantify social performance more explicitly (Delmas, Etzion, & Nairn-Birch, 2013). As these indicators become adopted and used by firms, they may serve as useful additional social performance referents. At the early stages of this institutionalization, valuable questions include whether industry average and historical social performance reference points align with stakeholder feedback, how firms selectively pay attention to multiple sources of social performance feedback, and how firms calibrate responses to a new and emerging benchmark. A related and practically useful stream of research would focus on how to calculate and disseminate such reliable and clear benchmarks. Recent work has been directed at the related issue of quantifying social value creation (Kroeger & Weber, 2014; Lingane & Olsen, 2004), yet this research is still in its infancy. Should scholars succeed in creating a reliable and clear social performance metric that reflects stakeholder expectations, this would greatly aid practitioners in making social investments and decisions.

Fifth, we isolate social performance as a reference point criterion and essentially focus on the treatment of multiple referents (firm actual performance and FI stakeholder expectations); however, firms also calibrate decision making across multiple goals (Cyert & March, 1963; Ethiraj & Levinthal, 2009). We embed logic of attention to financial goals in firm concerns with legitimacy and efficiency, but further exploration of how firms manage social performance goals alongside multiple financial and survival goals is likely to be generative for future theorizing (Arora & Dharwadkar, 2011; Greve, 2008; March & Shapira, 1992). This is likely to be particularly valuable for social enterprises given that they are, by definition, focused on both social and financial goals, which may conflict or be mutually reinforcing. In fact, all enterprises vary in the relative weight they place on social compared to financial goals, and future research would benefit from exploring a more comprehensive continuum of socially oriented enterprises. Indeed, managers of all firms would be aided by a fuller accounting of strategies to manage financial and social tensions or exploit potential synergies.

Finally, we develop a framework based on one round of negotiations between FI stakeholders and the organization. However, it is important to realize that this model is iterative in nature, whereby FI stakeholder social performance expectations may undergo large changes and have little temporal stability. Firm responses to social performance feedback are likely to become dynamic inputs that update FI stakeholder expectations or the level of firm social performance. This contrasts with the relatively stable and incremental annual adaptation of historical and industry peer financial reference points in most empirical testing (Shinkle, 2012). However, further theorizing is necessary regarding the effectiveness of firm responses and longer-term adaptation of social performance reference points.

In conclusion, while social performance is increasingly important, how firms integrate it into strategic decision making is not well understood. We theorize that firms attempt to negotiate a social performance reference point with their highly identified stakeholders, and we explicate responses to social performance feedback through the use of strategic and identity frames. In doing so we wish to open new avenues of theoretical development regarding how social performance is incorporated into the strategic behavior of contemporary firms.

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